



Annual Report 2011-2012

# Himachal Fibres Limited

[www.himachalfibre.com](http://www.himachalfibre.com)







## HIMACHAL FIBRES LIMITED



# “ Emerging Trends in Indian Textile Industry ”

Dear Shareholders,

*I am pleased to share with you my views on the changing trends witnessed in the global textiles business and the approach and effort being made in Himachal Fibres Limited to re-orient and adapt to the emerging trends and opportunities.*

*The textile industry in India is one of the hopeful divisions of Indian market. It supplies more than thirteen percent to trade production, 16.63 percent to export revenues and four percent to the nation's GDP. In the forth coming year, the industry appears all set to make approximately twelve million career opportunities with a venture of US dollar six billion in the field of textile tools and structure, and garment manufacturing by the end of 2015.*

*Indian textile industry has also shown signs of recovery. Indian textile industry need to concentrate on the cost optimization and value addition in order to compete with global players. The economy is growing, but a number of adverse features are apparent and seem to be here to stay such as persistent and stubborn inflation, unprecedented higher commodity and all other input costs, which are impediments to industrial progress. Though the Reserve Bank of India has adopted tighter monetary policies to contain or reduce inflation, this has correspondingly resulted in hardening interest costs which is another burden that industry has to cope with.*

*The Indian industry foresees huge demand for industrial woven products for medical and automotive applications. Demand for woven fabrics is anticipated to be rise vertically in the sector of home textiles.*

*Some of the strengths of Indian Textiles Industry are large and potential domestic and international market, large pool of skilled and cheap labor, well-established industry, promising export potential etc.*

*Our resilient approach and our constant endeavour to positively embrace challenges combined with our diversified exposure to end markets enabled us to bear the impact. Our strategy and business model remain robust and relevant to the challenges and demands of our markets. We are moving forward with plans that allow us to constantly evolve and initiate early change, as opportunities present themselves.*

*The volatile increase in the prices of Cotton deeply impacted the yarn pricing. It is a common practice across the industry that when the prices are increasing, the procurement of goods continue in anticipation of further price hike. But in the event of fall in prices, goods are bought for short-term consumption only. This results in inventory losses. Our efficient inventory management enabled us to withstand a turbulent economic scenario. The impact was significantly lower than the industry.*

*Previously, there was a great demand for blended yarn for suiting and shirting. But with changing times, filament yarn being cheaper suits the current trend and preference. Our presence in the value-added segment of the yarn provides us flexibility to change our product mix as per the market demand. Himachal Fibres Limited presence across the entire value chain has facilitated the growth of its clientele base.*

*We continued to invest towards developing and grooming new talent. With the industry becoming significantly competitive, we have taken appropriate measures to maintain a high retention rate. Besides, we continued to enhance our focus on the community initiatives, environment monitoring, health, safety and ethical governance to maintain a sustainable business practice.*

*Your Company is continuously keeps reviewing its strategy in the light of the ongoing changes. We also adapt to changing requirements of customers by realigning our product mix and skill set. India exports 40% of its textile, so we have to be alive to what happens in the rest of world and keep making efforts to learn, adapt and improve with a spirit to create a cutting edge in competitiveness.*

**With Best Wishes,**

**Sd/-  
Akhil Malhotra  
Managing Director**



# HIMACHAL FIBRES LIMITED

## **BOARD OF DIRECTORS:**

Shri Sushil Singla  
Shri Akhil Malhotra  
Shri Rajinder Kumar  
Shri Prem Parkash Thukral  
Shri Rajan Dhawan  
Shri Raj Mittal  
Shri Daljeet Singh Rana

## **DESIGNATION**

Chairman  
Managing Director  
Whole Time Director  
Whole Time Director  
Director  
Director  
Director

## **KEY EXECUTIVE OFFICERS**

*Secretarial/Corporate/compliances*  
Shri Mukesh Singh Verma  
Company Secretary

*Accounts/Finance/Taxation*  
Shri Ashwani Kumar  
G.M (Finance & Accounts)

## **STATUTORY AUDITORS:**

Sumat Gupta & Co.  
Chartered Accountants,  
G. T. Road, Miller Ganj,  
Ludhiana – 141 003  
Jalandhar City-144001

## **COST AUDITORS**

J.Verma & Associates  
Cost Accountants  
2<sup>nd</sup> Floor, Bajaj Building  
Bazaar Panj Peer

## **BANKERS:**

State Bank of India,  
SCB, Miller Ganj,  
Ludhiana- 141003

## **REGISTERED OFFICE/WORKS**

Plot No. 43-44, Industrial Area  
Barotiwala- 174103  
Distt. Solan (H.P.)

## **REGISTRAR & SHARE TRANSFER AGENT**

Beetal Financial & Computer Services (P) Ltd,  
"Beetal House", 3<sup>rd</sup> Floor, 99, Madangir,  
Behind Local Shopping Centre,  
New Delhi – 110 062

## **CORPORATE OFFICE**

SCO-1, Ground Floor, City Tower  
Model Town, Ludhiana – 141 002

	<b>Contents</b>	<b>Page No.</b>
1.	Notice	1-2
2.	Director's Report	3-9
3.	Report on Corporate Governance	10-16
4.	Auditor's Report	17-20
5.	Balance Sheet	21
6.	Profit & Loss Account	22
7.	Cash Flow Statement	23
8.	Schedules	24-38
9.	Proxy Form & Attendance Slip	



## NOTICE

NOTICE is hereby given that the 31<sup>st</sup> Annual General Meeting of the members of **HIMACHAL FIBRES LIMITED** will be held at the Registered Office of the company at Plot No. 43-44, Industrial Area, Barotiwala, Distt. Solan (H.P.) 174103, on Saturday, the 29<sup>th</sup> September, 2012 at 01.00 P.M. to transact the following businesses:-

### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Statement of Accounts of the Company for the year ended on 31<sup>st</sup> March, 2012 and the Report of Auditors and Directors thereon.
2. To appoint a Director in place of Shri Sushil Singla, who retires by rotation and being eligible, offers himself for re-appointment
3. To appoint a Director in place of Shri Rajan Dhawan who retires by rotation and being eligible, offers himself for re-appointment.
4. To Appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s Sumat Gupta & Co, the retiring Auditors are eligible for re-appointment.

### **SPECIAL BUSINESS**

5. **TO CONSIDER AND IF THOUGHT FIT, TO PASS WITH OR WITHOUT MODIFICATION(S), IF ANY, THE FOLLOWING RESOLUTION AS A SPECIAL RESOLUTION:**

“**RESOLVED** that pursuant to the provisions of Section 198, 269, 309 & 311 read with Schedule XIII and other applicable provisions of the Companies Act, 1956, if any, (including any statutory modification or re-enactment thereof, for the time being in force), the consent and approval of the members be and is hereby accorded for the appointment of Shri Prem Parkash Thukral, Director as Whole Time Director for a period of 5 years from 13.02.2012 to 12.02.2017 at a consolidated remuneration of Rs.63,000 P.M.

“**RESOLVED FURTHER** that the Board of Directors be and are hereby authorized to alter or vary the terms and conditions of the said appointment at any time during the tenure so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 including any statutory modification or re-enactment thereof, for the time being in force or any amendments and/or modifications that may here-in-after be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board of Directors and Shri Prem Parkash Thukral, Whole Time Director.”

“**RESOLVED FURTHER THAT** pursuant to the provisions of the Factories Act, 1948, Environmental & Pollution Control Laws, applicable Economic Legislations, Labour Laws, all other statutory departments and other applicable provisions, if any of the Companies Act, 1956 and subject to the approval of shareholders in general meeting, consent of the Board be and is hereby accorded to the appointment of **Shri Prem Parkash Thukral**, Whole-time director of the company as an “**Occupier**” under the Factories Act and all other Acts, for the manufacturing unit situated at Plot No-43-44, Industrial Area, Barotiwala, Distt-Solan-174103, Himachal Pradesh. He shall be responsible towards all departments for all the activities being carried on in the unit”

“**RESOLVED FURTHER THAT Shri Prem Parkash Thukral** be and is hereby authorized to do all such act deeds & things as may be required under the Factories Act, 1948, Environmental & Pollution Control Laws, applicable Economic Legislations, Labour Laws and all other statutory departments including signing of application, documents, forms required to be submitted to the concerned departments and authorities and to honour the duties & responsibilities of an occupier.”



## HIMACHAL FIBRES LIMITED

**“RESOLVED FURTHER THAT** Shri Akhil Malhotra, Managing Director and or Company Secretary of the Company is hereby authorized to take all such steps as may be necessary to give effect to this resolution.

For Himachal Fibres Limited

Sd/-

Akhil Malhotra  
Managing Director

Place: Ludhiana.  
Dated: 13.08.2012

### NOTES:

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. THE BLANK PROXY FORM IS ENCLOSED.**
2. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of items of Special Business is annexed hereto and forms part of this notice.
3. The Members are requested to notify the changes, if any, in their registered addresses, at the earliest and may also intimate their E-mail address (es), if any, to the Company.
4. Please send your queries, if any, regarding annual accounts at least 10 days in advance prior to the date of Annual General Meeting so that information can be made available at the meeting.
5. The copies of the relevant documents can be inspected at the Registered Office of the Company on any working day between 10.30 A.M. to 12.30 P.M.
6. The members are requested to bring their copy of attendance slip with them to the Annual General Meeting.
7. Proxies in order to be effective must reach the Company's Registered Office not less than 48 hours before the Meeting
8. The Register of Members and the Share Transfer Books will remain closed from 25<sup>th</sup> September, 2012 to 29<sup>th</sup> September, 2012 (both days inclusive).

### ANNEXURE TO THE NOTICE

#### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF ITEMS OF SPECIAL BUSINESS:**

##### **ITEM NO-5**

Members are informed that the Complexity of the Business & Dynamic market situation warrants the Management to appoint a Whole Time Director in the Board to look after the Factory Affairs, Industrial & Labour Law related Compliances & smooth functioning of the operations in the factory of the Company including others on day to day basis. Therefore, the Board of Directors in its meeting held on 13.02.2012 had appointed Shri Prem Parkash Thukral as Whole Time Director of the Company w.e.f 13.02.2012 for a period of five years on a consolidated salary of Rs. 63,000 Per Month. The said terms of five years shall expire on 12.02.2017. His appointment is subject to the approval of the members. Accordingly, your approval is solicited by Special resolution to effect the said appointment.

For Himachal Fibres Limited

Sd/-

Akhil Malhotra  
Managing Director

Place: Ludhiana.  
Dated: 13.08.2012



## DIRECTOR'S REPORT

Dear Members,

Your Directors have pleasure in presenting the 31<sup>st</sup> Annual Report of your company together with the Audited Accounts for the period ended 31<sup>st</sup> March, 2012 comprising of period from 01.04.20011 to 31.03.2012.

### 1. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

To avoid duplication and overlap between Directors Report and a separate Management Discussion and Analysis, this Report includes the Management Discussion and Analysis as appropriate.

#### 1.1 FINANCIAL AND OPERATIONAL PERFORMANCE

Rs. In Lacs

	2010-11 (12 Months)	2011-12 (12 Months)
Sales	10017.31	10360.68
Other Income	45.98	24.19
Total Receipts	10063.29	10384.87
Total Expenses	9823.27	10159.56
<b>Profit before tax</b>	<b>240.02</b>	<b>225.31</b>
Income Tax	47.80	46.20
Deferred Tax	15.01	49.70
Fringe Benefit Tax	-	-
<b>Profit after tax</b>	<b>177.21</b>	<b>129.41</b>

During the year under review, the company has achieved a total Turnover of 10360.68 Lacs and Net profit of Rs. 129.41 Lacs for the year ended on 31<sup>st</sup> March 2012.

#### 1.2 INDUSTRY STRUCTURE AND DEVELOPMENTS

The company is into Spinning and Dyeing of cotton and blended yarn. The Indian Textile Industry has an overwhelming presence in the economic life of the country. India is Second largest producer of cotton in the world and textile industry is second largest employer in India (after agriculture) – Direct Employment to 35 million People. Currently it contributes 2% to GDP, 11.50% to industrial production and constitutes 13% of India's exports.

Yarn is used by various textile mills/ knitting & weaving industry in the country. The domestic yarn markets would continue to be functioning normally as large weaving capacities have come up in the country.

#### 1.3 STRENGTH & OPPORTUNITIES-ANALYSIS

A systematic analysis of the textile and apparel industry in India indicates the following:-

##### STRENGTH

**Raw material base**-India has high self sufficiency for raw material particularly natural fibers. India's cotton crop is the third largest in the world. Indian textile Industry produces and handles all types of fibres.



**Labour**-Cheap labour and strong entrepreneurial skills have always been the backbone of the Indian Apparel and textile Industry.

**Flexibility**-The small size of manufacturing which is predominant in the apparel industry allows for greater flexibility to service smaller and specialized orders.

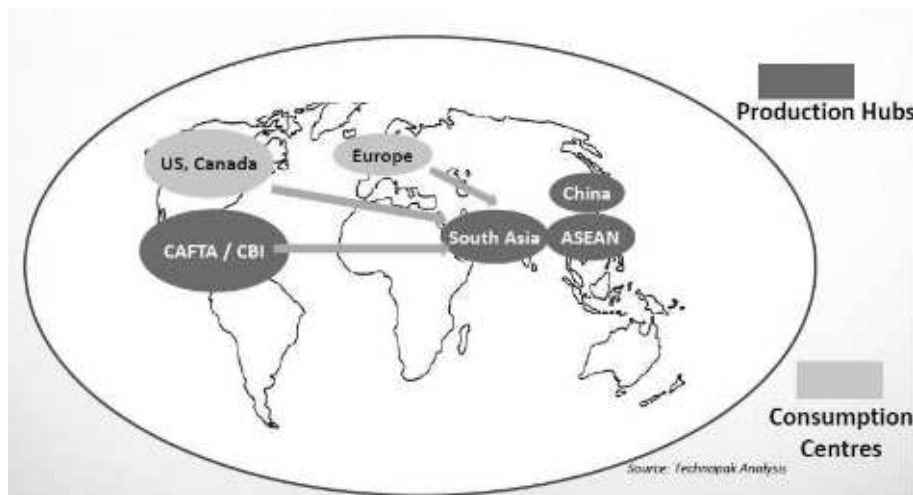
**Rich Heritage**-The cultural diversity and rich heritage of the country offers good inspiration base for designers.

## OPPORTUNITIES

**Indian Textiles-Vision 2020**- The current domestic Textile and apparel market of US\$ 47 bn is expected to grow @ 11% annually to reach US\$ 140 bn by 2020. The main drivers of domestic growth are increasing population, increasing income levels, rapid urbanization, improving demographics, increased organized players and increasing penetration of retailers into smaller cities.

**Export potential**- India has the potential to increase its export share in world trade from the current 4.5% to 8.00% by 2020. The high growth for Indian exports is possible due to increased sourcing shift from developed countries to Asia and India's strengths as a suitable alternative to China for global buyers.

**Shifting of production base**- Over the years, production has converged towards Asia from western countries



## 1.4 SEGMENT-WISE PERFORMANCE

The company operates only in one segment "Cotton & Blended Yarn" and hence segment-wise reporting is not required.

## 1.5 FUTURE OUTLOOK

The global textile and apparel industry is reviving after the recent global recession with increasing consumer demand. With the positive outlook the global textile and apparel trade has the potential to grow up to USD 800 bn. by 2015 from about USD 510 bn. in 2009.

The Indian textile industry is expected to grow to USD 134 bn. by 2015 from present size of USD 70 bn.





In the last 5 years, the total market size of the Indian textile industry has grown by about 10% annually. The industry is expected to grow further at a much higher pace primarily driven by strong domestic consumption which has remained robust despite the recent global economic down turn

Therefore, with the growing demand both in the domestic market and international market for the Indian products the company looks forward to expand its activities in near future.

## 1.6 GENERAL BUSINESS OUTLOOK

In the 1<sup>st</sup> half of FY 12, Domestic OTC demands were good and off take from wholesale were buoyant. However in the 2<sup>nd</sup> half of FY12 retail off take weakened due to poor market sentiments. In the export market, slow down in US and Europe, withdrawal of DEPB and reduced drawback rates impacted demand.

With exports becoming less attractive, we see competition to increase in domestic market as most of the exporters will substitute the exports with domestic sales.

The major domestic RMG players are not projecting high growth in FY13. The export market scenario is expected to continue to be weak due to recessionary trends.

In view of the above we expect the growth for our business to be moderate in FY13.

## 1.7 INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The company has a system of internal controls in place to ensure that all the transactions are properly recorded and authorised.

## 1.8 HUMAN RESOURCES

The company is of firm belief that the Human Resources are the driving force that propels a company towards the progress and success. The Industrial relations continued to remain cordial during the year under review.

## 2. DIVIDEND

Your directors regret their inability to propose payment of dividend for the period under review to conserve resources for the proposed modernization and expansion plans.

## 3. PROSPECTS

Company has made preferential issue of 11,20,000 Equity shares to other than Promoters/ Promoters Group for the company's modernization and further augmentation of the company's operation during the financial Year 2011-12.

During the year under review company has also come out with allotment of 40,00,000 Equity shares to Promoters/promoter's group, the special resolution for the same was passed by the Extra ordinary General Meeting dated 15.03.2012 by the shareholders of the company. The aforesaid shares were allotted on 21.05.2012 to the Promoters Group after getting the In Principle Approval from BSE for the same.

Company has after the allotment of shares to Promoters/Promoters Group has also applied to SEBI for their approval of Open Offer to the existing Shareholders of the Company. Detailed Public announcement & Letter of offer is filed with SEBI & also available on the SEBI's website for the reference.



## 4. DIRECTOR'S RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, with respect to Director's Responsibility Statement, it is hereby confirmed that:

- i) in the preparation of the annual account the applicable accounting standards have been followed and there are no material departures from the same.
- ii) The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit/loss of the Company for the year under review.
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and
- iv) The Directors have prepared the annual account on a 'going concern' basis.

## 5. DIRECTORS

Shri Sushil Singla and Shri Rajan Dhawan, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

None of the Directors of your company is disqualified under section 274(1)(g) of the Companies Act, 1956.

## 6. AUDIT COMMITTEE

Pursuant to Section 292A(1) of the Companies Act, 1956 and provisions of the Listing Agreement of the Stock Exchange, the company has already constituted Audit Committee consisting of Shri Sushil Singla, Director as Chairman, Shri Raj Mittal & Shri Akhil Malhotra, Managing Directors as members. The committee met Four times during the period under review.

## 7. REMUNERATION COMMITTEE

The remuneration committee comprises of three Directors viz. Shri Sushil Singla as Chairman, Shri Raj Mittal and Shri Rajan Dhawan as members. All are Independent non-executive Directors. Broad terms of reference of the Remuneration Committee include recommendation to the Board on salary/perquisites, commission and retirement benefits and finalization of the perquisite package payable to the company's Managing Director/ Whole-time/ Executive Directors.

## 8. CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code as stipulated under the Listing Agreement with the Stock Exchange(s) during the year under review. A separate section on Corporate Governance alongwith certificate from the Auditors confirming the compliance is annexed and forms part of the Annual Report.

## 9. REQUIREMENT U/S 217 OF THE COMPANIES ACT, 1956

Additional information regarding the Conservation of energy, Technology absorption and Foreign Exchange earnings and outgo as required U/S 217 (1) (e) of the Companies Act, 1956 is annexed and forms a part of this report.

There were no employees within the meaning of section 217(2A) of the Companies Act, 1956.



## 10. AUDITORS & AUDITOR'S REPORT

The retiring auditors M/S Sumat Gupta & Co., Chartered Accountants are eligible for re-appointment for the year 2011-12. They have furnished a certificate in terms of section 224(1B) of the Companies Act, 1956 certifying their eligibility to continue as auditors, if re-appointed.

The observations made in the Auditor's Report are self explanatory, however a qualification under section 297 has been made, for which the Board has given following explanations/ informations as per section 217(3) of the Companies Act, 1956:

The Hon'ble Board for Industrial & Financial Reconstruction (BIFR) has vide their order dated 21.07.2009 sanctioned the Rehabilitation Scheme for the revival of the company. Therefore the major Suppliers/ Creditors were unwilling to deal with the Sick Company or they are dealing cautiously with the Company. Therefore to smoothen the functioning and operations of the Company, It was constrained to have related party transactions i.e. sale, purchase or supply of any goods, material or services etc with the Group Companies/ companies under the common control. However the transactions taken place are reasonable having regard to prevailing market prices at the relevant time.

## 11. COST AUDITORS:

M/s J.Verma & Associates, Cost Accountant has been appointed to conduct Cost Audit of the Company for the Financial Year 2012-13. Due date of filing for the Financial Year 2011-12 will be 27.09.2012 & the Cost Audit Report for the financial Year 2010-11 in Form-1 was filed on 22.09.2011 vide its Challan No- B20993093 due date of which was 27.09.2011.

## 12. ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the support and co-operation extended by Central and State Governments, Financial Institutions and Banks, Customers and business associates of the Company, and confidence reposed by the Shareholders.

By order of the Board  
For **HIMACHAL FIBRES LIMITED**

Place: Ludhiana  
Dated: 13.08.2012

Sd/-  
**AKHIL MALHOTRA**  
Managing Director

Sd/-  
**RAJINDER KUMAR**  
Whole Time Director



**ANNEXURE TO THE DIRECTOR'S REPORT**

Additional information as required under Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Directors) Rules, 1988 and forming part of the Director's Report for the 12 months period ended on 31<sup>st</sup> March, 2012.

**A. STATEMENT RELATING TO CONSERVATION OF ENERGY**

	2010-11	2011-12
<b>A) POWER AND FUEL CONSUMPTION</b>		
1 ELECTRICITY		
(a) PURCHASED		
UNIT (LACS)	62.27	77.73
TOTAL AMOUNT (RS/LAC)	298.18	384.68
RATE/UNIT (RS)	4.79	4.95
(b) OWN GENERATION		
THROUGH DIESEL GENERATOR		
UNIT (LACS)	2.60	3.30
UNIT PER LITER OF DIESEL OIL	3.34	3.36
COST/UNIT (RS)	11.00	11.20
2 COAL		
QUANTITY (KGS)	1426347.60	1135184.37
TOTAL COST (RS.)	11838652.00	10021240.12
AVERAGE RATES (RS.)	8.30	8.83
3 FURNACE OIL		
4 OTHER/INTERNAL GENERATION		
(RICE HUSK CONSUMPTION)		
QUANTITY (LAC/KGS)		
RATE/UNIT (RS/KG)		
<b>B) CONSUMPTION PER UNIT OF PRODUCTION</b>		
PRODUCT		
COTTON & BLENDED YARN		
ELECTRICITY UNIT/PER KG	2.18	1.84
FURNACE OIL		
COAL		

**B. RESEARCH & DEVELOPMENT**

The Research & Development efforts in the company are focused for improvement of in-house expertise, creating work culture and adoption of new technologies, wherever possible, to conserve energy consumption.





## C. TECHNOLOGY ABSORPTION

It is proposed to adopt latest technology in the plant to maximize production, yield and better quality along with minimum consumption of energy.

## D. FOREIGN EXCHANGE EARNING AND OUTGO

	2011-12 (12 Months) (Rs./Lacs)	2010-11 (12 Months) (Rs./Lacs)
a) Earning (Export Sales- FOB Value)	NIL	NIL
b) Outgo:		
i) Imports-Raw Material & Spares	NIL	NIL
Capital Goods	NIL	NIL
ii) Expenditure	NIL	NIL
c) Net Foreign Exchange Earnings	NIL	NIL

By order of the Board  
For **HIMACHAL FIBRES LIMITED**

Place: Ludhiana  
Dated: 13.08.2012

Sd/-  
**AKHIL MALHOTRA**  
Managing Director

Sd/-  
**RAJINDER KUMAR**  
Whole Time Director



## REPORT ON CORPORATE GOVERNANCE

This Report on Corporate Governance forms part of the Annual Report. Corporate Governance refers to a combination of laws, regulations, procedures, implicit rules and good corporate practices that ensures that a Company meets its obligations to optimize shareholders value and fulfill its responsibilities to the community, customers, employees, Government and other segment of society. This report on Corporate Governance, besides being in compliance of the mandatory Listing agreement, gives an insight into the functioning of the Company.

### 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

- Faith in Bright future of Textiles and hence continued expansion in areas "Which we know best".
- Total Customer focus in all operational areas.
- Products to be of best available quality through TQM and zero defect implementation.
- World class manufacturing facilities with most modern R & D and process technology.
- Faith in individual potential and respect for human values.
- Encouraging innovation for constant improvements to achieve excellence in all functional areas.
- Accepting change as a way of life.
- Appreciating our role as a responsible corporate citizen.

During the period under review, the company had best corporate practices so as to bring them in line with the revised Clause 49 of the listing agreement. The Company will continue to focus its resources, strengths and strategies for creation and safeguarding of shareholder's wealth and at the same time protect the interests of all its shareholders.

### 2. BOARD OF DIRECTORS

#### Board Meetings:

During the Financial year i.e. 01.04.2011 to 31.03.2012, The Board met 4 times on the following dates-

28<sup>th</sup> May 2011

13<sup>th</sup> August 2011

10<sup>th</sup> November 2011

13<sup>th</sup> February 2012

#### Composition as on March 31<sup>st</sup>, 2012:

The Board of directors of the company is having an optimum combination of executive and non-executive directors with not less than fifty percent of the board of directors comprising of non-executive directors

Name of the Director	Category	Attended Board Meeting held on 28.05.2011	Attended Board Meeting held on 13.08.2011	Attended Board Meeting held on 10.11.2011	Attended Board Meeting held on 13.02.2012
Shri Sushil Kumar Singla (Appointed on 04/06/2010)	Chairman/ Independent Non Executive	Present	Present	Present	Present
Shri Rajinder Kumar (Appointed on 28/05/2010)	Promoter / Whole Time Director/ Executive	Present	Present	Present	Present



Shri Akhil Malhotra (Appointed on 28/05/2010)	Promoter/ Managing Director	Present	Present	Present	Present
Shri. Daljeet Singh Rana (Appointed on 15/03/2010)	Non Executive/ professional	Present	Present	Present	Present
Shri Raj Mittal (Appointed on 18/07/2007)	Independent Non Executive	Present	Present	Present	Present
Shri Rajan Dhawan (Appointed on 04/06/2010)	Independent Non Executive	Present	Present	Present	Leave
Shri Prem Prakash Thukral (Appointed on 13.02.2012)	Whole Time Director/Occupier	N.A	N.A.	N.A.	Present

**Details of membership of Board Committees**

None of the Director of the Company hold membership of more than ten Committees nor is any Director or chairman of more than five Committees of Boards of the Companies where he holds directorship. For this purpose Committees comprise Audit Committee, Remuneration Committee & Shareholder Grievances Committee. The details of the memberships of the Directors in all Committees are given below:

Sr. No.	Name of Director	Category	Name of Committee
1.	Shri Sushil Singla	Chairman	Audit Committee, Remuneration Committee, Shareholder Grievances Committee
2.	Shri Akhil Malhotra	Member	Audit Committee, Shareholder Grievances Committee
3.	Shri Raj Mittal	Member	Audit Committee, Remuneration Committee,
4.	Shri Rajan Dhawan	Member	Shareholder Grievances Committee Remuneration Committee

**3. AUDIT COMMITTEE:**

As at 31<sup>st</sup> March, 2012, the Audit Committee comprised of 3 Directors

1. Shri Sushil Kumar Singla, Chairman
2. Shri Raj Mittal, Member
3. Shri Akhil Malhotra, Member

The terms of reference of the Audit Committee are, as contained in section 292A of the Companies Act, 1956 and also contained in Corporate Governance Clause of the Listing Agreement.

The audit Committee met 4 times during the financial year ended on 31.03.2012 i.e. on 28<sup>th</sup> May 2011, 13<sup>th</sup> August 2011, 10<sup>th</sup> November 2011 & 13<sup>th</sup> February 2012. In terms of reference of this committee, cover the matters specified under the listing agreement and the Companies Act, 1956.

Name of the Director	Category	Attendance
Shri Sushil Kumar Singla	Chairman/Independent Non Executive	4
Shri Raj Mittal	Member/Independent Non Executive	4
Shri Akhil Malhotra	Promoter/Managing Director	4

**4. REMUNERATION COMMITTEE**

The remuneration committee comprises of three Directors viz. Shri Sushil Kumar Singla as Chairman, Shri Raj Mittal and Shri Rajan Dhawan as members. All are non-executive independent Directors. Broad terms of reference of the Remuneration Committee include recommendation to the Board on salary/perquisites, commission and retirement benefits and finalization of the perquisite package payable to the company's Managing Director/ Whole-time/ Executive Directors.

**4.1 SITTING FEES TO DIRECTORS**

The sitting fees has been paid @ Rs. 2000/- per meeting, together with Rs. 500/- towards incidental charges for attending each Board Meeting/ Audit Committee Meeting as follows:

<b>Name of the Director</b>	<b>Sitting Fees for Board Meetings (Rs)</b>	<b>Sitting Fees for Audit Committee Meetings (Rs)</b>
Shri Sushil Kumar Singla	10000	10000
Shri Akhil Malhotra	2500	10000
Shri Rajinder Kumar	Not applicable	Not applicable
Shri Daljeet Singh Rana	10000	Not applicable
Shri Raj Mittal	10000	10000
Shri Rajan Dhawan	7500	Not applicable

**5. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE**

To specifically look after the share transfer work and to look into the redressal of complaints like transfer of shares, non-receipt of annual report and non-receipt of dividend etc., the company has set up a Shareholders / Investor Grievance Committee. The committee consists of three members viz. Shri Sushil Kumar Singla, Director, as the Chairman, Shri Raj Mittal & Shri Akhil Malhotra Directors as the members of the Committee.

The said committee has also been entrusted with the tasks of Share Transfer Committee as required to be formed under the Companies (Issue of Share Certificate) Rules, 1960.

**Details of Shareholders Complaints received by the company during the Year:**

<b>Complaint Received during the Year</b>	<b>Complaints Resolved during the Year</b>	<b>Complaints pending as on 31.03.2012</b>
<b>10</b>	<b>10</b>	<b>NIL</b>

**6. COMPLIANCE OFFICER**

Shri Mukesh Singh Verma, Head (Corporate Affairs) & Company Secretary is the Compliance Officer for complying with the requirements of SEBI Regulations and the Listing Agreement with Stock Exchange(s).

**7. CEO/CFO CERTIFICATION**

In terms of the requirement of the clause 49(V), The CEO i.e. The Managing Director/ whole Time Director/ Manager appointed in terms of Companies Act 1956 and the CFO i.e. the whole time Finance Director or any other person heading the finance function shall certify to the board regarding the authenticity of the financial statement. Therefore Certificate from Shri Akhil Malhotra, Managing Director & Shri Ashwani Kumar, G.M (F&A)





has obtained and placed before the Board of Directors. The same is attached herewith the Corporate Governance Report.

**8. CODE OF CONDUCT**

In tune with the corporate philosophy, the Board of Directors of the company has laid down a code of conduct for all Board Members and Senior Management of the company in terms of the requirement placed in the amended clause 49 of the Listing Agreement. The code of conduct is displayed at company’s website at [www.himachalfibre.com](http://www.himachalfibre.com).

All members of the Board and Senior Management personnel affirm compliance with the code of conduct and business ethics and Shri Akhil Malhotra, Managing Director has given declaration to this effect as hereunder:

**Declaration regarding compliance with the code of conduct and ethics policy of the company by board members and senior management personnel**

I hereby confirm that:

The company has obtained from all members of the Board and Senior Management personnel, affirmation that they have complied with the code of conduct and ethics for Directors and senior management personnel for the financial year 2011-12.

Date: 13.08.2012  
Place: Ludhiana

Sd/-  
Akhil Malhotra  
Managing Director

**9. Extra Ordinary General Meetings during the year**

Date	Location of Meeting	Time	Resolution passed
12.12.2011	Registered Office at Barotiwala	01.00 P.M.	Proposal for the Preferential Allotment to Promoters/ promoters Group.
15.03.2012	Registered Office at Barotiwala	01.00 P.M	Proposal for the Preferential allotment of 40,00,000 equity shares to Promoters/ Promoters Group after complying SEBI (SAST) Regulation 2011

**10. Any special resolutions passed in the previous 3 AGM’s**

Financial Year	Location of Meeting	Date & Time	Special Resolution passed
2010-11	Registered Office at Barotiwala	30.09.2011 01.00 P.M.	<ul style="list-style-type: none"> <li>Proposal for the preferential basis.</li> <li>Appointment of Shri Akhil Malhotra as a Managing Director.</li> <li>Increase in Authorised Capital of the Company.</li> </ul>
2009-10	Registered Office at Barotiwala	30.09.2010 01.00 P.M	<ul style="list-style-type: none"> <li>Regularization of Directors appointed.</li> <li>Appointment of Shri Rajinder Kumar as a Whole Time Director</li> </ul>
2008-09	Registered Office at Barotiwala	29.12.2009 11.00 A.M.	<ul style="list-style-type: none"> <li>Appointment of Shri Rajesh Gupta as a Managing Director.</li> </ul>



## 11. GENERAL INFORMATION FOR SHAREHOLDERS

- a. The Company did not have any materially significant related party transactions, which may have potential conflict with the interest of the company. The disclosure relating to transactions with the related parties as per Accounting Standard 18 is appearing in the Para-10(ii) of Notes to accounts in the Balance Sheet of the company for the year ended 31<sup>st</sup> March, 2012
- b. Details of non-compliance by the company, penalties, structures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years. **NIL.**

## 12. MEANS OF COMMUNICATION

Newspapers where quarterly results are normally published	Business Standard (English & Hindi)
Any website, where displayed	<a href="http://www.himachalfibre.com">www.himachalfibre.com</a> <a href="http://www.bseindia.com">www.bseindia.com</a>
Whether it also displays official news releases; and the presentations made to institutional investors or to analysts	Not yet
Whether Management Discussion & Analysis Report is a part of annual report or not	Yes

## 13. GENERAL SHAREHOLDER INFORMATION

AGM : Date, time and venue	Saturday, 29 <sup>th</sup> September, 2012 Time: 01.00 P.M. Venue: Plot No. 43-44, Industrial Area, Barotiwala, Distt. Solan (H.P.) 174103
Financial Year	01 <sup>st</sup> April 2011 to 31 <sup>st</sup> March 2012
Book Closure Date	25 <sup>th</sup> September, 2012 to 29 <sup>th</sup> September, 2012

## 14. LISTING ON STOCK EXCHANGES

The Company's Securities are listed on the Bombay Stock Exchange Limited, Mumbai. BSE Scrip Code: 514010  
Listing Fees for the Financial Year 2011-12 has been paid to Bombay Stock Exchange Limited.

## 15. REGISTRAR AND TRANSFER AGENT

### a) ADDRESS:

MS BEETAL FINANCIAL & COMPUTER SERVICES (P) LTD.  
'Beetal House', 3<sup>rd</sup> Floor, 99, Madangir,  
Behind Local Shopping Centre,  
New Delhi – 110 062  
Ph. 011-29961281 (6 Lines) Fax. 011-29961284  
E-mail. [beetal@beetalfinancial.com](mailto:beetal@beetalfinancial.com)  
Website. [www.beetalfinancial.com](http://www.beetalfinancial.com)



**b) SHARE TRANSFER SYSTEM:**

Share Transfers in physical form can be lodged with the Registrar and Share Transfer Agent at the above mentioned address. The transfers are normally processed within 15-20 days from the day of receipt, if the documents are complete in all respects.

**16. DEMATERIALIZATION OF SHARES:**

As on 31<sup>st</sup> March 2012, the following Shares of the Company are held at Dematerialized form:

Shares held at CDSL	Shares held at NSDL	Shares held in Physical Form	Total
1250	1953575	2670175	4625000

**17. MARKET PRICE DATA\***

Financial Year 2011-12	Share price of Himachal Fibres Limited			BSE sensex		
	Highest	Lowest	Closing	Highest	Lowest	Closing
Apr-11	15	15	15	19811.14	18976.19	19135.96
May-11	15.16	11.34	15.16	19253.87	17786.13	18503.28
Jun-11	14.4	14.4	14.4	18873.39	17314.38	18845.87
Jul-11	15	13.69	15	19131.7	18131.86	18197.2
Aug-11	15	13.69	15	18440.07	15765.53	16676.75
Sep-11	15	15	15	17211.8	15801.01	16453.76
Oct-11	15	15	15	17908.13	15745.43	17705.01
Nov-11	15	15	15	17702.26	15478.69	16123.46
Dec-11	15	15	15	17003.71	15135.86	15454.92
Jan-12	15	15	15	17258.97	15358.02	17193.55
Feb-12	15	15	15	18523.78	17061.55	17752.68
Mar-12	15	15	15	18040.69	16920.61	17404.2

Source: BSE Website

**18. PLANT LOCATION(S) & ADDRESS FOR CORRESPONDENCE**

<b>Registered Office &amp; Works</b>	Plot No. 43-44, Industrial Area, Barotiwala, Distt. Solan (H.P.)-174103
<b>Address for Correspondence</b>	Himachal Fibres Limited, Corporate Office: SCO-1, Ground Floor, City Tower, Model Town, Ludhiana-141002 Phone: 0161-4675499 Fax: 0161-4684010 E.Mail- investors@himachalfibre.com



**CEO and CFO CERTIFICATION [Clause-49(V)]**

To,  
The Board of Directors  
Himachal Fibres Limited  
Corporate office  
Sco-1, City Tower,  
Model town, Ludhiana

We, Akhil Malhotra, Managing Director and Ashwani Kumar, G.M (F&A) of Himachal Fibres Limited have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:

- (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- (ii) 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.
  - (a) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
  - (b) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, that there is no deficiencies in the design or operation of such internal controls.
  - (c) We have indicated to the auditors and the Audit committee that
    - (i) There were no significant changes in internal control over financial reporting during the year;
    - (ii) All significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements; and
    - (iii) There were no instances of significant fraud of which we 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.

Sd/-  
Akhil Malhotra  
Managing Director

Sd/-  
Ashwani Kumar  
G.M (F&A)

Dated-13.08.2012  
Place-Ludhiana





## AUDITOR'S REPORT

The Shareholders,  
Himachal Fibres Limited,

We have audited the attached Balance Sheet of **Himachal Fibres Limited** as at **31.03.2012** and also Profit & Loss Account for period 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.

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 test basis evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, we give in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
2. Further to our comments in the annexure referred to in paragraph (1) above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - (ii) In our opinion proper Books of Account as required by Law have been kept by the Company so far as appears from our examination of such books.
  - (iii) The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account.
  - (iv) In our opinion and to the best of our information and according to the explanations give to us, the said account, read together with Significant Accounting Policies and Notes on Account thereon, comply with accounting standards referred to in section 211(3C) of Companies Act, 1956.
  - (v) On the basis of the written representation received from the directors and taken on record by the company, we report that none of the directors is disqualified, as on the balance sheet date, from being appointed as a director in terms of section 274 (I) (g) of the Companies Act, 1956.
  - (vi) We further report that in our opinion and to the best of our information and according to explanations given to us, the said account subject to non compliance of provisions of section 297 in respect of purchases made from contractee parties in excess of the approved limits and read together with notes on account ( As per Note - XiX) 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 generally accepted in India:-
    - i) In the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2012.
    - ii) In the case of Profit & Loss Account , of the loss for the year ended on that date and
    - iii) In the case of Cash Flow Statement, of the Cash flows for the year ended on that date.

**FOR SUMAT GUPTA & CO.**  
**CHARTERED ACCOUNTANTS**  
**FIRM REG. NO.010288N**

**DATED: 28.05.2012**  
**PLACE: LUDHIANA**

**Sd/-**  
**SUMAT GUPTA**  
**PARTNER**  
**(M.NO.086000)**



**ANNEXURE TO AUDITOR'S REPORT(REFER TO PARA ONE OF OUR REPORT OF EVEN DATE)**

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations give to us, a portion of fixed assets has been physically verified by the management during the year in accordance with a phased program of verification adopted by the Company. In our opinion, the frequency of verification is reasonable having regard to the size of the company and the nature of its fixed assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- (c) In our opinion and according to information and explanations given to us, a substantial part of the fixed assets has not been disposed off by the Company during the year.
2. a) According to the information and explanations given to us, the inventories have been physically verified by the management during the year. However, in respect of certain items, the inventories were verified by the management on a visual estimation which has been relied upon by us. In our opinion, the frequency of verification is reasonable.
- b) In our opinion and according to the information and explanations given to us, 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) On the basis of our examination of the records of inventories, we are of the opinion that the company is maintaining proper records of inventories. The discrepancies noticed on physical verification of inventories is compared to book records were not material and have been properly dealt with in the books of account.
3. (a) According to the information and explanations given to us, the company has not granted unsecured loan to companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (b) According to the information and explanation provided to us and on basis of examination of the books of the account. We are of the opinion that the company has not taken any unsecured loans during the year under review from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (c) According to information and explanation give to us and on the basis of the examination of the books of account, we are of the opinion that the repayment of principal amount are regular in respect of loans taken by the company as when they fall due.
4. In our opinion and according to the information and explanations give to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory and fixed assets and also with regard to sale of goods and services .Further , on the basis of our examination of the books & records of the company, carried out in accordance with the generally accepted auditing



practices in India, we have neither come across nor have been informed of any instances of major weaknesses in the aforesaid internal control systems.

5. (a) According to the information and explanations given to us, particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.  
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act and exceeding the value of Rs. Five lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The company had accepted deposits from the public in earlier year and has complied the provisions of section 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptances of Deposit) Rules, 1975 except non filing of fixed deposit return and non maintenance of liquid assets as required by Rule 3A of the aforesaid Rules.
7. In our opinion and according to the information and explanations given to us, the company has an internal audit system commensurate with its size and the nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under section 209(1) (d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have however not made a detailed examination of the records with a view to determining whether they are accurate or not.
9. (a) According to the information and explanations given to us and records of the company examined by us, the company is not regular in depositing the undisputed statutory dues, including, provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, and other material statutory dues applicable to it. On the basis of examination of books, there are following undisputed statutory dues as at the year end outstanding for a period of more than six months from the date they became payable:-

S.No.	Statute	Nature	Amount
1.	Himachal Pradesh Sales Tax Act	Works Contract Tax Payable	136008/-
2.	Income Tax Act, 1961	Fringe Benefit Tax	103040/-

- (b) According to the information and explanations given to us, no disputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, custom duty and cess matters.
10. The company has been registered for a period more than five years, it has accumulated losses of Rs. 1667.65 Lacs at the end of the year which are more than fifty percent of its net worth. However it has not incurred any cash losses during the current and immediately preceding financial year.



## HIMACHAL FIBRES LIMITED

11. According to the information and explanation given to us and as per the books and records examined by us, the company has not defaulted in repayment of dues to financial institutions and banks.
12. According to 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. The company does not fall with in the category of Chit fund/Nidhi/Mutual Benefit fund/Society, therefore clauses (xiii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the company for the year under audit.
14. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, debentures and other investments, therefore clauses (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 is not applicable to the company for the year under audit.
15. On the basis of our examination of records and as per the explanations given to us, we are of the opinion that the company has not given any guarantee for loan taken by others from bank or financial institution.
16. On the basis of our examination of records and as per the explanations given to us, we are of the opinion that the term loans taken during the period under review were applied for the purpose for which these were obtained.
17. According to information and explanations given to us and as per the records examined by us, as on the date of balance sheet, the funds raised by the Company on short term basis have not been applied for long term investments.
18. According to information and explanations given to us and as per the records examined by us, the company has made allotment of equity shares on preferential basis during the year under review. However the price at which allotment is made is not prejudicial to the interest of the company.
19. The company has not issued any debentures during the year.
20. The company has not raised any money by way of public issue during the year.
21. During the course of our examination of the books and records of the company carried out in accordance with the generally accepted auditing practices in India we have neither come across any instance of fraud on or by the company, noticed and reported during the year, nor have we been informed of such case by the management.

**FOR SUMAT GUPTA & CO.  
CHARTERED ACCOUNTANTS  
FIRM REG. NO.010288N**

**DATED: 28.05.2012  
PLACE: LUDHIANA**

**Sd/-  
SUMAT GUPTA  
PARTNER  
(M.NO.086000)**



# HIMACHAL FIBRES LIMITED

## BALANCE SHEET AS AT 31ST MARCH 2012

PARTICULARS	NOTE NO	AS AT 31.03.2012	AS AT 31.03.2011
<b>EQUITY AND LIABILITIES</b>			
<b>(1) SHAREHOLDER'S FUNDS</b>			
(A) SHARE CAPITAL	I	181250000.00	171550000.00
(B) RESERVES AND SURPLUS	II	55217118.55	13553197.31
<b>TOTAL OF SHARE HOLDER'S FUND (A)</b>		<b>236467118.55</b>	<b>185103197.31</b>
<b>(2) NON-CURRENT LIABILITIES</b>			
(A) LONG-TERM BORROWINGS	III	195041276.00	173580582.00
(B) OTHER LONG TERM LIABILITIES	IV	1127751.00	0.00
<b>TOTAL OF NON CURRENT LIABILITIES (B)</b>		<b>196169027.00</b>	<b>173580582.00</b>
<b>(3) CURRENT LIABILITIES</b>			
(A) SHORT-TERM BORROWINGS	V	222600208.00	197024412.00
(B) TRADE PAYABLES	VI	54810633.09	59038158.57
(C) OTHER CURRENT LIABILITIES	VII	34895488.07	46843158.00
(D) SHORT-TERM PROVISIONS	VIII	4723040.00	4883040.00
<b>TOTAL OF CURRENT LIABILITIES (C)</b>		<b>317029369.16</b>	<b>307788768.57</b>
<b>TOTAL (A + B + C)</b>		<b><u>749665514.71</u></b>	<b><u>666472547.88</u></b>
<b>ASSETS</b>			
<b>(1) NON-CURRENT ASSETS</b>			
FIXED ASSETS			
TANGIBLE ASSETS	IX	274213650.60	264992305.51
CAPITAL WORK-IN-PROGRESS		1017792.00	0.00
DEFERRED TAX ASSETS (NET)		19535440.00	24505109.00
LONG TERM LOANS AND ADVANCES	X	18325288.20	19831988.00
OTHER NON-CURRENT ASSETS	XI	2165000.00	2165000.00
<b>TOTAL OF NON CURRENT ASSETS (A)</b>		<b>315257170.80</b>	<b>311494402.51</b>
<b>(2) CURRENT ASSETS</b>			
INVENTORIES	XII	308463489.00	253640536.69
TRADE RECEIVABLES	XIII	107529638.10	87461880.60
CASH AND CASH EQUIVALENTS	XIV	4109787.25	8432604.08
SHORT-TERM LOANS AND ADVANCES	XV	11834103.54	2995514.00
OTHER CURRENT ASSETS	XVI	2471326.02	2447610.00
<b>TOTAL OF CURRENT ASSETS (B)</b>		<b>434408343.91</b>	<b>354978145.37</b>
<b>TOTAL (A + B)</b>		<b><u>749665514.71</u></b>	<b><u>666472547.88</u></b>
		0.00	0.00
<b>ACCOUNTING POLICIES AND NOTES TO ACCOUNTS</b>	<b>XXV</b>		

AS PER REPORT OF EVEN DATE ATTACHED  
FOR SUMAT GUPTA & CO.  
CHARTERED ACCOUNTANTS  
FIRM REG.NO.010288N

ON OR BEHALF OF THE BOARD

Sd/-  
SUMAT GUPTA  
PARTNER  
M.NO.086000

Sd/-  
AKHIL MALHOTRA  
MANAGING DIRECTOR

Sd/-  
RAJINDER KUMAR  
WHOLE TIME DIRECTOR

Place : Ludhiana  
Dated : 28-05-2012

Sd/-  
MUKESH VERMA  
COMPANY SECRETARY

Sd/-  
ASHWANI KUMAR  
GM-F&A



# HIMACHAL FIBRES LIMITED

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

PARTICULARS	NOTE NO	AS AT 31.03.2012	AS AT 31.03.2011
<b>(REVENUES)</b>			
REVENUE FROM OPERATIONS	XVII	1036068033.00	1001731496.00
OTHER INCOME	XVIII	2419542.84	4598124.15
<b>TOTAL REVENUE</b>		<u>1038487575.84</u>	<u>1006329620.15</u>
<b>EXPENSES:</b>			
COST OF MATERIALS CONSUMED	XIX	493985369.45	328414217.58
PURCHASE OF STOCK-IN-TRADE		349394444.00	439092279.00
MANUFACTURING EXPENSES	XX	59501945.01	51443568.00
CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE	XXI	(53924429.37)	15300483.37
EMPLOYEE BENEFIT EXPENSE	XXII	66241857.96	54774550.99
FINANCIAL COSTS	XXIII	49863818.50	49899641.00
DEPRECIATION AND AMORTIZATION EXPENSE		25605290.00	23244799.00
OTHER EXPENSES	XXIV	25288121.05	20158075.11
<b>TOTAL EXPENSES</b>		<u>1015956416.60</u>	<u>982327614.05</u>
PROFIT BEFORE TAX		22531159.24	24002006.10
TAX EXPENSE:			
(1) CURRENT TAX		4620000.00	4780000.00
(2) DEFERRED TAX		4969669.00	1501495.00
— PROFIT AFTER TAX		12941490.24	17720511.10
EARNING PER EQUITY SHARE:			
BASIC AND DILUTED		1.28	5.18

**ACCOUNTING POLICIES AND NOTES** XXV  
**TO ACCOUNTS**

AS PER REPORT OF EVEN DATE ATTACHED  
FOR SUMAT GUPTA & CO.  
CHARTERED ACCOUNTANTS  
FIRM REG.NO.010288N

ON OR BEHALF OF THE BOARD

Sd/-  
SUMAT GUPTA  
PARTNER  
M.NO.086000

Sd/-  
AKHIL MALHOTRA  
MANAGING DIRECTOR

Sd/-  
RAJINDER KUMAR  
WHOLE TIME DIRECTOR

Place : Ludhiana  
Dated : 28-05-2012

Sd/-  
MUKESH VERMA  
COMPANY SECRETARY

Sd/-  
ASHWANI KUMAR  
GM-F&A





**CASH FLOW STATEMENT FOR THE YEAR 31ST MARCH 2012**

PARTICULARS	AMOUNT (RS.)	
	AS AT 31.03.2012	AS AT 31.03.2011
<b>A. CASH FLOW FROM/USED IN OPERATING ACTIVITIES</b>		
NET PROFIT BEFORE TAX	22531159.24	24002006.10
ADJUSTMENTS FOR:		
DEPRECIATION	25605290.00	23244799.00
MISCELLANEOUS EXPENSES WRITTEN OFF	0.00	0.00
INTEREST EXPENSES	49863818.50	49899641.00
INTEREST INCOME	(235951.00)	(184466.00)
DOUBTFUL DEBTS	0.00	0.00
LONG TERM (TRADE) INVESTMENTS IN SUBSIDIARY WRITTEN OFF	0.00	0.00
PROVISION FOR DIMINUTION IN VALUE OF NON-TRADE CURRENT INVESTMENTS	0.00	0.00
LIABILITIES NO LONGER REQUIRED WRITTEN BACK	0.00	513818.00
PROFIT ON SALE OF CURRENT INVESTMENTS (NON-TRADE)	0.00	0.00
LOSS ON SALE OF NON-TRADE CURRENT INVESTMENTS	0.00	0.00
DIVIDEND FROM NON-TRADE UNQUOTED CURRENT INVESTMENTS	0.00	0.00
LOSS ON SALE OF FIXED ASSETS	0.00	0.00
PROFIT ON SALE OF FIXED ASSETS	0.00	(2764500.00)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>97764316.74</b>	<b>94711298.10</b>
ADJUSTMENTS FOR:		
(INCREASE)/DECREASE IN TRADE AND OTHER RECEIVABLES	(27423363.26)	(22891346.53)
(INCREASE)/DECREASE IN INVENTORIES	(54822952.31)	2570912.48
INCREASE/(DECREASE) IN TRADE PAYABLES AND OTHER LIABILITIES	(14007444.41)	34647650.88
<b>CASH GENERATED FROM OPERATIONS</b>	<b>1510556.76</b>	<b>109038514.93</b>
INCOME TAX PAID	5097569.00	4780000.00
<b>NET CASH FROM/USED IN OPERATING ACTIVITIES</b>	<b>(3587012.24)</b>	<b>104258514.93</b>
<b>B. CASH FLOW FROM/USED IN INVESTING ACTIVITIES</b>		
PURCHASE OF FIXED ASSETS	(35844427.09)	(35674938.00)
SALE OF FIXED ASSETS	0.00	3412000.00
PURCHASE OF INVESTMENTS	0.00	0.00
SALE OF INVESTMENTS	0.00	0.00
INTEREST RECEIVED	235951.00	184466.00
<b>NET CASH FROM/USED IN INVESTING ACTIVITIES</b>	<b>(35608476.09)</b>	<b>(32078472.00)</b>
<b>C. CASH FLOW FROM/USED IN FINANCING ACTIVITIES</b>		
PROCEEDS FROM ISSUE OF EQUITY WARRANTS	37700000.00	5000000.00
PROCEEDS FROM ISSUE OF PREF. SHARES WARRANTS	0.00	0.00
PROCEEDS FROM LONG TERM BORROWINGS	0.00	0.00
REPAYMENT OF LONG TERM BORROWINGS	21460694.00	2501865.00
CHANGES IN WORKING CAPITAL LOANS/SHORT TERM BORROWINGS	25575796.00	(27157032.61)
DIVIDEND PAID	0.00	0.00
INTEREST PAID	(49863818.50)	(49899641.00)
<b>NET CASH FROM/USED IN FINANCING ACTIVITIES</b>	<b>34872671.50</b>	<b>(69554808.61)</b>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVLANTS	(4322816.83)	2625234.32
OPENING CASH AND CASH EQUIVLANTS	8432604.08	5807369.76
CLOSING CASH AND CASH EQUIVLANTS	4109787.25	8432604.08

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

XIX

AS PER REPORT OF EVEN DATE ATTACHED  
**FOR SUMAT GUPTA & CO.**  
**CHARTERED ACCOUNTANTS**  
**FIRM REG.NO.010288N**

ON OR BEHALF OF THE BOARD

Sd/-  
**SUMAT GUPTA**  
**PARTNER**  
**M.NO.086000**

Sd/-  
**AKHIL MALHOTRA**  
**MANAGING DIRECTOR**

Sd/-  
**RAJINDER KUMAR**  
**WHOLE TIME DIRECTOR**

Place : Ludhiana  
Dated : 28-05-2012

Sd/-  
**MUKESH VERMA**  
**COMPANY SECRETARY**

Sd/-  
**ASHWANI KUMAR**  
**GM-F&A**



**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012**

PARTICULARS	AMOUNT (IN RS.)	
	AS AT 31.03.2012	AS AT 31.03.2011
<b>SHARE CAPITAL</b>		
<b>NOTE-I</b>		
<b>AUTHORISED SHARE CAPITAL</b>		
1,75,00,000 EQUITY SHARES OF RS. 10/- EACH	175000000.00	60000000.00
(PY 60,00,000 EQUITY SHARES OF RS. 10/- EACH)		
1,65,000 16.5% CUMMULATIVE REDEEMABLE	16500000.00	16500000.00
PREFERENCE SHARES OF RS. 100/- EACH		
14,35,000 4% NON-CUMMULATIVE REDEEMABLE	143500000.00	143500000.00
PREFERENCE SHARES OF RS. 100/- EACH		
<b>TOTAL</b>	<b>335000000.00</b>	<b>220000000.00</b>
<b>ISSUED, SUBSCRIBED &amp; PAID UP SHARE CAPITAL</b>		
46,25,000 (PY 35,05,000) EQUITY SHARES OF RS.10/-EACH FULLY PAID UP	46250000.00	35050000.00
1,50,000 (PY 1,65,000) 16.5% CUMMULATIVE REDEEMABLE PREFERENCE SHARES OF RS. 100/- EACH	15000000.00	16500000.00
12,00,000 4% NON-CUMMULATIVE REDEEMABLE PREFERENCE SHARE OF RS. 100/- EACH	120000000.00	120000000.00
<b>TOTAL</b>	<b>181250000.00</b>	<b>171550000.00</b>

**(A) (i) DETAIL OF SHAREHOLDERS HOLDING MORE THAN 5% EQUITY SHARES**

	%	NO. OF SHARES	%	NO. OF SHARES
SH. AKHIL MALHOTRA (PROMOTER DIRECTOR)	6.70	310000	8.84	310000
HIMACHAL STEEL UDYOG LTD.	14.70	680000	—	—
SHIV NARAYAN INVESTMENTS P. LTD.	14.49	670000	12.84	450000
GARG CORPORATION LTD.	12.99	601000	17.15	601000
GARG FINCAP LTD.	14.52	671500	12.88	451500
<b>TOTAL</b>	<b>63.41</b>	<b>2932500</b>	<b>51.71</b>	<b>1812500</b>

**(ii) DETAIL OF SHAREHOLDING MORE THAN 5% 16.5% CUMMULATIVE REDEEMABLE PREFERENCE SHARES**

	%	NO. OF SHARES	%	NO. OF SHARES
SHIVA TEXFAB LIMITED	66.67	100000	60.61	100000
GENERAL INSURANCE CORP. OF INDIA	10.00	15000	9.09	15000
ORIENTAL INSURANCE CO. LIMITED	13.33	20000	12.12	20000
UNITED INDIA INSURANCE CO. LIMITED	10.00	15000	9.09	15000
NATIONAL INSURANCE CO. LTD	—	—	9.09	15000
<b>TOTAL</b>	<b>100.00</b>	<b>150000</b>	<b>100.00</b>	<b>165000</b>

**(iii) DETAIL OF SHAREHOLDING MORE THAN 5% 4% NON-CUMMULATIVE REDEEMABLE PREFERENCE**

	%	NO. OF SHARES	%	NO. OF SHARES
SHIVA TEXFAB LIMITED	100.00	1200000	100.00	1200000
<b>TOTAL</b>	<b>100.00</b>	<b>1200000</b>	<b>100.00</b>	<b>1200000</b>



# HIMACHAL FIBRES LIMITED

	%	NO. OF SHARES	%	NO. OF SHARES
<b>(B) RECONCILIATION OF NO. OF SHARES OUTSTANDING IS SET AS BELOW :</b>				
<b>(I) EQUITY SHARE CAPITAL (EACH OF FACE VALUE 10/-)</b>				
EQUITY SHARES AT THE BEGINNING OF THE YEAR	3505000		3505000	
ADD : EQUITY SHARES ISSUED DURING THE YEAR	<u>1120000</u>		<u>0</u>	
EQUITY SHARES AT THE END OF THE YEAR		4625000		3505000
<b>(II) 16.5% CUMMULATIVE REDEEMABLE PREFERENCE SHARE CAPITAL (EACH OF FACE VALUE 100/-)</b>				
PREFERENCE SHARES AT THE BEGINNING OF THE YEAR		165000		165000
ADD : SHARES ISSUED DURING THE YEAR	<u>0</u>		<u>0</u>	
	165000		165000	
LESS: SHARES REDEEMED DURING THE YEAR	<u>15000</u>		<u>0</u>	
PREFERENCE SHARES AT THE END OF THE YEAR		150000		165000
<b>(III) 4% NON - CUMMULATIVE REDEEMABLE PREFERENCE SHARE CAPITAL (EACH OF FACE VALUE 100/-)</b>				
PREFERENCE SHARES AT THE BEGINNING OF THE YEAR		1200000		1200000
ADD : SHARES ISSUED DURING THE YEAR	<u>0</u>		<u>0</u>	
PREFERENCE SHARES AT THE END OF THE YEAR		1200000		1200000

PARTICULARS	AMOUNT (IN RS.)	
	AS AT 31.03.2012	AS AT 31.03.2011
<b>NOTE-II</b>		
<b>CAPITAL REDEMPTION RESERVE</b>	16489070.00	16489070.00
<b>CAPITAL RESERVE</b>		
OPENING BALANCE	176293476.00	176293476.00
ADDITIONS DURING THE YAER	<u>1200000.00</u>	<u>0.00</u>
	177493476.00	176293476.00
<b>PROFIT &amp; LOSS ACCOUNT</b>		
OPENING BALANCE (PROFIT / (LOSS))	(179229348.69)	(223470281.79)
ADD: PROFIT / (LOSS) DURING THE YEAR	12941490.24	17720511.10
ADD: BALANCES WRITTEN BACK	0.00	513818.00
ADD: DEFERRED TAX FOR THE TRANSITIONAL PERIOD	<u>0.00</u>	<u>26006604.00</u>
(166287858.45)	(179229348.69)	
LESS : INCOME TAX FOR EARLIER YEARS	<u>477569.00</u>	<u>0.00</u>
CLOSING BALANCE (PROFIT / (LOSS))	(166765427.45)	(179229348.69)
<b>SHARE PREMIUM ACCOUNT</b>		
OPENING BALANCE	0.00	0.00
ADD: ADDITIONS DURING THE YEAR	<u>28000000.00</u>	<u>0.00</u>
CLOSING BALANCE	28000000.00	0.00
<b>TOTAL</b>	<u><u>55217118.55</u></u>	<u><u>13553197.31</u></u>

**(A) ADDITIONS TO THE SHARE PREMIUM ACCOUNT IS ON ACCOUNT OF ISSUE OF 1120000 EQUITY SHARES AT A PREMIUM OF 25 PER SHARE**



# HIMACHAL FIBRES LIMITED

PARTICULARS	AMOUNT (IN RS.)	
	AS AT 31.03.2012	AS AT 31.03.2011
<b>LONG TERM BORROWING</b>		
<b>NOTE-III</b>		
<b>SECURED LOANS</b>		
<b>TERM LOANS (FROM BANKS) (SEE NOTE BELOW)</b>		
STATE BANK OF INDIA (TERM LOAN - I)	11401027.00	18971049.00
STATE BANK OF INDIA (TERM LOAN - II)	47108249.00	51397533.00
<b>TOTAL</b>	<b>58509276.00</b>	<b>70368582.00</b>
LESS: INSTALLMENTS DUE WITHIN 12 MONTHS	18468000.00	11788000.00
	40041276.00	58580582.00
<b>UNSECURED LOANS</b>		
BALMUKHI TEXTILE P LTD	80000000.00	60000000.00
BRIJESHWAR TEXTILE PVT LTD	75000000.00	55000000.00
<b>TOTAL</b>	<b>195041276.00</b>	<b>173580582.00</b>
(A) TERM LOANS (I & II) FROM STATE BANK OF INDIA ARE SECURED AGAINST 1ST CHARGE ON ENTIRE FIXED ASSETS OF THE COMPANY (INCL. EM OF LEASEHOLD RIGHTS OF FACTORY LAND MEASURING 81612 SQ. MTRS. ON PLOT NO. 43-44, INDUSTRIAL AREA, BAROTIWALA (H.P.).)		
(B) THESE TERM LOANS ARE FURTHER COLLATERALLY SECURED BY 2ND CHARGE ON ENTIRE CURRENT ASSETS OF THE COMPANY.		
(C) TERM LAON - 1 IS REPAYABLE IN TOTAL 24 QUARTERLY INSTALLMENTS OF RS. 18.75 LACS EACH BEGINNING FROM DECEMBER, 2007.		
(D) TERM LAON - II IS REPAYABLE IN TOTAL 23 QUARTERLY INSTALLMENTS STARTING FROM DECEMBER 2010, FIRST 6 INSTALLMENTS OF RS.10.72 LACS AND BALANCE IN 17 QUARTERLY INSTALLMENTS OF RS.27.42 LACS.		
<b>OTHER LONG TERM LIABILITIES</b>		
<b>NOTE-IV</b>		
CREDITORS AGSNT CAPITAL GOODS	1127751.00	0.00
<b>TOTAL</b>	<b>1127751.00</b>	<b>0.00</b>
<b>SHORT TERM BORROWINGS</b>		
<b>NOTE-V</b>		
STATE BANK OF INDIA (WORKING CAPITAL LIMITS)	222600208.00	197024412.00
<b>TOTAL</b>	<b>222600208.00</b>	<b>197024412.00</b>
(A) WORKING CAPITAL LIMITS ARE SECURED AGAINST 1ST CHARGE ON ENTIRE CURRENT ASSETS OF THE COMPANY.		
(B) THESE ARE FURTHER SECURED BY 2ND CHARGE ON ENTIRE FIXED ASSETS OF THE COMPANY AND PERSONAL GURANTEE OF PROMOTER DIRECTORS OF THE COMPANY NAMELY SH. AKHIL MALHOTRA AND SH. RAJINDER KUMAR.		
<b>TRADE PAYABLES</b>		
<b>NOTE-VI</b>		
ILC PAYABLE	24848285.00	24960629.00
SUNDRY CREDITORS	29962348.09	34077529.57
<b>TOTAL</b>	<b>54810633.09</b>	<b>59038158.57</b>



# HIMACHAL FIBRES LIMITED

PARTICULARS	AMOUNT (IN RS.)	
	AS AT 31.03.2012	AS AT 31.03.2011
<b>OTHER CURRENT LIABILITIES</b>		
<b>NOTE-VII</b>		
ADVANCE FROM CUSTOMERS	82777.97	370366.00
OTHER LIABILITIES	16344710.10	34684792.00
TERM LOANS INSTALLMENTS (REPAYABLE WITHIN 12 MONTHS)	18468000.00	11788000.00
<b>TOTAL</b>	<b><u>34895488.07</u></b>	<b><u>46843158.00</u></b>
<b>SHORT TERM PROVISIONS</b>		
<b>NOTE-VIII</b>		
PROVISION FOR INCOME TAX	4620000.00	4780000.00
PROVISION FOR FBT	103040.00	103040.00
<b>TOTAL</b>	<b><u>4723040.00</u></b>	<b><u>4883040.00</u></b>



DEPRECIATION CHART FOR THE PERIOD 01/04/2011 TO 31/03/2012

PARTICULARS	GROSS BLOCK		DEPRECIATION			NET BLOCK			
	AS AT 01/04/2011	ADDITION / SALE / TFD.	TOTAL AS ON 31/03/2012	AS AT 01/04/2011	ADJUSTMENT	PROVIDED DURING THE PERIOD	TOTALS ON 31/03/2012	WD.V.AS ON 31/03/2012	WD.V.AS ON 31/03/2011
<b>AT WORKS</b>									
FREE HOLD LAND	82239.00	0.00	82239.00	0.00	0.00	0.00	0.00	82239.00	82239.00
LEASEHOLD LAND	1294222.00	0.00	1294222.00	235659.00	0.00	0.00	235659.00	1058563.00	1058563.00
BUILDING	126074703.82	2685319.01	128760022.83	26982719.00	0.00	4233440.00	31216159.00	97543863.83	99091984.82
PLANT & MACHINERY	383965114.44	31877241.58	415842356.02	222074157.00	0.00	20763147.00	242837304.00	173005052.02	161890957.44
FURNITURE & FIXTURE	1740435.25	70858.50	1811293.75	1098598.00	0.00	114377.00	1212975.00	598318.75	641837.25
OFFICE EQUIPMENTS									
—AT WORKS	607306.00	22016.00	629322.00	308962.00	0.00	29563.00	338525.00	290797.00	298344.00
—COMPUTERS	632115.00	159700.00	791815.00	273923.00	0.00	123784.00	397707.00	394108.00	358192.00
—MOBILE PHONES	32618.00	2100.00	34718.00	4270.00	0.00	1629.00	5899.00	28819.00	28348.00
ELECTRIC FITTINGS	378158.00	0.00	378158.00	372391.00	0.00	5767.00	378158.00	0.00	5767.00
VEHICLE	3247362.00	0.00	3247362.00	2291364.00	0.00	246874.00	2538238.00	709124.00	955998.00
WEIGHING MACHINE	14885.00	9400.00	24285.00	290.00	0.00	828.00	1118.00	23167.00	14595.00
TUBE WELL	324815.00	0.00	324815.00	88225.00	0.00	6496.00	94721.00	230094.00	236690.00
<b>AT LUDHIANA OFFICE</b>									
COMPUTER	463585.00	0.00	463585.00	217108.00	0.00	75147.00	292255.00	171330.00	246477.00
MOBILE PHONES	39100.00	0.00	39100.00	3982.00	0.00	1857.00	5839.00	33261.00	35118.00
OFFICE EQUIPMENT AT LDH	42526.00	0.00	42526.00	1744.00	0.00	2020.00	3764.00	38762.00	40782.00
<b>AT DELHI OFFICE</b>									
MOBILE PHONE	7599.00	0.00	7599.00	1086.00	0.00	361.00	1447.00	6152.00	6513.00
<b>TOTAL</b>	<b>518946783.51</b>	<b>34826635.09</b>	<b>553773418.60</b>	<b>253954478.00</b>	<b>0.00</b>	<b>25605290.00</b>	<b>279559768.00</b>	<b>274213650.60</b>	<b>264992305.51</b>
<b>PREVIOUS PERIOD</b>	<b>496221845.51</b>	<b>35674938.00</b>	<b>518946783.51</b>	<b>243012179.00</b>	<b>12302500.00</b>	<b>23244799.00</b>	<b>253954478.00</b>	<b>264992305.51</b>	<b>253209666.51</b>

NOTE : IX





# HIMACHAL FIBRES LIMITED

PARTICULARS	AMOUNT (IN RS.)	
	AS AT 31.03.2012	AS AT 31.03.2011
<b>LONG TERM LOANS &amp; ADVANCES</b>		
<b>NOTE-X</b>		
ADVANCE TO SUPPLIERS -CAPTIAL GOODS	18325288.20	19831988.00
<b>TOTAL</b>	<u>18325288.20</u>	<u>19831988.00</u>
<b>OTHER NON CURRENT ASSETS</b>		
<b>NOTE- XI</b>		
SECURITIES	2165000.00	2165000.00
<b>TOTAL</b>	<u>2165000.00</u>	<u>2165000.00</u>
<b>INVENTORY</b>		
<b>NOTE-XII</b>		
RAW MATERIAL	27469676.00	25945211.06
WORK IN PROGRESS	25149502.00	30639118.00
STOCK IN TRADE	104353035.00	97881417.20
FINISHED GOODS	145568023.00	92625595.43
STORES & SPARES	5923253.00	6549195.00
<b>TOTAL</b>	<u>308463489.00</u>	<u>253640536.69</u>
<b>TRADE RECEIVABLES</b>		
<b>NOTE-XIII</b>		
(UNSECURED AND CONSIDERED GOOD UNLESS OTHERWISE STATED)		
OUTSTANDING MORE THAN SIX MONTHS	8695156.10	9267930.60
OTHERS	98834482.00	78193950.00
<b>TOTAL</b>	<u>107529638.10</u>	<u>87461880.60</u>
<b>CASH AND CASH EQUIVALENTS</b>		
<b>NOTE-XIV</b>		
<b>A) CASH IN HAND</b>		
— CASH IN HAND	776157.85	5670997.08
<b>B) BALANCES WITH NOTED BANKS IN</b>		
— CURRENT ACCOUNTS	180546.40	211689.00
— FIXED DEPOSIT WITH BANKS	3153083.00	2549918.00
<b>TOTAL</b>	<u>4109787.25</u>	<u>8432604.08</u>
<b>SHORT TERM LOAN &amp; ADVANCES</b>		
<b>NOTE-XV</b>		
ADVANCE RECOVERABLE IN CASH OR IN KIND	10324941.00	1685168.00
ADVANCES TO SUPPLIER	1509162.54	1310346.00
<b>TOTAL</b>	<u>11834103.54</u>	<u>2995514.00</u>



# HIMACHAL FIBRES LIMITED

PARTICULARS	AMOUNT (IN RS.)	
	AS AT 31.03.2012	AS AT 31.03.2011
<b>OTHER CURRENT ASSETS</b>		
<b>NOTE-XVI</b>		
ASSETS AGAINST LEASE	999773.00	1999543.00
FIXED DEPOSITS (BANG GURANATEE)	1471553.02	448067.00
<b>TOTAL</b>	<b>2471326.02</b>	<b>2447610.00</b>
<b>REVENUES FROM OPERATION</b>		
<b>NOTE-XVII</b>		
SALES	1036068033.00	1001731496.00
<b>TOTAL</b>	<b>1036068033.00</b>	<b>1001731496.00</b>
<b>OTHER INCOME</b>		
<b>NOTE-XVIII</b>		
INTEREST RECEIVED	235951.00	184466.00
REBATE RECEIVED	2183591.84	491548.15
PROFIT ON SALE OF MACHINERY	0.00	2764500.00
EXPORT INCENTIVES RECEIVED	0.00	268610.00
INSURANCE CLAIM RECEIVED	0.00	889000.00
<b>TOTAL</b>	<b>2419542.84</b>	<b>4598124.15</b>
<b>COST OF RAW MATERIAL CONSUMED</b>		
<b>NOTE-XIX</b>		
OPENNING STOCK IN HAND	25945211.06	14217807.00
ADD: PURCHASES	495509834.39	340141621.64
<b>TOTAL (A)</b>	<b>521455045.45</b>	<b>354359428.64</b>
CLOSING STOCK IN HAND	27469676.00	25945211.06
<b>TOTAL (B)</b>	<b>27469676.00</b>	<b>25945211.06</b>
<b>RAW MATERIAL CONSUMED</b>	<b>493985369.45</b>	<b>328414217.58</b>
<b>MANUFACTURING EXPENSES</b>		
<b>NOTE-XX</b>		
POWER & ELECTRICITY	38467966.00	29817918.00
FUEL CONSUMED	10021240.12	11838652.00
OIL & LUBRICANT	3769829.30	3723998.13
STORE & SPARES CONSUMED	3120556.59	3133149.87
FREIGHT & CARTAGE INWARD	3122583.00	1865538.00
LEASE RENT MACHINERY	999770.00	999770.00
MACHINERY REPAIR	0.00	64542.00
<b>TOTAL</b>	<b>59501945.01</b>	<b>51443568.00</b>



# HIMACHAL FIBRES LIMITED

PARTICULARS	AMOUNT (IN RS.)	
	AS AT 31.03.2012	AS AT 31.03.2011
<b>INCREASE/ (DECREASE IN STOCKS)</b>		
<b>NOTE-XXI</b>		
<b>CLOSING STOCK</b>		
FINISHED GOODS	144797498.00	91654423.43
STOCK IN TRADE	104353035.00	97881417.20
WORK IN PROGRESS	25149502.00	30639118.00
WASTE	770525.00	971172.00
<b>TOTAL (A)</b>	<b>275070560.00</b>	<b>221146130.63</b>
<b>OPENING STOCK</b>		
FINISHED GOODS	91654423.43	51530314.00
STOCK IN TRADE	97881417.20	140244698.00
WORK IN PROGRESS	30639118.00	44001183.00
WASTE	971172.00	670419.00
<b>TOTAL (B)</b>	<b>221146130.63</b>	<b>236446614.00</b>
<b>INCREASE/ (DECREASE IN STOCK) (A-B)</b>	<b>53924429.37</b>	<b>(15300483.37)</b>
<b>EMPLOYEE BENEFIT EXPENSES</b>		
<b>NOTE-XXII</b>		
WAGE/STIPEND/SALARIES AND ALLOWANCES	56950176.96	42727869.99
STAFF WELFARE	3276982.00	692804.00
ADDITIONAL PROVIDENT FUND / E.S.I	0.00	8227421.00
BOUNDS	1783960.00	728609.00
CONTRIBUTION TO EPF & FPF	2288266.00	942969.00
CONTRIBUTION TO ESI	1126739.00	579948.00
LEAVE WITH WAGES	748659.00	453816.00
MEDICAL ALLOWANCES	0.00	18000.00
RECRUITMENT EXPENSES	67075.00	403114.00
<b>TOTAL</b>	<b>66241857.96</b>	<b>54774550.99</b>
<b>FINANCIAL EXPENSES</b>		
<b>NOTE-XXIII</b>		
BANK INTEREST	40438904.00	39521691.00
OTHER INTEREST	6199118.00	6369632.00
BANK CHARGES	3223131.50	3964674.00
HIRE CHARGES	2665.00	43644.00
	<b>49863818.50</b>	<b>49899641.00</b>



# HIMACHAL FIBRES LIMITED

PARTICULARS	AMOUNT (IN RS.)	
	AS AT 31.03.2012	AS AT 31.03.2011
<b>OTHER EXPENSES</b>		
<b>NOTE-XXIV</b>		
<b>ADMINISTRATIVE EXPENSES</b>		
REMUNERATION OF AUDITORS	224720.00	220600.00
BOARD MEETING FEE & EXP	57310.00	182316.00
COMPUTER EXPENSES	106881.00	85080.00
CONVEYENCE EXPENSES	4229.00	105564.00
CHARITY & DONATION	0.00	18200.00
FEES, SUBSCRIPTION AND TAXES	638360.00	226158.00
FESTIVAL/WORSHIP EXPENSES	238386.00	249941.00
GENERAL EXPENSES	4023.00	56173.00
INSURANCE CHARGES	629116.00	717753.00
LEGAL & PROFESSIONAL CHARGES	2378218.00	1049559.00
PRINTING & STATIONARY	311461.50	317773.22
RENT	343000.00	271574.00
REPAIR AND MAINTENANCE	1130494.50	613654.00
TELEPHONE, TELEX AND POSTAGE	437361.00	523441.00
TRAVELLING EXPENSES	389837.00	1186630.00
VEHICLE RUNNING & MAINTENANCE	187486.00	517534.00
OFFICE ELECTRICITY & WATER	0.00	32613.00
	<b>7080883.00</b>	<b>6374563.22</b>
<b>SELLING EXPENSES</b>		
ADDITIONAL GOODS TAX PAID	992716.00	701445.00
ENTRY TAX	727895.00	0.00
ADVERTISEMENT EXP.	58361.00	184149.00
COMMISSION	0.00	4500.00
FREIGHT & CARTAGE OUTWARD	8160183.04	7863877.11
PACKING & HANDLING EXPENSES	8268083.01	5029540.78
	<b>18207238.05</b>	<b>13783511.89</b>
<b>GRAND TOTAL</b>	<b>25288121.05</b>	<b>20158075.11</b>



## NOTE - XXV

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### 1. Significant Accounting Policies

##### a) Accounting Convention

The accounts are prepared on accrual basis under the Historical Cost Convention in accordance with the Accounting Standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956 and other relevant presentational requirements of the Companies Act, 1956.

##### b) Revenue Recognition

The revenue in respect of sales is recognized as and when the risk and reward in the goods is transferred to the buyer.

##### c) Borrowing Costs

Borrowing costs that are attributable to acquisition or construction of qualifying asset are capitalized as part of cost of such assets. Qualifying assets is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are recognized as expenses in the period in which they are incurred.

##### d) Accounting for Taxes on Income

Provision for taxation for the year is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income-tax Act, 1961.

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of reversal in one or more subsequent period, In respect of carry forward of losses, deferred tax assets are recognized based on virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

##### e) Retirement Benefits

-Gratuity

No employee is eligible for gratuity.

-Provident Fund

Contribution to provident fund is made in accordance with the provisions of the Employee's Provident Fund and Miscellaneous Provisions Act, 1952 and is treated as revenue expenditure.

##### f) Fixed Assets

Fixed assets are stated at cost (net of Cenvat) less accumulated depreciation. Cost of acquisition is inclusive of freight, duties, taxes and other incidental expenses and interest on loan for the acquisition of assets up to the date of commissioning of assets, Loss or gain on transition of foreign currency liabilities for acquisition of fixed assets from a country outside India are added to or deducted from the cost of assets.

##### g) Depreciation

Depreciation on fixed assets is provided on straight line method in accordance with Schedule XIV to the Companies Act, 1956 except vehicles on which depreciation has been provided on written down value method. Depreciation has been calculated on prorata basis on all the assets purchased/sold during the year and also considering Company's plant as a continuous process plant.

##### h) Inventories

i) Inventories of Raw Material, Stores & Spares, Loose Tools and Finished Goods are valued at lower of cost or net realizable value. Work in Process is valued at estimated cost and waste at net realizable value.

ii) The inventories are taken as certified and valued by the management.



**i) Impairment of Assets.**

At each balance sheet date an assessment is made whether any indication exists that an assets has been impaired. If any such indication exists, an impairment loss, i.e. the amount by which the carrying amount of assets exceeds its recoverable amount is provided in the books of account.

**j) Accounting for Lease Transactions**

In respect of assets taken on lease upto 31.03.2001, the aggregate of the following is charged to Profit & Loss Account.

- i) Interest element of the lease rent paid/payable for the relevant period, and
- ii) Periodic lease charge spread over the life of the asset determined on the basis of depreciation rates specified in Schedule XIV of the Companies Act, 1956, the excess of the lease rent paid/payable over the aggregate amount charged as aforesaid is treated as prepaid lease and vice versa.

**2. Contingent liability not provided for**

(Rs. in Lacs)

Particulars	As At 31.03.2012	As At 31.03.2011
Contingent liability not provided for		
• Entry Tax with H.P. Excise and Taxation Deptt.	14.71	Nil
• Processing Fees of Dy. Director of Industries, Solan	149.16	Nil
• Overdrawal Demand and IDC Charges of HPSEB	12.24	Nil
• Demand against ED on Electricity Charges of HPSEB	4.81	Nil
• Damages under ESI	59.4	Nil
Total	240.32	

- 3. The Company has furnished Rs.14.71 lacs as Bank Guarantee with H.P. Excise and Taxation Department under protest for Entry Tax. The matter is still pending with Hon'ble High Court of H.P. Shimla.
- 4. Sh. Akhil Malhotra, Managing Director of the Company has drawn a Salary amounting to Rs. 1903226/-(Rs. 2.50 lacs per month) during the period under review (Previous Year Nil).
- 5. The Company has no information about the parties who has registered themselves under Micro, Small and Medium Enterprises Development Act, 2006.
- 6. The earnings per share (EPS) disclosed in the profit and loss account have been calculated as under:-

**Basic earning per share**

Particulars	As At 31.03.2012	As At 31.03.2011
Profit/(Loss) attributable to equity shareholders (Rs. In Lacs) (A)	129.41	177.20
Less: Preference Dividend for the year	72.75	75.23
Earnings Attributable to Equity shareholders	56.67	101.97
Weighted average number of equity shares (Nos) (B)	4419973	3421667
Earning per shares (Rs per shars) (face value of Rs.10 each (A/(B)	1.28	5.18
Diluted earning per share	1.28	5.18





## 7. Deferred Taxation

The disclosure requirements as per the Accounting Standards (AS-22) on 'Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India is as under:-

Net Deferred Tax Liability as on 31<sup>st</sup> March, 2012 has been recognized by applying the tax rate applicable for the current financial year as under:-

Sr. No.	Particulars	Deferred Tax (Rs.)	
		Debit	Credit
1.	Deferred Tax Assets as on 01.04.2011	24505109/-	—
2.	Deferred Tax Liability recognized during the year due to timing difference between depreciation as per Income Tax Act, 1961 & as per books of account for the year 2011-12	—	4969669/-
3.	Net Deferred Tax assets as on 31.03.2012	19535440/-	—

10. (i) The related party disclosures as per Accounting Standard-18 issued by The Institute of Chartered Accountants of India are as under:-

### I. Enterprises under the common control as the company

- M/s Shiva Texfab Limited
- M/s Shiva Specialty Yarns Ltd
- M/s Yogindera Worsted Limited
- M/s Shiva Spin-N-Knit Ltd
- M/s K.K.Fibers Ltd.
- M/s Balmukhi Textiles Pvt Ltd.
- M/s Brijeshwari Textiles Pvt Ltd
- M/s Metro Synthetics (Proprietorship concerned of Sh. Rajinder Kumar)

### II. Key Management Persons

- Sh. Akhil Malhotra
- Sh. Rajinder Kumar
- Sh. Raj Mittal
- Sh. Rajan Dhawan
- Sh. Sushil Kumar Singla
- Sh. Daljeet Singh Rana
- Sh. Prem Prakash Thukral



## HIMACHAL FIBRES LIMITED

- (ii) Disclosure of transactions between the company and related parties during the year and outstanding balances as on March 31, 2012.

(Rs. in Lacs)

Particulars	Enterprises that are under common control as the company		Key management personnel	
	As At 31.03.2012	As At 31.03.2011	As At 31.03.2012	As At 31.03.2011
Commission on Consignment Sale	Nil	Nil	Nil	Nil
Purchases	2244.07	6011.58	Nil	Nil
Sales (Including Jobwork Income)	2802.03	2803.26	Nil	Nil
Unsecured Loans Taken/(repaid)	400.00	Nil	Nil	Nil
Director Sitting fees	Nil	Nil	0.40	0.85
Rent Paid	Nil	Nil	1.30	1.00
Remuneration	Nil	Nil	19.03	Nil

11. In the opinion of the management, all current assets, loan and advances their value if realized in the ordinary course of business, at least to the amount at which they are stated except expressly stated otherwise.
12. Balance of Sundry Debtors, Sundry Creditors and Loans and Advances are subject to confirmation and reconciliation.
13. **Payment to Auditors:-**

(Rs. in Lacs)

Particulars	As At 31.03.2012	As At 31.03.2011
Audit Fees	1.12	1.10
Tax Audit Fees	1.12	1.10
<b>Total</b>	<b>2.24</b>	<b>2.20</b>

14. As per the rehabilitation scheme sanctioned by the Hon'ble BIFR, the company shall redeem 1,65,000 16.5% Redeemable Preference Shares of Rs.100 each at 20% of its face value within period of two years starting from Financial Year 2010-11 towards full and final settlement and accumulated dividend of past years shall not be paid. Out of it the company has redeemed 15000 16.5% Redeemable Preference Shares of Rs.100 each of National Insurance Company Limited by paying Rs.3.00 lacs and balance amount of Rs.12.00 lacs has been transferred to Capital Reserve.
15. The company has only one segment "Cotton and Blended Yarn", so the disclosure requirements in accordance with guiding principles enunciated in Accounting Standard-17 "Segment Reporting", are not applicable.



16. Additional Information

a) Licensed and installed capacity: Annual capacity

Particulars	Unit	Licensed capacity		Installed capacity	
		As At 31.03.2012	As At 31.03.2011	As At 31.03.2012	As At 31.03.2011
Cotton and Blended Yarn	Spindles	100000	100000	20344	20344
	Rotors	NA	NA	504	504

b) Actual production

Particulars	Unit	As At 31.03.2012	As At 31.03.2011
Cotton and Blended Yarns	MT	4415.148	3129.056
Waste	MT	210.956	180.82
<b>Total</b>		<b>4626.105</b>	<b>3309.876</b>

c) Closing stock of finished goods and goods traded

(Rs. in Lacs)

Particulars	Unit	As At 31.03.2012		As At 31.03.2011	
		Qty.	Value	Qty.	Value
Cotton and Blended Yarns	MT/Rs.	981.837	2499.21	737.206	1895.36
Waste	MT/Rs.	30.523		55.733	
Knitted Cloth	MT/Rs.	1714.11		228.695	

d) Turnover

(Rs. in Lacs)

Particulars	Unit	As At 31.03.2012		As At 31.03.2011	
		Qty.	Value	Qty.	Value
Cotton and Blended Yarns	MT/Rs.	3377.0799	5185.95	2856.431	4132.64
Waste	MT/Rs.	194.634	14.84	161.736	12.15
Acrylic Fibre	MT/Rs.	499.747	851.16	324.181	554.50
Polyester Fibre	MT/Rs.	20.585	8.24	39.549	23.80
Knitted Cloth	MT/Rs.	636.169	3874.07	1135.304	3647.32
Ready Made goods	MT/Rs.	—	—	1124.989	1630.71
Other	—/Rs.	—	32.99	—	16.19

e) CIF value of imports: NIL

f) Expenditure in Foreign Currency: NIL



# HIMACHAL FIBRES LIMITED

## g) Value of raw materials stores and spares consumed

(Rs. in Lacs)

Particulars	As At 31.03.2012		As At 31.03.2011	
	Import	Indigenous	Import	Indigenous
Raw materials	—	4939.85	—	7907.38
<b>Percentage</b>	<b>—</b>	<b>100%</b>	<b>—</b>	<b>100%</b>
Components, store and spares	—	231.87	—	310.19
<b>Percentage</b>	<b>—</b>	<b>100%</b>	<b>—</b>	<b>100%</b>

## h) Earning in foreign exchange

(Rs. in Lacs)

Particulars	As At 31.03.2012	As At 31.03.2011
Export goods calculated on FOB value	—	—

17. The figures of the previous year have been rearranged/ regrouped, wherever necessary to facilitate comparison.

18. Schedules I to XIX form an integral part of the accounts.

AS PER REPORT OF EVEN DATE ATTACHED  
FOR SUMAT GUPTA & CO.  
CHARTERED ACCOUNTANTS  
FIRM REG.NO.010288N

ON OR BEHALF OF THE BOARD

Sd/-  
SUMAT GUPTA  
PARTNER  
M.NO.086000

Sd/-  
AKHIL MALHOTRA  
MANAGING DIRECTOR

Sd/-  
RAJINDER KUMAR  
WHOLE TIME DIRECTOR

Place : Ludhiana  
Dated : 28-05-2012

Sd/-  
MUKESH VERMA  
COMPANY SECRETARY

Sd/-  
ASHWANI KUMAR  
GM-F&A



# HIMACHAL FIBRES LIMITED

Regd. Office : Plot No.43-44, Industrial Area, Brotiwala, Distt. Solan-174103

## Proxy Form

Regd Folio No.

I / We.....Of.....in the district of  
.....being a member / members of the company hereby appoint  
.....Of.....in the district of  
.....as my / our proxy to vote for me / us on my / our behalf at the 31st  
Annual General Meeting of the company to be held on Saturday 29th September, 2012 at 01.00 p.m. at the Registered Office of the  
company situated at Plot No.43-44, Industrial Area, Brotiwala, Distt. Solan-174103 and at any adjournment(s) thereof.

Signed this.....Day of.....2012.

Affix  
Re. 1.00  
Revenue  
Stamp

This form, in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the company, not less than 48 hours before the meeting.

# HIMACHAL FIBRES LIMITED

Regd. Office : Plot No.43-44, Industrial Area, Brotiwala, Distt. Solan-174103

## Attendance Slip

31st Annual General Meeting - Saturday, 29th September, 2012

Regd Folio No.

No of Shares Held:

I certify that I am a member / proxy for the member of the company.

I hereby record my presence at the 31st Annual General Meeting of the company at the Registered Office of the company situated at Plot No.43-44, Industrial Area, Brotiwala, Distt. Solan-174103 on Saturday, 29th September, 2012 at 01.00 p.m.

.....  
Name of the member / proxy Signature of member / proxy

(in BLOCK Letters)

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting venue.

## BOOK POST



*If undelivered, please return to:*

**Himachal Fibres Limited**

SCO 1, Ground Floor, City Tower  
Model Town, Ludhiana - 141 002