

BOARD OF DIRECTORS AND GENERAL INFORMATION

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- 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.
- Shareholders are requested to bring their copy of Annual Report to the Meeting as the practice of handing out copies of Annual Report at the Annual General Meeting has been discontinued.
- Please address all correspondence regarding share transfer work to the Registrars and Share Transfer Agents and not to the Company's Registered Office.

Board of Directors

Rajesh Batra	: <i>Chairman & Managing Director</i>
Arjun Bulchandani	
H. K. Vakharia	
N. R. Mahalingam	
S. D. Israni	
Nabankur Gupta	
Rajiv Batra	: (Appointed w.e.f. 12/8/2011)
N. Santhanam	: (Appointed w.e.f. 10/2/2012)

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:

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

Investor Relation Centre:

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

FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Paid-up Capital	258.42	129.21	129.21	129.21	129.21	129.21	129.21	129.21	129.21	129.21
Reserves and Surplus	2827.19	2235.93	1665.70	1364.81	1210.16	1138.38	1054.38	1058.27	1015.61	944.86
Net Worth	3085.60	2365.14	1794.91	1494.02	1339.37	1267.59	1183.59	1187.48	1144.82	1074.07
Fixed Assets	2245.45	2138.88	2053.74	2120.93	2149.61	2221.18	2194.99	2131.34	1773.47	1783.92
Depreciation	992.70	902.79	818.16	904.11	858.53	871.62	767.85	653.90	581.61	490.94
Net Block	1252.75	1236.09	1235.58	1216.81	1291.08	1349.56	1427.13	1477.43	1191.86	1292.99
Turnover	15657.98	9124.36	5844.95	4423.85	5061.56	4762.98	4268.78	4184.59	3756.40	3301.32
Earning before Taxes	1199.08	926.51	702.61	266.45	216.22	159.95	110.50	155.82	165.27	89.73
Dividend	90.45 (35%)	64.60 (50%)	58.14 (45%)	45.22 (35%)	45.22 (35%)	45.22 (35%)	38.76 (30%)	38.76 (30%)	32.30 (25%)	28.43 (22%)
Earning Per Share	31.95	49.94	28.55	14.30	9.65	10.30	3.12	6.42	9.25	7.41

NOTICE OF ANNUAL GENERAL MEETING**NOTICE**

NOTICE is hereby given that the Sixtieth Annual General Meeting of the Members of **CRAVATEX LIMITED** will be held on Tuesday, August 14, 2012 at 10.30 a.m. at Textiles Committee Auditorium, P. Balu Road, Prabhadevi Chowk, Prabhadevi, Mumbai – 400 025, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2012 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, 2012.
3. To appoint a Director in place of Mr. Rajesh Batra who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. H.K. Vakharia who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. S.D. Israni who retires by rotation and, being eligible, offers himself for re-appointment.
6. 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.”

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 provisions of Section 228 of the Companies Act, 1956, the accounts of the Company for the year ending March 31, 2013 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

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

“RESOLVED THAT Mr. Rajiv Batra, who was appointed as an Additional Director of the Company under Section 260 of the Companies Act, 1956 and Article 185 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company, liable to retirement by rotation.”

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

“RESOLVED THAT Mr. N. Santhanam, who was appointed as an Additional Director of the Company under Section 260 of the Companies Act, 1956 and Article 185 of the Articles of Association of the Company, be and is hereby appointed as a Director of the Company, liable to retirement by rotation.”

By Order of the Board of Directors

Sudhanshu Namdeo
Company Secretary

Place : Mumbai
Dated : May 25, 2012

NOTICE OF ANNUAL GENERAL MEETING

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and a Proxy need not be a member. The instrument appointing a Proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business proposed to be transacted at the meeting is annexed hereto.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, August 7, 2012 to Tuesday, August 14, 2012 (both days inclusive).
4. Members holding shares in demat form are requested to notify immediately any change in their registered address or bank mandate to their Depository Participant (DP) quoting their Client IDs. Members holding shares in physical form are requested to notify immediately any change in their registered address or bank mandate to the Registrars and Share Transfer Agents of the Company quoting their Folio Number.
5. Unclaimed Dividends for the financial year ended March 31, 2005 shall be transferred to the Investor Education and Protection Fund of the Central Government in terms of the provisions of Section 205C of the Companies Act, 1956. Those members who have so far not encashed the dividend(s) from the year ended March 31, 2005, till the year ended March 31, 2011 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 viz, name and address of the branch of the bank, MICR code of the branch, account number with blank cancelled cheque 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 held in demat form.
8. The Securities and Exchange Board of India (SEBI) has made it mandatory to furnish Permanent Account Number (PAN) by participants in securities market. Members are requested to submit the PAN to their Depository Participant (DP)/Registrar & Share Transfer Agents respectively.
9. The Company supports the environment friendly "Green Initiative in Corporate Governance" by The Ministry of Corporate Affairs (MCA) to send notices for General Meetings/Annual Reports/Other Shareholder Communication through electronic mode to the e-mail addresses. Members are requested to take advantage of this initiative and register their e-mail address with the Registrar & Share Transfer Agents of the Company.

By Order of the Board of Directors

Sudhanshu Namdeo
Company Secretary

Place : Mumbai
Dated : May 25, 2012

NOTICE OF ANNUAL GENERAL MEETING**Explanatory Statement under Section 173 (2) of the Companies Act, 1956****Item No. 8**

At the meeting of the Board of Directors of the Company held on August 12, 2011, Mr. Rajiv Batra was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 185 of the Articles of Association of the Company and holds office up to the date of ensuing Annual General Meeting.

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

Mr. Rajiv Batra and Mr. Rajesh Batra (being relative as defined under section 6 of the Companies Act, 1956 of Mr. Rajiv Batra) may be deemed to be concerned or interested in the Resolution.

Item No. 9

At the meeting of the Board of Directors of the Company held on February 10, 2012, Mr. N. Santhanam was appointed as an Additional Director of the Company pursuant to Section 260 of the Companies Act, 1956 and Article 185 of the Articles of Association of the Company and holds office up to the date of ensuing Annual General Meeting.

The Company has received a notice from a Member under Section 257 of the Companies Act, 1956 proposing Mr. N. Santhanam's candidature for the office of the Director. The Board considers it desirable that the Company continues to avail the services of Mr. N. Santhanam as a Director and commends the resolution for acceptance by the Members.

Mr. N. Santhanam may be deemed to be concerned or interested in the Resolution as the same pertains to his appointment.

By Order of the Board of Directors

Sudhanshu Namdeo
Company Secretary

Place : Mumbai
Dated : May 25, 2012

NOTICE OF ANNUAL GENERAL MEETING

Details of Directors seeking Appointment/Re-appointment at the Annual General Meeting

- (1) **Mr. Rajesh Batra**, 57, did his schooling in Champion School, Mumbai and graduated from Elphinstone College, in 1975. He then obtained a Diploma in Systems Management from Jamnalal Bajaj Institute in 1978. Son of Mr. Ram Batra, a leading Businessman and Sheriff of Bombay in 1978, Mr. Rajesh Batra, along with his brother Mr. Rajiv Batra, founded PROLINE in 1983. The brand has a national presence and is presently sold through more than 30 company exclusive stores, major department stores & malls and several hundred retail outlets. A keen tennis enthusiast, Mr. Batra was the Maharashtra State Champion during 1970s and was ranked number 6 in India at that time. He has also represented India in the Asian Junior Championships in 1973 where he was a finalist and at the World University Games in 1973 in Moscow.

Mr. Batra is a Director on the Board of several Companies. Besides this, he is a trustee on several charitable trusts and promotes tennis through Ram Batra Memorial Foundation.

Mr. Batra holds 2,78,940 equity shares in the Company.

Other Directorships: Proline India Ltd.; B.R.T. Ltd.; Technojet Consultants Ltd.; National Peroxide Ltd.; Proline Exports Pvt. Ltd.; Promark Fitness & Leisure Pvt. Ltd.; Jehreen Investments Pvt. Ltd.; Lochness Investments Pvt. Ltd.; Citroflex Pvt. Ltd.; Spring Flower Investments Pvt. Ltd.; Nitapo Holdings Pvt. Ltd.; Heera Holdings & Leasing Pvt. Ltd.

Committee Memberships: Cravatex Ltd. (Shareholders'/Investors' Grievance Committee); National Peroxide Ltd. (Audit Committee, Remuneration Committee; Shareholders'/Investors' Grievance Committee).

- (2) **Mr. H.K. Vakharia**, 76, is a fellow member of the Institute of Chartered Accountants of India. He is presently a Partner with H. N. Mehta & Co. and H. N. Mehta Associates. He has extensive well rounded experience of more than five decades in various areas like finance, advisory and taxation. Over these years he has advised various Clients on inbound and outbound investments and business re-organisations. He has worked extensively within finance and investment fields.

Mr. Vakharia does not hold any equity shares in the Company.

Other Directorships: V. H. Holdings Pvt. Ltd.

Committee Memberships: None

- (3) **Dr. S.D. Israni**, 62 is qualified in the field of Law, Company Secretaryship and Management and has nearly 39 years of experience as a practitioner in the field of Corporate Laws and Business Advisory services. He is presently a Senior Partner of SD Israni Law Chambers, Advocates & Solicitors (UK). He is the former member of SEBI's Committee on Disclosures (Malegam Committee), Central Council of the ICSI (4 Terms), Naresh Chandra Committee for simplification of Law relating to Private Companies, SEBI's Committee on Buy-Back of Shares, Several Committees of the Central Council of the ICSI and IMC's Task Force on Company Law. He is also the former chairman of the Capital Markets Committee of the ICSI and CCRT Management Committee of the ICSI. Dr Israni is a Director on the Board of several Companies. Besides this, he is a trustee on several charitable trusts.

Dr. Israni does not hold any equity shares in the Company.

Other Directorships: ICICI Trusteeship Services Ltd., Modern India Ltd., Blossom Industries Ltd., Sidmak Laboratories (India) Pvt. Ltd.

Committee Memberships: Cravatex Ltd. (Selection Committee, Remuneration Committee); Modern India Ltd. (Audit Committee).

NOTICE OF ANNUAL GENERAL MEETING

- (4) **Mr. Rajiv Batra**, 51, graduated with a commerce degree from HR College, Mumbai in 1981. A keen tennis player, Mr. Rajiv Batra has won many national titles in India as a junior and is currently ranked in Great Britain in the Veterans. His sports background led him to found Proline along with his brother Mr. Rajesh Batra in 1983. Proline is a leading casual wear brand and is distributed in over 1000 doors in India and the Middle East. Mr. Rajiv Batra is based in London, U.K. and looks after the overseas interest of the group, through its subsidiary M/s. BB (UK) Limited, U.K. He has built an infrastructure to design and source Apparel and Accessories. The Subsidiary Company has the sub-licensing rights for the FILA brand for special distribution in the U.K. and Ireland. It also provides sourcing services to FILA licensees in Europe.

Mr. Rajiv Batra holds 61,840 equity shares in the Company.

Other Directorships: Proline India Ltd.; Proline Exports Pvt. Ltd.; Promark Fitness & Leisure Pvt. Ltd.

Committee Memberships: None

- (5) **Mr. N. Santhanam**, 63, is a Chartered Accountant by profession and has 40 years of rich and varied experience in handling different businesses as also in Corporate Accounts, Finance, Treasury, Taxation, Secretarial and Legal, Mergers & Aquisitions. Mr. Santhanam started his career with the Tata Group and later joined the Wadia Group where he served for nearly 22 years. In 2001 he joined Piramal Healthcare Limited as its Group Chief Financial Officer. In this role he was instrumental in completing many acquisitions both in India and overseas. In 2008, in Piramal Healthcare Limited he was elevated as its Chief Operating Officer in Piramal. He was also a Member of the Board of the company. He had total responsibility of the overall operations of its Healthcare Business including Pharma Solutions, Global Critical Care, Vitamins and Fine Chemicals and Diagnostic Equipments Business. He managed business activities spread across the globe including USA, Canada, UK and China. In May 2010, he was the key member of a small team that handled the successful divestiture of Piramal's Healthcare Solutions Business to Abbott Laboratories. This was a landmark deal, which fetched a sale consideration of US\$ 3.8 billion (at a valuation of 9 multiple of sales and 30 multiple of EBIDTA). Post retirement from Piramal, in 2012 he joined as the CEO of Breach Candy Hospital Trust.

Mr. N. Santhanam does not hold any equity shares in the Company.

Other Directorships: None

Committee Memberships: None

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, 2012.

	Current Year Rupees	Previous Year Rupees
FINANCIAL RESULTS		
Earnings before Finance Cost, Depreciation and Taxation	16,51,66,586	12,25,15,274
Less: Finance Cost	3,62,60,574	2,14,01,028
Less: Depreciation	89,97,582	84,63,179
Profit before Taxation	11,99,08,430	9,26,51,067
Provision for Taxation:		
Current Tax	(3,74,00,000)	(2,78,00,000)
Deferred Tax Credit/(Debit)	(4,35,340)	(1,29,049)
Short/(Excess) Provision for Earlier Years	4,84,800	(1,90,156)
Profit after Current Taxation	8,25,57,890	6,45,31,862
Adding thereto:		
Brought forward from Previous Year	2,72,67,754	2,52,44,332
Available for Appropriation	10,98,25,644	8,97,76,194
Less Appropriations:		
Provision for Proposed Dividend	90,44,560	64,60,400
Provision for Tax on Proposed Dividend	14,67,260	10,48,040
General Reserve	6,75,00,000	5,50,00,000
Balance to be carried forward	3,18,13,824	2,72,67,754

OPERATIONS

The turnover of the Company for the year under review has increased from Rs.9,124 lacs to Rs. 15,658 lacs, a growth of 72%, while the earnings before finance cost, depreciation and taxation stood at Rs.1,652 lacs as against Rs.1,225 lacs, a growth of 35%. The Net Profit after tax for the year also increased from Rs.645 lacs to Rs.826 lacs, a growth of 28%. The balance carried forward to Balance Sheet is Rs. 3,18,13,824 lacs.

DIVIDEND

The Directors are pleased to recommend dividend of Rs.3.50 per equity share (previous year Rs.5/- 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 the Members. The Dividend if approved by the Members at the Annual General Meeting, will absorb Rs.90,44,560/-.

REPORT OF THE BOARD OF DIRECTORS**BONUS SHARES**

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 was capitalised by issue of fully paid Bonus Shares, in the ratio of 1 (one) Equity Share for every 1 (one) existing Equity Share held to the holders of Equity Shares of the Company as on the Book Closure date of July 19, 2011. Consequently, the issued, subscribed and paid-up Share Capital of the Company increased from Rs.1,29,20,800/- divided into 12,92,080 Equity Shares of Rs.10/- each to Rs.2,58,41,600/- divided into 25,84,160 Equity Shares of Rs.10/- each.

INCREASE IN AUTHORISED SHARE CAPITAL

The authorised share capital of the Company increased 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.2,48,00,000/- as on March 31, 2012 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 2011 under ISO 9001 : 2008 certification for its Fitness division.

DIRECTORS

- Mr. Rajesh Batra, Mr. H.K. Vakharia and Dr. S.D. Israni are retiring by rotation and, being eligible, offer themselves for re-appointment.
- Mr. Rajesh Batra was appointed as the Managing Director of the Company with effect from June 1, 2011.
- Mr. Rajiv Wallia ceased 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.
- Mr. Rajiv Batra and Mr. N. Santhanam were appointed as Additional Director's of the Company with effect from August 12, 2011 and February 10, 2012 respectively pursuant to Section 260 of the Companies Act, 1956 and Article 185 of the Articles of Association of the Company and holds office upto the date of the ensuing Annual General Meeting.

The Company has received notice under Section 257 of the Companies Act, 1956 proposing Mr. Rajiv Batra's and Mr. N. Santhanam's candidature for the office of the Director. The Board considers it desirable that the Company continues to avail the services of Mr. Rajiv Batra and Mr. N. Santhanam as a Director.

REPORT OF THE BOARD OF DIRECTORS

SUBSIDIARY

BB (UK) Ltd., a wholly owned subsidiary of the Company completed its first year of operations. It operates the FILA license in parts of the UK, Ireland, Middle East and Africa. It also provides sourcing services to several FILA licensees across the world. In a very difficult economic environment, it achieved a turnover of Rs.8,397 lacs and a profit before tax of Rs.156 lacs.

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 accounts in the annual report. The company will make available the annual accounts and other documents of the subsidiary company to the Members of the Company, seeking such information at any point of time. The annual accounts and other documents of the subsidiary will also be kept open for inspection for the Members 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.

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.

CORPORATE GOVERNANCE

Since the paid-up share capital of the Company until the financial year 2010-11 was below Rs.3 Crores and the net worth below Rs.25 crores, the provisions of Clause 49 of the Listing Agreement relating to Corporate Governance, were not applicable to the Company for the financial year 2011-12. Consequent to the increase in the networth above Rs.25 Crores as evident from the audited annual accounts for financial year 2011-12, the provisions of Clause 49 of the Listing Agreement will become applicable to the Company. The Board has taken adequate steps to ensure that all mandatory provisions of Corporate Governance in terms of Clause 49 of the Listing Agreement, with the Bombay Stock Exchange Limited will be complied with. However, for the benefit of the Members a separate report on Corporate Governance is being incorporated as a part of the Annual Report along with a Certificate from a Practicing Company Secretary.

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.

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

The Information required under Section 217(2A) of the Companies Act, 1956 read with rules made thereunder forms part of this report. However, as per provision of Section 219(1)(b)(iv) of the Act, the accounts are being sent to all Members excluding the statement of particulars of employees under Section 217(2A) of the Act. The company will make available the particulars available to the Members, seeking such information at any point of time. The particulars of the employees u/s 217(2A) will also be kept open for inspection for the Members 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.

AUDITORS' REPORT

There are no qualification's and 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. (Registration No.101911W), Chartered Accountants, will retire at the conclusion of this Annual General Meeting and are eligible for re-appointment. The members are also requested to appoint M/s. M. R. Jayaprakash & Associates (Registration No.007319S), Chartered Accountants as the 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 Members, Bankers and other business associates.

For and on behalf of the Board of Directors

Rajesh Batra
Chairman & Managing Director

Place : Mumbai
Dated : May 25, 2012

Registered office :

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

REPORT OF THE BOARD OF DIRECTORS

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. Regular watch has been kept to prevent wastage of energy.

(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':

Not Applicable as the Company is not engaged in any Manufacturing Activities.

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 as follows:

	2011-12 Rupees	2010-11 Rupees
CIF Value of Imports:		
Goods Traded	62,20,95,844	34,77,32,158
Spares	47,79,480	15,44,116
	<u>62,68,75,324</u>	<u>34,92,76,274</u>
Expenditure In Foreign Exchange (on payment basis):		
Commission	1,44,58,385	—
Sublicense Fees	4,14,59,437	1,93,46,712
Travelling Expenses	15,36,610	13,00,816
Claims	12,49,307	—
Investment in Shares (Subsidiary)	41,04,207	80,300
	<u>6,28,07,946</u>	<u>2,07,27,828</u>
Earnings in Foreign Exchange (on receipt basis):		
FOC Value of Goods	28,02,88,813	15,24,322
Service Charges	35,79,041	1,78,08,992
Claims	76,65,623	—
	<u>29,15,33,477</u>	<u>1,93,33,314</u>

REPORT OF THE BOARD OF DIRECTORS

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic Overview

The year 2011-12 was a challenging year. It was a year that witnessed lower economic growth across the globe. The IMF estimates the global economy to grow 3.8% in 2011, as compared to 5.2% in 2010.

The reasons are well known. The eurozone debt crisis which persists and is expected to escalate, high oil prices, a wildly fluctuating and depreciating rupee and high inflation. In India, the government was forced to tighten liquidity to tame inflation. The tsunami in Japan and civil unrest in various nations in the Middle East and Africa added to the challenges that the world was already facing.

Business Overview

Despite the adverse economic climate, the company had a year of excellent growth. The revenue grew from Rs.9,605 lacs to Rs.16,081 lacs a growth of 67% and profit after tax from Rs.645 lacs to Rs.826 lacs, a growth of 26%.

The company operates in the fitness and sports segment. We continue to be the market leader in the fitness segment through our brand "PROLINE FITNESS". We have an estimated 28% share of the organized market. During the year the distribution agreement with Johnson Health Tech. Co. Ltd., Taiwan was extended to 2025 demonstrating the commitment that the two companies have towards each other. The business grew at a healthy rate of 25% over the previous year. The company continues to provide excellent service through its engineers all over the country which has enhanced its reputation as a reliable partner. The business was awarded a Silver Achievement Award by Johnson Health Tech. Co. Ltd. as the second largest distributor in its global network. The company also signed two new exclusive distribution agreements with Polar Electro OY of Finland for Heart Rate Monitors and Miha Body Tec of Germany. Both companies have cutting edge products.

The Company continues to expand its presence with the Fila brand. Besides being present in over 1200 doors for footwear and 200 doors for apparel all over the country, there are over 25 mono brand Fila stores across the country. Globally the brand has sales of US\$ 1.8 Billion in 2011 and it is growing in stature as a sports and lifestyle brand.

Opportunities and Threats

India has a young demographic people and the market for fitness and sports is showing a healthy growth. The company operates in this segment and should be able to take advantage of this trend.

The immediate short term threat is the sharply depreciating rupee, coupled with the uncertainty at the macro economic level which leads to a slow down in demand.

HR

The company has taken great strides during the year under review in formalizing its HR processes leading to better motivation and participation from its employees. This is an ongoing process expected to yield greater dividends as the employees focus on the vision and values laid down by the company.

REPORT ON CORPORATE GOVERNANCE

REPORT ON CORPORATE GOVERNANCE

Since the paid-up share capital of the Company until the financial year 2010-11 was below Rs.3 Crores and the net worth below Rs.25 crores, the provisions of Clause 49 of the Listing Agreement relating to Corporate Governance, were not applicable to the Company for the financial year 2011-12. However, the Board furnishes the following relevant information for the benefit of the Members. Consequent to the increase in the networth above Rs.25 Crores as evident from the audited annual accounts for the financial year 2011-12, the provisions of Clause 49 of the Listing Agreement will become applicable to the Company. The Board has taken adequate steps to ensure that all mandatory provisions of Corporate Governance will be complied with.

1. Company's Philosophy on Code of Governance

Your Company is committed to bring about good corporate governance practices. The Company serves its customers with creative and innovative ideas and solutions and displays its passion through the quality of their products and services. The Company demand's excellence in all aspects of the business, help the people succeed by providing them support and feedback and build teams that collaborate and contribute to their success. The Company aggressively promotes and protects its way of doing business. Every employee of the Company is not just an employee but an important resource and part of the family. The Company shows respect and values every employee of the Company and takes pride in their diversity. The Company has a commitment to doing business with strong corporate governance and openness by working across all organisational boundaries and strive to break down internal barriers and accept the accountability for their own actions and results.

2. Board of Directors

(a) Composition/Category of Directors

Directors	Category	Board Meetings		Last AGM Attended	# No. of Other Directorships	@Member of Committees (Chairman)
		Held	Attended			
Mr. Rajesh Batra ¹	Promoter Managing Director	4	4	Yes	4	3(chairman of 1)
Mr. Arjun Bulchandani	Independent Non-executive	4	3	Yes	None	None
Mr. H.K. Vakharia	Independent Non-executive	4	4	Yes	None	None
Mr. N.R. Mahalingam	Independent Non-executive	4	4	Yes	1	1
Dr. S.D. Israni	Independent Non-executive	4	4	Yes	3	1
Mr. Nabankur Gupta	Independent Non-executive	4	4	Yes	9	5(chairman of 2)
Mr. Rajiv Wallia ²	Executive Director	1	1	N.A.	None	None
Mr. Rajiv Batra ³	Promoter Non-executive	2	2	N.A.	1	None
Mr. N. Santhanam ⁴	Independent Non-executive	1	1	N.A.	None	None

excludes alternate directorship, directorship in foreign companies and private companies which are neither a subsidiary nor a holding company of a public company.

@ includes audit committee & shareholders'/investors' grievance committee of public companies.

REPORT ON CORPORATE GOVERNANCE

(b) Details of Remuneration

- (i) The details of sitting fees paid to the Non-executive Directors during the financial year 2011-12 and no. of shares held as on March 31, 2012 are given below:

Name	No. of Meetings Attended	Sitting Fees (Rs)	No. of Shares
Mr. Rajesh Batra ¹	4	20,000	2,78,940
Mr. Arjun Bulchandani	3	60,000	NIL
Mr. H.K. Vakharia	4	80,000	NIL
Mr. N.R. Mahalingam	4	80,000	2,560
Dr. S.D. Israni	4	80,000	NIL
Mr. Nabankur Gupta	4	80,000	NIL
Mr. Rajiv Batra ³	2	40,000	61,840
Mr. N. Santhanam ⁴	1	20,000	NIL

The details of remuneration paid to the Executive/Managing Directors during the financial year 2011-12 and no. of shares held as on March 31, 2012 are given below:

Name	Designation	Gross Remuneration (Rs.)	No. of Shares
Mr. Rajesh Batra ¹	Managing Director	43,55,750/-	2,78,940
Mr. Rajiv Wallia ²	Executive Director	14,24,220/-	N.A.

- (1) Appointed as a Managing Director w.e.f. June 1, 2011
 (2) Ceased to be an Executive Director w.e.f. June 11, 2011
 (3) Appointed as an Additional Director w.e.f. August 12, 2011
 (4) Appointed as an Additional Director w.e.f. February 10, 2012

(c) Number of Board Meetings held during the year 2011-12

The Company held 4 (four) Board Meetings during the Financial Year 2011-12. These were on May 24, 2011, August 12, 2011, November 14, 2011 and February 10, 2012.

3. Board Committes

The Board has constituted the following Committees of Directors:

(A) Audit Committee

(a) Composition

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

- (1) Mr. N.R. Mahalingam, (2) Mr. Nabankur Gupta, (3) Dr. S.D. Israni and (4) Mr. N. Santhanam
 Mr. Sudhanshu Namdeo, Company Secretary acts as the Secretary to the Committee.

REPORT ON CORPORATE GOVERNANCE

The role and terms of reference of the Audit Committee include review of Internal Audit Reports and the Statutory Auditors' Report on the financial statements, general interaction with the Internal Auditors and Statutory Auditors, selection and establishment of accounting policies, review of financial statements, both quarterly and annual, before submission to the Board, review of Management Discussion and Analysis of financial condition and results of operations and review of performance of statutory and internal auditors and adequacy of internal control systems and other matters specified under Clause 49 of the Listing Agreement.

(b) Number of Meetings held during the financial year 2011-12

Since the provisions of Clause 49 of the Listing Agreement relating to constitution of Audit Committee are applicable to the Company from the Financial Year 2011-12 onwards, the Board of Directors of the Company has constituted the Audit Committee w.e.f May 25, 2012. Accordingly, the Audit Committee Meetings will be held in the coming days as and when required.

(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 Meetings held & Details of Remuneration paid during the financial year 2011-12

The Company held 1 (one) Remuneration Committee Meeting on May 24, 2011 at which meeting all Committee Members were present. The details of sitting fees paid to the Committee Members during the financial year 2011-12 are given below:

Name	No. of Meetings Attended	Sitting Fees (Rs.)
Mr. N. R. Mahalingam	1	10,000/-
Mr. Nabankur Gupta	1	10,000/-
Dr. S. D. Israni	1	10,000/-

(C) Shareholders/Investors Grievance Committee

(a) Composition

The Shareholders/Investors Grievance Committee consists of the following Directors :

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

Mr. Sudhanshu Namdeo, Company Secretary is designated as the Compliance Officer.

Broad terms of reference of the Shareholders/Investors Grievance Committee include to approve and register the transfers and/or transmission of equity shares of the Company, redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.

REPORT ON CORPORATE GOVERNANCE

(b) Number of Meetings held & Details of Remuneration paid during the financial year 2011-12

Consequent to the applicability of the provisions of Clause 49 of the Listing Agreement from the Financial Year 2011-12 onwards, the Board of Directors has renamed the Share Transfer Committee as the Shareholders/Investors Grievance Committee w.e.f. May 25, 2012. The Company held 17 (seventeen) Shareholders/Investors Grievance Committee Meetings in the Financial Year 2011-12. However, the Members of the Committee are not entitled to remuneration and accordingly, no remuneration has been paid to any of its Committee Members.

There were no investor's complaints received during the year.

(D) 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 Meetings held & Details of Remuneration paid during the financial year 2011-12

The Company held 1 (one) Selection Committee Meeting on May 24, 2011 at which meeting all Committee Members were present. The details of sitting fees paid to the Committee Members during the financial year 2011-12 are given below:

Name	No. of Meetings Attended	Sitting Fees (Rs.)
Mr. N. R. Mahalingam	1	10,000/-
Mr. Nabankur Gupta	1	10,000/-
Dr. S. D. Israni	1	10,000/-

4. Details in respect of last three Annual General Meetings (AGM)

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

	I (AGM)	II (AGM)	III (AGM)
Date	08/07/2011	16/07/2010	17/07/2009
Venue	M.C. Ghia Hall, 4 th Floor Bhogilal Hargovindas Bldg. 18/20, K. Dubash Marg, Kala Ghoda, Mumbai – 400 001	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.

REPORT ON CORPORATE GOVERNANCE

- (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 — details of voting pattern. : No
- (d) Person who conducted the postal ballot exercise ? : Not Applicable
- (e) Whether any Special Resolution is proposed to be conducted through postal ballot this year ? : No
- (f) Procedure for Postal Ballot:
The procedure for conducting the postal ballot exercise would be as per the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 read with Section 192A of the Companies Act, 1956.

5. Other Disclosures:

(a) Related Party Transactions

Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its Promoters, the Directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large:

None of the transactions with any of the related parties were in conflict with the interest of the Company at large.

(b) Disclosures on Risk Management

The Company has laid down procedures to inform the Board of Directors about the Risk Assessment and Minimisation Procedure. These procedures are periodically reviewed to ensure that Executive Management controls risk through means of a properly defined framework.

(c) Code of Conduct

The Board of Directors has adopted the Code of Ethics and Business Principles for the Board of Directors and other Members of Senior Management. The said Code has been communicated to all the Directors and Members of the Senior Management. The Code has also been posted on the Company's website www.cravatex.com.

(d) Whistle Blower Policy

The Company has not adopted Whistle Blower Policy. However, the Company does not deny access to any personnel to approach the Management on any issue.

(e) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years : None

6. CEO/CFO Certification:

The Managing Director and General Manager-Finance & Account, have provided the certificate on the financial statements & internal controls of the Company.

REPORT ON CORPORATE GOVERNANCE

7. Means of Communication

(a) Quarterly Results:

The unaudited quarterly results are announced within 45 days from the end of the quarter and the audited annual results within 60 days from the end of the last quarter, as stipulated under the Listing Agreement with the Bombay Stock Exchange Limited.

(b) Newspapers wherein results normally published:

Business Standard (in English) and in Sakal (in Marathi)

(c) Any Website, where displayed: www.crvatex.com

(d) Whether Website also displays official news releases: No

(e) Whether presentations made to institutional investors or to the analysts: No

(f) Management Discussion & Analysis Report:

The Management Discussion & Analysis Report forms part of the Annual Report.

8. General Shareholder Information

(a) Annual General Meeting will be held on Tuesday, August 14, 2012 at 10.30 a.m. at Textiles Committee Auditorium, P. Balu Road, Prabhadevi Chowk, Prabhadevi, Mumbai – 400 025.

(b) Financial Year:

Annual General Meeting	:	August 14, 2012
Results for quarter ending June 30, 2012	:	Second week of August, 2012
Results for quarter ending September 30, 2012	:	Second week of November, 2012
Results for quarter ending December 31, 2012	:	Second week of February, 2013
Results for the year ending March 31, 2013	:	Before May 30, 2013

(c) Date of Book Closure : Tuesday, August 7, 2012 to Tuesday, August 14, 2012 (both days inclusive)

(d) Dividend Payment Date : Before September 12, 2012

(e) Listing on Stock Exchange : Bombay Stock Exchange Ltd.

(f) Stock Code : 509472

SYMBOL : CRAVATEX

Demat ISIN : INE145E01017

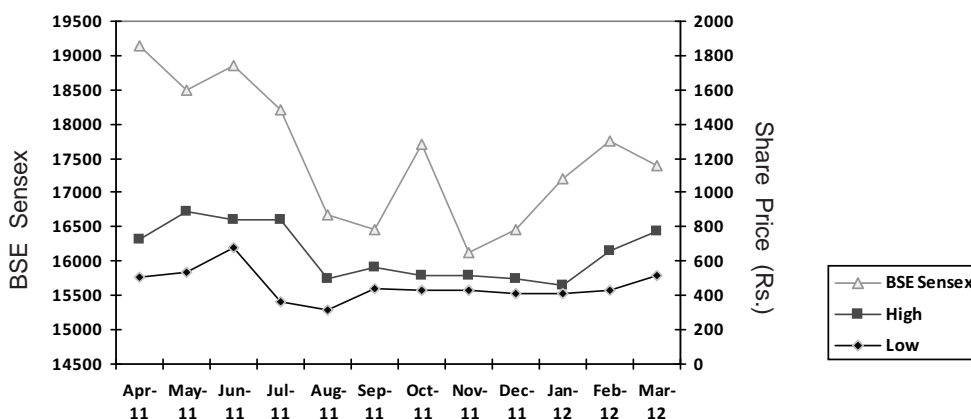
(g) Market Price Data : High: Rs.892.00 (27/05/2011)
(during Financial Year 2011-12) Low: Rs.312.75 (12/08/2011)

REPORT ON CORPORATE GOVERNANCE

High, Low and Number of Shares Traded during each month in the financial year 2011-12 on the Bombay Stock Exchange Limited:

Month	High (Rs.)	Low (Rs.)	No. of Shares	No. of Trades	Total Turnover (Rs.)
Apr 2011	729.00	510.00	11,067	391	69,91,779
May 2011	892.00	535.00	15,184	1,459	1,12,48,144
Jun 2011	842.00	682.00	5,069	477	38,65,158
Jul 2011	840.00	363.00	11,435	601	57,54,711
Aug 2011	495.25	312.75	36,672	1,325	1,42,31,669
Sep 2011	562.10	440.00	27,494	1,442	1,37,82,804
Oct 2011	514.95	433.10	8,180	445	39,47,327
Nov 2011	519.00	431.00	11,528	627	54,63,117
Dec 2011	499.00	415.50	10,209	357	45,29,215
Jan 2012	455.30	412.00	9,689	394	41,75,081
Feb 2012	659.35	430.15	23,101	1,072	1,25,41,267
Mar 2012	777.90	512.60	22,583	1,068	1,55,92,678

(h) Stock Performance:



(i) Registrars & Share Transfer Agents:

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

Registered Office:

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

Tel. Nos.022-67720300, 67720400 & 67720403, Fax No. 022-67720416, 28591568, 28508927.

Email : sharepro@shareproservices.com

REPORT ON CORPORATE GOVERNANCE

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

(j) Share Transfer System:

Presently, the share transfers received in physical form are processed and share certificates are returned within a period of 15 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.

(k) Distribution of Shareholding as on March 31, 2012:

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Less than 500	2,190	93.03	2,08,299	8.06
501 to 1000	79	3.36	58,827	2.28
1001 to 2000	42	1.78	60,259	2.33
2001 to 3000	10	0.43	25,738	1.00
3001 to 4000	4	0.17	14,015	0.54
4001 to 5000	2	0.08	8,847	0.34
5001 to 10000	7	0.30	55,080	2.13
10001 and above	20	0.85	21,53,095	83.32
Total	2,354	100.00	25,84,160	100.00

Shareholding Pattern as on March 31, 2012

Category	No. of Shares	% To Paid-up Capital	No. of Shares Held in Demat	% Demat
Promoters	19,38,120	75.00	19,38,120	75.00
Banks	0	0.00	0	0.00
Bodies Corporate	14,130	0.55	12,845	0.50
NRI*	7,495	0.29	7,495	0.29
Public	6,24,415	24.16	4,29,464	16.62
Total Capital	25,84,160	100.00	23,87,924	92.41

*Total foreign shareholding in the company is 85,735 (3.32%) of which 78,240 (3.03%) is included in Indian Promoters.

(l) Dematerialisation of shares and liquidity

Of the Company's total shareholding, 23,87,924 (92.41%) shares were held in dematerialised mode by the Members of the Company of which 22,67,022 (87.73%) shares were under National Securities Depository Limited (NSDL) and balance 1,20,902 (4.68%) shares under Central Depository Services (I) Limited (CDSL) as on March 31, 2012.

REPORT ON CORPORATE GOVERNANCE**(m) Share Capital Audit:**

As stipulated by Securities and Exchange Board of India (SEBI), a qualified Practising Company Secretary carries out the Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and shares held in physical form as per the Register of Members vis-à-vis the total Issued and Listed Capital. This audit is carried out every quarter and the report is submitted to the Bombay Stock Exchange Ltd.

(n) In terms of Section 205C of the Companies Act, 1956, read with the Investor Education and Protection Fund (Awareness and Protection of Investor) Rules 2001, the Company has credited during the financial year ended March 31, 2012, a sum of Rs.56,748/- to the Investor Education and Protection Fund (IEPF). Upto the financial year ended March 31, 2012 an amount of Rs.4,90,303/- has been credited to the Investor Education & Protection Fund.

(o) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity:

None

(p) Plant Location:

None

(q) 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

CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To

The Members of Cravatex Limited,

We have examined the provisions of Clause 49 of Listing Agreement relating to applicability of Corporate Governance to Cravatex Limited (“the Company”). Pursuant to SEBI Circular dated February 21, 2001, provisions of Clause 49 i.e. Corporate Governance shall be applicable to every Listed Company whose paid-up capital is Rs.3,00,00,000 and above or net worth is Rs.25,00,00,000 or more at any time in the history of the Company.

With respect to applicability of Clause 49 to the Company, though the Company’s paid up capital is less than Rs.3,00,00,000, the Company’s net worth has crossed the benchmark of Rs.25,00,00,000 as on 31st March 2012. As represented to us, the Management became aware of the applicability of the provisions of Clause 49 at the time when final accounts for the year ended were placed before the Board for approval on 25th May 2012 i.e. after the end of financial year 31st March 2012.

We understand that the Management has taken immediate steps for implementing the Corporate Governance provisions pursuant to Clause 49 with effect from the said meeting of the Board itself. In the circumstances, the question of examining the compliance of clause 49 of the listing agreement for the financial year ended 31st March 2012 does not arise. Hence, no review could be made of clause 49 of the listing agreement.

This certificate is issued at the request of the Company for incorporating in the Directors’ Report.

For Hemanshu Kapadia & Associates
Company Secretaries

Hemanshu Kapadia
Proprietor

C.P. No. 2285

Place: Mumbai

Dated : May 25, 2012

AUDITORS' REPORT

AUDITORS' REPORT

To the Members of Cravatex Limited

1. We have audited the attached Balance Sheet of Cravatex Limited, as at 31 March 2012, and also the Statement of Profit and Loss 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, Statement of Profit and Loss 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, Statement of Profit and Loss 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 2012 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 2012;
 - (b) in the case of the Statement of Profit and Loss, 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
 Firm Registration No. 101911W

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

Place : Mumbai
 Dated : May 25, 2012

AUDITORS' REPORT

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 substantial part 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 2012 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 '1.24' of the Balance Sheet). The Management is hopeful of recovering this amount. However a provision of Rs.77,55,000 against Rs.1,55,00,000 due from this party has been made in these Accounts as Provision for doubtful debt and advance. We are however unable to comment on the fate of this advance.
- (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

AUDITORS' REPORT

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.

- (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 2012 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
Firm Registration No. 101911W

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

Place : Mumbai
Dated : May 25, 2012

BALANCE SHEET

BALANCE SHEET
AS AT 31 MARCH, 2012

	Note No.	2011-2012 Rupees	2010-2011 Rupees
EQUITY AND LIABILITIES			
Shareholders' Funds:			
Share Capital	1.1	2,58,41,600	1,29,20,800
Reserves and Surplus	1.2	28,27,18,633	22,35,93,363
		30,85,60,233	23,65,14,163
Non-current Liabilities:			
Long-term borrowings	1.3	2,54,55,571	2,45,97,651
Deferred tax liabilities (Net)	1.4	3,41,41,045	3,37,05,705
Other Long-term liabilities	1.5	5,02,97,760	5,09,72,760
		10,98,94,376	10,92,76,116
Current Liabilities:			
Short-term borrowings	1.6	23,55,27,493	15,18,31,726
Trade payables		17,46,76,220	12,01,10,400
Other current liabilities	1.7	2,81,91,308	3,30,01,968
Short-term provisions	1.8	8,11,81,731	6,91,67,156
		51,95,76,752	37,41,11,250
TOTAL		93,80,31,361	71,99,01,529
ASSETS			
Non-current Assets:			
Fixed Assets:			
Tangible assets	1.9	12,37,44,364	12,15,67,595
Intangible assets	1.9	15,31,083	20,41,444
		12,52,75,447	12,36,09,039
Non-current Investments	1.10	42,07,507	1,03,300
Other non-current assets	1.11	4,52,24,088	4,87,37,720
		17,47,07,042	17,24,50,059
Current Assets:			
Inventories	1.12	25,21,87,029	20,57,94,127
Trade receivables	1.13	40,30,57,603	25,23,51,470
Cash and cash equivalents	1.14	2,38,42,849	62,37,299
Short-term loans and advances	1.15	8,42,27,892	8,30,67,935
Other current assets		8,946	639
		76,33,24,319	54,74,51,470
TOTAL		93,80,31,361	71,99,01,529
Notes on Accounts	1		
Significant Accounting Policies	2		

As per our report of even date

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

For and on behalf of the Board

Rajesh Batra
Chairman & Managing Director**Y. K. Shankardass**
Partner
Membership No. F-5106**N. R. Mahalingam**
Director**Nabankur Gupta**
Director**Sudhanshu Namdeo**
Company SecretaryPlace : Mumbai
Dated : May 25, 2012

PROFIT AND LOSS STATEMENT

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

	Note No.	2011-2012 Rupees	2010-2011 Rupees
INCOME			
Revenue from operations	1.16	1,56,57,98,218	91,24,35,655
Other Income	1.17	4,22,61,790	4,81,00,570
TOTAL REVENUE		1,60,80,60,008	96,05,36,225
EXPENSES			
Purchase of Stock-in-Trade		1,00,04,61,815	58,85,95,570
Change in Inventories of Stock-in-Trade	1.18	(4,63,92,902)	(8,99,66,686)
Employee benefits expense	1.19	13,48,39,876	8,80,82,676
Finance costs	1.20	3,62,60,574	2,14,01,028
Depreciation	1.9	89,97,582	84,63,179
Other expenses	1.21	35,39,84,633	25,13,09,391
TOTAL EXPENSES		1,48,81,51,578	86,78,85,158
Profit before Tax		11,99,08,430	9,26,51,067
Tax expense:			
Current Tax		(3,74,00,000)	(2,78,00,000)
Deferred Tax		(4,35,340)	(1,29,049)
Excess/(Short) provision of tax for earlier years		4,84,800	(1,90,156)
Profit for the period		8,25,57,890	6,45,31,862
 Basic and Diluted Earning per Equity Share (in Rs.)	 1.22	 31.95	 49.94
Notes on Accounts	1		
Significant Accounting Policies	2		

As per our report of even date

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

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

Place : Mumbai
Dated : May 25, 2012

For and on behalf of the Board

Rajesh Batra
Chairman & Managing Director

N. R. Mahalingam
Director

Nabankur Gupta
Director

Sudhanshu Namdeo
Company Secretary

NOTES TO FINANCIAL STATEMENT

NOTE '1'

Forming part of the Balance Sheet as at 31 March, 2012

1.1 — SHARE CAPITAL

Authorised:

4850000 (Previous year 1850000) Equity shares of Rs.10 each	4,85,00,000	1,85,00,000
15000 9.5% Redeemable Cumulative Preference shares of Rs. 100 each	15,00,000	15,00,000
	5,00,00,000	2,00,00,000

Issued, Subscribed and fully paid-up:

1292080 Equity shares of Rs. 10 each	1,29,20,800	1,29,20,800
1292080 Equity shares of Rs. 10 each allotted as fully paid up by way of bonus shares issued during the year out of General Reserve	1,29,20,800	—
	2,58,41,600	1,29,20,800

The details of Shareholders holding more than 5% shares:

Name of the Shareholder	As at 31 March 2012		As at 31 March 2011	
	No. of shares	% held	No. of shares	% held
Mrs. Jamna Batra	9,24,780	35.79	4,62,390	35.79
M/s Proline Exports Pvt Ltd	3,42,840	13.27	1,71,420	13.27
Mr. Rajesh Batra	2,78,940	10.79	1,39,470	10.79
Mrs. Raj Batra	1,30,872	5.06	65,436	5.06

Note - The shareholding as on 31 March 2012 includes bonus shares allotted by the Company in the ratio of 1:1 on the basis of equity shares held by the Shareholders as on the book closure date of July 19, 2011.

1.2 — RESERVES AND SURPLUS

Capital Reserve:

(Subsidy received from Govt. of Karnataka)

Balance as per last Account	18,92,000	18,92,000
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Export Profit Reserve:

Balance as per last Account	1,68,000	1,68,000
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General Reserve:

Balance as per last Account	19,42,65,609	13,92,65,609
Add : Transfer from Profit and Loss Account	6,75,00,000	5,50,00,000
Less: Transfer to Share Capital Account (Issue of Bonus shares)	1,29,20,800	—
	24,88,44,809	19,42,65,609

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

	2011-2012 Rupees	2010-2011 Rupees
Profit and Loss Account:		
Balance as per last Account	2,72,67,754	2,52,44,332
Add : Net profit after tax for the current year	8,25,57,890	6,45,31,862
Amount available for appropriation	10,98,25,644	8,97,76,194
Appropriations:		
Proposed Dividend	90,44,560	64,60,400
Tax on Proposed Dividend	14,67,260	10,48,040
Amount transferred to General Reserve	6,75,00,000	5,50,00,000
Balance in Profit and Loss account	3,18,13,824	2,72,67,754
	<u>28,27,18,633</u>	<u>22,35,93,363</u>
1.3 — LONG-TERM BORROWINGS		
Term Loan from Bank:		
Citi Bank Ltd.		
(secured by hypothecation of a car)	—	12,427
Term Loan from others:		
(secured by hypothecation of a car)	6,55,571	1,85,224
(Refer to Note '1.25')		
	<u>6,55,571</u>	<u>1,97,651</u>
Unsecured:		
Fixed Deposits:		
From related parties	2,13,25,000	2,13,25,000
From others	34,75,000	30,75,000
	<u>2,48,00,000</u>	<u>2,44,00,000</u>
	<u>2,54,55,571</u>	<u>2,45,97,651</u>
1.4 — DEFERRED TAX LIABILITIES (NET)		
Deferred tax liabilities:		
Depreciation on fixed assets	3,45,45,952	3,40,64,735
Deferred tax assets:		
Disallowances under the Income tax Act, 1961	4,04,907	3,59,030
	<u>3,41,41,045</u>	<u>3,37,05,705</u>

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

1.5 — OTHER LONG-TERM LIABILITIES

Security deposits

For rental of property

From Dealers and Distributors

2011-2012
Rupees2010-2011
Rupees

4,46,27,760

4,46,27,760

56,70,000

63,45,000

5,02,97,7605,09,72,760

1.6 — SHORT TERM BORROWINGS

From Bank:

Axis Bank Ltd.

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

Cash Credit Account

Buyers Credit Account

22,63,71,716

15,18,31,726

91,55,777

—

23,55,27,49315,18,31,726

1.7 — OTHER CURRENT LIABILITIES

Unpaid dividends

7,04,898

5,88,178

Advances received against supplies and services

1,07,02,293

2,01,25,484

Other liabilities (includes statutory dues)

1,67,84,117

1,22,88,306

2,81,91,3083,30,01,968

1.8 — SHORT TERM PROVISIONS

Proposed dividend

90,44,560

64,60,400

Provision for:

Tax on proposed dividend

14,67,260

10,48,040

Income taxes

6,77,25,000

5,90,25,000

Gratuity obligation (Refer to Note '1.26')

29,44,911

26,33,716

8,11,81,7316,91,67,156

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

1.9 — FIXED ASSETS

Amount in Rupees

PARTICULARS	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.04.2011	Additions	Sales/ Adjustments	As at 31.03.2012	Upto 31.03.2011	For the year	Adjusted	Upto 31.03.2012	As at 31.03.2012	As at 31.03.2011
Tangible Assets:										
Building	10,17,45,890	11,26,710	—	10,28,72,600	2,37,12,093	14,82,195	—	2,51,94,288	7,76,78,312	7,80,33,797
Spa Equipment	1,39,07,940	—	—	1,39,07,940	1,17,33,840	17,78,850	—	1,35,12,690	3,95,250	21,74,100
Air Conditioning Plant & Units	77,88,153	7,06,223	40,919	84,53,457	21,47,757	4,19,235	6,804	25,60,188	58,93,269	56,40,396
Furniture, Fixtures & Fittings	2,88,56,780	17,66,778	—	3,06,23,558	1,08,08,666	18,65,146	—	1,26,73,812	1,79,49,746	1,80,48,114
Motor Vehicles	24,00,166	14,79,657	—	38,79,823	7,47,286	2,96,885	—	10,44,171	28,35,652	16,52,880
Electrical Fittings	68,23,589	10,85,761	—	79,09,350	16,32,630	3,79,142	—	20,11,772	58,97,578	51,90,959
Office Equipment	1,60,14,531	45,32,976	—	2,05,47,507	51,87,182	22,65,768	—	74,52,950	1,30,94,557	1,08,27,349
	17,75,37,049	1,06,98,105	40,919	18,81,94,235	5,59,69,454	84,87,221	6,804	6,44,49,871	12,37,44,364	12,15,67,595
Intangible Assets:										
Licences & Franchise	3,63,51,000	—	—	3,63,51,000	3,43,09,556	5,10,361	—	3,48,19,917	15,31,083	20,41,444
Total	21,38,88,049	1,06,98,105	40,919	22,45,45,235	9,02,79,010	89,97,582	6,804	9,92,69,788	12,52,75,447	12,36,09,039
Total (Previous year)	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	

1.10 — NON-CURRENT INVESTMENTS

(At cost, fully paid-up) – Unquoted

In Government Securities

In National Savings Certificate
(National Savings Certificate is held in the name of an employee of the Company and is under lien of the sales tax authorities of Rajasthan)

In Ordinary shares of Subsidiary Company
50000 ordinary shares of £1 each of
BB(UK) Ltd (Previous year 1000 ordinary
shares of £1 each)

2011-2012
Rupees2010-2011
Rupees

23,000

23,000

41,84,507

80,300

42,07,507

1,03,300

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

1.11 — OTHER NON-CURRENT ASSETS

(Unsecured)

	2011-2012 Rupees	2010-2011 Rupees
Advance to a Consultant (Note '1.24')	1,55,00,000	1,55,00,000
Less: Provision for doubtful advance	77,50,000	—
	<u>77,50,000</u>	<u>1,55,00,000</u>
Security and other deposits	3,74,74,088	3,32,37,720
	<u>4,52,24,088</u>	<u>4,87,37,720</u>

1.12 — INVENTORIES

(At lower of cost or net realisable value and as valued and certified by the management)

Stock-in-trade	23,37,49,444	19,11,09,123
Stores and spares	1,84,37,585	1,46,85,004
	<u>25,21,87,029</u>	<u>20,57,94,127</u>

1.13 — TRADE RECEIVABLES

(Unsecured)

Debts outstanding for a period exceeding six months:

Considered good	4,17,51,899	1,39,13,965
Considered doubtful	6,55,610	—
	<u>4,24,07,509</u>	<u>1,39,13,965</u>
Less: Provision for doubtful debt	6,55,610	—
	<u>4,17,51,899</u>	<u>1,39,13,965</u>
Other debts	36,13,05,704	23,84,37,505
	<u>40,30,57,603</u>	<u>25,23,51,470</u>

1.14 — CASH AND CASH EQUIVALENTS

Balances with banks in:

Current accounts	2,24,39,962	52,16,088
Deposit account (earmarked against repayment of public deposits)	1,00,000	10,000
Unpaid dividend accounts	7,04,899	5,88,178
Cash on hand	5,97,988	4,23,033
	<u>2,38,42,849</u>	<u>62,37,299</u>

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

	2011-2012 Rupees	2010-2011 Rupees
1.15 — SHORT-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances to others	56,26,289	33,96,068
Prepaid expenses	9,20,647	7,40,340
Advance Income taxes and Wealth tax	7,02,44,768	6,45,03,438
Refund receivable from Customs authorities	60,86,188	1,30,78,089
Advance with Customs authorities (Note '1.23')	13,50,000	13,50,000
	<u>8,42,27,892</u>	<u>8,30,67,935</u>
1.16 — REVENUE FROM OPERATIONS		
Sale of products	1,54,59,33,089	89,54,20,433
Sale of services	1,98,65,129	1,70,15,222
(Sales of products and services are reported net of trade and turnover discounts to dealers and commission on consignment sales)		
	<u>1,56,57,98,218</u>	<u>91,24,35,655</u>
1.17 — OTHER INCOME		
Interest Income	6,29,590	3,74,533
Dividends Income	—	2,79,980
Licence fees (Rental income)	4,14,07,200	4,46,27,760
Miscellaneous income	2,25,000	28,18,297
	<u>4,22,61,790</u>	<u>4,81,00,570</u>
1.18 — CHANGE IN INVENTORIES OF STOCK-IN-TRADE		
Opening stock		
Stock-in-trade	19,11,09,123	10,82,27,902
Stores and spares	1,46,85,004	75,99,539
	<u>20,57,94,127</u>	<u>11,58,27,441</u>
Closing stock		
Stock-in-trade	23,37,49,444	19,11,09,123
Stores and spares	1,84,37,585	1,46,85,004
	<u>25,21,87,029</u>	<u>20,57,94,127</u>
Increase in stock	<u>(4,63,92,902)</u>	<u>(8,99,66,686)</u>
1.19 — EMPLOYEES BENEFITS EXPENSE (Note '1.27a')		
Salaries and Wages (including Bonus and Gratuity)	12,21,65,710	7,95,00,972
Contributions to:		
Provident, Family Pension and other Funds	73,00,622	51,48,881
Employees State Insurance Scheme	6,57,135	4,57,364
Superannuation Scheme	8,71,800	9,05,980
Staff Welfare Expenses	38,44,609	20,69,479
	<u>13,48,39,876</u>	<u>8,80,82,676</u>

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

1.20 — FINANCE COSTS

	2011-2012 Rupees	2010-2011 Rupees
Interest expense (Bank loans and Fixed Deposits)	2,49,14,028	1,39,07,702
Other borrowing costs	1,13,46,546	74,93,326
	<u>3,62,60,574</u>	<u>2,14,01,028</u>

1.21 — OTHER EXPENSES

Stores, spares and packing materials consumed	59,03,946	32,79,796
Power, fuel and water	72,31,321	55,67,116
Service charges	1,00,73,457	67,55,732
Rent	8,26,05,929	7,01,28,926
Insurance	10,71,934	8,77,912
Rates and taxes	61,11,602	32,29,379
Printing and stationery	29,79,555	22,15,819
Communications	89,80,412	75,72,809
Repairs to:		
Buildings	26,156	2,47,020
Others	1,06,28,825	64,41,821
Advertisement and publicity	4,14,33,671	3,86,19,208
Sublicence fee	5,31,84,954	2,71,95,314
Travelling and conveyance	2,68,92,230	2,09,18,269
Commission and brokerage	1,81,68,299	58,29,913
Transportation and octroi charges	4,50,35,855	3,18,56,684
Professional, Legal and Consultancy charges (Note '1.27b')	1,49,95,820	1,01,69,949
Directors fees	5,20,000	2,60,000
Auditors' remuneration (Note '1.28')	5,20,018	6,20,997
Other expenses	83,19,543	79,08,055
Sales Tax paid	5,15,578	8,22,444
Goodwill amortised	—	6,14,900
Bad debts written off	34,474	1,27,561
Prior period expenses	3,14,262	—
Provision for doubtful debts and advance	84,05,610	—
Loss on sale of Assets	31,182	—
Loss on sale of Investments (Net)	—	49,767
	<u>35,39,84,633</u>	<u>25,13,09,391</u>

1.22 — BASIC AND DILUTED EARNINGS PER EQUITY SHARE

Net profit after Taxation (in Rs.)	8,25,57,889	6,45,31,862
Weighted average number of equity share	25,84,160	12,92,080
Earning per equity share (in Rs.)	31.95	49.94
Normal value per equity share (in Rs.)	10	10

NOTES TO FINANCIAL STATEMENT

1.23 — CONTINGENT LIABILITIES (to the extent not provided for)

Claims against the Company not acknowledged as debt:

Labour claim of an earlier year disputed by the Company against which Rs.1,75,000 has been deposited with The High Court, Mumbai.

Guarantees and Letters of credit:

- (a) Bank guarantees given to the extent of Rs.44,04,830 (Previous year Rs.25,49,500)
- (b) Letter of credit outstanding to the extent of Rs.10,09,75,790 (Previous year Rs.6,99,08,462)
- (c) Standby LC limit of the amount of Rs. 3.50 crore from Axis Bank Ltd in favour of HSBC Bank Plc, UK on behalf of subsidiary company BB (UK) Ltd for working capital facilities of the subsidiary company.

Other money for which the company is contingently liable:

- (a) Demands for Wealth Tax for the Assessment years 1997-98 and 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 Hon. High Court, Mumbai. The Company has however deposited the demand amounts in full.
- (b) For the assessment year 2000-01, 2002-03 and 2003-04, the Income-tax Appellate Tribunal had given relief of Rs.8,74,254 which had been accounted for in previous year. The tax authorities filed an appeal with the Hon. High Court, Mumbai against the relief of Rs.8,74,254. This matter has been set aside by Hon. High Court and restored the matter to the Tribunal for fresh disposal.
- (c) 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.
- (d) 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.
- (e) Demand of Rs.32,92,171 (Previous year Rs.28,60,799) raised by the New Maker Chambers IV Premises Co-operative Society Ltd, Mumbai for the difference in BMC tax from 01.04.2000 to 31.03.2012, which has been disputed by the Company. However net liability of the Company against this demand is Rs.15,66,683.
- (f) Forward Contract (Lien on Exchange Rate) outstanding to the extent of Rs.15,35,606.

1.24 — OTHER COMMITMENTS

- (a) An amount of Rs.1,55,00,000 was due as at 31 March 2012 from a third party in terms of Contract of engagement with this party as a Consultant. This Contract was terminated by mutual agreement with effect from 1 April 2007. In 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 served a legal notice to the party and is in the process of initiating legal proceedings for the recovery of this amount. However a provision of Rs. 77,50,000 has been made in this accounts against Rs.1,55,00,000 due from this party.

1.25 — FINANCE LEASE

- (a) The Company has taken on finance lease, cost of assets having an aggregate value of Rs.7,80,000 (Previous year Rs.16,76,089) against which the future obligations aggregate to Rs.7,18,260 (Previous year Rs.2,08,962), including lease charge Rs. 62,690 (Previous year Rs.11,311) and the same are payable as under:

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

Period	Minimum Lease Payment		Present Value	
	2011-2012 Rupees	2010-2011 Rupees	2011-2012 Rupees	2010-2011 Rupees
Not later than 1 year	2,87,304	2,08,962	2,49,368	1,97,651
Later than 1 year but not later than 5 years	4,30,956	—	4,06,203	—

(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	
	2011-2012 Rupees	2010-2011 Rupees
Not later than 1 year	6,25,70,604	6,76,55,563
Later than 1 year but not later than 5 years	21,39,10,878	25,24,96,462
Later than 5 years	4,41,66,223	6,45,73,835

1.26 — GRATUITY OBLIGATION

	2011-2012 Rupees	2010-2011 Rupees
(i) Profit and Loss Account		
Current Services cost	11,82,114	9,51,064
Interest Cost	4,79,124	3,34,816
Expected return on plan assets	(4,42,571)	(3,45,402)
Net Actuarial (gain)/Loss recognized in the year	16,71,348	18,27,017
Expenses recognized in statement of Profit and loss	28,90,015	27,67,495
(ii) Balance sheet		
Present value of obligations as at the end of the year	91,34,429	59,89,055
Fair value of plan assets as at the end of the year	61,89,518	33,55,339
Funded status	(29,44,911)	(26,33,716)
Net Asset/ (Liability) recongized in balance sheet	(29,44,911)	(26,33,716)
(iii) Change in the fair value of plan assets		
Fair value of plan assets at the beginning of year	33,55,339	43,09,516
Expected return on plan assets	4,37,786	3,45,402
Contribution	25,83,605	9,460
Benefits paid	(1,87,212)	(13,09,039)
Acturial (gain)/loss on Plan assets	Nil	Nil
Fair value of plan assets at the end of year	61,89,518	33,55,339

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

	2011-2012 Rupees	2010-2011 Rupees
(iv) Change in present value of obligations		
Present value of obligations as at the beginning of year	59,89,055	41,85,197
Current Service Cost	11,82,114	9,51,064
Interest cost	4,79,124	3,34,816
Benefits Paid	(1,87,212)	(13,09,039)
Actuarial (gain)/loss on obligations	16,71,348	18,27,017
Present value of obligations as at the end of year	<u>91,34,429</u>	<u>59,89,055</u>
1.27 — PARTICULARS OF DIRECTORS' REMUNERATION		
(a) Wholetime Directors		
Salary, bonus and allowances	55,80,421	53,37,500
Provident, Pension and Superannuation Fund	1,99,549	8,42,600
	<u>57,79,970</u>	<u>61,80,100</u>
(b) Professional, Legal and Consultancy charges include Rs.661800 (2010-11 – Rs.661800) paid as consultancy charges to a Non-Wholetime Director.		
1.28 — PARTICULARS OF AUDITORS' REMUNERATION		
Audit fee	1,20,000	1,20,000
Tax Audit fee	35,000	35,000
Certification charges and fee	2,81,500	3,78,000
Service tax on fees	48,003	54,907
Branch Audit fee:		
Audit fee	30,000	25,000
Tax Audit fee	5,000	5,000
Service tax on fees	515	3,090
	<u>5,20,018</u>	<u>6,20,997</u>
1.29 — PARTICULARS OF GOODS TRADED IN AND SERVICES RENDERED		
Purchases		
(a) Sports goods	71,05,17,668	38,26,65,297
(b) Fitness equipment	27,87,79,539	19,81,76,958
(c) Others (Spares and Consumables)	1,11,64,608	77,53,315
	<u>1,00,04,61,815</u>	<u>58,85,95,570</u>
Sales		
(a) Sports goods	1,00,13,54,471	51,42,20,505
(b) Fitness equipment	54,43,03,618	37,14,42,162
(c) Others (Spares and Consumables)	1,98,65,129	2,67,72,988
	<u>1,56,55,23,218</u>	<u>91,24,35,655</u>

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

	2011-2012 Rupees	2010-2011 Rupees
1.30 — FOREIGN CURRENCY TRANSACTIONS		
CIF value of imports:		
Goods trade in	62,20,95,844	34,77,32,158
Spares	47,79,480	15,44,116
Expenditure in foreign currency (on payments basis):		
Commission	1,44,58,385	—
Sublicense fee	4,14,59,437	1,93,46,712
Travelling expenses	15,36,610	13,00,816
Claims	12,49,307	—
Investment in shares (subsidiary company)	41,04,207	80,300
Earnings in foreign exchange (on receipts basis):		
FOB value of goods	28,02,88,813	15,24,322
Service charges received	35,79,041	1,78,08,992
Claims	76,65,623	—

1.31 — RELATED PARTY TRANSACTIONS

As per Accounting Standard 18, the disclosure of transactions with the related parties are given below:

(a) Names of the related parties:	Relationship:
Ms. Proline India Ltd	Associate Company
Ms Big Time Exports	Associate Firm
Mr. Rajesh Batra	Managing Director
Mrs. Jamna Batra	Shareholder

(b) Details of transactions with related parties.

Particulars of transaction	Transactions	
	2011-2012 Rupees	2010-2011 Rupees
Interest paid	14,12,877	20,25,224
Director Remuneration	43,55,750	61,80,100
Other expenses	42,82,722	47,77,194

1.32 — Previous years figures have been regrouped/reclassified wherever necessary to conform to the current year presentation.

1.33 — SEGMENT REPORTING

As per Accounting Standard (AS) 17 on "Segment Reporting" the Company, considering its starting of Exports of Readymade Garments/Sports Goods during the year 2011-12, has identified geographical segment as primary segment. The geographical segment consist of: (a) Fitness/Sports Goods/Readymade Garments (Domestic) (b) Readymade Garments/Sports Goods (International)

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

Details of Primary Segment:

Sl. No.	Particulars	Year ended 31st March, 2012 Rupees	Year ended 31st March, 2011 Rupees
1	Segment Revenue: External Sales and Services – International – Domestic – Others Inter segment Sales and Services Total Segment Revenue	 27,21,30,432 1,29,37,30,633 4,21,98,943 — 1,60,80,60,008	 — 91,25,52,597 4,79,83,628 — 96,05,36,225
2	Segment Results: (Before Tax and interest) – International – Domestic – Others Operating Profit Less: Interest Expense Profit after interest Less: Income Tax (Net) Add: Others Net Profit	 2,33,24,717 10,86,96,107 2,47,69,219 15,67,90,044 3,68,81,614 11,99,08,430 3,73,50,540 — 8,25,57,890	 — 7,69,14,091 3,11,41,004 10,80,55,095 1,54,04,028 9,26,51,067 2,81,19,205 — 6,45,31,862
3	Other informations: Segment Assets: – International – Domestic – Others Unallocable assets Total Assets	 1,08,41,381 78,19,60,510 7,07,77,195 7,44,52,275 93,80,31,361	 — 58,44,18,453 7,08,76,338 6,46,06,738 71,99,01,529
4	Segment Liabilities: – International – Domestic – Others Unallocable corporate liabilities Total Liability	 15,52,079 20,51,76,995 4,86,76,226 7,89,41,719 33,43,47,019	 — 15,49,15,405 5,12,15,261 6,71,21,618 27,32,52,284
5	Capital Expenditures (Addition to Fixed Asset): – International – Domestic – Others Total Addition to Fixed Assets	 34,700 94,07,547 12,55,858 1,06,98,105	 — 90,70,349 58,166 91,28,515
6	Depreciation: – International – Domestic – Others Total Depreciation	 4,672 69,04,581 20,88,329 89,97,582	 — 64,30,448 20,32,731 84,63,179

NOTES TO FINANCIAL STATEMENT

NOTE '2' — 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
Stock-in-trade and 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, 2012 and the difference is recognised in the Statement of Profit and Loss. 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 Statement of Profit and Loss 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.
- (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 Statement of Profit and Loss 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.

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2012

	2011-2012 Rupees	2010-2011 Rupees
A Cash flow from operating activities		
Net profit before taxation and extraordinary item	11,99,08,430	9,26,51,067
Adjustments for:		
Depreciation	89,97,582	84,63,179
Goodwill amortised	—	6,14,900
Interest income	(6,29,589)	(3,74,533)
Dividend income	—	(2,79,980)
Interest expenses	3,62,60,574	2,14,01,028
Operating profit before working capital changes	15,52,45,338	12,24,75,661
Adjustments for:		
(Increase)/Decrease in Trade Receivables	(15,07,06,133)	(9,55,90,509)
(Increase)/Decrease in Inventories	(4,63,92,902)	(8,99,66,686)
(Increase)/Decrease in Loans & Advances	80,95,005	(27,13,894)
Increase/(Decrease) in Other Long-term Liabilities	(6,75,000)	—
Increase/(Decrease) in Current Liabilities	4,99,49,635	5,37,64,215
Cash generated from operations	2,48,07,602	(1,20,31,213)
Interest paid	(3,62,60,574)	(2,08,22,151)
Direct taxes paid (Net of refunds) (including deferred tax)	(3,50,04,570)	(2,85,29,748)
Net cash from operating activities	(4,64,57,542)	(6,13,83,112)
B Cash flow from investing activities		
Additions to Fixed assets	(1,06,98,105)	(85,13,615)
Sale of Fixed assets	34,115	—
Amortisation of Goodwill	—	(6,14,900)
Sale of Investments (Net)/[Purchase of Investments (Net)]	(41,04,207)	2,04,33,814
Dividend received	—	2,79,980
Interest received	6,21,282	3,73,894
Net cash from/(used in) investing activities	(1,41,46,915)	1,19,59,173
C Cash flow from financing activities		
Short Term Borrowings (Net)	8,45,53,687	4,22,62,738
Dividend paid	(63,43,680)	(57,58,467)
Net cash from/(used in) financing activities	7,82,10,007	3,65,04,271
Net cash flows during the year (A+B+C)	1,76,05,550	(1,29,19,668)
Cash and cash equivalents (opening balance)	62,37,299	1,91,56,967
Cash and cash equivalents (closing balance)	2,38,42,849	62,37,299

As per our report of even date

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

For and on behalf of the Board

Rajesh Batra
Chairman & Managing Director

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

N. R. Mahalingam
Director

Nabankur Gupta
Director

Sudhanshu Namdeo
Company Secretary

Place : Mumbai
Dated : May 25, 2012

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, 2012
3. Holding Company Interest		
Equity Capital:		
Number of Shares (GBP 1 Each)	:	50,000
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, 2012:		
(1) For the Subsidiary financial year ended March 31, 2012	:	Rs. 1,56,11,639/-
(2) For the previous financial year of the Subsidiary	:	Rs. 44,66,464/-
(b) Dealt with in the accounts of the Company for the year ended March 31, 2012		
(1) For the Subsidiary financial year ended March 31, 2012	:	Nil
(2) For the previous financial year of the subsidiary	:	Nil

INFORMATION ON SUBSIDIARY COMPANY M/S. BB (UK) LTD. FOR THE FINANCIAL YEAR ENDED MARCH 31, 2012

Sr. No.	Particulars	Rupees*
1.	Issued and Subscribed Share Capital	41,84,507
2.	Reserves	1,36,31,114
3.	Total Assets	14,62,02,900
4.	Total Liabilities	12,83,87,280
5.	Details of Investments	—
6.	Turnover	83,96,69,851
7.	Profit before Taxation	1,56,11,639
8.	Provision for Taxation	62,38,171
9.	Profit after Taxation	93,73,465
10.	Proposed Dividend	—

*Converted 1 GBP (£) = Rs. 81.7992

CONSOLIDATED AUDITORS' REPORT

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 2012, and the Consolidated Statements of Profit and Loss 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 reflect total assets of Rs. 14,62,02,900 as at 31 March 2012 and the total revenue of Rs. 83,96,69,851 for the year ended on that date. 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 as aforesaid, and on consideration of the report of the 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, 2012;

 - (b) in the case of the Consolidated Statement Profit and Loss Account, of the profit for the year ended on that date.

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

Y. K. Shankardass
Partner.

Membership No. F-5106

Place : Mumbai
 Dated : May 25, 2012

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2012

	Note No.	2011-2012 Rupees	2010-2011 Rupees
EQUITY AND LIABILITIES			
Shareholders' Funds:			
Share Capital	1.1	2,58,41,600	1,29,20,800
Reserves and Surplus	1.2	29,58,14,507	22,73,15,772
		<u>32,16,56,107</u>	<u>24,02,36,572</u>
Non-current Liabilities:			
Long-term borrowings	1.3	2,54,55,571	2,45,97,651
Deferred tax liabilities (Net)	1.4	3,50,54,169	3,37,05,705
Other Long-term liabilities	1.5	5,02,97,760	5,09,72,760
		<u>11,08,07,500</u>	<u>10,92,76,116</u>
Current Liabilities:			
Short-term borrowings	1.6	25,59,48,990	15,18,31,726
Trade payables		24,29,99,657	13,49,64,763
Other current liabilities	1.7	6,09,66,885	3,67,08,337
Short-term provisions	1.8	8,76,70,616	7,01,87,042
		<u>64,75,86,148</u>	<u>39,36,91,868</u>
TOTAL		<u><u>1,08,00,49,755</u></u>	<u><u>74,32,04,556</u></u>
ASSETS			
Non-current Assets:			
Fixed Assets:			
Tangible assets	1.9	12,79,68,802	12,15,67,595
Intangible assets	1.9	15,31,083	20,41,444
		<u>12,94,99,885</u>	<u>12,36,09,039</u>
Non-current Investments	1.10	23,000	23,000
Other non-current assets	1.11	4,66,85,676	5,05,68,253
		<u>17,62,08,561</u>	<u>17,42,00,292</u>
Current Assets:			
Inventories	1.12	31,80,29,332	21,01,89,571
Trade receivables	1.13	46,03,59,170	26,81,02,785
Cash and cash equivalents	1.14	2,74,74,161	76,43,334
Short-term loans and advances	1.15	9,79,69,585	8,30,67,935
Other current assets		8,946	639
		<u>90,38,41,194</u>	<u>56,90,04,264</u>
TOTAL		<u><u>1,08,00,49,755</u></u>	<u><u>74,32,04,556</u></u>
Notes on Accounts	1		
Significant Accounting Policies	2		

As per our report of even date

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

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

Place : Mumbai
Dated : May 25, 2012

For and on behalf of the Board

Rajesh Batra
Chairman & Managing Director

N. R. Mahalingam
Director

Nabankur Gupta
Director

Sudhanshu Namdeo
Company Secretary

CONSOLIDATED PROFIT AND LOSS STATEMENT

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

	Note No.	2011-2012 Rupees	2010-2011 Rupees
INCOME			
Revenue from operations	1.16	2,40,54,68,069	92,57,73,953
Other Income	1.17	4,22,61,790	4,81,00,570
TOTAL REVENUE		2,44,77,29,859	97,38,74,523
EXPENSES			
Purchase of Stock-in-Trade		1,65,70,87,224	59,84,35,447
Change in Inventories of Stock-in-Trade	1.18	(10,78,39,761)	(9,43,62,130)
Employee benefits expense	1.19	19,85,98,181	8,80,82,676
Finance costs	1.20	3,64,10,677	2,14,01,028
Depreciation	1.9	1,04,34,630	84,63,179
Other expenses	1.21	51,75,18,842	25,47,36,792
TOTAL EXPENSES		2,31,22,09,793	87,67,56,992
Profit before Tax		13,55,20,066	9,71,17,531
Tax expense:			
Current Tax		(4,36,38,171)	(2,88,19,886)
Deferred Tax		(4,35,340)	(1,29,049)
Excess/(Short) provision of tax for earlier years		4,84,800	(1,90,156)
Profit for the period		9,19,31,355	6,79,78,440
Basic and Diluted Earning per Equity Share (in Rs.)	1.22	35.57	52.61
Notes on Accounts	1		
Significant Accounting Policies	2		

As per our report of even date

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

For and on behalf of the Board

Rajesh Batra
Chairman & Managing Director

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

N. R. Mahalingam
Director

Nabankur Gupta
Director

Sudhanshu Namdeo
Company Secretary

Place : Mumbai
Dated : May 25, 2012

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTES

Forming part of the Consolidated Balance Sheet as at 31 March, 2012

	2011-2012 Rupees	2010-2011 Rupees
1.1 — SHARE CAPITAL		
Authorised:		
4850000 (Previous year 1850000) Equity shares of Rs.10 each	4,85,00,000	1,85,00,000
15000 9.5% Redeemable Cumulative Preference shares of Rs. 100 each	15,00,000	15,00,000
	<u>5,00,00,000</u>	<u>2,00,00,000</u>
Issued, Subscribed and fully paid-up:		
1292080 Equity shares of Rs. 10 each	1,29,20,800	1,29,20,800
1292080 Equity shares of Rs. 10 each allotted as fully paid up by way of bonus shares issued during the year out of General Reserve	1,29,20,800	—
	<u>2,58,41,600</u>	<u>1,29,20,800</u>
1.2 — RESERVES AND SURPLUS		
Capital Reserve:		
(Subsidy received from Govt.of Karnataka) Balance as per last Account	18,92,000	18,92,000
Export Profit Reserve:		
Balance as per last Account	1,68,000	1,68,000
General Reserve:		
Balance as per last Account	19,42,65,609	13,92,65,609
Add : Transfer from Profit and Loss Account	6,75,00,000	5,50,00,000
Less: Transfer to Share Capital Account (Issue of Bonus shares)	1,29,20,800	—
	<u>24,88,44,809</u>	<u>19,42,65,609</u>
Profit and Loss Account:		
Balance as per last Account	3,09,90,163	2,55,20,163
Add : Net profit after tax for the current year	9,19,31,355	6,79,78,440
Amount available for appropriation	12,29,21,518	9,34,98,603
Appropriations:		
Proposed Dividend	90,44,560	64,60,400
Tax on Proposed Dividend	14,67,260	10,48,040
Amount transferred to General Reserve	6,75,00,000	5,50,00,000
Balance in Profit and Loss account	4,49,09,698	3,09,90,163
	<u>29,58,14,507</u>	<u>22,73,15,772</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTES — Contd.

	2011-2012 Rupees	2010-2011 Rupees
1.3 — LONG-TERM BORROWINGS		
Term Loan from Bank:		
Citi Bank Ltd.		
(secured by hypothecation of a car)	—	12,427
Term Loan from others:		
(secured by hypothecation of a car)	<u>6,55,571</u>	<u>1,85,224</u>
	<u>6,55,571</u>	<u>1,97,651</u>
Unsecured:		
Fixed Deposits:		
From related parties	2,13,25,000	2,13,25,000
From others	<u>34,75,000</u>	<u>30,75,000</u>
	<u>2,48,00,000</u>	<u>2,44,00,000</u>
	<u>2,54,55,571</u>	<u>2,45,97,651</u>
1.4 — DEFERRED TAX LIABILITIES (NET)		
Deferred tax liabilities:		
Depreciation on fixed assets	3,54,59,076	3,40,64,735
Deferred tax assets:		
Disallowances under the Income tax Act, 1961	<u>4,04,907</u>	<u>3,59,030</u>
	<u>3,50,54,169</u>	<u>3,37,05,705</u>
1.5 — OTHER LONG-TERM LIABILITIES		
Security deposits		
For rental of property	4,46,27,760	4,46,27,760
From Dealers and Distributors	<u>56,70,000</u>	<u>63,45,000</u>
	<u>5,02,97,760</u>	<u>5,09,72,760</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTES — Contd.

1.6 — SHORT TERM BORROWINGS

From Bank:

Axis Bank Ltd.

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

Cash Credit Account

Buyers Credit Account

2011-2012
Rupees

2010-2011
Rupees

22,63,71,716

15,18,31,726

91,55,777

—

HSBC Bank Ltd.

(secured by Debentures given by BB (UK) Ltd. and Standby LC of £ 430000 from Axis Bank Ltd in favour of HSBC Bank issued by Cravatex Ltd.)

Overdraft Account

2,04,21,497

—

25,59,48,990

15,18,31,726

1.7 — OTHER CURRENT LIABILITIES

Unpaid dividends

7,04,898

5,88,178

Advances received against supplies and services

2,83,19,796

2,37,21,392

Other liabilities (includes statutory dues)

3,19,42,191

1,23,98,767

6,09,66,885

3,67,08,337

1.8 — SHORT TERM PROVISIONS

Proposed dividend

90,44,560

64,60,400

Provision for:

Tax on proposed dividend

14,67,260

10,48,040

Income taxes

7,42,13,885

6,00,44,886

Gratuity obligation

29,44,911

26,33,716

8,76,70,616

7,01,87,042

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTES — Contd.

1.9 — FIXED ASSETS

Amount in Rupees

PARTICULARS	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.04.2011	Additions	Sales/ Adjustments	As at 31.03.2012	Upto 31.03.2011	For the year	Adjusted	Upto 31.03.2012	As at 31.03.2012	As at 31.03.2011
Tangible Assets:										
Building	10,17,45,890	11,26,710	—	10,28,72,600	2,37,12,093	14,82,195	—	2,51,94,288	7,76,78,312	7,80,33,797
Spa Equipment	1,39,07,940	—	—	1,39,07,940	1,17,33,840	17,78,850	—	1,35,12,690	3,95,250	21,74,100
Air Conditioning Plant & Units	77,88,153	7,06,223	40,919	84,53,457	21,47,757	4,19,235	6,804	25,60,188	58,93,269	56,40,396
Furniture, Fixtures & Fittings	2,88,56,780	74,28,264	—	3,62,85,044	1,08,08,666	33,02,194	—	1,41,10,860	2,21,74,184	1,80,48,114
Motor Vehicles	24,00,166	14,79,657	—	38,79,823	7,47,286	2,96,885	—	10,44,171	28,35,652	16,52,880
Electrical Fittings	68,23,589	10,85,761	—	79,09,350	16,32,630	3,79,142	—	20,11,772	58,97,578	51,90,959
Office Equipment	1,60,14,531	45,32,976	—	2,05,47,507	51,87,182	22,65,768	—	74,52,950	1,30,94,557	1,08,27,349
	17,75,37,049	1,63,59,591	40,919	19,38,55,721	5,59,69,454	99,24,269	6,804	6,58,86,919	12,79,68,802	12,15,67,595
Intangible Assets:										
Licences & Franchise	3,63,51,000	—	—	3,63,51,000	3,43,09,556	5,10,361	—	3,48,19,917	15,31,083	20,41,444
Total	21,38,88,049	1,63,59,591	40,919	23,02,06,721	9,02,79,010	1,04,34,630	6,804	10,07,06,836	12,94,99,885	12,36,09,039
Total (Previous year)	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	

1.10 — NON-CURRENT INVESTMENTS

(At cost, fully paid-up) – Unquoted

In Government Securities

In National Savings Certificate

(National Savings Certificate is held in the name of an employee of the Company and is under lien of the sales tax authorities of Rajasthan)

2011-2012
Rupees2010-2011
Rupees

23,000

23,000

23,000

23,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTES — Contd.

	2011-2012 Rupees	2010-2011 Rupees
1.11 — OTHER NON-CURRENT ASSETS		
(Unsecured)		
Advance to a Consultant	1,55,00,000	1,55,00,000
Less: Provision for doubtful advance	77,50,000	—
	<u>77,50,000</u>	1,55,00,000
Security and other deposits	3,89,35,676	3,50,68,253
	<u>4,66,85,676</u>	<u>5,05,68,253</u>
1.12 — INVENTORIES		
(At lower of cost or net realisable value and as valued and certified by the management)		
Stock-in-trade	29,95,91,747	19,55,04,567
Stores and spares	1,84,37,585	1,46,85,004
	<u>31,80,29,332</u>	<u>21,01,89,571</u>
1.13 — TRADE RECEIVABLES		
(Unsecured)		
Debts outstanding for a period exceeding six months:		
Considered good	4,17,51,899	1,39,13,965
Considered doubtful	6,55,610	—
	<u>4,24,07,509</u>	1,39,13,965
Less: Provision for doubtful debts	6,55,610	—
	<u>4,17,51,899</u>	1,39,13,965
Other debts	41,86,07,271	25,41,88,820
	<u>46,03,59,170</u>	<u>26,81,02,785</u>
1.14 — CASH AND CASH EQUIVALENTS		
Balances with banks in:		
Current accounts	2,59,07,676	66,22,123
Deposit account (earmarked against repayment of public deposits)	1,00,000	10,000
Unpaid dividend accounts	7,04,899	5,88,178
Cash on hand	7,61,586	4,23,033
	<u>2,74,74,161</u>	<u>76,43,334</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTES — Contd.

	2011-2012 Rupees	2010-2011 Rupees
1.15 — SHORT-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances to others	56,26,289	33,96,068
Prepaid expenses	9,20,647	7,40,340
Advance Income taxes and Wealth tax	7,02,44,768	6,45,03,438
Refund receivable from Customs authorities	60,86,188	1,30,78,089
Advance with Customs authorities	1,50,91,693	13,50,000
	<u>9,79,69,585</u>	<u>8,30,67,935</u>
1.16 — REVENUE FROM OPERATIONS		
Sale of products	2,38,56,02,940	90,87,58,731
Sale of services	1,98,65,129	1,70,15,222
(Sales of products and services are reported net of trade and turnover discounts to dealers and commission on consignment sales)		
	<u>2,40,54,68,069</u>	<u>92,57,73,953</u>
1.17 — OTHER INCOME		
Interest Income	6,29,590	3,74,533
Dividends Income	—	2,79,980
Licence fees (Rental income)	4,14,07,200	4,46,27,760
Miscellaneous income	2,25,000	28,18,297
	<u>4,22,61,790</u>	<u>4,81,00,570</u>
1.18 — CHANGE IN INVENTORIES OF STOCK-IN-TRADE		
Opening stock		
Stock-in-trade	19,55,04,567	10,82,27,902
Stores and spares	1,46,85,004	75,99,539
	<u>21,01,89,571</u>	<u>11,58,27,441</u>
Closing stock		
Stock-in-trade	29,95,91,747	19,55,04,567
Stores and spares	1,84,37,585	1,46,85,004
	<u>31,80,29,332</u>	<u>21,01,89,571</u>
Increase in stock	<u>(10,78,39,761)</u>	<u>(9,43,62,130)</u>
1.19 — EMPLOYEES BENEFITS EXPENSE		
Salaries and Wages (including Bonus and Gratuity)	18,59,24,015	7,95,00,972
Contributions to:		
Provident, Family Pension and other Funds	73,00,622	51,48,881
Employees State Insurance Scheme	6,57,135	4,57,364
Superannuation Scheme	8,71,800	9,05,980
Staff Welfare Expenses	38,44,609	20,69,479
	<u>19,85,98,181</u>	<u>8,80,82,676</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTES — Contd.

1.20 — FINANCE COSTS

	2011-2012 Rupees	2010-2011 Rupees
Interest expense (Bank loans and Fixed Deposits)	2,50,64,131	1,39,07,702
Other borrowing costs	1,13,46,546	74,93,326
	<u>3,64,10,677</u>	<u>2,14,01,028</u>

1.21 — OTHER EXPENSES

Stores, spares and packing materials consumed	59,03,946	32,79,796
Power, fuel and water	72,31,321	55,67,116
Service charges	1,00,73,457	67,55,732
Rent	9,33,62,442	7,01,28,926
Insurance	21,54,955	8,77,912
Rates and taxes	1,17,01,433	32,29,379
Printing and stationery	34,71,005	22,34,313
Communications	1,11,91,445	75,72,809
Repairs to:		
Buildings	26,156	2,47,020
Others	1,08,00,931	64,41,821
Advertisement and publicity	5,67,41,001	3,87,82,140
Sublicence fee	11,54,59,175	2,86,74,105
Travelling and conveyance	4,52,66,457	2,12,70,226
Commission and brokerage	2,36,53,671	69,83,915
Transportation and octroi charges	4,50,35,855	3,18,56,684
Professional, Legal and Consultancy charges	4,09,16,186	1,06,30,498
Directors fees	5,20,000	2,60,000
Auditors' remuneration	12,60,546	6,66,873
Other expenses	2,34,47,754	76,62,855
Sales Tax paid	5,15,578	8,22,444
Goodwill amortised	—	6,14,900
Bad debts written off	34,474	1,27,561
Prior period expenses	3,14,262	—
Provision for doubtful debts and advance	84,05,610	—
Loss on sale of Assets	31,182	—
Loss on sale of Investments (Net)	—	49,767
	<u>51,75,18,842</u>	<u>25,47,36,792</u>

1.22 — BASIC AND DILUTED EARNINGS PER EQUITY SHARE

Net profit after Taxation (in Rs.)	9,19,31,355	6,79,78,440
Weighted average number of equity share	25,84,160	12,92,080
Earning per equity share (in Rs.)	35.57	52.61
Normal value per equity share (in Rs.)	10	10

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTE '2' — 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.

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

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

Place : Mumbai
Dated : May 25, 2012

For and on behalf of the Board

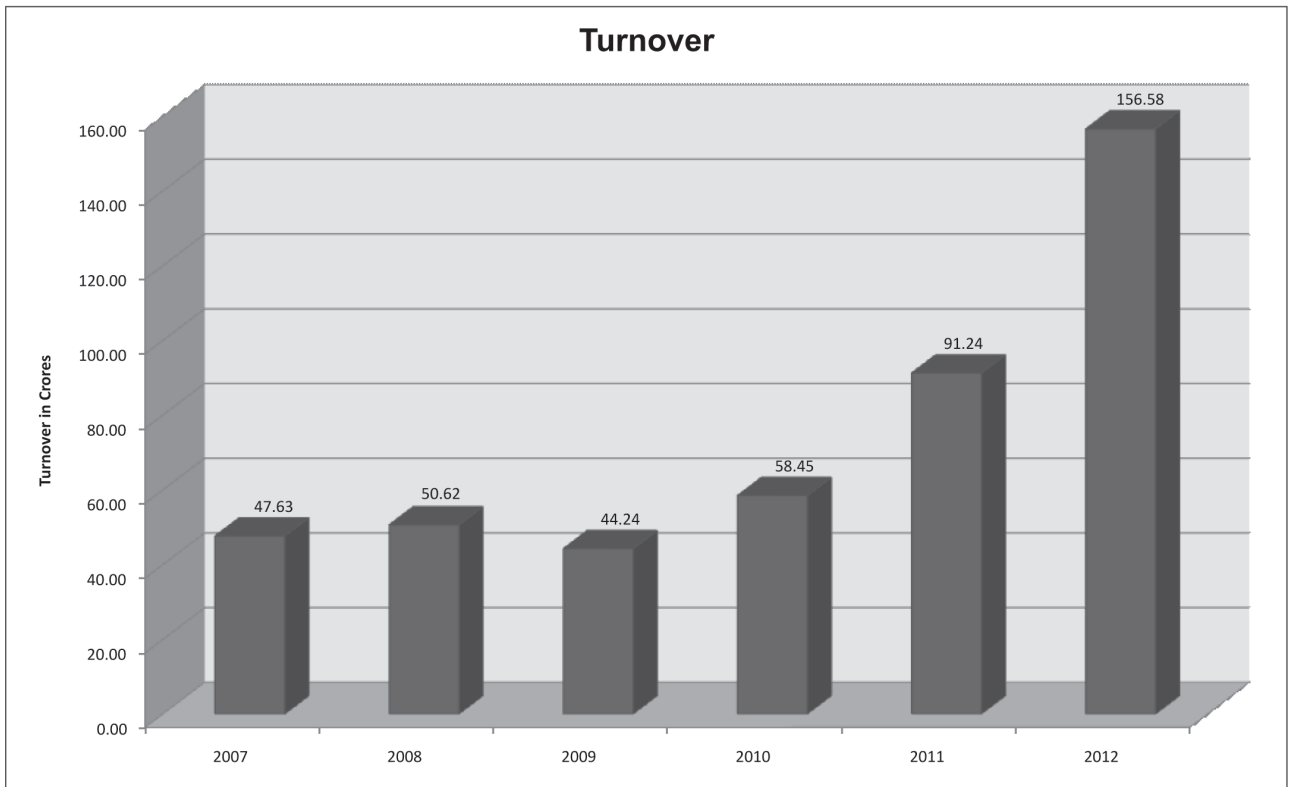
Rajesh Batra
Chairman & Managing Director

N. R. Mahalingam
Director

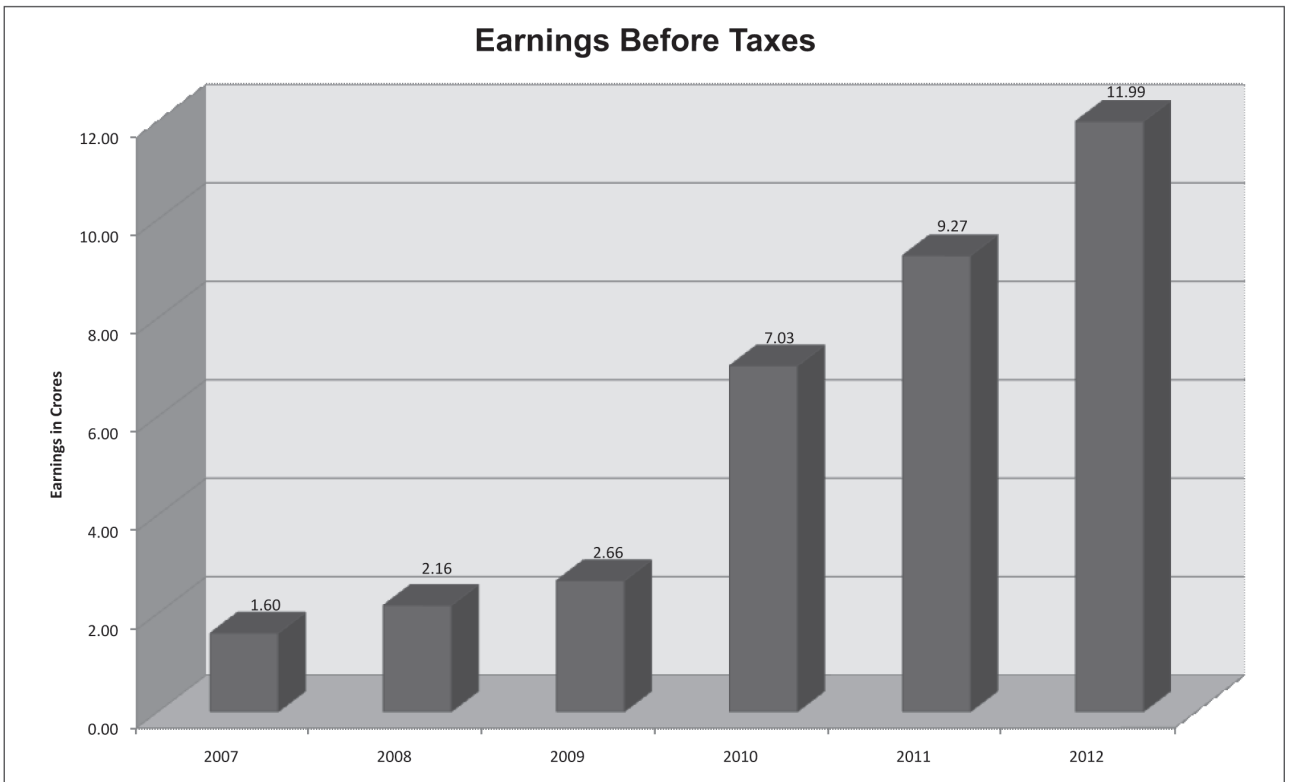
Nabankur Gupta
Director

Sudhanshu Namdeo
Company Secretary

Turnover



Earnings Before Taxes



CRAVATEX LIMITED

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

PROXY FORM

I/We

of being member(s) of Cravated Limited, hereby appoint

..... of

as my/our proxy to attend and vote for me/us on my/our behalf at the 60th ANNUAL GENERAL MEETING of the Company to be held at Textiles Committee Auditorium, P. Balu Marg, Prabhadevi Chowk, Prabhadevi, Mumbai-400 025 on Tuesday, August 14, 2012 at 10.30 a.m. and at any adjournment thereof.

No. of Shares Client ID/Folio No.

Affix
1 Rupee
Revenue
Stamp

Signed this day of, 2012

(Signature across Revenue Stamp)

..... TEAR HERE

CRAVATEX LIMITED

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

ATTENDANCE SLIP

To be handed over at the entrance of the Meeting Hall

Name of Attending Member (In Block Letters) :

Name of Proxy (In Block Letters) :

No. of Shares: Client ID/Folio No.:

I hereby record my presence at the 60th ANNUAL GENERAL MEETING to be held at Textiles Committee Auditorium, P. Balu Road, Prabhadevi Chowk, Prabhadevi, Mumbai-400 025 on Tuesday, August 14, 2012 at 10.30 a.m.

Member's/Proxy's Signature

(To be signed at the time of handing over this slip)

TEAR HERE