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Alps Industries Limited

38th Annual Report 2009-2010

CONTENTS

Corporate Directory	2
Board of Directors	3
Directors' Report	5
Annexure to the Directors' Report	11
Management Discussion & Analysis	16
Corporate Governance	19
Statement of Subsidiary Companies	37
Auditors' Report	38
Balance Sheet	42
Profit and Loss Account	43
Schedules forming part of Accounts	44
Notes to Financial Statements	50
Cash Flow Statement	63
Balance Sheet Abstract and	
Company's General Business Profile	65
Subsidiary Companies	
1. Alps USA Inc.	66
2. Alps Energy Pvt. Ltd.	76
3. Alps Uttarakhand Energy Pvt. Ltd.	93
4. Snowflakes Meditech Pvt. Ltd.	103
Consolidated	117

CORPORATE DIRECTORY

Unit I

Fiber Dyeing & Eco-Friendly Yarn Spinning Mill

Plot No. 1A, Sec. 10, I. I. E, SIDCUL,
Haridwar, Uttarakhand - 249403
Email: commmlharidwar@alpsindustries.com

Unit II

High Quality Compact Yarn Spinning Mill

Plot No. 1B, Sec. 10, I.I.E., SIDCUL,
Haridwar, Uttarakhand - 249403
Email: commmlharidwar@alpsindustries.com

Unit III

Automotive, Technical Fabrics And Cotton Processing Project

Village - Aminagar alias Bhoor Baral,
Meerut (U.P.)

Unit IV

Vista Awnings Division

A-2, Loni Road Industrial Area
Ghaziabad - 201 007 (U.P.)
Email sales@alpsindustries.com

Unit V

Home Furnishing Made-Ups

A-16/2, Site IV, Industrial Area,
Sahibabad, Distt Ghaziabad - 201 010
(U.P.)

Unit VI

Yarn Spinning Mill (On long term lease)

Kashipur Spinning Mills,
Near Govt. Degree College,
Kashipur Bazpur Road, Kashipur,
Udham Singh Nagar
Uttarakhand - 244 713
Email: alpskashipur@alpsindustries.com

Unit VII

Yarn Spinning Mill (On long term lease)

Jaspur Spinning Mills,
Afzal Garh Road, Jaspur,
Udham Singh Nagar,
Uttarakhand - 244 712

Unit VIII

Vista And Fashion Accessories Division

A-3, Loni Road Industrial Area
Ghaziabad - 201 007 (U.P.)
Email vista@alpsindustries.com

Unit XI

Home Furnishing Made-Ups

D-247/17, Sector 63,
Noida U.P. - 201301

REGISTERED OFFICE

B-2, Loni Road Industrial Area,
Opp. Mohan Nagar,
Ghaziabad - 201 007 (U.P.)
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Fax: 0120 - 2657 540
Email b2alps@alpsindustries.com

CORPORATE OFFICE & SHARE DEPTT.

57/2, Site-IV, Industrial Area, Sahibabad
Ghaziabad - 201010 (U.P.)
Tel: 0120 - 4161700
Fax: 0120 - 2895299, 2896041
Email alps@alpsindustries.com

R&T AGENT

Alankit Assignments Ltd.
Alankit House, 2E/21, Jhandewalan
Extn.,
New Delhi - 110 055 (INDIA)
Ph : 91-11-4154 0061-63,
Fax : 91-11-4154 0064, 4254 1201
Email: alankit@alankit.com

REGIONAL & MARKETING OFFICES - VISTA DIVISION

BANGALORE : 303, Ahuja Chambers of
Commerce, 3rd Floor, Kumara Krupa
Road, Bangalore - 560 001

Ph.: 080 - 40914620
Telefax: 080 - 41136070
Email : alps.blr@airtelmail.in

GHAZIABAD /DELHI NCR : 57/2, Site
IV Industrial Area, Sahibabad,
Ghaziabad - 201010

Tel: 0120 - 4161822 , 0120 - 4161700
Fax: 0120 - 2896134
E-mail: sales@alpsindustries.com

MUMBAI: Flat No. 3116-3117, C-Wing,
Oberoi Estate, Chandivali Farm Road,
Chandivali, Andheri (E),
Mumbai - 400 072
Tel/Fax: 022 - 28472111

CHENNAI: No. 36/25, Premises No.36,
Krishna Arcade, First Floor, Raja Bathar
Street, T. Nagar, Chennai - 600017

Ph:044 - 28156210
Email: alpschennai@rediffmail.com

KOLKATA: Room No. 8 & 9, M.A.
Business Centre, Poddar Point Rear
Street, 113, Park Street Kolkatta - 700016
Mob: 09831545591

PUNE: 98/B, Patil Plaza, Near Mitra
Mandal Chowk, Pune - 411009
Tel:020-24446467 , 24442088

AUDITORS

P. Jain & Co., Chartered Accountants

LUCKNOW: G - 24, Tej Kumar Plaza,
Hazratganj, Lucknow - 226001
Tel: 0522 - 3015452 , Fax: 0522 - 3015453

COMPANY SECRETARY

Mr. Ajay Gupta

E-mail : alps@alpsindustries.com

Website : www.alpsindustries.com

BOARD OF DIRECTORS**Mr. K. K. Agarwal, Chairman**

Mr. K.K. Agarwal, aged 68 years, is a qualified textile engineer. He has experience of more than 40 years in the textile and interior decorative industry. He was instrumental in exploring the export markets for the Company's products and establishing long term relations with the Company's international and domestic buyers. He has been nominated as Non official member of Textile committee, nominated as the Director of Confederation of India Textile Industry, Vice President of Northern India Textile Manufacturer Association, Member of Made-Ups Sub Committee by TEXPROCIL. Due to his experience and expertise for the betterment of textile industry, he is nominated as Vice Chairman of Northern India Textile Research Association for the year 2009-10. He has also a dedicated vision for the educational, health/welfare and other social activities for the society and involved in schools/colleges and also been nominated as Chairman of educational institutes at Jaspur. He has awarded the Honour of "Uttarakhand Ratan" by the All India Conference of Intellectuals for the recognition of the distinguished services rendered by him to the Society at Large. He is currently the Non Executive Chairman and Promoter Director of the Company.

Mr. Sandeep Agarwal, Managing Director

Mr. Sandeep Agarwal, aged 46 years, is a commerce graduate. He is presently the Managing Director of the Company. He was instrumental in diversifying into value added lines like the Vista range of interior decorative products. He has been the force behind setting up the manufacturing facilities for venetian blinds, vertical blinds, drapery rods, awnings, garden umbrellas, etc. He also developed brands like Vista, for interior decorative and LePashmina, for fashion accessories. One of the areas of his responsibilities includes marketing and business development. Under his leadership, the Company has set-up a nationwide distribution system for the Company's products. This has helped the Company in marketing its brands such as Vista throughout the country. The company has expanded considerably by taking up various spinning and weaving projects at Haridwar and Meerut in addition to the expansion of the existing units under his acumen and dynamic leadership.

Mr. P. K. Rajput, Executive Director

Mr. P. K. Rajput, Executive Director, aged about 54 years, has been associated with the company for last 16 years. He has experience of 32 years in handling Commercial and Administrative affairs with prominent groups related to Textile Industry.

Mr. Prabhat Krishna, Director

Mr. Prabhat Krishna aged about 63 years is a B. Tech (Chem.) from IIT Delhi and presently based at Delhi. He is retired from State Bank of India as Assistant General Manager. He has over 36 years of experience in the areas of Banking, Forex & Corporate Finance. He is presently advisor to various Companies for Technical consultancy & Rehabilitation. He was also guest faculty to SBI training college.

Mr. Tilak Raj Khosla, Director

Mr. Tilak Raj Khosla aged about 63 years is a Arts Graduate with Subordinate Accounts Services (S.A.S). He is retired from the post of Dy. Controller of Defence Accounts in Defence Accounts Department under the Controller General of Defence Accounts under the Ministry of Defence. He has over 41 years of experience in the areas of accounts and auditing of Defence Accounts in various positions like Auditor, Section Officer, Accounts Officer, Sr. Accounts Officer, Asstt. C.D.A. and Dy. C.D.A.

Mr. Pradyuman Kumar Lamba, Director

He is aged about 61 years with a qualification of Subordinate Accounts Services (S.A.S.) He retired in 2008 from the post of Dy. Controller of Defence Accounts in Defence Accounts Department under the Controller General of Defence Accounts under the Ministry of Finance (Defence). He has vide experience of about 40 years in accounts and auditing of Defence Accounts in various positions like Auditor, Section Officer, Accounts Officer, Asst. Accounts Officer, Asstt. C.D.A. and Dy. C.D.A.

Mr. Sonalal Datta, Nominee Director

He is aged about 59 years and presently working with State Bank of India as Assistant General Manager and possessing vast experience in the areas of Banking, Forex & Corporate Finance. He is the Nominee Director of State Bank of India.

DIRECTORS' REPORT

To,
The Members,
Alps Industries Limited

Your Directors have pleasure in presenting the Thirty Eighth Annual Report together with the Audited Statements of Account of the Company for the accounting period of Nine Months ended on 31st March 2010 :

Annual Accounts and Reports of the company are for a period of 9 months, from 1st July' 2009 to 31st March' 2010. These figures, therefore, are not comparable with those of previous year ended 30th June' 2009.

FINANCIAL RESULTS

(Rs. in Millions)

Particulars	9 months period ended 31.03.2010	15 months period ended 30.06.2009
Total Income	4688.22	9917.29
Operating Earnings/Losses before Financial Expenses, Depreciation & Amortization and Tax	(183.26)	(1060.68)
Finance Cost	564.21	964.28
Depreciation	306.61	394.03
Profit/Loss Before Tax	(1054.08)	(2418.99)
Provision for Tax Including FBT	--	6.00
Deferred Tax	12.50	37.50
Profit/Loss After Tax	(1066.58)	(2462.49)
Prior year Adjustment	149.67	(1.03)
Add: Surplus of last year	(2274.20)	169.13
Surplus available for appropriation	(3191.11)	(2294.39)
Appropriations		
General Reserve	--	--
Proposed Dividend	--	(17.26)
Corporate dividend Tax	--	(2.93)
Surplus carried to Balance Sheet	(3191.11)	(2274.20)
Surplus available for appropriation	(3191.11)	(2294.39)

PERFORMANCE REVIEW

The year under review turned out to be a difficult one. The after effects of the global economic melt down in 2008 were still visible in the current year and affected the working of the company adversely.

On the micro level, while the yarn business showed improvement in working, both in terms of efficiencies and productivity as well as profitability, with market conditions being favourable, the new unit set up at Meerut for weaving and processing faced teething problems. As a result, the Meerut unit could not perform at the optimum levels of efficiency and productivity. A lot of new developments are taking place at the Meerut unit accompanied with simultaneous efforts on marketing of value added products from that unit. While the efforts are showing positive signs for future, the current year has been a challenging one for this unit.

On the marketing front, a lot of new products are under development, as mentioned in the foregoing paragraph. New markets are being explored with a new product basket giving a better value addition. In the international market, we are launching some new products with some of the major retailers in the U.S. as well as Europe. Despite a tough economic scenario, we are trying to generate additional market like U.S.A., Europe, Australia & South Africa due to our variety of eco-friendly products like 100% Organic, products using Natural & Vegetable Dyes, Spinning, Weaving and Cut & Sew.

The company is also trying to do better in the domestic market. Company is also exploring the market for export of yarn to China/ Bangladesh.

Due to the factors explained above, the company has ended the nine months accounting period with a loss of (Rs.1066.58) millions in comparison to a net loss of (Rs. 2462.49) millions in the previous year.

Due to economical non-viability the units located at 57/2 & 58/1, Site IV, Industrial Area, Sahibabad, Ghaziabad has been closed down during the year under review.

VISION FOR TECHNOLOGICAL GROWTH/ EXPANSION

In our Architectural Products Division, we have developed a wide range of products like New Roller Blinds Fabrics, Solid Hardwood Floorings in association with European manufacturers with a variety of shades on each species Ash and Beech. There are various other products like New Blinds Honeycomb, Silhouette, Pleated and Zebra, New Motorized Curtain Tracks and Tubular Motors, Range of woodino/bambino Roman & Ailanto Blinds New curtain tracks, Outer Decking Material and SS Hardware Locks in the stainless steel hardware products with a view to widen our product range for real estate projects.

WEAVING AND PROCESSING FACILITIES AT MEERUT

We feel immense pleasure to inform that despite several financial problems since last 1½ year; we have been able to complete our Weaving Project at Meerut in the last year, with the extraordinary cooperation and support from our lenders. The complete plant & machinery is in place and has started commercial production successfully. We have already started supplies to high end customers from the Meerut plant.

As of now, at its initial stage, the Weaving Plant at Meerut is operating at about 40-50% of its capacity but we expect that the level of operations will improve to its optimum capacity by the end of financial year 2010-11.

FINANCIAL MANAGEMENT

The financial management of the company has been regulated by the CDR Scheme, as approved by the CDR Cell in its meeting held on August 31, 2009 and as amended from time to time. Further financial management and analysis of the company's fund requirement will be subject to the compliances/conditions as imposed by the CDR or any other regulatory agencies, as may be applicable from time to time. There are also proposals for disposal of some properties of the Company in terms of CDR Scheme. Most of the banks have extended their support for CDR Scheme.

We are confident that with this support of the bankers for CDR Scheme, the Company will restore its operations to the erstwhile healthy levels. The CDR package is implemented by all the CDR lenders by complying with the following

major conditions:

- The package was sanctioned by the lenders concerned and effect had been given in the books of account of the lenders as per the approved package;
- Promoters' contribution to the extent envisaged in the package had been brought in; and
- MRA has been executed binding the lender(s) and the company for compliance of all terms and conditions of the approved package.

The compliance to other terms and conditions of the CDR Sanctioned Scheme is under implementation. Further capital investments and utilization of funds is also governed by the CDR Monitoring authority. In the meantime the company has also submitted a Scheme of Compromise/Arrangement under section 391 of the Companies Act, 1956 with the Bankers which is under the sub-judice with the Hon'ble High Court at Allahabad. The said scheme has been approved by overwhelming majority of the Creditors and shareholders at their meeting held on March 11, 2010 and May 6, 2010 respectively, under the Chairmanship of Chairperson appointed by the Hon'ble High Court vide their order dated February 8, 2010.

Besides the above, your company is also actively implementing various other cost reduction measures, by optimum utilization of facilities and reducing wastages.

REFERENCE UNDER SECTION 15 AND OTHER APPLICABLE PROVISIONS OF CHAPTER III OF THE SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT, 1985.

Due to erosion of net worth of the company by more than 50% in the previous accounting year i.e. 15 months period ended on June 30, 2009, as per the requirement of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), a reference had been made with the Hon'ble BIFR by submitting Form C within the prescribed time.

Since, during the current 9 months period ended 31st March, 2010, the Company has suffered a net loss of Rs. 1066.57 Million which has resulted in full erosion of net worth of the company, the company became a "Sick Industrial Company" under Section 3(1)(o) of the aforesaid Act. Consequently, necessary reference/registration is required to be obtained with the Hon'ble BIFR. The necessary recommendations of the Board for approval from the members of the company has been received to comply with the provisions of the SICA.

CERTIFICATION & RECOGNITIONS

- ✍ According to the January'2010 edition of Journal of Network 18 "The Search", the company has been assigned rank of 379 out of 500 Manufacturing Companies.
- ✍ The company has won State Export Award for the year 2008-09.
- ✍ The company has been awarded first prize by Government of Uttar Pradesh for excellent performance in Export, by the Department of Small Scale Industries & Export Promotion.
- ✍ The company has been awarded "Amity Corporate Excellence Award for Corporate Social Responsibility".

The company continues to maintain its accreditations with various agencies like GOTS, ISO 9001, ISO 14000 and others.

GOVERNMENT POLICY INITIATIVES

The Government has taken various steps to simplify the FDI regime and complete liberalization of pricing and payment of technology transfer fee and trademarks, brand name and royalty payment in the budget for the year 2010-11, which will also benefit the textile industry. Under the indirect taxes the rate reduction in Central Excise duties to be partially rolled

back and the standard rate on all non-petroleum products enhance from 8 per cent to 10 per cent *ad valorem*

There is big thrust on technical textiles from the Government. The Union Textile Ministry has launched a national technology mission for technical textiles. There is also 5 per cent interest reimbursement subsidy and a 10 per cent upfront capital subsidy for technical textiles. The government has also allocated more funds to the TUFS scheme to clear the subsidy claimed by the textile industries. Subvention for timely repayment of crop loans raised from 1% to 2% for 2010-2011, which shall help farmers to produce more cotton in the country.

DIVIDEND

Due to the operational loss suffered by the company, your directors do not propose any dividend for the current financial period.

CAPITAL ISSUES

In compliance of CDR Scheme and further approval from the Board of Directors at their meeting held on September 22, 2009 and further approval from the Members of the company at the Annual General Meeting held on December 11, 2009, and in terms of the 'in principle' approval received from the Bombay Stock Exchange on April 12, 2010 and National Stock Exchange of India Limited on April 19, 2010, the company has allotted 36.00 Lacs equity shares on April 26, 2010 & April 29, 2010 in favour of FIIs (Mauritius Based). The approval from the stock exchange for the other proposal of allotment of equity shares in favour of Promoter and Quasi Equity Instruments is under process.

The company has also enhanced the authorized share capital from Rs. 52.00 Crores to Rs. 183.00 Crores in terms of the approval received from the shareholders. It is also pertinent to mention here that the company had proposed for the enhancement in the authorized share capital upto Rs. 410.00 Crores but in view of the exact requirement of the company, the resolution with modification by increasing the authorized share capital from Rs. 52.00 Crores to Rs. 183.00 Crores only was passed. Now the balance capital of Rs. 227.00 Crores shall be issued in the shape of CRPS and accordingly the AGM approval have been sought to increase the authorized capital.

The company also proposed to delist the GDRs from the Luxemburg Stock exchange as no GDRs are outstanding as on date as per the decision taken at the meeting of Board of Directors held on May 29 2010.

INVESTOR RELATIONS

Your Board takes satisfaction from the fact that all the investors' grievances received during the year have been resolved to the satisfaction of the investors within a reasonable time. Alankit Assignments Limited, the R & T Agent of the company, has made a positive contribution to resolve the Investors' grievances efficiently and effectively, whenever they arose. We sincerely place on record, the appreciation for our valued investors who have contributed and reposed the confidence in the company in difficult time. The Board appreciates the investment decision by the new investors for reposing the confidence in the company by subscribing to the 36.00 Lacs equity shares.

HUMAN RESOURCES

The company is committed to treating its employees with value for human dignity, integrity, openness & fairness. As the company is expanding, the management is committed towards systematic thinking, redesigning more transparent systems & fair policies to ensure healthier work environment and promote excellent employees relations.

The company has extended the welfare & motivational activities during the year for strengthening the employees' relations by providing better residential accommodations and opening fair price shops in the residential colony. Means of local transportation for the employees have been provided to ensure and increase the individual belongingness and

commitment to the organization

The company has introduced the training scheme to fulfill the requirement of trained workers to meet out the short fall in capacity utilization and also to fulfill the requirement due to increase in capacity. Human resource management and maintaining good industrial relation is need of the day. However, by introducing training scheme and by maintaining good industrial relation, we are making all efforts to fulfill the requirement of work force.

The information required under Section 217 (2A) of Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, duly amended by the Companies (Particulars of Employees) Rules, 1999 for the period ended 31st March, 2010 is enclosed as Annexure - 1.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

Information in accordance with the provisions of Section 217(1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars) in the Report of Board of Directors Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given in the statement annexed (Annexure -2) hereto and forms part of this report.

DIRECTORS

In terms of the provisions of Article No. 106, 107 & 108 of the Articles of Association of the company and Sections 255 and 256 of the Companies Act, 1956, Mr. P.K. Rajput, Executive and Non Independent Director, retire at the ensuing Annual General Meeting, and being eligible, offer himself for reappointment.

In terms of the provisions of Article No. 92 of the Articles of Association of the company and Section 260 of the Companies Act, 1956, Mr. P.K. Lamba and Mr. Nitin Garg were appointed as additional directors on October 31, 2009 upto the conclusion of the next Annual General Meeting, which was held on December 11, 2009. On the expiry of tenure, Mr. P.K. Lamba, was again appointed as the Additional Director w.e.f. December 12, 2009. The regularization has been recommended at the forthcoming Annual General Meeting. However, the office of Mr. Nitin Garg as a Director has been vacated due to the expiry of his terms on December 11, 2009.

During the year under review, Mr. Rakesh Gupta has been removed from Directorship by the members of the company, as reappointment due to rotation was not approved by the shareholders at the Annual General Meeting held on December 11, 2009. Hence, he ceased to be a Director of the company w.e.f. December 11, 2009.

APPOINTMENT OF NOMINEE DIRECTOR

In terms of the CDR Scheme as approved on August 31, 2009 and as amended from time to time, State Bank of India vide their letter dated February 20, 2010 has nominated Mr. Sonalal Datta, Asstt. General Manager of Technical Consultancy Cell of State Bank of India as Nominee Director. He has been appointed as a Nominee Director w.e.f. March 8, 2010.

DIRECTORS' RESPONSIBILITY

In terms of Section 217(2AA) of the Companies Act, 1956, the members of the Board place on record the Directors' Responsibility Statement as under :-

- (i) That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) That the directors had selected such accounting policies and applied them consistently and made judgments and