



AS SALUJA GROUP
SEL Manufacturing Company Limited

Annual Report
2009-10

Proud Past Promising Future

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DIRECTORS' REPORT

To

**The Members
SEL Manufacturing Company Ltd.**

Your Directors have pleasure in presenting their 10th Annual Report on the affairs of the company together with Audited Accounts for the financial year ended 31st March, 2010.

FINANCIAL RESULTS

(Rupees in Lacs)

	Current Year (2009-10)	Previous year (2008-09)
Operating Income		
Gross Sales	94221.62	58994.69
Net Sales	94221.62	58994.69
Other Income	3949.79	4154.34
	-----	-----
	98171.41	63149.03
Less :		
Expenditure	85789.39	54586.28
Provision for Depreciation	3143.13	88932.52
	-----	-----
Profit before taxation:	9238.89	6813.66
Less :		
Taxes : Current Tax	1600.00	632.00
Deferred Tax	987.58	1112.10
Fringe Benefit Tax	--	25.00
MAT Credit Entit.	(39.46)	(445.88)
Wealth Tax	2.25	2.00
	2550.37	1325.22
	-----	-----
Profit after Tax	6688.52	5488.44
Balance brought forward	19595.85	14967.42
	-----	-----
	26284.37	20455.86
Add: Previous year Tax Adjustments	(498.61)	739.99
Less: Transferred to General Reserve	2500.00	1600.00
	-----	-----
Balance Carried over to Balance Sheet	23285.76	19595.85
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BUSINESS:

Your Company is vertically integrated textile Company, manufacturing and exporting carded and combed yarn, knitted fabrics, Dyed Fabrics & Yarn, readymade garments and terry towels etc. with production facilities located in Ludhiana and Nawa Shehar in Punjab and Baddi in Himachal Pradesh.

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 are expanding our existing capacities in yarn manufacturing, knitting, garment manufacturing & terry towel. Further, we have also set up captive Power Plant and are also increasing its capacity.. Your Company is implementing a project at Vill. Shekhan Majara, Machiwara Rahon Road, Teh. & Distt. Nawanshehar consisting

- i) Expanding the capacity of Captive Power Plant by setting up of another unit of 10 MW capacity taking the total capacity to 20 MW.
- ii) Setting up of Yarn Dyeing facility with production capacity of 3150 TPA and Fabric Dyeing facility with production capacity of 4500 TPA.

Further the Company is also setting up a Spinning unit with the capacity of 3,26,400 spindles divided into two phases, First phase of 1,95,840 spindles and second phase of 130560 spindles in the State of Madhya Pradesh. Further Vertex Spinning facility with capacity of 2400 spindles and Open end Spinning with capacity of 2040 Rotors is also proposed to be set up.

OPERATIONS:

During the year under review, your company has achieved Sales to the tune of Rs. 94221.62 lacs as compared to Rs. 58994.69 lacs in the previous year. The profit before tax stood at Rs. 9238.89 lacs as compared to Rs. 6813.66 lacs during the previous year. After providing for taxes and other adjustments, the Profit after tax stood at Rs. 6688.52 lacs as compared to Rs. 5488.44 lacs during the previous year.

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..

Further the Company has acquired 99.75% stake in SEL Textiles Limited. SEL Textiles Ltd. is engaged in the business of textiles and the Company has acquired two spinning unit(s) one at Neemrana (Rajasthan) and one at Hansi, Hissar (Haryana). The unit at Neemrana has installed capacity of 24,960 spindles and is located on Delhi-Jaipur highway and is built on a land of 30 acres and has built up area of 28,153.50 Sq. Mtrs. The other unit has installed capacity of 25,200 spindles and is located at 23rd KM Stone, Delhi-Hisar Highway, Hansi (Hissar) Haryana. The unit is built on a land of approximately 23 acres and has built up area of 14800 Sq. Mtrs. SEL Textiles Ltd. also plans to set up a new facility for manufacturing of Terry Towels with an installed capacity of 3600 TPA and also plans to raise IPO for the said purpose for which the Draft Red Herring Prospectus has been filed by it with the Securities and Exchange Board of India.

Consolidated Financial Statements:

The Consolidated Financial Statements of the Company and its subsidiaries, prepared and presented in accordance with Accounting Standard (AS) 21, are attached to and form part of the Annual Report.

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 the expansion projects of the company the directors have not recommended any dividend for the Financial year 2009-10.

PREFERENTIAL ISSUE OF WARRANTS:

Out of 76,50,000 convertible warrants issued on 9th April, 2008, a total of 38,41,000 warrants were converted into Equivalent Number of Equity shares of the Company and the rest 38,09,000 warrants elapsed due to non-exercise of convertible option upon them, within a period of 18 months from the date of issue of the warrants and the 10% money paid upon them was forfeited by the Company. Further the Company has with the approval of members, issued and allotted on 18th September, 2009, 66,00,000 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. These entities have paid 25% 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 57,00,000 warrants out of the said 66,00,000 warrants allotted, have been converted into Equity shares of the Company.

FURTHER ISSUE OF SECURITIES:

During the year, the Company also raised funds through the GDR (Global Depositary Receipts) Issue. The company issued 56,00,000 Global Depositary Receipts (GDRs) on 14.12.2009 representing 56,00,000 Equity Shares of the Company at a price of US\$ 1.52 per GDR. The GDRs were listed on the Luxembourg Stock Exchange. The said GDRs were cancelled/converted and there is no share outstanding in lieu of the said GDRs.

Further the Company issued its second tranche of GDR issue on 04.05.2010 whereby the Company issued 30,00,000 Global Depositary Receipts (GDRs) representing 3,00,00,000 Equity Shares of the Company (Each GDR representing 10 Equity shares of the Company) at a price of US\$ 15.50 per GDR. These GDRs were listed on the Luxembourg Stock Exchange.

FURTHER ISSUE OF SECURITIES TO RAISE FUNDS:

To augment long term resources of the Company and also for meeting the fund requirements of the existing business, current and future 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. Amar Narang and Mr. Navneet Gupta, Directors' of the Company retire by rotation at this Annual General Meeting and being eligible offer themselves for re-appointment.

Mr. Dhiraj Saluja is to be confirmed to be re-appointed as Whole-time Director of the Company for a further period of three years. Further Mr. Vinod Kumar Goyal and Mr. Prem Kumar were appointed as an Additional Director(s) respectively of the Company w.e.f. 13.07.2010 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. Vinod Kumar Goyal and of Sh. Prem Kumar for the office of Director of the Company.

Further the appointment of Mr. Vinod Kumar Goyal as Executive Director of the Company for a period of three years is also to be confirmed. 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 The National Stock Exchange of India Ltd. (NSE). Further the Global Depositary Receipts (GDR) of the Company are listed with Luxembourg Stock Exchange. Further the Company has paid listing fees to both the exchanges (i.e. BSE and NSE) upto financial year 2010-11.

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:

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

Further 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.

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 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, 2010 and of the profit of the Company for the year ended on 31st March, 2010;
- 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 : 13.07.2010

(RAM SARAN SALUJA)
CHAIRMAN

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	2009-10	2008-09
(a) Electricity purchased		
Units (Lacs)	611.46	400.17
Total Amount (Rs.in Lacs)	3179.14	1907.95
Rate per Unit (Rs.)	5.20	4.77
(b) Electricity generated from Generator		
Units (Lacs)	61.35	78.47
Unit per Litre of Diesel Oil	3.58	3.69
Cost/Unit (Rs.)	8.25	9.11
(c) Captive Power Plant (CPP Turbine)		
Units (Lacs)	74.12	--
Husk per Unit (Kg)	1.28	--
Cost/Unit (Rs.)	5.25	--
2. Diesel Oil		
Quantity (Ltrs)	1711591	2124503
Cost (Rs. in Lacs)	511.56	687.76
Avg. Rate/Ltr (Rs.)	29.88	32.37
3. (A) Rice Husk used in Boiler/Turbine		
Qty. consumed in MT	9762	342
Amt. in Rs. (Lacs)	302.0	13.51
Rate per MT	3095	3950
(B) Petro Coke (MT)	905	299
Amt. in Rs. (Lacs)	67.58	22.50
Rate Per MT	7472	7520

Consumption per unit of Production

Product	Unit 1Kg(PSEB & DG)		Cost 1 Kg(PSEB & DG)		Rate/units(PSEB& DG)	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Knitted Cloth	0.60	0.65	4.00	3.56	5.71	5.48
Cotton yarn 100% KH & CB and all blended yarn/mly (mallange)	3.77	3.57	20.26	19.55	5.71	5.48
Terry Towel	3.48	2.94	20.02	16.11	5.71	5.48
Readymade Garment (Unit Piece)	0.11	0.25	0.96	1.04	8.75	7.50
Cotton Double Yarn	0.87	--	4.48	--	5.71	--

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.