

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*
(will cease w.e.f. 11/6/2011)

Bankers

Axis Bank Limited

Company Secretary

Sudhanshu Namdeo

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-ninth Annual General Meeting of the Members of **CRAVATEX LIMITED** will be held on Friday, July 8, 2011 at 10.30 a.m. at M.C. Ghia Hall, 4th Floor, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai - 400 001, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2011 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 for the year ended March 31, 2011.
3. To appoint a Director in place of Mr. N. R. Mahalingam who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Nabankur Gupta 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, 2012 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.”

SPECIAL BUSINESS

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

“RESOLVED THAT pursuant to 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, the Company do hereby approves the appointment of Mr. Rajesh Batra as a Managing Director of the Company for a period of 5 (five) years with effect from June 1, 2011 on the following terms and conditions:

- (a) Remuneration of Rs.54 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 encashment of leave.
- (b) Company's contribution to provident fund & superannuation fund, benefits under gratuity and encashment of leave at the end of the tenure will be permitted, in accordance with the rules of the Company.

NOTICE OF ANNUAL GENERAL MEETING

- (c) Mr. Rajesh Batra shall be entitled to an annual increase in the remuneration and the Board of Directors is authorised to vary the terms and conditions of appointment including determination of remuneration payable to Mr. Rajesh Batra, in such manner as the Board in their absolute discretion deems fit, provided that the remuneration payable to Mr. Rajesh Batra shall not exceed the maximum limits for payment of Managerial Remuneration specified under Schedule XIII to the Companies Act, 1956 or any amendments thereto as may be made from time to time or the Companies Act as may be recodified.
- (d) Notwithstanding anything contained herein, Mr. Rajesh Batra 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.
- (e) Mr. Rajesh Batra, as Managing 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.
- (f) Mr. Rajesh Batra shall not be paid any sitting fees for attending Meetings of the Board or any Committee thereof.
- (g) Mr. Rajesh Batra will be bound by non-compete and confidentiality provisions.
- (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.”

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

“RESOLVED THAT pursuant to the provisions of Section 94(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 the Authorised Share Capital of the Company of Rs.2,00,00,000/- (Rupees Two Crores only) divided into 18,50,000 (Eighteen Lacs Fifty Thousand) Equity Shares of Rs. 10 each and 15,000 (Fifteen Thousand) 9.5% Redeemable Cumulative Preference Shares of Rs. 100 each be and is hereby increased to Rs.5,00,00,000/- (Rupees Five Crores only) divided into 48,50,000 (Forty Eight Lacs Fifty Thousand) Equity Shares of Rs. 10 each and 15,000 (Fifteen Thousand) 9.5% Redeemable Cumulative Preference Shares of Rs. 100 each.

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.”

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

“RESOLVED THAT pursuant to the provisions of Section 16 and other applicable provisions, if any, of the Companies Act, 1956 the existing Clause V of the Memorandum of Association of the Company be and is hereby altered by deleting the following words and figures:

“The Authorised Share Capital of the Company is Rs.2,00,00,000/- (Rupees Two Crores only) divided into 18,50,000 (Eighteen Lacs Fifty Thousand) Equity Shares of Rs. 10/- each and 15,000 (Fifteen Thousand) 9.5% Redeemable Cumulative Preference Shares of Rs. 100/- each.

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and substituting therefor, the following:

The Authorised Share Capital of the Company is Rs.5,00,00,000/- (Rupees Five Crores only) divided into 48,50,000 (Forty Eight Lacs Fifty Thousand) Equity Shares of Rs. 10/- each and 15,000 (Fifteen Thousand) 9.5% Redeemable Cumulative Preference Shares of Rs. 100/- each.

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 the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the existing Article 4 of the Articles of Association of the Company be and is hereby altered by deleting the following words and figures:

The Authorised Share Capital of the Company is Rs. 2,00,00,000/- (Rupees Two Crores only) divided into 18,50,000 (Eighteen Lacs Fifty Thousand) Equity Shares of Rs. 10/- each and 15,000 (Fifteen Thousand) 9.5% Redeemable Cumulative Preference Shares of Rs. 100/- each.

and substituting therefor, the following:

The Authorised Share Capital of the Company is Rs.5,00,00,000/- (Rupees Five Crores only) divided into 48,50,000 (Forty Eight Lacs Fifty Thousand) Equity Shares of Rs. 10/- each and 15,000 (Fifteen Thousand) 9.5% Redeemable Cumulative Preference Shares of Rs. 100/- each.

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.”

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

“RESOLVED THAT

- (a) pursuant to the applicable provisions, if any, of the Companies Act, 1956, guidelines issued by the Securities and Exchange Board of India, the Articles of Association of the Company and such approvals as may be required under law for the time being in force a sum of Rs.1,29,20,800/- being a part of the amount standing to the credit of the General Reserve Account of the Company be capitalized and the said sum be distributed amongst the holders of the existing Equity Shares of the Company whose name shall appear on such date as may hereafter be determined by the Board of Directors of the Company and be applied on their behalf in making payment in full at par 12,92,080/- new Equity Shares of Rs.10/- each in the Capital of the Company and that the said new Equity Shares credited as fully paid up be accordingly allotted as Bonus Shares to and amongst the said Members respectively in the proportion of 1 (one) new Equity Share for every 1 (one) Equity Share held by the said Members respectively on the said date; and
- (b) that the said new Equity Shares so allotted shall rank pari passu in all respects with the existing issued and subscribed Equity Shares of the Company but shall not be entitled to dividend in respect of any financial year upto and including March 31, 2011;
- (c) the allotment of any of the said new Equity Shares as aforesaid to the extent to which they relate to the said Members who are foreign nationals or are resident outside India, shall be subject to the necessary approval under the Foreign Exchange Management Act, 1999 and/or the rules/regulations made thereunder;

NOTICE OF ANNUAL GENERAL MEETING

- (d) no allotment letters shall be issued to the allottees of the said new Equity Shares but the Certificates in respect of the new Equity Shares to be allotted as fully paid up Bonus Shares as aforesaid shall be completed and unless prohibited by any provision of law or of any order of any court, tribunal or other authority delivered within the prescribed period and that the bonus shares will be credited to the demat account of the allottees who are holding the existing Equity Shares in electronic form; and
- (e) for the purpose of giving effect to this Resolution the Board/Committee be and is hereby authorized to give such directions and take such actions as may be necessary and to execute all necessary documents and writings and to settle any questions or difficulties which may arise in regard to the issue and allotment of the said new Equity Shares in such manner as it may deem expedient.
12. To consider and, if thought fit, to pass, with or without modification/s, the following resolution as an Ordinary Resolution:

“RESOLVED THAT in supersession of the resolution passed at the 43rd Annual General Meeting of the Company held on 2nd November, 1995, and pursuant to Section 293(1)(d) of the Companies Act, 1956, the consent of the Company be and is hereby accorded to the Board of Directors for borrowing such sum or sums of money from time to time from any one or more of the Company’s Bankers and from any one or more person(s), firms, bodies, corporate or financial institutions whether by way of cash credit advances or deposits or bills discounting or otherwise whether unsecured or secured by mortgage, charge, hypothecation, lien or pledge of the Company’s assets and properties whether moveable or immovable notwithstanding that the moneys so borrowed together with the moneys already borrowed by the Company (apart from the temporary loans obtained from the Company’s Bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves but however the total upto which the moneys can be borrowed by the Board of Directors and outstanding any time shall not exceed a sum of Rs.100 Crores (Rupees One Hundred Crore only).”

By Order of the Board of Directors

Sudhanshu Namdeo
Company Secretary

Place : Mumbai
Dated : May 24, 2011

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 date of Book Closure for dividend and bonus issue shall be decided after the Annual General Meeting.
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.

NOTICE OF ANNUAL GENERAL MEETING

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, 2003 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, 2004 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, 2004, till the year ended March 31, 2010 are requested to approach the Registrars and Share Transfer Agents of the Company for payment.

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 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

Sudhanshu Namdeo
Company Secretary

Place : Mumbai
Dated : May 24, 2011

NOTICE OF ANNUAL GENERAL MEETING

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

Item No. 7

The Company had considered the appointment of Mr. Rajesh Batra, Director as the Managing Director for a period of 5 (five) years on a remuneration of Rs. 54 lacs per annum. The Board of Directors, in its meeting held on May 24, 2011, considered the qualifications and work experience of Mr. Rajesh Batra for appointment as Managing Director as also the responsibilities attached thereto. The Board also considered the fairness and reasonableness of the remuneration proposed to be paid to Mr. Rajesh Batra in accordance with the remuneration prevalent in the industry for the similar position.

Accordingly, the Board of Directors had approved, subject to approval of Members in General Meeting, the appointment of Mr. Rajesh Batra as the Managing Director of the Company for a period of 5 (five) years with effect from June 1, 2011 on the following terms and conditions:

- (a) Remuneration of Rs. 54 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 encashment of leave.
- (b) Company's contribution to provident fund & superannuation fund, benefits under gratuity and encashment of leave at the end of the tenure will be permitted, in accordance with the rules of the Company.
- (c) Mr. Rajesh Batra shall be entitled to an annual increase in the remuneration and the Board of Directors is authorised to vary the terms and conditions of appointment including determination of remuneration payable to Mr. Rajesh Batra, in such manner as the Board in their absolute discretion deems fit, provided that the remuneration payable to Mr. Rajesh Batra shall not exceed the maximum limits for payment of Managerial Remuneration specified under Schedule XIII to the Companies Act, 1956 or any amendments thereto as may be made from time to time or the Companies Act as may be recodified.
- (d) Notwithstanding anything contained herein, Mr. Rajesh Batra 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.
- (e) Mr. Rajesh Batra, as Managing 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.
- (f) Mr. Rajesh Batra shall not be paid any sitting fees for attending Meetings of the Board or any Committee thereof.
- (g) Mr. Rajesh Batra will be bound by non-compete and confidentiality provisions.
- (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, 309 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956, the appointment of Mr. Rajesh Batra as Managing Director on remuneration of Rs. 54 lacs per annum requires approval of Members by Ordinary Resolution.

Accordingly, the resolution mentioned in Item No. 7 of the Notice is being proposed for approval of Members.

Except Mr. Rajesh Batra, 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.

NOTICE OF ANNUAL GENERAL MEETING

Item No. 8 to 10

The present Authorised Share Capital of the Company is Rs.2,00,00,000 (Rupees Two Crores only) divided into 18,50,000 (Eighteen Lacs Fifty Thousand) Equity Shares of Rs. 10 each and 15,000 (Fifteen Thousand) 9.5% Redeemable Cumulative Preference Shares of Rs. 100 each.

The Authorised Share Capital of the Company is required to be increased to facilitate the issue of Bonus Shares which is covered by Item 11 of the Notice and in order that the Company may issue further shares as and when considered expedient.

It is therefore proposed to increase the Authorised Share Capital to Rs. 5,00,00,000/- (Rupees Five Crores only) divided into 48,50,000 (Forty Eight Lacs Fifty Thousand) Equity Shares of Rs. 10 each and 15,000 (Fifteen Thousand) 9.5% Redeemable Cumulative Preference Shares of Rs. 100 each. The proposed increase in the Authorised Share Capital of the Company requires the Members approval in General Meeting. It is, therefore, proposed to pass the Resolution set forth in Item 8 of the Notice.

Consequent upon the alteration in the Authorised Share Capital of the Company, Clause V of the Memorandum of Association of the Company will require alteration so as to reflect the change in the Share Capital. The proposed alteration of the Memorandum of Association of the Company requires the Members' approval in General Meeting. It is, therefore, proposed to pass the resolution set forth in Item 9 of the Notice.

Similarly Article 4 of the Articles of Association of the Company will require alteration so as to reflect the change in the Authorised Share Capital. The proposed alteration of the Articles of Association of the Company requires the Members' approval in General Meeting by special resolution. It is, therefore, proposed to pass the resolution set forth in Item 10 of the Notice.

A copy of the Memorandum and Articles of Association of the Company, incorporating the proposed change is available for inspection by the Members of the Company at the Registered Office of the Company during the Company's business hours on any working day upto and including the date of the Annual General Meeting or any adjournment or adjournments thereof.

None of the Directors of the Company is in any way concerned or interested in the Resolution at these items.

Item No. 11

Resolution at Item 11 set out in the Notice is intended to capitalise a sum of Rs. 1,29,20,800/- being a part of the amount standing to the credit of the General Reserve Account of the Company and to issue bonus shares to the Members of the Company in the manner indicated therein. The material terms on which the proposed capitalisation will be carried on and the Bonus Shares will be issued are contained in the above Resolution.

This issue of the Bonus Shares to those Members who are foreign nationals or resident outside India will subject to the necessary approval under Foreign Exchange Management Act, 1999 and/or rules/regulations made thereunder.

The issue of Bonus Shares, in the opinion of the Board complies with the latest guidelines, in that behalf issued by the Securities and Exchange Board of India. The issue of Bonus Shares is not in lieu of dividend.

Accordingly, the resolution mentioned in Item No. 11 of the Notice is being proposed for approval of Members.

None of the Directors of the Company is concerned or interested in the Resolution except to the extent of their entitlements to Bonus Shares which may be allotted on the basis of their respective shareholdings in the Company.

NOTICE OF ANNUAL GENERAL MEETING**Item No.12**

At the 43rd Annual General Meeting held on 2nd November 1995 the Members had given its approval for borrowings upto Rs.50 Crores (Rupees Fifty Crores only). In view of the enlarged volume of business it has become necessary for the Company to increase its borrowings from time to time from its bankers or others. It is therefore considered desirable to raise the present limit of borrowings to Rs.100 Crores (Rupees One Hundred Crore) to meet future requirements from time to time.

Under Section 293(1)(d) of the Companies Act, 1956 the Board of Directors of the Company cannot except without the consent of the members of the Company in a General Meeting, borrow monies in excess of the aggregate of the paid up capital and free reserves.

Accordingly, the resolution mentioned in Item No. 12 of the Notice is being proposed for approval of Members.

None of the Directors of the Company is in any way concerned or interested in the proposed resolution.

By Order of the Board of Directors

Sudhanshu Namdeo
Company Secretary

Place : Mumbai
Dated : May 24, 2011

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, 2011.

| | Current Year Rupees | Previous Year Rupees |
|---|--------------------------------|-------------------------|
| FINANCIAL RESULTS | | |
| Earnings before Interest, Depreciation and Taxation | 11,65,18,274 | 8,60,79,848 |
| Less: Interest | 1,54,04,028 | 85,49,020 |
| Less: Depreciation | 84,63,179 | 72,70,231 |
| Leaving a Profit before Taxation | 9,26,51,067 | 7,02,60,597 |
| Provision for Taxation: | | |
| Current Tax | (2,78,00,000) | (2,17,00,000) |
| Deferred Tax Credit/(Debit) | (1,29,049) | (3,42,317) |
| Short/(Excess) Provision for Earlier Years | (1,90,156) | (1,13,26,632) |
| Profit after Current Taxation | 6,45,31,862 | 3,68,91,648 |
| Adding thereto: | | |
| Brought forward from Previous Year | 2,52,44,332 | 2,51,55,194 |
| Available for Appropriation | 8,97,76,194 | 6,20,46,842 |
| Less Appropriations: | | |
| Provision for Proposed Dividend | 64,60,400 | 58,14,360 |
| Provision for Tax on Proposed Dividend | 10,48,040 | 9,88,150 |
| General Reserve | 5,50,00,000 | 3,00,00,000 |
| Balance to be carried forward | 2,72,67,754 | 2,52,44,332 |

OPERATIONS

The turnover of the Company for the year under review has increased from Rs.5,845 lacs to Rs.9,124 lacs while the earnings before interest, depreciation and taxation stood at Rs.1,165 lacs as against Rs.861 lacs in last year, a growth of 35%. The Net Profit after tax for the year also increased from Rs.369 lacs to Rs.645 lacs, a growth of 75%. The balance carried forward to Balance Sheet is Rs.273 lacs.

DIVIDEND

The Directors are pleased to recommend an enhanced dividend of Rs.5/- per equity share (previous year Rs.4.50 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.64,60,400/-.

BONUS SHARES:

The Directors have recommended that a sum of Rs. 1,29,20,800/- out of the amount standing to the credit of the Company's General Reserve Account as on 31st March 2011 be capitalised and the same be issued as fully paid Bonus Shares, in the ratio of 1 (one) new Equity Share for every 1 (one) existing Equity Share held.

REPORT OF THE BOARD OF DIRECTORS

INCREASE IN AUTHORISED SHARE CAPITAL

The Directors have recommended to increase the Authorised Share Capital of the Company from Rs.2,00,00,000/- (Rupees Two Crores only) divided into 18,50,000 (Eighteen Lacs Fifty Thousand) Equity Shares of Rs. 10 each and 15,000 (Fifteen Thousand) 9.5% Redeemable Cumulative Preference Shares of Rs. 100 each to Rs.5,00,00,000/- (Rupees Five Crores only) divided into 48,50,000 (Forty Eight Lacs Fifty Thousand) Equity Shares of Rs. 10 each and 15,000 (Fifteen Thousand) 9.5% Redeemable Cumulative Preference Shares of Rs. 100 each.

DEPOSITS

The total Unsecured Loans and Deposits stood at Rs.2,44,00,000/- as on March 31, 2011 and there were no unclaimed deposits as on that date. The Company has repaid all the Deposits on due dates.

ASSETS

The fixed assets of the Company have been adequately insured.

ISO 9001: 2008

The Company successfully conducted the Surveillance Audit for year 2010 under ISO 9001 : 2008 certification for its Footwear and Fitness division.

DIRECTORS

- Mr. N.R. Mahalingam and Mr. Nabankur Gupta are retiring by rotation and, being eligible, offer themselves for re-appointment.
- The Board of Directors have appointed Mr. Rajesh Batra as the Managing Director of the Company with effect from June 1, 2011.
- Mr. Rajiv Wallia shall cease to be an Executive Director of the Company consequent to expiry of his 3 (three) years term on June 11, 2011. Your Directors wish to place on record their sincere appreciation of the guidance and valuable advice received from Mr. Rajiv Wallia during his tenure as an Executive Director.

DEMATERIALISATION OF COMPANY'S SHARES

Of the Company's total shareholding, 7,99,248 shares were held in dematerialised mode by the shareholders of the Company of which 7,25,139 shares were under National Securities Depository Limited (NSDL) and balance 74,109 shares under Central Depository Services (I) Limited (CDSL) as on March 31, 2011.

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.

REPORT OF THE BOARD OF DIRECTORS

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 Crores, 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:

The global economic recovery continues to progress however there are still some concerns over some western developed markets. The emerging economies are providing strong growth while the United States and Europe are slowly gaining momentum. However, rising prices of oil, commodities and food as well as the effect of natural disasters and political instability lead to concerns over inflation.

Indian GDP is still growing at an estimated rate of 8.6% for 2010-11 and remains as one of the better performing emerging market economies. With improving liquidity and the growth environment in the developed world, equity flows have rebounded. This quick revival in global risk appetite means that the Indian corporate sector could access risk capital from international capital markets easily. This is helping the corporate sector repair their balance sheets faster, thus reducing the risk of harmful feedback of large non-performing loans in the banking system, increased risk aversion and slower growth.

Inflation continues to pose a risk as well as tighter monetary conditions and potential rising prices that are eating into the consumers disposable income.

Business Overview:

In line with the aspirations of positive growth and development of new business, Cravatex Limited is looking into the future by investing behind its core operations of Fitness Equipment Distribution under the brand Proline Fitness and the sports footwear and apparel market by representing the one hundred year old Italian sportswear brand Fila.

Fitness and Sports:

We continue to be the market leader in the Fitness Equipment sector through our brand Proline Fitness, distributing the products of the third largest fitness company in the world Johnson Health Tech. Our commitment to customer service, an extensive product range and strong corporate infrastructure has helped us secure market leadership and maintain quality despite fierce competition.

The Fitness market in India continues to grow at a rapid pace, fueled by the expansion of chain health clubs such as Talwalkars and Gold's Gym. The penetration of these brands into Tier II and Tier III cities is creating an awareness for a healthy lifestyle in the consumer. Proline Fitness is capitalising on this growth by forming strategic partnerships with these esteemed firms and providing them with the high quality equipment and customer service they demand.

When it comes to fitness at home, Proline Fitness has created a retail network of 51 stores across India which provide a full range of home use fitness equipment to the consumer. We pride ourselves in the ability to recommend an effective fitness solution for any customer who comes to our stores. Proline Fitness will concentrate on increasing the scope and offering at our retail by opening more stores and maintaining a competitive product mix.

The market for premium sports apparel and footwear in India has gone through a period of quick expansion and is predicted to continue growing at a CAGR of around 15% during 2011-14 and is currently worth Rs. 2500 crores. The mounting popularity of sports, increase in the personal disposable income and change in the lifestyle are the major catalyst for the growth.

REPORT OF THE BOARD OF DIRECTORS

In a market defined by price conscious consumers, extensive competition and limited channels of distribution, Fila India has shown great promise in its debut year of operations. The footwear driven approach to the market has led the brand to be present in over 1135 doors for footwear, 105 doors for apparel and a presence in over 200 shop in shops in large format stores. Fila has also opened its first 4 retail stores this year and plans a more retail led approach to the market in the coming years.

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

(b) Details of Remuneration

- (i) The details of sitting fees paid to the Directors during the financial year 2010-11 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 | 5 | 50,000 |
| Mr. N.R. Mahalingam | 4 | 40,000 |
| Dr. S.D. Israni | 5 | 50,000 |
| Mr. Nabankur Gupta | 4 | 40,000 |
| Mr. Rajiv Wallia | 4 | NIL |

(c) Number of Board Meetings held during the year 2010-11

The Company held five Board Meetings during the year ended March 31, 2011. These were held on May 17, 2010, July 16, 2010, August 13, 2010, November 4, 2010 and February 3, 2011.

REPORT OF THE BOARD OF DIRECTORS

2. Board Committes

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 2010-11

The Company held 19 Share Transfer Committee Meetings in the Financial Year 2010-11. 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 2010-11

The Remuneration Committee did not hold any Meeting in the Financial Year 2010 – 11 and accordingly, no remuneration has been paid to any of its Members.

(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 Comiittee Meetings held & Details of Remuneration paid during the financial year 2010-11

The Selection Committee did not hold any Meeting in the Financial Year 2010-11 and accordingly, no remuneration has been paid to any of its Members.

REPORT OF THE BOARD OF DIRECTORS

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 | 16/07/2010 | 17/07/2009 | 25/07/2008 |
| 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. | 10.30 a.m. |

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

4. Subsidiary

The Company has acquired 100% of 1000 equity shares of £ 1 each of M/s. BB (UK) Ltd., U.K. for a total consideration of £ 1093. By virtue of the said investment, M/s. BB (UK) Ltd., U.K. has become a Wholly Owned Subsidiary (WOS) of the Company with effect from February 22, 2011.

The Subsidiary has been set up for acquiring a sub-license for the FILA brand for certain distribution channels in U.K. and Ireland. It will also design, develop and supply FILA apparel to other markets in Europe.

In accordance with the directions of the Ministry of Corporate Affairs, Government of India under Section 212(8) of the Companies Act, 1956, copy of the balance sheet, profit and loss account and other documents of the subsidiary company have not been attached with the balance sheet of the Company. Financial Information of the subsidiary has been furnished separately in the consolidated balance sheet in the annual report. The company will make available the annual accounts of the subsidiary companies and retail detailed information to the Shareholders of the Company, seeking such information at any point of time. The annual accounts of the subsidiary will also be kept open for inspection by the Members of the Company at the Registered Office of the Company during the Company's business hours on any working day upto and including the date of the Annual General Meeting or any adjournment or adjournments thereof.

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 8, 2011 at 10.30 a.m. at M.C. Ghia Hall, 4th Floor, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Kala Ghoda, Mumbai-400 001.

REPORT OF THE BOARD OF DIRECTORS

- (b) Financial Year:
- Annual General Meeting : Friday, July 8, 2011
- Results for quarter ending June 30, 2011 : Second week of August, 2011
- Results for quarter ending September 30, 2011 : Second week of November, 2011
- Results for quarter ending December 31, 2011 : Second week of February, 2012
- Result for the year ending March 31, 2012 : Before May 30, 2012
- (c) Date of Book Closure : The date of Book Closure for dividend and bonus issue shall be decided after the Annual General Meeting.
- (d) Dividend Payment Date : Before August 6, 2011
- (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. 752.95 (06/01/2011)
 Low : Rs. 164.25 (09/08/2010)

High, Low and Number of Shares Traded during each month in the last financial year on the Bombay Stock Exchange Limited:

| Month | High (Rs.) | Low (Rs.) | No. of Shares |
|------------|------------|-----------|---------------|
| Apr – 2010 | 252.95 | 196.00 | 17,942 |
| May – 2010 | 249.95 | 186.05 | 20,153 |
| Jun – 2010 | 229.00 | 188.10 | 6,881 |
| Jul – 2010 | 219.95 | 188.15 | 24,249 |
| Aug – 2010 | 275.50 | 164.25 | 65,387 |
| Sep – 2010 | 257.00 | 188.45 | 14,826 |
| Oct – 2010 | 367.95 | 192.05 | 33,411 |
| Nov – 2010 | 690.00 | 308.00 | 59,235 |
| Dec – 2010 | 665.00 | 450.65 | 25,898 |
| Jan – 2011 | 752.95 | 541.55 | 13,564 |
| Feb – 2011 | 614.45 | 460.00 | 7,912 |
| Mar – 2011 | 529.90 | 451.15 | 25,190 |

REPORT OF THE BOARD OF DIRECTORS

(h) Registrars & Share Transfer Agents:

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

Regd 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 & 67720403, Fax No.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.

(j) Distribution of Shareholding as on March 31, 2011:

| No. of Equity Shares held | No. of Shareholders | % of Shareholders | No. of Shares held | % of Shareholding |
|---------------------------|---------------------|-------------------|--------------------|-------------------|
| Less than 500 | 2,126 | 96.55 | 1,37,335 | 10.63 |
| 501 to 1000 | 31 | 1.41 | 21,876 | 1.69 |
| 1001 to 2000 | 14 | 0.64 | 19,488 | 1.51 |
| 2001 to 3000 | 4 | 0.18 | 9,485 | 0.73 |
| 3001 to 4000 | 4 | 0.18 | 14,590 | 1.13 |
| 4001 to 5000 | 4 | 0.18 | 18,031 | 1.40 |
| 5001 to 10000 | 5 | 0.23 | 36,131 | 2.80 |
| 10001 and above | 14 | 0.64 | 10,35,144 | 80.11 |
| Total | 2,202 | 100.00 | 12,92,080 | 100.00 |

Shareholding Pattern as on March 31, 2011

| Category | No. of Shares | % |
|--------------------------|------------------|---------------|
| Promoters | 9,69,060 | 75.00 |
| Banks | 0 | 0.00 |
| Bodies Corporate (Other) | 10,465 | 0.81 |
| NRI* | 2,498 | 0.19 |
| Public | 3,10,057 | 24.00 |
| Total | 12,92,080 | 100.00 |

*Total Foreign shareholding in the company is 41,618 (3.03%) of which 39,120 (3.21%) is included in Indian Promoters.

REPORT OF THE BOARD OF DIRECTORS

(k) Dematerialisation of shares and liquidity

Approximately 61.86% of the total shareholding of the Company has been dematerialised as on March 31, 2011 out of which 56.12% of shares are dematerialised under National Securities Depository Limited (NSDL) and 5.74% 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

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.

AUDITOR'S 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. (Regd. No. 101911W), 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 shareholders, bankers and other business associates

For and on behalf of the Board of Directors

Rajesh Batra
Chairman

Place : Mumbai
Dated : May 24, 2011

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.16 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 2011, 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 2011 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

REPORT OF THE AUDITORS

(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 2011;
- (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 24, 2011

REPORT OF THE AUDITORS

Annexure to the Auditors' Report

Annexure referred to in paragraph 3 of The Auditors' Report of even date to the Members of Cravatex Limited

- (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 not disposed off any of the fixed assets.
- (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 eleven 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) Advances include an amount of Rs.1,55,00,000 due as at 31 March 2011 from a party with whom the Company had entered into a Contract of Engagement as a Consultant in an earlier year. This contract was terminated by mutual agreement with effect from 1 April 2007 (refer to Note 4(a) in Schedule 'N' of the Balance Sheet). The Management is hopeful of recovering this amount and hence no provision has been made in these accounts. We are however unable to comment on the fate of this debt.
- (v) 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.
- (vi) (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.
- (vii) 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.

REPORT OF THE AUDITORS

- (viii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (ix) 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.
- (x) (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 2011 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.
- (xi) 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.
- (xii) 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.
- (xiii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) 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.
- (xv) Clause (xiv) of the Order regarding dealing and trading in shares etc. is not applicable to the Company.
- (xvi) The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvii) 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.
- (xviii) 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.
- (xix) 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.
- (xx) No debentures have been issued by the Company during the period covered by our audit report.
- (xxi) The Company has not raised any money by way of public issues during the year.
- (xxii) 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 24, 2011

BALANCE SHEET

BALANCE SHEET
AS AT 31 MARCH, 2011

| | Schedule | 2010-2011 Rupees | 2009-2010 Rupees |
|---|----------|----------------------------|----------------------------|
| SOURCES OF FUNDS | | | |
| Shareholders' Funds: | | | |
| Share Capital | 'A' | 1,29,20,800 | 1,29,20,800 |
| Reserves and Surplus | 'B' | 22,35,93,363 | 16,65,69,941 |
| | | <u>23,65,14,163</u> | <u>17,94,90,741</u> |
| Loan Funds: | | | |
| Secured Loans | 'C' | 15,20,29,377 | 10,97,66,639 |
| Unsecured Loans | 'D' | 2,44,00,000 | 2,44,00,000 |
| | | <u>17,64,29,377</u> | <u>13,41,66,639</u> |
| Deferred Tax Liability (Net) (Note '11') | | 3,37,05,705 | 3,35,76,656 |
| TOTAL | | <u><u>44,66,49,245</u></u> | <u><u>34,72,34,036</u></u> |
| APPLICATION OF FUNDS | | | |
| Fixed Assets : | 'E' | | |
| Gross Block | | 21,38,88,049 | 20,53,74,434 |
| Depreciation | | 9,02,79,010 | 8,18,15,831 |
| Net Block | | <u>12,36,09,039</u> | <u>12,35,58,603</u> |
| Investments | 'F' | 1,03,300 | 2,05,37,114 |
| Net Working Capital | | | |
| Current Assets, Loans and Advances | 'G' | 59,61,89,190 | 41,13,35,689 |
| Less: Current Liabilities and Provisions | 'H' | 27,32,52,284 | 20,81,97,370 |
| | | <u>32,29,36,906</u> | <u>20,31,38,319</u> |
| TOTAL | | <u><u>44,66,49,245</u></u> | <u><u>34,72,34,036</u></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
Membership No. 101911W**Rajesh Batra**
Chairman**Arjun Bulchandani**
Director**N. R. Mahalingam**
Director**S. D. Israni**
Director**Y. K. Shankardass**
Partner
Membership No. F-5106**Nabankur Gupta**
Director**H. K. Vakharia**
Director**Rajiv Wallia**
Executive DirectorPlace : Mumbai
Dated : May 24, 2011**Sudhanshu Namdeo**
Company Secretary

PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2011

| | Schedule | 2010-2011 Rupees | 2009-2010 Rupees |
|---|----------|---------------------|---------------------|
| INCOME | | | |
| Sales and Services (Note '7') | | 91,24,35,655 | 58,44,94,508 |
| Other Income | 'I' | 4,81,00,570 | 5,56,16,053 |
| TOTAL | | 96,05,36,225 | 64,01,10,561 |
| EXPENDITURE | | | |
| Cost of Goods sold | 'J' | 49,86,28,884 | 33,64,78,611 |
| Employees Remuneration and Benefits | 'K' | 8,80,82,676 | 5,20,40,950 |
| Selling, Operating and Administrative expenses | 'L' | 25,73,06,391 | 16,55,11,152 |
| Interest | 'M' | 1,54,04,028 | 85,49,020 |
| Depreciation | | 84,63,179 | 72,70,231 |
| TOTAL | | 86,78,85,158 | 56,98,49,964 |
| PROFIT | | | |
| Profit before Taxation | | 9,26,51,067 | 7,02,60,597 |
| Provision for taxation | | | |
| Current tax | | (2,78,00,000) | (2,17,00,000) |
| Deferred Tax Credit/(Debit) | | (1,29,049) | (3,42,317) |
| (Short)/Excess Provision for earlier years | | (1,90,156) | (1,13,26,632) |
| Profit after Taxation | | 6,45,31,862 | 3,68,91,648 |
| Add: Balance brought forward | | 2,52,44,332 | 2,51,55,194 |
| TOTAL | | 8,97,76,194 | 6,20,46,842 |
| APPROPRIATIONS | | | |
| Provision for Proposed Dividend | | 64,60,400 | 58,14,360 |
| Provision for Tax on Proposed Dividend | | 10,48,040 | 9,88,150 |
| Transfer to General Reserve | | 5,50,00,000 | 3,00,00,000 |
| Balance carried to Balance Sheet (Schedule 'B') | | 2,72,67,754 | 2,52,44,332 |
| TOTAL | | 8,97,76,194 | 6,20,46,842 |
| Basic and Diluted Earning per Share (Note'12') | | 49.94 | 28.55 |
| 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
Membership No. 101911W

Rajesh Batra
Chairman

Arjun Bulchandani
Director

N. R. Mahalingam
Director

S. D. Israni
Director

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

Nabankur Gupta
Director

H. K. Vakharia
Director

Rajiv Wallia
Executive Director

Place : Mumbai
Dated : May 24, 2011

Sudhanshu Namdeo
Company Secretary

SCHEDULES — BALANCE SHEET

SCHEDULES

Forming part of the Balance Sheet as at 31 March, 2011

| | 2010-2011 Rupees | 2009-2010 Rupees |
|---|---------------------|---------------------|
| SCHEDULE 'A' — SHARE CAPITAL | | |
| Authorised: | | |
| 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> |
| Issued, Subscribed and Paid-up: | | |
| 1292080 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> |
| SCHEDULE 'B' — RESERVES AND SURPLUS | | |
| Export Profits Reserve: | | |
| Balance as per last Account | 1,68,000 | 1,68,000 |
| Capital Reserve: | | |
| (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> |
| General Reserve: | | |
| Balance as per last Account | 13,92,65,609 | 10,92,65,609 |
| Add : Transfer from Profit and Loss Account | 5,50,00,000 | 3,00,00,000 |
| | <u>19,42,65,609</u> | <u>13,92,65,609</u> |
| Profit and Loss Account: | | |
| As per Account Annexed | 2,72,67,754 | 2,52,44,332 |
| | <u>22,35,93,363</u> | <u>16,65,69,941</u> |

SCHEDULES — BALANCE SHEET

SCHEDULES — Contd.

| | 2010-2011 Rupees | 2009-2010 Rupees |
|--|---------------------|---------------------|
| SCHEDULE 'C' — SECURED LOANS | | |
| From Banks : | | |
| (a) Axis Bank Ltd. | | |
| Cash Credit Account | 15,18,31,726 | 10,90,64,773 |
| (secured by first charge on all the current assets and equitable mortgage extended over the company's property at Prabhadevi, Mumbai and exclusive charge on entire moveable fixed assets except vehicles) | | |
| (b) Citi Bank Ltd.: | | |
| Term Loan (secured by hypothecation of a car) (Note '6a') | 12,427 | 1,10,551 |
| From Others: | | |
| (secured by hypothecation of a car) (Note '6a') | 1,85,224 | 5,91,315 |
| | <u>15,20,29,377</u> | <u>10,97,66,639</u> |
| SCHEDULE 'D' — UNSECURED LOANS | | |
| Fixed Deposits | <u>2,44,00,000</u> | <u>2,44,00,000</u> |
| | <u>2,44,00,000</u> | <u>2,44,00,000</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 01.04.2010 | Additions | Sales/ Adjustments | As at 31.03.2011 | Upto 31.03.2010 | For the year | Adjusted | Upto 31.03.2011 | As at 31.03.2011 | As at 31.03.2010 |
| 1. | Goodwill (Note '5') | 6,14,900 | — | 6,14,900 | — | — | — | — | — | — | 6,14,900 |
| 2. | Building (Note '1d') | 9,08,79,692 | 1,08,66,198 | — | 10,17,45,890 | 2,22,31,059 | 14,81,034 | — | 2,37,12,093 | 7,80,33,797 | 6,86,48,633 |
| 3. | Spa Equipment | 1,39,07,940 | — | — | 1,39,07,940 | 98,46,333 | 18,87,507 | — | 1,17,33,840 | 21,74,100 | 40,61,607 |
| 4. | Licences & Franchise | 3,63,51,000 | — | — | 3,63,51,000 | 3,36,29,075 | 6,80,481 | — | 3,43,09,556 | 20,41,444 | 27,21,925 |
| 5. | Air Conditioning Plant & Units | 73,76,023 | 4,12,130 | — | 77,88,153 | 17,74,019 | 3,73,738 | — | 21,47,757 | 56,40,396 | 56,02,004 |
| 6. | Furniture, Fixtures & Fittings | 2,52,59,810 | 35,96,970 | — | 2,8856,780 | 90,71,657 | 17,37,009 | — | 1,08,08,666 | 1,80,48,114 | 1,61,88,153 |
| 7. | Motor Vehicles | 24,00,166 | — | — | 24,00,166 | 5,20,684 | 2,26,602 | — | 7,47,286 | 16,52,880 | 18,79,482 |
| 8. | Electrical Fittings | 62,02,100 | 6,21,489 | — | 68,23,589 | 13,09,984 | 3,22,646 | — | 16,32,630 | 51,90,959 | 48,92,116 |
| 9. | Office Equipment | 1,20,93,630 | 39,20,901 | — | 1,60,14,531 | 34,33,020 | 17,54,162 | — | 51,87,182 | 1,08,27,349 | 86,60,610 |
| 10. | Advance on Capital Account – Purchase of Property (Note '1d') | 1,02,89,173 | 5,77,025 | 1,08,66,198 | — | — | — | — | — | — | 1,02,89,173 |
| | Total | 20,53,74,434 | 1,99,94,713 | 1,14,81,098 | 21,38,88,049 | 8,18,15,831 | 84,63,179 | — | 9,02,79,010 | 12,36,09,039 | 12,35,58,603 |
| | Total (Previous year) | 21,20,92,621 | 1,70,62,481 | 2,37,80,668 | 20,53,74,434 | 9,04,11,477 | 72,70,231 | 1,58,65,877 | 8,18,15,831 | 12,35,58,603 | |

SCHEDULES — BALANCE SHEET

SCHEDULES — Contd.

| | 2010-2011 Rupees | 2009-2010 Rupees |
|--|---------------------|---------------------|
| SCHEDULE 'F' — INVESTMENTS | | |
| Trade Investments (At cost, fully paid-up): | | |
| Unquoted: | | |
| (a) National Savings Certificate (Note '3b') | 23,000 | 23,000 |
| (b) Subsidiary Company: | | |
| 1000 ordinary shares of GBP 1 each of BB (UK) Limited | 80,300 | — |
| Quoted: | | |
| (a) HDFC Short Term Plan | | |
| 964413.155 Units of Rs.10.369 each | — | 1,00,00,000 |
| (b) Reliance Regular Savings fund | | |
| 375303.589 Units of Rs. 12.0279 each | — | 45,14,114 |
| (c) BSL MIP II Savings 5 plan | | |
| 220588.8884 Units of Rs. 11.3333 each & 88476.001 Units of Rs. 11.3025 each | — | 35,00,000 |
| (d) BSL Dynamic Bond Fund | | |
| 241291.78 Units of Rs. 10.3609 each | — | 25,00,000 |
| | 1,03,300 | 2,05,37,114 |
| Aggregate value of quoted investments | — | 2,05,14,114 |
| Market value of quoted investments | — | 2,05,32,951 |

SCHEDULES — BALANCE SHEET

SCHEDULES — Contd.

| | 2010-2011 Rupees | 2009-2010 Rupees |
|--|---------------------|---------------------|
| SCHEDULE 'G' — CURRENT ASSETS, LOANS AND ADVANCES | | |
| Current Assets: | | |
| Interest Accrued | <u>639</u> | <u>—</u> |
| Inventories: (As valued and certified by the management) | | |
| Finished Goods (including spares) (At lower of cost or net realisable value) | <u>20,57,94,127</u> | <u>11,58,27,441</u> |
| Sundry Debtors (unsecured, considered good) | | |
| Over six months | 1,39,13,965 | 19,07,209 |
| Others | <u>23,84,37,505</u> | <u>15,48,53,753</u> |
| | <u>25,23,51,470</u> | <u>15,67,60,962</u> |
| Cash and Bank balances: | | |
| Cash and cheques on hand | 4,23,033 | 3,41,053 |
| Balances with Scheduled Banks in: | | |
| Current Accounts | 52,16,088 | 1,82,83,628 |
| Unpaid Dividend Accounts | 5,88,178 | 5,32,286 |
| Fixed Deposit Accounts (Note'3a') | <u>10,000</u> | <u>—</u> |
| | <u>62,37,299</u> | <u>1,91,56,967</u> |
| Loans and Advances: | | |
| (Unsecured, considered good) | | |
| Advances and amounts recoverable in cash or in kind or for value to be received (Note '4a') | 3,27,14,497 | 3,43,61,714 |
| Advance with Customs authorities (Note '1f') | 13,50,000 | 13,50,000 |
| Security and other Deposits (Note '4b') | 3,32,37,720 | 2,88,76,609 |
| Income-Tax and Wealth Tax paid (Note '1e') | <u>6,45,03,438</u> | <u>5,50,01,996</u> |
| | <u>13,18,05,655</u> | <u>11,95,90,319</u> |
| | <u>59,61,89,190</u> | <u>41,13,35,689</u> |

SCHEDULES — BALANCE SHEET

SCHEDULES — Contd.

| | 2010-2011 Rupees | 2009-2010 Rupees |
|--|---------------------|---------------------|
| SCHEDULE 'H' — CURRENT LIABILITIES AND PROVISIONS | | |
| Current Liabilities: | | |
| Sundry Creditors (Note '2') | 12,01,10,400 | 8,89,05,294 |
| Advances and Security Deposits | 7,10,98,244 | 5,69,44,434 |
| Unpaid Dividends | 5,88,178 | 5,32,286 |
| Other Liabilities | 1,22,88,306 | 59,37,846 |
| | <u>20,40,85,128</u> | <u>15,23,19,860</u> |
| Provisions: | | |
| For Taxation | 6,00,73,040 | 5,00,63,150 |
| For Gratuity (Note '10') | 26,33,716 | — |
| For Proposed Dividend | 64,60,400 | 58,14,360 |
| | <u>6,91,67,156</u> | <u>55,87,75,510</u> |
| | <u>27,32,52,284</u> | <u>20,81,97,370</u> |

SCHEDULES — PROFIT AND LOSS ACCOUNT

SCHEDULES

Forming part of the Profit and Loss Account for the Year Ended 31 March, 2011

| | 2010-2011 Rupees | 2009-2010 Rupees |
|---|---------------------|---------------------|
| SCHEDULE 'I' — OTHER INCOME | | |
| Dividend | 2,79,980 | 11,94,721 |
| Interest (Tax deducted at source Rs.2,722, previous year Rs. 9,311) | 3,74,533 | 4,37,889 |
| Installation Charges and Design Fees | — | 3,00,000 |
| Licence Fees | 4,46,27,760 | 4,46,27,760 |
| Duty Drawback | — | 11,000 |
| Miscellaneous Receipts | 28,18,297 | 90,44,683 |
| | <u>4,81,00,570</u> | <u>5,56,16,053</u> |
| SCHEDULE 'J' — COST OF GOODS SOLD | | |
| Opening Stock: | | |
| Finished Goods (including spares) | 11,58,27,441 | 7,29,98,786 |
| Add: Purchases | 58,85,95,570 | 37,93,07,266 |
| | <u>70,44,23,011</u> | <u>45,23,06,052</u> |
| Less: Closing Stock: | | |
| Finished Goods (including spares) | 20,57,94,127 | 11,58,27,441 |
| | <u>49,86,28,884</u> | <u>33,64,78,611</u> |
| SCHEDULE 'K' — EMPLOYEES REMUNERATION AND BENEFITS (Note '9a') | | |
| Salaries, Wages, Bonus and Gratuity | 7,95,00,972 | 4,55,28,918 |
| Contributions to: | | |
| Employees State Insurance Scheme | 4,57,364 | 2,18,701 |
| Provident, Family Pension and other Funds | 51,48,881 | 33,42,309 |
| Superannuation Scheme | 9,05,980 | 11,65,800 |
| Staff Welfare Expenses | 20,69,479 | 17,85,222 |
| | <u>8,80,82,676</u> | <u>5,20,40,950</u> |

SCHEDULES — PROFIT AND LOSS ACCOUNT

SCHEDULES — Contd.

| | 2010-2011 Rupees | 2009-2010 Rupees |
|--|---------------------|---------------------|
| SCHEDULE 'L' — SELLING, OPERATING AND ADMINISTRATIVE EXPENSES | | |
| Stores, Spares and Packing Materials consumed | 32,79,796 | 10,56,723 |
| Transportation Charges | 3,18,56,684 | 2,14,19,165 |
| Power and Fuel | 55,65,116 | 38,38,080 |
| Rent | 7,01,28,926 | 5,00,92,009 |
| Rates and Taxes | 32,29,379 | 5,19,857 |
| Insurance | 8,77,912 | 11,12,429 |
| Postage, Telephones and Telex | 75,72,809 | 44,71,576 |
| Travelling and Conveyance | 2,09,18,269 | 1,36,01,632 |
| Printing and Stationery | 22,15,819 | 14,83,788 |
| Other Expenses | 2,03,57,787 | 1,52,42,686 |
| Repairs to: | | |
| Buildings | 2,47,020 | 68,900 |
| Others | 64,41,821 | 50,16,749 |
| Advertisement and Publicity | 3,86,19,208 | 1,69,32,934 |
| Commission and Brokerage | 58,29,913 | 69,47,617 |
| Sublicense Fee | 2,71,95,314 | 23,38,751 |
| Auditors' Remuneration: (Note '8') | 6,20,997 | 4,48,878 |
| Bad Debts | 1,27,561 | 61,80,328 |
| Directors' Fees | 2,60,000 | 2,10,000 |
| Professional, Legal and Consultancy Charges (Note '9b') | 1,04,74,949 | 65,39,242 |
| Sales Tax paid | 8,22,444 | 2,42,742 |
| 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 |
| Loss on Sale of Investments (Net) | 49,767 | 3,61,742 |
| Debits of Earlier Years (Net) | — | 28,430 |
| | 25,73,06,391 | 16,55,11,152 |
| SCHEDULE 'M' — INTEREST | | |
| On Fixed Loans from Banks | — | 75,234 |
| On Fixed Deposits and Others | 1,54,04,028 | 84,73,786 |
| | 1,54,04,028 | 85,49,020 |

NOTES ON ACCOUNTS

Schedules forming part of the Balance Sheet as at 31 March, 2011 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.25,49,500 (Previous year Rs.13,56,494)
 - (b) Letters of credit outstanding to the extent of Rs.6,99,08,462 (Previous year Rs.5,94,25,478)
 - (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) Advance on Capital Account of Rs. 1,08,66,198 has been transferred to Building account on completion of the building project.
 - (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 had been accounted for in these accounts. The tax authorities had filed an appeal with the Hon. High Court, Bombay against the relief of Rs. 8,74,225 which has been set aside by Hon. High Court, and restore the appeal to the Tribunal for fresh disposal.
 - (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.28,60,799 (Previous year Rs.24,29,427) raised by the New Maker Chambers IV Premises Co-operative Society Ltd, Mumbai for the difference in BMC tax from 01.04.2000 to 31.03.2011, which has been disputed by the Company. However net liability of the Company against this demand is Rs. 15,66,683.
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.10,000 (Previous year Rs.NIL) 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. Loans and Advances include:
 - (a) An amount of Rs.2,14,79,707 was due 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. On negotiating with the party an amount of Rs. 59,79,707 was written-off in the previous year from these dues showing balance amount of Rs. 1,55,00,000 due as at 31 March 2010. In spite of all assurances given to the Company by this party for clearing this debt, the party has not paid any amount during the year against these dues. The Company has served a legal notice to the party and is in the process of initiating legal proceedings for the recovery of this amount and therefore no provision has been made in the accounts against this outstanding.

NOTES ON ACCOUNTS

SCHEDULE 'N' — Contd.

(b) The Company has paid an amount of Rs. 18,00,000 as Security Deposit to M/s Sunrydge India Heritage Pvt. Ltd, and Rs. 3,75,000 to M/s Sunrydge Services Society against rental of one of their properties. The rented property has since been vacated, but the party has not refunded the Deposit amount. The Company has initiated arbitration proceedings before the Delhi High Court Arbitration Centre for the recovery of the Deposit.

5. Goodwill:

In accordance with the Accounting Standard 26 (Intangible Assets) Goodwill has been 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.16,76,089 (Previous year Rs.16,76,089) against which the future obligations aggregate to Rs.2,08,962 (Previous year Rs.7,74,234), including lease charge Rs.11,311 (Previous year Rs.72,368) and the same are payable as under:

| Period | Minimum Lease Payment | | Present Value | |
|--|-----------------------|---------------------|---------------------|---------------------|
| | 2010-2011 Rupees | 2009-2010 Rupees | 2010-2011 Rupees | 2009-2010 Rupees |
| Not later than 1 year | 2,08,962 | 5,65,272 | 1,97,651 | 5,04,215 |
| Later than 1 year but not later than 5 years | — | 2,08,962 | — | 1,97,651 |

(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 | |
|--|-----------------------|---------------------|
| | 2010-2011 Rupees | 2009-2010 Rupees |
| Not later than 1 year | 6,76,55,563 | 5,31,56,400 |
| Later than 1 year but not later than 5 years | 25,24,96,462 | 22,50,32,155 |
| Later than 5 years | 6,45,73,835 | 8,52,04,630 |

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

8. Particulars of Auditors' Remuneration:

| | 2010-2011 Rupees | 2009-2010 Rupees |
|-------------------------------|---------------------|---------------------|
| Audit fee | 1,20,000 | 1,20,000 |
| Tax Audit fee | 35,000 | 25,000 |
| Certification charges and fee | 3,78,000 | 2,31,960 |
| Service tax on fees | 54,907 | 38,828 |
| Branch Audit fee: | | |
| Audit fee | 25,000 | 25,000 |
| Tax Audit fee | 5,000 | 10,000 |
| Service tax on fees | 3,090 | 3,090 |
| | 6,20,997 | 4,48,878 |

NOTES ON ACCOUNTS

SCHEDULE N' — Contd.

9. (a) Particulars of Directors' Remuneration:

| | 2010-2011 Rupees | 2009-2010 Rupees |
|---|---------------------|---------------------|
| Wholetime Director | | |
| Salary, bonus and allowances | 53,37,500 | 36,95,700 |
| Provident, Pension and Superannuation Fund Contribution | 8,42,600 | 5,83,200 |
| | 61,80,100 | 42,78,900 |

(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. Retirement benefit:

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."

| Gratuity Liability | 2010-2011 Rupees | 2009-2010 Rupees |
|---|---------------------|---------------------|
| (i) Profit and Loss Account | | |
| Current Services cost | 9,51,064 | 5,40,877 |
| Interest Cost | 3,34,816 | 2,78,250 |
| Expected return on plan assets | (3,45,402) | (3,26,326) |
| Net Actuarial (gain)/Loss recognized in the year | 18,27,017 | (1,12,055) |
| Expenses recognized in statement of Profit and loss account | 27,67,495 | 3,80,746 |
| (ii) Balance sheet | | |
| Present value of obligations as at the end of the year | 59,89,055 | 41,85,197 |
| Fair value of plan assets as at the end of the year | 33,55,339 | 43,09,516 |
| Funded status | (26,33,716) | 1,24,319 |
| Net Asset/ (Liability) recongized in balance sheet | (26,33,716) | 1,24,319 |
| (iii) Change in the fair value of plan assets | | |
| Fair value of plan assets at the beginning of year | 43,09,516 | 31,08,587 |
| Expected return on plan assets | 3,45,402 | 3,26,326 |
| Contribution | 9,460 | 8,74,603 |
| Benefits paid | (13,09,039) | Nil |
| Actuarial (gain)/loss on Plan assets | Nil | Nil |
| Fair value of plan assets at the end of year | 33,55,339 | 43,09,516 |
| (iv) Change in present value of obligations | | |
| Present value of obligations as at the beginning of year | 41,85,197 | 34,78,125 |
| Current Service Cost | 9,51,064 | 5,40,877 |
| Interest cost | 3,34,816 | 2,78,250 |
| Benefits Paid | (13,09,039) | Nil |
| Actuarial (gain)/loss on obligations | 18,27,017 | (1,12,055) |
| Present value of obligations as at the end of year | 59,89,055 | 41,85,197 |

NOTES ON ACCOUNTS

SCHEDULE 'N' — Contd.

11. Deferred Tax Liability (net):

| | 2010-2011 Rupees | 2009-2010 Rupees |
|--|---------------------|---------------------|
| Deferred tax liability: | | |
| Depreciation on fixed assets | 3,40,64,735 | 3,38,07,589 |
| 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 | 3,59,030 | 2,30,933 |
| | <u>3,37,05,705</u> | <u>3,35,76,656</u> |

12. Earning per Share:

| | 2010-2011 Rupees | 2009-2010 Rupees |
|---|---------------------|---------------------|
| Net Profit after taxation (in Rs.) | 6,45,31,862 | 3,68,91,648 |
| Weighted average number of equity shares | 12,92,080 | 12,92,080 |
| Earning per share-Basic & Dilluted (in Rs.) | 49.94 | 28.55 |
| Nominal value per equity share (in Rs.) | 10 | 10 |

13. Related Party Transactions :

Details of transactions with Related Parties.

| Particulars of transaction | Transactions | |
|----------------------------|---------------------|---------------------|
| | 2010-2011 Rupees | 2009-2010 Rupees |
| Expenses | | |
| Interest paid | 20,25,224 | 20,26,778 |
| Sublicense fee paid | — | 23,38,751 |
| Director Remuneration | 61,80,100 | 42,79,200 |
| Salaries | 7,76,800 | 6,03,400 |
| Professional fees | 6,00,000 | 6,00,000 |
| Other expenses | 47,77,194 | 54,45,315 |

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) Big Time Exports

(ii) There are no transactions during the year:

- (1) Proline Exports Pvt. Ltd.,
- (2) Lezara Trading Ltd.
- (3) Promark Fitness & Leisures Pvt. Ltd.,
- (4) 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 | 2010-2011 Amount Rupees | Quantity | 2009-2010 Amount Rupees |
|---|------|------------|-------------------------------|----------|-------------------------------|
| 15. Particulars of Finished goods traded in : | | | | | |
| Opening 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> |
| Purchases : | | | | | |
| Sports Goods | Nos. | 1,10,77,10 | 38,26,65,297 | 6,97,035 | 20,86,29,837 |
| Fitness Equipment | Nos. | 19,317 | 19,81,76,958 | 11,025 | 16,36,61,021 |
| Others (Spares and Consumables) | | — | 77,53,315 | — | 70,16,408 |
| | | | <u>58,85,95,570</u> | | <u>37,93,07,266</u> |
| Sales : | | | | | |
| Sports Goods | Nos. | 8,90,040 | 51,42,20,505 | 5,97,316 | 25,85,91,635 |
| Fitness Equipment | Nos. | 14,302 | 37,14,42,162 | 12,684 | 30,52,55,258 |
| Others (Spares and Consumables) | | — | 97,57,766 | — | 83,69,511 |
| | | | <u>89,54,20,433</u> | | <u>57,22,16,404</u> |
| Closing Stock : | | | | | |
| Sports Goods | Nos. | 3,89,357 | 11,53,12,152 | 1,71,687 | 5,59,98,399 |
| Fitness Equipment | Nos. | 11,200 | 7,57,96,971 | 6,185 | 5,22,29,503 |
| Others (Spares and Consumables) | | — | 1,46,85,004 | — | 75,99,539 |
| | | | <u>20,57,94,127</u> | | <u>11,58,27,441</u> |
| 16. Services rendered | | | <u>1,70,15,222</u> | | <u>1,22,78,104</u> |
| 17. Foreign currency transactions : | | | | | |
| | | | 2010-2011 Rupees | | 2009-2010 Rupees |
| (a) CIF Value of Imports | | | | | |
| Finished Goods | | | 34,77,32,158 | | 20,19,74,001 |
| Spares | | | 15,44,116 | | 29,48,620 |
| (b) Expenditure in foreign currency [on payment basis (subject to deduction of tax where applicable)] | | | | | |
| Travelling expenses | | | 13,00,816 | | 12,35,470 |
| Sublicense fee | | | 1,93,46,712 | | — |
| Investment in shares (subsidiary company) | | | 80,300 | | — |
| (c) Earnings : | | | | | |
| FOB value of exports | | | 15,24,322 | | 35,44,015 |
| Service charges received | | | 1,78,08,992 | | 1,84,700 |
| Royalty received | | | — | | 2,36,920 |

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.
- (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, 2011 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) Employee 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

| | | |
|--|--|-----------------------------------|
| I. Registration Details | | |
| Registration No. | | 8546 |
| State Code | | 11 |
| Balance Sheet date | | 31.03.2011 |
| II. Capital Raised during the year | | (Amount in Rs. Thousands) |
| Public Issue | | NIL |
| Right Issue | | NIL |
| Bonus Issue | | NIL |
| Private Placement | | NIL |
| III. Position of Mobilisation and Deployment of Funds | | (Amounts in Rs. Thousands) |
| Total Liabilities | | 4,46,649 |
| Total assets | | 4,46,649 |
| Source of funds | | |
| Paid-up Capital | | 12,921 |
| Reserve & Surplus | | 2,23,593 |
| Secured Loans | | 1,52,029 |
| Unsecured Loans | | 24,400 |
| Deferred Tax Liability (Net) | | 33,706 |
| Application of Funds | | |
| Net fixed Assets | | 1,23,609 |
| Investments | | 103 |
| Net Current Assets | | 3,22,937 |
| Misc. Expenditure | | NIL |
| Accumulated Losses | | NIL |
| IV. Performance of Company | | (Amounts in Rs. Thousands) |
| Turnover (Including Other Income) | | 9,60,536 |
| Total Expenditure | | 8,67,885 |
| Profit Before Tax | | 92,651 |
| Profit After Tax and deferred tax credit | | 64,532 |
| Earning per Share (Basic) in Rs | | 49.94 |
| Dividend rate % | | 50% |
| (Diluted) in Rs | | N.A |
| V. Generic Names of Three Principal Products | | (As per monetary terms) |
| 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

Arjun Bulchandani
Director

N. R. Mahalingam
Director

S. D. Israni
Director

Nabankur Gupta
Director

H. K. Vakharia
Director

Rajiv Wallia
Executive Director

Place : Mumbai
Dated : May 24, 2011

Sudhanshu Namdeo
Company Secretary

CASH FLOW

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2011

| | 2010-2011 Rupees | 2009-2010 Rupees |
|---|---------------------|---------------------|
| A Cash flow from operating activities | | |
| Net profit before taxation and extraordinary item | 9,26,51,067 | 7,02,60,597 |
| Adjustments for: | | |
| Depreciation | 84,63,179 | 72,70,231 |
| Goodwill amortised | 6,14,900 | 6,14,900 |
| Interest income | (3,74,533) | (4,37,889) |
| Dividend income | (2,79,980) | (11,94,721) |
| Interest expenses | 1,54,04,028 | 85,49,020 |
| Operating profit before working capital changes | 11,64,78,660 | 8,50,62,138 |
| Adjustments for: | | |
| (Increase)/Decrease in Sundry debtors | (9,55,90,509) | (9,06,31,314) |
| (Increase)/Decrease in Inventories | (8,99,66,686) | (4,28,28,655) |
| (Increase)/Decrease in Loans & Advances | (27,13,894) | (26,26,924) |
| Increase/(Decrease) in Current Liabilities | 5,37,64,215 | 5,91,92,023 |
| Cash generated from operations | (1,80,28,213) | 81,67,268 |
| Interest paid | (1,48,25,151) | (84,38,375) |
| Direct taxes paid (Net of refunds) (including deferred tax) | (2,85,29,748) | (2,24,04,225) |
| Net cash from operating activities | (6,13,83,112) | (2,26,75,332) |
| B Cash flow from investing activities | | |
| Additions to Fixed assets | (85,13,615) | (1,70,62,481) |
| Sale of Fixed assets | — | 79,14,791 |
| Amortisation of Goodwill | (6,14,900) | (6,14,900) |
| Sale of Investments (Net)/Purchase of Investments (Net) | 2,04,33,814 | 26,19,745 |
| Dividend received | 2,79,980 | 11,94,721 |
| Interest received | 3,73,894 | 4,91,929 |
| Net cash from/(used in) investing activities | 1,19,59,174 | (54,56,195) |
| C Cash flow from financing activities | | |
| Repayment of Borrowings | 4,22,62,738 | 2,55,64,372 |
| Dividend paid | (57,58,467) | (44,92,951) |
| Net cash from/(used in) financing activities | 3,65,04,271 | 2,10,71,421 |
| Net cash flows during the year (A+B+C) | (1,29,19,668) | (70,60,106) |
| Cash and cash equivalents (opening balance) | 1,91,56,967 | 2,62,17,073 |
| Cash and cash equivalents (closing balance) | 62,37,299 | 1,91,56,967 |

As per our separate report of even date

For **S. P. CHOPRA & CO.**
Chartered Accountants
Membership No. 101911W

Rajesh Batra
Chairman

Arjun Bulchandani
Director

N. R. Mahalingam
Director

S. D. Israni
Director

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

Nabankur Gupta
Director

H. K. Vakharia
Director

Rajiv Wallia
Executive Director

Place : Mumbai
Dated : May 24, 2011

Sudhanshu Namdeo
Company Secretary

STATEMENT REGARDING SUBSIDIARY COMPANY M/s. BB (UK) LTD. PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

1. Name of the Subsidiary : BB (UK) Ltd.
2. Financial year ended : March 31, 2011
3. Holding Company Interest
Equity Capital:
 - Number of Shares : 1000
 - Extent of Holding : 100%
4. The net aggregate profit and loss of the Subsidiary Company is so far it concerns the members of the Holding Company:
 - (a) Not dealt with in the accounts of the Company for the year ended March 31, 2011:
 - (1) For the Subsidiary financial year ended March 31, 2011 : Rs. 44,66,480/-
 - (2) For the previous financial year of the Subsidiary : Not Applicable
 - (b) Deal with in the accounts of the Company for the year ended March 31, 2011
 - (1) For the Subsidiary financial year ended March 31, 2011 : Nil
 - (2) For the previous financial year of the subsidiary : Not Applicable

INFORMATION ON SUBSIDIARY COMPANY M/s. BB (UK) LTD. FOR THE FINANCIAL YEAR ENDED MARCH 31, 2011

| Sr. No. | Particulars | Rupees* |
|---------|-------------------------------------|-------------|
| 1. | Issued and Subscribed Share Capital | 71,681 |
| 2. | Reserves | 37,22,409 |
| 3. | Total Assets | 2,33,83,326 |
| 4. | Total Liabilities | 1,95,80,618 |
| 5. | Details of Investments | — |
| 6. | Turnover | 1,33,38,297 |
| 7. | Profit before Taxation | 44,66,480 |
| 8. | Provision for Taxation | 10,19,886 |
| 9. | Profit after Taxation | 34,46,578 |
| 10. | Proposed Dividend | — |

*Converted 1 GBP (£) = Rs. 71.6816

REPORT OF THE AUDITORS

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors Cravatex Limited

1. We have audited the attached Consolidated Balance Sheet of Cravatex Limited (the Company) and its subsidiary as at 31 March 2011, and the Consolidated Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the Management on the basis of separate financial statements. 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 - (i) We did not audit the financial statements of the subsidiary, whose financial statements (being the first year of the subsidiary) reflect total assets of Rs. 2,33,83,326 as at 31 March 2011 and the total revenue of Rs. 1,33,38,297 for the year then ended. These financial statements and other financial information have been audited by the other auditor whose report has been furnished to us, and our opinion is based solely on the report of the other auditor.
 - (ii) We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements".
 - (iii) Based on our audit and on consideration of the report of other auditor on the separate financial statements, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.:
 - (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company as at 31 March, 2011;
 - (b) in the case of the Consolidated Profit and Loss Account, of the profit 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 24, 2011

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2011

| | Schedule | 2010-2011 Rupees |
|---|--------------|---------------------|
| SOURCES OF FUNDS | | |
| Shareholders' Funds: | | |
| Share Capital | 'A' | 1,29,20,800 |
| Reserves and Surplus | 'B' | 22,73,15,772 |
| | | 24,02,36,572 |
| Loan Funds: | | |
| Secured Loans | 'C' | 15,20,29,377 |
| Unsecured Loans | 'D' | 2,44,00,000 |
| | | 17,64,29,377 |
| Deferred Tax Liability (Net) | | 3,37,05,705 |
| | TOTAL | 45,03,71,654 |
| APPLICATION OF FUNDS | | |
| Fixed Assets : | 'E' | |
| Gross Block | | 21,38,88,049 |
| Depreciation | | 9,02,79,010 |
| Net Block | | 12,36,09,039 |
| Investments | 'F' | 23,000 |
| Net Working Capital | | |
| Current Assets, Loans and Advances | 'G' | 61,95,72,517 |
| Less: Current Liabilities and Provisions | 'H' | 29,28,32,902 |
| | | 32,67,39,615 |
| | TOTAL | 45,03,71,654 |
| Notes on Accounts and Significant Accounting Policies | 'N' | |

As per our report of even date

Auditors' Report to the Members of Cravatex Limited
As per Certificate appended to the Consolidated Balance Sheet

For **S. P. CHOPRA & CO.**
Chartered Accountants
Membership No. 101911W

Rajesh Batra
Chairman

Arjun Bulchandani
Director

N. R. Mahalingam
Director

S. D. Israni
Director

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

Nabankur Gupta
Director

H. K. Vakharia
Director

Rajiv Wallia
Executive Director

Place : Mumbai
Dated : May 24, 2011

Sudhanshu Namdeo
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH, 2011

| | Schedule | 2010-2011 Rupees |
|---|--------------|---------------------|
| INCOME | | |
| Sales and Services | | 92,57,73,953 |
| Other Income | ‘I’ | 4,81,00,570 |
| | TOTAL | 97,38,74,523 |
| EXPENDITURE | | |
| Cost of Goods sold | ‘J’ | 50,40,73,317 |
| Employees Remuneration and Benefits | ‘K’ | 8,80,82,676 |
| Selling, Operating and Administrative expenses | ‘L’ | 26,07,33,792 |
| Interest | ‘M’ | 1,54,04,028 |
| Depreciation | | 84,63,179 |
| | TOTAL | 87,67,56,992 |
| PROFIT | | |
| Profit before Taxation | | 9,71,17,531 |
| Provision for taxation | | |
| Current tax | | (2,88,19,886) |
| Deferred Tax Credit/(Debit) | | (1,29,049) |
| (Short)/Excess Provision for earlier years | | (1,90,156) |
| Profit after Taxation | | 6,79,78,440 |
| Add: Balance brought forward | | 2,55,20,163 |
| | TOTAL | 9,34,98,603 |
| APPROPRIATIONS | | |
| Provision for Proposed Dividend | | 64,60,400 |
| Provision for Tax on Proposed Dividend | | 10,48,040 |
| Transfer to General Reserve | | 5,50,00,000 |
| Balance carried to Balance Sheet (Schedule ‘B’) | | 3,09,90,163 |
| | TOTAL | 9,34,98,603 |
| Basic and Diluted Earning per Share | | 52.61 |
| Notes on Accounts and Significant Accounting Policies | ‘N’ | |

Auditors’ Report to the Members of Cravatex Limited

As per Certificate appended to the Consolidated Profit and Loss Account

For **S. P. CHOPRA & CO.**
Chartered Accountants
Membership No. 101911W

Rajesh Batra
Chairman

Arjun Bulchandani
Director

N. R. Mahalingam
Director

S. D. Israni
Director

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

Nabankur Gupta
Director

H. K. Vakharia
Director

Rajiv Wallia
Executive Director

Place : Mumbai
Dated : May 24, 2011

Sudhanshu Namdeo
Company Secretary

SCHEDULES — CONSOLIDATED BALANCE SHEET

SCHEDULES

Forming part of the Consolidated Balance Sheet as at 31 March, 2011

| | 2010-2011 Rupees |
|---|---------------------|
| SCHEDULE 'A' — SHARE CAPITAL | |
| Authorised: | |
| 1850000 Equity shares of Rs.10 each | 1,85,00,000 |
| 15000 9.5% Redeemable Cumulative Preference shares of Rs. 100 each | 15,00,000 |
| | 2,00,00,000 |
| Issued, Subscribed and Paid-up: | |
| 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 |
| SCHEDULE 'B' — RESERVES AND SURPLUS | |
| Export Profits Reserve: | |
| Balance as per last Account | 1,68,000 |
| Capital Reserve: | |
| (Subsidy received from Govt.of Karnataka) | |
| Balance as per last Account | 18,92,000 |
| | 18,92,000 |
| General Reserve: | |
| Balance as per last Account | 13,92,65,609 |
| Add : Transfer from Profit and Loss Account | 5,50,00,000 |
| | 19,42,65,609 |
| Profit and Loss Account: | |
| As per Account Annexed | 3,09,90,163 |
| | 22,73,15,772 |

SCHEDULES — CONSOLIDATED BALANCE SHEET

SCHEDULES — Contd.

SCHEDULE 'C' — SECURED LOANS

From Banks :

(a) Axis Bank Ltd.

Cash Credit Account

(secured by first charge on all the current assets and equitable mortgage extended over the company's property at Prabhadevi, Mumbai and exclusive charge on entire moveable fixed assets except vehicles)

2010-2011
Rupees

15,18,31,726

(b) Citi Bank Ltd.:

Term Loan (secured by hypothecation of a car)

12,427

From Others:

(secured by hypothecation of a car)

1,85,224

15,20,29,377

SCHEDULE 'D' — UNSECURED LOANS

Fixed Deposits

2,44,00,000

2,44,00,000

SCHEDULES — CONSOLIDATED BALANCE SHEET

SCHEDULES — Contd.

SCHEDULE 'E' — FIXED ASSETS

Amount in Rupees

| Sr. No. | PARTICULARS | GROSS BLOCK AT COST | | | | DEPRECIATION | | | | NET BLOCK | |
|---------|---|---------------------|--------------------|--------------------|---------------------|--------------------|------------------|-------------|--------------------|---------------------|---------------------|
| | | As at 01.04.2010 | Additions | Sales/ Adjustments | As at 31.03.2011 | Upto 31.03.2010 | For the year | Adjusted | Upto 31.03.2011 | As at 31.03.2011 | As at 31.03.2010 |
| 1. | Goodwill | 6,14,900 | — | 6,14,900 | — | — | — | — | — | — | 6,14,900 |
| 2. | Building | 9,08,79,692 | 1,08,66,198 | — | 10,17,45,890 | 2,22,31,059 | 14,81,034 | — | 2,37,12,093 | 7,80,33,797 | 6,86,48,633 |
| 3. | Spa Equipment | 1,39,07,940 | — | — | 1,39,07,940 | 98,46,333 | 18,87,507 | — | 1,17,33,840 | 21,74,100 | 40,61,607 |
| 4. | Licences & Franchise | 3,63,51,000 | — | — | 3,63,51,000 | 3,36,29,075 | 6,80,481 | — | 3,43,09,556 | 20,41,444 | 27,21,925 |
| 5. | Air Conditioning Plant & Units | 73,76,023 | 4,12,130 | — | 77,88,153 | 17,74,019 | 3,73,738 | — | 21,47,757 | 56,40,396 | 56,02,004 |
| 6. | Furniture, Fixtures & Fittings | 2,52,59,810 | 35,96,970 | — | 2,88,56,780 | 90,71,657 | 17,37,009 | — | 1,08,08,666 | 1,80,48,114 | 1,61,88,153 |
| 7. | Motor Vehicles | 24,00,166 | — | — | 24,00,166 | 5,20,684 | 2,26,602 | — | 7,47,286 | 16,52,880 | 18,79,482 |
| 8. | Electrical Fittings | 62,02,100 | 6,21,489 | — | 68,23,589 | 13,09,984 | 3,22,646 | — | 16,32,630 | 51,90,959 | 48,92,116 |
| 9. | Office Equipment | 1,20,93,630 | 39,20,901 | — | 1,60,14,531 | 34,33,020 | 17,54,162 | — | 51,87,182 | 1,08,27,349 | 86,60,610 |
| 10. | Advance on Capital Account – Purchase of Property | 1,02,89,173 | 5,77,025 | 1,08,66,198 | — | — | — | — | — | — | 1,02,89,173 |
| | Total | 20,53,74,434 | 1,99,94,713 | 1,14,81,098 | 21,38,88,049 | 8,18,15,831 | 84,63,179 | — | 9,02,79,010 | 12,36,09,039 | 12,35,58,603 |
| | Total (Previous year) | 21,20,92,621 | 1,70,62,481 | 2,37,80,668 | 20,53,74,434 | 9,04,11,477 | 72,70,231 | 1,58,65,877 | 8,18,15,831 | 12,35,58,603 | |

**2010-2011
Rupees**

SCHEDULE 'F' — INVESTMENTS

Trade Investments (At cost, fully paid-up):

Unquoted:

(a) National Savings Certificate

23,000

23,000

SCHEDULES — CONSOLIDATED BALANCE SHEET

SCHEDULES — Contd.

| | 2010-2011 Rupees |
|--|---------------------|
| SCHEDULE 'G' — CURRENT ASSETS, LOANS AND ADVANCES | |
| Current Assets: | |
| Interest Accrued | 639 |
| Inventories: (As valued and certified by the management) | |
| Finished Goods (including spares) (At lower of cost or net realisable value) | 21,01,89,571 |
| Sundry Debtors (unsecured, considered good): | |
| Over six months | 1,39,13,965 |
| Others | 25,41,88,820 |
| | 26,81,02,785 |
| Cash and Bank balances: | |
| Cash and cheques on hand | 4,23,033 |
| Balances with Scheduled Banks in: | |
| Current Accounts | 66,22,123 |
| Unpaid Dividend Accounts | 5,88,178 |
| Fixed Deposit Accounts | 10,000 |
| | 76,43,334 |
| Loans and Advances: | |
| (Unsecured, considered good) | |
| Advances and amounts recoverable in cash or in kind or for value to be received | 3,45,45,030 |
| Advance with Customs authorities | 13,50,000 |
| Security and other Deposits | 3,32,37,720 |
| Income-Tax and Wealth Tax paid | 6,45,03,438 |
| | 13,36,36,188 |
| | 61,95,72,517 |
| SCHEDULE 'H' — CURRENT LIABILITIES AND PROVISIONS | |
| Current Liabilities: | |
| Sundry Creditors | 13,49,64,763 |
| Advances and Security Deposits | 7,46,94,152 |
| Unpaid Dividends | 5,88,178 |
| Other Liabilities | 1,23,98,767 |
| | 22,26,45,860 |
| Provisions: | |
| For Taxation | 6,10,92,926 |
| For Gratuity | 26,33,716 |
| For Proposed Dividend | 64,60,400 |
| | 7,01,87,042 |
| | 29,28,32,902 |

SCHEDULES — CONSOLIDATED PROFIT AND LOSS

SCHEDULES

Forming part of the Profit and Loss Account for the Year Ended 31 March, 2011

| | 2010-2011 Rupees |
|--|---------------------|
| SCHEDULE 'I' — OTHER INCOME | |
| Dividends | 2,79,980 |
| Interest (Tax deducted at source Rs.2,722, previous year Rs. 9,311) | 3,74,533 |
| Installation Charges and Design Fees | — |
| Licence Fees | 4,46,27,760 |
| Duty Drawback | — |
| Miscellaneous Receipts | 28,18,297 |
| | 4,81,00,570 |
| SCHEDULE 'J' — COST OF GOODS SOLD | |
| Opening Stock: | |
| Finished goods (including spares) | 11,58,27,441 |
| Add: Purchases | 59,84,35,447 |
| | 71,42,62,888 |
| Less: Closing Stock: | |
| Finished goods (including spares) | 21,01,89,571 |
| | 50,40,73,317 |
| SCHEDULE 'K' — EMPLOYEES REMUNERATION AND BENEFITS | |
| Salaries, Wages, Bonus and Gratuity | 7,95,00,972 |
| Contributions to: | |
| Employees State Insurance Scheme | 4,57,364 |
| Provident, Family Pension and other Funds | 51,48,881 |
| Superannuation Scheme | 9,05,980 |
| Staff Welfare Expenses | 20,69,479 |
| | 8,80,82,676 |

SCHEDULES — CONSOLIDATED PROFIT AND LOSS

SCHEDULES — Contd.

| | 2010-2011 Rupees |
|--|---------------------|
| SCHEDULE 'L' — SELLING, OPERATING AND ADMINISTRATIVE EXPENSES | |
| Stores, Spares and Packing materials consumed | 32,79,796 |
| Transportation charges | 3,18,56,684 |
| Power and Fuel | 55,65,116 |
| Rent | 7,01,28,926 |
| Rates and Taxes | 32,29,379 |
| Insurance | 8,77,912 |
| Postage, Telephones and Telex | 75,72,809 |
| Travelling and Conveyance | 2,12,70,226 |
| Printing and Stationery | 22,34,313 |
| Other expenses | 2,04,17,586 |
| Repairs to: | |
| Buildings | 2,47,020 |
| Others | 64,41,821 |
| Advertisement and Publicity | 3,87,82,140 |
| Commission and Brokerage | 69,83,915 |
| Sublicense Fee | 2,86,74,105 |
| Auditors' Remuneration | 6,66,873 |
| Bad Debts | 1,27,561 |
| Directors' Fees | 2,60,000 |
| Professional, Legal and Consultancy Charges | 1,06,30,498 |
| Sales Tax paid | 8,22,444 |
| Goodwill amortised | 6,14,900 |
| Loss on Sale of Investments (Net) | 49,767 |
| | 26,07,33,792 |
| SCHEDULE 'M' — INTEREST | |
| On Fixed Deposits and Others | 1,54,04,028 |
| | 1,54,04,028 |

NOTES ON ACCOUNTS

Schedules forming part of the Balance Sheet as at 31 March, 2011 and Profit and Loss Account for the year ended on that date.

SCHEDULE 'N' — SIGNIFICANT ACCOUNTING POLICIES TO THE CONSOLIDATED ACCOUNTS

1. Principles of consolidation

The consolidated financial statement relate to Cravatex Limited (the Company) and its subsidiary company. The consolidated financial statements have been prepared on the following basis:

- (a) The financial statements of the company and its subsidiary company is combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 – “Consolidated Financial Statements”.
- (b) In case of foreign subsidiaries, revenue items, all assets and liabilities are converted at rates prevailing at the end of the year.
- (c) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company’s separate financial statements.

2. Other significant accounting policies

These are set out under “significant Accounting Policies” as given in the Company’s separate financial statements.

Signature on the Schedules “A” to “N” For and on behalf of the Board

For **S. P. CHOPRA & CO.**
Chartered Accountants
Membership No. 101911W

Rajesh Batra
Chairman

Arjun Bulchandani
Director

N. R. Mahalingam
Director

S. D. Israni
Director

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

Nabankur Gupta
Director

H. K. Vakharia
Director

Rajiv Wallia
Executive Director

Place : Mumbai
Dated : May 24, 2011

Sudhanshu Namdeo
Company Secretary