

**BOARD OF DIRECTORS AND GENERAL INFORMATION****Board of Directors**

Rajesh Batra : *Chairman*  
N. R. Mahalingam  
Arjun Bulchandani  
Rajiv Batra (Ceased to be Director w.e.f. 7.5.2008)  
H. K. Vakharia  
S. D. Israni  
Nabankur Gupta  
Rajiv Wallia (Appointed w.e.f. 12.6.2008)

**Bankers**

Axis Bank Limited

**Company Secretary**

Kuldeep R. Sharma

**Auditors**

Messrs S. P. Chopra & Co.  
*Chartered Accountants*  
15/A, Horniman Circle,  
Mumbai - 400 001.

**Registered Office**

Sahas, 4th Floor,  
414/2, Veer Savarkar Marg,  
Prabhadevi, Mumbai - 400 025.

**Registrars & Share Transfer Agents**

M/s. Sharepro Services (India) Pvt. Ltd.

*Registered Office:*

Satam Estate, 3rd Floor,  
Above Bank of Baroda,  
Cardinal Gracious Road,  
Chakala, Andheri (E),  
Mumbai - 400 099.

*Investor Relation Centre:*

912, Raheja Centre,  
Free Press Journal Road, Nariman Point,  
Mumbai - 400 021.

1. Shareholders intending to require information about accounts to be explained in the Meeting are requested to inform the Company at least 7 days in advance of the Annual General Meeting.
2. Shareholders are requested to bring their copy of the Annual Report to the Meeting as the practice of handing out copies of the Annual Report at the Annual General Meeting has been discontinued.
3. Please address all correspondence regarding share transfer work to the Registrars and Share Transfer Agents and not to the Company's Registered Office.

## NOTICE OF ANNUAL GENERAL MEETING

### NOTICE

NOTICE is hereby given that the Fifty-sixth Annual General Meeting of the Members of **CRAVATEX LIMITED** will be held on Friday, July 25, 2008 at 10.30 a.m. at Textiles Committee Auditorium, P. Balu Road, Prabhadevi Chowk, Prabhadevi, Mumbai-400 025, to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2008 and Profit and Loss account for the year ended on that date together with Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Rajesh Batra who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. N. R. Mahalingam who retires by rotation and, being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass, with or without modification/s, the following resolution as an Ordinary Resolution:

“RESOLVED THAT the retiring Auditors M/s. S. P. Chopra & Co., Chartered Accountants, being eligible for re-appointment, be and are hereby appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting on remuneration to be fixed by the Board of Directors.”

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 provisions of Section 228 of the Companies Act, 1956, the accounts of the Company for the year ending March 31, 2009 in respect of the branch of the Company at Bangalore, be audited by M/s. M. R. Jayaprakash & Associates, Chartered Accountants, on such terms and conditions as may be decided by the Board of Directors.”

### SPECIAL BUSINESS

7. To consider and, if thought fit, to pass, with or without modification/s, the following resolution as a Special Resolution:

“RESOLVED THAT, pursuant to Section 31 of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered by insertion of following new article 233A after the existing article 233 to the Articles of Association of the Company:

#### Article 233A:

“The Provisions of Article 228 to 232 of the Articles of Association of the Company shall mutatis mutandis be applicable to the Wholetime Director of the Company.”

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

“RESOLVED THAT Mr. Rajiv Wallia, who was appointed as Additional Director of the Company under Section 260 of the Companies Act, 1956 and Article 185 of the Articles of Association of the Company, be and is hereby appointed as Director of the Company, not liable to retire by rotation.”

9. To consider and, if thought fit, to pass, with or without modification/s, the following resolution as a Special Resolution:

## NOTICE OF ANNUAL GENERAL MEETING

“RESOLVED THAT pursuant to Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956 (the Act), read with Schedule XIII of the Act, (including any statutory modification(s) or re-enactment thereof for the time being in force), subject to the approval of Central Government, if required, the Company hereby approves the appointment of Mr. Rajiv Wallia as a Whole-time Director designated as Executive Director of the Company for a period of three years with effect from June 12, 2008 upon following terms and conditions:

- (a) Remuneration of Rs. 38.00 lacs per annum which shall be inclusive of the usual allowances, benefits, amenities, perquisites and facilities as per the rules of the Company for the time being in force, but excluding contribution to provident fund & superannuation fund, gratuity and leave encashment.
- (b) The Board of Directors shall have the authority to sanction, at its discretion, annual increase in the remuneration payable to Mr. Rajiv Wallia as it may deem fit and proper based on the performance of the Company, performance of Mr. Rajiv Wallia as also the salary structure prevailing in the industry for a similar position PROVIDED HOWEVER THAT each such increase in remuneration shall not exceed 30% of the last drawn remuneration of Mr. Rajiv Wallia during his tenure of three years.
- (c) Notwithstanding anything contained herein, Mr. Rajiv Wallia shall be entitled to minimum remuneration of Rs. 30.00 lacs per annum or Rs. 2.50 lacs per month, in terms of Para 1 of Section II of Part II of Schedule XIII to the Companies Act, 1956 or within such ceiling limits as may be prescribed under Schedule XIII from time to time or under the Companies Act as may be recodified.
- (d) Mr. Rajiv Wallia, as Executive Director, shall have the overall responsibility for the operations of the Company and shall carry out such functions, exercise such powers and perform such duties as the Board may, from time to time, in its absolute discretion, determine and entrust to him.
- (e) Mr. Rajiv Wallia shall not be paid any sitting fees for attending Meetings of the Board or any Committee thereof.
- (f) Mr. Rajiv Wallia will be bound by non-compete and confidentiality provisions.
- (g) Mr. Rajiv Wallia shall cease to be a Director if he ceases to be the Whole-time Director and vice-versa.
- (h) Either party shall be entitled to terminate the employment by giving not less than six calendar months prior notice in writing in that behalf to the other party.”

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, proper, expedient or desirable to give effect to this resolution as may be deemed to be in the best interests of the Company.”

10. To consider and, if thought fit, to pass, with or without modification/s, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to Section 314 (1B) of the Companies Act, 1956, read with Director’s Relatives (Office or Place of Profit) Rules, 2003, the Company hereby give its consent to Ms. Divya Batra, daughter of Mr. Rajesh Batra, Director of the Company, holding an office or place of profit as Marketing Manager in the Company effective May 7, 2008, on a monthly remuneration of Rs. 30,000 together with the usual allowances, benefits, amenities and facilities applicable to employees occupying similar post within the same salary scale or grade with authority to the Board of Directors to sanction, at their discretion, increments within the grade as they may deem fit and proper and to sanction at their discretion and in due course, promotion to the next higher grade or grades together with the usual allowances and benefits as applicable to such grade or grades and to give increments as they may deem

## NOTICE OF ANNUAL GENERAL MEETING

fit, PROVIDED HOWEVER THAT such increased remuneration does not exceed Rs. 50,000/- per month or such amount as may be provided under the Companies Act, 1956, read with Director's Relatives (Office or Place of Profit) Rules, 2003."

"RESOLVED FURTHER THAT Ms. Divya Batra shall be in exclusive employment of the Company and will not hold a place of profit in any other Company during the period of her tenure."

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, proper, expedient or desirable to give effect to this resolution as may be deemed to be in the best interests of the Company."

By Order of the Board of Directors

**Kuldeep R. Sharma**  
*Company Secretary and*  
*Head – Legal & IT*

Place : Mumbai

Dated : June 12, 2008

### NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and a Proxy need not be a member. The instrument appointing a proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the special business proposed to be transacted at the meeting is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, July 18, 2008 to Friday, July 25, 2008, both days inclusive.
4. Members are requested to notify immediately any change in their Registered Address to the Registrars and Share Transfer Agents of the Company quoting their Folio Numbers/Client IDs.
5. Pursuant to the provisions of sub-section (5) of Section 205A of the Companies Act, 1956, any money transferred to the Unpaid Dividend Account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer to the Unpaid Dividend Account, shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government.

All unclaimed dividends upto financial year ended March 31, 1994 have been transferred to the General Revenue Account and unclaimed dividends upto the financial year ended March 31, 2000 have been transferred to Investor Education and Protection Fund of the Central Government in terms of Section 205A of the Companies Act, 1956.

Unclaimed dividends for the financial year ended March 31, 2001 shall be transferred to the Investor Education and Protection Fund in accordance with the provisions applicable therefor.

Those members who have so far not encashed the dividend(s) from the year ended March 31, 2001, till the year ended March 31, 2007 are requested to approach the Registrars and Share Transfer Agents of the Company for payment.

## NOTICE OF ANNUAL GENERAL MEETING

6. Members holding shares in physical form may nominate a person in respect of all the shares held by them whether singly or jointly. Members who hold shares singly are advised to avail of nomination facility by filing Form 2B in their own interest. Members holding shares in demat form may contact their respective Depository Participants for recording of nomination.
7. The bank account particulars of the members will be printed on the dividend warrants. In respect of shares held in physical form, the bank account particulars should be sent to the Registrar & Share Transfer Agents of the Company.

Members holding shares in demat form must give particulars of their bank account to their Depository Participant. The Registrar & Share Transfer Agents of the Company will not act on any such request received from the members for change in their bank account particulars. Further, instruction given by members for shares held in physical form would not be applicable to the dividend paid on shares also held in demat form.

8. Payment of Dividend through ECS:
  - (a) Members holding shares in physical form are advised to submit particulars of their bank account, viz. name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by July 17, 2008 to the Registrar & Share Transfer Agents of the Company
  - (b) Members holding shares in demat form are advised to inform the particulars of their bank account to their respective depository participants.
9. Members desiring any specific information as regards the Accounts at the Annual General Meeting are requested to write to the Company sufficiently in advance enabling the management to keep the information ready.

By Order of the Board of Directors

**Kuldeep R. Sharma**  
*Company Secretary and*  
*Head – Legal & IT*

Place : Mumbai  
Dated : June 12, 2008

## NOTICE OF ANNUAL GENERAL MEETING

### Explanatory Statement under Section 173 (2) of the Companies Act, 1956

#### Item No. 7

Articles 228 to 232 of the Articles of Association of the Company provide for appointment, remuneration, powers & duties etc of Managing Director/Joint Managing Director. It is proposed to have similar provision for Whole-time Directors of the Company by insertion of new article 233A in the Articles of Association of the Company.

Accordingly, the resolution mentioned in Item No. 7 of the Notice is being proposed for approval of Members. None of the Directors of the Company are concerned or interested in the proposed resolution.

#### Item No. 8

Mr. Rajiv Wallia who joined the Company on October 1, 2000 as Chief Executive was appointed by the Board of Directors (the Board) with effect from June 12, 2008 as an Additional Director in terms of Section 260 of the Companies Act, 1956 and Article 185 of the Company's Articles of Association. He holds office as a Director only up to the date of this Annual General Meeting but is eligible for re-appointment. As required under Section 257 of the Act, a notice in writing along with the requisite deposit has been received from a member signifying his intention to propose the aforesaid individual as Director of the Company at this Annual General Meeting.

Mr. Rajiv Wallia, 52, is a commerce graduate having Diploma in Marketing Management (D.M.M) from Jamnalal Bajaj Institute of Management Studies, Mumbai and has more than three decades of experience in sales & marketing to his credit.

Prior to joining the Company, since January 1, 1996 he was employed as Chief Executive with Proline India Limited, an associate company.

Mr. Wallia has handled various managerial assignments in large companies like Videocon International Limited, Kelvinator of India Ltd., Escorts Ltd., Voltas Ltd., Ceat Tyres of India Ltd. etc. Mr. Wallia brings with him a combination of proven managerial skill and experience of handling a variety of products ranging from tyres, refrigerators, motorcycles, electronic equipments, footwear & fitness equipment.

He does not hold any shares in the Company.

He is not a Director in any other company nor is he a member of any Board Committee of any company.

Accordingly, the resolution mentioned in Item No. 8 of the Notice is being proposed for approval of Members.

Except Mr. Rajiv Wallia, none of the Directors of the Company is concerned or interested in the proposed resolution.

#### Item No. 9

The Company had considered the appointment of Mr. Rajiv Wallia, Chief Executive, as Whole-time Director designated as Executive Director for a period of three years on a remuneration of Rs. 38.00 lacs per annum. The Remuneration Committee of Directors, in its meeting held on June 12, 2008, considered the qualifications and work experience of Mr. Rajiv Wallia for appointment as Whole-time Director designated as Executive Director as also the responsibilities attached thereto. The Committee also noted that Mr. Rajiv Wallia, as Chief Executive was drawing remuneration of Rs. 38.00 lacs per annum and that it was proposed to appoint him as Executive Director on the same remuneration. The Committee also considered the fairness and reasonableness of the remuneration proposed to be paid to Mr. Rajiv Wallia in accordance with the remuneration prevalent in the industry for the similar position.

## NOTICE OF ANNUAL GENERAL MEETING

Accordingly, the Remuneration Committee had approved, subject to approval of Board of Directors, Members in General Meeting and approval of Central Government, the appointment of Mr. Rajiv Wallia as Whole time Director of the Company designated as Executive Director for a period of three years effective June 12, 2008 on the following terms and conditions:

- (a) Remuneration of Rs. 38.00 lacs per annum which shall be inclusive of the usual allowances, benefits, amenities, perquisites and facilities as per the rules of the Company for the time being in force, but excluding contribution to provident fund & superannuation fund, gratuity and leave encashment.
- (b) The Board of Directors shall have the authority to sanction, at its discretion, annual increase in the remuneration payable to Mr. Rajiv Wallia as it may deem fit and proper based on the performance of the Company, performance of Mr. Rajiv Wallia as also the salary structure prevailing in the industry for a similar position PROVIDED HOWEVER THAT each such increase in remuneration shall not exceed 30% of the last drawn remuneration of Mr. Rajiv Wallia during his tenure of three years.
- (c) Notwithstanding anything contained herein, Mr. Rajiv Wallia shall be entitled to minimum remuneration of Rs. 30.00 lacs per annum or Rs. 2.50 lacs per month, in terms of Para 1 of Section II of Part II of Schedule XIII to the Companies Act 1956 or within such ceiling limits as may be prescribed under Schedule XIII from time to time or under the Companies Act as may be recodified.
- (d) Mr. Rajiv Wallia, as Executive Director, shall have the overall responsibility for the operations of the Company and shall carry out such functions, exercise such powers and perform such duties as the Board may, from time to time, in its absolute discretion, determine and entrust to him.
- (e) Mr. Rajiv Wallia shall not be paid any sitting fees for attending Meetings of the Board or any Committee thereof.
- (f) Mr. Rajiv Wallia will be bound by non-compete and confidentiality provisions.
- (g) Mr. Rajiv Wallia shall cease to be a Director if he ceases to be the Wholetime Director and vice-versa.
- (h) Either party shall be entitled to terminate the employment by giving not less than six calendar months prior notice in writing in that behalf to the other party."

In terms of provisions of Section 269 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956, the appointment of Mr. Rajiv Wallia as whole time Director on remuneration of Rs. 38.00 lacs per annum requires approval of Members by Special Resolution and approval of Central Government.

Accordingly, the resolution mentioned in Item No. 9 of the Notice is being proposed for approval of Members.

Except Mr. Rajiv Wallia, none of the Directors of the Company is concerned or interested in the proposed resolution.

The terms as mentioned above should be treated as an abstract pursuant to Section 302 of the Companies Act, 1956.

### Item No. 10

The Company had considered Ms. Divya Batra, relative of Mr. Rajesh Batra, Director, for appointment as Marketing Manager effective May 7, 2008 on a monthly remuneration of Rs. 30,000. The Selection Committee of the Independent Directors had, in its meeting held on May 6, 2008, considered the qualifications and work experience of Ms. Divya Batra for the position of Marketing Manager as also the responsibilities attached thereto. The Committee also considered the fairness and reasonableness of the remuneration proposed to be paid to Ms. Divya Batra in accordance with the remuneration paid to other similar placed executives in the Company as well as in the industry.

## NOTICE OF ANNUAL GENERAL MEETING

Accordingly, the Selection Committee had approved, subject to approval of Members in General Meeting, the appointment of Ms. Divya Batra as Marketing Manager in the Company effective May 7, 2008, on a monthly remuneration of Rs. 30,000 together with the usual allowances, benefits, amenities and facilities applicable to employees occupying similar post within the same salary scale or grade with authority to the Board of Directors to sanction, at their discretion, increments within the grade as they may deem fit and proper and to sanction at their discretion and in due course, promotion to the next higher grade or grades together with the usual allowances and benefits as applicable to such grade or grades and to give increments as they may deem fit, PROVIDED HOWEVER THAT such increased remuneration does not exceed Rs. 50,000 per month.

In terms of provision of Section 314 (1B) of the Companies Act, 1956 read with Director's Relatives (Office or Place of Profit) Rules, 2003 the appointment of Ms. Divya Batra on a monthly remuneration of Rs. 30,000 as above requires approval of Members by Special Resolution.

Accordingly, the resolution mentioned in Item No. 10 of the Notice is being proposed for approval of Members.

Except Mr. Rajesh Batra, being relative of Ms. Divya Batra, none of the Directors of the Company is concerned or interested in the proposed resolution.



## NOTICE OF ANNUAL GENERAL MEETING

**Statement forming part of Notice conveying the Annual General Meeting, dated 25th July, 2008 as required under Section II(C)(iv) of Part II of Schedule XIII**

### I. GENERAL INFORMATION

- (1) Nature of Industry :  
Marketing of Fitness Equipment, Footwear and Sports Goods.
- (2) Date of commencement of commercial production :  
Date of Incorporation: June 22,1951  
Date of commencement of commercial production: N.A.
- (3) In case of new Companies, expected date of commencement of activities as per project approved by Financial Institutions appearing in the prospectus : N.A.
- (4) Financial performance based on given indicators :

(Rs. In Lacs)

Particulars	2007-08	2006-07	2005-06	2004-05	2003-04
Paid up Capital	129.21	129.21	129.21	129.21	129.21
Reserves & Surplus	1263.07	1138.38	1054.38	1058.27	1015.61
Secured Loans	948.04	992.14	1110.24	1001.23	610.87
Turnover	5061.56	4762.98	4268.78	4184.59	3756.40
Profit before tax	216.22	159.95	110.50	155.82	165.27
Dividend	45.22 (35%)	45.22 (35%)	38.76 (30%)	38.76 (30%)	32.30 (25%)

- (5) Export performance and Net Foreign Exchange Collaboration :

(Rs. In Lacs)

Particulars	2007-08	2006-07	2005-06	2004-05	2003-04
FOB Value of Exports	205.54	1026.71	1310.42	1549.42	1334.11

- (6) Foreign Investments or Collaborators, if any :

Pursuant to the Technical Collaboration Agreement executed with M/s. Proline International Limited, U.K. (which expired on 29.02.2008), the Company had received relevant support/information for their Footwear and Accessories to be sold under the brand 'FILA'.

### II. INFORMATION ABOUT THE APPOINTEE

- (1) Background details :

Mr. Rajiv Wallia, 52, joined the Company on October 1, 2000 as Chief Executive. Mr. Rajiv Wallia is a commerce graduate having Diploma in Marketing Management (D.M.M) from Jamnalal Bajaj Institute of Management Studies, Mumbai. He has more than three decades of experience in sales & marketing to his credit.

Prior to joining the Company, he was since January 1, 1996 employed as Chief Executive with Proline India Limited, an associate company.

Mr. Wallia has handled various managerial assignments in large companies like Videocon International Limited, Kelvinator of India Ltd., Escorts Ltd., Voltas Ltd., Ceat Tyres of India Ltd. etc. Mr. Wallia brings with him a combination of proven managerial skill and experience of handling

## NOTICE OF ANNUAL GENERAL MEETING

a variety of products ranging from tyres, refrigerators, motorcycles, electronic equipments, footwear to fitness equipment.

(2) Past Remuneration\*

(Rs. In Lacs)

Name	w.e.f. 01.04.2008 till date	01.04.2007 to 31.03.2008	01.04.2006 to 31.03.2007	01.04.2005 to 31.03.2006
Mr. Rajiv Wallia	38.00	27.04	23.07	18.84

\*Remuneration Package includes Basic Salary, House Rent Allowance, Conveyance, Medical, Leave Travel Allowance (LTA) and Bonus but does not include contribution to Provident Fund & Superannuation Fund, Gratuity and Leave Encashment.

(3) Recognition or awards :

- (a) Ranked Tennis player of Maharashtra State for several years. Represented the State in National and Inter-State Tennis Championships.
- (b) Bombay University Singles and Doubles Tennis Champion in 1975-76. Captained the Sydenham College Tennis team to victory in the Inter-Collegiate Tennis Championships'.
- (c) Selected to visit the United States for a tennis playing/coaching assignment for three months at the prestigious Welby Van Horn Tennis Academy in 1976.
- (d) Have represented the International Lawn Tennis Club of India playing tennis fixtures in several countries in Europe on behalf of IC – India.
- (e) Represented Delhi State in Tennis in the first National Games held in Delhi in 1985

(4) Job Profile and his suitability :

- (a) Identify, develop and direct the implementation of business strategy.
- (b) Plan and direct the organisation's activities to achieve stated/agreed targets and standards for financial and trading performance, quality, culture and legislative adherence.
- (c) Direct functions and performance via the executive team.
- (d) Maintain and develop organisational culture, values and reputation in its markets and with all staff, customers, suppliers, partners and regulatory/official bodies.
- (e) Report to Board of Directors on organisational plans and performance.
- (f) Ensure activities meet with and integrate with organisational requirements for quality management, health and safety, legal stipulations, environmental policies and general duty of care

Mr. Rajiv Wallia has worked his way to the highest level of the corporate ladder from the grass roots. Mr. Wallia has progressed by his sheer hard work, trustworthiness, experience and his ability to face new challenges. He is the man who constantly strives for success and being a sportsman enjoys working in a team environment.

He has long been associated with the batragroup due to his employment as Chief Executive of Prince Division of Proline India Limited, an associate company for 4 years.

(5) Remuneration proposed :

Rs.38.00 lacs per annum, which is the same that he has been drawing as Chief Executive.

(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position of person (in case of expatriates the relevant details would be w.r.t. the country of his origin) :

N.A.

## NOTICE OF ANNUAL GENERAL MEETING

- (7) Pecuniary relationship, directly and indirectly, with the Company or relation with the managerial person, if any :

None

### III. OTHER INFORMATION

- (1) Reasons of loss or inadequacy of profits :

Commensurate with its size, the Company's operations do result in profits. However, the same appears to be inadequate for the purpose of payment of remuneration.

- (2) Steps taken or proposed to be taken for improvement :

The Company, as a part of its business plan, continuously strives to improve its performance.

- (3) Expected increase in productivity and profits in measurable terms :

As per the business plan, the Company expects a growth of 20% to 22% in its turnover in the next year.

### IV. DISCLOSURES

- (1) The details of annual remuneration package of Mr. Rajiv Wallia is as follows :

Basic	HRA	Conveyance	Medical	LTA	Bonus	Total P.A.
21,60,000	13,20,000	60,000	1,25,000	1,25,000	5,700	37,95,700

By Order of the Board of Directors

**Kuldeep R. Sharma**  
*Company Secretary and*  
*Head – Legal & IT*

Place : Mumbai

Dated : June 12, 2008

## REPORT OF THE BOARD OF DIRECTORS

## DIRECTORS' REPORT

## To The Members of Cravatex Limited

Your Directors present the Audited Balance Sheet and Profit and Loss Account of the Company together with their Report for the year ended March 31, 2008.

	Current Year Rupees	Previous Year Rupees
<b>FINANCIAL RESULTS</b>		
Earnings before Interest, Depreciation and Taxation	4,49,59,940	4,06,47,834
Less: Interest	1,38,37,426	1,41,83,576
Less: Depreciation	95,00,003	1,04,68,794
Leaving a Profit before Taxation	2,16,22,511	1,59,95,464
Provision for Taxation:		
Current Tax	(1,00,00,000)	(71,00,000)
Fringe Benefit Tax	(7,50,000)	(7,50,000)
Deferred Tax Credit/(Debit)	15,96,826	23,48,533
Short/(Excess) Provision for Earlier Years	—	28,09,212
Profit after Taxation	1,24,69,337	1,33,03,209
Adding thereto:		
Brought forward from Previous Year	1,47,96,638	82,84,499
Available for Appropriation	2,72,65,975	2,15,87,708
Appropriations:		
Provision for Proposed Dividend	45,22,280	45,22,280
Provision for Tax on Proposed Dividend	7,68,790	7,68,790
General Reserve	50,00,000	15,00,000
Balance to be carried forward	1,69,74,905	1,47,96,638

## OPERATIONS

The turnover of the Company for the year under review has marginally increased from Rs. 4,763 lacs to Rs. 5,062 lacs while the earnings before interest, depreciation and taxation stood at Rs. 450 lacs as against Rs. 406 lacs in last year. The Net Profit before tax for the year increased from Rs. 160 lacs to Rs. 216 lacs. The balance carried forward to Balance Sheet is Rs. 170 lacs as compared to Rs. 148 lacs in the previous year.

## DIVIDEND

The Directors are pleased to maintain dividend at 35% for the year under review, which would be tax-free in the hands of shareholders. The Dividend if approved by the shareholders at the Annual General Meeting, will absorb Rs. 45,22,280.

## DEPOSITS

The total Unsecured Loans and Deposits stood at Rs. 2,60,45,000 as on March 31, 2008 and there were no unclaimed deposits as on that date. The Company has repaid all the Deposits on due dates.

## REPORT OF THE BOARD OF DIRECTORS

### ASSETS

The fixed assets of the Company have been adequately insured.

### DIRECTORS

- Mr. Rajesh Batra and Mr. N.R. Mahalingam are retiring by rotation and, being eligible, offer themselves for re-appointment.
- Mr. Rajiv Batra ceased to be the Director w.e.f. May 7, 2008 due to resignation. Your Directors wish to place on record their sincere appreciation of the guidance and valuable advice received from Mr. Rajiv Batra during his tenure as a Director.
- Mr. Rajiv Wallia was appointed as an Additional Director of the Company with effect from June 12, 2008 pursuant to Section 260 of the Companies Act, 1956 and Article 185 of the Articles of Association of the Company and holds office upto the date of the ensuing Annual General Meeting.

The Company has received a notice from a shareholder under Section 257 of the Companies Act, 1956 proposing Mr. Rajiv Wallia's candidature for the office of the Director. The Board considers it desirable that the Company continues to avail the services of Mr. Rajiv Wallia as a Director and recommends the resolution for acceptance by the members.

### DEMATERIALISATION OF COMPANY'S SHARES

Of the Company's total shareholding, 7,83,538 shares were held in dematerialised mode by the shareholders of the Company of which 7,55,160 shares were under National Securities Depository Limited (NSDL) and balance 28,378 shares under Central Depository Services (I) Limited (CDSL) as on March 31, 2008.

### DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, the Directors state that:

- (i) in preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the period;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the Annual Accounts on a going concern basis.

### INFORMATION UNDER SECTION 292A(1) OF THE COMPANIES ACT, 1956 AND CLAUSE 49 OF THE LISTING AGREEMENT

Since the paid-up share capital of the Company is Rs. 1.29 Crore, the provisions of Section 292A(1) of the Companies Act, 1956 and Clause 49 of the Listing Agreement relating to constitution of Audit Committee and Corporate Governance respectively, are not applicable to the Company. However, the directors furnish the following relevant information for the benefit of the shareholders

#### (A) Management Discussion and Analysis Report

##### ***Economy And Business Environment:***

After a GDP growth of 9% in 2007-08 the Indian Economy is witnessing a slow growth due to a sudden and a sharp surge in inflation. The WPI-based inflation touched 7.41 per cent in March, way above the comfort band. The inflationary surge is not on account of demand-side factors but is rather due to a

## REPORT OF THE BOARD OF DIRECTORS

supply shock from energy, commodity and food prices.

The rising prices of primary commodities and oil, due to supply crunch, further added to the inflationary trends and are not likely to ease soon. While inflation is expected to remain high in the next few months, it is expected to soften towards the end of the year, under a normal monsoon scenario.

### **Health & Fitness and Sports & Footwear business:**

The Company currently has a network of 56 exclusive Fitness Showrooms across India up from 44 in previous year.

Additionally, the Company through its network of Distributors and Dealers continued to provide complete solution for fitness equipment including layout planning, selection of equipment & installation, backed by unmatched nationwide service support.

The Company continues to supply fitness equipment to Health Clubs & Gyms, Corporates, Hotels and Resorts as also to Housing Societies.

The sports and footwear distribution performed as per business plan for the year.

### **(B) Report on Corporate Governance**

#### **1. Board of Directors**

##### **(a) Composition/Category of Directors**

Directors	Category	Board Meetings		Last AGM Attended	No. of Other Directorships	Member of Committees
		Held	Attended			
Mr. Rajesh Batra	Promoter	5	3	Yes	4	2
Mr. Arjun Bulchandani	Independent Non-executive	5	4	Yes	None	None
Mr. Rajiv Batra*	Promoter	5	0	No	1	None
Mr. H. K. Vakharia	Independent Non-executive	5	4	Yes	None	None
Mr. N. R. Mahalingam	Independent Non-executive	5	5	Yes	1	None
Dr. S. D. Israni	Independent Non-executive	5	5	Yes	3	3
Mr. Nabankur Gupta	Independent Non-executive	5	5	Yes	7	5

\* ceased to be director w.e.f. 07.05.2008

## REPORT OF THE BOARD OF DIRECTORS

### (b) Details of Remuneration

- (i) The details of sitting fees paid to the Directors during the financial year 2007-08 are given below :

Name	No. of Meetings Attended	Sitting Fees
Mr. Rajesh Batra	3	15,000
Mr. Arjun Bulchandani	4	20,000
Mr. Rajiv Batra*	0	NIL
Mr. H.K. Vakharia	4	20,000
Mr. N. R. Mahalingam	5	25,000
Dr. S. D. Israni	5	25,000
Mr. Nabankur Gupta	5	25,000

\* ceased to be director w.e.f. 07.05.2008

- (ii) The Board of Directors in its meeting held on June 12, 2008, appointed Mr. Rajiv Wallia as the Whole-time Director, designated as Executive Director on terms as mentioned in the explanatory statement attached to the notice convening the annual general meeting to be held on July 25, 2008. Except, Mr. Rajiv Wallia there is no other Executive Director in the Company. Accordingly, there is no performance linked incentive applicable to the Directors of the Company.
- (iii) Service Contracts, Notice Period, Severance Fees : Mr. Rajiv Wallia has been appointed as Whole-time Director, designated as Executive Director for a period of 3 years w.e.f. June 12, 2008 with notice period of six calendar months for termination from either side without any severance fees.
- (iv) Stock Option Details : None

### (c) Number of Board Meetings held during the year 2007 - 08

The Company held five Board Meetings during the year ended March 31, 2008. These were on May 3, 2007, June 8, 2007, July 27, 2007, October 30, 2007 and January 31, 2008.

## 2. Details in respect of last three General Body Meetings

- (a) Location and time where last three AGMs were held :

	I (AGM)	II (AGM)	III (AGM)
Date	: 27/07/2007	28/07/2006	29/07/2005
Venue	: Textiles Committee P. Balu Road Prabhadevi Chowk, Prabhadevi Mumbai-400 025	Textiles Committee P. Balu Road Prabhadevi Chowk, Prabhadevi Mumbai-400 025	Textiles Committee P. Balu Road Prabhadevi Chowk, Prabhadevi Mumbai-400 025
Time	: 10.00 a.m.	10.00 a.m.	10.00 a.m.

- (b) Whether any Special Resolution were passed in the previous three AGMs? : No
- (c) Whether any Special Resolutions were passed last year through postal ballot — : No  
Details of voting pattern.
- (d) Whether any Special Resolution is proposed to be conducted through postal ballot : No  
this year?

## REPORT OF THE BOARD OF DIRECTORS

### 3. Subsidiaries

The Company does not have any Subsidiary.

### 4. Means of Communication

#### **Company's Financial Results:**

Company's Financial results are normally published in Business Standard (in English) and in Sakal (in Marathi)

#### **Report on Management Discussion & Analysis:**

Relevant information by means of Management Discussion and Analysis forms part of the Annual Report.

### 5. General Shareholder Information

(a) Annual General Meeting will be held on Friday, July 25, 2008 at 10.30 a.m. at Textiles Committee Auditorium, P. Balu Road, Prabhadevi Chowk, Prabhadevi, Mumbai-400 025.

(b) Financial Year:

Results for quarter ending June 30, 2008	: Last week of July, 2008
Annual General Meeting	: Friday, July 25, 2008
Results for quarter ending September 30, 2008	: Last week of October, 2008
Results for quarter ending December 31, 2008	: Last week of January, 2009
Results for the year ending March 31, 2009	: Before June 30, 2009

(c) Date of Book Closure : Friday, July 18, 2008  
to  
Friday, July 25, 2008  
(both days inclusive)

(d) Dividend Payment Date : Before August 23, 2008

(e) Listing on Stock Exchange : Company's shares are listed on Bombay Stock Exchange.

(f) Stock Code : 509472  
SYMBOL : CRAVATEX  
Demat ISIN : INE145E01017

(g) Market Price Data (during Last Financial Year) : High : Rs. 184.00 (10/07/2007)  
Low : Rs. 71.50 (30/04/2007)

(h) Registrars & Share Transfer Agents:

M/s. Sharepro Services (India) Pvt. Ltd.

#### *Regd Office:*

Satam Estate, 3rd Floor, Above Bank of Baroda, Cardinal Gracious Road, Chakala, Andheri (E), Mumbai-400 099, Tel. No. 022-2821 5168, 6772 0300, 6772 0400, Fax No. 022-2837 5646. Email: sharepro@shareproservices.com

#### *Investor Relation Centre:*

912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai 400 021, Tel. No. 022-2288 1569, 6613 4700 Fax No. 022-2282 5484. Email: rita@shareproservices.com

(i) Share Transfer System:

Presently, the share transfers received in physical form are processed and share certificates are returned within a period of 20-25 days from the date of receipt, subject to the transfer instruments being valid and complete in all respects. The Company has also offered the facility of transfer cum demat as per SEBI guidelines.



## REPORT OF THE BOARD OF DIRECTORS

(j) Distribution of Shareholding as on March 31, 2008:

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Less than 500	1,964	96.70	1,30,353	10.09
501 to 1000	24	1.18	17,083	1.32
1001 to 2000	12	0.59	17,049	1.32
2001 to 3000	4	0.20	10,615	0.82
3001 to 4000	3	0.15	10,980	0.85
4001 to 5000	4	0.20	18,200	1.41
5001 to 10000	6	0.29	44,361	3.43
10001 and above	14	0.70	10,43,439	80.76
<b>Total</b>	<b>2,031</b>	<b>100.00</b>	<b>12,92,080</b>	<b>100.00</b>

Shareholding Pattern as on March 31, 2008

Category	No. of Shares	%
Promoters	9,69,060	75.00
Banks	0	0.00
Bodies Corporate (Other)	8,117	0.63
NRI*	127	0.01
Public	3,14,776	24.36
<b>Total</b>	<b>12,92,080</b>	<b>100.00</b>

\*Total Foreign shareholding in the company is 65,167 (5.04%) of which 39,120 (3.02%) is included in Indian Promoters.

(k) Dematerialisation of shares and liquidity

Approximately 61.02% of the total shareholding of the Company has been dematerialised as on March 31, 2008 out of which 58.90% of shares are dematerialised under National Securities Depository Limited (NSDL) and 2.12% shares under Central Depository Services (I) Limited (CDSL).

(l) Address for Correspondence:

Sahas, 4th Floor, 414/2, Veer Savarkar Marg, Prabhadevi, Mumbai-400 025

E-mail : investors@cravatex.com, Tel. No. : 022-6666 7474, Fax No. : 022-2431 3210

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

Information required pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is given in the Annexure I to this Report.

### PARTICULARS OF THE EMPLOYEES

Information in accordance with the requirements of Section 217(2A) of the Companies Act, 1956 and the Rules made thereunder for the Financial Year ended March 31, 2008.

**REPORT OF THE BOARD OF DIRECTORS**

- (a) Employed throughout the year and in receipt of remuneration in aggregate of not less than Rs. 24,00,000 per annum

Name	Designation	Gross Remuneration (Rupees)	Qualification	Date of Employment	Age/ Experience (Years)	Last Employment
Mr. Rajiv Wallia	Chief Executive	27.04 lacs	B.Com, D.M.M.	01.10.2000	53/31	Proline India Ltd.

- (b) Employed for part of the year and in receipt of remuneration in aggregate of not less than Rs. 2,00,000 per month : N.A.

**AUDITORS' REPORT**

The remarks made by the Auditors are self-explanatory and do not call for any clarification under Section 217 of the Companies Act, 1956.

**AUDITORS & BRANCH AUDITORS**

M/s. S. P. Chopra & Co., Chartered Accountants, will retire at the conclusion of this Annual General Meeting and are eligible for re-appointment. The members are also required to appoint Branch Auditors for Company's operations at Bangalore.

**ACKNOWLEDGEMENT**

Your directors wish to place on record their appreciation for the efforts, hard work, dedication and commitment put by employees at all levels as also for the valuable support extended by the bankers and other business associates.

**For and on behalf of the Board of Directors**

**Rajesh Batra**  
*Chairman*

Place : Mumbai

Dated : June 12, 2008

**Registered office :**

Sahas, 4th Floor,  
414/2, Veer Savarkar Marg,  
Prabhadevi, Mumbai-400 025.

## ANNEXURES TO THE DIRECTORS' REPORT

### Annexure I

Additional information as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

#### A. CONSERVATION OF ENERGY

**(a) Energy Conservation measures taken:**

The Company has been making optimum use of electrical energy by regular maintenance and overhauling of machines and equipment. Regular watch has been kept to prevent wastage of energy during production.

**(b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy:**

None presently.

**(c) Impact of measures (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods:**

Negligible.

**(d) Total energy consumption and energy consumption per unit of production in prescribed Form 'A':**

Since the Company has ceased its textile operations, no information in respect of energy consumption in prescribed Form 'A' is required to be provided.

#### B. TECHNOLOGY ABSORPTION

**Research & Development (R & D):**

The scope for Research and Development is very limited.

**Technology Absorption, Adaptation and Innovation:**

No technology is imported during the year.

Pursuant to the Technical Collaboration Agreement executed with M/s. Proline International Limited, U.K. (which expired on 29.02.2008), the Company had received relevant support/information for their footwear and accessories to be sold under the brand 'FILA'.

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Details in respect of total Foreign Exchange used and earned are given in Item No.18 in schedule 'M' of Notes to the Annual Accounts.

## REPORT OF THE AUDITORS

### AUDITORS' REPORT

#### To the Members of Cravatex Limited

1. We have audited the attached Balance Sheet of Cravatex Limited, as at 31 March 2008, and also the Profit and Loss Account and the Cash Flow Statement 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.
2. We conducted our audit in accordance with the 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 misstatements. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, (the 'Order') as amended by Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India 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 and 5 of the said Order.
4. 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 and proper returns adequate for the purposes of our audit have been received from the branches not visited by us. The Branch Auditor's Report in respect of the branch at Bangalore has been forwarded to us and has been appropriately dealt with;
  - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns from the branches;
  - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the Directors, as on 31 March 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2008 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 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 31 March 2008;
    - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **S. P. CHOPRA & CO.**  
*Chartered Accountants*

**Y. K. Shankardass**  
*Partner.*

Membership No. F-5106

Mumbai : Mumbai  
Dated : June 12, 2008

## REPORT OF THE AUDITORS

### Annexure to the Auditors' Report

Referred to in paragraph 3 of our Report of even date

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, all the assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. We are informed that no material discrepancies were noticed on such verification.
- (c) During the year, the Company has disposed off some of the fixed assets at branches and at head office but the same do not comprise substantial part of the fixed asset of the Company. Based on the information and explanation given by the management and on the basis of audit procedures performed by us, we are of the opinion that the disposal of the said fixed asset has not affected the going concern status of the Company.
- (ii) (a) As explained to us, the inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) According to the information and explanations given to us, the procedures of physical verification of inventories followed by the management which, in our opinion, are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. According to the information and explanations given to us, the discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company has not granted any loans to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) The Company had taken loans by way of fixed deposits and inter-corporate deposit from a firm, two companies and eight persons covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 4,28,25,000 and the year-end balance of loans from such parties was Rs. 2,08,25,000. In our opinion the rate of interest and other terms and conditions on which loans have been taken from companies, firms or other parties are prima facie, not prejudicial to the interest of the Company. The Company is regular in repaying the principal amounts where stipulated and has been regular in the payment of interest.
- (iv) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under this section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

## REPORT OF THE AUDITORS

- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58A, 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by The Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal on the Company in respect of the aforesaid deposits.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for any of the product of the Company.
- (ix) (a) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, sales tax, wealth tax, service tax, customs duty and excise duty were outstanding, as at 31 March 2008 for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute except as indicated below:

Name of the Statute	Nature of dues	Amount demanded (Rupees)	Amount deposited (Rupees)	Year to which amount relates	Forum where dispute is pending
Income tax Act, 1961	Income tax Demand	68,06,535	27,37,922	2001-2002	Commissioner of Income Tax Appeals

- (x) The Company has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year. The Company has no accumulated losses.
- (xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or banks.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) Clause (xiii) of the Order is not applicable to the Company as the Company is not a chit fund company or nidhi/mutual benefit fund/society.
- (xiv) Clause (xiv) of the Order regarding dealing and trading in shares etc. is not applicable to the Company.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) As per information and explanation given to us, the term loans have been applied during the year for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that the no fund raised on short-term basis have been used for long-term investment.

**REPORT OF THE AUDITORS**

- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act,1956.
- (xix) No debentures have been issued by the Company during the period covered by our audit report.
- (xx) The Company has not raised any money by way of public issues during the year.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **S. P. CHOPRA & CO.**  
*Chartered Accountants*

**Y. K. Shankardass**  
*Partner.*

Membership No. F-5106

Mumbai : Mumbai  
Dated : June 12, 2008

## BALANCE SHEET

BALANCE SHEET  
AS AT 31 MARCH, 2008

	Schedule	2007-2008 Rupees	2006-2007 Rupees
<b>SOURCES OF FUNDS</b>			
Shareholders' Funds:			
Share Capital	'A'	1,29,20,800	1,29,20,800
Reserves and Surplus	'B'	12,10,16,043	11,38,37,776
		<u>13,39,36,843</u>	<u>12,67,58,576</u>
Loan Funds:			
Secured Loans	'C'	9,48,03,836	9,92,13,988
Unsecured Loans	'D'	2,60,45,000	2,68,55,000
		<u>12,08,48,836</u>	<u>12,60,68,988</u>
Deferred Tax Liability (Net) (Note '11')		3,28,47,389	3,44,44,215
<b>TOTAL</b>		<u><u>28,76,33,068</u></u>	<u><u>28,72,71,779</u></u>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets :	'E'		
Gross Block		21,49,61,335	22,21,18,255
Depreciation		8,58,53,361	8,71,62,222
Net Block		<u>12,91,07,974</u>	<u>13,49,56,033</u>
Investments	'F'	35,000	35,000
Net Working Capital			
Current Assets, Loans and Advances	'G'	27,82,05,385	25,09,13,466
Less: Current Liabilities and Provisions	'H'	11,97,15,291	10,50,74,007
		<u>15,84,90,094</u>	<u>14,58,39,459</u>
Miscellaneous Expenditure (to the extent not written off or adjusted)			
Deferred Revenue Expenditure (Note '5a')		—	23,17,722
Pre-commencement Expenditure (Note '5b')		—	41,23,565
		—	<u>64,41,287</u>
<b>TOTAL</b>		<u><u>28,76,33,068</u></u>	<u><u>28,72,71,779</u></u>

Notes on Accounts and Significant Accounting Policies 'M'

**Auditors' Report to the Members of Cravatex Limited**

As per our report of even date

For **S. P. CHOPRA & CO.**  
Chartered Accountants**Rajesh Batra**  
Chairman**Arjun Bulchandani**  
Director**N. R. Mahalingam**  
Director**Y. K. Shankardass**  
Partner**S. D. Israni**  
Director**Nabankur Gupta**  
Director**H. K. Vakharia**  
Director**Kuldeep R. Sharma**  
Company Secretary

Place : Mumbai

Dated : June 12, 2008



## PROFIT AND LOSS ACCOUNT

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2008

	Schedule	2007-2008 Rupees	2006-2007 Rupees
<b>INCOME</b>			
Sales and Services (Note '7')		50,61,56,429	47,62,97,712
Other Income	'I'	2,00,38,380	2,11,32,216
<b>TOTAL</b>		<b>52,61,94,809</b>	<b>49,74,29,928</b>
<b>EXPENDITURE</b>			
Cost of Goods sold	'J'	31,05,12,318	31,61,57,272
Employees Remuneration and Benefits	'K'	3,97,74,560	4,14,33,009
Selling, Operating and Administrative expenses	'L'	14,47,85,417	11,33,75,389
Depreciation		95,00,003	1,04,68,794
<b>TOTAL</b>		<b>50,45,72,298</b>	<b>48,14,34,464</b>
<b>PROFIT</b>			
Profit before Taxation		2,16,22,511	1,59,95,464
Provision for taxation (Note '10')			
Current tax		(1,00,00,000)	(71,00,000)
Fringe Benefit-tax		(7,50,000)	(7,50,000)
Deferred Tax Credit/(Debit)		15,96,826	23,48,533
(Short)/Excess Provision for earlier years		-	28,09,212
Profit after Taxation		1,24,69,337	1,33,03,209
Add: Balance brought forward		1,47,96,638	82,84,499
<b>TOTAL</b>		<b>2,72,65,975</b>	<b>2,15,87,708</b>
<b>APPROPRIATIONS</b>			
Provision for Proposed Dividend		45,22,280	45,22,280
Provision for Tax on Proposed Dividend		7,68,790	7,68,790
Transfer to General Reserve		50,00,000	15,00,000
Balance carried to Balance Sheet		1,69,74,905	1,47,96,638
<b>TOTAL</b>		<b>2,72,65,975</b>	<b>2,15,87,708</b>
Basic and Diluted Earning per Share (Note'12')		9.65	10.30

Notes on Accounts and Significant Accounting Policies 'M'

#### Auditors' Report to the Members of Cravatex Limited

As per Certificate appended to the Balance Sheet

For **S. P. CHOPRA & CO.**  
Chartered Accountants

**Rajesh Batra**  
Chairman

**Arjun Bulchandani**  
Director

**N. R. Mahalingam**  
Director

**Y. K. Shankardass**  
Partner

**S. D. Israni**  
Director

**Nabankur Gupta**  
Director

**H. K. Vakharia**  
Director

**Kuldeep R. Sharma**  
Company Secretary

Place : Mumbai

Dated : June 12, 2008

## SCHEDULES — BALANCE SHEET

## SCHEDULES

Forming part of the Balance Sheet as at 31 March, 2008

	2007-2008 Rupees	2006-2007 Rupees
<b>SCHEDULE 'A' — SHARE CAPITAL</b>		
<b>Authorised:</b>		
1850000 Equity shares of Rs.10 each	1,85,00,000	1,85,00,000
15000 9.5% Redeemable Cumulative Preference shares of Rs. 100 each	15,00,000	15,00,000
	<u>2,00,00,000</u>	<u>2,00,00,000</u>
<b>Issued, Subscribed and Paid-up:</b>		
1292080 Equity shares of Rs. 10 each (Of the above shares 17000 Equity shares of Rs. 10 each were allotted to Vendors as fully paid-up pursuant to a contract without payment being received in cash and 252000 Equity shares of Rs. 10 each were allotted as fully paid-up by way of Bonus shares by Capitalisation of General Reserve)	1,29,20,800	1,29,20,800
	<u>1,29,20,800</u>	<u>1,29,20,800</u>
<b>SCHEDULE 'B' — RESERVES AND SURPLUS</b>		
<b>Export Profits Reserve:</b>		
Balance as per last Account	1,68,000	1,68,000
<b>Capital Reserve:</b>		
(Subsidy received from Govt.of Karnataka)		
Balance as per last Account	18,92,000	15,05,000
Add: Received during the year	—	3,87,000
	<u>18,92,000</u>	<u>18,92,000</u>
<b>General Reserve:</b>		
Balance as per last Account	9,69,81,138	9,54,81,138
Add : Transfer from Profit and Loss Account	50,00,000	15,00,000
	<u>10,19,81,138</u>	<u>9,69,81,138</u>
<b>Profit and Loss Account:</b>		
As per Account Annexed	1,69,74,905	1,47,96,638
	<u>12,10,16,043</u>	<u>11,38,37,776</u>

## SCHEDULES — BALANCE SHEET

## SCHEDULES — Contd.

	2007-2008 Rupees	2006-2007 Rupees
<b>SCHEDULE 'C' — SECURED LOANS</b>		
<b>From Banks :</b>		
<b>(a) UTI Bank Ltd.</b>		
(secured by first charge on all the current assets and equitable mortgage extended over the company's property at Prabhadevi, Mumbai)		
(i) Packing Credit	—	90,00,000
(ii) Cash Credit Account	7,99,35,846	6,08,09,900
(iii) Term Loan (secured by an exclusive first charge on fixed assets of the company except office premises at Nariman Point, Mumbai)	1,44,48,874	2,86,57,708
<b>(b) ICICI Bank Ltd.</b>		
Term Loans (secured by hypothecation of cars) (Note '6a')	1,44,778	3,65,608
<b>(c) HDFC Bank Ltd.:</b>		
Term Loan (secured by hypothecation of a car) (Note '6a')	—	38,340
<b>(d) Citi Bank Ltd.:</b>		
Term Loan (secured by hypothecation of a car) (Note '6a')	2,74,338	3,42,432
	<u>9,48,03,836</u>	<u>9,92,13,988</u>
<b>SCHEDULE 'D' — UNSECURED LOANS</b>		
<b>Fixed Deposits</b>	2,60,45,000	2,68,55,000
	<u>2,60,45,000</u>	<u>2,68,55,000</u>

## SCHEDULES — BALANCE SHEET

## SCHEDULES — Contd.

## SCHEDULE 'E' — FIXED ASSETS

Amount in Rupees

Sr. No.	PARTICULARS	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
		As at 01.04.2007	Additions	Sales/ Adjustments	As at 31.03.2008	Upto 31.03.2007	For the year	Adjusted	Upto 31.03.2008	As at 31.03.2008	As at 31.03.2007
1.	Goodwill	24,59,600	—	6,14,900	<b>18,44,700</b>	—	—	—	—	<b>18,44,700</b>	24,59,600
2.	Factory Building	13,05,990	—	—	<b>13,05,990</b>	3,59,866	43,620	—	<b>4,03,486</b>	<b>9,02,504</b>	9,46,124
3.	Other Building	8,93,76,985	—	—	<b>8,93,76,985</b>	1,78,60,790	14,56,540	—	<b>1,93,17,330</b>	<b>7,00,59,655</b>	7,15,16,195
4.	Plant & Machinery	1,43,87,104	—	84,07,223	<b>59,79,881</b>	1,11,51,026	3,08,453	66,61,076	<b>47,98,403</b>	<b>11,81,478</b>	32,36,078
5.	Spa Equipment	2,15,42,524	—	49,60,512	<b>1,65,82,012</b>	64,92,673	26,16,720	18,48,038	<b>72,61,355</b>	<b>93,20,657</b>	1,50,49,851
6.	Licences & Franchise	3,63,51,000	—	—	<b>3,63,51,000</b>	2,98,99,029	16,12,993	—	<b>3,15,12,022</b>	<b>48,38,978</b>	64,51,971
7.	Air Conditioning Plant & Units	44,78,007	13,83,355	—	<b>58,61,362</b>	11,18,198	2,82,915	—	<b>14,01,113</b>	<b>44,60,249</b>	33,59,809
8.	Furniture, Fixtures & Fittings	2,78,22,567	18,21,130	14,29,046	<b>2,82,14,651</b>	1,10,09,284	16,77,158	6,87,183	<b>1,19,99,259</b>	<b>1,62,15,392</b>	1,68,13,283
9.	Motor Vehicles	39,52,197	2,35,146	4,22,018	<b>37,65,325</b>	13,94,425	3,67,500	1,20,277	<b>1,641,648</b>	<b>21,23,677</b>	25,57,772
10.	Electrical Fittings	72,21,381	18,98,746	9,21,608	<b>81,98,519</b>	26,94,234	4,04,865	5,06,667	<b>25,92,432</b>	<b>56,06,087</b>	45,27,147
11.	Office & Factory Equipment	95,27,357	7,89,568	13,06,893	<b>90,10,032</b>	51,82,697	7,29,239	9,85,623	<b>49,26,313</b>	<b>40,83,719</b>	43,44,660
12.	Advance on Capital Account – Purchase of Property (Note '1d')	36,93,543	47,77,335	—	<b>84,70,878</b>	—	—	—	—	<b>84,70,878</b>	36,93,543
	Total	22,21,18,255	1,09,05,280	1,80,62,200	<b>21,49,61,335</b>	8,71,62,222	95,00,003	1,08,08,864	<b>8,58,53,361</b>	<b>12,91,07,974</b>	13,49,56,033
	Total (Previous year)	21,94,99,035	35,07,520	8,88,300	22,21,18,255	7,67,85,129	1,04,68,794	91,701	8,71,62,222	13,49,56,033	

**SCHEDULES — BALANCE SHEET**
**SCHEDULES — Contd.**

	2007-2008 Rupees	2006-2007 Rupees
<b>SCHEDULE 'F' — INVESTMENTS</b>		
<b>Other than Trade (At Cost, fully paid-up):</b>		
<b>Shares (Unquoted):</b>		
3500 Shares of the Saraswat Co-operative Bank Ltd. of Rs. 10 each	35,000	35,000
	<u>35,000</u>	<u>35,000</u>
<b>SCHEDULE 'G' — CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Current Assets:</b>		
Interest Accrued	3,368	94,710
Inventories: (As valued and certified by the management) At lower of cost or net realisable value:		
Finished Goods (including spares)	7,58,19,036	6,60,88,940
At cost		
Fabrics	1,99,769	1,24,96,460
	<u>7,60,18,805</u>	<u>7,85,85,400</u>
Sundry Debtors (unsecured):		
Over six months:		
Considered good	12,95,484	22,03,378
Others:		
Considered good	9,48,42,356	8,00,68,016
	<u>9,61,37,840</u>	<u>8,22,71,394</u>
Cash and Bank balances:		
Cash and Cheques on hand	2,82,324	11,91,526
Balances with Scheduled Banks in:		
Current Accounts (including remittance in transit of Rs. Nil — previous year Rs. 5,60,204)	1,58,27,140	1,42,94,635
Unpaid Dividend Accounts	4,87,167	4,53,199
Fixed Deposit Accounts (Note'3')	50,000	8,00,000
	<u>1,66,46,631</u>	<u>1,67,39,360</u>
<b>Loans and Advances:</b>		
(Unsecured, considered good)		
Advances and amounts recoverable in cash or in kind or for value to be received (including claims receivable) – (Note '4')	2,65,42,313	3,03,15,295
Advance with Customs authorities (Note '1f')	13,50,000	13,50,000
Security and other Deposits	2,20,68,459	1,57,50,272
Income–Tax and Wealth Tax paid (Note '1e')	3,94,37,969	2,58,07,035
	<u>8,93,98,741</u>	<u>7,32,22,602</u>
	<u>27,82,05,385</u>	<u>25,09,13,466</u>

## SCHEDULES — BALANCE SHEET

## SCHEDULES — Contd.

## SCHEDULE 'H' — CURRENT LIABILITIES AND PROVISIONS

## Current Liabilities:

	2007-2008 Rupees	2006-2007 Rupees
Sundry Creditors (Note '2')	6,56,10,217	5,81,91,994
Advances and Security Deposits	1,38,30,413	1,73,88,718
Unpaid Dividends	4,87,167	4,53,199
Other Liabilities	61,05,236	55,83,500
	<u>8,60,33,033</u>	<u>8,16,17,411</u>

## Provisions:

For Taxation (Note '10')	2,50,43,790	1,42,93,790
For Gratuity (Note '22h')	39,57,784	44,15,074
For Leave Salary	1,58,404	2,25,452
For Proposed Dividend	45,22,280	45,22,280
	<u>3,36,82,258</u>	<u>2,34,56,596</u>
	<u>11,97,15,291</u>	<u>10,50,74,007</u>

## SCHEDULES — PROFIT AND LOSS ACCOUNT

### SCHEDULES

Forming part of the Profit and Loss Account for the Year Ended 31 March, 2008

	2007-2008 Rupees	2006-2007 Rupees
<b>SCHEDULE 'I' — OTHER INCOME</b>		
Dividend	6,300	6,300
Interest (Gross-tax at source Rs. 9,388, previous year Rs. 30,047)	46,619	4,28,732
Installation charges	—	80,185
Management consultancy fees	10,11,514	16,50,054
Design Fees	29,11,000	—
Licence Fees	97,81,653	1,15,02,000
Service and Hire Charges	—	27,60,480
Profit on sale of Asset (net)	8,62,428	—
Duty Drawback	12,91,805	36,28,895
Miscellaneous Receipts	41,27,061	8,29,338
Credits of earlier years (net)	—	2,46,232
	<b>2,00,38,380</b>	<b>2,11,32,216</b>
<b>SCHEDULE 'J' — COST OF GOODS SOLD</b>		
<b>Opening Stock:</b>		
Finished goods (including spares)	6,60,88,940	6,34,74,531
Fabrics	1,24,96,460	1,92,14,345
Work-in-process	—	1,32,916
	<b>7,85,85,400</b>	<b>8,28,21,792</b>
<b>Add: Purchases</b>		
Labour & Development charges	23,83,032	77,84,804
	<b>38,65,31,123</b>	<b>39,47,42,672</b>
<b>Less: Closing Stock:</b>		
Finished goods (including spares)	7,58,19,036	6,60,88,940
Fabrics	1,99,769	1,24,96,460
	<b>7,60,18,805</b>	<b>7,85,85,400</b>
	<b>31,05,12,318</b>	<b>31,61,57,272</b>
<b>SCHEDULE 'K' — EMPLOYEES REMUNERATION AND BENEFITS</b>		
Salaries, Wages, Bonus and Gratuity	3,58,02,244	3,70,65,100
Contributions to:		
Employees State Insurance Scheme	2,18,159	2,52,947
Provident, Family Pension and other Funds	24,48,181	23,79,539
Staff Welfare Expenses	13,05,976	17,35,423
	<b>3,97,74,560</b>	<b>4,14,33,009</b>

## SCHEDULES — PROFIT AND LOSS ACCOUNT

### SCHEDULES — Contd.

	2007-2008 Rupees	2006-2007 Rupees
<b>SCHEDULE 'L' — SELLING, OPERATING AND ADMINISTRATIVE EXPENSES</b>		
Stores, Spares and Packing materials consumed	8,16,575	10,46,227
Transportation charges	1,92,20,652	1,61,66,323
Power and Fuel	36,21,997	34,39,649
Rent	2,68,54,073	2,46,65,717
Rates and Taxes	23,63,929	43,03,611
Insurance	12,14,055	14,85,326
Postage, Telephones and Telex	43,99,055	35,07,067
Travelling and Conveyance	1,06,47,605	85,74,944
Printing and Stationery	15,56,044	14,57,115
Donations	201	6,000
Other expenses	1,00,15,133	1,21,19,195
Interest on:		
Fixed Loans	26,63,514	34,44,599
Other Loans and Fixed Deposits	1,11,73,912	1,07,38,977
Repairs to:		
Machinery	19,398	17,347
Buildings	46,690	2,47,997
Others	45,63,330	28,33,256
Advertisement and Publicity	2,25,45,162	1,34,18,504
Commission and Brokerage	52,92,352	26,17,579
Royalty	51,72,027	48,99,718
Auditors' Remuneration: (Note '8')	1,85,000	1,51,500
Bad Debts written off	4,53,025	1,35,661
Directors' Fees	1,30,000	1,15,000
Professional and Legal charges (Note '9')	36,62,975	38,90,255
Sales Tax paid	3,54,177	1,20,137
Deferred Revenue expenditure (Note '5a')	23,17,722	7,94,647
Pre-Commencement expenditure (Note '5b')	41,23,565	14,95,162
Goodwill amortised (Note '5c')	6,14,900	6,14,900
Obsolete Asset	1,71,560	—
Loss on Sale Of Assets (Net)	—	35,199
Debits of Earlier Years (Net)	5,86,789	—
	<b>14,47,85,417</b>	<b>12,23,41,612</b>
Less: Expenditure recoverable from a third party (Net) (Note '4')	—	89,66,223
	<b>14,47,85,417</b>	<b>11,33,75,389</b>



## NOTES ON ACCOUNTS

**Schedules forming part of the Balance Sheet as at 31 March, 2008 and Profit and Loss Account for the year ended on that date.**

### SCHEDULE 'M' — NOTES ON ACCOUNTS AND SIGNIFICANT ACCOUNTING POLICIES

1. The Company is contingently liable in respect of:
  - (a) Bank guarantees given to the extent of Rs. 9,99,719 (Previous year Rs. Nil)
  - (b) Letters of credit outstanding to the extent of Rs. 3,26,85,916 (Previous year Rs. 3,48,75,564)
  - (c) Labour Claim of an earlier year disputed by the Company against which Rs. 1,75,000 has been deposited with The High Court, Mumbai.
  - (d) Estimated amount of contract remaining to be executed on capital account and not provided for (net of advances) is Rs. 26,75,430 (Previous year Rs. 74,24,273.)
  - (e)
    - (i) Demands for Wealth Tax for the assessment years 1997-98 & 1998-99 amounting to Rs. 51,25,378 (Previous year Rs. 53,88,436) raised by the Tax authorities have been disputed by the Company and appeals filed with the relevant authority. The Company has however deposited the demand amounts in full.
    - (ii) Demands of Rs. 14,92,158, Rs. 68,06,535 and Rs. 39,02,193 raised by the Tax authorities for Income-tax for the assessment years 2000-2001, 2002-2003 and 2003-2004 respectively have been disputed by the Company and appeals filed with the relevant authority. The Company has however deposited the demand amounts in full for assessment years 2000-01, 2003-04 and Rs. 27,37,922 for the assessment year 2002-03.
  - (f)
    - (i) Demand of Rs. 13,50,000 raised by the customs authorities for goods imported has been disputed by the Company against which the full amount has been deposited under protest.
    - (ii) Bond for Rs. 1.20 crore executed with the Customs authorities for demand raised by the authorities which has been disputed and challenged by the Company. This bond is to remain in force till finalisation of the value by the Customs authorities of the goods imported by the Company.
  - (g) Demand of Rs. 15,66,683 (Previous year Rs. 11,35,311) raised by the New Maker Chambers IV Premises Co-operative Society Ltd, Mumbai for the difference in BMC tax from 1st April 2000 to 31st March 2008, which has been disputed by the Company.
2. Amounts if any due to Micro Enterprises, Small Enterprises and Medium Enterprises under Micro Enterprises, Small Enterprises and Medium Enterprises Development Act, 2006 could not be disclosed as such parties could not be identified from the records of the Company.
3. Fixed Deposit Account with a Bank include Rs. 50,000 (Previous year Rs. 8,00,000) earmarked against repayment of public deposits.
4. Advances and amounts recoverable include Rs. 2,38,67,317 due as on 31 March, 2008 (Previous year Rs. 2,58,22,317) from a third party in terms of Contract of Engagement with this party as a Consultant. This contract stands terminated by mutual agreement with effect from 1 April, 2007.
5.
  - (a) Deferred Revenue Expenditure:  
Expenses of Rs. 39,73,237 incurred on premises taken on lease in 2004-2005 was to be written off proportionately over a period of 5 years. However during the year the Company has changed its policy and charged the whole unamortised amount of Rs. 23,17,722 to Profit and Loss Account
  - (b) Pre-commencement Expenditure:  
Expenses of Rs. 74,75,808 incurred in 2004-2005 before commencement of new business was to be written off proportionately over a period of 5 years. However during the year the Company has changed its policy and charged the whole unamortised amount of Rs. 41,23,565 to Profit and Loss Account.

## NOTES ON ACCOUNTS

## SCHEDULE 'M' — Contd.

## (c) Goodwill:

In accordance with the Accounting Standard 26 (Intangible Assets) Goodwill is being amortised over a period of ten years.

## 6. (a) Finance Lease :

The Company has taken on finance lease, cost of assets having an aggregate value of Rs. 30,85,184 (Previous year Rs. 30,85,184) against which the future obligations aggregate to Rs. 4,98,366 (Previous year Rs. 9,91,854), including lease charge Rs. 79,250 (Previous year Rs. 2,45,474) and the same are payable as under:

Period	Minimum Lease Payment		Present Value	
	2007-2008 Rupees	2006-2007 Rupees	2007-2008 Rupees	2006-2007 Rupees
Not later than 1 year	<b>1,78,200</b>	3,87,216	<b>1,37,369</b>	3,27,264
Later than 1 year but not later than 5 years	<b>3,20,166</b>	6,04,638	<b>2,81,747</b>	4,19,116

## (b) Operating Lease :

The Company has taken certain premises on operating lease, the minimum future lease rentals payable on which are as follows :

Period	Minimum Lease Payment	
	2007-2008 Rupees	2006-2007 Rupees
Not later than 1 year	<b>1,77,03,516</b>	1,57,08,726
Later than 1 year but not later than 5 years	<b>7,46,69,266</b>	4,47,24,036
Later than 5 years	<b>3,90,85,897</b>	1,12,20,955

7. Sales and Services are reported net of trade, turnover discount to dealers and commission on consignment sales.

## 8. Particulars of Auditors' Remuneration:

	2007-2008 Rupees	2006-2007 Rupees
Audit fee	<b>80,000</b>	50,000
Tax Audit fee	<b>27,500</b>	22,000
Certification fee	<b>32,500</b>	24,500
Branch Audit fee:		
Audit fee	<b>25,000</b>	25,000
Tax Audit fee	<b>10,000</b>	5,000
Certification fee	<b>10,000</b>	25,000
	<b>1,85,000</b>	1,51,500

9. Professional and Legal charges include Rs. 6,00,000 (Previous year Rs. 6,00,000) paid as consultancy charges to a Director of the Company.

## NOTES ON ACCOUNTS

## SCHEDULE 'M' — Contd.

10. Provision for Income-tax comprises current tax and Fringe Benefit Tax based on the liability computed after considering tax allowances and exemptions. Deferred tax recognised, subject to consideration of prudence in respect of deferred tax assets, at the rate of income tax prevailing on the Balance Sheet date on timing difference, being the difference between the taxable income and accounting income that originate in one period and is capable of reversal in one or more subsequent periods.

## 11. Deferred Tax Liability (net):

	2007-2008 Rupees	2006-2007 Rupees
Deferred tax liability:		
Depreciation on fixed assets	3,45,93,179	3,55,76,334
Amortisation of Deferred Revenue Expenditure and Pre-commencement expenditure	—	11,32,772
Deferred tax asset:		
On expenses debited to the Profit and Loss Account during the year but allowable as deductible expenses for tax purpose in the subsequent years as reduced by the claim allowable in the current year in respect of such expenses on payment basis	17,45,790	22,64,891
	<u>3,28,47,389</u>	<u>3,44,44,215</u>

## 12. Earning per Share:

	2007-2008 Rupees	2006-2007 Rupees
Net Profit after taxation (in Rs.)	1,24,69,337	1,33,03,209
Weighted average number of equity shares	12,92,080	12,92,080
Earning per share-Basic & Dilluted (in Rs.)	9.65	10.30
Nominal value per equity share (in Rs.)	10	10

## 13. Quantitative information in respect of Goods manufactured:

	Unit	2007-2008	2006-2007
Licensed Capacity		Not Applicable	Not Applicable
Installed Capacity	Pcs	2,20,000 (per annum)	2,20,000 (per annum)
Actual Production:			
Garments (including outsourced)	Pcs	78,541	2,15,622
Accessories	Pcs	5,112	8,760

## NOTES ON ACCOUNTS

## SCHEDULE 'M' — Contd.

## 14. Consumption of Raw materials:

	Unit	Quantity	2007-2008 Amount Rupees	Quantity	2006-2007 Amount Rupees
Opening Stock :					
Fabrics	Mtrs.	44,081	37,49,621	77,985	61,79,430
	Kgs.	67,608	34,85,646	70,974	69,92,928
Consumables			52,61,193		60,41,987
			<u>1,24,96,460</u>		<u>1,92,14,345</u>
Purchases :					
Fabrics	Mtrs.		—	3,20,583	1,70,00,040
	Kgs.		—	77,163	40,91,856
Consumables			12,31,925		1,76,07,736
Labour charges			23,83,032		77,84,804
			<u>36,14,957</u>		<u>4,64,84,436</u>
Closing Stock :					
Fabrics	Mtrs.	327	47,138	44,081	37,49,621
	Kgs.	2,960	1,52,631	67,608	34,85,646
Consumables			—		52,61,193
			<u>1,99,769</u>		<u>1,24,96,460</u>
Consumption :					
Fabrics	Mtrs.	43,754	37,02,483	3,54,487	1,94,29,849
	Kgs.	64,648	33,33,015	80,529	75,99,138
Consumables			64,93,118		1,83,88,530
Labour charges			23,83,032		77,84,804
			<u>1,59,11,648</u>		<u>5,32,02,321</u>

## 15. Particulars of Finished goods traded in :

Opening Stock :					
Garments	Pcs.	2,915	2,18,625	5,148	12,44,448
Sports Goods	Nos.	68,973	2,12,75,554	51,215	1,88,20,879
Fitness Equipment	Nos.	3,642	3,93,86,222	4,179	3,55,40,082
Others (Spares and Consumables)		—	52,08,539	—	78,69,122
			<u>6,60,88,940</u>		<u>6,34,74,531</u>
Purchases :					
Garments	Pcs.	—	—	1,91,496	2,91,56,330
Sports Goods	Nos.	3,95,538	8,98,34,662	3,42,465	8,73,09,484
Fitness Equipment	Nos.	19,162	21,08,11,463	10,623	14,57,64,391
Others (Spares and Consumables)		—	36,84,641	—	32,06,239
			<u>30,43,30,766</u>		<u>26,54,36,444</u>

## NOTES ON ACCOUNTS

## SCHEDULE 'M' — Contd.

	Unit	Quantity	2007-2008 Amount Rupees	Quantity	2006-2007 Amount Rupees
<b>Sales :</b>					
Garments	<b>Pcs.</b>	<b>86,568</b>	<b>1,86,84,184</b>	4,18,111	10,50,93,446
Sports Goods	<b>Nos.</b>	<b>3,94,064</b>	<b>12,75,06,298</b>	3,24,707	11,58,02,927
Fitness Equipment	<b>Nos.</b>	<b>12,368</b>	<b>33,69,51,481</b>	11,160	23,46,75,108
Others (Spares and Consumables)		—	<b>43,27,118</b>	—	41,33,938
			<b>48,74,69,081</b>		<b>45,97,05,419</b>
<b>Closing Stock :</b>					
Garments	<b>Pcs.</b>	—	—	2,915	2,18,625
Sports Goods	<b>Nos.</b>	<b>70,447</b>	<b>1,66,30,603</b>	68,973	2,12,75,554
Fitness Equipment	<b>Nos.</b>	<b>10,436</b>	<b>5,56,74,391</b>	3,642	3,93,86,222
Others (Spares and Consumables)		—	<b>35,14,042</b>	—	52,08,539
			<b>7,58,19,036</b>		<b>6,60,88,940</b>
16. Services rendered			<b>1,86,87,349</b>		<b>1,65,92,293</b>
<b>17. Particulars of Consumption :</b>					
		%	2007-2008 Amount	%	2006-2007 Amount
<b>Raw materials :</b>					
Imported		<b>26.67</b>	<b>42,42,947</b>	42.79	2,27,65,645
Indegenous		<b>73.33</b>	<b>1,16,68,701</b>	57.21	3,04,36,676
		<b>100.00</b>	<b>1,59,11,648</b>	<b>100.00</b>	<b>5,32,02,321</b>
<b>18. Foreign currency transactions :</b>					
			2007-2008 Rupees		2006-2007 Rupees
<b>(a) CIF Value of Imports</b>					
Finished Goods			<b>14,15,70,710</b>		12,32,77,148
Spares			<b>28,23,032</b>		24,21,631
Raw Materials			—		2,14,87,610
<b>(b) Expenditure in foreign currency [on payment basis (subject to deduction of tax where applicable)]</b>					
Travelling expenses			<b>18,39,557</b>		14,61,062
Royalty			<b>69,16,386</b>		10,09,343
<b>(c) Earnings :</b>					
FOB value of exports			<b>2,05,54,057</b>		10,23,40,722
Freight charges			<b>3,51,380</b>		18,31,276
Claims received			—		1,05,815
Distribution margin received			<b>38,95,685</b>		63,78,124
Royalty received			<b>7,32,539</b>		4,25,066
Sourcing Fees			<b>1,15,87,374</b>		—

## NOTES ON ACCOUNTS

## SCHEDULE 'M' — Contd.

19. Previous years figures have been regrouped wherever necessary to conform to this years classifications.
20. Related Party Transactions :

Details of transactions with Related Parties.

Particulars of transaction	With Companies having Common Directors	
	2007-2008 Rupees	2006-2007 Rupees
Export Sales	—	1,14,33,592
Sourcing Fees	1,06,07,062	—
Local Sales	—	3,99,168
Sale of Fixed assets	5,25,200	—
Purchase of goods	9,17,784	42,86,411
Interest paid	8,91,125	5,82,773
Royalty paid	49,41,817	48,99,718
Intercorporate deposit Taken	2,15,00,000	75,00,000
Outstanding at the year end as Receivables	—	—
Outstanding at the year end as Payable	32,07,384	72,06,179

(A) Companies in which some directors of this company are interested as directors :

- (1) Proline India Limited,
- (2) Proline Exports Pvt. Ltd.,\*
- (3) Proline International Ltd. (U.K.),
- (4) Promark Fitness & Leisure Pvt. Ltd.,\*
- (5) C. P. Plastics Pvt. Ltd.,\*
- (6) Trimpacks Container Co. Pvt. Ltd.\*

\*No Transaction during the year

(B) Employees Benefit Plans where there is significant influence :  
Cravatex Limited Provident Fund (No Transaction during the year)

(C) Key Management Personnels :

- (1) Mr. Rajesh Batra (No transaction during the year)
- (2) Mr. N. R. Mahalingam (No transaction during the year)

21. Segment Reporting :

The Company operates in two segments i.e. readymade garments and fitness equipment/sports goods. The Company has certain revenues and expenditures which are unrelated to the business segments and therefore, have been identified under others.

## NOTES ON ACCOUNTS

## SCHEDULE 'M' — Contd.

Details of primary segment :

Sl. No.	Particulars	Year ended 31st March, 2008 Rupees	Year ended 31st March, 2007 Rupees
1	<b>Segment Revenue :</b>		
	External Sales and Services		
	— Readymade Garments	3,25,41,068	11,43,47,590
	— Fitness Equipment/Sports goods	48,03,27,694	36,83,96,045
	— Others	1,33,26,047	1,46,86,293
	Inter segment Sales and Services	—	—
	<b>Total Segment Revenue</b>	<b>52,61,94,809</b>	<b>49,74,29,928</b>
2	<b>Segment Results :</b>		
	(Before Tax and interest)		
	— Readymade Garments	(4,19,840)	49,14,590
	— Fitness Equipment/Sports goods	2,96,64,701	1,87,74,352
	— Others	62,15,076	64,90,098
	Operating Profit	3,54,59,937	3,01,79,040
	Less : Interest Expense	1,38,37,426	1,41,83,576
	Profit after interest	2,16,22,511	1,59,95,464
	Less : Income Tax (Net)	91,53,174	26,92,255
	<b>Net Profit</b>	<b>1,24,69,337</b>	<b>1,33,03,209</b>
3	<b>Other informations :</b>		
	Segment Assets :		
	— Readymade Garments	50,46,341	3,97,91,501
	— Fitness Equipment/Sports goods	28,33,91,332	24,25,58,184
	— Others	7,94,72,717	8,41,89,066
	Unallocable assets	3,94,37,969	2,58,07,035
	<b>Total Assets</b>	<b>40,73,48,359</b>	<b>39,23,45,786</b>
	Segment Liabilities :		
	— Readymade Garments	30,86,053	1,28,60,212
	— Fitness Equipment/Sports goods	7,38,11,903	5,68,67,259
	— Others	1,27,64,098	1,60,77,267
	Unallocable corporate liabilities	3,00,53,237	1,92,69,269
	<b>Total Liability</b>	<b>11,97,15,291</b>	<b>10,50,74,007</b>
	Capital Expenditure (Addition to Fixed Asset) :		
	— Readymade Garments	44,380	—
	— Fitness Equipment/Sports goods	1,07,99,499	29,68,302
	— Others	61,401	5,39,218
	<b>Total Addition to Fixed Assets</b>	<b>1,09,05,280</b>	<b>35,07,520</b>
	Depreciation :		
	— Readymade Garments	4,89,797	8,65,740
	— Fitness Equipment/Sports goods	65,11,175	70,77,238
	— Others	24,99,031	25,25,816
	<b>Total Depreciation</b>	<b>95,00,003</b>	<b>1,04,68,794</b>

## NOTES ON ACCOUNTS

## SCHEDULE 'M' — Contd.

## 22. Significant Accounting Policies :

## (a) General:

- (i) These accounts are prepared on the historical cost basis and on the accounting principles of a going concern.
- (ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

## (b) Revenue Recognition:

Expenses and income considered payable and receivable have been accounted for on accrual basis.

## (c) Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation

## (d) Investments are stated at the cost of acquisition.

## (e) Inventories:

Finished Goods (including spares)— At cost or net realisable value whichever is lower, cost being the actual purchase price and othercosts that are necessary to bring the inventories to the present location and condition.

Fabrics — At cost

Work-in-Progress — At cost

## (f) Depreciation:

Depreciation is provided on straightline method at the rates and in the manner as specified in Schedule XIV of the Companies Act, 1956 except :

- in the case of Licenses and Franchise, depreciation has been charged on written down value method at the rate of 25% as specified for Intangible Assets under the Income-tax Rules.
- in the case of Fixed Assets of Bangalore unit, depreciation has been charged on written down value method.
- In the case of Spa Equipment, which are depreciated over a period of 7 years on straight line method.

## (g) Transactions in foreign currency are recorded at the prevailing exchange rate on the date of negotiation of bills. Current assets and current liabilities in foreign currency are stated at the exchange rate prevailing as on 31 March, 2008 and the difference is recognised in the Profit and Loss Account. Where the Company has entered into forward exchange contract the liability is recorded at the contract rate. The difference between the contracted rate and the rate at the date of transaction, except for the fixed assets, is recognised in the Profit and Loss Account over the period of the contract.

## (h) Retirement Benefits

- (i) Retirement benefits are accounted on accrual basis with corresponding payment to recognised trusts.
- (ii) Liability in respect of gratuity is based on calculations made by the management.
- (iii) Provision for leave encashment is made on the basis of actual amount payable for the year.

## (i) Leases :

- (i) Assets acquired under finance leases are capitalised at the lower of the fair value of the leased assets at the inception of the lease term and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term at constant periodic rate of interest on the remaining balance of liability.
- (ii) Lease payments under operating lease are recognised as an expense in the Profit and Loss Account on straight line basis over the lease term.



## NOTES ON ACCOUNTS

## SCHEDULE 'M' — Contd.

## 23. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

<b>I. Registration Details</b>		
Registration No.		8546
State Code		11
Balance Sheet date		31.03.2008
<b>II. Capital Raised during the year</b>		<b>(Amount in Rs. Thousands)</b>
Public Issue		NIL
Right Issue		NIL
Bonus Issue		NIL
Private Placement		NIL
<b>III. Position of Mobilisation and Deployment of Funds</b>		<b>(Amounts in Rs. Thousands)</b>
Total Liabilities		2,87,633
Total assets		2,87,633
<b>Source of funds</b>		
Paid-up Capital		12,921
Reserve & Surplus		1,21,016
Secured Loans		94,804
Unsecured Loans		26,045
Deferred Tax Liability(Net)		32,847
<b>Application of Funds</b>		
Net fixed Assets		1,29,108
Investments		35
Net Current Assets		1,58,490
Misc.Expenditure		NIL
Accumulated Losses		NIL
<b>IV. Performance of Company</b>		<b>(Amount in Rs. Thousands)</b>
Turnover (Including Other Income)		5,26,195
Total Expenditure		5,04,572
Profit Before Tax		21,623
Profit After Tax and deferred tax credit		12,469
Earning per Share (Basic) in Rs		9.65
Dividend rate %		35
(Dilluted) in Rs		N.A
<b>V. Generic Names of Three Principal Products</b>		<b>(As per monetary terms)</b>
Item Code No. (ITC Code)		590696
Product Description		COTTON KNITTED GARMENTS
Item Code No. (ITC Code)		950691.01
Product Description		EXERCISE EQUIPMENT
Item Code No. (ITC Code)		640419.01
Product Description		SHOES

## SIGNATURES TO SCHEDULES 'A' TO 'M'

**Rajesh Batra**  
*Chairman*

**Arjun Bulchandani**  
*Director*

**N. R. Mahalingam**  
*Director*

**S. D. Israni**  
*Director*

**Nabankur Gupta**  
*Director*

**H. K. Vakharia**  
*Director*

**Kuldeep R. Sharma**  
*Company Secretary*

Place : Mumbai  
Dated : June 12, 2008

## CASH FLOW

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2008

	2007-2008 Rupees	2006-2007 Rupees
<b>A Cash flow from operating activities</b>		
Net profit before taxation and extraordinary item	2,16,22,511	1,59,95,464
Adjustments for:		
Depreciation	95,00,003	1,04,68,794
Goodwill amortised	6,14,900	6,14,900
Interest income	(46,619)	(4,28,732)
Dividend income	(6,300)	(6,300)
Interest expenses	1,38,37,426	1,41,83,576
Operating profit before working capital changes	4,55,21,921	4,08,27,702
Adjustments for:		
(Increase)/Decrease in Sundry debtors	(1,38,66,446)	(2,49,02,581)
(Increase)/Decrease in Inventories	25,66,595	42,36,392
(Increase)/Decrease in Loans & Advances	38,96,082	(52,66,742)
Increase/(Decrease) in Current Liabilities	38,50,240	2,21,22,171
Cash generated from operations	4,19,68,392	3,70,16,942
Interest paid	(1,38,30,350)	(1,40,41,026)
Direct taxes paid (Net of refunds) (including deferred tax)	(1,43,99,724)	(63,29,847)
Net cash from operating activities	1,37,38,318	1,66,46,069
<b>B Cash flow from investing activities</b>		
Additions to Fixed assets	(1,09,05,280)	(35,07,520)
Sale of Fixed assets	72,53,336	7,96,599
Amortisation of Goodwill	(6,14,900)	(6,14,900)
Subsidy received	—	3,87,000
Dividend received	6,300	6,300
Interest received	1,37,961	6,51,432
Net cash from/(used in) investing activities	(41,22,583)	(22,81,089)
<b>C Cash flow from financing activities</b>		
Proceeds from Borrowings	—	2,36,981
Repayment of Borrowings	(52,20,152)	(1,27,97,503)
Dividend paid	(44,88,312)	(38,29,927)
Net cash from/(used in) financing activities	(97,08,464)	(1,63,90,449)
Net cash flows during the year (A+B+C)	(92,729)	(20,25,469)
Cash and cash equivalents (opening balance)	1,67,39,360	1,87,64,829
Cash and cash equivalents (closing balance)	1,66,46,631	1,67,39,360

As per our separate report of even date

For **S. P. CHOPRA & CO.**  
Chartered Accountants

**Rajesh Batra**  
Chairman

**Arjun Bulchandani**  
Director

**N. R. Mahalingam**  
Director

**Y. K. Shankardass**  
Partner

**S. D. Israni**  
Director

**Nabankur Gupta**  
Director

**H. K. Vakharia**  
Director

**Kuldeep R. Sharma**  
Company Secretary

Place : Mumbai

Dated : June 12, 2008