

**BOARD OF DIRECTORS AND GENERAL INFORMATION**

**Board of Directors**

Rajesh Batra : *Chairman*  
N. R. Mahalingam  
Arjun Bulchandani  
H. K. Vakharia  
S. D. Israni  
Nabankur Gupta  
Rajiv Wallia : *Executive Director*

**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:*

13 AB, Samhita Warehousing Complex,  
2nd Floor, Sakinaka Telephone Exchange Lane,  
Off Andheri Kurla Road, Sakinaka,  
Andheri (E), Mumbai - 400 072.

*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. 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-eighth Annual General Meeting of the Members of **CRAVATEX LIMITED** will be held on Friday, July 16, 2010 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, 2010 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 Dr. S.D. Israni who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Arjun Bulchandani 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. (Registration No. 101911W), 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, 2011 in respect of the branch of the Company at Bangalore, be audited by M/s. M. R. Jayaprakash & Associates (Registration No. 007319S), Chartered Accountants, on such terms and conditions as may be decided by the Board of Directors.”

By Order of the Board of Directors

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

Place : Mumbai  
Dated : May 17, 2010

### 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. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, July 9, 2010 to Friday, July 16, 2010, both days inclusive.

**NOTICE OF ANNUAL GENERAL MEETING**

3. 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.
4. 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, 2002 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, 2003 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, 2003, till the year ended March 31, 2009 are requested to approach the Registrars and Share Transfer Agents of the Company for payment.

5. 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.
6. 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.

7. 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 8, 2010 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.
8. 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 : May 17, 2010

## 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, 2010.

	Current Year Rupees	Previous Year Rupees
<b>FINANCIAL RESULTS</b>		
Earnings before Interest, Depreciation and Taxation	8,60,79,848	4,76,35,033
Less: Interest	85,49,020	1,23,77,069
Less: Depreciation	72,70,231	86,12,523
Leaving a Profit before Taxation	7,02,60,597	2,66,45,441
Provision for Taxation:		
Current Tax	(2,17,00,000)	(70,00,000)
Fringe Benefit Tax	—	(9,00,000)
Deferred Tax Credit/(Debit)	(3,42,317)	(3,86,950)
(Short)/Excess Provision for Earlier Years	(1,13,26,632)	1,12,868
Profit after Current Taxation	3,68,91,648	1,84,71,359
Adding thereto:		
Brought forward from Previous Year	2,51,55,194	1,69,74,905
Available for Appropriation	6,20,46,842	3,54,46,264
Less Appropriations:		
Provision for Proposed Dividend	58,14,360	45,22,280
Provision for Tax on Proposed Dividend	9,88,150	7,68,790
General Reserve	3,00,00,000	50,00,000
Balance to be carried forward	2,52,44,332	2,51,55,194

## OPERATIONS

The turnover of the Company for the year under review has increased from Rs.4,424 lacs to Rs.5,845 lacs while the earnings before interest, depreciation and taxation stood at Rs.861 lacs as against Rs.476 lacs in last year. The Net Profit before tax for the year increased from Rs.266 lacs to Rs.703 lacs. The balance carried forward to Balance Sheet is Rs.252 lacs.

## DIVIDEND

The Directors are pleased to recommend enhanced dividend of Rs.4.50 per equity share (previous year Rs.3.50 per equity share) on the nominal value of Rs.10/- per equity share 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.58,14,360.

## DEPOSITS

The total Unsecured Loans and Deposits stood at Rs.2,44,00,000/- as on March 31, 2010 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

Dr. S.D. Israni and Mr. Arjun Bulchandani are retiring by rotation and, being eligible, offer themselves for re-appointment.

### DEMATERIALISATION OF COMPANY'S SHARES

Of the Company's total shareholding, 7,95,468 shares were held in dematerialised mode by the shareholders of the Company of which 7,18,851 shares were under National Securities Depository Limited (NSDL) and balance 76,617 shares under Central Depository Services (I) Limited (CDSL) as on March 31, 2010.

### 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:*

The Reserve Bank had projected the real GDP growth for 2009-10 at 7.5 per cent. The advance estimates released by the Central Statistical Organisation (CSO) in early February 2010 placed the real GDP growth during 2009-10 at 7.2 per cent.

The uptrend in industrial activity continues. The index of industrial production (IIP) recorded a growth of 16.7 per cent. The recovery has also become more broad-based with 14 out of 17 industry groups recording accelerated growth during April 2009-February 2010. The sharp pickup in the growth of the capital goods sector, in double digits since September 2009, points to the revival of investment activity. After a continuous decline for eleven months, imports expanded by 66.4 by end of 2010. The acceleration in non-oil imports since November 2009 further evidences recovery in domestic demand.

## REPORT OF THE BOARD OF DIRECTORS

After contracting for twelve straight months, exports have turned around reflecting revival of external demand. Various lead indicators of service sector activity also suggest increased economic activity. On the whole, the economic recovery, which began around the second quarter of 2009-10, has since shown sustained improvement

A sharp recovery of growth during 2009-10 despite the worst south-west monsoon since 1972 attests to the resilience of the Indian economy. The monetary and fiscal stimulus measures initiated in the wake of the global financial crisis played an important role, first in mitigating the adverse impact from contagion and then in ensuring that the economy recovered quickly.

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

The Company currently has a network of 51 exclusive Fitness Showrooms across India, after having closed a few non-performing stores and opening some new stores.

The Company, through its network of above Showrooms and Dealers, continued to provide complete solutions for customers including layout planning, selection from range of equipments & installation, backed by unmatched nationwide service support.

The Company continues to supply fitness equipments to all consumers including Health Clubs, Gyms, Corporates, Hotels, Resorts, Housing Societies etc.

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	4	4	Yes	4	4
Mr. Arjun Bulchandani	Independent Non-executive	4	4	Yes	None	None
Mr. H. K. Vakharia	Independent Non-executive	4	3	Yes	None	None
Mr. N. R. Mahalingam	Independent Non-executive	4	4	Yes	1	3
Dr. S. D. Israni	Independent Non-executive	4	3	Yes	2	5
Mr. Nabankur Gupta	Independent Non-executive	4	3	Yes	10	8
Mr. Rajiv Wallia	Executive	4	3	Yes	None	None

## REPORT OF THE BOARD OF DIRECTORS

### (b) Details of Remuneration

- (i) The details of sitting fees paid to the Directors during the financial year 2009-10 are given below :

Name	No. of Meetings Attended	Sitting Fees (Rs)
Mr. Rajesh Batra	4	40,000
Mr. Arjun Bulchandani	4	40,000
Mr. H.K. Vakharia	3	30,000
Mr. N.R. Mahalingam	4	40,000
Dr. S.D. Israni	3	30,000
Mr. Nabankur Gupta	3	30,000
Mr. Rajiv Wallia	3	NIL

### (c) Number of Board Meetings held during the year 2009-10

The Company held four Board Meetings during the year ended March 31, 2010. These were on June 3, 2009, July 17, 2009, October 23, 2009 and January 27, 2010.

## 2. Board Committees

The Board has constituted following Committees of Directors:

### (A) Share Transfer Committee

#### (a) Composition

The Share Transfer Committee consists of the following Directors:

(1) Mr. Rajesh Batra, (2) Mr. Arjun Bulchandani, (3) Mr. N.R. Mahalingam and (4) Mr. Rajiv Wallia

Broad terms of reference of the Share Transfer Committee include approve and register transfers and/or transmission of Equity Shares of the Company.

#### (b) Number of Share Transfer Meetings held & Details of Remuneration paid during the financial year 2009-10

The Company held 7 Share Transfer Committee Meetings in the Financial Year 2009 – 10. However, the Members of the Share Transfer Committee are not entitled to remuneration and accordingly, no remuneration has been paid to any of its Members.

### (B) Remuneration Committee

#### (a) Composition

The Remuneration Committee consists of the following Non-executive Independent Directors:

(1) Mr. N.R. Mahalingam, (2) Mr. Nabankur Gupta and (3) Dr. S.D. Israni

Broad terms of reference of the Remuneration Committee include determining the remuneration package of Company's Managerial Personnel.

#### (b) Number of Remuneration Committee Meetings held & Details of Remuneration paid during the financial year 2009-10

The Remuneration Committee did not hold any Meeting in the Financial Year 2009-10 and accordingly, no remuneration has been paid to any of its Members.

## REPORT OF THE BOARD OF DIRECTORS

### (C) Selection Committee

#### (a) Composition

The Selection Committee consists of the following Non-executive Independent Directors:

(1) Mr. N.R. Mahalingam, (2) Mr. Nabankur Gupta and (3) Dr. S.D. Israni

Broad terms of reference of the Selection Committee include selection of a relative of Director for holding an office or place of profit in the Company

#### (b) Number of Selection Committee Meetings held & Details of Remuneration paid during the financial year 2009-10

The Selection Committee did not hold any Meeting in the Financial Year 2009 – 10 and accordingly, no remuneration has been paid to any of its Members.

### 3. 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	: 17/07/2009	25/07/2008	27/07/2007
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	: 10.30 a.m.	10.30 a.m.	10.00 a.m.

(b) Whether any Special Resolutions were passed in the previous three AGMs? : Yes

(c) Whether any Special Resolutions were passed last year through postal ballot – Details of voting pattern. : No

(d) Whether any Special Resolution is proposed to be conducted through postal ballot this year? : No

### 4. Subsidiaries

The Company does not have any Subsidiary.

### 5. 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.

### 6. General Shareholder Information

(a) Annual General Meeting will be held on Friday, July 16, 2010 at 10.30 a.m. at Textiles Committee Auditorium, P. Balu Road, Prabhadevi Chowk, Prabhadevi, Mumbai-400 025.



## REPORT OF THE BOARD OF DIRECTORS

## (b) Financial Year:

Annual General Meeting : Friday, July 16, 2010  
 Results for quarter ending June 30, 2010 : Second week of August, 2010  
 Results for quarter ending September 30, 2010 : Second week of November, 2010  
 Results for quarter ending December 31, 2010 : Second week of February, 2011  
 Results for the year ending March 31, 2011 : Before May 30, 2011

## (c) Date of Book Closure

: Friday, July 9, 2010  
 to  
 Friday, July 16, 2010  
 (both days inclusive)

## (d) Dividend Payment Date : Before August 14, 2010

## (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. 250.00 (12/03/2010)  
 Low : Rs. 51.00 (15/05/2009)

## (h) Registrars &amp; Share Transfer Agents:

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

*Registered Office:*

13 AB, Samhita Warehousing Complex, 2nd Floor, Sakinaka Telephone Exchange Lane,  
 Off Andheri Kurla Road, Sakinaka, Andheri (East), Mumbai-400 072.  
 Tel. Nos. 022-67720300, 67720400 and 67720403,  
 Fax Nos. 022-67720416, 28591568, 28508927.  
 Email: sharepro@shareproservices.com

*Investor Relation Centre:*

912, Raheja Centre, Free Press Journal Road, Nariman Point, Mumbai 400 021,  
 Tel. No. 022-2288 1469, 6613 4700, Fax No. 022-2282 5484. Email: ravi@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, 2010:

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Less than 500	2,011	96.451	1,29,824	10.048
501 to 1000	31	1.487	23,018	1.781
1001 to 2000	14	0.671	21,254	1.645
2001 to 3000	3	0.144	7,720	0.597
3001 to 4000	4	0.192	14,240	1.102
4001 to 5000	3	0.144	13,500	1.045
5001 to 10000	5	0.240	37,703	2.918
10001 and above	14	0.671	10,44,821	80.863
<b>Total</b>	<b>2,085</b>	<b>100.00</b>	<b>12,92,080</b>	<b>100.00</b>

Shareholding Pattern as on March 31, 2010

Category	No. of Shares	%
Promoters	9,69,060	75.00
Banks	0	0.00
Bodies Corporate (Other)	11,116	0.86
NRI*	176	0.01
Public	3,11,728	24.13
<b>Total</b>	<b>12,92,080</b>	<b>100.00</b>

\*Total Foreign shareholding in the company is 39,296 (3.03%) of which 39,120 (3.02%) is included in Indian Promoters.

(k) Dematerialisation of shares and liquidity

Approximately 61.56% of the total shareholding of the Company has been dematerialised as on March 31, 2010 out of which 55.63% of shares are dematerialised under National Securities Depository Limited (NSDL) and 5.93 % 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 Annexure I to this Report.

**REPORT OF THE BOARD OF DIRECTORS****PARTICULARS OF THE EMPLOYEES**

The Information required under Section 217(2A) of the Companies Act, 1956 read with rules made thereunder forms part of this report. However, as per provision of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to all shareholders excluding the statement of particulars of employees under Section 217(2A) of the Act. Any Shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Company's Registered Office Address.

**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 : May 17, 2010

***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.

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Details in respect of total Foreign Exchange used and earned are given in Item No. 17 in schedule 'N' 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 2010, 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 locations 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 branch;
  - (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 2010 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2010 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

REPORT OF THE AUDITORS

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 2010;
- (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*  
Membership No.101911W

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

Membership No. F-5106

Place : Mumbai  
Dated : May 17, 2010

## 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 and discarded as obsolete (Rs.66,10,570) some of the fixed assets at some locations (due to closure of these locations) and at the head office, but the same do not comprise substantial part of the fixed assets of the Company. Based on the information and explanations 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 assets 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 from a firm 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.2,13,25,000 and the year-end balance of loans from such parties was Rs.2,13,25,000. 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.

**REPORT OF THE AUDITORS**

- (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.
- (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 maintained by the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues applicable to it. According to the information and explanations given to us, no undisputed amounts payable in respect of such statutory dues were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.
- (b) 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.
- (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.
- (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.



**REPORT OF THE AUDITORS**

- (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*  
Membership No.101911W

**Y. K. Shankardass**  
*Partner.*  
Membership No. F-5106

Place : Mumbai  
Dated : May 17, 2010

## BALANCE SHEET

BALANCE SHEET  
AS AT 31 MARCH, 2010

	Schedule	2009-2010 Rupees	2008-2009 Rupees
<b>SOURCES OF FUNDS</b>			
Shareholders' Funds:			
Share Capital	'A'	1,29,20,800	1,29,20,800
Reserves and Surplus	'B'	16,65,69,941	13,64,80,803
		<u>17,94,90,741</u>	<u>14,94,01,603</u>
Loan Funds:			
Secured Loans	'C'	10,97,66,639	8,43,27,267
Unsecured Loans	'D'	2,44,00,000	2,42,75,000
		<u>13,41,66,639</u>	<u>10,86,02,267</u>
Deferred Tax Liability (Net) (Note '11')		3,35,76,656	3,32,34,339
<b>TOTAL</b>		<u><b>34,72,34,036</b></u>	<u><b>29,12,38,209</b></u>

## APPLICATION OF FUNDS

Fixed Assets :	'E'		
Gross Block		20,57,73,986	21,20,92,621
Depreciation		8,22,15,383	9,04,11,477
Net Block		<u>12,35,58,603</u>	<u>12,16,81,144</u>
Investments	'F'	2,05,37,114	2,31,56,859
Net Working Capital			
Current Assets, Loans and Advances	'G'	41,13,35,689	27,20,54,139
Less: Current Liabilities and Provisions	'H'	20,81,97,370	12,56,53,933
		<u>20,31,38,319</u>	<u>14,64,00,206</u>
<b>TOTAL</b>		<u><b>34,72,34,036</b></u>	<u><b>29,12,38,209</b></u>

Notes on Accounts and Significant Accounting  
Policies – As per Schedule

'N'

## 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

**S. D. Israni**  
Director

**H. K. Vakharia**  
Director

**Y. K. Shankardass**  
Partner

**Rajiv Wallia**  
Executive Director

**Kuldeep R. Sharma**  
Company Secretary

Place : Mumbai  
Dated : May 17, 2010

## PROFIT AND LOSS ACCOUNT

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2010

	Schedule	2009-2010 Rupees	2008-2009 Rupees
<b>INCOME</b>			
Sales and Services (Note '7')		58,44,94,508	44,23,85,469
Other Income	'I'	5,56,16,053	5,81,84,974
<b>TOTAL</b>		<b>64,01,10,561</b>	<b>50,05,70,443</b>
<b>EXPENDITURE</b>			
Cost of Goods sold	'J'	33,20,68,142	27,49,78,479
Employees Remuneration and Benefits	'K'	5,20,40,950	4,34,58,744
Selling, Operating and Administrative expenses	'L'	16,99,21,621	13,44,98,187
Interest	'M'	85,49,020	1,23,77,069
Depreciation		72,70,231	86,12,523
<b>TOTAL</b>		<b>56,98,49,964</b>	<b>47,39,25,002</b>
<b>PROFIT</b>			
Profit before Taxation		7,02,60,597	2,66,45,441
Provision for taxation			
Current tax		(2,17,00,000)	(70,00,000)
Fringe Benefit-tax		—	(9,00,000)
Deferred Tax Credit/(Debit)		(3,42,317)	(3,86,950)
(Short)/Excess Provision for earlier years		(1,13,26,632)	1,12,868
Profit after Taxation		3,68,91,648	1,84,71,359
Add: Balance brought forward		2,51,55,194	1,69,74,905
<b>TOTAL</b>		<b>6,20,46,842</b>	<b>3,54,46,264</b>
<b>APPROPRIATIONS</b>			
Provision for Proposed Dividend		58,14,360	45,22,280
Provision for Tax on Proposed Dividend		9,88,150	7,68,790
Transfer to General Reserve		3,00,00,000	50,00,000
Balance carried to Balance Sheet (Schedule 'B')		2,52,44,332	2,51,55,194
<b>TOTAL</b>		<b>6,20,46,842</b>	<b>3,54,46,264</b>
Basic and Diluted Earning per Share (Note'12')		28.55	14.30

Notes on Accounts and Significant Accounting Policies – As per Schedule

'N'

#### 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

**S. D. Israni**  
Director

**H. K. Vakharia**  
Director

**Y. K. Shankardass**  
Partner

**Rajiv Wallia**  
Executive Director

**Kuldeep R. Sharma**  
Company Secretary

Place : Mumbai  
Dated : May 17, 2010

## SCHEDULES — BALANCE SHEET

## SCHEDULES

Forming part of the Balance Sheet as at 31 March, 2010

	2009-2010 Rupees	2008-2009 Rupees
<b>SCHEDULE 'A' — SHARE CAPITAL</b>		
<b>Authorised:</b>		
18,50,000 Equity shares of Rs.10 each	1,85,00,000	1,85,00,000
15,000 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>		
12,92,080 Equity shares of Rs. 10 each (Of the above shares 17,000 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 2,52,000 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	18,92,000
	<u>18,92,000</u>	<u>18,92,000</u>
<b>General Reserve:</b>		
Balance as per last Account	10,92,65,609	10,19,81,138
Adjustment on account of initial adoption of Accounting Standard 15 (Revised 2005) on (Employee Benefit) (Note '10')	—	22,84,471
	<u>10,92,65,609</u>	<u>10,42,65,609</u>
Add : Transfer from Profit and Loss Account	3,00,00,000	50,00,000
	<u>13,92,65,609</u>	<u>10,92,65,609</u>
<b>Profit and Loss Account:</b>		
As per Account Annexed	2,52,44,332	2,51,55,194
	<u>16,65,69,941</u>	<u>13,64,80,803</u>

## SCHEDULES — BALANCE SHEET

## SCHEDULES — Contd.

	2009-2010 Rupees	2008-2009 Rupees
<b>SCHEDULE 'C' — SECURED LOANS</b>		
<b>From Banks:</b>		
<b>(a) Axis Bank Ltd.</b>		
(i) Cash Credit Account (secured by first charge on all the current assets and equitable mortgage extended over the company's property at Prabhadevi, Mumbai)	10,90,64,773	7,86,91,428
(ii) Term Loan (secured by an exclusive first charge on fixed assets of the company except office premises at Nariman Point, Mumbai)	—	44,89,982
<b>(b) Citi Bank Ltd.:</b>		
Term Loan (secured by hypothecation of a car) (Note '6a')	1,10,551	1,97,425
<b>(c) From Others:</b>		
(secured by hypothecation of a car) (Note '6a')	5,91,315	9,48,432
	<u>10,97,66,639</u>	<u>8,43,27,267</u>
<b>SCHEDULE 'D' — UNSECURED LOANS</b>		
<b>Fixed Deposits</b>	2,44,00,000	2,42,75,000
	<u>2,44,00,000</u>	<u>2,42,75,000</u>

## SCHEDULES — BALANCE SHEET

## SCHEDULES — Contd.

## SCHEDULE 'E' — FIXED ASSETS

Amount in Rupees

Sr. No.	PARTICULARS	GROSS BLOCK AT COST				DEPRECIATION (Note '19f')				NET BLOCK	
		As at 01.04.2009	Additions	Sales/ Adjustments	As at 31.03.2010	Upto 31.03.2009	For the year	Adjusted	Upto 31.03.2010	As at 31.03.2010	As at 31.03.2009
1.	Goodwill (Note '5')	12,29,800	—	6,14,900	<b>6,14,900</b>	—	—	—	—	<b>6,14,900</b>	12,29,800
2.	Factory Building	13,05,990	—	13,05,990	—	4,47,106	—	4,47,106	—	—	8,58,884
3.	Other Building	8,93,76,985	15,02,707	—	<b>9,08,79,692</b>	2,07,73,870	14,57,189	—	<b>2,22,31,059</b>	<b>6,86,48,633</b>	6,86,03,115
4.	Plant & Machinery	47,80,868	—	43,81,316	<b>3,99,552</b>	42,98,607	21,008	39,20,063	<b>3,99,552</b>	—	4,82,261
5.	Spa Equipment	1,39,07,940	—	—	<b>1,39,07,940</b>	79,58,826	18,87,507	—	<b>98,46,333</b>	<b>40,61,607</b>	59,49,114
6.	Licences & Franchise	3,63,51,000	—	—	<b>3,63,51,000</b>	3,27,21,767	9,07,308	—	<b>3,36,29,075</b>	<b>27,21,925</b>	36,29,233
7.	Air Conditioning Plant & Units	60,34,703	15,90,307	2,48,987	<b>73,76,023</b>	16,03,995	3,12,651	1,42,627	<b>17,74,019</b>	<b>56,02,004</b>	44,30,708
8.	Furniture, Fixtures & Fittings	2,81,54,279	44,98,323	73,92,792	<b>2,52,59,810</b>	1,34,59,872	14,25,946	58,14,161	<b>90,71,657</b>	<b>1,61,88,153</b>	1,46,94,407
9.	Motor Vehicles	31,00,424	—	7,00,258	<b>24,00,166</b>	8,32,037	2,29,964	5,41,317	<b>5,20,684</b>	<b>18,79,482</b>	22,68,387
10.	Electrical Fittings	84,16,319	23,37,946	45,52,165	<b>62,02,100</b>	30,18,468	2,40,184	19,48,668	<b>13,09,984</b>	<b>48,92,116</b>	53,97,851
11.	Office & Factory Equipment	99,08,137	63,70,201	41,84,708	<b>1,20,93,630</b>	52,96,929	7,88,474	26,52,383	<b>34,33,020</b>	<b>86,60,610</b>	46,11,208
12.	Advance on Capital Account – Purchase of Property (Note '1d')	95,26,176	7,62,997	—	<b>1,02,89,173</b>	—	—	—	—	<b>1,02,89,173</b>	95,26,176
	Total	21,20,92,621	1,70,62,481	2,33,81,116	<b>20,57,73,986</b>	9,04,11,477	72,70,231	1,54,66,325	8,22,15,383	12,35,58,603	12,16,81,144
	Total (Previous year)	21,49,61,335	48,73,940	77,42,654	21,20,92,621	8,58,53,361	86,12,523	40,54,407	9,04,11,477	12,16,81,144	

## SCHEDULES — BALANCE SHEET

## SCHEDULES — Contd.

	2009-2010 Rupees	2008-2009 Rupees
<b>SCHEDULE 'F' — INVESTMENTS</b>		
<b>Trade Investments (At cost, fully paid-up):</b>		
Unquoted:		
National Savings Certificate (Note '3b')	23,000	23,000
Quoted:		
(a) HDFC Arbitrage Fund 998901.209 Units of Rs.10.011 each	—	1,00,00,000
(b) HDFC Short Term Plan 964413.155 Units of Rs.10.369 each	1,00,00,000	—
(c) Reliance Money Manager Fund 4477.955 Units of Rs. 1006.9015 each	—	45,08,859
(d) Reliance Regular Savings Fund 375303.589 Units of Rs. 12.0279 each	45,14,114	—
(e) Reliance Income Fund 310732.708 Units of Rs. 11.2637 each	—	35,00,000
(f) Reliance Capital Asset Mgt Ltd – Debt PMS Non-Convertible Redeemable Debentures of Citifinancial Consumer Finance India Ltd. Series 338	—	51,25,000
(g) BSL MIP II savings 5 plan 220588.8884 Units of Rs. 11.3333 each and 88476.01 units of Rs. 11.3025 each	35,00,000	—
(h) BSL Dynamic Bond Fund 241291.78 units of Rs. 10.3609 each	25,00,000	—
	<u>2,05,37,114</u>	<u>2,31,56,859</u>
Aggregate value of quoted investments	<u>2,05,14,114</u>	<u>2,31,33,859</u>
Market value of quoted investments	<u>2,05,32,951</u>	<u>2,27,17,440</u>

## SCHEDULES — BALANCE SHEET

## SCHEDULES — Contd.

## SCHEDULE 'G' — CURRENT ASSETS, LOANS AND ADVANCES

## Current Assets:

Interest Accrued

—

54,040

Inventories:

(As valued and certified by the management)

Finished Goods (including spares)

(At lower of cost or net realisable value)

11,58,27,441

7,29,98,786

Sundry Debtors (unsecured):

Over six months:

Considered good

19,07,209

27,59,046

Considered doubtful

—

3,16,921

19,07,209

30,75,967

Others

15,48,53,753

6,33,70,602

15,67,60,962

6,64,46,569

Less: Provision for doubtful debts

—

3,16,921

15,67,60,962

6,61,29,648

Cash and Bank balances:

Cash and cheques on hand

3,41,053

5,21,303

Balances with Scheduled Banks in:

Current Accounts

1,82,83,628

2,47,92,813

Unpaid Dividend Accounts

5,32,286

5,02,957

Fixed Deposit Accounts (Note '3a')

—

4,00,000

1,91,56,967

2,62,17,073

## Loans and Advances:

(Unsecured, considered good)

Advances and amounts recoverable in cash or in kind or for value to be received (Note '4')

3,43,61,714

3,82,09,191

Due from a Director

—

80,033

Advance with Customs authorities (Note '1f')

13,50,000

13,50,000

Security and other Deposits

2,88,76,609

2,23,22,175

Income-Tax and Wealth Tax paid (Note '1e')

5,50,01,996

4,46,93,193

11,95,90,319

10,66,54,592

41,13,35,689

27,20,54,139



## SCHEDULES — BALANCE SHEET

## SCHEDULES — Contd.

	2009-2010 Rupees	2008-2009 Rupees
<b>SCHEDULE 'H' — CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities:</b>		
Sundry Creditors (Note '2')	9,29,58,388	3,98,56,148
Advances and Security Deposits	5,28,91,340	4,78,91,936
Unpaid Dividends	5,32,286	5,02,957
Other Liabilities	59,37,846	43,67,284
	<u>15,23,19,860</u>	<u>9,26,18,325</u>
<b>Provisions:</b>		
For Taxation	5,00,63,150	2,81,43,790
For Gratuity (Note '10')	—	3,69,538
For Proposed Dividend	58,14,360	45,22,280
	<u>5,58,77,510</u>	<u>3,30,35,608</u>
	<u>20,81,97,370</u>	<u>12,56,53,933</u>

## SCHEDULES — PROFIT AND LOSS ACCOUNT

### SCHEDULES

Forming part of the Profit and Loss Account for the Year Ended 31 March, 2010

	2009-2010 Rupees	2008-2009 Rupees
<b>SCHEDULE 'I' — OTHER INCOME</b>		
Dividend	11,94,721	16,32,459
Interest (Tax deducted at source Rs.9,311 – previous year Rs. 19,633)	4,37,889	1,32,372
Installation charges, Design fees and Management-consultancy fees	3,00,000	21,55,000
Licence Fees	4,46,27,760	4,46,27,760
Profit on sale of Investments (net)	—	8,859
Duty Drawback	11,000	5,72,728
Miscellaneous Receipts	90,44,683	40,80,222
Refund of Custom duty (Earlier year)	—	49,75,574
	<u>5,56,16,053</u>	<u>5,81,84,974</u>
 <b>SCHEDULE 'J' — COST OF GOODS SOLD</b>		
<b>Opening Stock:</b>		
Finished goods (including spares)	7,29,98,786	7,58,19,036
Fabrics	—	1,99,769
	<u>7,29,98,786</u>	<u>7,60,18,805</u>
<b>Add: Purchases</b>	<u>37,48,96,797</u>	<u>27,19,58,460</u>
	<u>44,78,95,583</u>	<u>34,79,77,265</u>
<b>Less: Closing Stock:</b>		
Finished goods (including spares)	11,58,27,441	7,29,98,786
	<u>33,20,68,142</u>	<u>27,49,78,479</u>
 <b>SCHEDULE 'K' — EMPLOYEES REMUNERATION AND BENEFITS (Note '9a')</b>		
Salaries, Wages, Bonus and Gratuity	4,55,28,918	3,84,96,116
Contributions to:		
Employees State Insurance Scheme	2,18,701	2,18,784
Provident, Family Pension and other Funds	33,42,309	28,47,167
Superannuation Scheme	11,65,800	5,17,800
Staff Welfare Expenses	17,85,222	13,78,877
	<u>5,20,40,950</u>	<u>4,34,58,744</u>

## SCHEDULES — PROFIT AND LOSS ACCOUNT

### SCHEDULES — Contd.

	2009-2010 Rupees	2008-2009 Rupees
<b>SCHEDULE 'L' — SELLING, OPERATING AND ADMINISTRATIVE EXPENSES</b>		
Stores, Spares and Packing materials consumed	10,56,723	18,32,882
Transportation charges	2,14,19,165	1,76,43,337
Power and Fuel	38,38,080	40,69,269
Rent	5,00,92,009	3,99,38,546
Rates and Taxes	5,19,857	2,45,384
Insurance	11,12,429	9,76,093
Postage, Telephones and Telex	44,71,576	37,46,177
Travelling and Conveyance	1,36,01,632	97,25,463
Printing and Stationery	14,83,788	21,98,417
Other expenses	1,96,53,155	1,15,74,055
Repairs to:		
Machinery	—	5,500
Buildings	68,900	6,50,923
Others	50,16,749	68,25,480
Advertisement and Publicity	1,69,32,934	1,80,84,772
Commission and Brokerage	69,47,617	75,20,652
Sublicense Fee	23,38,751	—
Auditors' Remuneration: (Note '8')	4,24,106	3,13,500
Bad Debts	61,80,328	4,37,272
Directors' Fees	2,10,000	3,15,000
Professional and Legal charges (Note '9b')	65,64,014	45,89,793
Sales Tax paid	2,42,742	23,21,712
Goodwill amortised (Note '5')	6,14,900	6,14,900
Obsolete Fixed Assets written off	66,10,570	—
Loss on Sale of Assets (Net)	1,31,424	8,15,841
Loss on Sale of Investments (Net)	3,61,742	—
Debits of Earlier Years (Net)	28,430	53,219
	<u>16,99,21,621</u>	<u>13,44,98,187</u>
<b>SCHEDULE 'M' — INTEREST</b>		
On Fixed Loans from Banks	75,234	10,62,558
On Fixed Deposits and Others	84,73,786	1,13,14,511
	<u>85,49,020</u>	<u>1,23,77,069</u>

## NOTES ON ACCOUNTS

**Schedules forming part of the Balance Sheet as at 31 March, 2010 and Profit and Loss Account for the year ended on that date.**

### SCHEDULE 'N' — 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. 13,56,494 (Previous year Rs. 9,18,523)
  - (b) Letters of credit outstanding to the extent of Rs. 5,94,25,478 (Previous year Rs. 98,51,666)
  - (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. 8,57,135 (Previous year Rs. 16,20,132.)
  - (e) (i) Demands for Wealth Tax for the assessment years 1997-98 & 1998-99 amounting to Rs.51,25,378 (Previous year Rs.51,25,378) 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) For the assessment years 2000-2001, 2002-2003 and 2003-2004 the Income-tax Appellate Tribunal has passed an Order in favour of the Company in respect of total demand of Rs. 1,22,00,886 for these assessment years. Against this demand the Company had deposited Rs. 1,13,26,632 with the tax authorities. The relief of Rs. 8,74,254 given by the Tribunal has been accounted for in these accounts. The tax authorities have however filed an appeal with the Hon. High Court, Bombay against the relief of Rs. 8,74,254.
  - (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. 24,29,427 (Previous year Rs.19,98,055) raised by the New Maker Chambers IV Premises Co-operative Society Ltd, Mumbai for the difference in BMC tax from 01.04.2000 to 31.03.2010, 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. (a) Fixed Deposit Account with a Bank include Rs. Nil (Previous year Rs. 4,00,000) earmarked against repayment of public deposits.
- (b) National Savings Certificate is held in the name of an employee of the company as under lien of sales tax authorities of Rajasthan.
4. Advances and amounts recoverable include Rs. 1,55,00,000 due as on 31 March 2010 (Previous year Rs. 2,19,79,078) from a third party in terms of Contract of Engagement with this party as a Consultant. This contract was terminated by mutual agreement with effect from 1 April 2007. In opinion of the management this amount is considered good for recovery.
5. 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

## NOTES ON ACCOUNTS

## SCHEDULE 'N' — Contd.

Rs. 16,76,089 (Previous year Rs. 16,76,089) against which the future obligations aggregate to Rs. 7,74,234 (Previous year Rs. 13,39,506), including lease charge Rs. 72,368 (Previous year Rs. 1,93,649) and the same are payable as under:

Period	Minimum Lease Payment		Present Value	
	2009-2010 Rupees	2008-2009 Rupees	2009-2010 Rupees	2008-2009 Rupees
Not later than 1 year	5,65,272	5,65,272	5,04,215	4,43,991
Later than 1 year but not later than 5 years	2,08,962	7,74,234	1,97,651	7,01,866

## (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	
	2009-2010 Rupees	2008-2009 Rupees
Not later than 1 year	5,31,56,400	3,18,85,153
Later than 1 year but not later than 5 years	22,50,32,155	15,98,91,303
Later than 5 years	8,52,04,630	6,55,84,341

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

8. Particulars of Auditors' Remuneration:

	2009-2010 Rupees	2008-2009 Rupees
Audit fee	1,20,000	80,000
Tax Audit fee	25,000	25,000
Certification and other fees	2,49,106	1,78,500
Branch Audit fee:		
Audit fee	25,000	25,000
Tax Audit fee	5,000	5,000
Certification and other fee	—	—
	<b>4,24,106</b>	<b>3,13,500</b>

9. (a) Particulars of Directors' Remuneration:

	2009-2010 Rupees	2008-2009 Rupees
Wholetime Director		
Salary, bonus and allowances	36,96,000	30,47,096
Provident, Pension and Superannuation Fund Contribution	5,83,200	4,68,168
	<b>42,79,200</b>	<b>35,15,264</b>

## NOTES ON ACCOUNTS

## SCHEDULE 'N' — Contd.

(b) 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.

## 10. Employee Benefits:

The following tables summarises the components of the net benefit expenses recognised in the Profit and Loss Account, the fund status and amount recognised in the Balance Sheet for the gratuity benefit plan pursuant to Accounting Standard-15 (Revised 2005) on "Employee Benefits".

<b>Gratuity Liability</b>	<b>2009-2010 Rupees</b>	<b>2008-2009 Rupees</b>
(i) Profit and Loss Account		
Current Services cost	5,40,877	4,11,012
Interest Cost	2,78,250	1,95,488
Expected return on plan assets	(3,26,326)	(2,09,475)
Net Actuarial (gain)/Loss recognized in the year	(1,12,055)	4,28,030
Expenses recognized in statement of Profit and loss account	<u>3,80,746</u>	<u>8,25,055</u>
(ii) Balance Sheet		
Present value of obligations as at the end of the year	41,85,197	34,78,125
Fair value of plan assets as at the end of the year	43,09,516	31,08,587
Funded status	1,24,319	(3,69,538)
Net Asset/(Liability) recongized in balance sheet	<u>1,24,319</u>	<u>(3,69,538)</u>
(iii) Change in the fair value of plan assets		
Fair value of plan assets at the beginning of year	31,08,587	19,85,380
Expected return on plan assets	3,26,326	2,09,475
Contribution	8,74,603	9,13,732
Benefits paid	Nil	Nil
Acturial (gain)/Loss on Plan assets	Nil	Nil
Fair value of plan assets at the end of year	<u>43,09,516</u>	<u>31,08,587</u>
(iv) Change in present value of obligations		
Present value of obligations as at the beginning of year	34,78,125	24,43,595
Current Service Cost	5,40,877	4,11,012
Interest cost	2,78,250	1,95,488
Benefits Paid	Nil	Nil
Acturial (gain)/Loss on obligations	(1,12,055)	4,28,030
Present value of obligations as at the end of year	<u>41,85,197</u>	<u>34,78,125</u>

## NOTES ON ACCOUNTS

## SCHEDULE 'N' — Contd.

## 11. Deferred Tax Liability (net):

	2009-2010 Rupees	2008-2009 Rupees
Deferred tax liability:		
Depreciation on fixed assets	3,38,07,589	3,37,99,460
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	2,30,933	5,65,121
	<u>3,35,76,656</u>	<u>3,32,34,339</u>

## 12. Earning per Share:

	2009-2010 Rupees	2008-2009 Rupees
Net Profit after taxation (in Rs.)	3,68,91,648	1,84,71,359
Weighted average number of equity shares	12,92,080	12,92,080
Earning per share-Basic & Dilluted (in Rs.)	28.55	14.30
Nominal value per equity share (in Rs.)	10	10

## 13. Related Party Transactions:

Details of transactions with Related Parties.

Particulars of transaction	Transactions	
	2009-2010 Rupees	2008-2009 Rupees
Expenses		
Purchase of goods	—	4,90,013
Interest paid	20,26,778	19,31,128
Sublicense fee paid	23,38,751	—
Director Remuneration	42,79,200	35,15,264
Salaries	6,03,400	4,91,696
Professional fees	6,00,000	6,00,000
Other expenses	54,45,315	14,83,200

## NOTES ON ACCOUNTS

### SCHEDULE 'N' — Contd.

Details of transactions with Related Parties.

(A) Companies and Firms in which some directors of this company are interested as directors or partners with whom:

(i) There are transactions during the year:

- (1) Proline India Limited,
- (2) Integrix B V,
- (3) M/s Big Time Exports.

(ii) There are no transactions during the year:

- (1) Proline Exports Pvt. Ltd.,
- (2) Proline International Ltd. (U.K.),
- (3) Promark Fitness & Leisure Pvt. Ltd.,
- (4) Crav Apparels Pvt. Ltd.,
- (5) Rajesh Rajeev Investments Pvt. Ltd.,

(B) Shareholders/Directors and Key Management Personnels

- (1) Mr. Rajesh Batra
- (2) Mr. Rajiv Batra
- (3) Mrs. Prathima Batra
- (4) Mrs. Sujaya Batra
- (5) Mrs. Jamna Batra
- (6) Mrs. Raj Batra
- (7) Ms. Divya Batra
- (8) Mr. Rohan Batra
- (9) Mr. N.R. Mahalingam
- (10) Mr. Rajiv Wallia
- (11) Mr. Nabankur Gupta

#### 14. Segment Reporting:

As company's business falls under the single segment viz "Fitness and Sports goods", there is no additional disclosure to be provided under Accounting Standard-17 dealing with "Segment Reporting".



## NOTES ON ACCOUNTS

## SCHEDULE 'N' — Contd.

	Unit	Quantity	2009-2010 Amount Rupees	Quantity	2008-2009 Amount Rupees
15. Particulars of Finished goods traded in:					
Opening Stock :					
Sports Goods	Nos.	71,968	1,63,92,331	70,447	1,66,30,603
Fitness Equipment	Nos.	7,844	5,09,90,916	10,436	5,56,74,391
Others (Spares and Consumables)		—	56,15,539	—	35,14,042
			<u>7,29,98,786</u>		<u>7,58,19,036</u>
Purchases :					
Sports Goods	Nos.	6,97,035	20,42,19,368	3,61,228	7,69,43,986
Fitness Equipment	Nos.	11,025	16,36,61,021	11,527	18,87,51,545
Others (Spares and Consumables)		—	70,16,408	—	62,62,929
			<u>37,48,96,797</u>		<u>27,19,58,460</u>
Sales :					
Sports Goods	Nos.	5,97,316	25,85,91,635	3,59,707	10,42,49,834
Fitness Equipment	Nos.	12,684	30,52,55,258	14,119	32,32,62,701
Others (Spares and Consumables)		—	83,69,511	—	58,62,747
			<u>57,22,16,404</u>		<u>43,33,75,282</u>
Closing Stock :					
Sports Goods	Nos.	1,71,687	5,59,98,399	71,968	1,63,92,331
Fitness Equipment	Nos.	6,185	5,22,29,503	7,844	5,09,90,916
Others (Spares and Consumables)		—	75,99,539	—	56,15,539
			<u>11,58,27,441</u>		<u>7,29,98,786</u>
16. Services rendered			<u>1,22,78,104</u>		<u>88,23,271</u>
17. Foreign currency transactions:					
			2009-2010 Rupees		2008-2009 Rupees
(a) CIF Value of Imports					
Finished Goods			20,19,74,001		19,58,32,327
Spares			29,48,620		34,51,580
(b) Expenditure in foreign currency [on payment basis (subject to deduction of tax where applicable)]					
Travelling expenses			12,35,470		3,22,677
Royalty			—		37,63,402
(c) Earnings :					
FOB value of exports			35,44,015		31,48,236
Distribution margin received			—		6,93,683
Discount received			1,84,700		—
Royalty received			2,36,920		6,53,514

**NOTES ON ACCOUNTS****SCHEDULE 'N' — Contd.**

18. Previous years figures have been regrouped wherever necessary to conform to this years classifications.

19. 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 other costs that are necessary to bring the inventories to the present location and condition.

Fabrics – 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 Spa Equipment, which are depreciated over a period of 7 years on straight line method.

(g) Foreign Exchange Transactions:

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, 2010 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) Provision for Gratuity has been accounted as per the actuarial valuation done by Life Insurance Corporation of India (LIC) in accordance with Accounting Standard on Employee Benefits. (AS-15 revised) and with corresponding payment to LIC.

(ii) Amount payable on account of leave encashment is on actual basis.

## NOTES ON ACCOUNTS

## SCHEDULE 'N' — Contd.

## (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.

## (j) Taxation:

Provision for Income-tax comprises current 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.

## NOTES ON ACCOUNTS

## SCHEDULE 'N' — Contd.

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

<b>I. Registration Details</b>		
Registration No.		8546
State Code		11
Balance Sheet date		31.03.2010
<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		3,47,234
Total assets		3,47,234
<b>Source of funds</b>		
Paid-up Capital		12,921
Reserve & Surplus		1,66,570
Secured Loans		1,09,767
Unsecured Loans		24,400
Deferred Tax Liability (Net)		33,576
<b>Application of Funds</b>		
Net fixed Assets		1,23,559
Investments		20,537
Net Current Assets		2,03,138
Misc. Expenditure		NIL
Accumulated Losses		NIL
<b>IV. Performance of Company</b>	<b>(Amount in Rs. Thousands)</b>	
Turnover (Including Other Income)		6,40,111
Total Expenditure		5,69,850
Profit Before Tax		70,261
Profit After Tax and deferred tax credit		36,892
Earning per Share (Basic) in Rs		28.55
Dividend rate %		45
(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)		950691.01
Product Description		EXERCISE EQUIPMENT
Item Code No. (ITC Code)		640419.01
Product Description		SHOES

## SIGNATURES TO SCHEDULES 'A' TO 'N'

**Rajesh Batra**  
Chairman

**S. D. Israni**  
Director

**H. K. Vakharia**  
Director

**Rajiv Wallia**  
Executive Director

**Kuldeep R. Sharma**  
Company Secretary

Place : Mumbai  
Dated : May 17, 2010

## CASH FLOW

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2010

	2009-2010 Rupees	2008-2009 Rupees
<b>A Cash flow from operating activities</b>		
Net profit before taxation and extraordinary item	7,02,60,597	2,66,45,441
Adjustments for:		
Depreciation	72,70,231	86,12,523
Goodwill amortised	6,14,900	6,14,900
Interest income	(4,37,889)	(1,32,372)
Dividend income	(11,94,721)	(16,32,459)
Interest expenses	85,49,020	1,23,77,069
Operating profit before working capital changes	8,50,62,138	4,64,85,102
Adjustments for:		
(Increase)/Decrease in Sundry debtors	(9,06,31,314)	3,00,08,193
(Increase)/Decrease in Inventories	(4,28,28,655)	30,20,019
(Increase)/Decrease in Loans & Advances	(26,26,924)	(1,20,00,628)
Increase/(Decrease) in Current Liabilities	5,91,92,023	50,94,091
Cash generated from operations	81,67,268	7,26,06,777
Interest paid	(84,38,375)	(1,23,63,837)
Direct taxes paid (Net of refunds) (including deferred tax)	(2,24,04,225)	(1,07,11,146)
Net cash from operating activities	(2,26,75,332)	4,95,31,794
<b>B Cash flow from investing activities</b>		
Additions to Fixed assets	(1,70,62,481)	(48,73,940)
Sale of Fixed assets	79,14,791	36,88,247
Amortisation of Goodwill	(6,14,900)	(6,14,900)
Sale of Investments (Net) / Purchase of Investments (Net)	26,19,745	(2,31,21,859)
Dividend received	11,94,721	16,32,459
Interest received	4,91,929	81,700
Net cash from/(used in) investing activities	(54,56,195)	(2,32,08,293)
<b>C Cash flow from financing activities</b>		
Repayment of Borrowings	2,55,64,372	(1,22,46,569)
Dividend paid	(44,92,951)	(45,06,490)
Net cash from/(used in) financing activities	2,10,71,421	(1,67,53,059)
Net cash flows during the year (A+B+C)	(70,60,106)	95,70,442
Cash and cash equivalents (opening balance)	2,62,17,073	1,66,46,631
Cash and cash equivalents (closing balance)	1,91,56,967	2,62,17,073

As per our separate report of even date

For **S. P. CHOPRA & CO.**  
Chartered Accountants**Rajesh Batra**  
Chairman**S. D. Israni**  
Director**H. K. Vakharia**  
Director**Y. K. Shankardass**  
Partner**Rajiv Wallia**  
Executive Director**Kuldeep R. Sharma**  
Company SecretaryPlace : Mumbai  
Dated : May 17, 2010