



Dare to Commit

# **WELSPUN SYNTEX LTD.**

## **29th Annual Report 2011-2012**



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

## WELSPUN SYNTEX LIMITED

### COMPANY INFORMATION

<b>BOARD OF DIRECTORS</b>	MR. B.K.GOENKA	CHAIRMAN
	MR. R.R.MANDAWEWALA	
	MR. B.A. KALE	EXECUTIVE DIRECTOR
	MR. ATUL DESAI	
	MR. RAJ KUMAR JAIN	
	MR. M.K.TANDON	
<b>COMPANY SECRETARY</b>	MR. NILESH JAVKER	ASST.COMPANY SECRETARY
<b>AUDITORS</b>	MGB & CO., CHARTERED ACCOUNTANTS	
<b>BANKERS</b>	BANK OF BARODA, STATE BANK OF BIKANER & JAIPUR, IDBI BANK LIMITED, CENTRAL BANK OF INDIA, STATE BANK OF INDIA	
<b>REGISTERED OFFICE</b>	SURVEY NO. 394 (P), VILLAGE SAILY, SILVASSA, UNION TERRITORY OF DADRA & NAGAR HAVELI	
<b>CORPORATE OFFICE</b>	9TH FLOOR, TRADE WORLD, "B" WING, KAMALA MILLS COMPOUND, SENAPATI BAPAT MARG, LOWER PAREL, MUMBAI – 400 013. EMAIL: nilesh_javker@welspun.com WEBSITE: www.welspunsyntex.com	
<b>FACTORY</b>	1)	SURVEY NO. 394 (P), VILLAGE SAILY, SILVASSA, UNION TERRITORY OF DADRA & NAGAR HAVELI.
	2)	PLOT NO. 14/15, DEWAN INDUSTRIAL ESTATE, PALGHAR, DISTRICT THANE, MAHARASHTRA.
<b>LISTING OF SHARES</b>	THE BOMBAY STOCK EXCHANGE LIMITED, MUMBAI Phiroze Jee-jeebhoy Tower, Dalal Street, Mumbai 400 001	

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## NOTICE

**NOTICE** is hereby given that the 29th Annual General Meeting of the Members of Welspun Syntex Limited will be held at the Registered Office of the Company at Survey No. 394(P), Village Saily, Silvassa, Dadra & Nagar Haveli on Saturday, 29th September, 2012 at 10.30 a.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2012 and the Audited Profit and Loss Account for the year ended on that date and the Report of Directors and Auditors thereon.
2. To declare dividend/accumulated dividend @10% on Optionally Convertible Cumulative Preference shares (now redeemable since option lapsed).
3. To appoint a Director in place of Mr. R.K. Jain, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Rajesh R. Mandawewala, who retires by rotation, and being eligible, offers himself for re-appointment.

### SPECIAL BUSINESS

5. To Consider and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

**“RESOLVED THAT** pursuant to the provisions of section 224 A of the Companies Act, 1956, M/s. MGB & Co., Chartered Accountants be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this meeting to the conclusion of the next Annual General Meeting of the Company on a remuneration as may be agreed upon between the Board of Directors and M/s. MGB & Co.”

6. To Consider and, if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** pursuant to Section 16, 94 of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) the Authorised Share Capital of the Company consisting of 10,67,00,000 (Ten Crores Sixty Seven Lakhs) Equity Shares of ₹10/- (Rupees Ten Only) each, 33,00,000 (Thirty Three Lacs) Optionally Convertible Cumulative Preference Shares (hereinafter referred to as OCCPs) of ₹10/- (Rupees Ten only) each and 1,00,00,000 (One Crore) Redeemable Cumulative Preference Shares (hereinafter referred to as “RCP”) of ₹10/- (Rupees Ten only) each aggregating to Rs.120,00,00,000 (Rupees One Hundred Twenty Crores Only) be and is hereby reclassified into 9,20,00,000 ( Nine Crores Twenty Lacs) equity shares of ₹ 10 each (Rupees Ten only), 1,80,00,000 ( One Crore Eighty Lacs) Optionally Convertible Cumulative Preference shares of ₹10 each (Rupees Ten only) and 1,00,00,000 ( one Crore) Redeemable Cumulative Preference shares of ₹10 each (Rupees Ten only) aggregating to ₹ 120,00,00,000 (Rupees One Hundred Twenty Crores Only).”

**RESOLVED FURTHER THAT** the existing clause V of the Memorandum of Association of the Company be and

is hereby substituted by the following Clause:

- V. The Authorised Share Capital of the Company is ₹120,00,00,000 (Rupees One Hundred Twenty Crores Only) divided into 9,20,00,000 (Nine Crores Twenty Lakhs) Equity Shares of ₹10/- (Rupees Ten Only) each, 1,80,00,000 (One Crore Eighty Lacs only) Optionally Convertible Cumulative Preference Shares of ₹10/- (Rupees Ten only) each and 1,00,00,000 ( one Crore) Redeemable Cumulative Preference shares of ₹ 10 each (Rupees Ten only) with the rights, privilege and conditions attaching thereto as are provided by the regulations of the company for the time being in force, with power to increase or reduce the capital for the time being and to divide the same into several classes and to attach thereto respectively such preferential, qualified or special privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided for by the Articles of Association of the Company or by the law in force for the time being.

7. To consider, and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

**“RESOLVED THAT** pursuant to Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (The Act), Article No. 3 of Articles of the Association of the Company be and is hereby altered by substituting first para starting from the word “The Authorised share capital” and ending with the word “(Rupees Ten only) each” with the following paragraph:

The Authorised Share Capital of the Company is ₹120,00,00,000 (Rupees One Hundred Twenty Crores Only) divided into 9,20,00,000 (Nine Crores Twenty Lakhs) Equity Shares of ₹10/- (Rupees Ten Only) each, 1,80,00,000 (One Crore Eighty Lacs only) Optionally Convertible Cumulative Preference Shares of ₹10/- (Rupees Ten only) each and 1,00,00,000 ( one Crore) Redeemable Cumulative Preference shares of ₹10 each (Rupees Ten only).

8. To consider, and, if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

**“RESOLVED THAT** pursuant to the provisions of section 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification (s) or re-enactment(s) thereof, for the time being in force), and relevant provisions of the Memorandum and Articles of Association of the Company, and in accordance with listing agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed or proposed to be listed and subject to the approval of Securities and Exchange Board of India (hereinafter referred to as “SEBI”), if necessary and subject to the Company obtaining all approvals, consents, permissions and sanctions as may be required from any and/or all governmental or regulatory authorities and/or all other institutions and bodies including Banks and subject to such conditions as may be prescribed while granting such approvals, consent and permission provided that such sanctions are acceptable to the

Board of Directors of the Company (hereinafter referred to as Board, which term shall be deemed to include any Committee of Directors constituted by the Board and authorised for this purpose), the consent and the approval of the Company be and is hereby accorded to the Board to create, offer, issue and allot on preferential basis to Krishiraj Trading Limited and/or Welspun Mercantile Limited, the promoters, up to 1, 60, 00,000 (One Crores Sixty Lacs only) 6% Optionally Convertible Cumulative Preference shares ("OCCPS") of the face value of ₹ 10/- (Rupee ten) each at par with an option with the allottee(s) to convert the OCCPS into equity shares at any time, in one or more tranches within eighteen months from the date of allotment of OCCPS at the price of ₹ 10.25 (including premium of ₹ 0.25), being the issue price higher than the minimum price computed in accordance with the Regulations for preferential issue by SEBI under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as "the Regulations")."

**"RESOLVED FURTHER THAT** all the new equity shares, as and when allotted on conversion of OCCPS in terms of this resolution, shall rank pari passu in all respects with the existing equity shares of the Company and necessary measures be taken to seek the listing of such new equity shares on all the Stock exchanges where the Company's shares shall continue and necessary application be made with National Securities Depository Limited, Central Depository Services (India) Limited and other authorities, if any for executing Corporate Action and such other actions, as may be required in this connection from time to time.

**"RESOLVED FURTHER THAT** subject to the Regulations and other applicable laws, the Board be and is hereby authorized to decide and approve terms and conditions of the issue of above mentioned Equity Shares and to vary, modify or alter any of the terms and conditions, including size of the issue, as it may deem expedient.

**"RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board be and is hereby authorised, to take all such steps and do all such acts, deeds, matters and things, as the Board may deem fit and proper or desirable and necessary and to settle any question or doubt that may arise with regard to offer, issue and allotment of OCCPS and the new Equity Shares allotted on conversion of OCCPS and that the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors in order to give effect to the aforesaid resolution."

#### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, 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.
2. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, relating to the special business to be transacted at the meeting is appended hereto.
3. The Register of Members of the Company was closed

from Tuesday, 28th August 2012 to Thursday, 30th August 2012 (both days inclusive).

4. All correspondence pertaining to Equity Shares, and Optionally Convertible Cumulative Preference shares should be forwarded to the Company's Registrar and Share Transfer Agent M/s. Link Intime India Pvt. Ltd., C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai – 400 078.
5. Members are requested to immediately inform about their change of address or consolidation of folios, if any, to the Company's Share Transfer Agent.

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

##### SPECIAL BUSINESS:-

##### ITEM NO. 5

Since more than 25% of the Company's share capital is held by Institutions /Banks/Insurance companies as specified under section 224A of the Companies Act, 1956, the appointment/re-appointment of Auditors require members' approval by a Special Resolution. Hence, the resolution under this item is proposed for the approval of members as a Special Resolution.

None of the directors of the Company is in any way concerned or interested in the said resolution.

##### ITEM NO. 6 to 8

Board of directors of the Company has decided to redeem the existing outstanding 10% Optionally convertible cumulative preference shares (now redeemable) of ₹193.64 lacs, and 8% Redeemable Cumulative Preference shares of ₹ 833.00 lacs, out of the profits / proceeds of the fresh issue of Optionally Convertible Cumulative Preference shares.

Bank have approved the Company's expansion project at the cost of ₹ 168.37 Crores and the means of finance thereof for the project being as under

- i. Equity / Internal Accruals - ₹ 55.37 Crores
- ii. Term loan from Banks - ₹ 113.00 Crores

Board of directors has therefore decided to issue 6% Optionally Convertible Cumulative Preference shares of ₹10 each on preferential basis in order to redeem the aforesaid preference shares and also to use funds for purpose as mentioned herein.

In order to enable the Company to issue optionally convertible cumulative preference shares, authorised share capital of the Company has to be reclassified and therefore alteration of Memorandum of Association and Articles of Association as mentioned in item no. 6 & 7 is necessary.

##### Terms of proposed OCCPS

- i. Dividend of 6% p.a.
- ii. Conversion terms

OCCPS are convertible into equity shares at any time within eighteen months from the date of allotment on allottees exercising option to convert OCCPS shares into equity shares at the price of ₹ 10.25 (including premium of ₹ 0.25).

- iii. OCCPS which will not be converted by the holders shall be redeemed at the end of nine years from the date of



allotment or upon repayment of the loans that may be availed from banks and financial institution to finance the aforesaid project of ₹ 168.37 crores, whichever is earlier.

Information as required to be given pursuant to SEBI (issue of capital and disclosure requirements) regulations, 2009 (hereinafter referred to as "the Regulations") is given below:

**a) Objects of the preferential issue:**

To redeem preference shares which are due for redemption and the balance funds for the Company's capital expenditures/general corporate purpose

**b) Intention of the proposed allottee to subscribe to the offer:**

The proposed allottees are constituents of the promoter group of the company who have agreed to subscribe 1,60,00,000 OCCPS.

**c) Proposed time within which the allotment shall be completed:**

The Board proposes to allot the OCCPS within 15 days from the date of the passing resolution or in case any application for any approval or permission of any regulatory authority or the Central Government for allotment is pending, within 15 days from the date of such approval/permission, whichever is later.

**d) Identity of the proposed allottees and percentage of post-preferential issue capital that may be held by the said entity:**

Name of proposed allottees	No. of OCCPS not exceeding	No. of Equity shares on conversion not exceeding	% of post preferential issue capital not exceeding
Krishiraj Trading Limited or Welspun Mercantile Limited	1,60,00,000	1,56,55,577*	39.84%
	1,60,00,000	1,56,55,577*	39.84%

\* fraction arising on conversion of OCCPS is ignored

**Note :** Krishiraj Trading Limited and Welspun Mercantile Limited shall individually or jointly subscribe to aggregate ₹ 160 crores OCCPS.

**e) No change in control :**

The allotment would not result in any change in the control of the Company or in the composition of the Board of directors of the Company.

**f) Lock in period**

The OCCPS and the equity shares to be allotted upon conversion of OCCPS shall be subjected to lock in pursuant to the Regulations

**g) Pricing of the issue**

The OCCPS shall be converted into equity shares at price of ₹ 10.25 ( including premium of ₹ 0.25) being the price higher than the minimum price computed as

per the Regulations. Relevant date for determining the equity share price on conversion of OCCPS is 30 th August 2012.

**h) Shareholding pattern before and after the preferential allotment**

Category of Shareholder (As at 31.03.2012)	Before the Proposed preferential allotment	% to total capital	After the proposed conversion of preferential allotment	% to total capital
Promoter and Promoter Group				
Acquirers Krishiraj Trading Limited or Welspun Mercantile Limited	4430577	18.74%	20086154	51.11
Other constituents of the promoter group	0		15655577	39.84
Total Promoters holding	4474529	18.92%	4474529	11.38
Institutions	8905106	37.66%	24560683	62.49%
Bodies Corporate	9624566	40.70%	9624566	24.49
NRI's/foreign companies	590215	2.50%	590215	1.50
PUBLIC	400337	1.69%	400337	1.02
TOTAL PAID UP CAPITAL	4124803	17.44%	4124803	10.50
	23645027	100.00%	39300604	100.00

**Note :**

- Krishiraj Trading Limited and Welspun Mercantile Limited shall individually or jointly subscribe to aggregate ₹ 160 crores OCCPS.
- The post conversion share holding is shown assuming each acquirer acquiring full quantum of OCCPS and converting into equity.

**i) Undertakings**

- The Company is giving an undertaking that the Company shall recompute the price of specified securities in terms of the provisions of these Regulations where it is required to do so.
- The Company as well as the proposed allottees have undertaken that if the amount payable on account of the re-computation of price is not paid within the time stipulated in the Regulations, the specified securities shall continue to be locked- in till the time such amount is paid by the allottees.

**j) Auditors' Certificate:**

A copy of the Statutory Auditors' Certificate certifying that the present preferential allotment is being made in accordance with the requirements contained in the Regulations for Preferential Allotment will be obtained and made available for inspection at the Registered office of the Company on all working days except Saturdays, Sundays and Bank holidays between 11 a.m. to 1 p.m. during 7 days before the Annual General Meeting.

None of the Directors is in any way, concerned or interested in the said resolution.

BY ORDER OF THE BOARD OF DIRECTORS

PLACE: Mumbai  
Date: 23rd May 2012

**B. A. KALE**  
EXECUTIVE DIRECTOR

## DIRECTORS' REPORT

To,  
The Members,  
WELSPUN SYNTEX LIMITED,

Your Directors are pleased to present the Twenty-Ninth Annual Report together with Audited Statement of Accounts of the Company for the year ended 31st March 2012.

### FINANCIAL RESULTS AND APPROPRIATIONS

	(₹ in Lacs)	
	2011-12	2010-11
Gross Profit before Depreciation and Finance Expenses	4151.81	3423.13
Less: Finance Expenses	1734.19	1071.62
Depreciation	1261.27	1139.47
Profit/(Loss) before tax	1156.35	1212.04
Less – Current Tax – Current year	231.36	241.57
-Earlier period	0	(69.64)
Add- MAT credit entitlement	(231.36)	(241.57)
Add Fringe Benefit Tax	(0.89)	0.34
Profit/ (Loss) after tax	1157.24	1281.34
Profit/ (Loss) brought forward	965.12	(316.21)
Dividend on optionally convertible cumulative preference shares	590.72	0
Tax on Dividend	95.84	0
Balance carried to Balance Sheet	1435.80	965.12

### DIVIDEND

The Board of Directors have recommended dividend including accumulated of Rs.590.72 Lacs on Optionally Convertible Cumulative Preference shares

### OPERATIONS

During the year under review, Net sales and services and Gross Profit before Interest and Depreciation were of ₹ 61155.05 Lacs and ₹ 4151.81 Lacs respectively as compared to ₹ 50291.39 Lacs and ₹ 3423.13 Lacs respectively for the previous year. Net sales and services of the Company and Gross Profits has thus increased by 21.60 % and 21.29 % over the previous year.

Exports during the financial year 2011-12 were of ₹ 14236.46 Lacs as compared to ₹ 10401.08 Lacs during the previous year, registering increase by 36.87%.

Power cost increased due to increase in power tariff both in Palghar, Maharashtra as well as at Rakholi, Silvassa. Interest cost increased due to rate of interest and increase in borrowing for working capital. Foreign exchange difference losses were of Rs.344.71 Lacs during the financial year 2011-12 in view of fluctuation in foreign exchange. The Company has developed Panipat market for carpet yarn, yarn for Bath rugs, and spandex covered yarn for denim industry. The Company has been accredited

with “BBB” rating {investment grade} by the credit rating agency, CARE. This is as against our earlier rating of “BBB-” {non-investment grade}

### EXPANSION

The Company is under major expansion at total capital outlay of ₹ 168.37 Crores so as to increase capacity of texturised yarn, spinning capacity of POY/FDY/mother yarn splitting ( mother yarn-polyester) capacities, Dyed texturised yarn and introducing BCF (Bulk Continuous Filament) Yarn which is useful for making Bath-rugs and Carpets.

### DIRECTORS' RESPONSIBILITY STATEMENT

- i. In the preparation of the annual accounts, applicable accounting standards have been followed, with proper disclosure of any departures.
- ii. The accounting policies are consistently applied and reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31st March, 2012 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 this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. That the directors have prepared the accounts on a going concern basis.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Shri Rajesh R. Mandawewala and Shri R.K. Jain, the directors of the Company retire by rotation at the 29th Annual General Meeting and being eligible have offered themselves for reappointment.

Board has recommended re-appointment of the aforesaid directors.

### AUDIT COMMITTEE

Constitution of Audit Committee is mentioned in Corporate Governance Report as enclosed.

The Audit Committee consists of the following 3 Independent Non-Executive Directors

- a. Raj Kumar Jain - Chairman
- b. Atul Desai - Member
- c. M.K.Tandon - Member

### PUBLIC DEPOSITS

The Company has not accepted deposits during the year within the meaning of Section 58A of the Companies Act, 1956 read with The Companies (Acceptance of Deposit) Rules, 1975.





## AUDITORS

Your Company's Auditors, M/s. MGB & Co, Chartered Accountants retire at the ensuing Annual General Meeting and being eligible, have given their consent to act as an Auditors of the Company. Members are requested to consider their reappointment as the Auditors of the Company for the current year and to fix their remuneration.

## CORPORATE GOVERNANCE

A separate report on Corporate Governance is annexed hereto as a part of this Report. Management Discussion and Analysis Statement is separately given in the Annual Report. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as prescribed under Clause 49 of the Listing Agreement is attached to this report.

## AUDITORS' REPORT

Please refer to Auditors' Observations/ qualifications and in relation thereto the Board of directors' state as under:

- i) Para 4(f) referring to Note no. 29 of notes of accounts and state that the Company is in the process of executing document to transfer Land to the name of the Company. The Company is in possession of Land without any interference for more than 12 years in respect of Rakholi land.

## THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

In terms of the above Rules, your Directors are pleased to give the particulars as prescribed therein in the Annexure, which forms a part of the Directors' Report. Form B relating to research and technology, absorption being nil is not attached.

Foreign exchange used and earning is mentioned below:

Used: ₹ 9219.55 Lacs (₹ 6052.67 Lacs)

Earning: ₹ 13720.08 Lacs (₹ 9773.10 Lacs)

## PARTICULARS OF EMPLOYEES

There were no employees covered under the purview of the Section 217 (2A) of the Companies Act, 1956 and the Rule framed thereunder.

## ACKNOWLEDGEMENT

Your Directors take this opportunity to express gratitude for valuable assistance and co-operation extended to the Company by Financial Institutions, Commercial Banks and other authorities.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

**B. A. Kale** **R. R. Mandawewala**  
Executive Director Director

Place : Mumbai,  
Date : 23rd May 2012

## FORM - A

(SEE RULE 2)

## FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	CURRENT YEAR 2011-2012	PREVIOUS YEAR 2010-2011
<b>A POWER AND FUEL CONSUMPTION</b>		
1 Electricity		
(a) Purchased		
Units (In '000s)	85,117.53	80,443.32
Total Amount (₹ in Lacs)	3,948.48	2,974.63
Rate / Unit (₹)	4.64	3.70
(b) Own Generation		
(i) Through Diesel / Gas Generator		
Units (In '000s)	581.00	880.91
Units per litre of Diesel Oil	69.27	3.43
Cost / Unit (₹)	11.92	9.90
(ii) Through Steam Turbine / Generator	Nil	Nil
2 Coal (used in Boiler)		
Units (In '000s)	4,252.13	3,678.75
Total Amount (₹ in Lacs)	247.79	178.74
Rate / Unit (₹)	5.83	4.86
3 Furnace Oil		
Quantity (K.Ltrs.)	Nil	Nil
Total Amount (₹ in Lacs)	Nil	Nil
Average Rate (K.Ltrs.)	Nil	Nil
4 Others / Internal Generation	Nil	Nil

## B CONSUMPTION PER UNIT OF PRODUCTION

	STANDARDS	CURRENT YEAR 2011-2012	PREVIOUS YEAR 2010-2011
Products (With Details)			
Partially Oriented Yarn (in MT)		26,799	23,444
Dyed/Texturised yarn (in MT)		34,261	31,812
Unit	-	Kg.	Kg.
Electricity	-	6.31	5.31
Furnace Oil	-	Nil	Nil
Coal (fines)		0.40	0.32
Others (Specify)		Nil	Nil

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INDUSTRY STRUCTURE, SCENARIO & DEVELOPMENT**

The Indian Textile & Apparel industry was estimated to be worth USD 55 billion in 2009-10 as per the Office of the Textiles Commissioner. It has witnessed robust growth over the last two decades, especially in the period after the abolition of the Quota regime on January 1, 2005, which led to free cross-border textile trade. India is positioned as a key manufacturing destination with inexpensive labor, abundant cotton supplies and good designing skills.

Indian T&A makes up approximately 4% of the global T&A market. As an industry with economic importance, the textile industry has always been an important sector for the government. The government has therefore introduced policies such as Technology Upgradation Fund Scheme, Scheme for Integrated Textile Parks, National Textile Policy low excise duty and high import duty (to discourage imports) to benefit the development of the textile sector.

A growing economy, rising disposable incomes and the growing aspirations of Indian consumers are expected to continue driving growth in the Indian T&A industry.

India consumed about 2.25 million tonnes of MMF in FY11. The world fiber industry mainly constitutes of cotton and MMF. MMF dominates the world fiber consumption, contributing more than 60 per cent to the overall fiber consumption. The rise in share can be attributed to the growing consumption of MMF in the developing countries. Going forward, the share of MMF is expected to grow further as the world cotton production is almost nearing its physical maximum and the MMF industry is expected to fulfill the incremental demand. Polyester alone accounted for approximately 82% of the total MMF consumption in FY11. The shift to consumption of MMF would mainly be attributed to the growing demand for textiles, growing concerns over availability of cotton globally and rising cotton prices. The demand for MMF from textile sector will largely be driven by the growing usage of blended fabrics to meet the augmented demand for the apparels, home textiles and technical textiles.

The widening price differential between cotton and polyester and growth in use of non-cotton spun yarn and fabrics will drive the demand for polyester in India.

The demand for synthetic textiles has been growing due to its lower cost coupled with convenience and maintenance benefits associated with the usage of synthetic garments. The share of man-made fibers in total fiber consumption (cotton and MMF) has risen from 25% in early nineties to 41% at present.

Polyester has overtaken cotton as the dominant fiber, but the cost and availability still plays a significant role in the

inter-fiber substitution. Rising crude oil prices and moderating cotton prices will lead the polyester industry to grow at a slower rate in the near future.

The Indian economy is estimated to grow by 6.9 per cent in 2011-12, after having grown at the rate of 8.4 per cent in each of the two preceding years. With agriculture and services continuing to perform well, India's slowdown can be attributed almost entirely to weakening industrial growth. Monetary policy was tightened by the Reserve Bank of India (RBI) during the year to control inflation and curb inflationary expectations. Rate of growth in textiles and their contribution to growth were negative.

The textile sector has so far remained subdued during the current financial year. The total cloth production has declined by 4.74 per cent during April-December 2011. During April – December 2011, man-made fiber production and filament yarn production recorded a decrease of about 2 per cent and 7 per cent respectively.

In view of the recessionary trend in the textiles sector, the government has been supporting the textiles sector exports through various policy initiatives to enable the sector to increase market share in the global textiles markets.

The Government proposes to increase the investment in the textiles sector to generate more employment through various schemes i.e. Scheme for Integrated Textiles Parks (SITP), Technology Upgradation Fund Scheme (TUFS), Integrated Skill Development Scheme (ISDS), Technology Mission on Technical Textiles (TMTT). The allocation during 12th Five Year Plan is proposed to be increased to ₹ 49651.69 crores as against allocation of ₹ 14000 crores during 11th Plan.

The softening of the cotton prices since the beginning FY12, began to have its impact over the prices of other fibers like polyester. The prices of PFY and PSF had peaked during the first two months of FY12, due to the surge in demand for polyester and sky high cotton prices. Thereafter, the cotton prices started to ease, thereby putting pressure over the demand for polyester. The slowdown in demand due to the declining price differential between polyester and cotton forced the PSF and PFY manufacturers to reduce the prices.

The PFY production showed a decline as compared to the corresponding period in the previous year. The monthly PFY production declined by 1.3 per cent on a y-o-y basis. This segment also registered a decline in production on a m-o-m basis. The fall in production during the April-November 2011 period can be attributed to the slump in demand for the yarn and fabric from, both the global and domestic markets.





Going forward the per unit realizations for PFY is expected to remain under pressure in the short term.

The Union Ministry of Textiles has recommended a 5 year extension of the Technology Upgradation Fund Scheme (TUFS). It has also proposed of the inclusion of the scheme in the 12th Five Year Plan which would commence from April 01, 2012. The interest subsidy under TUFS is expected to reduce from the prevailing 5 per cent to 4 per cent.

#### **OPPORTUNITY AND THREATS**

With the increase in capacity of polyester filament yarn, competition shall increase. Increasing trends in Crude and PTA continues to be a cause of worry.

The volatility in the Crude oil prices affects prices of PTA and hence, Polyester chips, the raw materials for Polyester filament yarns. Softening of cotton price and increase in price of crude oil affects margin of polyester industry.

The Company's sound business strategy is to concentrate on specialty & high quality yarns especially conventionally dyed & dope-dyed yarns, constant development of new products to strengthen its position in domestic as well as International markets, stepping up production of high contributing Nylon grey & dyed yarns, etc.

#### **PRODUCT WISE PERFORMANCE**

The Company manufactures Partially Oriented Yarn (POY), Texturised yarn/ Dyed yarn.

Revenue from POY were of ₹ 8434.04 Lacs as compared to ₹ 8310.80 Lacs of previous year, from Texturised Yarn/Dyed yarn were of ₹ 54500.65 Lacs as compared to ₹ 44113.40 Lacs of previous year, from traded goods of partially oriented yarn were of ₹ 507.33 Lacs as compared to nil of previous year.

#### **OUTLOOK**

The Company is in the process of expansion. This will increase in capacity of spinning, texturising, Dyed Texturising yarn and introducing BCF yarn. This will increase production capacity, reduce cost of production.

#### **RISKS & CONCERNS**

Additional capacities are being generated for production of PTY, FDY and Dyed yarn in India. However, the Company expects to mitigate the impact of risks and concerns since the Company concentrates on Specialty yarns, High quality and development of new products constantly.

#### **ADEQUACY OF INTERNAL CONTROL SYSTEM**

Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition and that transaction are authorised, recorded and reported correctly.

The Company has internal audit system, which covers cost saving aspects, system and procedure improvement. Such reports are regularly reviewed by the management and corrective measures are timely taken for improving efficiency.

#### **DISCUSSION ON FINANCIAL PERFORMANCE**

##### **REVENUE**

During the year under review, Net sales and services and Gross Profit before Interest and Depreciation were of ₹ 61155.05 Lacs and ₹ 4151.81 Lacs respectively as compared to ₹ 50291.39 Lacs and ₹ 3423.13 Lacs respectively for the previous year. Net sales and services of the Company and Gross Profits has thus increased by 21.60 % and 21.29 % over the previous year.

Exports during the financial year 2011-12 were of ₹ 14236.46 Lacs as compared to ₹ 10401.08 Lacs during the previous year, registering increase by 36.87%.

##### **HUMAN RESOURCES**

During the year under review, your Company continued its concern for development of its personnel through various training programmes. Besides, Management has laid special emphasis on strengthening HR activities for all levels in the Organization with an introduction of PMS module.

Industrial relations during the year were cordial.

##### **CAUTION STATEMENT**

Company's performance as expressed or implied could differ materially due to economic conditions affecting demand/supply and price condition in the domestic & overseas markets, changes in the government regulations, tax laws & other incidental factors.

For and on behalf of the Board of Directors

**B. A. Kale**

*Executive Director*

**R. R. Mandawewala**

*Director*

Place : Mumbai,

Date : 23rd July 2012

**CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 MARCH 2012**

**Annexure to the Directors' Report**

**A. COMPANY'S PHILOSOPHY**

Welspun Syntex Limited believes that for a company to succeed on a sustained basis, it must maintain global standards of corporate conduct towards its employees, shareholders, consumers and society.

The primary objective is to create and adhere to a corporate culture of conscience and consciousness, transparency and openness.

**B. BOARD OF DIRECTORS**

**(i) Composition**

Present strength of the Board of Directors is 6. Details of composition of the existing Board of Directors are given below:

Sr. No	Name of the Director	Cate-gory	No. of Other Director-ship in Public Limited Companies	Member-ship in Committee of Other Companies	No. of Board Meetings Attended (01/04/11 to 31/03/12)	Atten-dance at last AGM
1.	Mr. B. K. Goenka	P,S,NE,C	12	6M/1C	2	Yes
2.	Mr. R. R. Mandawewala	P, NE	13	4M	3	No
3.	Mr. Raj Kumar Jain	I	3	2C	4	Yes
4.	Mr. Atul Desai	I, S	6	4C/3M	4	No
5.	Mr. M. K. Tandon	I	5	5C	4	No
6	Mr. B.A.Kale	E	Nil	Nil	4	No

NOTE: For the purpose of counting Membership in Board Committee of other Companies, Chairmanship/ Membership of the Audit Committee and the Share Transfer and Investor Grievance Committee alone are considered.

Abbreviations:

P = Promoter, E = Executive Director, NE = Non Executive Director, I = Independent Non Executive, N =Nominee Director, S = Shareholders, C = Chairman, M = Member.

**(ii) Details of Date of Board Meeting:**

Four meetings of the Board of Directors were held during the financial year 2011-12 i.e. 25 May 2011, 26 July 2011, 7 November 2011 and 11 February 2012.

**C. COMMITTEES OF THE BOARD**

The Committees constituted by the Board as on date are mentioned below :

**1. AUDIT COMMITTEE**

The Audit Committee consists of the following 3 Independent Non-Executive Directors as on 31 March 2012

- Raj Kumar Jain - Chairman
- Atul Desai - Member
- M.K.Tandon - Member

The Secretary of the Company also acts as a Secretary to the Committee.

Terms of Reference:

The terms of reference stipulated by the Board of Directors to the Audit Committee are as contained under Clause 49 of the Listing Agreement.

Four meetings of Audit Committee of Board of Directors were held on 25 May 2011, 26 July 2011, 7 November 2011 and 11 February 2012. The details of Attendance of Members of audit committee are as follows:

Sr. No.	Name of the Member	Designation	Number of Meetings Attended (01/04/2011 to 31/03/2012)
1.	Raj Kumar Jain	Chairman	4
2.	Atul Desai	Member	4
3.	M.K.Tandon	Member	4

**2. SHARE TRANSFER AND INVESTOR GRIEVANCE COMMITTEE**

- Atul Desai - Chairman
- B. K. Goenka - Member
- R. R. Mandawewala - Member

**Terms of Reference:**

Approval of Share Transfer deeds, transmission, transposition and issue of share certificates including duplicate, split, sub divide or consolidated and all related matters, to look into redressing of share holders and investors complaints.

Name and designation of Compliance Officer: Nilesh Javker – Assistant Company Secretary

99.86% of the shares of the Company are in Dematerialized form.

Four meetings of Share transfer and Investors' Grievance Committees were held on 15 April 2011, 30 September 2011, 20 October 2011 and 21 January 2012.