

BOARD OF DIRECTORS AND GENERAL INFORMATION

Contents

Financial Highlights	2
Notice	3
Directors' Report	7
Management Discussion & Analysis Report	11
Report on Corporate Governance	13
Auditors' Report	22
Balance Sheet	26
Profit & Loss Statement	27
Notes to Financial Statement	28
Cash Flow Statement	41
Section 212 & Subsidiary Information	42
Consolidated Auditors' Report	43
Consolidated Balance Sheet	44
Consolidated Profit and Loss Statement	45
Notes to Consolidated Financial Statement	46

- 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 : *Chairman & Managing Director*
 Arjun Bulchandani
 H. K. Vakharia
 N. R. Mahalingam
 S. D. Israni
 Nabankur Gupta
 Rajiv Batra
 N. Santhanam

Bankers

Axis Bank Limited
 HDFC Bank Limited

Company Secretary

Sudhanshu Namdeo

Auditors

Messrs S. P. Chopra & Co.
Chartered Accountants
 15/A, Horniman Circle,
 Bharat Insurance Building,
 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)

	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
Paid-up Capital	258.42	258.42	129.21	129.21	129.21	129.21	129.21	129.21	129.21	129.21
Reserves and Surplus	3477.62	2827.19	2235.93	1665.70	1364.81	1210.16	1138.38	1054.38	1058.27	1015.61
Net Worth	3736.04	3085.60	2365.14	1794.91	1494.02	1339.37	1267.59	1183.59	1187.48	1144.82
Fixed Assets	4137.46	2245.45	2138.88	2053.74	2120.93	2149.61	2221.18	2194.99	2131.34	1773.47
Depreciation	1112.54	992.70	902.79	818.16	904.11	858.53	871.62	767.85	653.90	581.61
Net Block	3024.92	1252.75	1236.09	1235.58	1216.81	1291.08	1349.56	1427.13	1477.43	1191.86
Turnover	16736.94	15657.98	9124.36	5844.95	4423.85	5061.56	4762.98	4268.78	4184.59	3756.40
Earning before Taxes	1055.49	1199.08	926.51	702.61	266.45	216.22	159.95	110.50	155.82	165.27
Dividend	90.45 (35%)	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%)
Earning Per Share	29.26	31.95	49.94	28.55	14.30	9.65	10.30	3.12	6.42	9.25

NOTICE OF ANNUAL GENERAL MEETING**NOTICE**

NOTICE is hereby given that the Sixty First Annual General Meeting of the Members of **CRAVATEX LIMITED** will be held on Tuesday, August 13, 2013 at 10.30 a.m. at Rachana Sansad Auditorium, 278, Shankar Ghanekar Marg, 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, 2013 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, 2013.
3. To appoint a Director in place of Mr. Arjun Bulchandani who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. N.R. Mahalingam who retires by rotation and, being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Nabankur Gupta 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, 2014 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 the consent of the Company be and is hereby accorded pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, for mortgaging and/or charging by the Board of Directors, of the Company of all or any part of immovable and movable properties of the Company, wheresoever situated, present and future, and/or conferring power to enter upon and to take possession of the assets of the Company in certain events, to or in favour of the Company’s bankers or financial institutions to secure the amounts borrowed together with interest thereon and other monies payable by the Company provided that the total amount borrowed and outstanding any time shall not exceed a sum of Rs.100 Crores (Rupees One Hundred Crore only).”
“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to finalise with Company’s Bankers or Financial Institutions the documents for creating aforesaid mortgage and/or charge and to do all such acts, deeds, matters and things as may be necessary to give effect to this resolution.”

By Order of the Board of Directors

Place : Mumbai
Dated : May 28, 2013

Sudhanshu Namdeo
Company Secretary

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 6, 2013 to Tuesday, August 13, 2013 (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, 2006 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, 2006, till the year ended March 31, 2012 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. 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 on or before August 6, 2013 for making payment of dividend through approved electronic mode.
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 of the Members. 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 28, 2013

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

In view of the enlarged volume of business it is necessary for the Company to borrow funds from time to time from Company's bankers or financial institutions. The Company is required to provide security to secure the borrowed amount together with interest thereon as per the stipulated terms and conditions of the Company's bankers or financial institutions with right to take possession of the assets in the event of default, if any. The Members of the Company in its meeting held on July 8, 2011 had authorised the Board of Directors to borrow from time to time from the Company's bankers or financial institutions provided that the total amount to be borrowed by the Board of Directors and outstanding any time shall not exceed a sum of Rs.100 Crores (Rupees One Hundred Crore only).

In order to mortgage or hypothecate the assets of the Company with right to take possession of the assets in the event of any default, if any, the consent of the Members is required under Section 293(1)(a) of the Companies Act, 1956 and also authorising the Board of Directors with necessary powers.

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

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

By Order of the Board of Directors

Sudhanshu Namdeo
Company Secretary

Place : Mumbai
Dated : May 28, 2013

NOTICE OF ANNUAL GENERAL MEETING

Details of Directors seeking Re-appointment

- (1) **Mr. Arjun Bulchandani**, 85, is a Master of Arts (History). Mr. Bulchandani is the past president of Rotary Club of Bombay and is currently the Chairman of Indian Red Cross Society, Bombay City Branch.

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

Other Directorships: Ajit India (Gujarat) Pvt. Ltd., Ajit India (Calcutta) Pvt. Ltd., A. Bulchandani Holdings Pvt. Ltd. and Filidian Impex (India) Pvt. Ltd.

Committee Memberships: None

- (2) **Mr. N.R. Mahalingam**, 70, is a Matriculate with CAIIB(I) qualification, joined the Company after his successful career in Banking Industry. Mr. Mahalingam possesses wide and varied experience in the field of Finance and Corporate Management.

Mr. Mahalingam holds 2,560 equity shares in the Company.

Other Directorships: Cravatex Limited, Proline India Limited, Promark Fitness & Leisure Pvt. Ltd., Proline Exports Pvt. Ltd. and R.B. Fitness and Trading Pvt. Ltd.

Committee Memberships: Cravatex Limited (Audit Committee, Remuneration Committee and Shareholders/Investors Grievance Committee).

- (3) **Mr. Nabankur Gupta**, 64, is an I.I.T. Graduate in Electrical and Electronics Engineering and has over 35 years experience in the Marketing field. Mr. Gupta was the first Indian to receive recognition by the advertising Age International, New York, in 1995 with the title of Marketing Superstar. He was further honoured with U. P. Ratna from the U. P. Mahasabha in the year 1996. Mr. Gupta is a Director on the Board of several Companies. Besides this, he is a trustee/member on several trusts/societies.

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

Other Directorships: Raymond Limited, Colorplus Fashions Limited, J.K. Investo Trade (India) Limited, J.K. Helene Curtis Limited, Pritish Nandy Communications Ltd., Magma Fincorp Limited, PNC Wellness Limited, VIP Industries Limited, Bharat Business Channel Ltd., Quantum Advisors Pvt. Ltd., Blueocean Capital and Advisory Services Pvt. Ltd. and Gomukhi Indus Capital Advisory Pvt. Ltd.

Committee Memberships: Raymond Limited (Audit Committee, Remuneration Committee and Shareholders' Investors Grievances Committee), J.K. Investo Trade (India) Ltd. (Audit Committee, Remuneration Committee and Shareholders' Investors Grievances Committee), Pritish Nandy Communications Ltd. (Audit Committee), Cravatex Ltd. (Audit Committee and Remuneration Committee), Maqana Fincorp Limited (Remuneration Committee), VIP Industries Ltd. (Remuneration Committee), Quantum Advisors Private Limited (Audit Committee).

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, 2013.

	Current Year Rupees	Previous Year Rupees
FINANCIAL RESULTS		
Earnings before Finance Cost, Depreciation and Taxation	16,84,22,415	16,57,87,626
Less: Finance Cost	5,01,41,930	3,68,81,614
Less: Depreciation	1,27,31,855	89,97,582
Profit before Taxation	10,55,48,630	11,99,08,430
Provision for Taxation:		
Current Tax	(2,35,00,000)	(3,74,00,000)
Deferred Tax Credit/(Debit)	(64,24,007)	(4,35,340)
(Short)/Excess Provision for Earlier Years	—	4,84,800
Profit after Current Taxation	7,56,24,623	8,25,57,890
Adding thereto:		
Brought forward from Previous Year	3,18,13,824	2,72,67,754
Available for Appropriation	10,74,38,447	10,98,25,644
Less Appropriations:		
Proposed Dividend	90,44,560	90,44,560
Tax on Proposed Dividend	15,37,123	14,67,260
Amount transferred to General Reserve	6,50,00,000	6,75,00,000
Balance in Profit and Loss Account	3,18,56,764	3,18,13,824

OPERATIONS

The turnover of the Company for the year under review has increased from Rs.15,658 lacs to Rs.16,737 lacs, while the earning before finance cost, depreciation and taxation stood at Rs.1,684 lacs as against Rs.1,658 lacs. The Net Profit after tax for the year was Rs.756 lacs as against Rs.826 lacs last year. The balance in Profit and Loss Account is Rs.318.57 lacs.

DIVIDEND

The Directors are pleased to recommend dividend of Rs.3.50 per equity share (previous year Rs.3.50 per equity share) on the nominal value of Rs.10/- per equity share for the year under review, which would be tax-free in the hands of 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

FIXED DEPOSITS

The total Unsecured Loans and Deposits stood at Rs,2,49,40,000/- as on March 31, 2013 and there were no unclaimed deposits as on that date. The Company has repaid all the Fixed Deposits due payable 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 2012 under ISO 9001 : 2008 certification for its Fitness division.

DIRECTORS

– Mr. Arjun Bulchandani, Mr. N.R. Mahalingam and Mr. Nabankur Gupta are retiring by rotation and, being eligible, offer themselves for re-appointment.

SUBSIDIARY

BB (UK) Ltd., a wholly owned subsidiary of the Company completed its second 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. Due to adverse global economic condition the subsidiary could achieve a lower turnover of Rs.5,220 lacs (previous year Rs.8,397 lacs). It incurred a loss of Rs.26.95 lacs due to lower turnover.

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 March 31, 2013 and of the profit or loss of the Company for the year ended on that date;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the Annual Accounts on a going concern basis.

REPORT OF THE BOARD OF DIRECTORS**CORPORATE GOVERNANCE**

Your Company 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 has been complied with. 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.

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 qualifications, 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 28, 2013

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:

	2012-13 Rupees	2011-12 Rupees
CIF Value of Imports:		
Goods Traded	65,62,67,763	62,20,95,844
Spares	31,53,293	47,79,480
	<u>65,94,21,056</u>	<u>62,68,75,324</u>
Expenditure In Foreign Exchange (on payment basis):		
Commission	—	1,44,58,385
Sublicense Fees	19,64,79,504	4,14,59,437
Travelling Expenses	19,16,198	15,36,610
Professional Fees	1,77,469	—
Claims	—	12,49,307
Investment in Shares (Subsidiary)	—	41,04,207
	<u>19,85,73,171</u>	<u>6,28,07,946</u>
Earnings in Foreign Exchange (on receipt basis):		
FOB Value of Goods	24,34,90,119	31,59,67,854
Claims	60,90,353	76,65,623
	<u>24,95,80,472</u>	<u>32,36,33,477</u>

REPORT OF THE BOARD OF DIRECTORS

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economic Overview

It has been a turbulent year for the global economy in general and the domestic economy in particular. India's real GDP growth in the first 9 months of FY 2012 was 5% vis-à-vis 6.6% in the corresponding period of previous year indicating a negative variance of 32%. Further, average food inflation was 9.9% vis-a-vis 7.3% in previous year. All these adverse forces aided by high interest rates badly impacted the consumer sentiments.

The global economic scenario was not different from the domestic. The global economy continued to be weak due to trailing recessionary trend and insignificant positive developments. As per IMF, the world GDP growth during the calendar year 2012 was at 3.2% vis-à-vis 4% for the previous year indicating a YOY negative variance of 25%.

Business Overview

The company tried to reduce the adverse impact of economic condition prevailing in the global and the domestic market. The revenue from domestic sales grew from Rs.12,937 lacs to Rs 14,571 lacs a growth of 12.63%. Total sales revenue including exports grew from Rs.15,658 lacs to Rs. 16,737 lacs, a growth of around 7%. Lower growth of top line is partly due to set back in export revenues due to weak global economic sentiment. Total Earnings before Interest, Depreciation and Tax marginally grew from Rs. 1,658 lacs to Rs.1,684 lacs, a growth of around 2%. In the backdrop of negative economic conditions stated earlier, the overall performance of the company is considered as satisfactory.

During the year under review the company signed a milestone deal with "FILA". The Company has negotiated extension of Sub-license Agreement for the use of "FILA" trademark for India, Bangladesh, Pakistan and Sri Lanka for a period of 30 years starting from January 01, 2013. The Company has also acquired the License for Nepal and Bhutan for the same period.

The company also signed a distribution agreement with the world renowned sports equipment manufacturer of "Wilson" Brand catering to racquet sports such as Tennis, Squash, Golf, Badminton etc., and team sports such as basket ball etc. This line of business will contribute to the company's top line and the bottom line in the coming years. The "Proline Fitness" business continued to maintain its leadership position in the organized fitness equipment segment. The top class service back up has been further strengthened by a robust service software which went live during the year.

As a cautious move, the business expansion during the year has been moderate and maintained profitable sales channels

Prospects

Demand for the company's products broadly depends on the overall economic growth and surplus left with the target consumers. High inflationary trend has adverse impact on demand for the company's products. Important factors such as exchange rates, raw material prices, import duties, taxes, government policies also impact the company's business operations. In view of the prevailing overall environment, the business is expected to perform at a moderate pace in the near term.

REPORT OF THE BOARD OF DIRECTORS

Risk

Considering that the major supplies are procured from overseas, the company is aware of the exchange risk which is monitored effectively with satisfactory results.

Internal Control Systems

The company's internal audit function undertakes an objective evaluation of the adequacy and efficiency of internal controls and system. Although the effort are continuously taken to improve, the present control systems are considered as adequate. The company has successfully concluded the surveillance audit under ISO 9001-2008 for the current year for its fitness division.

HR

Human resources are one of the important factors in conducting successful business. Process of HR development started during the last year has progressed significantly. A new advanced HR software has been installed and gone live during the year. Apart from automation of most of the HR activities, the initiative has induced a sense of belongingness amongst the employees. Dissemination of Values and Mission is another initiative which has been taken up during the year. All these initiatives are expected to result in more motivated and productive employees.

REPORT ON CORPORATE GOVERNANCE

REPORT ON CORPORATE GOVERNANCE

The Board has taken adequate steps to ensure that all mandatory provisions of Corporate Governance has been complied with. The Board furnishes the following relevant information for the benefit of the Members.

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 its 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 do 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	Promoter Managing Director	4	4	Yes	4	3
Mr. Arjun Bulchandani	Independent Non-executive	4	3	No	None	1
Mr. H. K. Vakharia	Independent Non-executive	4	3	Yes	None	None
Mr. N. R. Mahalingam	Independent Non-executive	4	4	Yes	1	2(chairman of 2)
Dr. S. D. Israni	Independent Non-executive	4	4	Yes	3	2
Mr. Nabankur Gupta	Independent Non-executive	4	3	No	9	5(chairman of 2)
Mr. Rajiv Batra	Promoter Non-executive	4	3	Yes	1	None
Mr. N. Santhanam	Independent Non-executive	4	4	Yes	None	1

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.

None of the Directors are related to any other Director on the Board, except Mr. Rajesh Batra and Mr. Rajiv Batra, who are related to each other as brothers.

REPORT ON CORPORATE GOVERNANCE

(b) Details of Remuneration and No. of Shares Held in the Company

The Non-executive Directors are paid remuneration by way of sitting fees. The details of sitting fees paid to the Non-executive Directors during the financial year 2012 -13 and no. of shares held as on March 31, 2013 are given below:

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

The appointment of Managing Director is governed by the recommendation of the Remuneration Committee, Resolutions passed by the Board of Directors and Members of the Company, which covers the terms of such appointment and remuneration payable. The details of remuneration paid to the Managing Director during the financial year 2012 – 13 and no. of shares held as on March 31, 2013 are given below:

Name	Designation	Gross Remuneration (Rs.)	No. of Shares
Mr. Rajesh Batra	Managing Director	52,26,900/-	40

(c) Number of Board Meetings held during the year 2012-13

The Company held 4 (four) Board Meetings during the Financial Year 2012-13. These were on May 25, 2012, August 14, 2012, November 6, 2012 and February 8, 2013.

3. Board Committees

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 (Chairman) (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.

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.

REPORT ON CORPORATE GOVERNANCE

(b) Number of Meetings held & Details of Remuneration paid during the financial year 2012-13

The Company held 3 (three) Audit Committee Meetings on August 14, 2012, November 6, 2012 and February 8, 2013. The details of sitting fees paid to the Committee Members during the financial year 2012 – 13 are given below:

Name	No. of Meetings Attended	Sitting Fees (Rs.)
Mr. N. R. Mahalingam	3	30,000/-
Mr. Nabankur Gupta	2	20,000/-
Dr. S. D. Israni	3	30,000/-
Mr. N. Santhanam	3	30,000/-

(B) Shareholders/Investors Grievance Committee

(a) Composition

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

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

There were 2 investor complaints received during the Financial Year. There were no complaints pending at the end of the Financial Year.

(b) Number of Meetings held & Details of Remuneration paid during the financial year 2012-13

The Company held 21 (twenty one) Shareholders/Investors Grievance Committee Meetings in the Financial Year 2012-13. However, the Members of the Committee are not entitled to remuneration and accordingly, no remuneration has been paid to any of its Committee Members

(C) Remuneration Committee

(a) Composition

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

(1) Mr. N.R. Mahalingam (Chairman) (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 2012-13

The Company held 1 (one) Remuneration Committee Meeting on July 24, 2012 at which meeting all Committee Members were present. The details of sitting fees paid to the Committee Members during the financial year 2012-13 are given below:

REPORT ON CORPORATE GOVERNANCE

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/-

(D) Selection Committee**(a) Composition**

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

(1) Mr. N.R. Mahalingam (Chairman) (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 2012-13

The Selection Committee did not hold any meeting during the Financial Year 2012 – 13 and accordingly, no remuneration has been paid to any of its Members.

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	14/08/2012	08/07/2011	16/07/2010
Venue	Textiles Committee P. Balu Road, Prabhadevi Chowk, Prabhadevi, Mumbai – 400 025	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
Time	10.30 a.m.	10.30 a.m.	10.30 a.m.

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

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

(d) 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.

REPORT ON CORPORATE GOVERNANCE

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 Conduct for the Board of Directors and Senior Management of the Company. 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 & Accounts, have provided the certificate on the financial statements and internal controls of the Company.

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.cravatex.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.

REPORT ON CORPORATE GOVERNANCE

8. General Shareholder Information

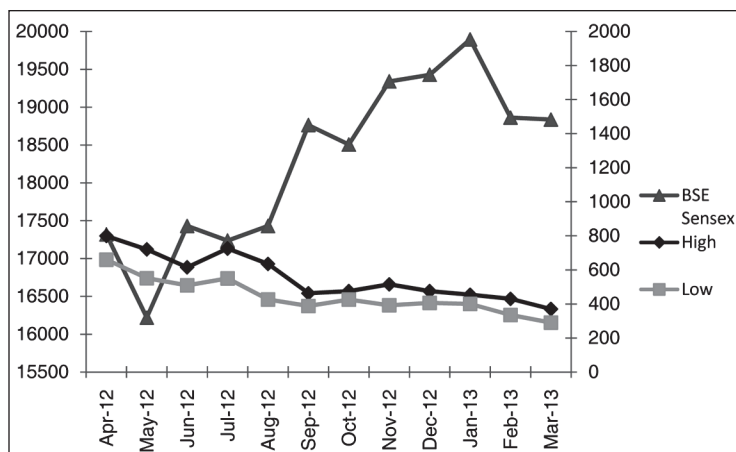
- (a) Annual General Meeting will be held on Tuesday, August 13, 2013 at 10.30 a.m. at Rachana Sansad Auditorium, 278, Shankar Ghanekar Marg, Prabhadevi, Mumbai – 400 025.
- (b) Financial Year:
- | | | |
|---|---|-------------------------------|
| Annual General Meeting | : | August 13, 2013 |
| Results for quarter ending June 30, 2013 | : | Second week of August, 2013 |
| Results for quarter ending September 30, 2013 | : | Second week of November, 2013 |
| Results for quarter ending December 31, 2013 | : | Second week of February, 2014 |
| Results for the year ending March 31, 2014 | : | Before May 30, 2014 |
- (c) Date of Book Closure : Tuesday, August 6, 2013 to Tuesday, August 13, 2013 (both days inclusive)
- (d) Dividend Payment Date : Before September 11, 2013
- (e) Listing on Stock Exchange : Company's shares are listed on the Bombay Stock Exchange Ltd.
- (f) Stock Code : 509472
SYMBOL : CRAVATEX
Demat ISIN : INE145E01017
- (g) Market Price Data : High: Rs.799.00(12/04/2012)
(during Financial Year 2012-13) Low: Rs.290.05 (26/03/2013)

High, Low and Number of Shares Traded during each month in the financial year 2012-13 on the Bombay Stock Exchange Limited:

Month	High (Rs.)	Low (Rs.)	No. of Shares	No. of Trades	Total Turnover (Rs.)
Apr 12	799.00	660.00	9,723	697	68,84,420
May 12	720.00	551.00	14,374	1,017	91,55,440
Jun 12	614.90	509.00	7,742	368	43,20,789
Jul 12	725.00	550.00	12,658	711	80,53,287
Aug 12	634.75	426.00	54,364	1,950	2,68,08,647
Sep 12	462.75	387.65	30,026	911	1,29,64,619
Oct 12	475.00	425.35	7,228	378	32,90,735
Nov 12	514.85	392.00	16,560	689	73,39,511
Dec 12	475.00	406.00	13,719	548	60,10,064
Jan 13	454.00	400.00	6,590	274	28,12,547
Feb 13	429.90	335.00	7,526	293	27,76,706
Mar 13	369.85	290.05	23,980	270	79,20,392

REPORT ON CORPORATE GOVERNANCE

(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. 022-67720421, 28591568, 28508927.

Email : sharepro@shareproservices.com

Investor Relation Centre:

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

Tel. No. 022 – 2288 1469, 6613 4700 Fax No. 022 – 2282 5484.

(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, 2013:

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Less than 500	2,385	94.79	2,16,080	8.36
501 to 1000	73	2.90	53,286	2.06
1001 to 2000	28	1.11	38,572	1.49
2001 to 3000	12	0.48	31,652	1.23
3001 to 4000	1	0.04	4,000	0.15
4001 to 5000	3	0.12	13,347	0.52
5001 to 10000	4	0.16	27,005	1.05
10001 and above	10	0.40	22,00,218	85.14
Total	2,516	100.00	25,84,160	100.00

REPORT ON CORPORATE GOVERNANCE

Shareholding Pattern as on March 31, 2013

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	50,559	1.96	49,274	1.91
NRI*	6,527	0.25	6,527	0.25
Public	5,88,954	22.79	4,05,809	15.70
Total Capital	25,84,160	100.00	23,99,730	92.86

*Total foreign shareholding in the company is 84,767(3.28%) of which 78,240 (3.03%) is included in Indian Promoters.

(l) Dematerialisation of shares and liquidity

Of the Company's total shareholding, 23,99,730 (92.86%) shares were held in dematerialised mode by the Members of the Company of which 22,66,747 (87.71%) shares were under National Securities Depository Limited (NSDL) and balance 1,32,983 (5.15%) shares under Central Depository Services (I) Limited (CDSL) as on March 31, 2013.

(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, 2013, a sum of Rs.67,374/- to the Investor Education and Protection Fund (IEPF). Upto the financial year ended March 31, 2012 an amount of Rs.5,57,677/- 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

For and on behalf of the Board of Directors

Rajesh Batra

Chairman & Managing Director

Place : Mumbai
Dated : May 28, 2013

REPORT ON CORPORATE GOVERNANCE**DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT**

This is to confirm that as provided under Clause 49(I)(D) of the Listing Agreement with Bombay Stock Exchange Limited, all Board of Directors and Senior Management of the Company have affirmed Compliance with the Code of Conduct for the Financial Year ended March 31, 2013.

For Cravatex Limited,

Rajesh Batra
Chairman & Managing Director

Place : Mumbai
Dated : May 28, 2013

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members of Cravatex Limited

We have examined the compliance of conditions of Corporate Governance by Cravatex Limited, for the year ended on 31st March 2013, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the review of procedures and implementation thereof, adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance as stipulated in the said Clause 49. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the clause 49 of the Listing Agreement.

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

For Hemanshu Kapadia & Associates

Hemanshu Kapadia
Proprietor
C.P. No. 2285

Place : Mumbai
Dated : May 28, 2013

AUDITORS' REPORT

AUDITORS' REPORT

To the Members of Cravatex Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Cravatex Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 2013;
- (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

AUDITORS' REPORT**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. 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 branches not visited by us]
 - c. 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 returns received from branches not visited by us]
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e. on the basis of written representations received from the directors as on 31 March 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

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

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

Place : Mumbai
Dated : May 28, 2013

AUDITORS' REPORT

Annexure to the Auditors' Report

Annexure referred to in paragraph 1 of Report on Other Legal and Regulatory Requirements 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) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) (a) As explained to us, the inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) According to the information and explanations given to us, the procedures of physical verification of inventories followed by the management which, in our opinion, are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the Company is maintaining proper records of inventory. According to the information and explanations given to us, the discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) (a) The Company has not granted any loans to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) The Company had taken loans by way of fixed deposits from a firm and 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) The amount of Rs. 77,50,000 is due from a party with whom the Company had entered into a Contract as a Consultant in an earlier year. This Contract was terminated by mutual agreement with effect from 1 April 2007. The Management is hopeful of recovering this amount (refer to Note '1.24' on "Notes on Accounts"). We are however unable to comment on the fate of this debt.
- (v) In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchases of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
- (vi) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under this section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vii) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 58A, 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the

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 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 2013 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 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 28, 2013

BALANCE SHEET

BALANCE SHEET
AS AT 31 MARCH, 2013

	Note No.	2012-2013 Rupees	2011-2012 Rupees
EQUITY AND LIABILITIES			
Shareholders' Funds:			
Share Capital	1.1	2,58,41,600	2,58,41,600
Reserves and Surplus	1.2	34,77,61,573	28,27,18,633
		37,36,03,173	30,85,60,233
Non-current Liabilities:			
Long-term borrowings	1.3	13,65,37,367	2,54,55,571
Deferred tax liabilities (Net)	1.4	4,05,65,052	3,41,41,045
Other Long-term liabilities	1.5	5,17,07,760	5,02,97,760
		22,88,10,179	10,98,94,376
Current Liabilities:			
Short-term borrowings	1.6	32,42,26,133	23,55,27,493
Trade payables		19,15,03,477	17,46,76,220
Other current liabilities	1.7	2,96,95,310	2,81,91,308
Short-term provisions	1.8	10,39,80,893	8,11,81,731
		64,94,05,813	51,95,76,752
	TOTAL	1,25,18,19,165	93,80,31,361
ASSETS			
Non-current Assets:			
Fixed Assets:			
Tangible assets	1.9	12,27,34,783	12,37,44,364
Intangible assets		17,97,57,241	15,31,083
		30,24,92,024	12,52,75,447
Non-current Investments	1.10	42,07,507	42,07,507
Other non-current assets	1.11	4,68,04,205	4,52,24,088
		35,35,03,736	17,47,07,042
Current Assets:			
Inventories	1.12	25,74,97,261	25,21,87,029
Trade receivables	1.13	47,78,97,590	40,30,57,603
Cash and cash equivalents	1.14	4,66,34,362	2,38,42,849
Short-term loans and advances	1.15	11,62,81,761	8,42,27,892
Other current assets		4,455	8,946
		89,83,15,429	76,33,24,319
	TOTAL	1,25,18,19,165	93,80,31,361
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 28, 2013

PROFIT AND LOSS STATEMENT

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31 MARCH, 2013

	Note No.	2012-2013 Rupees	2011-2012 Rupees
INCOME			
Revenue from operations	1.16	1,67,36,94,468	1,56,57,98,218
Other Income	1.17	4,34,73,065	4,22,61,790
TOTAL REVENUE		<u>1,71,71,67,533</u>	<u>1,60,80,60,008</u>
EXPENSES			
Purchase of Stock-in-Trade		1,02,03,43,503	1,00,04,61,815
Change in Inventories of Stock-in-Trade	1.18	(53,10,232)	(4,63,92,902)
Employee benefits expense	1.19	16,76,29,196	13,48,39,876
Finance costs	1.20	5,01,41,930	3,68,81,614
Depreciation	1.9	1,27,31,855	89,97,582
Other expenses	1.21	37,44,88,261	35,33,63,593
TOTAL EXPENSES		<u>1,62,00,24,513</u>	<u>1,48,81,51,578</u>
Profit before extraordinary items and tax		9,71,43,020	11,99,08,430
Extraordinary item: Provision for doubtful debts adjusted as bad debts written off during the year		84,05,610	—
Profit before Tax		10,55,48,630	11,99,08,430
Tax expense:			
Current Tax		(2,35,00,000)	(3,74,00,000)
Deferred Tax		(64,24,007)	(4,35,340)
Excess/(Short) provision of tax for earlier years		—	4,84,800
Profit for the Year		7,56,24,623	8,25,57,890
Basic and Diluted Earning per Equity Share (in Rs.)	1.22	29.26	31.95
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 28, 2013

NOTES TO FINANCIAL STATEMENT

NOTE '1'

Forming part of the Balance Sheet as at 31 March, 2013

1.1 — SHARE CAPITAL

Authorised:

	2012-2013 Rupees	2011-2012 Rupees
4850000 Equity shares of Rs.10 each	4,85,00,000	4,85,00,000
15000 9.5% Redeemable Cumulative Preference shares of Rs. 100 each	15,00,000	15,00,000
<u>4865000</u>	<u>5,00,00,000</u>	<u>5,00,00,000</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	1,29,20,800	1,29,20,800
	<u>2,58,41,600</u>	<u>2,58,41,600</u>

The details of Shareholders holding more than 5% shares:

Name of the Shareholder	As at 31 March 2013		As at 31 March 2012	
	No. of shares	% held	No. of shares	% held
M/s Promark Fitness & Leisure Pvt Ltd.	18,59,750	71.97	—	—
Mrs. Jamna Batra	—	—	9,24,780	35.79
M/s Proline Exports Pvt Ltd	—	—	3,42,840	13.27
Mr. Rajesh Batra	—	—	2,78,940	10.79
Mrs. Raj Batra	—	—	1,30,872	5.06

1.2 — RESERVES AND SURPLUS

Capital Reserve:

(Subsidy received from Govt. of Karnataka)

Balance as per last Account

2012-2013 Rupees	2011-2012 Rupees
18,92,000	18,92,000

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

Add : Transfer from Profit and Loss Account

Less: Transfer to Share Capital Account (Issue of Bonus shares)

24,88,44,809	19,42,65,609
6,50,00,000	6,75,00,000
—	1,29,20,800
<u>31,38,44,809</u>	<u>24,88,44,809</u>

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

	2012-2013 Rupees	2011-2012 Rupees
Profit and Loss Account:		
Balance as per last Account	3,18,13,824	2,72,67,754
Add : Net profit after tax for the current year	7,56,24,623	8,25,57,890
Amount available for appropriation	10,74,38,447	10,98,25,644
Appropriations:		
Proposed Dividend	90,44,560	90,44,560
Tax on Proposed Dividend	15,37,123	14,67,260
Amount transferred to General Reserve	6,50,00,000	6,75,00,000
Balance in Profit and Loss account	3,18,56,764	3,18,13,824
	<u>34,77,61,573</u>	<u>28,27,18,633</u>
1.3 — LONG-TERM BORROWINGS		
Term Loan from Bank:		
Axis Bank Ltd.		
secured as follows:	11,11,91,165	—
(a) Exclusive first charge of equitable mortgage of company's property at Prabhadevi, Mumbai		
(b) Undertaking from the Company that the security available for working capital limit will also be available for Term loan		
Term Loan from others:		
(secured by hypothecation of a car)	4,06,202	6,55,571
(Note '1.25' a)		
	<u>11,15,97,367</u>	<u>6,55,571</u>
Unsecured:		
Fixed Deposits:		
From related parties	2,13,25,000	2,13,25,000
From others	36,15,000	34,75,000
	<u>2,49,40,000</u>	<u>2,48,00,000</u>
	<u>13,65,37,367</u>	<u>2,54,55,571</u>
1.4 — DEFERRED TAX LIABILITIES (NET)		
Deferred tax liabilities:		
Depreciation on fixed assets	4,09,99,260	3,45,45,952
Deferred tax assets:		
Disallowances under the Income tax Act, 1961	4,34,208	4,04,907
	<u>4,05,65,052</u>	<u>3,41,41,045</u>

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

	2012-2013 Rupees	2011-2012 Rupees
1.5 — OTHER LONG-TERM LIABILITIES		
Security deposits		
For rental of property	4,46,27,760	4,46,27,760
From Dealers and Distributors	70,80,000	56,70,000
	<u>5,17,07,760</u>	<u>5,02,97,760</u>
1.6 — SHORT TERM BORROWINGS		
From Bank:		
(a) Axis Bank Ltd. - Cash Credit Account	23,76,95,030	22,63,71,716
(b) HDFC Bank Ltd. - Cash Credit Account	3,65,31,103	—
(c) HDFC Bank Ltd. - Working Capital Demand Loan	5,00,00,000	—
The above three loans from Axis Bank Ltd and HDFC Bank Ltd. have been secured by first pari-passu charge as follows:		
(1) by way of hypothecation on entire current assets of the Company, including stock and book debts, present and future		
(2) by way of equitable mortgage of company's property at Nariman point, Mumbai		
(3) by way of hypothecation on entire movable fixed assets of the Company, both present and future except vehicles		
(d) Axis Bank Ltd - Buyers Credit Account	—	91,55,777
	<u>32,42,26,133</u>	<u>23,55,27,493</u>
1.7 — OTHER CURRENT LIABILITIES		
Unpaid dividends	8,31,811	7,04,898
Advances received against supplies and services	1,05,03,541	1,07,02,293
Other liabilities (includes statutory dues)	1,83,59,958	1,67,84,117
	<u>2,96,95,310</u>	<u>2,81,91,308</u>
1.8 — SHORT TERM PROVISIONS		
Proposed dividend	90,44,560	90,44,560
Provision for:		
Tax on proposed dividend	15,37,123	14,67,260
Income taxes	9,12,25,000	6,77,25,000
Gratuity obligation (Note '1.26')	21,74,210	29,44,911
	<u>10,39,80,893</u>	<u>8,11,81,731</u>

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

1.9 — FIXED ASSETS

Amount in Rupees

PARTICULARS	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.04.2012	Additions	Sales/ Adjustments	As at 31.03.2013	Upto 31.03.2012	For the year	Adjusted	Upto 31.03.2013	As at 31.03.2013	As at 31.03.2012
Tangible Assets:										
Building	10,28,72,600	8,22,770	16,62,238	10,20,33,132	2,51,94,288	14,83,853	37,947	2,66,40,194	7,53,92,938	7,76,78,312
Spa Equipment	1,39,07,940	—	—	1,39,07,940	1,35,12,690	3,95,246	—	1,39,07,936	4	3,95,250
Air-conditioning Plant & Units	84,53,457	5,62,460	4,90,680	85,25,237	25,60,188	4,09,770	56,325	29,13,633	56,11,604	58,93,269
Furniture, Fixtures & Fittings	3,06,23,558	86,52,031	35,98,308	3,56,77,281	1,26,73,812	20,90,258	5,22,979	1,42,41,091	2,14,36,190	1,79,49,746
Motor Vehicles	38,79,823	—	—	38,79,823	10,44,171	3,67,170	—	14,11,341	24,68,482	28,35,652
Electrical Fittings	7909,350	5,06,196	11,36,561	72,78,985	20,11,772	3,83,715	1,30,468	22,65,019	50,13,966	58,97,578
Office Equipment	2,05,47,507	23,56,398	—	2,29,03,905	74,52,950	26,39,356	—	1,00,92,306	1,28,11,599	1,30,94,557
	18,81,94,235	1,28,99,855	68,87,787	19,42,06,303	6,44,49,871	77,69,368	7,47,719	7,14,71,520	12,27,34,783	12,37,44,364
Intangible Assets:										
Licences & Franchise	3,63,51,000	—	—	3,63,51,000	3,48,19,917	3,82,771	—	3,52,02,688	11,48,312	15,31,083
*Sublicense	—	18,31,88,645	—	18,31,88,645	—	45,79,716	—	45,79,716	17,86,08,929	—
	3,63,51,000	18,31,88,645	—	21,95,39,645	3,48,19,917	49,62,487	—	3,97,82,404	17,97,57,241	15,31,083
Total	22,45,45,235	19,60,88,500	68,87,787	41,37,45,948	9,92,69,788	1,27,31,855	7,47,719	11,12,53,924	30,24,92,024	12,52,75,447
Total (Previous year)	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	

Note: * The Company during the year entered into a sub-license Agreement effective 1 January 2013 whereby it acquired exclusive right and license to use the trademarks, know-how and licensed domain names in connection with the sale of the products branded as "F" and "FILA" on upfront payment of US\$ 3000000 and sublicense fees as per the terms of the agreement.

Rs.18,31,88,645 is treated as an intangible asset to be amortized over 10 years in equal annual instalment. Accordingly Rs. 45,79,716 has been charged in the accounts for the period of three months upto 31 March 2013.

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)

23,000

23,000

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

41,84,507

41,84,507

42,07,507

42,07,507

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

	2012-2013 Rupees	2011-2012 Rupees
1.11 — OTHER NON-CURRENT ASSETS		
(Unsecured)		
Advance to a Consultant (Note '1.24')	77,50,000	1,55,00,000
Less: Provision for doubtful advance	—	77,50,000
	<u>77,50,000</u>	<u>77,50,000</u>
Security and other deposits	3,90,54,205	3,74,74,088
	<u>4,68,04,205</u>	<u>4,52,24,088</u>
1.12 — INVENTORIES		
(At lower of cost or net realisable value and as valued and certified by the management)		
Stock-in-trade	24,21,07,214	23,37,49,444
Stores and spares	1,53,90,047	1,84,37,585
	<u>25,74,97,261</u>	<u>25,21,87,029</u>
1.13 — TRADE RECEIVABLES		
(Unsecured)		
Debts outstanding for a period exceeding six months:		
Considered good	2,58,59,984	4,17,51,899
Considered doubtful	—	6,55,610
	<u>2,58,59,984</u>	<u>4,24,07,509</u>
Less: Provision for doubtful debt	—	6,55,610
	<u>2,58,59,984</u>	<u>4,17,51,899</u>
Other debts	45,20,37,606	36,13,05,704
	<u>47,78,97,590</u>	<u>40,30,57,603</u>
1.14 — CASH AND CASH EQUIVALENTS		
Balances with banks in:		
Current accounts	4,52,71,737	2,24,39,962
Deposit account (earmarked against repayment of public deposits)	50,000	1,00,000
Unpaid dividend accounts	8,31,811	7,04,899
Cash on hand	4,80,814	5,97,988
	<u>4,66,34,362</u>	<u>2,38,42,849</u>

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

	2012-2013 Rupees	2011-2012 Rupees
1.15 — SHORT-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances to others	1,29,09,035	56,26,289
Prepaid expenses	25,87,371	9,20,647
Advance Wealth tax and Income taxes [Note '1.23' (ii a and ii b)]	9,78,30,529	7,02,44,768
Refund receivable from Customs authorities	16,04,826	60,86,188
Advance with Customs authorities [Note '1.23' (ii c)]	13,50,000	13,50,000
	<u>11,62,81,761</u>	<u>8,42,27,892</u>
1.16 — REVENUE FROM OPERATIONS		
Sale of products	1,64,90,20,335	1,54,59,33,089
Sale of services	2,46,74,133	1,98,65,129
(Sales of products and services are reported net of trade and turnover discounts to dealers and commission on consignment sales)		
	<u>1,67,36,94,468</u>	<u>1,56,57,98,218</u>
1.17 — OTHER INCOME		
Interest Income	9,88,866	6,29,590
Licence fees (Rental income)	4,14,07,200	4,14,07,200
Miscellaneous income	650	2,25,000
Excess provision of earlier years	10,76,349	—
	<u>4,34,73,065</u>	<u>4,22,61,790</u>
1.18 — CHANGE IN INVENTORIES OF STOCK-IN-TRADE		
Opening 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>
Closing stock		
Stock-in-trade	24,21,07,214	23,37,49,444
Stores and spares	1,53,90,047	1,84,37,585
	<u>25,74,97,261</u>	<u>25,21,87,029</u>
Increase in stock	<u>(53,10,232)</u>	<u>(4,63,92,902)</u>
1.19 — EMPLOYEES BENEFITS EXPENSE (Note '1.27a')		
Salaries and Wages (including Bonus and Gratuity)	15,36,89,938	12,21,65,710
Contributions to:		
Provident, Family Pension and other Funds	81,56,680	73,00,622
Employees State Insurance Scheme	10,52,868	6,57,135
Superannuation Scheme	8,46,800	8,71,800
Staff Welfare Expenses	38,82,910	38,44,609
	<u>16,76,29,196</u>	<u>13,48,39,876</u>

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

	2012-2013 Rupees	2011-2012 Rupees
1.20 — FINANCE COSTS		
Interest expense (Bank loans and Fixed Deposits)	3,80,79,632	2,49,14,028
Other borrowing costs	1,20,62,298	1,19,67,586
	<u>5,01,41,930</u>	<u>3,68,81,614</u>
1.21 — OTHER EXPENSES		
Stores, spares and packing materials consumed	38,50,585	59,03,946
Power, fuel and water	93,89,631	72,31,321
Service charges	1,25,40,557	1,00,73,457
Rent	9,42,52,332	8,26,05,929
Insurance	12,87,214	10,71,934
Rates and taxes	87,04,452	61,11,602
Printing and stationery	28,98,519	29,79,555
Communications	95,12,801	89,80,412
Repairs to Buildings	—	26,156
Repairs - Others	1,04,64,970	1,06,28,825
Advertisement and publicity	4,71,43,520	4,14,33,671
Sublicence fee	5,73,91,308	5,31,84,954
Travelling and conveyance	3,01,03,478	2,68,92,230
Commission and brokerage	15,64,707	1,81,68,299
Transportation and octroi charges	4,73,13,345	4,50,35,855
Professional, Legal and Consultancy charges (Note '1.27b')	1,08,24,151	1,58,45,525
Directors fees	6,20,000	5,20,000
Auditors' remuneration (Note '1.28')	8,30,340	5,20,018
Other expenses	96,81,822	68,48,798
Sales Tax paid	5,18,420	5,15,578
Obsolete assets	19,31,484	—
Bad debts written off	1,03,39,385	34,474
Prior period expenses	—	3,14,262
Provision for doubtful debts and advance	—	84,05,610
Loss on sale of Assets	33,25,240	31,182
	<u>37,44,88,261</u>	<u>35,33,63,593</u>
1.22 — BASIC AND DILUTED EARNINGS PER EQUITY SHARE		
Net profit after Taxation (in Rs.)	7,56,24,623	8,25,57,890
Weighted average number of equity share	25,84,160	25,84,160
Earning per equity share (in Rs.)	29.26	31.95
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.1,44,93,309 (Previous year Rs.44,04,830).
- (b) Letters of Credit outstanding to the extent of Rs.11,03,44,102 (Previous year Rs.10,09,75,790)
- (c) Standby LC limit of the amount of Rs. 3.53 crore from Axis Bank Ltd in favour of HSBC Bank Plc, UK on behalf of the 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 & 1998-99 amounting to Rs.51,25,378 was raised by the Tax authorities in earlier years which had been disputed by the Company and appeals filed with the Hon. High Court, Mumbai. The Company however deposited the demanded amounts in full with the tax authorities.
- (b) For the assessment years 2000-2001, 2002-2003 and 2003-2004 the Income-tax Appellate Tribunal had given relief of Rs.8,74,254 which had been accounted for in an earlier year. The tax authorities had subsequently filed an appeal with the Hon. High Court, Bombay against the relief of Rs.8,74,254. The matter was set aside by Hon. High Court, in the previous year the matter was restored to the Tribunal court for disposal. The matter is still pending with the tax authorities.
- (c) Demand of Rs.13,50,000 raised in an earlier year by the customs authorities for goods imported had been disputed by the Company against which the full amount had been deposited under protest. The matter is still pending with the Customs authorities.
- (d) Bond for Rs.1.20 crore executed with the Customs authorities for demand raised by the authorities in an earlier year which had 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.37,23,543 (Previous year Rs. 32,92,171) raised by the New Maker Chambers IV Premises Co-operative Society Ltd, Mumbai for the difference in BMC tax from 01.04.2000 to 31.03.2013, 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.11,82,174 (Previous year Rs.15,35,606).

1.24 — OTHER COMMITMENTS

- (a) An amount of Rs.1,55,00,000 was due from a third party in terms of Contract of Engagement with this party as a Consultant against which provision for doubtful debt of Rs.77,50,000 has been made as at 31 March 2012. Though the Contract had been terminated with effect from 1 April 2007, inspite of all assurances given to the Company by this party for clearing this debt, the party has not paid any amount during the year against these dues. The Company has initiated an Arbitration proceeding invoking Arbitration as per the Contract of Employment referred to above.

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

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.7,80,000) against which the future obligations aggregate to Rs.4,28,953 (Previous year Rs.7,18,260), including lease charge Rs. 22,751 (Previous year Rs.62,690) and the same are payable as under:

Period	Minimum Lease Payment		Present Value	
	2012-2013 Rupees	2011-2012 Rupees	2012-2013 Rupees	2011-2012 Rupees
Not later than 1 year	2,87,304	2,87,304	2,67,369	2,49,368
Later than 1 year but not later than 5 years	1,41,649	4,30,956	1,38,833	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	
	2012-2013 Rupees	2011-2012 Rupees
Not later than 1 year	15,77,28,665	6,25,70,604
Later than 1 year but not later than 5 years	19,95,73,917	21,39,10,878
Later than 5 years	10,00,24,099	4,41,66,223

1.26 — GRATUITY OBLIGATION

	2012-2013 Rupees	2011-2012 Rupees
(i) Profit and Loss Account		
Current Services cost	19,98,846	11,82,114
Interest Cost	7,30,754	4,79,124
Expected return on plan assets	(8,35,652)	(4,42,571)
Net Actuarial (gain)/Loss recognized in the year	17,60,441	16,71,348
Expenses recognized in statement of Profit and loss	36,54,389	28,90,015
(ii) Balance sheet		
Present value of obligations as at the end of the year	1,32,06,886	91,34,429
Fair value of plan assets as at the end of the year	1,10,32,676	61,89,518
Funded status	(21,74,210)	(29,44,911)
Net Asset/ (Liability) recongized in balance sheet	(21,74,210)	(29,44,911)
(iii) Change in the fair value of plan assets		
Fair value of plan assets at the beginning of year	61,94,303	33,55,339
Expected return on plan assets	8,35,652	4,42,571
Contribution	44,20,305	25,83,605
Benefits paid	(4,17,584)	(1,87,212)
Actuarial (gain)/loss on Plan assets	Nil	Nil
Fair value of plan assets at the end of year	1,10,32,676	61,94,303

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

	2012-2013 Rupees	2011-2012 Rupees
(iv) Change in present value of obligations		
Present value of obligations as at the beginning of year	91,34,429	59,89,055
Current Service Cost	19,98,846	11,82,114
Interest cost	7,30,754	4,79,124
Benefits Paid	(4,17,584)	(1,87,212)
Acturial (gain)/loss on obligations	17,60,441	16,71,348
Present value of obligations as at the end of year	<u>1,32,06,886</u>	<u>91,34,429</u>
1.27 — PARTICULARS OF DIRECTORS' REMUNERATION		
(a) Wholetime Directors		
Salary, bonus and allowances	52,26,900	55,80,421
Provident, Pension and Superannuation Fund Contribution	—	1,99,549
	<u>52,26,900</u>	<u>57,79,970</u>
(b) Professional, Legal and Consultancy charges include Rs.6,74,160 (2011-12 – Rs.6,61,800) paid as consultancy charges to a Non-Wholetime Director.		
1.28 — PARTICULARS OF AUDITORS' REMUNERATION		
Audit fee	3,00,000	1,20,000
Tax Audit fee	35,000	35,000
Certification charges and fee	3,49,000	2,81,500
Service tax on fees	84,542	48,003
Branch Audit fee:		
Audit fee	30,000	30,000
Tax Audit fee	10,000	5,000
Certification charges and fee	15,000	—
Service tax on fees	6,798	515
	<u>8,30,340</u>	<u>5,20,018</u>
1.29 — PARTICULARS OF GOODS TRADED IN AND SERVICES RENDERED		
Purchases		
(a) Sports goods	74,04,40,880	71,05,17,668
(b) Fitness equipment	27,42,21,250	27,87,79,539
(c) Services	56,81,373	1,11,64,608
	<u>1,02,03,43,503</u>	<u>1,00,04,61,815</u>
Sales		
(a) Sports goods	1,10,36,41,466	1,00,16,29,471
(b) Fitness equipment	53,23,43,838	54,43,03,618
(c) Services	3,77,09,164	1,98,65,129
	<u>1,67,36,94,468</u>	<u>1,56,57,98,218</u>

NOTES TO FINANCIAL STATEMENT

NOTES — Contd.

	2012-2013 Rupees	2011-2012 Rupees
1.30 — FOREIGN CURRENCY TRANSACTIONS		
CIF value of imports:		
Goods trade in	65,62,67,763	62,20,95,844
Spares	31,53,293	47,79,480
Expenditure in foreign currency (on payments basis):		
Commission	—	1,44,58,385
Sublicense fee	19,64,79,504	4,14,59,437
Travelling expenses	19,16,198	15,36,610
Professional fees	1,77,469	—
Claims	—	12,49,307
Investment in shares (subsidiary company)	—	41,04,207
Earnings in foreign exchange (on receipts basis):		
FOB value of goods	24,34,90,119	31,59,67,854
Claims	60,90,353	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:
M/s. Proline India Ltd	Associated Company
M/s 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	
	2012-2013 Rupees	2011-2012 Rupees
Interest paid	9,85,990	14,12,877
Director Remuneration	52,26,900	43,55,750
Other expenses	22,96,648	42,82,722

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 2012-13, 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, 2013 Rupees	Year ended 31st March, 2012 Rupees
1	Segment Revenue: External Sales and Services – International – Domestic – Others Inter segment Sales and Services Total Segment Revenue	 21,76,79,153 1,45,71,01,271 4,23,87,109 — 1,71,71,67,533	 27,21,30,432 1,29,37,30,633 4,21,98,943 — 1,60,80,60,008
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	 3,68,81,284 9,18,01,772 1,86,01,894 14,72,84,950 5,01,41,930 9,71,43,021 2,99,24,007 — 6,72,19,014	 2,33,24,717 10,86,96,107 2,47,69,220 15,67,90,044 3,68,81,614 11,99,08,430 3,73,50,540 — 8,25,57,890
3	Other informations: Segment Assets: – International – Domestic – Others Unallocable assets Total Assets	 2,78,26,810 1,04,55,80,248 8,05,81,580 9,78,30,529 1,25,18,19,167	 1,08,41,381 78,19,60,510 7,07,77,195 7,44,52,275 93,80,31,361
4	Segment Liabilities: – International – Domestic – Others Unallocable corporate liabilities Total Liability	 39,79,456 22,14,18,331 4,88,51,159 10,26,38,494 37,68,87,441	 15,52,079 20,51,76,995 4,86,76,226 7,89,41,719 33,43,47,019
5	Capital Expenditures (Addition to Fixed Asset): – International – Domestic – Others Total Addition to Fixed Assets	 7,650 19,58,32,063 2,48,787 19,60,88,500	 34,700 94,07,547 12,55,858 1,06,98,105
6	Depreciation: – International – Domestic – Others Total Depreciation	 5,975 1,05,63,499 21,62,381 1,27,31,855	 4,672 69,04,581 20,88,329 89,97,582

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 sublicense, amortized over this period of license in equal annual instalments.
 - 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, 2013 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, 2013

	2012-2013 Rupees	2011-2012 Rupees
A Cash flow from operating activities		
Net profit before taxation and extraordinary item	10,55,48,630	11,99,08,430
Adjustments for:		
Depreciation	1,27,31,855	89,97,582
Interest income	(9,88,866)	(62,95,900)
Dividend income	—	—
Interest expenses	5,01,41,930	3,68,81,614
Operating profit before working capital changes	16,74,33,549	16,51,58,036
Adjustments for:		
(Increase)/Decrease in Trade Receivables	(7,48,39,987)	(15,07,06,133)
(Increase)/Decrease in Inventories	(53,10,232)	(4,63,92,902)
(Increase)/Decrease in Loans & Advances	(60,48,226)	80,95,006
Increase/(Decrease) in Other Long-term Liabilities	14,10,000	(6,75,000)
Increase/(Decrease) in Current Liabilities	1,71,10,470	4,91,46,827
Cash generated from operations	9,97,55,575	2,46,25,834
Interest paid	(4,98,18,756)	(3,60,78,806)
Direct taxes paid (Net of refunds) (including deferred tax)	(2,90,53,021)	(3,50,04,570)
Net cash from operating activities	2,08,83,798	(4,64,57,542)
B Cash flow from investing activities		
Additions to Fixed assets	(19,60,88,500)	(1,06,98,105)
Sale of Fixed assets	61,40,067	34,115
Sale of Investments (Net)/[Purchase of Investments (Net)]	—	(41,04,207)
Dividend received	—	—
Interest received	9,93,357	6,21,282
Net cash from/(used in) investing activities	(18,89,55,076)	(1,41,46,915)
C Cash flow from financing activities		
Long Term Borrowings	11,10,81,796	8,57,920
Short Term Borrowings	8,86,98,640	8,36,95,767
Dividend paid	(89,17,646)	(63,43,680)
Net cash from/(used in) financing activities	19,08,62,791	7,82,10,008
Net cash flows during the year (A+B+C)	2,27,91,513	1,76,05,550
Cash and cash equivalents (opening balance)	2,38,42,849	62,37,299
Cash and cash equivalents (closing balance)	4,66,34,362	2,38,42,849

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 28, 2013

For and on behalf of the Board

Rajesh Batra
Chairman & Managing Director

N. R. Mahalingam
Director

Nabankur Gupta
Director

Sudhanshu Namdeo
Company Secretary

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

1. Name of the Subsidiary	:	BB (UK) Ltd.
2. Financial year ended	:	March 31, 2013
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, 2013:		
(1) For the Subsidiary financial year ended March 31, 2013	:	(Rs. 26,95,000/-)
(2) For the previous financial year of the Subsidiary	:	Rs. 1,56,11,636/-
(b) Dealt with in the accounts of the Company for the year ended March 31, 2013		
(1) For the Subsidiary financial year ended March 31, 2013	:	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, 2013

Sr. No.	Particulars	Rupees*
1.	Issued and Subscribed Share Capital	41,84,507/-
2.	Reserves	1,26,04,594/-
3.	Total Assets	18,51,65,388/-
4.	Total Liabilities	16,83,76,287/-
5.	Details of Investments	—
6.	Turnover	52,20,27,780/-
7.	Profit before Taxation	(26,95,000/-)
8.	Provision for Taxation	16,68,480/-
9.	Profit after Taxation	(10,26,520/-)
10.	Proposed Dividend	—

*Converted 1 GBP (£) = Rs. 82.3209

CONSOLIDATED AUDITORS' REPORT

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors Cravatex Limited

We have audited the accompanying consolidated financial statements of Cravatex Limited ("the Company"), and its subsidiary, which comprise the consolidated Balance Sheet as at 31 March 2013, and the consolidated Statement of Profit and Loss for the year then ended.

Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position and performance and in accordance with the accounting principles generally accepted in India, this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements, The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of the Accounting Standards (AS) 21 - Consolidated Financial Statements notified under Section 211 (3C) of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditor on the financial statements of the subsidiary as noted below, the 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 2013;
- (b) In the case of the consolidated Profit and Loss, of the profit for the year ended on that date;

Other Matters

We did not audit the financial statements of the subsidiary BB (UK) Limited included in the consolidated financial statements, whose financial statements reflect total assets of Rs.18,51,65,388 as at 31 March 2013 and total revenue of Rs.52,20,27,780 for the year ended then. These financial statements have been audited by the other auditor whose report has been furnished to us by the Management, and our opinion is based solely on the report of the other auditor.

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

Y. K. Shankardass
Partner.

Place : Mumbai
Dated : May 28, 2013

Membership No. F-5106

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2013

	Note No.	2012-2013 Rupees	2011-2012 Rupees
EQUITY AND LIABILITIES			
Shareholders' Funds:			
Share Capital	1.1	2,58,41,600	2,58,41,600
Reserves and Surplus	1.2	36,03,66,168	29,63,49,747
		38,62,07,768	32,21,91,347
Non-current Liabilities:			
Long-term borrowings	1.3	13,65,37,367	2,54,55,571
Deferred tax liabilities (Net)	1.4	4,14,84,000	3,50,54,169
Other Long-term liabilities	1.5	5,17,07,760	5,02,97,760
		22,97,29,127	11,08,07,500
Current Liabilities:			
Short-term borrowings	1.6	32,42,26,133	25,24,81,277
Trade payables		19,15,03,477	17,46,76,220
Other current liabilities	1.7	19,61,64,799	12,87,55,081
Short-term provisions	1.8	10,49,68,744	8,76,70,616
		81,68,63,153	64,35,83,194
TOTAL		1,43,28,00,048	1,07,65,82,041
ASSETS			
Non-current Assets:			
Fixed Assets:			
Tangible assets			
Intangible assets	1.9	12,69,48,955	12,79,68,802
		18,17,92,790	15,31,083
Non-current Investments			
Other non-current assets	1.10	30,87,41,745	12,94,99,885
	1.11	23,000	23,000
		4,71,59,420	4,66,85,676
		35,59,24,165	17,62,08,561
Current Assets:			
Inventories	1.12	32,49,04,660	31,80,29,332
Trade receivables	1.13	57,81,50,616	46,03,59,170
Cash and cash equivalents	1.14	5,14,75,819	2,40,06,447
Short-term loans and advances	1.15	12,23,40,333	9,79,69,585
Other current assets		4,455	8,946
		1,07,68,75,883	90,03,73,480
TOTAL		1,43,28,00,048	1,07,65,82,041
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 28, 2013

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, 2013

	Note No.	2012-2013 Rupees	2011-2012 Rupees
INCOME			
Revenue from operations	1.16	2,19,57,22,248	2,40,54,68,069
Other Income	1.17	4,34,73,065	4,22,61,790
TOTAL REVENUE		2,23,91,95,313	2,44,77,29,859
EXPENSES			
Purchase of Stock-in-Trade		1,36,94,41,249	1,65,70,87,224
Change in Inventories of Stock-in-Trade	1.18	(68,75,328)	(10,78,39,761)
Employee benefits expense	1.19	22,38,70,999	19,85,98,181
Finance costs	1.20	5,32,54,401	3,86,64,918
Depreciation	1.9	1,47,32,664	1,04,34,630
Other expenses	1.21	49,03,23,307	51,52,64,601
TOTAL EXPENSES		2,14,47,47,292	2,31,22,09,793
Profit before extraordinary items and tax		9,44,48,021	13,55,20,066
Extraordinary item: Provision for doubtful debts adjusted as bad debts written off during the year		84,05,610	—
Profit before Tax		10,28,53,631	13,55,20,066
Tax expense:			
Current Tax		(2,35,00,000)	(4,36,38,171)
Deferred Tax		(64,24,007)	(4,35,340)
Excess/(Short) provision of tax for earlier years		16,68,480	4,84,800
Profit for the period		7,45,98,104	9,19,31,356
Basic and Diluted Earning per Equity Share (in Rs.)	1.22	28.87	35.57
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 28, 2013

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTES

Forming part of the Consolidated Balance Sheet as at 31 March, 2013

	2012-2013 Rupees	2011-2012 Rupees
1.1 — SHARE CAPITAL		
Authorised:		
4850000 Equity shares of Rs.10 each	4,85,00,000	4,85,00,000
15000 9.5% Redeemable Cumulative Preference shares of Rs. 100 each	15,00,000	15,00,000
<u>4865000</u>	<u>5,00,00,000</u>	<u>5,00,00,000</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	1,29,20,800	1,29,20,800
<u>25841600</u>	<u>2,58,41,600</u>	<u>2,58,41,600</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	26,24,75,923	19,85,23,258
Add : Transfer from Profit and Loss Account	6,50,00,000	7,68,73,465
Less: Transfer to Share Capital Account (Issue of Bonus shares)	—	1,29,20,800
	<u>32,74,75,923</u>	<u>26,24,75,923</u>
Profit and Loss Account:		
Balance as per last Account	3,18,13,824	2,72,67,754
Add : Net profit after tax for the current year	7,45,98,104	8,25,57,890
Amount available for appropriation	10,64,11,928	10,98,25,644
Appropriations:		
Proposed Dividend	90,44,560	90,44,560
Tax on Proposed Dividend	15,37,123	14,67,260
Amount transferred to General Reserve	6,50,00,000	6,75,00,000
Balance in Profit and Loss account	<u>3,08,30,245</u>	<u>3,18,13,824</u>
	<u>36,03,66,168</u>	<u>29,63,49,747</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTES — Contd.

1.3 — LONG-TERM BORROWINGS

Term Loan from Bank:

Axis Bank Ltd.

Secured by as follows:

- (a) Exclusive first charge of equitable mortgage of Company's property at Prabhadevi, Mumbai
- (b) Undertaking from the Company that the security available for working capital limit will also be available for Term loan

Term Loan from others:

(secured by hypothecation of a car)

Unsecured:

Fixed Deposits:

- From related parties
- From others

	2012-2013 Rupees	2011-2012 Rupees
	11,11,91,165	—
	<u>4,06,202</u>	<u>6,55,571</u>
	<u>11,15,97,367</u>	<u>6,55,571</u>
	2,13,25,000	2,13,25,000
	36,15,000	34,75,000
	<u>2,49,40,000</u>	<u>2,48,00,000</u>
	<u>13,65,37,367</u>	<u>2,54,55,571</u>

1.4 — DEFERRED TAX LIABILITIES (NET)

Deferred tax liabilities:

Depreciation on fixed assets

Deferred tax assets:

Disallowances under the Income tax Act, 1961

	4,19,18,208	3,54,59,076
	<u>4,34,208</u>	<u>4,04,907</u>
	<u>4,14,84,000</u>	<u>3,50,54,169</u>

1.5 — OTHER LONG-TERM LIABILITIES

Security deposits

- For rental of property
- From Dealers and Distributors

	4,46,27,760	4,46,27,760
	70,80,000	56,70,000
	<u>5,17,07,760</u>	<u>5,02,97,760</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTES — Contd.

	2012-2013 Rupees	2011-2012 Rupees
1.6 — SHORT TERM BORROWINGS		
From Bank:		
(a) Axis Bank Ltd. - Cash Credit Account	23,76,95,030	22,63,71,716
(b) HDFC Bank Ltd. - Cash Credit Account	3,65,31,103	—
(c) HDFC Bank Ltd. - Working Capital Demand Loan	5,00,00,000	—
The above three loans from Axis Bank Ltd and HDFC Bank Ltd. have been secured by first pari-passu charge as follows:		
(1) by way of hypothecation on entire current assets of the Company, including stock and book debts, present and future		
(2) by way of equitable mortgage of company's property at Nariman point, Mumbai		
(3) by way of hypothecation on entire movable fixed assets of the Company, both present and future except vehicles		
(d) Axis Bank Ltd - Buyers Credit Account	—	91,55,777
(e) HSBC Bank Ltd. - Cash Credit Account (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.)	—	1,69,53,784
	32,42,26,133	25,24,81,277
1.7 — OTHER CURRENT LIABILITIES		
Unpaid dividends	8,31,811	7,04,898
Advances received against supplies and services	2,95,45,600	2,83,19,796
Other liabilities (includes statutory dues)	16,57,87,388	9,97,30,387
	19,61,64,799	12,87,55,081
1.8 — SHORT TERM PROVISIONS		
Proposed dividend	90,44,560	90,44,560
Provision for:		
Tax on proposed dividend	15,37,123	14,67,260
Income taxes	9,22,12,851	7,42,13,885
Gratuity obligation	21,74,210	29,44,911
	10,49,68,744	8,76,70,616

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTES — Contd.

1.9 — FIXED ASSETS

Amount in Rupees

PARTICULARS	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01.04.2012	Additions	Sales/ Adjustments	As at 31.03.2013	Upto 31.03.2012	For the year	Adjusted	Upto 31.03.2013	As at 31.03.2013	As at 31.03.2012
Tangible Assets:										
Building	10,28,72,600	8,22,770	16,62,238	10,20,33,132	2,51,94,288	14,83,853	37,947	2,66,40,194	7,53,92,938	7,76,78,312
Spa Equipment	1,39,07,940	—	—	1,39,07,940	1,35,12,690	3,95,246	—	1,39,07,936	4	3,95,250
Air-conditioning Plant & Units	84,53,457	5,62,460	4,90,680	85,25,237	25,60,188	4,09,770	56,325	29,13,633	56,11,604	58,93,269
Furniture, Fixtures & Fittings	3,62,85,044	1,06,42,574	35,98,308	4,33,29,310	1,41,10,860	40,91,067	5,22,979	1,76,78,948	2,56,50,362	2,21,74,184
Motor Vehicles	38,79,823	—	—	38,79,823	10,44,171	3,67,170	—	14,11,341	24,68,482	28,35,652
Electrical Fittings	79,09,350	5,06,196	11,36,561	72,78,985	20,11,772	3,83,715	1,30,468	22,65,019	50,13,966	58,97,578
Office Equipment	205,47,507	23,56,398	—	2,29,03,905	74,52,950	26,39,356	—	1,00,92,306	1,28,11,599	1,30,94,557
	19,38,55,721	1,48,90,398	68,87,787	20,18,58,332	6,58,86,919	97,70,177	7,47,719	7,49,09,377	12,69,48,955	12,79,68,802
Intangible Assets:										
Licences & Franchise	3,63,51,000	—	—	3,63,51,000	3,48,19,917	3,82,771	—	3,52,02,688	11,48,312	15,31,083
*Sublicense	—	18,31,88,645	—	18,31,88,645	—	45,79,716	—	45,79,716	17,86,08,929	—
Website	—	20,35,549	—	20,35,549	—	—	—	—	20,35,549	—
	3,63,51,000	18,52,24,194	—	22,15,75,194	3,48,19,917	49,62,487	—	3,97,82,404	18,17,92,790	15,31,083
Total	23,02,06,721	20,01,14,592	68,87,787	42,34,33,526	10,07,06,836	1,47,32,664	7,47,719	11,46,91,781	30,87,41,745	12,94,99,885
Total (Previous year)	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	

Note: *The Company during the year entered into a sub-license Agreement effective 1 January 2013 whereby it acquired exclusive right and license to use the trademarks, know-how and licensed domain names in connection with the sale of the products branded as "F" and "FILA" on upfront payment of US\$ 3000000 and sublicense fees as per the terms of the agreement.

Rs.18,31,88,645 is treated as an intangible asset to be amortized over 10 years in equal annual instalment. Accordingly Rs.45,79,716 has been charged in the accounts for the period of three months upto 31 March, 2013.

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)

2012-2013
Rupees2011-2012
Rupees

23,000

23,000

23,000

23,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTES — Contd.

	2012-2013 Rupees	2011-2012 Rupees
1.11 — OTHER NON-CURRENT ASSETS		
(Unsecured)		
Advance to a Consultant	77,50,000	1,55,00,000
Less: Provision for doubtful advance	—	77,50,000
	<u>77,50,000</u>	<u>77,50,000</u>
Security and other deposits	3,94,09,420	3,89,35,676
	<u>4,71,59,420</u>	<u>4,66,85,676</u>
1.12 — INVENTORIES		
(At lower of cost or net realisable value and as valued and certified by the management)		
Stock-in-trade	30,95,14,613	29,95,91,747
Stores and spares	1,53,90,047	1,84,37,585
	<u>32,49,04,660</u>	<u>31,80,29,332</u>
1.13 — TRADE RECEIVABLES		
(Unsecured)		
Debts outstanding for a period exceeding six months:		
Considered good	6,46,66,303	4,17,51,899
Considered doubtful	—	6,55,610
	<u>6,46,66,303</u>	<u>4,24,07,509</u>
Less: Provision for doubtful debts	—	6,55,610
	<u>6,46,66,303</u>	<u>4,17,51,899</u>
Other debts	51,34,84,313	41,86,07,271
	<u>57,81,50,616</u>	<u>46,03,59,170</u>
1.14 — CASH AND CASH EQUIVALENTS		
Balances with banks in:		
Current accounts	4,98,66,231	2,24,39,962
Deposit account (earmarked against repayment of public deposits)	50,000	1,00,000
Unpaid dividend accounts	8,31,811	7,04,899
Cash on hand	7,27,777	7,61,586
	<u>5,14,75,819</u>	<u>2,40,06,447</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTES — Contd.

	2012-2013 Rupees	2011-2012 Rupees
1.15 — SHORT-TERM LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances to others	1,29,09,035	56,26,289
Prepaid expenses	81,49,136	9,20,647
Advance Income taxes and Wealth tax	9,78,30,529	7,02,44,768
Refund receivable from Customs authorities	16,04,826	60,86,188
Advance with Customs authorities	18,46,807	1,50,91,693
	<u>12,23,40,333</u>	<u>9,79,69,585</u>
1.16 — REVENUE FROM OPERATIONS		
Sale of products	2,17,10,48,115	2,38,56,02,940
Sale of services	2,46,74,133	1,98,65,129
(Sales of products and services are reported net of trade and turnover discounts to dealers and commission on consignment sales)		
	<u>2,19,57,22,248</u>	<u>2,40,54,68,069</u>
1.17 — OTHER INCOME		
Interest Income	9,88,866	6,29,590
Licence fees (Rental income)	4,14,07,200	4,14,07,200
Miscellaneous income	650	2,25,000
Excess provision of earlier years	10,76,349	—
	<u>4,34,73,065</u>	<u>4,22,61,790</u>
1.18 — CHANGE IN INVENTORIES OF STOCK-IN-TRADE		
Opening 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>
Closing stock		
Stock-in-trade	30,95,14,613	29,95,91,747
Stores and spares	1,53,90,047	1,84,37,585
	<u>32,49,04,660</u>	<u>31,80,29,332</u>
Increase in stock	<u>(68,75,328)</u>	<u>(10,78,39,761)</u>
1.19 — EMPLOYEES BENEFITS EXPENSE		
Salaries and Wages (including Bonus and Gratuity)	20,99,31,741	18,59,24,015
Contributions to:		
Provident, Family Pension and other Funds	81,56,680	73,00,622
Employees State Insurance Scheme	10,52,868	6,57,135
Superannuation Scheme	8,46,800	8,71,800
Staff Welfare Expenses	38,82,910	38,44,609
	<u>22,38,70,999</u>	<u>19,85,98,181</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

NOTES — Contd.

	2012-2013 Rupees	2011-2012 Rupees
1.20 — FINANCE COSTS		
Interest expense (Bank loans and Fixed Deposits)	4,11,92,103	2,66,97,332
Other borrowing costs	1,20,62,298	1,19,67,586
	<u>5,32,54,401</u>	<u>3,86,64,918</u>
1.21 — OTHER EXPENSES		
Stores, spares and packing materials consumed	57,71,049	89,86,794
Power, fuel and water	93,89,631	72,31,321
Service charges	1,25,40,557	1,00,73,457
Rent	9,74,50,499	9,25,36,352
Insurance	36,71,639	21,54,955
Rates and taxes	1,51,08,853	1,17,01,433
Printing and stationery	67,00,263	67,64,322
Communications	1,31,36,814	1,13,33,939
Repairs to Buildings	—	26,156
Repairs - Others	1,07,86,021	1,09,88,414
advertisement and publicity	6,18,73,939	5,67,41,001
Sublicence fee	9,19,61,970	11,54,59,175
Travelling and conveyance	4,06,69,201	4,52,66,457
Commission and brokerage	28,17,796	2,36,53,671
Transportation and octroi charges	4,73,13,345	4,50,35,855
Professional, Legal and Consultancy charges	3,74,54,963	4,17,65,892
Directors fees	6,20,000	5,20,000
Auditors' remuneration	18,07,901	12,60,546
Other expenses	1,51,34,337	1,44,63,755
Sales Tax paid	5,18,420	5,15,578
Obsolete assets	19,31,484	—
Bad debts written off	1,03,39,385	34,474
Prior period expenses	—	3,14,262
Provision for doubtful debts and advance	—	84,05,610
Loss on sale of Assets	33,25,240	31,182
	<u>49,03,23,307</u>	<u>51,52,64,601</u>
1.22 — BASIC AND DILUTED EARNINGS PER EQUITY SHARE		
Net profit after Taxation (in Rs.)	7,45,98,104	9,19,31,356
Weighted average number of equity share	25,84,160	25,84,160
Earning per equity share (in Rs.)	28.87	35.57
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

For and on behalf of the Board

Rajesh Batra
Chairman & Managing Director

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

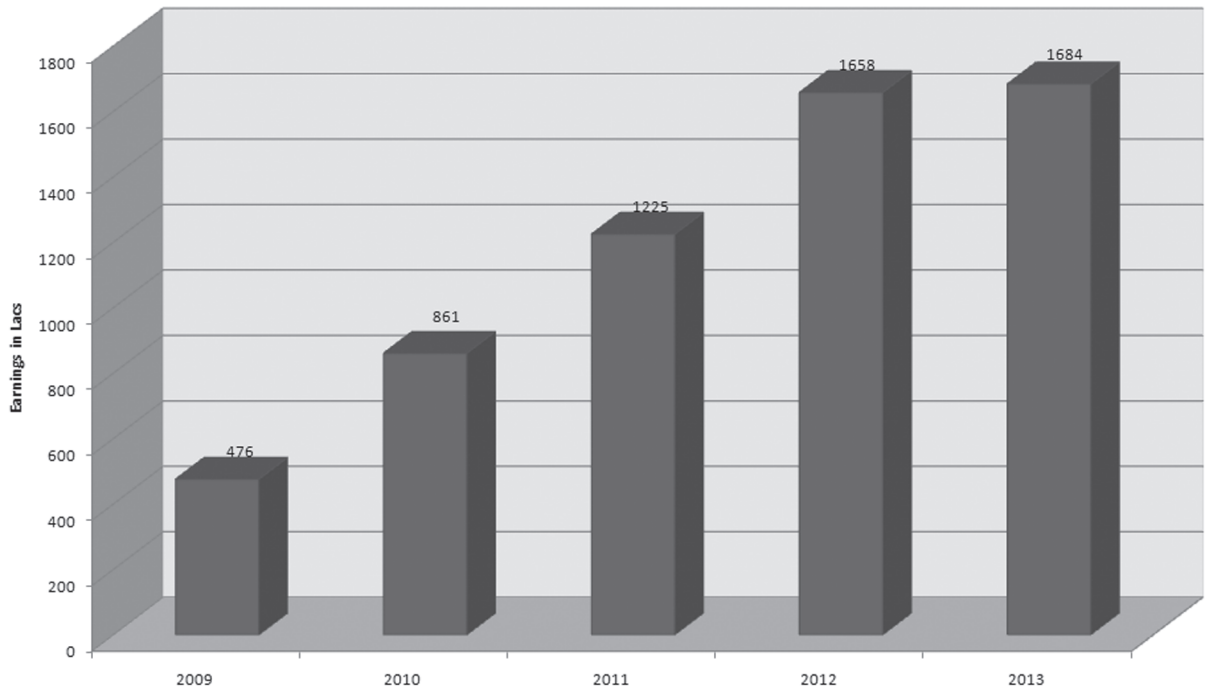
N. R. Mahalingam
Director

Nabankur Gupta
Director

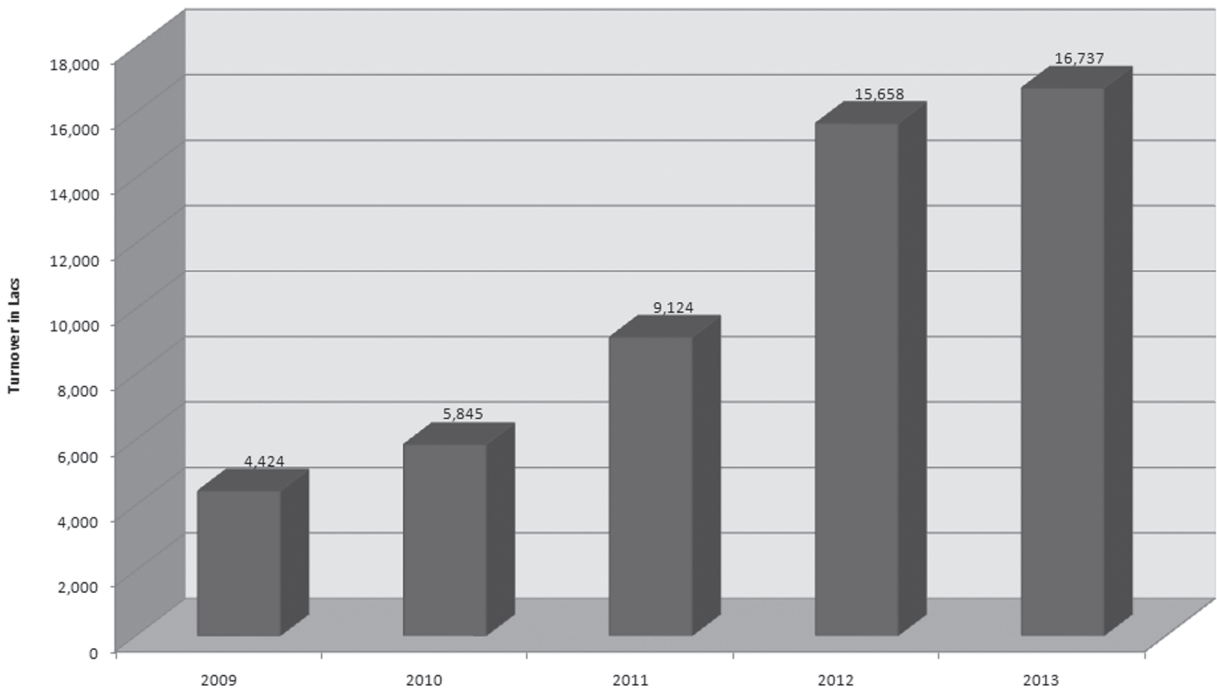
Sudhanshu Namdeo
Company Secretary

Place : Mumbai
Dated : May 28, 2013

EBIDT



Turnover



CRAVATEX LIMITED

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

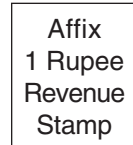
PROXY FORM

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 61st ANNUAL GENERAL MEETING of the Company to be held at Rachana Sansad Auditorium, 278, Shankar Ghanekar Marg, Prabhadevi, Mumbai-400 025 on Tuesday, August 13, 2013 at 10.30 a.m. and at any adjournment thereof.

No. of Shares Client ID/Folio No.

Signed this day of, 2013



(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 61st ANNUAL GENERAL MEETING to be held at Rachana Sansad Auditorium, 278, Shankar Ghanekar Marg, Prabhadevi, Mumbai-400 025 on Tuesday, August 13, 2013 at 10.30 a.m.

Member's/Proxy's Signature
(To be signed at the time of handing over this slip)

TEAR HERE