



AS SALUJA GROUP
SEL Manufacturing Company Limited

Annual Report
2008-09

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Proud Past Promising Future

Board of Directors

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274, G. T. Road, Dhandari Khurd, Ludhiana (Pb.) 141 010 India		Consolidated Cash flow Statement	58
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Registrar & Transfer Agent

Link Intime India Pvt. Ltd. (Formerly Intime Spectrum Registry Ltd.) A-40, 2 nd Floor, Naraina Industrial Area, Phase-II, Near Batra Banquet Hall, New Delhi 110 028 Phone No: 011- 41410592, 93, 94 Fax no: 011- 41410591 E-mail delhi@intimespectrum.com		Significant Accounting Policies and Notes on Accounts	67
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DIRECTORS' REPORT

To

The Members

SEL Manufacturing Company Ltd.

Your Directors have pleasure in presenting their 9th Annual Report on the affairs of the company together with Audited Accounts for the financial year ended 31st March, 2009.

FINANCIAL RESULTS

(Rupees in Lacs)

	Current Year (2008-09)	Previous year (2007-08)
Operating Income		
Gross Sales	58994.69	35738.70
Net Sales	58994.69	35731.37
Other Income	4171.66	3533.11
	-----	-----
	63166.35	39264.48
Less :		
Expenditure	54603.60	32828.95
Provision for Depreciation	1749.09	909.97
	-----	-----
Profit before taxation:	6813.66	5525.56
Less :		
Taxes : Current Tax	632.00	449.12
Deferred Tax	1112.10	573.13
Fringe Benefit Tax	25.00	11.09
MAT Credit Entit. (445.88)		--
Wealth Tax	2.00	0.92
	1325.22	1034.26
Previous year adjustments	--	--
Prov. For Tax (earlier yrs)	10.10	5.88
	-----	-----
Profit after Tax	5478.34	4485.42
Balance brought forward	14967.42	12260.02
	-----	-----
	20445.76	16745.44
	-----	-----
Appropriations:		
Transferred to General Reserve	1600.00	1600.00
Dividend	--	152.16
Dividend Tax	--	25.86
Add MAT Credit Entitlement (Earlier Yrs.)	750.09	--
	-----	-----
Balance Carried over to Balance Sheet	19595.85	14967.42
	-----	-----

BUSINESS:

Your Company is vertically integrated textile Company, manufacturing and exporting cotton yarn, combed yarn, knitted fabrics and knitted garments with production facilities

located in Ludhiana in Punjab and Baddi in Himachal Pradesh. The Company has also set up a Terry Towel Plant with capacity of 10 TPD of Terry Towel, which commenced production in this financial year.

Our Business Strategy

Our principal operating strategies are to:

- Foray into value added yarns like slub fancy yarn, Dyed yarns, Bamboo cotton, Organic cotton, Millanges etc. .
- expand our garment capacity to cater to more diverse export markets
- to become an integrated player in the textile market catering in all segments from carded and combed yarn, knitting fabrics, knitted garments and terry towels.
- reduction of operational costs
- invest in design and product development for setting new trends and lifestyles.
- develop and maintain strong relationship with our clients

We have plans to expand our existing capacities in yarn manufacturing, knitting, garment manufacturing & terry towel. Further, we are also setting up captive Power Plant and open end spinning as a part of backward integration. Your Company is implementing a project at Vill. Shekhan Majara, Machiwarahon Road, Teh. & Distt. Nawanshehar consisting

- i) Setting up of (facilities to manufacture Technical textiles having a capacity of 90 TPD), 4 different production lines namely Spun Lace, Air-Lay, Geo-textile and Needle Punching.
- ii) Expanding the capacity of Captive Power Plant by setting up of another unit of 10 MW capacity taking the total capacity to 20 MW.
- iii) Expansion of Terry Towel Project by 25 TPD, thereby taking the Terry towel Capacity to 35 TPD after implementation.
- iv) Setting up of Open End Spinning facility of 1632 Spindles having production capacity of 18 TPD.

OPERATIONS:

During the year under review, your company has achieved Gross Sales to the tune of Rs. 58994.69 lacs as compared to Rs. 35738.70 lacs in the previous year. The profit before tax stood at Rs. 6813.66 lacs as compared to Rs. 5525.56 lacs during the previous year. After providing for taxes and other adjustments, the Profit after tax stood at Rs. 5478.34 lacs as compared to Rs. 4485.42 lacs during the previous year. The Company has also set up a Terry Towel Plant with capacity of 10 TPD of Terry Towel, which commenced production in this financial year. Further your company is also implementing a project envisaging high growth & high margin technical textiles & Hygiene products.

SUBSIDIARY FIRM(S) :

Your company continue to hold 99% stake each in the partnership firm(s) namely M/s SE Exports and M/s Kudu Industries. M/s SE Exports, the firm is engaged in the business of

manufacture of value added knitted garments having production facilities located in the tax free zone in Baddi in Himachal Pradesh and M/s Kudu Industries located at Ludhiana has dyeing capacity of 4500 tons p.a. in fabric and 3000 tons p.a. in yarn besides having flat bed printing, rotary printing & mercerizing capacities of appx . 2400 tons p.a..

The Company has recently acquired majority stake in SEL Textiles Pvt. Ltd., thereby making it a subsidiary. SEL Textiles Pvt. Ltd. is engaged in the business of textiles and has recently acquired a spinning unit with manufacturing facilities located at Neemrana Dist. Alwar, in Rajasthan which would cater the yarn requirements, with installed capacity of 24960 Spindles and production capacity of appx. 6000 TPA of yarn. The said unit is built up on an industrial plot of appx. 30 acres and has a build up area of 28153.5 sq. mtrs.

CORPORATE GOVERNANCE :

Your Company is committed to adhere to the best Practices of governance. In your Company, prime importance is given to reliable financial information, integrity, transparency, fairness, empowerment & compliances. A separate section on Corporate Governance and a Certificate regarding compliance of conditions of Corporate Governance, forms part of the Annual Report

DIVIDEND :

In order to conserve resources for future growth and expansion projects of the company the directors have not recommended any dividend for the Financial year 2008-09.

PREFERENTIAL ISSUE OF WARRANTS:

To augment long term resources of the Company for meeting fund requirements of the existing and new businesses etc., the Company has, in accordance with the Statutory provisions including Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 and with the approval of members, issued and allotted on April 9, 2008, 7650000 convertible Equity warrants on preferential basis to various entities, entitling them to apply for equivalent number of Equity Shares of the face value of Rs.10/- each of the Company at a price of Rs.185/- per Equity share. (i.e. Equity Share of Rs.10/- each at a premium of Rs.175/- per share). In terms of the said Guidelines, these entities have paid 10% of the issue price on subscription to the warrants and the balance issue price is payable upon exercise of the right to apply for the Equity Shares within a period of 18 months from the date of issue of the warrants. The warrants/shares issued/to be issued under the preferential offer are subject to lock-in period as prescribed under SEBI guidelines. Till date 19,50,000 warrants have been converted into Equity shares of the Company.

FURTHER ISSUE OF SECURITIES:

To augment long term resources of the Company for meeting fund requirements of the existing business & further expansions etc., the Company proposes to pass requisite resolution in this regard to raise funds for the Company, subject to necessary approvals

and applicable laws & regulations, by way of issue of securities, in the course of an international offering(s), in one or more foreign markets, at such time or times in one or more tranche or tranches, such Securities include Global Depositary Receipts (GDRs) and/or American Depositary Receipts (ADRs) convertible into equity shares, Foreign Currency Convertible Bonds (FCCBs) or any instrument or securities representing convertible securities such as convertible debentures, bonds or warrants etc. convertible into equity shares, whether optionally or otherwise or any combination thereof (hereinafter referred to as 'Securities').

The Company also intends to issue convertible warrants on Preferential basis to raise funds for the Company for which the desired resolutions are included in the Agenda for the ensuing Annual General Meeting for the consideration and approval of the members of the Company.

FIXED DEPOSITS:

During the year, your Company has not accepted any fixed deposits within the meaning of Section 58-A of the Companies Act, 1956 and the Rules made there under.

DIRECTORS:

Mr. Ram Saran Saluja and Mr. Ashwani Kumar, Directors' of the Company retire by rotation at this Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Ranjan Madaan was appointed as an Additional Director of the Company w.e.f. 01.10.2008 pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 92 of the Articles of Association of the Company. The Company has received notice(s) along with requisite fee under the provisions of Section 257/258 of the Companies Act, 1956 proposing the name of Sh. Ranjan Madaan for the office of Director of the Company. Further Mr. Neeraj Saluja is to be confirmed to be re-appointed as Managing Director of the Company for a further period of three years. The required resolution(s) in this regard for their appointment/reappointment as such are included in the Agenda for the ensuing Annual General Meeting for the consideration and approval of the members of the Company.

LISTING WITH EXCHANGES AND LISTING FEES;

The Equity Shares of the Company are presently listed with Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Ltd. (NSE). Further the Company has paid listing fee to both the exchanges upto financial year 2009-10.

AUDITORS:

M/s Dass Khanna & Co., Chartered Accountants, Ludhiana, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and are eligible for reappointment.

AUDITORS' REPORT:

Pursuant to auditors remarks in their Report regarding non-compliance of Accounting Standard 11 (AS-11) "The effects of changes in Foreign Exchange Rates w.r.t. non translation of monetary items denominated in foreign currencies at the closing rates as at the date of Balance Sheet the Board has to say that due to uncertainty & volatility prevailing in foreign currency markets, the effect of foreign currency transactions would be taken as on the date of realization.

Further with reference to the auditors remarks regarding Non-confirmation of debit/credit balances, the same were not confirmed by the respective parties despite the letters in this regard been sent to them.

Further regarding default in repayment of term loan due to State Bank of Bikaner & Jaipur which was due to be repaid on 31.03.2009, the Company duly made the payment of the aforesaid on 23.04.2009. The company has been availing term loan facilities from various banks and has been regular in repaying the installments well on time.

Pursuant to auditors remarks in their Report on consolidated Accounts regarding non-compliance with AS-11 regarding non-provision of gratuity by its subsidiary firms the Board has to say that since the employee strength of the subsidiary partnership firm(s) is small, the gratuity is provided on cash basis.

Further the report of Auditors and notes on accounts are self explanatory and do not call for any further comments as there are no other adverse remarks by the Auditors.

AUDIT COMMITTEE:

The Board has constituted its Audit Committee pursuant to the provisions of Section 292A of the Companies Act, 1956 and provisions of the Listing Agreement(s) of the Stock Exchange(s).

The said committee was reconstituted on 30.01.2009. The Audit Committee of the Company presently comprises of the following members namely Mr. Ashwani Kumar, Mr. Amar Narang, Mr. Sanjiv Garg and Mr. Navneet Gupta. Sh. Ashwani Kumar is the chairman of the said committee.

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

Information as per section 217(1)(e) read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are given in Annexure-I forming part of this report.

PARTICULARS OF EMPLOYEES:

Details of remuneration paid to employees, as required by Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975

are set out in a separate statement attached hereto and marked as Annexure-II and forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT:

The Directors would like to assure the Members that the financial statements for the year under review conform in their entirety to the requirements of the Companies Act, 1956.

The Directors confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- Appropriate accounting policies have been selected and applied consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2009 and of the profit of the Company for the year ended on 31st March, 2009;
- Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS:

Your Directors express their gratitude to the Company's vendors, customers, Banks, Financial Institutions, Shareholders & society at large for their understanding and support. Finally, your Directors acknowledge the dedicated services rendered by all employees of the company.

For and on Behalf of the Board
For SEL MANUFACTURING COMPANY LTD.

PLACE : LUDHIANA
DATED : 31.07.2009

(NEERAJ SALUJA)
MANAGING DIRECTOR

(NAVNEET GUPTA)
DIRECTOR

ANNEXURE-I TO THE DIRECTORS' REPORT

Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:

ADDITIONAL INFORMATION GIVEN IN TERMS OF NOTIFICATION 1029 OF 31.12.1988 ISSUED BY DEPARTMENT OF COMPANY AFFAIRS.

A. Conservation of energy

The company provides high priority to energy conservation schemes to conserve natural resources and is regularly taking effective steps to conserve energy wherever possible. This continues to remain thrust area with studies, discussions and analysis being undertaking regularly for further improvements.

FORM A

(Form of disclosure of particulars with respect to conservation of Energy)

1. Power & fuel consumption	2008-09	2007-08
(a) Electricity purchased		
Units (Lacs)	400.17	259.26
Total Amount (Rs.in Lacs)	1907.95	1197.24
Rate per Unit (Rs.)	4.77	4.53
(b) Electricity generated from Generator		
Units (Lacs)	78.47	32.59
Unit per Litre of Diesel Oil	3.69	3.47
Cost/Unit (Rs.)	9.11	8.81
2. Diesel Oil		
Quantity (Ltrs)	2124503	938911
Cost (Rs. in Lacs)	687.76	277.37
Avg. Rate/Ltr (Rs.)	32.37	29.54
3. (A) Rice Husk used in Boiler		
Qty. consumed in MT	342	1500
Amt. in Rs. (Lacs)	13.51	30.12
Rate per MT	3950	2008
(B) Petro Coke (MT)	299	425.05
Amt. in Rs. (Lacs)	22.50	20.79
Rate Per MT	7520	4891

Consumption per unit of Production

Product	Unit 1Kg (PSEB & DG)		Cost 1 Kg (PSEB & DG)		Rate/units (PSEB & DG)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Knitted Cloth	0.65	0.85	3.56	4.32	5.48	5.09
Cotton yarn 100% KH & CB and all blended yarn/mly (mallange)	3.57	3.81	19.55	19.39	5.48	5.09
Terry Towel	2.94	--	16.11	--	5.48	--
Readymade Garment (Unit Piece)	0.25	0.25	1.04	1.00	4.15	4.00

B. RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION

Specific areas in which R & D activities were carried out by the company

- Quality Improvement
- Yield/Productivity Improvement
- Energy Conservation
- New Technology/Product development

Benefits Derived

- Better Quality; reduced wastages
- Cleaner environment
- Safer operations and improved competitiveness

Future Plan of Action

Management is committed to strengthen R & D activities for product development and to improve its competitiveness in the times to come.

Expenditure on R & D

- a) Capital : Nil
b) Recurring : Nil
Total : Nil

Technology Absorption

The Company has not imported any technology from abroad during the last five years. However the company has been using the imported machinery. The Company has been making efforts for absorption of latest technology.