
Sportking

23rd

Annual Report

2011-2012

SPORTKING INDIA LIMITED

BOARD OF DIRECTORS

Mr. Raj Kumar Avasthi	Chairman & Managing Director
Mr. Munish Avasthi	Managing Director
Mr. Naresh Jain	Executive Director
Mr. Sunil Puri	Director
Mr. Ajay Chaudhry	Director
Dr (Mrs) H. K. Bal	Director

CHIEF FINANCIAL OFFICER

Mr. Parveen K. Gupta

COMPANY SECRETARY

Mr. Videshwar Sharma

AUDITORS

M/s Rawla & Company
Chartered Accountants,
504, Surya Kiran Building,
19, K. G. Marg, New Delhi

BANKERS**State Bank of India**

IFB Branch, Golden Tower,
Dholewal Chowk,
Ludhiana

State Bank of Patiala

Specialized Commercial Branch,
Aarti Complex, Miller Ganj,
Ludhiana

Punjab National Bank

International Banking Branch,
Industrial Area-A, Ludhiana

Allahabad Bank

Link Road, Partap Chowk
Ludhiana

Central Bank of India

Mid Corporate Branch, 369,
R.K.Road, Ind Area-A,
Ludhiana-141008

Punjab and Sind Bank

Industrial Finance Branch
Dholewal Chowk, Ludhiana

REGISTERED OFFICE

5/69, Guru Mansion, (First Floor)
Padam Singh Road, Karol Bagh,
New Delhi - 110005

CORPORATE OFFICE

Village Kanech, Near Sahnewal, G. T. Road,
Sahnewal. G. T. Road, Ludhiana 141120

ADMINISTRATIVE OFFICE

178, Col. Gurdial Singh Road,
Civil Lines, Ludhiana - 141001

WORKS

Village Kanech, Near Sahnewal,
G. T. Road, Ludhiana - 141120

Village Meharban, Rahon Road,
Ludhiana - 141007

Village Barmalipur, Near Doraha,
G. T. Road, Ludhiana- 141416

Village Jeeda, Kotkapura Road,
Distt. Bathinda - 151201

REGISTRAR & TRANSFER AGENT

Beetal Financial & Computer Services (P) Ltd.
BEETAL HOUSE, 3RD Floor, 99 Madangir,
Near Dada Harsukhdas Mandir
New Delhi - 110062

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NOTICE

NOTICE is hereby given that the **Twenty Third Annual General Meeting** of the members of Sportking India Limited will be held on **Saturday, the 29th day of September, 2012 at 2.00 P.M.** at Registered office 5/69, Guru Mansion, 1st Floor, Padam Singh Road, Karol Bagh, New Delhi-110005 to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Balance Sheet as at March 31, 2012 and Profit and Loss Account for the year ended on that date, together with Report of Auditors and Directors thereon.
- 2) To appoint a Director in place of Sh. Naresh Jain, who retires by rotation and being eligible, offers himself for re-appointment.
- 3) To appoint a Director in place of Dr. (Mrs.) H. K. Bal, who retires by rotation and being eligible, offers herself for re-appointment.
- 4) To appoint M/s. Rawla & Co. Chartered Accountants, New Delhi, and the retiring auditors as auditors of the company and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED that pursuant to the provisions of Section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded for re-appointment of Mr. Raj Kumar Avasthi as Managing Director of the company for a further period of 5 years w.e.f. 01.10.2012 upto 30.09.2017 on the following remuneration:

Salary - Salary will be in the scale of Rs. 200000-300000-320000 per month

Perquisites - The following perquisites shall be allowed in addition to salary

- a) Housing - Free residential accommodation or house rent allowance equal to 50% of the

basic salary, Free furnishing to be provided by the Company along with other amenities. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962.

- b) Medical Reimbursement- Expenses incurred by the appointee (including Mediclaim insurance premium) on self and his family will be subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- c) Leave Travel concession - The expenses incurred on Leave Travel Concession by the appointee on self and his family shall be reimbursed once in a year.
- d) Club Fees -Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- e) Personal Accident Insurance- Premium not to exceed Rs. 5000/- per annum.
- f) Provident Fund -Contribution to provident fund, superannuation funds or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- g) Gratuity -Gratuity payable shall not exceed half a month's salary for each completed year of service.
- h) Car - Free use of company's car for official as well as personal purposes along with driver.
- i) Telephone/Cell phone - Free use of company's telephone at residence/cell phone for official as well as personal purposes. Use of Car for private purposes and personal long distance calls on telephone/cell phone shall be billed by the company to him.

Explanation- Family means the spouse, the dependent children and dependent parents of the appointee.

Minimum Remuneration-Notwithstanding anything to the contrary herein contained, where in any financial year, during the currency of the

tenure of the Managing Director, the company has no profits or its profits are inadequate, the company will pay remuneration in accordance with the provisions of Schedule XIII and other applicable provisions of the Companies Act, 1956.

RESOLVED FURTHER that the Board of Directors of the company be and is hereby authorized to alter and vary the terms and conditions so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 including any statutory modification or re-enactment thereof and is authorized to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to the said resolution."

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

"RESOLVED that pursuant to the provisions of Section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded for re-appointment of Mr. Munish Avasthi as Managing Director of the company for a further period of 5 years w.e.f. 01.10.2012 upto 30.09.2017 on the following remuneration:

Salary - Salary will be in the scale of Rs. 200000-300000-320000 per month

Perquisites - The following perquisites shall be allowed in addition to salary

- a) Housing - Free residential accommodation or house rent allowance equal to 50% of the basic salary, Free furnishing to be provided by the Company along with other amenities. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962.
- b) Medical Reimbursement- Expenses incurred by the appointee (including Mediclaim insurance premium) on self and his family will be subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.

- c) Leave Travel concession - The expenses incurred on Leave Travel Concession by the appointee on self and his family shall be reimbursed once in a year.
- d) Club Fees -Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- e) Personal Accident Insurance- Premium not to exceed Rs. 5000/- per annum.
- f) Provident Fund - Contribution to provident fund, superannuation funds or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- g) Gratuity - Gratuity payable shall not exceed half a month's salary for each completed year of service.
- h) Car - Free use of company's car for official as well as personal purposes along with driver.
- i) Telephone / Cell phone - Free use of company's telephone at residence/cell phone for official as well as personal purposes. Use of Car for private purposes and personal long distance calls on telephone/cell phone shall be billed by the company to him.

Explanation- Family means the spouse, the dependent children and dependent parents of the appointee.

Minimum Remuneration-Notwithstanding anything to the contrary herein contained, where in any financial year, during the currency of the tenure of the Managing Director, the company has no profits or its profits are inadequate, the company will pay remuneration in accordance with the provisions of Schedule XIII and other applicable provisions of the Companies Act, 1956.

RESOLVED FURTHER that the Board of Directors of the company be and is hereby authorized to alter and vary the terms and conditions so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 including any statutory modification or re-enactment thereof and is

authorized to do all such acts, deeds, matters and things as may be necessary or expedient for giving effect to the said resolution."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Section 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the consent of the Company be and is hereby accorded for re-appointment of Mr. Naresh Jain as an Executive Director of the company for further period of 5 years w.e.f. 01.10.2012 upto 30.09.2017 on the following remuneration:

Salary - Salary will be in the scale of Rs. 65,000-10000-105,000 per month

Perquisites - The following perquisites shall be allowed in addition to salary

- a) **Housing -** Free residential accommodation or house rent allowance equal to 50% of the basic salary, Free furnishing to be provided by the Company along with other amenities. The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per the Income Tax Rules, 1962.
- b) **Medical Reimbursement-** Expenses incurred by the appointee (including Mediclaim insurance premium) on self and his family will be subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- c) **Leave Travel concession -** The expenses incurred on Leave Travel Concession by the appointee on self and his family shall be reimbursed once in a year.
- d) **Club Fees -**Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
- e) **Personal Accident Insurance-** Premium not to exceed Rs. 5000/- per annum.
- f) **Provident Fund -**Contribution to provident fund, superannuation funds or annuity fund to the extent these either singly or put

together are not taxable under the Income Tax Act, 1961.

- g) **Gratuity -**Gratuity payable shall not exceed half a month's salary for each completed year of service.
- h) **Car -** Free use of company's car for official as well as personal purposes along with driver.
- i) **Telephone/Cell phone -** Free use of company's telephone at residence/cell phone for official as well as personal purposes. Use of Car for private purposes and personal long distance calls on telephone/cell phone shall be billed by the company to him.

Explanation - Family means the spouse, the dependent children and dependent parents of the appointee.

Minimum Remuneration-Notwithstanding anything to the contrary herein contained, where in any financial year, during the currency of the tenure of the Executive Director, the company has no profits or its profits are inadequate, the company will pay remuneration in accordance with the provisions of Schedule XIII and other applicable provisions of the Companies Act, 1956.

RESOLVED FURTHER that the Board of Directors of the company be and is hereby authorized to alter and vary the terms and conditions so as not to exceed the limits specified in Schedule XIII of the Companies Act, 1956 including any statutory modification or re-enactment thereof and is authorized to do all such acts, deeds matters and things as may be necessary or expedient for giving effect to the said resolution."

By Order of the Board

Place : Ludhiana

Date : September 1, 2012

Raj Kumar Avasthi

Chairman

Regd. Office :

**5/69, Guru Mansion, 1st Floor,
Padam Singh Road, Karol Bagh,
New Delhi - 110005**

NOTES

- 1) The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of item No 5, 6 & 7 is annexed hereto and forms part of this notice.
- 2) The information pursuant to Corporate Governance Clause of the Listing Agreement(s) regarding the directors seeking re-appointment in the Annual General Meeting as proposed in Item No.2 & 3 of the Notice is annexed hereto and forms part of the Notice.
- 3) **A member entitled to attend and vote at the meeting is also entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and the proxy need not be a member of the company. The proxy, in order to be effective, must be received by the company not less than 48 hours before the commencement of the meeting. A blank proxy form is enclosed.**
- 4) The terms and conditions for the re-appointment /remuneration of Mr. Raj Kumar Avasthi, Mr. Munish Avasthi & Naresh Jain as detailed in the resolution and explanatory statement be treated as an abstract under section 302 of the Companies Act, 1956.
- 5) The Register of Members and the Share Transfer Books of the company shall remain closed from 20th September 2012 to 29th September, 2012 (both days inclusive).
- 6) If the balance allotment money is not paid so far, pay the same along with interest @ 15% per annum from the last date of payment of 31.03.96 to the actual date of payment.
- 7) The copy of relevant documents can be inspected at the registered office of the company on any working day between 11:00 A.M. To 01:00 P.M.
- 8) Members are requested to bring their copies of the Annual Report at the Meeting. Members seeking any information with regard to the accounts of the company are requested to write to the company at least 15 days before the date of the meeting so as to enable the management to keep the information ready.
- 9) Members are requested to notify change in address, if any, to the company at its Registered Office quoting their folio number.
- 10) Members/Proxies should bring the attendance slip sent herewith, duly filled in and signed and handover the same at the entrance of the meeting place.
- 11) The company's Registrar and Share Transfer Agents M/s. Beetal Financial & Computer Services (P) Ltd., are situated at Beetal House, 99 Madangir, Behind Local Shopping Centre, Near Dada Harsukh Dass Mandir, New Delhi and has maintained connectivity with both NSDL/ CDSL.

Important Communication

The Ministry of Corporate Affairs, Government of India (MCA) vide its General Circular No. 18/2011 dated 29th April, 2011, has clarified that as a measure of "Green initiative in Corporate Governance" it will be in compliance, if the Annual Report (i.e. documents listed in section 219(1) of the Companies Act, 1956) is sent through e-mail. A recent amendment to the listing agreement with the Stock Exchanges now permits Company to send soft copies of the Annual Report to all those shareholders who have registered email address for the purpose. To support this green initiative, you are requested to register your email id with Company's Share Transfer Agent viz. Beetal Financial & Computer Services (P) Ltd. BEETAL HOUSE, 3RD Floor, 99 Madangir, Near Dada Harsukhdas Mandir, New Delhi 110006 by giving your consent to receive the Annual Report in future in electronic form. To facilitate you in doing so, please write to us or to our Share Transfer Agent as mentioned above and also update the email address as and when there is change.

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to section 173 (2) of the Companies Act, 1956

Item No. 5

Sh. Raj Kumar Avasthi - is a founder of the Sportking Group and possesses vast experience and expertise in managing textile businesses including apparel/ garment business from the last 38 years He is working as Managing Director of the company since 1995 and his appointment is valid upto 30.09.2012 on the remuneration as approved by the members in their annual general meeting held on 30.09.2009 and Extra Ordinary General Meeting held on 28.02.2011. The company has made tremendous progress under his kind guidance and leadership. Keeping in view his immense contribution to the Company, the Board recommends his re-appointment as Managing Director for a further period of five years. Hence his re-appointment on the remuneration as proposed in the resolution is placed before the members for their approval.

MEMORANDUM OF INTEREST:

None of Directors except Sh. Raj Kumar Avasthi and Sh. Munish Avasthi are interested in the resolution.

Item No. 6

Sh. Munish Avasthi - is a founder of the Sportking Group and possesses vast experience and expertise in managing textile businesses from the last 20 years He is working as Joint Managing Director since 1999 and later as Managing Director and his appointment is valid upto 30.09.2012 on the remuneration as approved by the members in their annual general meeting held on 30.09.2007 and Extra Ordinary General Meeting held on 28.02.2011. Keeping in view his immense contribution to the Company, the Board recommends his re-appointment as Managing Director for a further period of five years. Hence his re-appointment on the remuneration as proposed in the resolution is placed before the members for their approval.

MEMORANDUM OF INTEREST :

None of Directors except Sh. Munish Avasthi and Sh. Raj Kumar Avasthi are interested in the resolution.

Item No. 7

Mr. Naresh Jain is a graduate and has enormous experience and exposure in managing textile and garments business. He is associated with the Sportking Group since inception and has made major contribution in the success of the group. Mr. Naresh Jain was appointed as an additional director on 30.07.2009 and later on appointed as Executive Director on 30th September, 2009 upto 30th September, 2012. His vast experience will immensely benefit the Company. So the Board recommends his re-appointment as Executive Director for further period of five years on the remuneration as proposed in the resolution. Hence the said resolution is placed before the members for their approval.

MEMORANDUM OF INTEREST:

None of Directors except Sh. Naresh Jain is interested in the resolution.

By Order of the Board

Place : Ludhiana

Date : September 1, 2012

Raj Kumar Avasthi

Chairman

Regd. Office :

**5/69, Guru Mansion, 1st Floor,
Padam Singh Road, Karol Bagh,
New Delhi - 110005**

ANNEXURE TO THE NOTICE**Details of Directors seeking re-appointment at the Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement)**

Name of the Director	Sh. Naresh Jain	Dr. (Mrs.) H. K. Bal
Age	58 Years	73 Years
Date of Appointment	30.07.2009	25.04.2006
Expertise in Specific Functional Area	Vast Experience in Managing Successful textile and garments industrial enterprises	A renowned management consultant
Qualification	Graduate	M.A. (Maths), Ph. D.
Directorship/Membership of other Public Limited Companies/their committees	-	Nahar Spinning Mills Ltd. Nahar Industrial Enterprises Ltd. Nahar Capital and Financial Services Ltd. Oswal Woollen Mills Ltd. Nahar Poly Films Ltd.
Membership of committees Public Limited Companies	-	(Chairman-shareholder grievance committee) Nahar Spinning Mills Ltd Nahar Poly films Ltd (Member - Audit Committee) Nahar Industrial Enterprises Ltd. Oswal Woollen Mills Ltd.
No. of shares held in the Company	1300	Nil

DIRECTORS' REPORT**Dear Members,**

The Directors of your company are pleased to present their Twenty Third Annual Report on the affairs of the company together with Audited Accounts of the Company for the year ended 31st March, 2012.

1. FINANCIAL RESULTS

The summarized financial results for the year are as under:

Particulars	(₹ in Crores)	
	2011-12	2010-11
Gross Turnover/Operating Income	767.73	418.95
Profit before Interest, Depreciation & Taxation	58.79	72.81
Less :Interest (Net)	48.29	14.37
Profit before Depreciation & Taxation	10.50	58.44
Less: Depreciation	25.81	13.90
Net Profit before Taxation	-15.31	44.54
Less: Provision for Current Taxes	-0.02	11.96
Net Profit after Current Taxes	-15.29	32.58
Add: Provision for Deferred Tax Assets (+) /Liabilities (-)	-10.79	-3.38
Net Profit after Deferred Taxation	-26.08	29.20
Add: Surplus of Last Year	52.70	23.78
Less: Transfer to Capital Redemption Reserve	0.42	0.28
Surplus carried to Balance Sheet	26.20	52.70

2. MANAGEMENT'S DISCUSSION AND ANALYSIS**BUSINESS REVIEW:**

The economic slowdown in EU and USA has forced emerging economies to struggle for growth after experiencing weak performance in the FY 2010-11 and up to first half of FY 2011-12. Moreover, these tough economic conditions have not been compensated by surge in domestic demand in emerging economies.

So, the emerging and developing economies are expecting lower growth in the near future. India is also projected to grow in the range of 6% - 7% respectively due to major issues in EU and its banking system. In addition to global pressures on Indian

economic performance, structural problems related to infrastructure, lower productivity levels and lack of policy reforms are other major concern areas. Moreover, higher inflationary pressures are also resulting in tighter monetary policies thereby restricting the industrial growth in India.

COTTON

The global cotton price which is largely a function of global demand and supply of cotton has been influenced by factors other than actual user demand and overall supply of cotton in 2011-12. The Chinese policy of accumulating cotton for strategic reserves and occasional policy decisions of Indian Government in relation to export of cotton has caused much volatility in cotton prices. The global cotton production is estimated at 27.16 million tons in 2011-12, which is expected to decline to 24.9 million tons in 2012-13 due to lower area under cotton cultivation in sync with moderation in global cotton prices to an extent. The global mill consumption of cotton is estimated at 22.7 million tons in 2011-12 and is projected to grow moderately in 2012-13.

YARN

Financial year 2011-12 was a year rampant with nervousness and unpredictability, which was not a conducive environment for business. The ban on the exports of cotton yarn in January, 2011 seriously impacted the industry and there was accumulation of inventory till end of March, 2011. The Government announced its new policy on export of Cotton Yarn in first week of April, 2011 and yarn export was brought under Open General Licence. As a result, the yarn prices moved in a wide range for the first half of the year. Most of the textile mills, particularly which are predominantly spinning, suffered losses including losses incurred by the writing down of the stock of cotton and yarn in the first half of the FY 2011-12.

However, it was only in the second half that things showed some signs of stabilization. All India yarn production was lower by an estimated 15% due to (i) Power crisis in the South (ii) Huge inventory losses as referred above resulting in severe shortage of working capital availability to some companies (iii) Acute labour shortage across India (iv) Sharp fall in

yarn prices as compared to last year propelling voluntary cut in production. However, this year production is expected to increase even though margins are expected to be on the lower side only. There is also a noticeable trend of increasing value addition in products. The removal of trade barriers with Bangladesh is yet to show any impact on the Indian Industry.

Overall the year is expected to be more stable due to expectation that cotton will be much less volatile than last year. Growth of the industry will hinge on recovery in the global economy although Indian demand is expected to increase at a relatively moderate rate.

FINANCIAL ANALYSIS

Your directors are pleased to report performance of the business operations as follows:

PRODUCTION / SALES REVIEW

During the year under review, our company achieved a production of 29479 M.T. as compared to 20757 MT in the previous year showing an increase of about 42%. The company achieved a gross turnover/operating income of Rs. 767.73 Crores as compared to Rs. 418.95 Crores in the previous year showing a growth of about 83 %. The exports increased to Rs. 322.50 Crores against Rs. 207.35 Crores in the previous year showing a growth of about 55 % owing better market penetration. The Company is recognized as 'Trading House' by Govt. of India.

PROFITABILITY

The company earned a gross profit of Rs. 58.79 Crores having profitability/sales ratio of 7.66 % as compared to Rs. 72.81 Crores having profitability/sales ratio of 17.38 % in the previous year which has declined due to inventory losses with decrease in prices of raw cotton/cotton yarn during first half of the financial year 2011-12

The interest cost increased to Rs. 48.29 Crores as compared to Rs. 14.37 Crores in the previous year due to increase in interest rates and increased borrowings due to increased level of capacities/operations. The company earned gross cash profit

of Rs. 10.50 Crores against cash profit of Rs. 58.44 Crores in the previous year. After making provision of depreciation of Rs. 25.81 Crores (Previous Year Rs 13.90 Crores), Income Tax of Rs. (-)0.02 Crores (Previous Year Rs. 11.99 Crores), and after providing for deferred tax liability of Rs. 10.79 Crores (Previous Year Rs. 3.38 Crores) there was a net loss of Rs. 26.08 Crores against previous year net profit of Rs. 29.20 Crores. After transfer of Rs. 0.42 Crores to Capital Redemption Reserve, the surplus in the Profit & Loss Appropriation Account stands at Rs. 26.20 Crores.

RESOURCE UTILISATION:

Preferential Allotment

During the year, the company allotted 28,92,000, 5% Redeemable Non Cumulative Preference Shares of Rs. 10/- each at premium of Rs. 90/- per share amounting to Rs. 28.92 Crs to the promoters and their associates to augment the long term resources of the company.

Fixed Assets

The Net Fixed Assets (including work-in-progress) as at 31st March, 2012 were Rs. 414.95 Crores as compared to Rs. 283.56 Crores in the previous year as the company has completed the greenfield project of 57600 spindles and a part of brownfield project of 61536 spindles with dye house at Bathinda.

Current Assets and Current Liabilities

The inventory level increased by Rs. 9.94 Crores from Rs. 163.95 Crores at the end of the previous year to Rs. 173.89 Crores at the end of the year under review. The Sundry Debtors level increased to Rs. 88.29 Crores at the end of current year from Rs. 45.73 Crores at the end of previous year while the level of other current assets increased to Rs. 44.99 Crores at the end of current year from Rs. 40.84 Crores at the end of previous year due to increased level of operations. The increased level of current assets has also been financed by increased trade payables/short term borrowings/other current liabilities and provisions of Rs. 437.07 Crs at the end of current year from Rs. 309.02 Crs at the end of previous year.

LIQUIDITY & CAPITAL RESOURCES:

The position of liquidity and capital resources is given below:

Particulars	(₹ in Crores)	
	2011-12	2010-11
Cash & Cash Equivalents :		
Beginning of the year	4.73	4.21
End of the year	9.64	4.73
Net Cash provided/ (used) by :		
Operating Activities	79.33	62.91
Investing Activities	(156.91)	(176.41)
Financial Activities	82.49	114.02

The company is utilizing cash accruals for meeting term loan commitments and acquisition of fixed assets.

EXPANSION PROJECT

The Company's brownfield expansion project at Bathinda is underway for installation of 61536 spindles and a dye house for manufacture polyester cotton blended/cotton/mélange yarn. So far 48400 spindles have been installed / commissioned under this project and rest of the project is likely to be completed by March 2013. So the installed capacity of the Company has increased to 1.78 Lacs spindles as on date from 1.01 Lacs spindles as on 31st March 2011.

INTERNAL CONTROL SYSTEM

The company has internal audit department to oversee internal control systems and procedures to ensure efficiency of decisions for optimum utilization and protection of resources and compliance with applicable statutory laws and regulations and internal policies. Quarterly reports are submitted by the internal auditor to the Audit Committee of the Board and necessary action / recommendation are made thereafter by the said committee. Continuous efforts are being made to further strengthen the internal control systems. The company's main works at Ludhiana have been accredited with ISO-9001 from the concerned certification body DNV.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS

The Company recognizes its human resources as its most valuable asset. The Company has specialized professionals in the respective fields to take care of its operations and allied activities. The company recognizes the whole hearted contribution by its committed work force in bringing the Company to its present position. The Company is employing over 3000 persons. The Industrial Relations continues to be cordial.

3. DIRECTORS

Mr. Naresh Jain and Dr. (Mrs.) H. K Bal of the company, retire by rotation at the ensuing Annual General Meeting of the company and being eligible offer themselves for reappointment.

4. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:-

- i) In the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii) 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 2012 and the loss of the Company for the year ended on 31st March 2012.
- iii) proper and sufficient care has been taken for the 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 & detecting fraud and other irregularities; and
- iv) the annual accounts have been prepared on a going concern basis.

5. AUDIT COMMITTEE

The Company has an Audit Committee of the Board of Directors, the members of which are Mr. Ajay Chaudhry, Dr. (Mrs.) H K Bal and Mr. Sunil Puri,

Mr. Ajay Chaudhry is the Chairman of the committee. The committee is empowered to look into all the matters related to finance and accounting and its terms of reference are as per Clause 49(II) of the listing agreement read with section 292A of The Companies Act, 1956.

6. RISK MANAGEMENT - MANAGEMENT PERCEPTION

The continued economic gloom, sharp drop in incomes and consumption in major consuming countries, uncertainties on when and to what extent economic recovery will take place and lack of trust and confidence in financial markets are major concern areas. The economic growth in our country, agriculture income, political and economic policies of new government will be few major influencing factors on textile industry's performance. The crude oil / raw cotton prices, foreign exchange rates, demand of cotton / synthetic yarn in the international/ domestic market, employment generation and their disposable incomes levels etc. would be influencing factors on the margins of textile industry. Overall the uncertainties and risks are likely to moderate in the coming year.

7. AUDITORS

M/s. Rawla & Company, Chartered Accountants, New Delhi, being the auditors of the Company retire at the forthcoming Annual General Meeting of the Company and being eligible offer themselves for re-appointment.

8. AUDITORS' REPORT

The comments in the Auditors' Report read with Notes to Accounts are self explanatory and do not call for any further explanation.

9. PUBLIC DEPOSITS

The Company has not raised any deposits from the public. Hence the provisions of Section 58A of the Companies Act, 1956 and the rules made under Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public are not attracted.

10. LISTING OF SECURITIES

The securities of the company are listed on The

Delhi Stock Exchange Ltd., New Delhi, The Ludhiana Stock Exchange Ltd., Ludhiana, The Ahmedabad Stock Exchange Ltd., Ahmedabad and The Madhya Pradesh Stock Exchange Ltd., Indore and the company has already paid listing fees of the stock exchanges for the financial year 2012-13.

11. PARTICULARS OF EMPLOYEES

No employee is covered under the provisions of Section 217 (2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules, 1975.

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

The information as required by the provisions of the Section 217 (1) (e) of the Companies Act 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is annexed hereto and forms part of this Report.

13. CORPORATE GOVERNANCE

A separate report on Corporate Governance along with Auditors' Certificate is attached.

14. ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the co-operation from the Bankers, Financial Institutions and Government Bodies & Business Associates. Your Directors also record their appreciation of the services rendered by the employees of the company.

By Order of the Board

Place : Ludhiana

Raj Kumar Avasthi

Date : September 1, 2012

Chairman

Regd. Office :

**5/69, Guru Mansion, 1st Floor,
Padam Singh Road, Karol Bagh,
New Delhi - 110005**

ANNEXURE TO THE DIRECTORS' REPORT

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2012.

1. Conservation of Energy

The Energy management has always been given high priority by the Company. This continues to remain thrust area as this is a major portion of expenditure incurred by the Company. The Company has chalked out an action plan for the same which includes Copper Ballasts to be replaced with Electronic 28 W Ballasts, Replacement of R/F Spindles, installation of WCS Fan Impellers and company has changed conventional sodium vapour lamps in the street lighting with CFL's and other feasible areas for improvement are continuously explored. Full focus is given on optimizing harmonics in the systems, thus getting quality power and conservation of energy.

The above said action plan is underway and on the other hand the company has completed modification of humidification plants, usage of Steam pressure reduction station, Cotton cards waste evacuation system, reduction in compressed air consumption and boiler heat recovery etc. to conserve energy.

(FORM A)

A Power & Fuel Consumption

	2011-12	2010-11
i) Electricity		
a) Purchased		
Units (Kwh.)	9,01,43,439	5,91,93,785
Amount (Rs.)	46,53,02,607	26,78,36,239
Rate Per Unit (Rs.)	5.16	4.52
b) (Through Generator)		
Units (Kwh)	9,43,299	16,27,304
Amount (Rs.)	1,16,47,493	1,73,67,860
Cost per unit (Rs.)	12.35	10.67

ii) Coal / Pet coke

Qty. (Kgs.)	23,68,676	23,45,716
Amount (Rs.)	2,31,26,532	2,39,95,558
Rate per unit (Rs.)	9.76	10.23

iii) Furnace Oil

NIL NIL

iv) Rice Husk

NIL NIL

Qty. (Kgs.) NIL NIL

Amount (Rs.) NIL NIL

Rate per unit (Rs.) NIL NIL

v) Other/internal generation

NIL NIL

B) Consumption per Unit of production

i) Electricity (Kwh/Kg. of Product)	3.06	2.98
ii) Coal and Rice Husk	0.08	0.12
iii) Furnace	NIL	NIL
iv) Others/Internal Generation	NIL	NIL

2. Technology Absorption

Efforts made in Technology Absorption are furnished in Form B as under:

A. Research and Development

i) Specific Areas in which Research & development is carried out by the Company:

Research & Development is carried out for improvement in production capacity by optimum utilization of available resources, development of new products apart from efficient management of deployed resources. Modification in blow room has been completed which results in effective collection of cotton waste.

ii) Benefits derived as a result of Research & Development:

- Reduction in maintenance cost, easy availability of spare parts.
- Enlargement of market base with new products.
- Quality improvement, customer satisfaction.
- Cost reduction, productivity & efficiency enhancement.

iii) Future Course of Action:

- a) Productivity enhancement of Spinning Machines
- b) Development of new products
- c) Investment in R & D

iv) Expenditure on Research & Development:

The capital as well as revenue expenditure incurred on Research & Development activities has been shown under the respective heads of Plant & Machinery and Consumable Stores of Annual Accounts and it is not possible to segregate the same.

B. Technology Absorption, Adaptation and Innovation:**i) Efforts Made:**

The Company is continuously making efforts for adaptation of latest technology. The Company has installed Auto Coners of latest technology to improve quality of yarn and having product flexibility to make value added product along with reducing manual operations. Splicing of yarn has been implemented in various double yarn operations which has improved yarn processing at later stage. The condenser has been replaced by Stationery de-dusters to save power. A centralized pneumafil waste collection system has been installed to collect the total waste at single point and thereby reducing machine downtime /productivity loss.

ii) Benefits derived as a result of the above efforts e.g., product improvement, cost reduction, product development, import substitution etc.:

Use of the latest developed techniques has enabled the company to improve the quality of yarn, launch of new products and reduction of cost of production.

iii) Particulars of imported Technology during the last five years:

The Company has not imported any technology.

3. Foreign Exchange Earnings and Outgo:

The company continued its efforts to develop export markets throughout the year and has got

adequate response from various customers worldwide. The company has earned foreign exchange of Rs 322.50 Crores by export of its products. The outgoes of foreign exchange is Rs. 84.30 Crores, being the CIF value of imports of raw material/capital goods/stores & spares, interest on foreign currency loans & overseas commission/traveling expenses.

By Order of the Board

Place : Ludhiana

Date : September 1, 2012

**Raj Kumar Avasthi
Chairman**

Regd. Office :

**5/69, Guru Mansion, 1st Floor,
Padam Singh Road, Karol Bagh,
New Delhi - 110005**

CORPORATE GOVERNANCE REPORT

The company is following the path whereby the interest of shareholders becomes the top most priority without sacrificing any of the concerns of other stakeholders. The management and organization of company Endeavours to be progressive, competent and trustworthy for customers and stakeholders and is committed to increase long term shareholders' value through excellence in manufacturing & customer services.

This section besides being in compliance of the mandatory Listing Agreement gives an insight into the process of functioning of the Company.

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

- a) Faith in bright future of Indian textiles
- b) Total Customer focus in all operational areas
- c) Respect for people, consumer delight, Integrity, Quality and Shareholder's value.
- d) Achieving excellence through continuous innovation & creativity
- e) Faith in individual potential and respect for human values

2. BOARD OF DIRECTORS**Composition:**

The Board of the Company is headed by Executive Chairman & Managing Director. The Board consists of Six Directors out of which two are promoter Directors, one is non-independent director and three are independent Directors. Mr. Raj Kumar Avasthi (Chairman & Managing Director) and Mr. Munish Avasthi (Managing Director) are related to each other.

The details of Board of Directors and their shareholding in the Company are as under:

Name of the Directors	Category	No. of share held in the Company
Mr. Raj Kumar Avasthi	Executive Chairman & Managing Director and Promoter	197500
Mr. Munish Avasthi	Managing Director & Promoter	122000
Mr. Naresh Jain	Executive Non-Promoter Director	1300
Mr. Ajay Chaudhry	Non- Executive Independent Director	NIL
Mr. Sunil Puri	Non- Executive Independent Director	NIL
Dr. (Mrs.) H.K. Bal	Non- Executive Independent Director	NIL

Board Meetings etc:

The Board normally meets once in a quarter. Additional meeting are held as and when required. During the year under review, board met six times on 12.05.2011, 12.08.2011, 03.09.2011, 14.11.2011, 14.02.2012 and 31.03.2012. The gap between any two meetings did not exceed three months.

The board members attendance at the Board meetings, last Annual General Meeting and directorship and committee memberships in other Public Limited Companies are as under-

Name of the Directors	No. of Board Meeting Attended	Attendance at the last AGM	Total No. of Directorships in other Companies	Total No. of Committee Memberships in other Companies	Total No. of Committee Chairmanships in other Companies
Mr. Raj Kumar Avasthi	6	Yes	-	-	-
Mr. Munish Avasthi	6	Yes	-	-	-
Mr. Naresh Jain	6	Yes	-	-	-
Mr. Ajay Chaudhry	6	Yes	2	2	2
Mr. Sunil Puri	6	-	-	-	-
Dr. (Mrs.) H.K. Bal	6	-	5	4	2

Note:

The above mentioned Directorships exclude private limited companies, foreign companies and Companies under section 25 of the Companies Act, 1956.

3. AUDIT COMMITTEE**Composition:**

The Audit Committee of the Company in terms of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement comprise of three directors i.e., Mr. Ajay Chaudhry, Dr. (Mrs.) H.K. Bal and Mr. Sunil Puri. Mr. Ajay Chaudhry is the Chairman of the Committee. All the members of Audit Committee are financially literate and Chairman of the Committee possesses expertise in legal, finance and accounting matters.

Terms of reference :

The terms of reference of the Audit Committee based on the role of the Audit Committee as mentioned in Clause 49 of the Listing Agreement are as under:

- i) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- ii) Recommending to the Board, the appointment/re-appointment of the statutory auditors, fixation of audit fees and remuneration for other services.
- iii) Reviewing with the Management, the quarterly and annual financial statements before submission to the Board for approval.
- iv) Discussing with internal auditors any significant finding and follow up there on.
- v) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.
- vi) Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- vii) To look into the reasons, if any, for substantial defaults in the payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividend) and creditors.
- viii) In addition to the above, all items listed in Clause 49(II) (D) of the Listing Agreement.

The committee met five times in the financial year 2011-12 on 12.05.2011, 12.08.2011, 03.09.2011, 14.11.2011 & 14.02.2012. The attendance of committee members is as under:

Name of the Directors	Designation	Category	No. of Meeting Attended
Mr. Ajay Chaudhary	Chairman	Non Executive Independent Director	5
Dr. (Mrs) H. K. Bal	Member	Non Executive Independent Director	5
Mr. Sunil Puri	Member	Non Executive Promoter Director	5

4. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Composition:

The constitution of Shareholder Grievance Committee comprises of three directors i.e. Mr. Sunil Puri, Naresh Jain and Mr. Munish Avasthi. Mr. Sunil Puri is Chairman of the Committee, Naresh Jain is the member and Mr. Munish Avasthi, Managing Director is member & Compliance officer of the committee.

Terms of reference to the Committee : To specifically look in to matter relating to transfer / transmission of shares, issue of duplicate share certificates, redressal of shareholders' grievances like transfer of shares, non-receipt of dividends, non-receipt of annual report etc. received from shareholders/ investors and improve the efficiency in investors service, wherever possible.

The committee meeting is held within a fortnight of receipt of any complaint or request for transfer of shares. No meeting of the said Committee was held during the year

5. REMUNERATION COMMITTEE

Composition:

The constitution of committee comprises of Dr. (Mrs) H.K.Bal, Mr. Sunil Puri and Mr. Ajay Chaudhry, Mr. Sunil Puri is the chairman of the committee.

Terms of reference:

The committee meets as and when any item falling under its terms of reference comes up for deliberation. Although, Company is not required to constitute remuneration committee but as part of good governance a remuneration committee has been constituted by the board to determine and formulate company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.

One meeting of the said Committee was held during the financial year 2011-12.

The committee met one time in the financial year 2011-12 on 12.08.2011. The attendance of committee members is as under:

Name of the Directors	Designation	Category	No. of Meeting Attended
Mr. Sunil Puri	Chairman	Non Executive Promoter Director	1
Dr. (Mrs) H. K. Bal	Member	Non Executive Independent Director	1
Mr. Ajay Chaudhary	Member	Non Executive Independent Director	1

6. DIRECTORS' REMUNERATION**Executive Directors:**

The company has paid remuneration to the Executive directors as approved by the Board of Directors and the members of the company in the General Meeting as per following details:

Name	Designation	Salary (Rs.)	Allowances/ Perquisites (Rs.)	Commission (Rs.)	Contribution to PF (Rs.)	Total (Rs)
Mr. Raj Kumar Avasthi	Chairman & Managing Director	1800000	596430	—	—	2396430
Mr. Munish Avasthi	Managing Director	1800000	596430	—	—	2396430
Mr. Naresh Jain	Executive Director	660000	330000	—	—	990000

Non Executive Independent Directors:

The independent directors have no pecuniary interest in the Company except sitting fee paid to them for attending Board / Committee Meeting within the permissible limit under the Companies Act, 1956. The details of sitting fee paid to them in the financial year 2011-12 are as under:

Name	Designation	Amount (Rs)
Mr. Ajay Chaudhry	Non Executive Independent Director	30000
Dr. (Mrs) H. K Bal	Non Executive Independent Director	30000
Mr. Sunil Puri	Non Executive Independent Director	30000

7. ANNUAL GENERAL MEETING:

The Details of last three Annual General Meetings are as follows:

Meeting	Day	Date	Time	Venue	No. of Special Resolutions Passed
22nd AGM	Friday	30/09/11	2.00 P.M.	5/69, Guru Mansion, 1st Floor Padam Singh Road, Karol Bagh, New Delhi	2
21st AGM	Thursday	30/09/10	2.00 P.M.	5/69, Guru Mansion, 1st Floor Padam Singh Road, Karol Bagh, New Delhi.	—
20th AGM	Wednesday	30/09/09	2.00 P.M.	5/69, Guru Mansion, 1st Floor Padam Singh Road, Karol Bagh, New Delhi.	—

The Company has not passed any resolution through postal ballot, during the financial years under review although one Extra-ordinary general meeting was held during the year on 18th June, 2011 to consider issue of preference shares etc.

8. DISCLOSURES

There has not been any non-compliance by the company relating to capital markets in respect of which penalties or restrictions were imposed by the Stock Exchange or SEBI or any other Statutory Authority during the last three years.

Also, there has been no material / significant transaction with the directors or the management, their subsidiaries or relatives, etc. that have any potential conflict with interest of the company at large.

9. MEANS OF COMMUNICATION

The Company communicates with the shareholders through various means viz. through its Annual Reports, Publication of financial results, in leading newspapers and by filing of various reports and returns with the statutory bodies like Stock Exchanges and the Registrar of Companies.

Apart from this the quarterly unaudited financial results are published in prominent daily newspapers viz. Business Line & Veer Arjun. The financial results of the Company are also made available at Company's website www.sportking.co.in

10. GENERAL SHAREHOLDERS INFORMATION:

- | | | |
|---------------------------------------|---|---|
| i) 23rd Annual General Meeting | : | |
| Date | : | 29th September, 2012 |
| Time | : | 2.00 P.M. |
| Venue | : | Regd. Office:
5/69, Guru Mansion, 1st Floor,
Padam Singh Road, Karol Bagh,
New Delhi - 110 005 |
| ii) Financial Calendar | : | 2012-2013 (Tentative) |
| First Quarter Results (Unaudited) | : | On or before 15th August, 2012 |
| Second Quarter Results (Unaudited) | : | On or before 15th November, 2012 |
| Third Quarter Results (Unaudited) | : | On or before 15th February, 2013 |
| Fourth Quarter (Audited) | : | On or before 31st May, 2013 |
| iii) Dates of Book Closure | : | 20th to 29th Sept., 2012
(both days inclusive) |
| iv) Dividend Payment date | : | No dividend declared. |

v) LISTING:

The securities of the Company are listed on the following four Stock Exchange:

- 1) The Delhi Stock Exchange Ltd. (DSE), DSE HOUSE, 3/1, Asaf Ali Road, New Delhi - 110002.
- 2) The Ludhiana Stock Exchange Ltd. (LSE), Feroze, Gandhi Market, Ferozepur Road, Ludhiana-141001.

- 3) The Ahmedabad Stock Exchange Limited, Kamdhenu Complex, Opp. Shahjahan Nand Collage, Panjara Pole, Ahmedabad - 380015.
- 4) The Madhya Pradesh Stock Exchange, 201, Palika Plaza, Phase - II, MTH Compound, Indore (M.P.) - 452001

The Company has paid listing fees to all the Stock Exchanges for the financial year 2012-13

vi) STOCK MARKET DATA

The Stock Exchanges where the equity shares of Company are listed on regional Stock exchanges which do not have any platform for electronic trading of shares. Hence, the shares of the Company have not been traded, so there is no stock market data.

vii) SHARE TRANSFER SYSTEM / REGISTRAR AND TRANSFER AGENT (RTA):

The Share transfer committee approves the transfer of shares in the physical form as per the time limit specified in the listing agreement. M/s Beetal Financial & Computer Services (P) Ltd. is Registrar & Transfer Agent of the Company who has adequate staff & infrastructure to provide services to the shareholder and maintaining connectivity with both the depositories NSDL & CDSL.

viii) DISTRIBUTION OF SHAREHOLDERS AS ON 31ST MARCH 2012.

RANGE No. of Shares	Shareholders		Shares	
	Nos.	% to Total	Nos.	% to Total Shares
Up to 500	1588	74.55	432700	12.15
501 1000	463	21.74	384450	10.80
1001 2000	33	1.55	47800	1.34
2001 3000	15	0.70	34800	0.98
3001 4000	0	0	0	0
4001 5000	08	0.38	34600	0.97
5001 10000	05	0.23	39700	1.11
Above 10001	18	0.85	2586950	72.65
TOTAL	2130	100.00	3561000	100.00

ix) DEMATERIALIZATION OF SHARES:

The International Securities Identification Number (ISIN) of equity shares of the Company is INE885H01011. The Shareholders are required to submit demat /remat request to depository participants (DP) with whom they maintain a demat account. DP sends the request for demat of shares along with physical share certificates to Registrar & Transfer Agents of the Company. The Registrar liaison with DP and NSDL/CDSL and acknowledge the receipt of physical share for demat and verify the genuiness. After verification the RTA updates the final demat register. The RTA forwards the confirmation report to CDSL/NSDL or rejection report as the case may be.

x) Outstanding GDRs, ADRs, Warrants or any Convertible instruments etc. : Nil

xi) PLANT LOCATIONS :

Village Kanech, Near Sahnewal, G.T. Road, Ludhiana - 141120
Village Barmalipur, Near Doraha, G.T. Road, Ludhiana - 141416
Village Meharban, Rahon Road , Ludhiana - 141007
Village Jeeda, Kotkapura Road, Distt. Bathinda - 151201

XII) ADDRESS FOR CORRESPONDENCE :

Regd. Office: 5/69, Guru Mansion, 1st Floor,
Padam Singh Road, Karol Bagh,
New Delhi. 110005

REGISTRAR & TRANSFER AGENT:

Beetal Financial & Computer Services (P) Ltd.
3rd Floor, 99 Madangir
Behind Local Shopping Centre
Near Dada Harsukhdaas Mandir
New Delhi 110062
Phone: 011-29961281, Fax: 011-29961284

DECLARATION ON COMPLIANCE OF THE COMPANY'S CODE OF CONDUCT

I hereby declare that all the Directors and Senior Management Personnel have confirmed compliance with the code of conduct adopted by the Company.

Place : Ludhiana
Date : September 1, 2012

Raj Kumar Avasthi
Chairman & Managing Director and C.E.O

CEO / CFO CERTIFICATION

To
The Board of Directors,
Sportking India Limited

- (a) We have reviewed the financial statements, read with the cash flow statement of Sportking India Limited for the year ended 31st March, 2012 and that to the best of our knowledge and belief:
- (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;
 - (ii) These statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for the financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and steps taken for rectifying these deficiencies.
- (d) We have indicated to the Auditors and Audit Committee:
- (i) Significant changes, if any, in the internal control over the financial reporting during the year.
 - (ii) Significant changes, if any, in accounting policies made during the year and that the same has been disclosed in the notes of accounts to the financial statements; and
 - (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Company's internal control system over financial reporting.

P K Gupta
Chief Financial Officer

Raj Kumar Avasthi
Chairman & Managing Director and C.E.O

Place: Ludhiana
September 1, 2012

Auditor's Certificate on Compliance of Corporate Governance Under Corporate Governance Clause of the Listing Agreement(s).

To

The Members of
Sportking India Limited

We have examined the compliance of the conditions of Corporate Governance by Sportking India Limited for the year ended 31st March, 2012 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to review of the procedures and implementation thereof adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and based on the representation made by the Directors and Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

Further, we state that no investors' grievances are pending for a period exceeding one month against the Company as per the records maintained by the Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For Rawla & Company
Chartered Accountants
FRN : 001661N

Place : Ludhiana
Date : September 1, 2012

Y. P. RAWLA
(Partner)
M.No.10475

AUDITORS' REPORT

To
The Shareholders
Sportking India Limited

We have audited the attached Balance Sheet of Sportking India Limited, as at 31st March, 2012 and also the statement of Profit & Loss and Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government in terms of sub section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law, have been kept by the company, so far as appears from our examination of those books;

- (iii) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, Statement Profit & Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3 C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the Directors as on 31st March 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and Notes on Accounts thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012.
 - b) In the case of the Statement of Profit & Loss Account, of the loss for the year ended on that date and ;
 - c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Rawla & Company
Chartered Accountants
FRN : 001661N

Place : Ludhiana
Date : September 1, 2012

Y. P. RAWLA
(Partner)
M.No.10475

**ANNEXURE TO THE AUDITORS' REPORT
FOR THE YEAR ENDED ON 31ST MARCH,
2012**

[Referred in Paragraph (1) of our Report of even date]

1. a) The company has maintained records showing particulars including quantitative details and situation of fixed assets, same is yet to be updated for existing and operational units upto last year. Whereas for the new operational Bathinda unit records are yet to be prepared.
 - b) As explained to us, major fixed assets have been physically verified by the management during the year according to a regular programme, which in our opinion is reasonable having regard to the size of the company and nature of its assets. No material discrepancies with respect to book records were noticed on such verification except our observations stated in 1 (a) above.
 - c) The company has not disposed off any substantial part of its fixed assets, which has affected its going concern status.
2. a) As explained to us, inventories have been physically verified by the management at regular intervals during the year.
 - b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c) The company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. a) According to information & explanations given to us, the company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies' Act, 1956.
 - b) According to information & explanations given to us, the company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the Register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any major weaknesses in internal controls.
5. a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b) In our opinion and according to the information and explanations given to us, the transactions in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year exceeding Rs. 5,00,000/- (Rupees five lacs only) in respect of any party have been made at the prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to information and explanations given to us, the company has not accepted any deposits from the public under section 58-A and 58-AA of the Companies Act, 1956 and the rules made thereunder.

7. The company has internal audit system commensurate with the size and nature of its business which in our opinion is inadequate.
8. We have broadly reviewed the Cost Records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of Cost Records under Section 209(1)(d) of the Companies Act, 1956 and in our opinion the prescribed accounts and records have prima facie been made and maintained by the company. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. a) According to the information and explanations given to us and on the basis of our examination of the records of the company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employee's State Insurance, Sales Tax, Wealth tax, Service tax, Custom duty, Excise duty, Cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities except in few cases where the TDS was deducted and deposited late. As explained to us, the company did not have any dues on account of Investor Education and Protection Fund.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth tax, Service tax, Custom duty, Excise duty, cess and other material statutory dues except in case of Institutional Tax required to be paid to Excise & Taxation Commissioner for the year amounting to Rs 1082000/- were in arrears as at 31st March 2012 for a period of more than six months from the date they became payable.

- c) Details of Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and cess which have not been deposited by the Company on account of disputes:

Name of the Statute (Nature of Dues)	Year of which dues relate (F.Y)	Amount (₹ in Lacs)	Forum where dispute is pending
Income Tax Act, 1961	1997-98	4.15	Hon'ble Supreme Court of India.
Income Tax Act, 1961	2005-06	99.58	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	2007-08	40.84	Commissioner of Income Tax (Appeals)
Punjab Vat Act, 2005	2005-06	11.19	Deputy Excise & Taxation Commissioner (Appeals)
Provident Fund Act, 1952	1993-94, 1994-95 & 1997-98	1.88	Employees Provident Fund Appellate Tribunal, New Delhi
Provident Fund Act, 1952	1995-96, 1997-98 & 1998-99	6.70*	Employees Provident Fund Appellate Tribunal, New Delhi

*Net of Rs.2.23 Lacs already paid under protest pending for final verdict.

10. The company has net accumulated profit and has not incurred cash losses during the financial year covered by our audit.
11. According to the information and explanation given to us, the company has not defaulted in repayment of dues to financial institutions, and banks as at the balance sheet date.
12. According to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a Chit fund or a Nidhi/Mutual Benefit Fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order 2003 are not applicable to the Company.

14. The company had maintained proper records of transactions and contracts for sale of units/ securities/shares during the year under review and timely entries have been made therein. All shares/securities were held by the company in its own name. However, no purchase/sale transaction was undertaken during the year under review.
15. In our opinion and according to the information and explanation given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks or financial institutions are not prima facie prejudicial to the interests of the Company.
16. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion no funds raised on short term basis have been utilized for long term investment except for Bathinda Project for temporary period. The Company has not made any investment in short term as well as long term investments during the year.
18. According to the information and explanation given to us, the company has made preferential allotment of 28.92 lacs 5% Redeemable non-cumulative preference shares of `10 each at a premium of ₹90 per share to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. According to the information and explanation given to us, the company had not issued any debentures during the period covered by our report. Accordingly the provisions of clause (xiv) of the Companies (Auditor Report) Order 2003 are not applicable to the company.
20. During the year covered by our audit report, the company had not raised any money by way of a Public issue.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For Rawla & Company
Chartered Accountants
FRN : 001661N

Place : Ludhiana
Date : September 1, 2012

Y. P. RAWLA
(Partner)
M.No.10475

Balance Sheet as at March 31, 2012

PARTICULARS	NOTE	As at 31.03.2012 (₹)	As at 31.03.2011 (₹)
1. EQUITY AND LIABILITIES			
1) Shareholders Funds			
(a) Share Capital	3	118802800.00	89882800.00
(b) Reserves & Surplus	4	<u>759370642.84</u>	<u>759833046.78</u>
		<u>878173442.84</u>	<u>849715846.78</u>
2) Non-current liabilities			
(a) Long-term borrowings	5	1726964632.75	1271270838.07
(b) Deferred tax liabilities	6	229200000.00	121300000.00
(c) Other Long term liabilities	7	595105.00	636105.00
(d) Long-term provisions	8	<u>15559470.98</u>	<u>7665779.98</u>
		<u>1972319208.73</u>	<u>1400872723.05</u>
3) Current liabilities			
(a) Short-term borrowings	9	1878718849.68	1461177066.92
(b) Trade payables	10	1022306788.14	770441565.14
(c) Other current liabilities	11	1466486332.98	780662920.02
(d) Short-term provisions	12	<u>3241904.00</u>	<u>77947582.98</u>
		<u>4370753874.80</u>	<u>3090229135.06</u>
	Total	<u>7221246526.37</u>	<u>5340817704.89</u>
2. ASSETS			
1) Non-current assets			
(a) Fixed assets			
(i) Tangible assets	13	3687572372.21	2023754753.36
(ii) Intangible assets		10085857.25	15942298.09
(iii) Capital work-in-progress		302911708.41	611551435.51
(b) Long-term loans and advances	14	<u>148955371.13</u>	<u>184377017.25</u>
		<u>4149525309.00</u>	<u>2835625504.21</u>
2) Current assets			
(a) Inventories	15	1738925358.17	1639493202.61
(b) Trade receivables	16	882966060.12	457349522.59
(c) Cash and cash equivalents	17	96421049.70	47335869.34
(d) Short-term loans and advances	18	89144720.43	61804253.86
(f) Other current assets	19	<u>264264028.95</u>	<u>299209352.28</u>
		<u>3071721217.37</u>	<u>2505192200.68</u>
	Total	<u>7221246526.37</u>	<u>5340817704.89</u>
Significant accounting policies	2		
Other notes on accounts	29-39		

As per our report of even date attachedFor Rawla & Company
Chartered Accountants
(FRN-00166IN)CA Y.P. Rawla
(Partner)
M. No. 10475Place : Ludhiana
September 1, 2012**(Raj Kumar Avasthi)**
Chairman & Managing Director**(P.K. Gupta)**
Chief Financial Officer**For & on behalf of Board of Directors****(Munish Avasthi)**
Managing Director**(Sukhdev Gupta)**
Dy. General Manager (F&A)**(Naresh Jain)**
Executive Director**(Videshwar Sharma)**
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

PARTICULARS	NOTE	YEAR ENDED 31.03.2012 (₹)	YEAR ENDED 31.03.2011 (₹)
Income			
Revenue from operations	20	7630174517.76	4108872008.08
Less : Excise Duty		13032159.00	4185651.00
Revenue from operations		<u>7617142358.76</u>	<u>4104686357.08</u>
Other Income	21	60178620.92	84792252.47
Total Revenue		<u>7677320979.68</u>	<u>4189478609.55</u>
Expenses			
Cost of Material Consumed	22	4805957272.75	2718197172.61
Purchase of Stock-in-Trade	23	1068829239.00	73400034.63
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	24	-176873936.00	-256623490.48
Employee benefits expense	25	296088388.11	195256647.71
Finance costs	26	482874176.75	143765954.87
Depreciation and amortisation expenses	13	258088391.89	138956047.29
Other expenses	27	1095408905.34	731212246.78
Total expenses		<u>7830372437.84</u>	<u>3744164613.41</u>
Profit before tax		<u>-153051458.16</u>	<u>445313996.14</u>
Tax expense			
Current tax	28	-209054.22	119647362.26
Deferred tax		107900000.00	33800000.00
Profit (Loss) for the period		<u>-260742403.94</u>	<u>291866633.88</u>
Earning per equity share			
Basic earning per share		-73.22	81.96
Diluted Earning Per Share		-73.22	81.96
Significant accounting policies	2		
Other notes on accounts	29-39		

As per our report of even date attached

For Rawla & Company
Chartered Accountants
(FRN-00166IN)

CA Y.P. Rawla
(Partner)
M. No. 10475

Place : Ludhiana
September 1, 2012

(Raj Kumar Avasthi)
Chairman & Managing Director

(P.K. Gupta)
Chief Financial Officer

For & on behalf of Board of Directors

(Munish Avasthi)
Managing Director

(Sukhdev Gupta)
Dy. General Manager (F&A)

(Naresh Jain)
Executive Director

(Videshwar Sharma)
Company Secretary

CASH FLOW STATEMENT FOR THE PERIOD 1ST APRIL 2011 TO 31ST MARCH, 2012

Particulars	Current Year 31.03.2012 (₹)	Previous Year 31.03.2011 (₹)
A. CASH FROM OPERATING ACTIVITIES :		
Net Profit before tax & extraordinary items		
Net Profit before tax	-153051458.16	445313996.14
Adjustments for :		
Depreciation	258088391.89	138956047.29
Interest on Borrowings	445233757.74	143765954.87
Interest/Rent/Dividend Income	5956902.02	2209161.00
Profit/Loss on Assets Sold/Destroyed (Net)	-8826943.61	-4905511.79
OPERATING PROFIT (LOSS) BEFORE WORKING CAPITAL CHANGES	547400649.88	725339647.51
Adjustments for :		
Trade and Other Receivables	-417063146.77	-230696361.69
Inventories	-99432155.56	-786114723.27
Trade Payable and Other liabilities	838078120.96	970982958.95
Cash Generated from operating activities	868983468.51	679511521.50
Taxes Paid	-75632502.77	-50397835.28
Net Cash from operating activities	793350965.74	629113686.22
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	-1610317899.18	-1643705568.05
Sale of Fixed Assets	11735000.00	13471983.00
Securities	-27964056.00	-9120250.00
Advances for Investing Activities	63385702.12	-122547688.25
Interest/Rent/Dividend Received	-5956902.02	-2209161.00
Net Cash used in Investing Activities	-1569118155.08	-1764110684.30
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from the issue of Share Capital	289200000.00	80500000.00
Proceeds from the Long Term Borrowings	710685708.37	643622432.00
Proceeds from the Short Term Borrowings	417541782.76	678231620.32
Repayment of Short Term Borrowings	0.00	0.00
Repayment of Long Term Borrowings	-147341363.69	-118405694.32
Interest Paid	-445233757.74	-143765954.87
Net Cash used in Financing Activities	824852369.70	1140182403.13
D. NET INCREASE IN CASH AND CASH EQUIVALENTS :	49085180.36	5185405.05
Opening Cash and Cash Equivalents	47335869.34	42150464.29
Closing Cash and Cash Equivalents	96421049.70	47335869.34

- Notes : 1) The above Cash Flow Statement has been prepared under the 'Indirect Method' as set out in the Accounting Standard-3 on Cash Flow Statement issued by ICAI.
2) Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

As per our report of even date attached

For & on behalf of Board of Directors

For Rawla & Company
Chartered Accountants
(FRN-00166IN)

(Raj Kumar Avasthi)
Chairman & Managing Director

(Munish Avasthi)
Managing Director

(Naresh Jain)
Executive Director

CA Y.P. Rawla
(Partner)
M. No. 10475

(P.K. Gupta)
Chief Financial Officer

(Sukhdev Gupta)
Dy. General Manager (F&A)

(Videshwar Sharma)
Company Secretary

Place : Ludhiana
September 1, 2012

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012**NOTE - 1****CORPORATE INFORMATION**

Sportking India Limited (The Company) is a public company incorporated under the provisions of the Companies Act, 1956 on 15 February 1989. The company is engaged in manufacturing of Cotton yarn, Synthetic yarn and Blended Yarn and of dyeing activity. The Company has three manufacturing units at Ludhiana and one at Bathinda.

NOTE - 2**SIGNIFICANT ACCOUNTING POLICIES****a) Accounting Convention:**

The financial statements are prepared under historical cost convention using the accrual system of accounting in accordance with the accounting principles generally accepted in India and the requirements of the Companies Act, 1956, including the mandatory Accounting Standards as prescribed by the Companies (Accounting Standards) Rules, 2006

b) Use of Estimates:

The preparation of financial statements requires the management of the company to make estimates and assumption that effect the reported balances of assets/liabilities and disclosure relating to the contingent liabilities and provisions as at the date of the financial statements and reported amounts of income and expenses during the year. The difference between the actuals and estimates are recognized in the year such amounts are known/materialised.

c) Provisions, Contingent Liabilities and Contingents Assets :

Provisions involving substantial degree of estimation in measurement are recognized where there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements/notes.

d) Fixed Assets:

- i) Fixed Assets are stated at cost of acquisition, net of modvat/cenvat credit/terminal excise duty, additional custom duty, or of construction, including pre-operative, financial and other incidental expenses attributable to acquisition or construction of fixed assets less depreciation.
- ii) Capital works in progress are carried at cost, comprising direct costs, related incidental expenses & attributable interest.
- iii) Intangible assets are stated at cost of acquisition less accumulated amortisation.

e) Depreciation / Amortisation:

- i) The company has provided depreciation on Straight Line Method in accordance with the rates as prescribed in Schedule XIV under the provisions of The Companies Act, 1956 on the fixed assets when it is put to use.
- ii) Renovation to premises taken on lease by the company have been amortised over the period of lease and in case of premature termination would be written off fully.
- iii) Electricity Line Expenses / Service connection charges and Computer Software being intangible are amortised over a period of 5 years.

f) Impairment of Assets:

At each balance sheet date the carrying amounts of fixed assets are reviewed by the management to

determine whether there is any indication that these assets had suffered an impairment loss. If any such indication exists recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing, value in use, the estimated future cash flows expected from the continuing use of the assets and from its disposal are discounted to their present value using a pre tax discount rate that reflects the current market assessments of time value of money and risks specific to the asset. Reversal of impairment loss is recognized immediately as income in the profit and loss account.

g) Inventories :

These are valued as under:

- | | |
|--|--|
| i) Raw Material, Work-in-Process and useable | At cost or estimated realisable value whichever is lower. |
| ii) Stores & Spares | At cost less provision for obsolescence or estimated realisable value whichever is lower. |
| iii) Finished Goods | At cost plus excise duty payable on sale or estimated realisable value whichever is lower. |
| iv) Unusable waste | At net realisable value |
- v) The raw material, stores & spares and raw-material contents of work-in-process are valued by using the first-in-first out (FIFO) method while the finished goods are valued by using weighted average cost method. Cost relating to finished goods/work-in-process means direct raw material cost and allocable manufacturing expenses.
- vi) The company makes provision for the value of goods in transit at the year end for imported/indigenous raw material and imported spare parts only and does not make any provision in respect of other materials.
- vii) The policy of valuation of inventories is in accordance with Accounting Standard-2 (Revised) 'Valuation of Inventories' issued by the Institute of Chartered Accountants of India.

h) Sales/Revenue Recognition:

- i) Domestic sales are accounted, net of returns & trade discounts, on dispatch of products to customers from the works/warehouses and export sales on shipment of goods. Sales within India comprising of sale of goods and services are inclusive of excise duty cleared in the domestic market. The sale value of goods on which value added tax has been charged, are exclusive of value added tax.
- ii) The revenue in respect of export benefit is recognized on post exports basis, at the rate at which the entitlement accrues, to the extent the company is reasonably certain of the realisable value.

i) Excise Duty:

The excise duty liability has been accounted for in respect of the finished goods/ useable waste cleared/ lying in the factory/bonded premises which are liable to excise duty provided the cenvat of excise duty/ additional custom duty of the inputs have been availed.

j) Employee Benefits :

- i) Short-term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.
- ii) Long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable determined using actuarial valuation techniques. Actuarial gains / losses in respect of long term benefits are adjusted to the profit and loss account.

k) Modvat (Cenvat):

Modvat (cenvat) credit/Terminal Excise Duty paid on inputs and capital assets is accounted for by reducing the purchase cost of related inputs or the capital assets.

l) Subsidy:

Government Capital Investment Subsidy in the nature of promoters' contribution represents Capital Reserve.

m) Direct Taxes:**i) Current Tax**

Provision for Income Tax, if any, is based on the assessable profits, computed in accordance with the provisions of Income Tax Act, 1961

ii) Defferred Tax

Deferred Income tax expense or benefit is recognized on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period. Deferred tax assets or liabilities are measured using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized only to the extent that there is virtual certainty that sufficient taxable income will be available to realize these assets. All other deferred tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available to realize these assets.

iii) Wealth Tax

Wealth tax is ascertained in accordance with the provisions of the Wealth Tax Act 1957

n) Foreign Currency Transactions:

i) Foreign currency transactions are accounted for at equivalent rupee value converted at the exchange rates prevailing at the time of such transaction

ii) Monetary Assets & Liabilities in foreign currency are translated at the year-end rate through exchange fluctuation account to the respective accounts as per the guidance issued by The Institute of Chartered Accountants of India

iii) Any income or expense on account of exchange differences either on settlement or translation is recognized in the revenue account except in cases where they relate to acquisition of fixed assets and before put to use in which case they are adjusted to the carrying cost of such assets.

iv) Financial derivatives and hedging contracts are accounted on the date of settlement. The accrued/ realised gain/loss in respect of the settled contracts/ renewed/ cancelled is only recognized in the books of accounts.

o) Prior Period Items:

Income and expenditure which relate to significant items of prior accounting period other than those occasioned during the close of accounting year to which it is relatable, is considered in current year.

p) Borrowing Costs:

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset till the asset is ready for use. Other borrowing costs are recognised as an expense in the year in which they are incurred.

q) Lease:

Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating lease. Payments made under operating lease are charged to profit and loss account over the period of lease.

PARTICULARS	As at 31-03-2012 ₹	As at 31-03-2011 ₹
NOTE - 3 : SHARE CAPITAL		
Authorised		
50,00,000 (Previous year 50,00,000) Equity Shares of ₹ 10/- each	50000000.00	50000000.00
2,00,00,000 (Previous year 1,00,00,000) 5% Redeemable Non Cumulative Preference Shares of ₹ 10/- each	200000000.00	100000000.00
Issued		
35,61,000 (Previous Year 35,61,000) Equity Shares of ₹ 10/- each fully paid up	35610000.00	35610000.00
85,16,200 (Previous Year 56,24,200) 5% Redeemable Non Cumulative Preference Shares of ₹ 10/- each fully paid up	85162000.00	56242000.00
	120772000.00	91852000.00
Subscribed and fully paid up		
29,73,300 (Previous Year 29,73,300) Equity Shares of ₹ 10/- each fully paid up	29733000.00	29733000.00
85,16,200 (Previous Year 56,24,200) 5% Redeemable Non Cumulative Preference Shares of ₹ 10/- each fully paid up	85162000.00	56242000.00
	114895000.00	85975000.00
Subscribed but not fully paid up		
5,87,700 (Previous Year 5,87,700) Equity Shares of ₹ 10/- each partly paid up	5877000.00	5877000.00
Less : Calls in Arrears		
a) From directors & officers	0.00	0.00
b) From others	1969200.00	1969200.00
	3907800.00	3907800.00
	118802800.00	89882800.00

- a) Each holder of Equity share is entitled to one vote per share. In the event of liquidation of the company, the holders are entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.
- b) Preference shares are having preference over equity shares in respect of payment of 5% dividend and repayment of capital over equity shareholders and is entitled to voting rights in the resolutions directly affecting their interest or besides where the dividends to them are in arrears for the two financial years immediately preceding the meeting or for any three years during the period of six years ending with the financial years preceding the meeting, on all resolution at every meeting of the company. Preference shares are redeemable within 20 years from the date of allotment.

As at 31.03.2012		As at 31.03.2011	
No. of Preference Shares to be Redeemed	Date of Redemption	No. of Preference Shares to be Redeemed	Date of Redemption
i) 24,39,000	31.03.2021	i) 24,39,000	31.03.2021
ii) 8,85,200	31.07.2026	ii) 8,85,200	31.07.2026
iii) 23,00,000	31.03.2031	iii) 23,00,000	31.03.2031
iv) 28,92,000	31.03.2032		

- c) The amount remaining unpaid on account of calls in arrear of public issue 9,28,500 Equity Shares of ₹10/- each for cash at a premium of ₹ 25/- per share have been apportioned between Share Capital (₹19,69,200/-) and Share Premium Account (₹ 45,94,800/-) in the ratio of three to seven.

- d) Reconciliation of the Number of shares

	As at 31.03.2012	As at 31.03.2011
i) Equity shares		
Opening Balance	3561000	3561000
Add : Addition during the year	0	0
Less : Reduction in shares	0	0
Closing Balance	<u>3561000</u>	<u>3561000</u>
ii) Preference shares		
Opening Balance	5624200	3324200
Add : Addition during the year	2892000	2300000
Less : Reduction in shares	0	0
Closing Balance	<u>8516200</u>	<u>5624200</u>

- e) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	No. of Shares held	% of Holding
i) Equity shares with voting rights		
-Namokar Capital Services Limited	798985 (22.44%)	798985 (22.44%)
-Sobhagia Sales Private Limited	782915 (21.99%)	782915 (21.99%)
-Punjab State Industrial Development Corp. Ltd.	200000 (5.62%)	200000 (5.62%)
-Sh. Raj Kumar Avasthi	197500 (5.55%)	197500 (5.55%)
ii) Redeemable preference shares		
-Sh. Raj Kumar Avasthi	2489000 (29.23%)	2159000 (38.39%)
-Classic Wears (P) Limited	2018000 (23.70%)	1490000 (26.49%)

-Sobhagia Sales Private Limited	1940200 (22.78%)	735200 (13.07%)
-Sobhagia Clothing Co. (Through Partners)	1240000 (14.56%)	1240000 (22.05%)
-Angel Finvest (P) Limited	529000 (6.21%)	-

f) No. of shares for the period of five years immediately preceding the date as at which the Balance Sheet is prepared:

i) Equity Shares

- Alloted as Fully paid up pursuant to contract(s) without payment being received in cash	-	-
- Alloted as Fully paid up by way of bonus shares	-	-
- Shares bought back	-	-

ii) Preference Shares

- Alloted as Fully paid up pursuant to contract(s) without payment being received in cash	-	-
- Alloted as Fully paid up by way of bonus shares	-	-
- Shares bought back	-	-

NOTE - 4 : RESERVES AND SURPLUS

As at 31.03.2012 (₹)

As at 31.03.2011 (₹)

a) Capital Redemption Reserve

As per Last Balance Sheet	15558000.00	12745900.00
Add : Transfer from Statement of Profit & Loss Account	4258100.00	2812100.00
	19816100.00	15558000.00

b) Securities Premium Reserve

As per Last Balance Sheet *	208110200.00	150610200.00
Add : On issue of preference shares	260280000.00	57500000.00
	468390200.00	208110200.00

* Refer Note No. 3 (c)

c) Capital Investment Subsidy Reserve

As per Last Balance Sheet	9000000.00	9000000.00
	9000000.00	9000000.00

d) General Reserve

As per Last Balance Sheet	300000.00	300000.00
	300000.00	300000.00

e) Statement of Profit and Loss

As per the last financial statement	526864846.78	237810312.90
Add : As per Statement of profit and loss	-260742403.94	291866633.88
Less : Transfer to Capital Redemption Reserve	4258100.00	2812100.00
Closing Balance	261864342.84	526864846.78
	759370642.84	759833046.78

PARTICULARS
**As at
31-03-2012
₹**
**As at
31-03-2011
₹**
NOTE - 5 : LONG TERM BORROWINGS
a) Secured Term loans :

- From Banks	1715997268.05	1259356211.07
- From Others	967364.70	1914627.00
	1716964632.75	1261270838.07

b) Unsecured Loans and advances:

- From related Parties	10000000.00	10000000.00
	1726964632.75	1271270838.07

- i) The term loans from State Bank of India, State Bank of Patiala, Punjab National Bank, Central Bank of India, Punjab & Sind Bank and Allahabad Bank are secured against a) first pari-pasu charge on hypothecation and mortgage of all present and future Plant & Machinery and Land/Building of all the works of the Company situated at Village Meharban, Ludhiana, Village Kanech, Ludhiana, Village Barmalipur, Ludhiana, Village Jida, Bathinda. b) second pari-pasu charge on hypothecation of current assets of the company and c) equitable mortgage of commercial land & building situated at Village Barmalipur, Ludhiana owned by Sh. Raj Kumar Avasthi (Chairman & Managing Director) & Sh. Munish Avasthi (Managing Director)

These term loans are further guaranteed by Sh. Raj Kumar Avasthi (Chairman & Managing Director) & Sh. Munish Avasthi (Managing Director).

- ii) The term loans from Reliance Capital Limited/ HDFC Bank Limited/ ICICI Bank Limited, are repayable in various equal monthly installment and is secured against hypothecation of respective vehicles.
- iii) The Loan of ₹ 1,00,00,000/- from Sh. Munish Avasthi (Managing Director) carry NIL interest and is not repayable before 31.03.2013
- iv) The Company has not defaulted in repayment of loans and interest.
- v) Terms of repayment of term loans

CURRENT YEAR

Name of Bank	As at 31.03.2012 ₹	Rate of Interest	Installments o/s as at 31.03.2012	Payable within 12 months ₹
TERM LOANS PROJECT				
State Bank of Patiala	37500000.00	14.00	12	12500000.00
State Bank of India	56250208.00	15.00	12	18750000.00
State Bank of Patiala	156445000.00	14.00	20	31200000.00
Punjab National Bank	218750000.00	14.75	20	43750000.00
Punjab National Bank	74000002.00	14.75	23	8000000.00
State Bank of Patiala	309199432.00	15.00	31	52000000.00
Punjab National Bank	361801113.82	14.75	31	54000000.00
Allahbad Bank	195008271.00	14.25	31	26000000.00
Central Bank of India	151305328.00	14.00	32*	0.00
Allahbad Bank	125008273.00	13.25	32*	0.00
State Bank of India	162109968.00	13.50	32*	0.00
Punjab & Sind Bank	103291064.50	13.25	32*	0.00

Name of Bank	As at 31.03.2012 ₹	Rate of Interest	Installments o/s As at 31.03.2012	Payable within 12 months ₹
Term Loans Vehicles			(Monthly)	
Reliance Capital Limited	1238694.70	11.51	23	612843.00
Reliance Capital Limited	675933.00	11.48	23	334420.00
HDFC Bank Limited	2804458.58	13.25	36	866198.00
HDFC Bank Limited	3543065.41	11.42	21	1924497.00
HDFC Bank Limited	388774.94	13.03	37	111500.00
HDFC Bank Limited	623784.88	13.03	46	134142.00
HDFC Bank Limited	3998505.80	12.74	28	1602467.00
HDFC Bank Limited	297904.52	13.25	18	192246.00
ICICI Bank Limited	6273153.60	7.46	35	1999344.00
ICICI Bank Limited	582251.00	9.39	41	152897.00
	1971095186.75			254130554.00
Net of Instalments	1716964632.75			* Repayment will commence from April 2014

PREVIOUS YEAR

Name of Bank	As at 31.03.2011 ₹	Rate of Interest	Installments o/s As at 31.03.2011	Payable within 12 months ₹
Term Loans Project			(Quarterly)	
State Bank of Patiala	50000000.00	12.50	16	12500000.00
State Bank of India	75000500.00	13.15	16	18750000.00
State Bank of Patiala	187600000.00	12.50	24	31200000.00
Punjab National Bank	262500000.00	13.25	24	43750000.00
Punjab National Bank	82000000.00	13.25	27	8000000.00
State Bank of Patiala	315099432.00	12.75	32	13500000.00
Punjab National Bank	219400000.00	13.25	32	13500000.00
Allahbad Bank	195000000.00	13.00	31	0.00
Term Loans Vehicles			(Monthly)	
Reliance Capital Limited	1794000.70	11.51	35	555305.30
Reliance Capital Limited	979000.00	11.48	35	303067.00
HDFC Bank Limited	3608554.28	13.25	48	804095.70
HDFC Bank Limited	5451438.39	12.74	40	1452928.42
HDFC Bank Limited	467260.90	13.25	30	169356.38
ICICI Bank Limited	8129167.80	7.46	47	1856014.20
ICICI Bank Limited	721488.00	9.39	53	139237.00
	1407750842.07			146480004.00
Net of Instalments	1261270838.07			

PARTICULARS	As at 31-03-2012 ₹	As at 31-03-2011 ₹
NOTE - 6 : DEFFERED TAX LIABILITY		
Deferred tax liabilities		
Related to Fixed Assets	235600000.00	131200000.00
Deferred tax assets		
Disallowances under the Income Tax Act	6400000.00	9900000.00
Net Deferred tax liability	229200000.00	121300000.00
NOTE - 7: OTHER LONG TERM LIABILITIES		
Security Deposits from persons other than directors	595105.00	636105.00
	595105.00	636105.00
NOTE - 8: LONG TERM PROVISIONS		
Provision of employee benefits :		
a) Leave encashment	7328258.98	5375089.98
b) Gratuity	8231212.00	2290690.00
	15559470.98	7665779.98
NOTE - 9 : SHORT TERM BORROWINGS		
a) Secured		
- Working Capital borrowings from banks	1875669776.68	1461177066.92
b) Unsecured		
- Business Loan from HDFC Bank Limited	3049073.00	0.00
	1878718849.68	1461177066.92
i) Secured	Total outstanding	Rate of Interest
State Bank of India	664130065.02	14.25
State Bank of Patiala	489332417.81	15.50
Punjab National Bank	432756502.86	14.25
Central Bank of India	78902884.98	13.50
Punjab & Sind Bank	9969051.00	13.50
IndusInd Bank (WHR)	100000000.01	12.75
Punjab & Sind Bank (WHR)	100578855.00	12.50
	1875669776.68	
ii) The Working capital borrowings (Cash Credit / Export Packing Credit) and Letter of Credit/Bank Guarantee Limit from consortium member banks viz. State Bank of India, State Bank of Patiala, Punjab & Sind Bank, Central Bank of India and Punjab National Bank are secured against first pari-pasu charge on all the current assets of the company including raw material, consumable stores & spares, stock in process, finished goods, bills, book debts and receivables and further collaterally		

secured against second charge on the fixed assets of the company at Village Meharban, Ludhiana, Village Kanech, Ludhiana, Village Barmalipur, Ludhiana, Village Jida, Bathinda and equitable mortgage of commercial land & building situated at Village Barmalipur, Ludhiana owned by Sh. Raj Kumar Avasthi (Chairman & Managing Director) & Sh. Munish Avasthi (Managing Director).

These working capital borrowings are further guaranteed by Sh. Raj Kumar Avasthi (Chairman & Managing Director) & Sh. Munish Avasthi (Managing Director).

- iii) The working capital borrowings (Pledge of Warehouse Receipts) from Indusind Bank Limited and Punjab & Sind Bank is secured against pledge of warehouse receipts of the raw cotton stored in approved warehouse.
- iv) Working capital loans are repayable on demand.

PARTICULARS	As at	As at
	31-03-2012	31-03-2011
	₹	₹
NOTE - 10: TRADE PAYABLES		
Due to Micro, Small & Medium Enterprises*	761969.74	70234.95
Acceptances payable (Raw Material) under Bank's LC (Refer Note No. 9)	578954269.60	440243374.60
Others	442590548.80	330127955.59
	1022306788.14	770441565.14

*The details of the amount outstanding to "The Micro, Small and Medium Enterprises" are based on available information with the Company and the outstanding balance beyond 45 days is ₹ NIL (Previous year ₹ NIL)

NOTE - 11 : OTHER CURRENT LIABILITIES

	As at	As at
	31-03-2012	31-03-2012
	₹	₹
a) Current Maturities of long term debt (Refer to Note No. 5)	254130554.00	146480004.00
b) Acceptance Payable (Machinery) under Bank's LC/LOU*	893560080.86	444841348.00
c) Interest accrued but not due on borrowings	40529016.75	13481782.08
d) Interest accrued and due on borrowings	15975873.00	16780166.00
e) Advances from Customers	31853502.45	41660803.37
f) Creditors for Capital Expenditure	20994111.42	15943234.70
g) Security deposit/retention money	15491113.99	118268.00
h) Other liabilities		
Statutory dues	9711931.41	7323776.21
Employee dues	40345942.03	28494606.05
Others	143894207.07	65538931.61
	1466486332.98	780662920.02

*To be paid out of term loans already sanctioned by participating member banks (Refer Note No. 5)

PARTICULARS	As at 31-03-2012 ₹	As at 31-03-2011 ₹
NOTE - 12: SHORT TERM PROVISIONS		
a) Provision for Taxation		
Provision	0.00	119900000.00
Less : Paid	0.00	45006977.02
	<u>0.00</u>	<u>74893022.98</u>
b) Provision of employee benefits :		
- Leave encashment	1134214.00	693516.00
- Gratuity	2107690.00	2361044.00
	<u>3241904.00</u>	<u>77947582.98</u>
<i>(*Note 13 - Fixed Assets on next page)</i>		
NOTE - 14: LONG TERM LOANS & ADVANCES		
Unsecured but considered good		
a) Capital Advances	96416764.13	160511188.25
b) Security Deposits	51157381.00	23193325.00
c) Others-Prepaid Expenses	1381226.00	672504.00
	<u>148955371.13</u>	<u>184377017.25</u>
NOTE - 15 : INVENTORIES		
(at cost or net realisable value, whichever is lower)		
a) Raw Material	1016989735.17	1096740356.00
b) Raw Material in transit	35545708.00	41944170.00
c) Work in Progress	105879817.00	80252373.00
d) Finished Goods	356904106.00	383951819.00
e) Store and Spares	51871611.00	36604484.61
f) Traded Goods	171734381.00	0.00
	<u>1738925358.17</u>	<u>1639493202.61</u>
NOTE - 16 : TRADE RECEIVABLES		
(Unsecured, unconfirmed & considered Good)		
a) Due over six months	106879042.87	61887809.56
Less : Provision for doubtful debts	0.00	19139631.00
b) Others	776087017.25	414601344.03
	<u>882966060.12</u>	<u>457349522.59</u>
NOTE - 17 : CASH AND CASH EQUIVALENTS		
a) Cash & cash equivalents		
Balances with banks in current accounts	18504602.02	13307882.76
Cash on Hand	27412932.68	23346149.58
b) Other bank balances		
Fixed deposit with Banks		
Margin money for bank guarantee /		
Letter of Credit / undertakings	50503515.00	10681837.00
	<u>96421049.70</u>	<u>47335869.34</u>

***NOTE - 13: FIXED ASSETS**

Particulars	GROSS BLOCK						DEPRECIATION				NET BLOCK		
	As at 01-04-2011	Addition during the year	Sale/Adjust- ment during the year	As at 31-03-2012	As at 01-04-2011	Provided for the year	Sale/Adjust- ment during the year	As at 31-03-2012	As at 31-03-2012	As at 31-03-2011	As at 31-03-2012	As at 31-03-2011	
i) Tangible Assets													
Land	131163628.00	32076835.00	0.00	163240463.00	0.00	0.00	0.00	0.00	163240463.00	131163628.00	131163628.00		
Building	562183304.13	632416512.79	0.00	1194599816.92	84547339.77	21556175.06	0.00	106103514.83	1088496302.09	477635964.36	477635964.36		
Building Lease Hold	0.00	10368355.00	0.00	10368355.00	0.00	1152039.44	0.00	1152039.44	9216315.56	0.00	0.00		
Plant & Machinery	2231400133.85	1234565503.07	54172221.00	3411793415.92	853812799.46	225092308.49	51233903.00	1027671204.95	2384122210.97	1377587334.39	1377587334.39		
Vehicles	41542555.00	1427757.00	2332214.00	40638098.00	11415958.48	3619753.77	1962478.86	13073233.39	27564864.61	30126596.52	30126596.52		
Furniture & Fixture	10445311.97	8502660.20	0.00	18947972.17	3204081.88	811674.29	0.00	4015756.17	14932216.00	7241230.09	7241230.09		
Total	2976734932.95	1919357623.06	56504435.00	4839588121.01	952980179.59	252231951.05	53196381.86	1152015748.78	3687572372.23	2023754753.36	2023754753.36		
Previous Year	1976195247.26	1055634482.07	41472482.48	2990357246.85	861359648.37	138011733.49	32906012.41	966465369.45	2023754753.36	1114835598.89	1114835598.89		
ii) Intangible Assets													
DEPRECIATION													
NET BLOCK													
Particulars	As at 01-04-2011	Addition during the year	Sale/Adjust- ment during the year	As at 31-03-2012	As at 01-04-2011	Provided for the year	Sale/Adjust- ment during the year	As at 31-03-2012	As at 31-03-2012	As at 31-03-2011	As at 31-03-2011		
Computer Software	729074.00	0.00	0.00	729074.00	165931.05	118182.90	0.00	284113.95	444960.05	563142.95	563142.95		
Electric Line Expenses	29690475.90	0.00	0.00	29690475.90	14311320.76	5738257.94	0.00	20049578.70	9640897.20	15379155.14	15379155.14		
Total	30419549.90	0.00	0.00	30419549.00	14477251.81	5856440.84	0.00	20333692.65	1008587.25	15942298.09	15942298.09		
Previous Year	729074.00	16068162.00	0.00	16797236.00	47748.15	944313.80	0.00	992061.95	15942298.09	681325.85	681325.85		
iii) Capital Work-in-progress													
Capital Work-in-progress									302911708.41	611551435.51	611551435.51		

PARTICULARS	As at 31-03-2012 ₹	AS at 31-03-2011 ₹
NOTE - 18 : SHORT TERM LOANS & ADVANCES		
(Unsecured, considered good)		
Other than related parties		
a) Prepaid Expenses	45680437.71	14257356.01
b) Advance to suppliers	40009810.71	45040959.85
c) MAT Credit Entitlement	2505939.00	2505938.00
d) Advance Income Tax (including TDS)	948533.01	0.00
	89144720.43	61804253.86
NOTE - 19 : OTHER CURRENT ASSETS		
a) Recoverable from Government Departments	106949548.91	189244689.27
b) Claims receivables	157314480.04	109964663.00
	264264028.95	299209352.27
PARTICULARS	Year ended 31-03-2012 ₹	Year ended 31-03-2011 ₹
NOTE - 20 : REVENUE FROM OPERATIONS		
a) Sale of products	6968277443.40	3810985322.00
b) Other operating revenue	661897074.36	297886686.08
	7630174517.76	4108872008.08
a) Details of Sale of products		
i) Manufactured Goods		
Yarn	5675868995.40	3581845910.00
Others	174699351.00	229139412.00
ii) Traded Goods		
Yarn	129348207.00	0.00
Fabric	981992349.00	0.00
Manmade Fibre	6368541.00	0.00
	6968277443.40	3810985322.00
b) Details of Other Operating Revenue		
Job Work	14658302.00	8106510.00
Advance Authorisation Licence	8600000.00	25971905.00
Duty Drawback / DEPB Incentive	155539940.70	38813577.70
Focus Market Incentive	21558926.66	10639107.39
Sale of Waste and Scrap	461539905.00	214355585.99
	661897074.36	297886686.08

PARTICULARS	Year ended 31-03-2012 ₹	Year ended 31-03-2011 ₹
NOTE - 21 : OTHER INCOME		
a) Doubtful Debts Prov. Written Back	19139631.00	0.00
b) Profit on Sales of Assets	8826943.61	4905511.79
c) Misc. Income	1197813.29	1423768.39
d) Prior Period Income	1007795.00	0.00
e) Interest Income	5956902.02	2209161.00
f) Profit/Loss on Forward Contracts	16399012.00	22053780.48
g) Excise Duty (Written Back)	7650524.00	5972530.00
h) Difference in foreign currency transactions	0.00	35586059.93
g) Premium on Forward Exchange Contracts	0.00	12641440.88
	60178620.92	84792252.47
NOTE - 22 : COST OF MATERIAL CONSUMED		
Opening Stock	1138684526.00	703811281.94
Add : Purchases	4719808189.92	3153070416.67
	5858492715.92	3856881698.61
Less : Closing Stock	1052535443.17	1138684526.00
Material Consumed during the year	4805957272.75	2718197172.61
Detail of Material consumed		
Raw Cotton	3268645289.83	1394073360.21
Manmade Fibre	1360708471.95	1248854861.31
Yarn	176603510.97	75268951.09
	4805957272.75	2718197172.61
NOTE - 23 : PURCHASE OF TRADED GOODS		
Purchase of Traded Goods	1068829239.00	73400034.63
Detail of Traded Goods		
Manmade Fibre	6243668.00	73400034.63
Fabric	933073967.00	0.00
Yarn	129511604.00	0.00
	1068829239.00	73400034.63
NOTE - 24: CHANGES IN INVENTORY		
Opening Stock		
Work-In-Progress	80252373.00	76046282.58
Finished Goods	383951819.00	131534418.94
Traded Goods	0.00	0.00
	464204192.00	207580701.52
Less : Insurance Claim received on loss of stock	6559824.00	0.00

PARTICULARS	Year ended 31-03-2012 ₹	Year ended 31-03-2011 ₹
Closing Stock		
Work-In-Progress	105879817.00	80252373.00
Finished Goods	356904106.00	383951819.00
Traded Goods	171734381.00	0.00
	634518304.00	464204192.00
Increase(-)/Decrease(+)In Stock	-176873936.00	-256623490.48

NOTE - 25 : EMPLOYEE BENEFIT EXPENSES

Salaries,Wages and Allowances	250120353.07	168401435.70
Contribution to Provident & Other Funds	23847538.00	16674027.01
Gratuity & Leave Encashment	10365870.01	786125.00
Bonus	7794481.00	7260981.00
Workers & Staff Welfare	3960146.03	2134079.00
	296088388.11	195256647.71

DISCLOSURES ON 'EMPLOYEES BENEFITS'

The disclosures required under Accounting Standard 15, 'Employee Benefits' (Revised) notified in the Companies (Accounting Standards) Rules 2006, are given below :-

a) Defined Contribution Plan

Contribution to Defined Contribution Plan, during the year is as under :

	Figures in (₹)
Employer's Contribution to Provident Fund	- 61,78,513.00
Employer's Contribution to Family Pension Fund	- 99,09,253.00

b) Defined Benefit Plan

The Employees' Gratuity Fund Scheme managed by Life Insurance Corporation of India is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for leave encashment is recognized in the same manner as gratuity.

		(Figures in ₹)			
Sr. No.	Particulars	Gratuity (Funded)		Leave Encashment (Unfunded)	
		31.03.12	31.03.11	31.03.12	31.03.11
a)	Change in Present value of Defined Benefit Obligations.				
	Defined Benefit obligation as on 01.04.2011	8690192	11131051	6057143	4400874
	Current Service Cost	1184794	3589804	1317912	779012
	Interest Cost	655136	890484	0	-
	Actuarial (Gain/Loss)	2230161	7422150	0	-
	Benefits Paid	0	0	(1087420)	(877257)
	Defined Benefit Obligation as on 31.03.2012	14151494	8690192	8462476	6057143
b)	Change in fair value of Plan Assets				
	Fair value of plan assets as on 01.04.2011	4038449	3177749	-	-
	Expected Return on Plan Assets	286423	288787	-	-
	Actuarial (Gain/Loss)	0	-	-	-
	Employer Contribution	671124	571913	-	-
	Benefits Paid	1183404	0	-	-
	Fair Value of Plan Assets as on 31.03.2012	3812592	4038449	-	-
	Actual Return on Plan Assets	286423	288787	-	-
c)	Reconciliation of Fair Value of Assets and Obligations				
	Fair Value of Plan Assets as at 31st March, 2012,	3812592	4038449	-	-
	Present Value of Obligation as at 31st March, 2012	14151494	8690192	8462476	6057143
	Amount recognized in Balance Sheet	10338902	4651743	8462476	6057143
d)	Expenses recognized in Profit & Loss Account				
	Current Service Cost	1184794	3589804	1317912	779012
	Interest Cost	655136	890484	-	-
	Expected Return on Plan Assets	286423	288787	-	-
	Actuarial (Gain)/ Loss	2230161	7422150	-	-
	Net Cost	(676654)	(3230649)	1317912	779012
e)	Investment Details				
	L.I. C. Group Gratuity Policy	28.55%	28.55%	-	-
f)	Actuarial Assumptions				
	Mortality Table	L.I.C (1994-96)	L.I.C (1994-96)	L.I.C (1994-96)	L.I.C (1994-96)
	Discount Rate (Per annum)	8%	8%	8%	8%
	Expected Rate of Return on Plan Assets (per annum)	9%	9%	-	-
	Rate of escalation in salary (per annum)	7%	7%	7%	7%

The estimates of rate of escalation in salary's considered in actuarial valuation and other factors such as inflation, seniority, promotion and other relevant factors including supply and demands in the employment market have been taken into account. The above information is certified by the actuary.

PARTICULARS	Year ended 31-03-2012 ₹	Year ended 31-03-2011 ₹
NOTE - 26 : FINANCE COST		
a) Interest on Bank borrowings	289247145.81	114073831.52
b) Other Borrowing Cost	155986611.93	29692123.35
c) Premium on Forward Exchange Contracts	37640419.01	0.00
	482874176.75	143765954.87
NOTE - 27 : OTHER EXPENSES		
Power & Fuel and Generator Expenses	501326644.57	314703699.59
Freight & Cartage	16678200.66	6614223.83
Packing Material	95927078.20	67688975.65
Dyes & Chemicals	66825702.60	60186964.16
Consumption of Stores & Spares	107960661.53	75825141.72
Repairs to Machinery	9822774.91	7270794.00
Rent	1307475.00	443230.00
Fees & Taxes	7097168.00	3166551.75
Professional Charges	2085925.01	1055517.25
Printing & Stationery	2655193.15	2126844.63
Postage & Telegram	919359.00	836886.00
Telephone Expenses	1252533.50	1191070.00
Bank Charges	44259637.18	20307083.32
Insurance	6866053.04	3919938.00
Vehicle Maintenance	6438928.02	5513659.10
General Expenses	5407083.70	3931937.83
Building Repair	4586668.50	2227442.00
Charity & Donation	25000.00	0.00
Travelling & Conveyance	5506206.02	4593932.05
Entertainment Expenses	241450.01	83247.00
Directors' Meeting Fees	90000.00	90000.00
Payment to Auditors*	526721.00	435488.00
Festival Expenses	2407484.00	2162566.00
Service Tax	1299740.41	644628.27
Advertisement Expenses	777960.00	1379758.76
Ocean freight and Clearing & forwarding	92317882.21	73904926.05
Commission & Discount	95911062.98	51394568.82
Difference in foreign currency transactions	14628013.14	0.00
Prior Period Expense	260299.00	373542.00
Provision for Doubtful Debts	0.00	19139631.00
	1095408905.34	731212246.78
*Payment to Auditors		
- Audit Fee	413625.00	275750.00
- Tax Audit Fees	82725.00	60665.00
- Others - taxation	11030.00	85723.00
- Reimbursement of expenses	19341.00	13350.00
	526721.00	435488.00
NOTE - 28 : CURRENT TAX		
a) Current Year	0.00	11990000.00
b) Previous Year	-209054.22	-252637.74
	-209054.22	119647362.26

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

NOTE - 29

CONTINGENT LIABILITIES

		(₹ in Lacs)	
Sr. No.	Particulars	As at 31.03.2012	As at 31.03.2011
a)	Letter of Credit(s)/Bank Guarantee(s) issued by banks	2.00	617.43
b)	Bills discounted with banks	7036.05	5182.49
c)	Committments on account of capital account remaining to be executed (Net of Advances) out of which Letter of Credits/Bank Guarantee of ₹ 3797.97 Lacs (Pr.Year ₹ 4109.28 Lacs) net of margin.	9529.90	18166.35
d)	Bonds against un-fulfilled export obligations under Export Promotion Capital Goods/Duty Exemption scheme.	3288.55	3971.94
e)	Disputed Income Tax Liabilities of cases pending with appellate authorities.	144.57	41.83
f)	Provident Fund dispute pending with High Court.	8.58	8.58
g)	Disputed Excise duty penalties/liabilities of cases pending with authorities.	Nil	56.27
h)	Disputed Sales Tax Liabilities of cases pending with appellate authorities.	11.19	49.12
i)	Disputed Service Tax Liabilities of cases pending with appellate authorities.	Nil	22.16

NOTE - 30

The working capital borrowings and current account balances are net of cheques issued but not presented for payment of ₹ 18970797/- (Previous year ₹ 119823676.30) and that of cheques deposited but not credited of ₹ 8857/- (Previous year ₹ 16645097/-) with net amount of ₹ 18961940/- (Previous Year ₹ 103178579.30). Accordingly, the trade payables and trade receivables are understated to the extent of ₹ 18970797/- and ₹ 8857/- (Previous year ₹ 119823676.36 & ₹ 16645097/-) respectively and working capital borrowings have been overstated to the extent of ₹ 18551044/- (Previous Year ₹ 93548874.30) and current account balances of bank are overstated to the extent of ₹ 410896/- (Previous year ₹ 9629705/-)

NOTE - 31

Details pertaining to related party transactions in compliance of Accounting Standard-18 "Related Parties Disclosure" issued by the Institute of Chartered Accountants of India, are as under

1) Names of Related Parties and the Nature of Relationship :

a) Associate Concerns

M/s N.R.S. Knitwear's

M/s Sportking Knitwears

M/s Sobhagia Clothing Co.

M/s Darling Demons

M/s Fashionable Attire

M/s Nagesh Classic

M/s. Sobhagia Sales (P) Ltd.

M/s. Classic Wears (P) Ltd.

M/s. Aradhana Fabrics (P) Ltd.

M/s. Marvel Dyers & Processors (P) Ltd.

M/s. N.T.M. Shawls (P) Ltd.

M/s. Namokar Capital Services (P) Ltd.

b) Key Management Personnel

Sh. Raj Kumar Avasthi

Sh. Munish Avasthi

Sh. Naresh Jain

Chairman & Managing Director

Managing Director

Executive Director

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

2) Related Parties Transactions

	ASSOCIATE CONCERNS							Key Management Personnel			Relatives of key Managerial Personnel's		Amount in (₹)
	Sobhagia Sales (P) Ltd.	Classic Wears (P) Ltd.	Aradhana Fabrics	Sobhagia Clothing Co.	Fashionable Attire	Nagesh Classic	N.R.S. Knitwears (P) Ltd.	R.K. Avasthi	Munish Avasthi	Naresh Jain	Anjali Avasthi	Raj Kumar (HUF)	
Sale	198193075	77801642	14818890	24484336	8266359	5482617	3742530	-	-	-	-	-	332789449
Purchase	1871885	239262	-	168901179	-	54340	-	-	-	-	-	-	171066666
Job work Sale	453396	108904	4136730	-	-	-	-	-	-	-	-	-	4699030
Job Work Purchase	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease Rent Paid	-	-	-	-	-	-	-	498000	8000	-	200000	480000	1186000
Management Service Paid													
Basic	-	-	-	-	-	-	-	1800000	1800000	660000	-	-	4260000
HRA	-	-	-	-	-	-	-	-	-	330000	-	-	330000
Perquisites	-	-	-	-	-	-	-	596430	596430	-	-	-	1192860
Unsecured Loan accepted	-	-	-	-	-	-	-	-	10000000	-	-	-	10000000

Debts due from/to firms or private companies in which any director is a proprietor or a director or a member :

Particulars	Outstanding as on 31.03.2012 (₹)	Outstanding as on 31.03.2011 (₹)
M/s Classic Wears Pvt. Ltd.	102917366.80	72591039.00
M/s Sobhagia Sales (P) Ltd.	155658220.73	99840603.51
M/s Aradhana Fabrics (P) Ltd.	11847091.00	8975242.00
M/s Sobhagia Clothing Co.	19708249.00	7660031.00

NOTE - 32

Managerial Remuneration:-

i) Managing Director & Whole-time Directors:			
PARTICULARS		Year Ended 31.03.2012 (₹)	Year Ended 31.03.2011(₹)
a) Salary		4260000	3090000
b) Allowances		330000	1545000
c) Value of Perquisites/Allowances		1192860	262805
ii) Non Whole-time Directors:			
Director's Sitting Fee		90000	90000

NOTE - 33

- a) In the opinion of the Board of Directors, the Current Assets and Loans & Advances have been stated at the realizable values.
- b) The balance due to or from the parties, on whatever account, are subject to reconciliation & confirmation.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

NOTE - 34

As the company is dealing only in yarns, the operations of the company are considered as a single business segment.

NOTE - 35

Accounting for leases has been done in accordance with Accounting Standard -19 issued by the Institute of Chartered Accountants of India. The details of Lease transactions for the year are as follows:

- a) Finance Lease: The Company does not have any finance lease arrangement.
- b) Operating Lease;
- Lease rentals charged in the Profit and Loss account for the year is ₹ 13,44,975/- (Previous year ₹ 4,43,230/-).
 - The company has entered into operating leases for its godowns, land and machinery that are renewable on a periodic basis and cancellable at company's option. The company has not entered into sub-lease agreements in respect of these leases.
 - The total of future minimum lease payments under non-cancellable leases are as follows:

Particulars	(Figures in ₹)	
	As at March 31, 2012	As at March 31, 2011
Not Later than one year	1344975.00	443230.00
Later than one year but not later than five years	6928000.00	1432000.00

NOTE - 36

The foreign currency exposures of the company against firm commitments and/or highly probable forecast transactions are as under :

Particulars	(₹ in lacs)			
	As at 31.03.2012		As at 31.03.2011	
	Amount (Foreign Currency)	Amount (In ₹)	Amount (Foreign Currency)	Amount (In ₹)
Hedged Foreign Currency Exposure				
Imports				
USD/INR	90.56	4666.56	49.38	2229.02
EURO/INR	22.71	1568.12	31.44	2011.85
CHF/INR	31.48	1807.58	44.52	2202.40
USD/CHF			\$10	CHF 9.12
Loans				
FCNR USD/INR	30.00	1545.90	-	-
PCFC	18.23	924.44	-	-
Exports				
USD/INR	281.28	14263.71	159.90	7072.38
FCNR USD/INR			-	-
Un-hedged Foreign Currency Exposure				
Import				
USD/INR	4.88	251.47	50.23	2267.39
EURO/INR	-	-	53.61	3430.51
CHF/INR	-	-	31.48	1557.32

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2012

NOTE - 37

There was a dispute / litigation in respect of certain foreign currency option contracts purported to be entered by HDFC Bank Limited with the Company. The Ld. Arbitrator has awarded in favour of the bank for payment of principal amount of ₹5.94 Crs and interest / cost of ₹1.31 Crs (based @ 8% p.a. upto 21.07.2010) and failing which payment of further interest @ 8% p.a. will be applicable for the delayed period, vide order dated 30th September, 2010 which have been upheld by Hon'ble High Court of Judicature at Bombay (Singly Judge) on 06th July, 2012. The Company has filed an appeal against the said orders with the division bench of the Hon'ble High Court of Judicature at Bombay, relying on RBI guidelines issued to commercial banks and similar cases of various business houses where recovery proceedings have been stayed by the various courts as well as legal proceedings/advice on similar matters, the company has opted not to make any provision of the said amount as awarded/upheld.

NOTE - 38

YEAR ENDED
31.03.2012 (₹)

YEAR ENDED
31.03.2011 (₹)

A		YEAR ENDED 31.03.2012 (₹)		YEAR ENDED 31.03.2011 (₹)	
CIF Value of Imports					
	Raw Materials	318011785		376237290	
	Stores & Spares	34046212		19157205	
	Capital Goods	390146447		423240364	
	Dyes & Chemicals	1324272		1144788	
B Earning in Foreign Currency					
	FOB Value of Exports	3225047371		2073497246	
	Interest	---		---	
C Expenditure in Foreign Currency					
	Interest	21658388		26914250	
	Traveling Expenses	1822363		1739599	
	Commission	71030654		7562917	
	Subscription	228706		249889	
	Handling & Processing Charges	4921901		-	
D Value of Imported & Indigenous Raw Material & Store Consumed and Percentage thereof					
		YEAR ENDED 31.03.2012		YEAR ENDED 31.03.2011	
Particulars		Value (₹)	% age	Value (₹)	% age
a)	Raw Material				
	Imported	296332678	6.17%	368699787	13.20%
	Indigenous	4509624594	93.83%	2422897420	86.80%
b)	Stores & Spares/Packing Material				
	Imported Spares	38324787	13.57%	16406352	10.53%
	Imported Dyes & Chemicals	1687770	0.60%	2331754	1.50%
	Indigenous	242409388	85.83%	137020510	87.97%

NOTE - 39

Previous year figures have been regrouped/restated wherever necessary.

As per our report of even date attached**For & on behalf of Board of Directors**

For Rawla & Company
Chartered Accountants
(FRN-00166IN)

(Raj Kumar Avasthi)
Chairman & Managing Director

(Munish Avasthi)
Managing Director

(Naresh Jain)
Executive Director

CA Y.P. Rawla
(Partner)
M. No. 10475

Place : Ludhiana
September 1, 2012

(P.K. Gupta)
Chief Financial Officer

(Sukhdev Gupta)
Dy. General Manager (F&A)

(Videshwar Sharma)
Company Secretary

SPORTKING INDIA LIMITED

Annual Report 2011-2012

SPORTKING INDIA LIMITED

REGD. OFFICE: 5/69, GURU MANSION, FIRST FLOOR,
PADAM SINGH ROAD, KAROL BAGH, NEW DELHI - 110005

PROXY FORM

I/We _____
of _____
being a Member / Members of SPORTKING INDIA LIMITED, hereby appoint _____
of _____
in the District of _____
or failing him/her _____ of _____
in the District of _____
as my proxy to vote for me/us on my / our behalf at the 23rd Annual General Meeting of the Company to be held on Saturday,
the 29th day of September, 2012 at 2:00 P.M. at 5/69, Guru Mansion, 1st Floor, Padam Singh Road, Karol Bagh, New Delhi -
110005 and at any adjournment thereof.

Signed this _____ day of _____ 2012
Signature _____
Address _____
Folio No. _____

NOTES :

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote on poll instead of him/her.
2. The proxy form duly signed across Revenue Stamp should reach the Company's Registered Office at least 48 hours before the time of meeting.

ATTENDANCE SLIP

SPORTKING INDIA LIMITED

REGD. OFFICE: 5/69, GURU MANSION, FIRST FLOOR,
PADAM SINGH ROAD, KAROL BAGH, NEW DELHI - 110005

I hereby record my presence at the 23rd Annual General Meeting of the above named Company being held at 5/69, Guru Mansion, 1st Floor, Padam Singh Road, Karol Bagh, New Delhi - 110005 at 2:00 P.M. on Saturday, the 29th day of September, 2012

Full Name of the Member _____ Signature _____
(IN BLOCK LETTERS)
Folio No. _____ Nos. of Shares held _____
Full Name of the Proxy _____ Signature _____
(IN BLOCK LETTERS)

NOTE : Members attending the meeting in person or by proxy are requested to complete the attendance slip and handover at the entrance of the meeting place.

Affix
Re. 1/-
Revenue