

BALANCE SHEET

AS AT 31st March, 2006

Rupees in Lacs

	Schedule	As at 31st March, 2006	As at 31st March, 2005
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	776.95	680.93
Share Application Money (Ref. Note No.8)		245.69	–
Reserves & Surplus	2	<u>5,298.75</u>	<u>3,984.70</u>
Deferred Tax Liability		1,841.43	1,391.23
Loan Funds			
Secured Loans	3	17,682.39	13,521.11
Unsecured Loans and Deferred Payment Credits	4	<u>1,509.01</u>	<u>1,544.03</u>
		<u>27,354.22</u>	<u>21,122.00</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	23,843.34	18,879.05
Less: Depreciation		<u>8,096.60</u>	<u>6,594.08</u>
		15,746.74	12,284.97
Add: Capital work-in-progress		483.58	760.82
Add: Advance on Capital Account		<u>807.52</u>	<u>149.75</u>
Net Block		17,037.84	13,195.54
Investments			
Current Assets, Loans & Advances	6	278.31	14.50
Inventories	7	7,730.82	6,271.35
Sundry Debtors	8	2,879.92	2,188.61
Cash & Bank Balances	9	614.96	284.37
Loans & Advances	10	1,873.48	1,215.50
Other Current Assets	11	<u>1,729.86</u>	<u>1,512.54</u>
		14,829.04	11,472.37
Less: Current Liabilities & Provisions			
Current Liabilities	12	4,211.69	3,221.56
Provisions	13	<u>600.85</u>	<u>342.56</u>
Net Current Assets		10,016.50	7,908.25
Miscellaneous Expenditure (to the extent not written off)	14	21.57	3.71
		<u>27,354.22</u>	<u>21,122.00</u>
Accounting Policies & Notes on Accounts	23		

Schedule 1 to 14 and notes in schedule 23 form part of this Balance Sheet.

In terms of our Audit Report of even date:

FOR KALANI & COMPANY
Chartered Accountants
K.L. JHANWAR
Partner
M.No. 14080

R.L. TOSHNIWAL
Chairman & Managing Director

RAVI TOSHNIWAL
Joint Managing Director

Directors
RAKESH MEHRA
D.S. ALVA
P. KUMAR
S.B. AGARWAL
KAMAL K. KACHOLIA
VIJAY MEHTA

Place : Mumbai
Dated : 11th May, 2006

J. K. JAIN
Vice President (Finance & Accounts)
& Company Secretary

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 31st March, 2006

Rupees in Lacs

	Schedule	Current Year 31st March, 2006	Previous Year 31st March, 2005
INCOME			
Sales	15	32,855.05	25,854.30
Job Income		<u>270.26</u>	<u>32.77</u>
		33,125.31	25,887.07
Less : Excise Duty		<u>1,462.80</u>	<u>915.83</u>
Other Income	16	230.68	204.29
Accretion/ (Decretion) to Stock	17	278.95	1,479.50
Export Growth Entitlements		426.24	–
Inter Division Transfers		<u>5,806.02</u>	<u>4,655.07</u>
		38,404.40	31,310.10
EXPENDITURE			
Materials	18	21,574.31	18,040.26
Manufacturing Expenses	19	7,032.91	6,182.19
Payments to and Provisions for Employees	20	2,321.91	1,747.71
Administrative & Selling Expenses	21	2,886.68	2,268.93
Financial Expenses	22	1,437.11	1,168.94
Excise Duty		<u>249.94</u>	<u>149.52</u>
Profit Before Depreciation & Tax		2,901.54	1,752.55
Depreciation		<u>1,330.94</u>	<u>1,074.39</u>
Profit Before Tax		1,570.60	678.16
Less: Taxes on Income			
Fringe Benefits Tax		25.71	–
Current Tax		210.00	49.73
Deferred Tax		<u>409.19</u>	<u>251.00</u>
Profit After Tax		925.70	377.43
Balance Brought Forward		<u>322.56</u>	<u>338.30</u>
Profit Available for Appropriations		1,248.26	715.73
APPROPRIATIONS			
Proposed Dividend		155.39	81.71
Tax on Dividend		21.80	11.46
Transfer in Capital Reserve (Net of Tax)		61.66	–
Transfer to General Reserve		<u>500.00</u>	<u>300.00</u>
Balance Carried to Balance Sheet		509.41	<u>322.56</u>
Earning Per Share Basic (Rs.)		12.73	5.54
Earning Per Share Diluted (Rs.)		11.26	–
Accounting Policies & Notes on Accounts	23		

Schedule 15 to 22 and notes in schedule 23 form part of this Profit & Loss Account .

In terms of our Audit Report of even date:

FOR KALANI & COMPANY

Chartered Accountants

K.L. JHANWAR

Partner

M.No. 14080

R.L.TOSHNIWAL

Chairman & Managing Director

RAVI TOSHNIWAL

Joint Managing Director

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P. KUMAR

S.B. AGARWAL

KAMAL K. KACHOLIA

VIJAY MEHTA

Place : Mumbai

Dated : 11th May, 2006

J. K. JAIN

Vice President (Finance & Accounts)

& Company Secretary

SCHEDULES

Schedule 1 to 23 Annexed to and forming integral part of the Accounts for the year ended 31st March, 2006

		As at 31st March, 2006	Rupees in Lacs As at 31st March, 2005
SCHEDULE '1' SHARE CAPITAL			
Authorised			
2,00,00,000 Equity Shares of Rs.10 each (78,00,000 Equity Shares of Rs.10 each)		2,000.00	780.00
5,00,000 Redeemable Preference Shares of Rs.100 Each (20,000 Redeemable Preference Shares of Rs.100 Each)		500.00	20.00
		<u>2,500.00</u>	<u>800.00</u>
Issued & Subscribed			
78,11,723 Equity Shares of Rs.10/- each * (68,79,501 Equity Shares of Rs.10/- each)		781.17	687.95
Paid Up			
78,11,723 Equity Shares of Rs.10 each (68,79,501 Equity Shares of Rs.10 each)		781.17	687.95
Less: Allotment money due		4.22	7.02
From Directors	—		—
From Others	4.22		7.02
		<u>776.95</u>	<u>680.93</u>
* Of above 3,82,222 Equity Shares of Rs. 10 each issued in terms of scheme of Amalgamation of erstwhile Banswara Textile Mills Limited.			
Note : Company has issued 15.00 lac warrants eligible for preferential issue of one equity share against each warrant to promoters and others on payment of Rs. 75.83 per equity share including premium of Rs. 65.83 per equity share. 10% issue price was received as advance. Out of 15.00 lacs warrants, 5.50 lacs warrants have been converted into fully paid equity shares. Balance 9.50 lacs warrants are to be converted into equity shares before 7th April, 2007 on call by Board of Directors.			
SCHEDULE '2' RESERVES AND SURPLUS			
Capital Reserve			
As per last Balance Sheet	36.76		36.76
Add : Capital Reserve of BTML	22.70		—
Transfer From Profit & Loss a/c (Net Of Tax)	61.66		—
On Account of Share Exchange Ratio	37.77		—
Investment Allowance Reserve (Utilised) Transferred	43.50	202.39	36.76
Securities Premium Account			
As per last Balance Sheet	1,179.91		1,169.15
Add : Received During the year	372.87	1,552.78	10.76
General Reserve			
As per last Balance Sheet	2,399.31		2,099.31
Add : Balance of Profit & Loss a/c of BTML	134.86		—
Transfer from Profit & Loss a/c	500.00	3,034.17	300.00
Investment Allowance Reserve (Utilised)			
As per last Balance Sheet	43.50		43.50
Less : Transfer in Capital Reserve	43.50	—	—
Revaluation Reserve			
As per last Balance Sheet	2.66		2.66
Less : Deduction on Sale of Revalued Machinery	2.66	—	—
Profit & Loss Account			
		509.41	322.56
		<u>5,298.75</u>	<u>3,984.70</u>

Rupees in Lacs

As at
31st March, 2006

As at
31st March, 2005

SCHEDULE '3' SECURED LOANS

Term Loans From Financial Institutions / Banks

Industrial Development Bank Of India	2,398.31	2,878.31
Bank of Baroda	1,201.67	1,391.21
Punjab National Bank	3,031.70	1,675.13
Export Import Bank of India	1,914.72	1,240.19
Union Bank of India *	1,595.48	1,540.62
Bank of India	530.79	—
From Others	52.77	34.94
Interest Accrued and Due on Term Loans	43.66	36.15
	<u>10,769.10</u>	<u>8,796.55</u>

Deferred Payment Credits

Deferred payment credits under Rajasthan Sales Tax Deferment Scheme	<u>226.86</u>	<u>198.87</u>
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Working Capital Loans from Banks

Punjab National Bank	3,723.35	2,682.40
Union Bank of India **	1,535.51	1,021.51
Bank of Baroda	828.03	413.04
Bank of India	599.54	408.74
	<u>6,686.43</u>	<u>4,525.69</u>
	<u>17,682.39</u>	<u>13,521.11</u>

Securities

Term Loans from Financial Institutions and Banks:

Term Loans from Financial Institutions and Banks are secured by a joint equitable mortgage and/or hypothecation charges ranking pari-passu on immovable/movable properties, present and future of the Company subject to prior charges in favour of the Bankers on specified movable properties created and/or to be created for working capital facilities. However, documentation for joint equitable mortgage in respect of term loans of Rs. 2,696.14 lacs is yet to be executed.

Term Loans from Financial Institutions and Banks are guaranteed by Shri R.L. Toshniwal, Chairman & Managing Director and Shri Ravi Toshniwal, Joint Managing Director in their personal capacities except for term loan of Rs. 911.40 lacs from Export Import Bank of India, which is guaranteed only by Shri R.L. Toshniwal, Chairman & Managing Director.

* Includes Term Loan of Rs. 188.00 lacs of erstwhile Banswara Textile Mills Ltd. (e BTML) secured by joint equitable mortgage of land & building acquired by e BTML vide lease agreement dated 11-6-1980 and 20-6-1980, registered at Book No. 1, admeasuring 54 bigha, 12 biswa and/ or hypothecation of plant & machinery all present and future of e BTML and guaranteed by Shri R.L. Toshniwal, Chairman & Managing Director and Shri Shaleen Toshniwal, Wholetime Director in their personal capacities.

For Others:

Term Loans from others are for hire purchase finance from HDFC Bank Ltd, Centurion Bank Ltd, ICICI Bank Ltd. & Standard Chartered Bank secured by way of hypothecation of vehicles financed by them.

For Deferred Payment Credits:

Deferred payment credits under Sales Tax Deferment Scheme for Industries 1987 are secured by a joint equitable mortgage and/ or hypothecation charges ranking pari-passu on immovable/movable properties procured for expansion project as prescribed under the said scheme.

For Working Capital Loans:

Working Capital Loans are secured by way of hypothecation (Floating charges) of Raw material, Dyes-Chemicals, Packing Materials, Stores & Spares, Stock-in-process, Finished goods, Book debts, Export incentives and second charges on all the Fixed Assets of the Company and also guaranteed by Shri R.L. Toshniwal, Chairman & Managing Director and Shri Ravi Toshniwal, Joint Managing Director in their personal capacities.

** Includes Rs. 179.35 lacs in name of e BTML secured by way of hypothecation of raw material, stock in process, finished goods, stores & spares and book debts and guaranteed by Shri R.L. Toshniwal, Chairman & Managing Director and Shri Shaleen Toshniwal, Wholetime Director in their personal capacities.

		As at 31st March, 2006	Rupees in Lacs As at 31st March, 2005	
SCHEDULE '4' UNSECURED LOANS AND DEFERRED PAYMENT CREDITS				
Unsecured Loans:				
Fixed Deposits :	From Directors	13.82		16.89
	From Others	<u>724.46</u>	738.28	<u>719.61</u> 736.50
Long Term Loans from Corporates			205.35	307.49
Short Term Loans :	From Bank	504.36		402.96
	From Others	<u>8.84</u>	513.20	<u>97.08</u> 500.04
Deferred Payment Credits			52.18	-
			<u>1,509.01</u>	<u>1,544.03</u>

Note :

Short term loan from Bank is guaranteed by Shri R.L. Toshniwal, Chairman & Managing Director and Shri Ravi Toshniwal, Joint Managing Director in their personal capacities.

SCHEDULE '5' FIXED ASSETS

DESCRIPTION OF ASSETS	GROSS BLOCK				As at 31-03-2006	DEPRECIATION		NET BLOCK	
	As at 01-04-2005	BTML'S Balances	Additions	Deductions/ Adjustment		Up to 31-03-2006	As at 31-03-2006	As at 31-03-2005	
Lease Hold Land & Site Development	205.46	9.31	62.21	4.43	272.55	-	272.55	205.46	
Free Hold Land & Site Development	33.93	-	13.20	-	47.13	-	47.13	33.93	
Road & Buildings	1,995.14	198.97	510.11	-	2,704.22	505.17	2,199.05	1,615.70	
Plant & Machinery	15,598.39	771.66	3,447.61	255.74	19,561.92	6,966.42	12,595.50	9,887.60	
Building Machinery	1.38	-	-	-	1.38	1.31	0.07	0.07	
Electric & Water Supply Installation	527.12	12.13	54.17	-	593.42	275.56	317.86	298.54	
Furniture & Fixtures	206.00	20.00	24.87	0.80	250.07	164.67	85.40	77.12	
Office Equipments	177.11	13.47	47.74	8.48	229.84	125.40	104.44	83.78	
Live Stock	0.07	-	-	-	0.07	-	0.07	0.07	
Vehicles	134.45	17.85	51.94	21.50	182.74	58.07	124.67	82.70	
TOTAL	18,879.05	1,043.39	4,211.85	290.95	23,843.34	8,096.60	15,746.74	12,284.97	
Capital Work-In-Progress							483.58	760.82	
Advance on Capital Account							807.52	149.75	
							17,037.84	13,195.54	

(1) Road & Buildings include Rs.111.48 lacs paid for acquiring 271 equity shares of M/s Rastogi Estate & Construction Co. (Pvt.) Ltd. attached with right of ownership and possession of office building at Mumbai.

(2) Depreciation for the Year **Rs. 1,330.93 lacs** (Rs.1,074.39 lacs)

	As at 31st March, 2006	Rupees in Lacs As at 31st March, 2005
SCHEDULE '6' INVESTMENTS (AT COST)		
I. Long Term (Trade)		
A) Quoted		
In Equity Shares		
80,000 Equity Shares of Rs. 10/- each of Banswara Textile Mills Ltd. (Quoted at Rs. 5.00 per share on 01.04.1990)	—	8.00
50,000 Equity Shares of Rs. 10/- each of Banswara Fabrics Ltd. (Quoted at Rs. 4.50 per share on 23.6.1987)	5.00	5.00
B) Unquoted		
Government & Other Securities		
National Savings Certificate (Deposited with State and Central Excise Authorities)	0.13	0.07
Investment in Joint Venture Company		
22,49,700 Equity Shares of Rs. 10/- each of Carreman Fabrics India Ltd.	225.07	—
Share Application Money for Equity Shares of Carreman Fabrics India Ltd.	45.02	—
Equity Shares in Companies		
500 Equity Shares of Rs. 10/- each of New Indian Co. Operative Bank Ltd.	0.05	0.05
Sub Total (I)	<u>275.27</u>	<u>13.12</u>
II. Current (Other Investment -Quoted)		
10,114 Equity Shares of Rs. 10/- each of Union Bank of India (Previous year 8,600 equity shares)	3.04	1.38
Sub Total (II)	<u>3.04</u>	<u>1.38</u>
Total (I + II)	<u>278.31</u>	<u>14.50</u>
Investments aggregate value of		
Quoted Investment		
Book Value	8.04	14.38
Market Value	14.55	15.97
Unquoted Investment	270.27	0.12

SCHEDULE '7' INVENTORIES*
(At lower of Cost or Net Realisable value)

Raw Materials	3,092.38	2,125.33
Stores & Spares	456.24	246.97
Works-in-Process	796.80	577.78
Finished Goods		
Yarn	998.91	1,254.43
Cloth Grey	839.47	753.06
Cloth Processed	1,352.15	1,207.29
Garment	147.29	94.13
Waste	47.58	12.36
	<u>3,385.40</u>	<u>3,321.27</u>
	<u>7,730.82</u>	<u>6,271.35</u>

*** Includes:**

- (i) In transit **Rs. 434.78 Lacs** (Rs. 487.22 Lacs)
(ii) With others **Rs. 259.57 Lacs** (Rs. 282.61 Lacs)

	As at 31st March, 2006	Rupees in Lacs As at 31st March, 2005
SCHEDULE '8' SUNDRY DEBTORS (Unsecured)		
Outstanding Exceeding Six Months		
Considered Good	186.15	141.26
Considered Doubtful	<u>45.54</u>	<u>61.57</u>
	231.69	202.83
Less: Provision for Doubtful Debts	<u>45.54</u>	<u>61.57</u>
	186.15	141.26
Other Debts		
Considered Good	<u>2,693.77</u>	<u>2,047.35</u>
	<u>2,879.92</u>	<u>2,188.61</u>
SCHEDULE '9' CASH & BANK BALANCES		
Cash on Hand	20.95	11.50
Bank Balances		
Scheduled Banks:		
-Fixed Deposits (Including Interest)*	257.76	233.17
-Current Account	<u>336.25</u>	<u>39.70</u>
	594.01	272.87
	<u>614.96</u>	<u>284.37</u>
* Fixed Deposits with interest pledged with Bankers and Government authorities Rs.159.89 lacs (Rs. 124.28 Lacs)		
SCHEDULE '10' LOANS AND ADVANCES (Unsecured-Considered Good)		
Advance recoverable in cash or in kind or for value to be received	1,528.01	901.00
Loans to Employees & Workers	34.86	22.76
Loans to Companies	25.00	50.00
Security Deposits with Govt. Deptt. & others	162.40	161.96
Prepaid Expenses	<u>123.21</u>	<u>79.78</u>
	<u>1,873.48</u>	<u>1,215.50</u>
SCHEDULE '11' OTHER CURRENT ASSETS		
A) Receivables Against Export		
Duty Entitlements Pass Book	665.70	323.26
Others	<u>789.45</u>	<u>885.31</u>
	1,455.15	1,208.57
B) Other Claims Receivable		
	<u>274.71</u>	<u>303.97</u>
	<u>1,729.86</u>	<u>1,512.54</u>
SCHEDULE '12' CURRENT LIABILITIES		
Sundry Creditors	3,940.61	3,012.66
{including book overdrawn Rs. 53.69 Lacs (178.89 Lacs)}		
{including SSI Suppliers Rs. 5.88 Lacs (17.90 Lacs)}		
Unclaimed Dividend	4.19	2.57
Security Deposits	28.27	15.48
Interest accrued but not due	45.69	4.25
Other Liabilities	<u>192.93</u>	<u>186.60</u>
	<u>4,211.69</u>	<u>3,221.56</u>

	As at 31st March, 2006	Rupees in Lacs As at 31st March, 2005
SCHEDULE '13' PROVISIONS		
Proposed Dividend		
As per last Balance Sheet	81.71	81.35
Additions during the year	155.39	81.71
Amounts used during the year	81.71	81.35
Amounts reversed during the year	—	—
Closing Balance	<u>155.39</u>	<u>81.71</u>
Tax on Proposed Dividend		
As per last Balance Sheet	11.46	10.42
Additions during the year	21.80	11.46
Amounts used during the year	11.46	10.42
Amounts reversed during the year	—	—
Closing Balance	<u>21.80</u>	<u>11.46</u>
Retirement Benefits		
A) Gratuity		
As per last Balance Sheet	178.59	153.71
Additions during the year	81.75	68.06
e BTML Opening Balance	33.87	—
Amounts used during the year	36.10	43.18
Amounts reversed during the year	—	—
Closing Balance	<u>258.11</u>	<u>178.59</u>
B) Leave Encashment		
As per last Balance Sheet	21.06	18.44
Additions during the year	24.91	15.05
e BTML Opening Balance	6.12	—
Amounts used during the year	16.55	12.43
Amounts reversed during the year	—	—
Closing Balance	<u>35.54</u>	<u>21.06</u>
Taxation		
As per last Balance Sheet	49.75	114.98
Additions during the year	210.00	5.21
e BTML Opening Balance	40.00	—
Amounts used during the year	169.74	70.45
Amounts reversed during the year	—	—
Closing Balance	<u>130.01</u>	<u>49.74</u>
	<u>600.85</u>	<u>342.56</u>
SCHEDULE '14' MISCELLANEOUS EXPENDITURE		
(To the extent not written off)		
Interest on Deferred Payment Credits	17.55	—
Unpaid Hire Charges	4.02	3.71
	<u>21.57</u>	<u>3.71</u>

	Current Year 31st March, 2006	Rupees in Lacs Previous Year 31st March, 2005
SCHEDULE '15' SALES		
Yam	20,300.06	15,885.12
Cloth	10,883.90	9,535.92
Garment	1,375.50	195.65
Waste	140.74	146.93
Fibre 97,367 Kgs.(33,706 Kgs.)	59.31	37.27
Scrap	95.54	48.05
Trading Goods	—	5.36
	<u>32,855.05</u>	<u>25,854.30</u>
SCHEDULE '16' OTHER INCOME		
Rent received	2.20	13.97
Profit on sale of fixed assets	82.19	5.25
Liabilities no Longer Required Written Back	9.81	5.85
Forward Exchange Contract Difference	79.30	113.84
Exchange Rate Fluctuation	—	12.52
Fraud amount Recovered	—	4.97
Others	57.05	47.59
Dividend Received	0.13	0.30
	<u>230.68</u>	<u>204.29</u>
SCHEDULE '17' ACCRETION / (DECRETION) TO STOCK		
Closing Stock		
Yam	998.91	1,254.43
Cloth Grey	839.47	753.06
Cloth Processed	1,352.15	1,207.29
Work-in-Process	796.80	577.78
Waste	47.58	12.36
Garment	147.29	94.13
	<u>4,182.20</u>	<u>3,899.05</u>
Less : Opening Stock		
Yam	1,254.43	472.00
Cloth Grey	753.06	419.37
Cloth Processed	1,207.29	1,070.95
e BTML Stock	4.20	—
Work-in-Process	577.78	407.07
Waste	12.36	9.68
Garment	94.13	40.48
	<u>3,903.25</u>	<u>2,419.55</u>
	<u>278.95</u>	<u>1,479.50</u>

	Current Year	Rupees in Lacs
	31st March, 2006	Previous Year 31st March, 2005
SCHEDULE '18' MATERIALS		
Raw Material Consumed		
Opening stock	2,125.33	1,671.98
Add : Purchases (Excluding for Sale/Claim)	16,308.28	13,685.14
: Inter Division Transfer	<u>5,806.02</u>	<u>4,655.07</u>
	24,239.63	20,012.19
Less : Closing stock	<u>3,092.38</u>	<u>2,125.33</u>
	21,147.25	17,886.86
Adjustments of Cenvat Credit (Ref. Note No. 9)	<u>(129.70)</u>	<u>129.70</u>
	21,017.55	18,016.56
Dyes & Chemicals Consumed	981.22	<u>528.78</u>
Purchase : Cloth	168.90	713.22
Yarn	720.96	58.04
Fibre 97,367 Kgs. (33,706 Kgs.)	55.35	37.34
Garment	<u>—</u>	<u>6.50</u>
	945.21	815.10
	22,943.98	19,360.44
Less: Duty Refund & Import Entitlements	<u>1,369.67</u>	<u>1,320.18</u>
	21,574.31	<u>18,040.26</u>
SCHEDULE '19' MANUFACTURING EXPENSES		
Stores & Spare Parts Consumed	1,068.77	804.48
Packing Expenses	464.66	341.79
Power & Fuel	3,764.19	2,234.29
Job Charges	1,303.06	2,579.73
{ Net of Duty refund of Rs.Nil lacs (Rs. 661.47 lacs)}		
Processing Expenses	57.53	—
Repairs to : Plant & Machinery	264.72	174.35
Building	92.68	32.38
Others	<u>17.30</u>	<u>15.17</u>
	7,032.91	<u>6,182.19</u>
SCHEDULE '20' PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages, Allowances, Bonus etc.	1,966.39	1,504.58
Contribution to Provident & Other Funds	236.28	180.88
Workmen & Staff Welfare Expenses	<u>119.24</u>	<u>62.25</u>
	2,321.91	<u>1,747.71</u>

Rupees in Lacs

Current Year
31st March, 2006Previous Year
31st March, 2005**SCHEDULE '21' ADMINISTRATIVE, SELLING & OTHER EXPENSES****Administrative Expenses**

Rent	32.61		63.42
Rates and Taxes	62.29		25.58
Managing Director's Remuneration	31.90		22.44
Director's Remuneration	81.30		37.90
Insurance Charges	106.30		79.94
Payment to Auditors			
As Auditors			
-Fees	2.01		1.50
-Expenses	1.13		0.82
In other capacity			
-Tax Audit Fees	0.41		0.34
-Certification	1.14		0.90
-Taxation Matters	1.99		0.74
-Service tax	0.36		0.23
Directors' Fees	3.43		2.35
Travelling Expenses	29.85		20.00
Directors' Travelling Expenses	10.15		7.00
Foreign Travelling Expenses	73.52		43.53
Communication Expenses	66.07		48.79
Legal & Professional Expenses	37.57		44.73
Charity & Donation	14.45		9.43
Exchange Rate Fluctuation	12.05		-
Loss on Sale of Fixed Assets	8.34		38.02
Amalgamation Expenses	4.24		4.43
Miscellaneous Expenses	214.28		188.10
		795.39	640.19

Selling Expenses

Commission to Selling Agents	673.87		499.27
Brokerage and Cash Discounts	69.78		73.88
Freight, Octroi and Forwarding Charges	1,208.29		921.04
Claims	57.83		54.35
Advertisements	6.71		9.32
Provision for Doubtful Debts	34.75		30.02
Others	40.06		40.86
		2,091.29	1,628.74
		2,886.68	2,268.93

SCHEDULE '22' FINANCIAL EXPENSES**Interest on**

Term Loans	534.76		412.83
Bank & Others	813.87		630.04
	1,348.63		1,042.87
Less : Interest Received	106.44		88.70
(Tax Deducted at sources Rs.17.95 lacs)		1,242.19	954.17
Bank & Other Charges		194.92	214.77
		1,437.11	1,168.94

SCHEDULE '23' ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**A) ACCOUNTING POLICIES****1. System of Accounting**

The Company follows the mercantile system of accounting by following accrual concept in the preparation of accounts.

2. Fixed Assets

Value of Gross Block of fixed assets represent cost of acquisition, including taxes, duties, expenditure on installations, attributable pre-operative expenses including borrowing cost and other identifiable direct expenses incurred upto the date of commencement of commercial use of the assets.

However value of gross block of fixed assets acquired upto 31.03.1985 has been stated at revalued amount as on 31.03.1986.

3. Depreciation

Depreciation on fixed assets is provided for on straight line method in accordance with the provisions of section 205(2)(b) of the Companies Act, 1956. Depreciation on additions/disposals during the year is provided on pro-rata basis.

Consequent to changes made in schedule XIV, vide Notification No. GSR 756E dated 16.12.93, the company had revised the rate of depreciation. The specified period had been recomputed as suggested by the Circular dated 20.12.93 except in case of petty assets like furniture, fixture and office equipment where it is difficult to effect the changes. While adopting the revised rates, the Spinning Plant has been categorized as "Continuous Process Plant" on the basis of technical opinion obtained by the company.

Value of leasehold land is amortized over the period of its lease.

4. Valuation of Inventories

Inventories are valued at Lower of Cost or Net Realisable Value. Transfer price is considered as cost for stock out of inter-divisional transfer. Cost is measured on first in first out basis.

5. Sales, Job Income and Transfers

i) Sales are inclusive of duty realization and refunds but exclusive of sales tax charged.

ii) Job income is accounted for on delivery of finished goods inclusive of excise duty.

iii) Inter-divisional transfers are accounted for at assessable value under Excise laws inclusive of excise duty, wherever applicable.

6. Investments

Investments are carried at cost.

7. Benefits receivable against export and its obligation

Unutilised credits, entitlements under Duty Entitlements Pass Book (DEPB) schemes are accounted for in the year of export at market value. Duty Free Credit Entitlements received against export growth are accounted for at the value of credit allowed by the Central Government.

8. Foreign Currency Transactions

i) Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing on the day of the transactions.

ii) Monetary items denominated in foreign currency at the year end and not covered by forward exchange contracts are translated at year end rates and those covered by forward contracts are translated at the rate ruling at the date of transactions as increased or decreased by the proportionate difference between the forward rate and exchange rate on the date of transactions such difference having been recognized over the life of the contract.

Any income or expenses on account of exchange difference either on settlement or on translation is recognized in the profit and loss account except in cases where these relate to the acquisition of fixed assets acquired from a country outside India, the same are adjusted to the carrying cost of such assets.

9. Miscellaneous Expenditure

Interest on deferred payment credit and unpaid hire charges are charged to profit and loss account in the year of accrual.

10. Provision for doubtful debts

15% is being provided each year on amount outstanding over a period of 6 months

11. Taxes on Income

Current tax is determined as the amount of tax payable to the Taxation Authorities in respect of taxable income for the year.

Deferred tax is recognized, subject to consideration of prudence, in respect of deferred tax assets, on timing differences being difference between taxable income and accounting income, that originate in one year and are capable of reversal in one or more subsequent years.

SCHEDULE '23' ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

In respect of unabsorbed depreciation / carry forward of losses under the tax laws, deferred tax assets are recognized only to the extent that there is virtual certainty that future taxable income will be available against which such deferred tax assets can be realized.

12. Except where stated, accounting policies are consistent with the generally accepted accounting principles and have been consistently applied.

B) NOTES ON ACCOUNTS

1.	Contingent liabilities not provided for in respect of :-	(Rs.in Lacs)
	As at 31.03.2006	As at 31.03.2005
a)	Bills discounted with banks remaining outstanding	
i)	Foreign LC	1,815.24
ii)	Others	1,069.85
b)	Letter of Credit established with banks	0.39
c)	Guarantees given by the bankers on behalf of the company for which FDRs Rs.2.59 lacs (Rs.2.61 lacs) pledged with them.	25.88
d)	Guarantees given by company to Banks for loan to Carreman Fabrics India Ltd	-
	There is no reimbursement possible on account of contingent liabilities.	
2.	Claims against the company not acknowledged as debt:-	
a)	By Tax Authorities	256.66
b)	By Others:	
(i)	On Revenue account	4.35
(ii)	On Capital account	Nil
3.	Estimated amount of contracts remaining to be executed on Capital account Rs.4,425.79 lacs (Rs.668.78 lacs) and export obligation against EPCG licences Rs. 11,303.69 lacs (previous year Rs.11,559.00 lacs).	
4.	In terms of Accounting Policy No.2, Borrowing Cost Rs. 18.96 lacs, Salary Rs. 24.99 lacs, Foreign Travelling Rs. 2.51 lacs incurred during the construction/installation of fixed assets have been capitalized.	
5.	Advances includes amount due from officers of the Company Rs. Nil (Nil) with maximum debit balance Rs. 2.22 lacs (Rs. 2.22 Lacs).	
6.	The Company has an investment of Rs. 5.00 lacs in share capital in Banswara Fabric Limited, a sick industrial company. In view of the long-term investment of the Company and revival scheme submitted before Board for Industrial and Financial Reconstruction, no provision is made.	
7.	Sundry creditors include small scale undertakings (SSI) based on the information available with the company, whose balances outstanding for more than 30 days, are M/s Tirupati Packo Plast and Eltrostreaks.	
8.	Share Application Money includes Rs. 72.04 Lacs being 10 % value for issue of 9.50 lacs Preferential Warrants and Rs. 173.65 lacs for issue of 1,75,000 Redeemable Preference Shares of Rs. 100.00 each received from Carreman Michel Thierry ,France.	
9.	In accordance with the Finance Act, 2004, excise duty on inputs (raw material, stores & spares and capital goods) was @ 16%, whereas the excise duty on final products being manufactured by the company was @ 8%. Considering such circumstances, company charged Rs. 129.70 lacs of input Cenvat as material cost in the profit & loss account for the year ended on 31 st March, 2005. This position got changed due to amendments made by the Finance Act, 2006. Now duty on raw material inputs and outputs of company is @ 8%. Accordingly company shall be able to utilise credit of input duty Rs. 129.70 lacs already charged in previous year, which has now been treated as advances recoverable in cash or in kind by reducing material cost for the year.	
10.	During the year the company has received licence for Duty Free Credit Entitlements of Rs. 426.24 lacs on achievement of targeted exports in the financial year 2003-04, have been accounted for as income in the current year.	

SCHEDULE '23' ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

11. Disclosures as required by Accounting Standards:

A) Accounting Standard – 22 “Taxes on Income”

Considering accounting procedure prescribed by the Standard, the following amounts have been worked out and provided in books :

Major Components of Deferred Tax Balances

PARTICULARS	31st March, 2006	Rs. In lacs
		31st March, 2005
Deferred Tax Liabilities		
i) Difference between accounting and tax depreciation (cumulative)	2,030.01	1,641.82
ii) Balance of e. BTML (Net)	-	41.01
TOTAL (i + ii)	2,030.01	1,682.83
Deferred Tax Assets		
i) Accumulated unabsorbed depreciation	-	91.54
ii) Provision for doubtful debts (to date)	16.09	22.53
iii) Disallowances under section 43B for non payment of expenses	85.61	71.61
iv) Others	86.88	64.91
TOTAL (i to iv)	188.58	250.59
Net Deferred Tax Liabilities	1,841.43	1,432.24

Net current deferred tax liability of Rs. 409.19 lacs has been charged to Profit & Loss Account besides current tax Rs. 210.00 lacs as per Income Tax Act, 1961.

B) Accounting Standard 17 - “ Segment Reporting”

The Company is engaged in production of Textile products having integrated working. For management purposes, Company is organized into one major operating activity of the textile products. Accordingly Company is of view that it has only single business segment. The Company has no activity outside India except export of textile products manufactured in India. Thereby there is no geographical segment.

C) Accounting Standard 18 - “Related Party Disclosure”

The company has identified all the related parties having transaction during the year as per details given below:

1. Relationship:
a) Joint Venture and Associate concerns

Carreman Fabrics India Ltd.
Banswara Fabrics Ltd.

b) Key Management Personnel :

Shri R.L.Toshniwal
Shri Ravi Toshniwal
Shri Rakesh Mehra
Shri Shaleen Toshniwal
Dhruv Impex – Proprietor Shri Ravi Toshniwal

c) Relatives of key management personnel and their enterprises where transactions have taken place. :

Smt. Prem Toshniwal
Smt. Navneeta Mehra
Smt. Radhika Toshniwal
Smt. Sonal Toshniwal
Smt. Rameshwari Devi Lahoti
Toshniwal Trust

Note : Related party relationship is as identified by the Company and relied upon by the Auditors.

SCHEDULE '23' ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

2. Transactions carried out with related parties referred in 1 above, in ordinary course of business :

Rs. in Lacs

Nature of Transaction	Related Parties		
	Referred in 1 (a) above	Referred in 1 (b) above	Referred in 1 (c) above
SALES			
Land	79.24	-	-
Cloth	1.00	-	-
Yarn	-	51.53	-
JOB CHARGES			
Spinning	500.30	-	-
Weaving	8.76	-	-
EXPENSES			
Rent	-	-	9.60
Remuneration	-	132.02	-
Interest	-	2.39	8.41
Reimbursement of expenses (Net)	292.08	-	-
FINANCE			
Fixed Deposit Accepted	-	7.00	77.00
Fixed Deposit Repayment	-	10.00	62.62
OUTSTANDING			
Loans	25.00	-	-
Fixed Deposits	-	13.82	84.08
Amount Receivable	33.68	2.09	-
Amount Payable	69.69	-	-
Property Deposit	-	-	80.00
Capital Contribution	275.09	-	-

In respect of the outstanding balance recoverable as at 31st March, 2006, no provision for doubtful debts is required to be made. During the year, there were no amounts written off or written back from such parties.

D) Accounting Standard 20- "Earning Per Share"

Required disclosures are given below :

	<u>Unit</u>	<u>2005-2006</u>	<u>2004-2005</u>
a. Amount used as the numerator Profit after tax	Rs. In Lacs	925.70	377.42
b. Weighted average number of equity shares used as the denominator in computing Basic Earning per Share	No.	72,69,257	68,09,327
Add : Potential number of equity shares that could arise on conversion of warrants into equity shares	No.	9,50,000	-
Weighted average number of shares used in computing Diluted Earning per Share	No.	82,19,257	-
c. Nominal value per share	Rs.	10	10
d. Earning Per Share :			
- Basic	Rs.	12.73	5.54
- Diluted	Rs.	11.26	-

SCHEDULE '23' ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)
12. Amalgamation of Banswara Textile Mills Ltd. (e.BTML) with the Company :

- a) Name and nature of business of Amalgamating Company : Banswara Textile Mills Ltd. Fabric processing
- b) Effective date of amalgamation for accounting purpose : 1st April, 2005
- c) Method of Accounting used to reflect the amalgamation : Pooling interest method
- d) Particulars of Scheme sanctioned under a statute : Scheme of Amalgamation sanctioned by the Hon'ble High Court of Rajasthan, Jodhpur, vide its order dated 28th September, 2005 under section 394 of the Companies Act, 1956.
- e) Description and number of shares issued : 3,82,222 Equity Shares of Rs. 10/- each.
- f) Shares exchange ratio : One share of the company for every two shares of e. BTML.
- g) Treatment of difference arisen on amalgamation : Rs. 37.77 lacs being difference of value of shares allotted to shareholders of e.BTML, accounted for as capital reserve.

13. Joint Venture

- A) The Company has entered into the Joint Venture with Carreman Michel Thierry (France) for 50% ownership interest in jointly controlled entity Carreman Fabrics India Ltd.
- B) The above Joint Venture Company is incorporated in India. The company's share of assets and liabilities as on 31st March, 2006 and income and expenses for the period ended on that date in respect of joint venture entities is given below:

	31st March, 2006	Rs. In lacs 31st March, 2005
a) Assets		
Long Term Assets	1,034.63	-
Current Assets	71.23	-
Total	<u>1,105.86</u>	-
b) Liabilities		
Long Term Liabilities	400.09	-
Current Liabilities	312.36	-
Total	<u>712.45</u>	-
c) Contingent Liability	Nil	-
d) Capital Commitments	498.68	-
e) Incomes	Nil	-
f) Expenditures	Nil	-
g) Miscellaneous Expenditure	6.50	-
(To the extent not w/off)		

The Company has given guarantee in favour of bankers of Carreman Fabrics India Ltd. for an amount of Rs. 1,950 lacs for term loan.

14. Managerial Remuneration and Perquisites :-

	Managing Director		Other Whole-time Directors	
	2005-06	2004-05	2005-06	2004-05
Salary	13.60	13.00	27.94	19.77
Provident Fund	1.63	1.56	3.35	2.37
Benefits and Perquisites	5.44	5.95	13.38	11.57
Commission	16.67	7.88	50.01	15.76
	<u>37.34</u>	<u>28.39</u>	<u>94.68*</u>	<u>49.47</u>

* Includes Rs. 25.05 lacs paid/payable to Shri Shaleen Toshniwal, Whole-time Director is subject to approval by shareholders.

SCHEDULE '23' ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)

Computation of net profit in accordance with Section 198 read with section 309(5) of the Companies Act, 1956 and the commission payable to the Managing Director and other Whole-time Directors.

	2005-2006	Rs. in Lacs 2004-2005
Profit before taxation	1,570.60	678.16
Add : Depreciation (As per Accounts)	1,330.94	1,074.39
Directors Remuneration	132.02	77.86
Directors' fees	3.43	2.35
Provision for doubtful debts (Net)	34.75	30.02
Loss on sales of fixed assets as per Books	8.34	38.02
	<u>3,080.08</u>	<u>1,900.80</u>
Less : Depreciation as per Section 349	1,330.94	1,074.39
Profit on sale of fixed assets as per Books	82.19	5.25
Loss on sales of fixed assets under section 349 (Net)	-	32.77
	<u>1,413.13</u>	<u>1,112.41</u>
Net Profit under section 198 of the Companies Act, 1956	<u>1,666.95</u>	<u>788.39</u>
Commission payable @ 1% of above profit to CMD, Jt. MD & 2 Whole - time Director each.	<u>16.67</u>	<u>7.88</u>

15. **Information in respect of :-**

a) Licensed capacity	N.A.	N.A.
b) Installed capacity		
Yarn Spinning (Ring Spindles)	92,032	81,208
Yarn Spinning (Air Jet Spindles)	576	576
Fabric Weaving (Looms)	143	120
Fabric Processing (Stenters)	4	-
	(22 Chambers)	
Garment (Pcs.)	Not Assessed	Not Assessed

c) Quantitative details in respect of manufactured & other goods.

Goods Manufactured	Opening Stock	Production	Purchase/ Transfer	Sales/ Utilised	Closing Stock
Yarn (Kgs.)	9,38,011 (3,87,939)	1,92,92,760 * (1,53,41,448)	7,02,970 (49,861)	2,01,34,334 (1,48,41,237)	7,99,407 (9,38,011)
Cloth (Mtrs)	37,54,909 (31,41,752)	1,64,24,107 ** (1,41,22,548)	6,00,166 (8,74,144)	1,71,11,251 (1,43,83,535)	36,67,931 (37,54,909)
Garments (No. of Pcs)	34,910 (11,910)	3,95,488 *** (72,918)	- (949)	3,72,594 (50,867)	57,804 (34,910)
Waste (Kgs.)	63,104 (53,564)	11,50,944 (6,65,304)	Nil (Nil)	9,74,994 (6,55,764)	2,39,054 (63,104)
* Excluding job spg. for others		Nil Kgs.		(Nil Kgs.)	
* Including job done by others		1,32,463 Kgs.		(7,01,819 Kgs.)	
** Including job woven by others		86,26,258 Mtrs		(70,45,336 Mtrs)	
** Excluding job weaving for others		Nil Mtrs.		(30,220 Mtrs)	
** Excluding job processing for others		27,84,070 Mtrs		(Nil)	
*** Including job done by others		1,815 Pcs.		(2,221 Pcs.)	
*** Excluding job done for others		44,134 Pcs.		(32,929 Pcs.)	

SCHEDULE '23' ACCOUNTING POLICIES AND NOTES ON ACCOUNTS (Contd.)
16. (A) Quantitative details in respect of Raw Materials :-

	Opening Stock (Kgs.)	Purchase/ Transfer (Kgs.)	Consumption		Sales/ Adjustments (Kgs.)	Closing stock (Kgs.)
			(Kgs.)	(Rs. in Lacs)		
Fibre	22,14,016 (16,25,929)	2,21,04,356 (1,66,56,141)	2,06,78,130 (1,60,34,348)	14,349.68 (12,670.62)	97,367 (33,706)	35,42,875 (22,14,016)
Yarn	2,79,001 (1,59,706)	42,13,119 (36,41,969)	41,38,715 (35,22,674)	5,943.38 (5,182.81)	Nil (Nil)	3,53,405 (2,79,001)
Cloth (Mtrs.)	30,426 (10,349)	6,34,901 (1,25,329)	5,53,928 (1,05,252)	724.49 (163.13)	Nil (Nil)	1,11,399 (30,426)

(B) (a) Value of Imports on CIF basis:-

	Rs. In Lacs
(i) Raw Material	269.82 (233.56)
(ii) Dyes & Chemicals	141.27 (31.79)
(iii) Components & Spare Parts	324.42 (268.74)
(iv) Yarn	51.64 (Nil)
(v) Cloth	3.23 (Nil)

(b) Value of Raw Materials, Components & Spare Parts consumed :-

	Rs. in Lacs	Percentage (%)
(I) Raw Materials		
(i) Imported	303.03 (309.13)	1.44 (1.72)
(ii) Indigenous	20,714.53 (17,707.43)	98.56 (98.28)
	21,017.56 (18,016.56)	100.00 (100.00)
(II) Components & Spare Parts		
(i) Imported	301.93 (268.17)	28.25 (33.33)
(ii) Indigenous	766.84 (536.31)	71.75 (66.67)
	1,068.77 (804.48)	100.00 (100.00)
(c) Dyes & Chemicals:-		
(i) Imported	137.35 (36.46)	14.00 (6.90)
(ii) Indigenous	843.87 (492.32)	86.00 (93.10)
	981.22 (528.78)	100.00 (100.00)

(d) Expenses in Foreign Currency (in respect of) :-

(i) Revenue Expenses	Rs. 731.92 Lacs	(Rs. 1,000.20 Lacs)
(ii) Capital Goods	Rs. 1,096.70 Lacs	(Rs. 1,211.60 Lacs)

(e) Earning in Foreign Currency (in respect of):-

Exports of goods on FOB basis	Rs. 17,128.70 Lacs	(Rs. 14,036.24 Lacs)
Deemed Export	Rs. 947.89 Lacs	(Rs. 26.57 Lacs)

17. Previous year figures have been rearranged, regrouped and recast, wherever considered necessary and are not comparable with current figures due to amalgamation of e.BTML.

Note : Figures in brackets are pertaining to the previous year.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I	Registration Details					
	Registration Number	1684	State Code	17	Balance Sheet Date	31.03.2006
II	Capital raised during the year (Amount in Rs. Thousands)					
	Public Issue		Right Issue		Bonus Issue	Private Placement
	NIL		NIL		NIL	5,500
III	Position of mobilization and deployment of funds (Amount in Rs. Thousands)					
	Total Liabilities	32,16,676	Total Assets	32,16,676		
	Sources of Funds:					
	Paid-up Capital	77,695	Share Application Money	24,569		
	Reserves & Surplus	5,29,875	Deferred Tax Liability	1,84,143		
	Secured Loans	17,68,239	Unsecured Loans	1,50,901		
	Application of Funds:					
	Net Fixed Assets	17,03,784	Investments	27,831		
	Net Current Assets	10,01,650	Misc. Expenditure	2,157		
	Accumulated Losses	NIL				
IV	Performance of the Company (Amount in Rs. Thousands)					
	Turnover	33,12,531	Total Expenditure	31,55,471		
	Profit before tax	1,57,060	Profit after tax	92,570		
	Earning per share in Rs.	Basic : 12.73	Diluted : 11.26			
	Dividend Rate %	20				
V	Generic Names of Three Principal Products/Services of Company (as per monetary terms)					
	Item Code No. (ITC code)	5509				
	Product Description	YARN SYNTHETIC STAPLE				
	Item Code No. (ITC code)	5513				
	Product Description	WOVEN FABRIC				
	Item Code No. (ITC code)	6203				
	Product Description	GARMENTS				

Signature to Schedules 1 to 23 and Balance Sheet abstract.

In terms of our Audit Report of even date:

FOR KALANI & COMPANY
Chartered Accountants
K.L. JHANWAR
Partner
M.No. 14080

R.L.TOSHNIWAL
Chairman & Managing Director

RAVI TOSHNIWAL
Joint Managing Director

Directors
RAKESH MEHRA
D.S. ALVA
P. KUMAR
S.B. AGARWAL
KAMAL K. KACHOLIA
VIJAY MEHTA

Place : Mumbai
Dated : 11th May, 2006

J. K. JAIN
Vice President (Finance & Accounts)
& Company Secretary