



Dare to Commit

# **Welspun Syntex Ltd.**

## 30th Annual Report 2012 - 2013



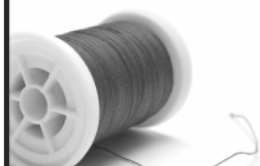
[www.welspunsyntex.com](http://www.welspunsyntex.com)

**WELSPUN SYNTEX LIMITED**  
CORPORATE 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. K.N.KAPASI	COMPANY SECRETARY
<b>AUDITORS</b>	MGB & CO., CHARTERED ACCOUNTANTS	
<b>BANKERS</b>	BANK OF BARODA, STATE BANK OF BIKANER & JAIPUR, IDBI BANK LIMITED, STATE BANK OF INDIA, CENTRAL BANK OF INDIA	
<b>REGISTERED OFFICE</b>	SURVEY NO. 394 (P), VILLAGE SAILY, SILVASSA, UNION TERRITORY OF DADRA & NAGAR HAVELI - 396 230	
<b>CORPORATE OFFICE</b>	9TH FLOOR, TRADE WORLD, "B" WING, KAMALA MILLS COMPOUND, SENAPATI BAPAT MARG, LOWER PAREL, MUMBAI – 400 013. EMAIL: allcompanysecretaryofwsl@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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**30th Annual Report**  
**2012 - 2013**





## NOTICE

**NOTICE** is hereby given that the 30th 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 Monday, 30th September 2013 at 11.00 a.m. to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2013 and the Audited Profit and Loss Account for the year ended on that date and the Report of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. M.K.Tandon, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Bhalchandra Anant Kale, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To consider and approve re-appointment of M/s. MGB & Co., Chartered Accountants as Statutory Auditors, who retires at the meeting and being eligible, offer themselves for re-appointment.

### SPECIAL BUSINESS

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

**“RESOLVED THAT** Pursuant to Section 198, 269, 309, 310 and other applicable provisions of and Schedule XIII to the Companies Act, 1956, and subject to the approval of Central Government, if required, remuneration payable to Mr. Bhalchandra Anant Kale, the Executive director of the Company be and is hereby increased with effect from 1st July 2013 to 29th October 2013, the last day of his term from Rs.40,00,000 per annum to Rs. 52,50,000 /- per annum inclusive of all perquisites, allowances and gratuity in addition to Commission @ 2.5% per annum of the net profits computed in the manner laid down under Section 349 and Section 350 of the Companies Act, 1956”.

**“RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorised to issue letter modifying terms of his appointment, a draft whereof is placed before this meeting and do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this Resolution.”

**“RESOLVED FURTHER THAT** where in any financial year closing after 31st March, 2013, the Company has no profits or its profits are inadequate, the Company do pay to Mr. Bhalchandra Anant Kale remuneration of Rs. 52,50,000 /- per annum inclusive of all perquisites, allowances and gratuity as minimum remuneration.”

**“RESOLVED FURTHER THAT** the Board be and is hereby authorised to alter and vary the terms and conditions to the said appointment to the extent the Board may consider appropriate and as may be agreed to between the Board and Mr. Bhalchandra Anant Kale.”

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

**“RESOLVED THAT** Pursuant to Section 198, 269, 309, 310 and other applicable provisions of and Schedule XIII to the Companies Act, 1956, and subject to the approval of Central Government, if required, Mr. Bhalchandra Anant Kale, be and is hereby re-appointed as an Executive director of the Company for a period of three years with effect from 30th October 2013 on a remuneration of Rs. 52,50,000 /- per annum inclusive of all perquisites, allowances and gratuity plus Commission @ 2.5 % per annum of the net profits computed in the manner laid down under Section 349 and Section 350 of the Companies Act, 1956 with a power to the Board of Directors to increase remuneration upto 25% of the last drawn remuneration every year with effect from 1st April of the financial year commencing from the financial year 2014”.

**“RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorised to issue letter of appointment, a draft whereof is placed before this meeting and do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for the purpose of giving effect to this Resolution.”

**“RESOLVED FURTHER THAT** where in any financial year closing after 31st March, 2013, the Company has no profits or its profits are inadequate, the Company do pay to Mr. Bhalchandra Anant Kale remuneration of Rs. 52,50,000 /- per annum inclusive of all perquisites, allowances and gratuity as minimum remuneration.”

**“RESOLVED FURTHER THAT** the Board be and is hereby authorised to alter and vary the terms and conditions to the said appointment to the extent the Board may consider appropriate and as may be agreed to between the Board and Mr. Bhalchandra Anant Kale.”

**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 on any working day 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 shall be closed from Wednesday 18th September 2013 to Monday, 23rd September 2013 (both days inclusive).
4. All correspondence pertaining to Equity 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 and 6**

Board of Directors at their meeting held on 8th August 2013 decided to increase remuneration with effect from 1st July 2013 to 29th October 2013 as per details mentioned in the resolution no. 5. The Board also decided to re-appoint Mr. Bhalchandra Anant Kale as an executive director for further period of three years with effect from 30th October, 2013 on remuneration as mentioned in resolution no.6.

He monitors all units of the Company on day to day basis and regularly visits plants and oversees production.

A copy of draft letter modifying terms for giving effect to increase in remuneration as proposed and a copy of draft letter pertaining to his appointment are kept open for inspection of members at the registered office of the Company on any working day of the Company between 11.00 a.m. and 1.00 p.m. upto the date of this Annual General Meeting.

The above may also be treated as an abstract of the draft agreement proposed to be entered into between the Company and Shri Mr. Bhalchandra Anant Kale pursuant to Section 302 of the Companies Act, 1956.

None of the Directors of the Company except Mr. Bhalchandra

Anant Kale himself is in any way concerned or interested in the said resolution.

Information pursuant to Schedule XIII of the Companies Act, 1956.

**GENERAL INFORMATION:**

- 1) Nature of industry – Textile
- 2) Financial performance based on given indicators –  
(Rs. in Lacs)

	2012-13	2011-12
Gross Profit before Depreciation and Finance Expenses	4948.19	4151.81
Less: Finance Expenses	1864.70	1734.19
Depreciation	1481.03	1261.27
Profit/(Loss) before tax	1602.46	1156.35
Less – Current Tax – Current year	318.19	231.36
– Earlier period	0	0
Add – MAT credit entitlement	(318.19)	(231.36)
Add/(Less) – Fringe Benefit Tax	-	(0.89)
Profit/ (Loss) after tax	1602.46	1157.24

**3) Export performance and net foreign exchange collaboration -**

FOB value of export :	2012 -13	Rs. 18702.00 Lacs
	2011-12	Rs. 13720.08 Lacs

**INFORMATION ABOUT THE APPOINTEE:**

**1) Background details:**

Mr. Bhalchandra Anant Kale is a Science graduate from Mumbai University and has done diploma in Textile Management & Marketing from SASMIRA College, Mumbai University. He is associated with the Company as a CEO w.e.f. 02.05.2007. He was appointed as an executive director for a period of three years with effect from 30th October 2010 on remuneration of Rs.40,00,000 per annum inclusive of all perquisites and benefits plus Commission @ 2.5 % per annum of the net profits computed in the manner laid down under Section 349 and Section 350 of the Companies Act, 1956.

He had worked with Garware Nylon Ltd for 14 years as All India Marketing Manager for Nylon Filament Yarn & Polyester Filament Yarn and thereafter he was agent of renowned companies for text yarn. He has experienced of more than 33 years in Textile Industry.

He has In-depth market knowledge & excellent contacts in Textile Industry including PFY, Fabrics (Knitted &



Woven), Garment Exporters, Home Textiles & Dyes, etc.

**2) Past remuneration:**

Rs.40,00,000 per annum inclusive of all perquisites and benefits plus Commission @ 2.5 % per annum of the net profits computed in the manner laid down under Section 349 and Section 350 of the Companies Act, 1956.

**3) Job profile and his suitability:**

He has experience of more than 33 years in Textile Industry and joined the Company as CEO of the Company with effect from 02-05-2007 and elevated to the post of Executive director with effect from 30th October 2010. Performance of the Company has improved for about last four years. In view of his experience in the field of textile marketing, your directors are of view that he should be re-appointed as an executive director of the Company.

**4) Remuneration proposed:**

**i. Increase in remuneration from 1st July 2013 to 29th October 2013**

Proposed to increase remuneration from Rs. 40,00,000/- per annum to Rs. 52,50,000 /- per annum inclusive of all perquisites and benefits in addition to Commission @ 2.5 % per annum of the net profits computed in the manner laid down under Section 349 and Section 350 of the Companies Act, 1956 with effect from 1st July 2013.

**ii. Re appointment from 30th October 2013 to 29th October 2016**

Rs. 52,50,000 /- per annum inclusive of all perquisites, allowances and gratuity plus commission @2.5% p.a of the net profits computed in the manner laid down under Section 349 and Section 350 of the Companies Act, 1956 with a power to the Board of Directors to increase remuneration upto 25% of the last drawn remuneration every year with effect from 1st April of the financial year commencing from the financial year 2014.

**iii. Comparative remuneration profile with respect to industry, size of the company, profile of the position and person**

Looking to his long experience and association with the Company, size of the company and the Company's constant efforts to revive and improve profitability, the proposed increase in remuneration for the remaining period and for reappointment terms are justified to retain the managerial person.

**iv. Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:**

He is not related directly or indirectly with the managerial personnel. Further, he has no pecuniary relationship with the Company except as an Executive director of the Company. He does not hold any equity shares of the Company.

**OTHER INFORMATION:**

**i. Reason of loss or inadequate profits**

Not applicable since net profits computed in the manner laid down under Section 349 and Section 350 of the Companies Act, 1956 as on 31st March 2013 prior to the date of his increase in remuneration and reappointment is adequate.

**ii. Steps taken for improvement**

Not applicable since Net profit as on 31st March 2013 is adequate

**iii. Expected increase in productivity and profits in measurable terms**

In view of expansion undertaken by the Company, the Company expects to increase productivity and profits.

BY ORDER OF THE BOARD OF DIRECTORS

Place: Mumbai  
Date: 8th August 2013

**K. N. Kapasi**  
COMPANY SECRETARY

**DIRECTORS' REPORT**

To,  
The Members,  
**WELSPUN SYNTEX LIMITED,**

Your Directors are pleased to present the Thirtieth Annual Report together with Audited Statement of Accounts of the Company for the year ended 31st March 2013.

**FINANCIAL RESULTS**

(Rs. in Lacs)

	2012-13	2011-12
Gross Profit before Depreciation and Finance Expenses	4948.19	4151.81
Less: Finance Expenses	1864.70	1734.19
Depreciation	1481.03	1261.27
Profit/(Loss) before tax	1602.46	1156.35
Less – Current Tax – Current year	318.19	231.36
– Earlier period	0	0
Add – MAT credit entitlement	(318.19)	(231.36)
Add/(Less) – Fringe Benefit Tax	-	(0.89)
Profit/ (Loss) after tax	1602.46	1157.24

**OPERATIONS**

During the year under review, Net sales and services and Gross Profit before Interest and Depreciation were of Rs. 77611.82 Lacs and Rs. 4948.19 Lacs respectively as compared to Rs. 61155.05 Lacs and Rs. 4151.81 Lacs respectively for the previous year. Net sales and services of the Company and Gross Profits have thus increased by 26.90% and 19.18% respectively over the previous year.

Exports during the financial year 2012-13 were of Rs. 21335.30 Lacs as compared to Rs. 14236.46 Lacs during the previous year, registering increase by 49.86%.

Power cost is increased due to increase in power tariff both in Palghar, Maharashtra as well as at Rakholi, Silvassa. Interest cost has been increased due to rise in rate of interest and increase in borrowing for working capital. Foreign exchange difference losses were of Rs. 115.59 Lacs during the financial year 2012-13 in view of fluctuation in foreign exchange. The Company has developed market for carpet yarn, yarn for Bath rugs, and spandex covered yarn for denim industry.

**EXPANSION**

The Company is under major expansion at total capital outlay of Rs. 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 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, 2013 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 Bhalchandra Anant Kale and Shri M.K. Tandon, the directors of the Company retire by rotation at the 30th Annual General Meeting and being eligible have offered themselves for reappointment.

Board has recommended re-appointment of the aforesaid directors.

**AUDIT COMMITTEE**

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) Auditors have qualified report under para "Basis for qualified opinion" drawing attention to Note no. 29 of notes to the 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 view of the above, the Board is of the view that no adjustment to the amounts as mentioned in note no 29, is necessary,
- ii) We refer to para (iv) of Annexure to Auditors Report and state that appropriate action shall be taken to strengthen internal control system pertaining to fixed assets.

## COST AUDITOR

The Company has appointed M/S. Kishore Bhatia & Associates, Cost Accountant as a Cost auditor pursuant to order issued by Ministry of Corporate affairs, cost audit branch dated 6th November 2012. Due date of filing the report is 27th September 2013.

## 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: Rs. 19218.70 Lacs (Rs. 9219.55 Lacs)

Earning: Rs.18702.00 Lacs (Rs.13720.08 Lacs)

## PARTICULARS OF EMPLOYEES

As per the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rule, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts are being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

## 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. Your Directors also wish to place on record their sincere appreciation of the dedicated services, hardwork, solidarity and profuse support by all the employees of the Company.

For and on behalf of the Board of Directors

**B. A. Kale**  
Executive Director

**R.R.Mandawewala**  
Director

Place : Mumbai,

Date: 22nd May 2013

## FORM - A (SEE RULE 2)

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

	Current Year 2012-2013	Previous Year 2011-2012
<b>A Power and fuel consumption</b>		
1 Electricity		
(a) Purchased		
Units (In '000S)	92935.56	85117.53
Total Amount (Rs. in Lacs)	4391.68	3948.48
Rate / Unit (Rs. )	4.73	4.64
(b) Own Generation		
(i) Through Diesel / Gas Generator		
Units (In '000S)	452.23	581.00
Units per Ltr. of Diesel Oil	73.81	69.27
Cost / Unit (Rs.)	16.32	11.92
(ii) Through Steam Turbine / Generator	Nil	Nil
2 Coal (used in Boiler)		
Units (In '000S)	3548.16	4252.13
Total Amount (Rs. in Lacs)	215.44	247.79
Rate / Unit (Rs.)	6.07	5.83
3 Furnace Oil		
Quantity (K.Ltrs.)	Nil	Nil
Total Amount (Rs. 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	Previous Year
Products (With Details)		
Unit	- Kg.	Kg.
Electricity	- 6.28	5.31
Furnace Oil	- Nil	Nil
Coal (Specify Quality)	0.31	0.32
Others (Specify)	Nil	Nil



## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY STRUCTURE, SCENARIO & DEVELOPMENT

Global financial crisis, high rates of interest and growth rate and reduction in private final consumption expenditure have impacted investment and have slowed down growth to 6.2% and 5% respectively in the year 2011-12 and 2012-13. The rate of growth of the manufacturing sector was even lower at 2.7 per cent and 1.9 per cent for these two years respectively. Both public and private investment declined as a share of GDP. Increase in policy rate which increased cost of borrowings, lower demand for Indian exports, policy bottlenecks (such as obtaining environmental permissions, fuel linkages, or carrying out land acquisition) led to a number of large projects becoming stalled. The government has been battling a number of problems, including a widening current account deficit, currency depreciation and high inflation.

India's economic woes are hurting polyester demand. The current account deficit was at 4.3% at the end of 2011, up from 2.3% a year earlier. And the rupee has depreciated by more than 20% in the past year. Foreign investor confidence in the economy has weakened as much-needed economic reforms have been put on hold.

Indian polyester producers face turbulent times as excess capacity and a slowing economy have dragged down demand and profitability. Their margins have been squeezed since April 2011 and the situation has not shown any improvement this year.

Sales have been poor since April and margins have been bad. The Indian economy's slowdown has affected demand. Also cotton is abundantly available and capping the top end of [polyester] prices.

The near-term outlook remains bleak as the fragile economic environment could continue until 2014 when the next general elections take place, say industry players.

One of the key concerns for polyester producers is inflation, which has been running at 6-8% for more than a year. That has hurt demand as the priority for people has been food over clothing and the impact of this has trickled upwards to dampen polyester demand.

The high excise duty of 12% on Synthetic Fibres has created a huge gap between Synthetics and Cotton which is contrary to the principle of "Fiber Neutrality" envisaged in the National Fibre Policy. This has also resulted in deceleration in growth bringing down the capacity utilization from 85% when Excise Duty was 4% to a low of 65% - 70% in 2012-13 when the Excise Duty has been raised to 12%.

Besides the economy, a third producer also cites rampant capacity expansion in the past couple of years as a factor

behind the current margin pressure. Expansion in polyester has been outpacing that of the downstream spinning and textile sectors.

Indian polyester capacity increased by 30% in fiscal 2011-12 and will rise by another 40-45% by the end of fiscal 2012-13. Demand during this period is likely to grow by only 15-18%.

Spinners looking to back integrate operations have been responsible for most of the capacity additions courtesy of the availability of cheap equipment and technology from China on easy financing terms.

Given the anemic domestic market polyester producers have been forced to boost exports despite lower realization.

During FY 2012 – 13 (April-December, 2012), all the sub-sectors have shown positive growth ranging from 1% - 19% except production of filament yarn which showed a decrease in production by 2%. The cloth production in Handloom sector remained the same during the period.

Textiles exports were US \$ 21.58 billion during Apr – Dec' 12 as compared to US \$ 23.29 billion during corresponding period of the previous year, registering a decline of 7.3 percent.

The recent global slowdown has however impacted the prospects of this sector also.

Technology Up gradation Fund Scheme (TUFS) is continued in 12th Plan with an investment target of Rs. 1,51,000 crores.

As per the latest available data released by WTO Secretariat for the calendar year 2009, 2010 and 2011 the share of Indian textiles and clothing exports in World's exports were 3.98% , 3.98% and 4.11% respectively and has not been declining.

But China too has been adding polyester capacity and has emerged as a major exporter, selling 788,000 tonnes of polyester staple fiber (PSF), 668,000 tonnes of polyester filament yarn (PFY) and 956,000 tonnes of polyethylene terephthalate (PET) bottle-grade chips in the international market in 2011.

India's textile and garment exports dropped 8.6% in the first half of the current fiscal, representing less than one-third of the full year target of \$40.59 billion, according to the latest official data. With the slowdown in top markets such as the US and the EU – which accounts for around 65% of the export basket of the segment – the lofty target for 2012-13 is all set to be missed.

But, China, a major textile producer for about two decades, is now focusing on other sectors. It is expected this would change the fortunes of other textile producers such as India and Bangladesh.





The demand slowdown in both China and India comes as key polyester raw materials purified terephthalic acid (PTA) and monoethylene glycol (MEG) face upward price pressure. China's official manufacturing index rose to the highest level in seven months ending December 2012 as new orders and export demand climbed, underscoring optimism the economy is recovering after a seven-quarter slowdown.

The imports of textiles and apparels by the US increased in January 2013, with Vietnam and Bangladesh turning out to be the fastest growing suppliers to the western nation.

The exports of textiles products is witnessing boost in the country as the sector contributed around US \$ 40.2 billion precious foreign exchange to national kitty during more than last three years.

#### **OPPORTUNITY AND THREATS**

Depreciation of rupee vis a vis USD, decrease in GDP growth, increase in capacity of polyester filament yarn is likely to affect margin of profits.

The volatility in the Crude oil prices affects prices of PTA and hence, Polyester chips, the raw materials for Polyester filament yarns.

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, increase in capacity of texturised yarn, introduction of new products, etc.

#### **PRODUCT WISE PERFORMANCE**

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

Revenue from POY were of Rs. 11554.67 Lacs as compared to Rs. 8434.04 Lacs of previous year, from Texturised Yarn/ Dyed yarn were of Rs. 68404.16 Lacs as compared to Rs. 54500.65 Lacs of previous year, from traded goods of partially oriented yarn were of Rs. 1028.43 Lacs as compared to Rs. 507.33 Lacs of previous year.

#### **OUTLOOK**

The Company is under major expansion. It has already increased capacity of texturised yarn, mother yarn splitting (mother yarn-polyester) capacities and introducing BCF (Bulk Continuous Filament) Yarn which is useful for making Carpets. This has resulted in increase in turnover of the Company and it expects further increase on completion of expansion during the year 2013-14.

#### **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 an 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 Rs. 77611.82 Lacs and Rs. 4948.19 Lacs respectively as compared to Rs. 61155.05 Lacs and Rs. 4151.81 Lacs respectively for the previous year. Net sales and services of the Company and Gross Profits have thus increased by 26.90 % and 19.18% respectively over the previous year.

Exports during the financial year 2012-13 were of Rs. 21335.30 Lacs as compared to Rs. 14236.46 Lacs during the previous year, registering increase by 49.86 %.

##### **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: 22nd May 2013

## CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 MARCH 2013

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	Category	No. of Other Directorship in Public Limited Companies	Membership in Committee of Other Companies	No. of Board Meetings Attended (01/04/12 to 31/03/13)	Attendance at last AGM
1.	Mr. B. K. Goenka	P, S, NE, C	12	6M/1C	2	No
2.	Mr. R. R. Mandawewala	P, NE	12	3M	3	No
3.	Mr. Raj Kumar Jain	I	4	3C	4	Yes
4.	Mr. Atul Desai	I, S	9	4C/6M	4	No
5.	Mr. M. K. Tandon	I	4	4C/1M	4	No
6	Mr. B.A.Kale	E	Nil	Nil	4	Yes

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 2012-13 i.e. 23 May 2012, 10 August 2012, 09 November 2012 and 11 February 2013.

### 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 2013.

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

Five meetings of Audit Committee of Board of Directors were held on 23 May 2012, 10 August 2012, 09 November 2012, 01 December 2012 and 11 February 2013. The details of Attendance of Members of audit committee are as follows:

Sr. No.	Name of the Member	Designation	Number of Meetings Attended (01/04/2012 to 31/03/2013)
1.	Raj Kumar Jain	Chairman	5
2.	Atul Desai	Member	5
3.	M.K.Tandon	Member	4

### 2. SHARE TRANSFER AND INVESTOR GRIEVANCE COMMITTEE

- a. Atul Desai - Chairman
- b. B. K. Goenka - Member
- c. 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:** Kaushik N. Kapasi – Company Secretary

60.18% of the shares of the Company are in Dematerialized form.

Six meetings of Share transfer and Investors' Grievance Committees were held on 09 April 2012, 20 July 2012, 04 October 2012, 30 November 2012, 06 December 2012 and 28 March 2013.