

**C. B. POKLE & CO.**  
**CHARTERED ACCOUNTANTS**

C. B. POKLE B.Com., F.C.A.

R. P. TAYSHETE B.Com., F.C.A.

MILIND POKLE B.Com., L.L.B. (Gen.), F.C.A.

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Date 26 MAY 2017

**INDEPENDENT AUDITOR'S REPORT**

**TO THE MEMBERS OF**  
**CRAVATEX BRANDS LIMITED**  
(Earlier known as Moonrakers Brands Limited )  
**MUMBAI**

**Report on the Financial Statements**

We have audited the accompanying financial statements of CRAVATEX BRANDS LIMITED ( Earlier known as Moonrakers Brands Limited ) ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and Cash Flow Statement for the period 22<sup>nd</sup> December, 2016 to 31<sup>st</sup> March 2017, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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 have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.



We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at 31st March, 2017, its loss and its cash flows for the period 22<sup>nd</sup> December, 2016 to 31<sup>st</sup> March 2017.

### **Report on Other Legal and Regulatory Requirements**

As required by the Companies (Auditor's Report) Order, 2017 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2015, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

As required by Section 143 (3) of the Act, we report that:

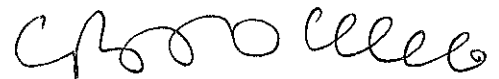
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.



*C.B.P.*

- (e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company does not have any pending litigations which would impact its financial position.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For C. B. POKLE & CO  
Chartered Accountants  
Firm Registration No.107954W



(C.B.POKLE)  
PARTNER  
M.No 004090



MUMBAI DATED: 26 MAY 2017

Date : 26 MAY 2017

**CRAVATEX BRANDS LIMITED**  
**( EARLIER KNOWN AS MOONRAKERS BRANDS LIMITED )**  
**ANNEXURE TO THE AUDITORS' REPORT**  
**(Referred to in paragraph 1 of our Report of even date)**

- i)
- a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed assets.
  - b) As explained to us, all fixed assets have been physically verified by the management. No material discrepancies were noticed on such physical verification.
  - c) The Company does not have any immovable properties in its name.
- ii) a) The stock of finished goods, stores, and spare parts have been physically verified during the period by the management. In our opinion, the frequency of verification is reasonable. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii) The company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act.
- iv) The company has not granted any loans nor has made any investments nor has given any guarantee or provided security in respect of loan given to any other body corporate.
- v) The Company has not accepted any deposits from the public during the period.
- vi) The Company has not been prescribed to maintain cost records by the Central Government under subsection (1) of Section 148 of the Companies Act, 2013.
- vii)
- a) According to the Information & explanations given to us, and according to books and records produced and examined by us in our opinion, undisputed Provident Fund, employees' State Insurance, Income-tax, Sales-tax, Service Tax, duty of customs, duty of excise, value added tax, cess and other statutory dues have been regularly deposited by the Company during the period with the appropriate authorities.
  - b) According to the Information and explanation given to us, the Company has no disputed Income Tax, Sales Tax, Service Tax, Customs duty, Excise Duty or Value Added Tax.



*C.B.P.*

- viii) The company has taken over borrowings from bank, of a business undertaking purchased under slump sale agreement. These loans stand in the name of transferor as on balance sheet date. Based on information and explanations given to us the company has not defaulted in repayments of these borrowings to bank.
- The Company has also issued Optionally Convertible Debentures during the period. Based on information and explanations given to us, there is no default on repayment to debenture holders.
- ix) According to the Information & explanations given to us and to the best of our knowledge, the Company has not availed any term loans. The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments).
- x) According to the information and explanations given to us, no material fraud on or by the Company by its officer or its employees has been noticed or reported during the period.
- xi) According to the information and explanations given by the management, the managerial remuneration has been paid/provided in accordance with requisite approvals mandated by the provisions of the section 197 read with schedule V to the Companies Act, 2013.
- xii) The Company is not a Nidhi Company.
- xiii) Based on our audit procedures and on the information & explanations given to us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards.
- xiv) The company has made preferential allotment /private placement of Equity shares, Compulsory Convertible Preference shares and Optionally Convertible Debentures during the period under review. Based on information and explanations given to us the company, the requirement of Section 42 of the Companies Act, 2013 have been complied with and the amount raised have been used for the purposes for which the funds were raised.
- xv) According to the information and explanations given to us the company has not entered into any non-cash transactions with directors or persons connected with him as per the provisions of section 192 of Companies Act, 2013.
- xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For C. B. POKLE & CO  
Chartered Accountants  
Firm Registration No.107954W

*C. B. POKLE*

(C.B. POKLE)  
PARTNER  
M.No 004090



MUMBAI DATED: 26 MAY 2017

Date : 26 MAY 2017

**ANNEXURE 'A' TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF CRAVATEX BRANDS LIMITED ( EARLIER KNOWN AS MOONRAKERS BRANDS LIMITED )**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of CRAVATEX BRANDS LIMITED ( EARLIER KNOWN AS MOONRAKERS BRANDS LIMITED ) ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the for the period 22<sup>nd</sup> December, 2016 to 31<sup>st</sup> March 2017.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing



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and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

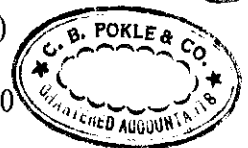
Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For C.B. POKLE & CO  
Chartered Accountants  
Firm Registration No.107954W

  
(C.B. POKLE)  
PARTNER  
M.No 004090



Mumbai Dated : 26<sup>th</sup> May, 2017

**CRAVATEX BRANDS LIMITED**  
{Earlier known as Moonrakers Brands Limited}

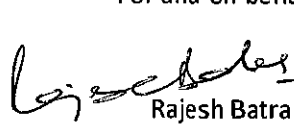
**BALANCE SHEET AS AT 31 MARCH, 2017**


Particulars	<u>Note No.</u>	<u>As at 31 st March 2017</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Shareholders' Funds</b>		
Share capital	2.1	897,110,000
Reserves and surplus	2.2	(69,554,350)
		<b>827,555,650</b>
<b>Non-current Liabilities</b>		
Long-term borrowings	2.3	180,000,000
Deferred tax liabilities (Net)	2.4	15,419,245
Other Long-term liabilities	2.5	8,375,000
		<b>203,794,245</b>
<b>Current Liabilities</b>		
Short-term borrowings	2.6	466,575,802
Trade payables	2.7	220,624,371
Other current liabilities	2.8	116,862,216
		<b>804,062,389</b>
<b>TOTAL</b>		<b>1,835,412,284</b>
 <b>ASSETS</b>		
<b>Non-current Assets</b>		
Fixed Assets :	2.9	
Tangible		22,924,578
Intangible		444,410,706
		467,335,283
Other non-current assets	2.10	32,415,697
		<b>499,750,980</b>
<b>Current Assets</b>		
Inventories	2.11	359,977,945
Trade receivables	2.12	423,131,238
Cash and cash equivalents	2.13	533,474,129
Short-term loans and advances	2.14	19,077,991
		<b>1,335,661,303</b>
<b>TOTAL</b>		<b>1,835,412,284</b>
Significant Accounting policies	1	
Notes to Financials Statement	2	

As per our report attached

For and on behalf of the Board

**For C.B.POKLE & CO.**  
Chartered Accountants  
Firm Registration No.107954W

  
Rajesh Batra  
(Chairman)


  
Rohan Batra  
(Managing Director)



**C. B. POKLE**  
Partner  
Membership No. 04090  
Mumbai, Dated: 26.05.2017



  
Anuj Rakyan  
(Independent  
Director)

  
Rupesh Nambiar  
(CFO)



**CRAVATEX BRANDS LIMITED**  
 {Earlier known as Moonrakers Brands Limited}

**STATEMENT OF PROFIT AND LOSS FOR THE PERIOD 22ND DECEMBER, 2016 TO 31  
 MARCH 2017**

	<u>Note No.</u>	Period Ended <b>31 MAR, 2017</b>
<b>Income</b>		
Revenue from operations	2.15	8,581,892
Other Income	2.16	799,728
<b>Total Revenue</b>		<b>9,381,620</b>
<b>Expenses</b>		
Purchase of Stock-in-Trade	2.17	15,052,924
Change in Inventories of Stock-in-Trade	2.18	(10,965,983)
Employee benefits expense	2.19	3,679,890
Finance costs	2.20	1,822,635
Depreciation		996,072
Other expenses	2.21	52,931,903
<b>Total expenses</b>		<b>63,517,441</b>
<b>Profit/(Loss) before tax</b>		<b>(54,135,821)</b>
<b>Tax expense :</b>		
Current tax		-
Deferred tax Liability		15,419,245
Excess / (Short) provision of tax for earlier years		-
<b>Profit/(Loss) for the period</b>		<b>(69,555,066)</b>

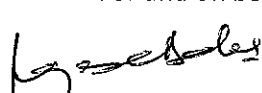
<b>Earnings per equity share:</b>	<b>2.22</b>	
Basic		(960.04)
Diluted		

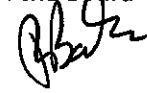
Significant Accounting policies	1
Notes to Financials Statement	2

As per our report attached

For and on behalf of the Board

**For C.B.POKLE & CO.**  
**Chartered Accountants**  
 Firm Registration No.107954W


  
 Rajesh Batra  
 (Chairman)


  
 Rohan Batra  
 (Managing Director)



**C. B. POKLE**  
 Partner  
 Membership No. 04090  
 Mumbai, Dated: 26.05.2017



  
 Anuj Rakyan  
 (Independent  
 Director)

  
 Rupesh Nambiar  
 (CFO)

**CRAVATEX BRANDS LIMITED**  
{Earlier known as Moonrakers Brands Limited}

Cash Flow statement for the year ended 31 March, 2017

<b>A</b>	<b>Cash flow from operating activities</b>	
	Net profit before tax	(54,135,821)
	Adjustments for:	
	Depreciation	996,072
	Interest income	(44,213)
	Finance Cost	1,822,635
	Operating profit before working capital changes	(51,361,327)
	Adjustments for:	
	(Increase)/Decrease in Trade Receivables	(423,131,238)
	(Increase)/Decrease in Inventories	(359,977,945)
	(Increase)/Decrease in Loans & Advances	(19,073,455)
	(Increase)/Decrease in Other Assets	(32,415,697)
	Increase/(Decrease) in Trade Payable	220,624,371
	Increase/(Decrease) in Other Liabilities	125,237,216
	Cash generated from operations	(540,098,076)
	Direct taxes Refund/(paid)	(4,536)
	<b>Net cash from operating activities</b>	<b>(540,102,612)</b>
<b>B</b>	<b>Cash flow from investing activities</b>	
	Additions to Fixed assets	(468,331,355)
	Interest received	44,213
	<b>Net cash from / (used in) investing activities</b>	<b>(468,287,142)</b>
<b>C</b>	<b>Cash flow from financing activities</b>	
	Proceeds from issuance of Shares (Incl. Securities Prem.)	897,110,716
	Proceeds from Long-term Borrowings	180,000,000
	Proceeds from Short-term Borrowings	466,575,802
	Interest Paid	(1,822,635)
	<b>Net cash from / (used in) financing activities</b>	<b>1,541,863,883</b>
	<b>Net cash flows during the year (A+B+C)</b>	<b>533,474,129</b>
	Cash and cash equivalents (opening balance)	-
	Cash and cash equivalents (closing balance)	533,474,129

As per our report attached

For and on behalf of the Board

For C.B.POKLE & CO.

Chartered Accountants

Firm Registration No.107954W



Rajesh Batra  
(Chairman)



Rohan Batra  
(Managing Director)



C. B. POKLE

Partner


Membership No. 04090

Mumbai, Dated: 26.05.2017





Anuj Rakyan  
(Independent  
Director)



Rupesh Nambiar  
(CFO)

## **NOTE '1' –**

The Company was incorporated on 22nd December, 2016 as Moonraker Brands Limited. The name of Company was subsequently changed to Cravatex Brands Limited.

The Company has purchased FILA AND FITNESS EQUIPMENT BUSINESS undertaking under slump sale, pursuant to Slump Sale Agreement with its Holding Company M/s Cravatex Limited. As per the terms assets/liabilities as given below have been acquired. These assets/liabilities have been accounted on the basis of Independent Professional Valuer's Report obtained for Purchase Price Allocation with regards to acquisition of Business Undertaking.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Basis of accounting**

The financial statements have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP) under the historical cost convention on an accrual basis in compliance with all material aspect of the Accounting Standard (AS) Notified under Section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle, and other criteria set out in the Schedule III of the Companies Act, 2013. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as up to twelve months for the purpose of current/non-current classification of assets and liabilities.

### **(b) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual result could differ from these estimates.

### **(c) Tangible Fixed assets and depreciation:**

Tangible Fixed Assets are stated at cost of acquisition, net off tax/duty credits availed less accumulated depreciation. Assets of the FILA and Fitness Equipment Business transferred to the Company have been accounted at fair value on the basis of the Independent Valuer's report.



Depreciation on fixed assets is provided prorata from/up to the date of acquisition using straight-line method in the manner prescribed under schedule II of the Companies Act, 2013, which also represents the useful life of fixed assets.

**(d) Intangible assets**

Intangible assets of the FILA and Fitness Equipment Business transferred to the Company have been accounted at fair value on the basis of the Independent Valuer's report. The amortization of intangible assets arrived at based on management's estimates of useful life.

- Sublicense - over a period of 10 years
- Distribution Rights - over a period of 10 years
- Proline Brand - over a period of 10 years

**(e) Impairment of Assets/Goodwill**

The carrying amounts of assets/goodwill are reviewed at each Balance Sheet date, if there is any indication of impairment based on internal/external factors. An asset is treated as impaired when the carrying cost of the assets exceeds its recoverable value.

An impairment loss, if any, is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. Reversal of impairment losses recognised in the prior years is recorded when there is an indication that the impairment losses recognised for the assets no longer exist or have decreased.

**(f) Revenue Recognition**

Revenue is recognized to the extent it is probable that economic benefits will flow to the Company.

- i) Sales are recognized at point of dispatch of goods to the customers and are stated net of taxes and discounts.
- ii) Revenue from services is recognized on rendering of services.
- iii) Interest and other Income is recognized on accrual basis.

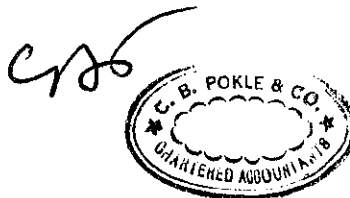
**(g) Inventories**

Stock-in-trade and spares are valued at lower of cost and net realizable value, cost being the actual purchase price and other costs that are necessary to bring the inventories to the present location and condition.

Cost of inventories is computed on a weighted-average basis.

**(h) Foreign currency transactions**

- i) Initial Recognition – Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing on the date of transaction.
- ii) Conversion – Monetary assets and liabilities denominated in foreign currency are converted at the rate of exchange prevailing on the date of the Balance Sheet.



- iii) Exchange differences – All exchange differences arising on settlement/conversion of foreign currency transactions are included in the Statement of Profit and Loss in the year in which they arise.
- iv) Forward Contract – The Company uses foreign exchange forward contracts to hedge its exposure of foreign currency fluctuations. Any profit or loss arising on cancellation or renewal of foreign exchange forward contracts is recognised as income or expenses for the year.

**(i) Employee Benefits :**

**(a) Defined Contribution Plan**

The Company makes defined contribution to Government Employee Provident Fund, Government Employee Pension Fund, Employee Deposit Linked Insurance, ESI and Superannuation Schemes, which are recognised in the Statement of Profit and Loss on accrual basis.

**(b) Defined Benefit Plan**

The Company has defined benefit Plans for post employment benefits, for all employees in the Form of Gratuity administered through trust funded with Life Insurance Corporation of India. The Company's liabilities under Payment of Gratuity Act is determined on the basis of actuarial valuation made by Life Insurance Corporation of India, at the end of each financial year using the projected unit credit method. Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss as income or expense.

**(j) Taxes on Income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with provisions of Income Tax act 1961.

Deferred tax is recognized on timing differences between the accounting and taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted at the Balance Sheet date and is capable of reversal in one or more subsequent periods.

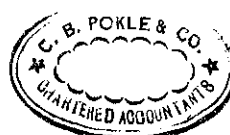
**(j) Leases:**

Lease payments under operating lease are recognized as an expense in the Statement of Profit and Loss on straight line basis over the lease term.

**(k) Earning per share**

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted-average number of equity shares outstanding during the period. The weighted-average number of equity shares outstanding during the period and for all periods presented is adjusted for events such as bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

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**(I) Contingent Liability and provision**

Contingent Liabilities are possible but not probable obligations as on Balance Sheet date, based on the available evidence. Provisions are recognised when there is a present obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date.

*CBS*



**CRAVATEX BRANDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017**

Amt in Rs.

**2.1 Share Capital**

**Authorised :**

3,300,000	Equity shares of Rs.100 each	330,000,000
5,700,000	Preference shares of Rs.100 each	570,000,000
<u>9,000,000</u>		<u>900,000,000</u>

**Issued, Subscribed and fully paid up:**

3,271,100	Equity shares of Rs.100 each	327,110,000
	0.001% Compulsory Convertible Preference shares of	
5,700,000	Rs.100 each	570,000,000
<u>8,971,100</u>		<u>897,110,000</u>

**A) Shares held by Holding Company.**

Name of Shareholder	As on 31st March 2017	
	No./Shares	%
Equity shares of Rs.100 each		
Cravatex Limited	<u>3,268,000</u>	99.91%
	<u>3,268,000</u>	

**B) Reconciliation of Number of Shares:**

Particulars	As on 31st March 2017	
	No./Shares	Amount Rs.
<b>Equity shares of Rs.100 each</b>		
Shares outstanding at the beginning of the year	-	-
Shares Issued during the year	3,271,100	327,110,000
<b>Shares outstanding at the end of the year</b>	<b>3,271,100</b>	<b>327,110,000</b>
<b>0.001% Compulsory Convertible Preference shares of Rs.100 each</b>		
Shares outstanding at the beginning of the year	-	-
Shares Issued during the year	5,700,000	570,000,000
<b>Shares outstanding at the end of the year</b>	<b>5,700,000</b>	<b>570,000,000</b>



**C) Details of Shares held by Shareholders holding more than 5% of the aggregate shares in the Company**

<b>Name of Shareholder</b>	<b>No./Shares</b>	<b>%</b>
<b>Equity shares of Rs.100 each</b>		
Cravatex Limited	3271000	99.997%
<b>0.001% Compulsory Convertible Preference shares of Rs.100 each</b>		
Paragon Partners Growth Fund – I.	5700000	100.00%

**Shares allotted as fully paid up pursuant to contract(s) without payment being received in cash**

<b>Particulars</b>	<b>No./Shares</b>	<b>Amount Rs.</b>
No of Fully paid up Equity Shares issued pursuant to contract(s) without payment received in cash	3,268,000	326,800,000

**Terms/rights attached to the Equity Shares**

The Company has only one class of equity shares having a par value of Rs.100/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution to all preferential holders. The distribution will be in proportion to the number of equity shares held by the shareholders.

**0.001% Compulsory Convertible Preference shares of Rs.100 each**

The Company has only one class of Preference shares i.e. Compulsory convertible preference share having a face value of Rs.100/- per each. CCPS holder shall be entitled to pro-rata distribution of dividend on as is converted basis, in priority to the holders of the equity shares. In any given financial year the company may not declare any dividend or other distribution to its holders of Equity shares unless it has declared the preferential dividend for such the right to receive the preferential dividend for such given financial year in the following Financial Year.

In the event of Liquidation holder of CCPS shall be entitled to receive the subscription proceeds of the CCPS, in accordance with the applicable law in preference to all other shareholders of the Company.

The CCPS shall be convertible into equity share at any time at the option of the holder.





**CRAVATEX BRANDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017**



**2.2 Reserve and Surplus**

**Securities Premium Account**

Balance as per last Account	-
Securities premium credited on Share issue	716
Balance in Securities Premium Account	<u>716</u>

**Profit and Loss Account**

Balance as per last Account	-
Profit / (Loss) for the year	(69,555,066)
Balance in Profit and Loss account	<u>(69,555,066)</u>

<b>Total Reserve &amp; Surplus</b>	<b><u>(69,554,350)</u></b>
------------------------------------	----------------------------

**2.3 Long-term borrowings**

**Unsecured**

18,00,000 Optionally Convertible Debentures (OCD)	<u>180,000,000</u>
<b>Total Long-term Borrowings</b>	<b><u>180,000,000</u></b>

**Terms of Optionally Convertible Debentures(OCD):**

The Company has issued following Unsecured Optionally Convertible Debentures. Debentures are allotted on 27th March, 2017. These debentures are convertible at option of the holders. As per the terms convert shall not exceed 16,79,799 Equity shares. Redemption is also at option of the holders at face value along with premium.

**2.4 Deferred tax liabilities (Net)**

**Deferred tax liabilities :**

Depreciation on fixed assets	15,419,245
------------------------------	------------

**Deferred tax assets :**

Disallowances under the Income tax Act, 1961	-
	<u>15,419,245</u>

**2.5 Other Long-term liabilities**

**Security deposits**

From Dealers and Distributors	8,375,000
	<u>8,375,000</u>



**CRAVATEX BRANDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017**

Amt in Rs.

**2.6 Short Term borrowings**

**Secured:**

From Bank in Foreign currency	
Buyer's Credit	60,545,928

From Banks in INR

Cash Credit & Working Capital Demand Loan

a) Axis Bank Ltd	236,029,874
b) HDFC Bank Ltd	170,000,000

The above loans from Axis Bank Ltd and HDFC Bank Ltd have been secured by:

I) 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 property of Cravatex Limited (Holding Company) at Nariman point, Mumbai
- 3) by way of hypothecation on entire movable fixed assets of the Company, both present and future except vehicles

II) Second pari-passu charge as follows:

- 1) On Lease Rental from Property at Nariman Point, Mumbai
- 2) On commercial Office located at 4th Floor Sahas, Prabhadevi, Mumbai, along with HDFC Bank

**Refer Note: 2.25**

466,575,802

**2.7 Trade Payables**

Sundry Creditors

220,624,371

220,624,371

There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March, 2017, and no interest payment made during the year to any Micro and Small Enterprises. This information, as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006, has been determined to the extent such parties have been identified on the basis of information available with the Company.

**2.8 Other current liabilities**

Advances received against supplies and services

10,370,206

Statutory Dues

14,432,319

Other liabilities

92,059,691

116,862,216



**CRAVATEX BRANDS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017**

**2.9 FIXED ASSETS**

Sr. No.	Description of Asset	As at 01.04.2016		Additions/ (Disposals)		Gross Block Additions from Slump Sale		Revaluations/ (Impairments)		As at 31.03.17		As at 1.4.2016		Depreciation / Amortisation		On Disposals		As at 31.03.17		As at 31.03.16	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	<b>TANGIBLE ASSETS (OWN ASSETS)</b>																				
1	Furniture & Fixtures	-	14,846,350	-	-	14,846,350	-	-	54,068	-	14,792,282	-	-	54,068	-	-	-	14,792,282	-	-	-
2	Electrical Installations	-	2,702,781	-	-	2,702,781	-	-	11,082	-	2,691,699	-	-	11,082	-	-	-	2,691,699	-	-	-
3	Air-conditioners	-	1,592,871	-	-	1,592,871	-	-	5,948	-	1,586,923	-	-	5,948	-	-	-	1,586,923	-	-	-
4	Computers	-	1,458,824	-	-	1,458,824	-	-	18,165	-	1,440,659	-	-	18,165	-	-	-	1,440,659	-	-	-
5	Other Equipments	-	2,001,778	-	-	2,001,778	-	-	80,688	-	1,921,090	-	-	80,688	-	-	-	1,921,090	-	-	-
6	Motor Car	-	496,269	-	-	496,269	-	-	4,344	-	491,925	-	-	4,344	-	-	-	491,925	-	-	-
	<b>SUBTOTAL</b>	-	<b>23,098,873</b>	-	-	<b>23,098,873</b>	-	-	<b>174,295</b>	-	<b>22,924,578</b>	-	-	<b>174,295</b>	-	-	-	<b>22,924,578</b>	-	-	-
	<b>INTANGIBLE ASSETS (OWN ASSETS ACQUIRED)</b>																				
1	Goodwill	-	51,576,073	-	-	51,576,073	-	-	-	-	51,576,073	-	-	-	-	-	-	51,576,073	-	-	-
2	Licenses	-	393,000,000	-	-	393,000,000	-	-	818,301	-	392,181,699	-	-	818,301	-	-	-	392,181,699	-	-	-
3	Computer Software	-	656,409	-	-	656,409	-	-	3,475	-	652,934	-	-	3,475	-	-	-	652,934	-	-	-
	<b>SUBTOTAL</b>	-	<b>445,232,482</b>	-	-	<b>445,232,482</b>	-	-	<b>821,776</b>	-	<b>444,410,706</b>	-	-	<b>821,776</b>	-	-	-	<b>444,410,706</b>	-	-	-
	<b>TOTAL</b>	-	<b>468,331,355</b>	-	-	<b>468,331,355</b>	-	-	<b>996,071</b>	-	<b>467,335,284</b>	-	-	<b>996,071</b>	-	-	-	<b>467,335,284</b>	-	-	-
	Previous Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



**CRAVATEX BRANDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017**

	Amt in Rs.
<b>2.10 Other non-current assets</b>	
(Unsecured)	
Fixed Deposits with Schedule Banks having maturity of more than 12 months	2,720,000
Security and other deposits	29,695,697
	<b>32,415,697</b>
<b>2.11 Inventories</b>	
( At lower of cost and net realisable value and as valued and certified by the management)	
Stock-in-trade	338,348,096
Stores and spares	21,629,849
	<b>359,977,945</b>
<b>Details of Stock-in Trade</b>	
Fitness Equipments	72,936,623
Footwear & Apparels	265,411,473
	<b>338,348,096</b>
<b>Details of Stores and Spares</b>	
Service Inventory - Spares	21,629,849
	<b>21,629,849</b>
<b>2.12 Trade receivables</b>	
(Unsecured Considered Good)	
Debts outstanding for a period exceeding six months:	222,173,528
Other debts	200,957,710
	<b>423,131,238</b>
<b>2.13 Cash and cash equivalents</b>	
Balances with Schedule banks in:	
Current accounts	522,920,494
Fixed Deposit	147,000
Cheques in hand	9,925,142
Cash on hand & Imprest	481,493
	<b>533,474,129</b>
<b>2.14 Short-term loans and advances</b>	
(Unsecured, considered good)	
Due to Holding Company	13,586,152
Advances to others	1,605,863
Prepaid expenses - Others	3,881,440
Advance Income taxes and Wealth tax	4,536
	<b>19,077,991</b>



**CRAVATEX BRANDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017**

	Amt in Rs.
<b>2.15 Revenue from Operations</b>	
Sale of products	7,431,462
Sale of services	1,071,565
Other operating income	78,864
	<u><b>8,581,891</b></u>
 <b>Details of Sale of products</b>	
Fitness Equipments	3,226,592
Footwear & Apparels	4,204,870
	<u><b>7,431,462</b></u>
 <b>Details of Sale of Service</b>	
AMC & Repair Income	1,071,565
	<u><b>1,071,565</b></u>
 <b>2.16 Other Income</b>	
Interest Income	44,213
Misc. Income	217,990
Foreign exchange fluctuation (Net)	537,525
	<u><b>799,728</b></u>
 <b>2.17 Purchase of Stock in Trade</b>	
Fitness Equipments	7,661,516
Footwear & Apparels	7,235,160
Service Purchase	156,248
	<u><b>15,052,924</b></u>
 <b>2.18 Change in Inventories of Stock-in-Trade</b>	
<b>Inventory received on Slump Sale</b>	
Stock-in-trade	327,538,360
Stores and spares	21,473,602
	<u><b>349,011,962</b></u>
 <b>Closing stock</b>	
Stock-in-trade	338,348,096
Stores and spares	21,629,849
	<u><b>359,977,945</b></u>
 <b>Increase in stock</b>	<u><b>(10,965,983)</b></u>
 <b>2.19 Employee benefits expense</b>	
Salaries and wages	3,297,965
Contributions to :	
Providend, Family Pension and other Funds	191,149
Employees State Insurance Scheme	12,993
Gratuity Expense	56,609
Staff welfare expenses	121,174
	<u><b>3,679,890</b></u>



**CRAVATEX BRANDS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017**

Amt in Rs.

**2.20 Finance costs**

Interest expense	1,822,635
	<u>1,822,635</u>

**2.21 Other expenses**

Power, fuel and water	36,333
Service charges	393,247
Rent	479,097
Insurance	50,210
Rates and taxes	11,269,538
Printing and stationery	101,561
Communications	192,334
Repairs - Others	129,463
Advertisement and publicity	493,403
Sublicense fee	1,483,774
Travelling and conveyance	884,861
Commission and brokerage	78,809
Transportation and octroi charges	106,103
Professional, Legal and Consultancy charges	36,533,695
Finance charges not related to borrowings	88,974
Auditors' remuneration	115,000
Other expenses	495,501
	<u>52,931,903</u>

**2.22 Disclosure pursuant to AS-20 (Earning per share)**

Net profit as per Profit and Loss Account	(69,555,066)
Less: Preference Dividend	-
<b>Net profit for EPS</b>	<b>(69,555,066)</b>
Weighted Average No. of Equity Shares	72,450
Basic/Diluted Earning per shares	(960.04)
Nominal Value per Share (Rs.)	100



## CRAVATEX BRANDS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST MARCH, 2017

#### 2.23: Contingent Liabilities (to the extent not provided for)

- Bank guarantees given to the extent of Rs.1,65,33,108/-
- Letters of Credit outstanding to the extent of Rs. 15,41,42,000/-

#### 2.24: Note on business acquired on Slump Sale

The Company has purchased FILA AND FITNESS EQUIPMENT BUSINESS undertaking under slump sale, pursuant to Slump Sale Agreement with its Holding Company M/s Cravatex Limited. As per the terms assets/liabilities as given below have been acquired. These assets/liabilities have been accounted on the basis of Independent Professional Valuer's Report obtained for Purchase Price Allocation with regards to acquisition of Business Undertaking.

#### ASSETS

Non-current Assets	Rs. In Lakhs
Fixed Assets :	
Tangible	237.55
Intangible	4,445.76
	-
Long-term loans and advances	-
Other non-current assets	295.96
<b>Total (A)</b>	<b>4,979.27</b>

#### Current Assets

Inventories	3,490.12
Trade receivables	4,078.44
Cash and cash equivalents	131.64
Short-term loans and advances	62.16
<b>Total (B)</b>	<b>7,762.36</b>

**TOTAL-C (A+B)** **12,741.63**

#### LIABILITIES

##### Non-current Liabilities

Other Long-term liabilities	83.75
<b>Total (D)</b>	<b>83.75</b>

##### Current Liabilities

Short-term borrowings	6,131.64
Trade payables	2,163.71
Other current liabilities	1,094.53
<b>Total (E)</b>	<b>9,389.88</b>

**TOTAL-F (D+E)** **9,473.63**

**NET ASSETS** **3,268.00**

Accordingly Company has issued 32.68 lakhs shares @ Rs. 100/- (at par) to Cravatex Ltd for consideration for purchase of above business.

#### 2.25: Note on Borrowings and Bank Balances

The Company pursuant to purchase of undertaking under slump sale has also acquired Liabilities. These include Cash Credit Limits, Working Capital Limit and other Credit facilities from HDFC Bank and Axis Bank shown under Note 2.6 under Short Term Borrowings. These accounts stand in the name of M/s Cravatex Limited but are shown as liabilities in the Company's Books as same are now being utilized by the Company. These banks have issued NOC for Sale and Transfer of Business from M/s Cravatex Limited to the Company.



### 2.35 Segment Reporting :

As per Accounting Standard (AS) 17 on "Segment Reporting" the Company, 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)

#### Details of primary segment :

Sl. No.	Particulars	Year ended 31st March, 2017 Rupees
1	<b>Segment Revenue :</b>	
	External Sales and Services	
	- International	-
	- Domestic	9,381,620
	- Others	-
	<b>Total Segment Revenue</b>	<b>9,381,620</b>
2	<b>Segment Results :</b>	
	<u>(Before Tax and interest)</u>	
	- International	-
	- Domestic	(2,515,202)
	- Others	(49,797,978)
	Operating Profit	(52,313,180)
	<u>Less : Interest Expense</u>	<u>1,822,636</u>
	Profit/(Loss) after interest	(54,135,815)
	<u>Less : Income Tax (Net)</u>	<u>15,419,245</u>
	<u>Add : Others</u>	<u>-</u>
	<b>Net Profit</b>	<b>(69,555,060)</b>
3	<b>Other informations :</b>	
	<u>Segment Assets :</u>	
	- International	7,864
	- Domestic	1,403,769,949
	- Others	431,629,939
	Unallocable assets	4,536
	<b>Total Assets</b>	<b>1,835,412,288</b>
4	<b>Segment Liabilites :</b>	
	- International	800,330
	- Domestic	313,482,791
	- Others	31,578,463
	Unallocable corporate liabilities	15,419,245
	<b>Total Liability</b>	<b>361,280,830</b>
5	<b>Capital Expenditures (Addition to Fixed Asset) :</b>	
	- International	8,214
	- Domestic	416,222,831
	- Others	52,100,310
	<b>Total Addition to Fixed Assets</b>	<b>468,331,355</b>
6	<b>Depreciation :</b>	
	- International	351
	- Domestic	991,658
	- Others	4,059
	<b>Total Depreciation</b>	<b>996,068</b>

