



KDDL LIMITED (formerly Kamla Dials and Devices Limited)

BANKERS

Industrial Development Bank of India
Standard Chartered Bank
Bank of India
HDFC Bank Ltd.

CHIEF FINANCIAL OFFICER

Mr. Sameer Madan

COMPANY SECRETARY

Ms. Priya Manoj Jaswani

AUDITORS

Messrs Walker, Chandio & Co.
Chartered Accountants
L-41, Connaught Circus,
New Delhi-110 001

CORPORATE OFFICE

Kamla Centre, S.C.O. 88-89,
Sector 8-C, Madhya Marg,
Chandigarh-160 009

REGISTERED OFFICE & DIALS UNIT-I

Plot No. 3, Sector III,
Parwanoo-173 220 (H.P)

UNIT-II

Plot No. 296-297,
5th Main, IV Phase,
Peenya Industrial Area,
Bangalore-560 058 (Karnataka)

UNIT-III

Haibatpur Road, Saddomajra,
Derabassi-140 507 (Punjab)

EIGEN (TOOL ROOM)

408, 4th Main, 11th Cross,
Peenya Industrial Area,
Bangalore-560 058 (Karnataka)

ASSEMBLY UNITS

UNIT-I

Windsmoor Complex, Plot No. 2,
Sector 2, Parwanoo (H.P)

UNIT-II

Village Dhana, Bagbania, P.O. Manpura,
Tehsil Baddi, Distt. Solan (H.P)

PACKAGING UNITS

UNIT-I

Plot No. 25/1, Industrial Area,
Phase-II, Chandigarh-160 002

UNIT-II

Plot No. 9, Sector V,
Parwanoo (H.P)

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NOTICE

NOTICE is hereby given that the 29th Annual General Meeting of the Company will be held on Saturday, the 26th day of September, 2009 at 12.30 p.m. at Hotel Timber Trail Resorts, Parwanoo-173 220 (H.P.) to transact the following businesses :

Ordinary Business :

1. To receive, consider and adopt the audited accounts of the Company for the financial year ended 31st March, 2009 and the reports of the Directors' and Auditor's thereon.
2. To appoint a Director in place of Mr. Jagesh Khaitan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Anil Khanna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Walker Chandiook & Co., Chartered Accountants, as Statutory Auditors of the Company and to authorize the Board to fix their remuneration for the financial year ending 31st March, 2010.

Special Business :

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to the provisions of Section 198, 309, 310 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII and all other applicable provisions of the aforesaid Act and subject to the approval of the Central Government and the Financial Institutions, if necessary, the consent of the Company, be and is hereby, accorded to the re-appointment of Mr. Yashovardhan Saboo as the Managing Director with functional designation of Chief Executive Officer of the Company, w.e.f. 1st April, 2009, for a further period of one year, i.e., upto 31st March, 2010, upon terms and conditions as set out in the Explanatory Statement appended herewith, with a liberty to the Board to alter and vary any of the terms and conditions of the said appointment and/or agreement, if any, entered into with Mr. Yashovardhan Saboo so as not to exceed the limit specified in Schedule XIII of the Companies Act, 1956, or any amendment thereto."

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to the provisions of Section 198, 309, 310 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII and all other applicable provisions of the aforesaid Act and subject to the approval of the Central Government and the Financial Institutions, if necessary, the consent of the Company, be and is hereby, accorded to the re-

appointment of Mr. Dinesh Agrawal as Whole Time Director with functional designation of Chief Operating Officer (WCG) of the Company, w.e.f. 1st April, 2009, for a further period of one year, i.e., upto 31st March, 2010, upon terms and conditions as set out in the Explanatory Statement appended herewith, with a liberty to the Board to alter and vary any of the terms and conditions of the said appointment and/or agreement, if any, entered into with Mr. Dinesh Agrawal so as not to exceed the limit specified in Schedule XIII of the Companies Act, 1956, or any amendment thereto."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT in accordance with the provisions of section 372A and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company, be and is hereby, accorded to the Board of Directors of the Company for having provided guarantee to the following in respect of loans advanced by the Banks to the company's subsidiary Company, M/s Kamla Retail Limited, notwithstanding that the aggregate amount of all investments / loans / securities / guarantees together with the below mentioned guarantee exceeds 60% of the aggregate of paid up capital and free reserves or 100% of the free reserves, whichever is higher, of the Company.

S.No.	Name of the Bank	Amount of Corporate Guarantee given (Rs. in Lacs)
1.	HDFC Bank Limited	1752.50
2.	Federal Bank Limited	1100.00
3.	IDBI Bank Limited	1000.00

RESOLVED FURTHER THAT all acts, deeds and things as may have been done by the Board of Directors of the Company, be and are hereby, ratified and confirmed and shall be binding on the Company in all respects."

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

"RESOLVED THAT Mr. Rabender Singh Mathoda was appointed as an Additional Director by the Board of Directors under section 260 of the Companies Act, 1956 read with Article 101 of Articles of Association of the Company and who holds office until the date of this Annual General Meeting, be and is hereby, appointed as a Director of the Company liable to retire by rotation."

By Order of the Board

Date : 27.08.2009
Place : Chandigarh

Priya Manoj Jaswani
Company Secretary

NOTES

1. A member entitled to attend and vote can appoint proxy to attend and vote on his/her behalf. The proxy need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company atleast 48 hours before the commencement of the meeting.
3. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the special business of the Notice, set out above, is annexed hereto.
4. Members are requested to bring their copy of the Annual Report to the Meeting.
5. Members/proxies should fill the attendance slip for attending the meeting.
6. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID nos. and those who hold the shares in physical form are requested to write their Folio nos. in the Attendance Slips for attending the Meeting.
7. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at Registered Office of the Company on all working days from Monday to Friday between 11 am to 2 pm upto the date of Meeting.
8. The amount of unclaimed dividend for the financial year ended 31st March, 2001 has already been transferred to the "Investor Education and Protection Fund" of the Central Government in terms of Section 205A of the Companies Act, 1956.
Members who have not encashed the dividend warrants so far for the financial year ended 31st March, 2002 or any subsequent years are requested to make their claims to the Company immediately.
9. The Secretarial Department at the Corporate Office of the Company is open for public dealings between 10.00 a.m. and 1.00 p.m. from Monday to Friday except holidays.
10. The Register of Members and Share Transfer books of the Company will remain closed from 22.09.2009 to 26.09.2009 (both days inclusive).
11. Members having any queries relating to this Annual Report are requested to send their questions to the Registered Office of the Company atleast seven days before the date of the Annual General Meeting.
12. The equity shares of the Company have been dematerialized w.e.f. 24th May, 2001. The ISIN No. of the Company is INE291D01011. The Company has tied up with the National Securities Depository Limited and Central Depository Services (I) Limited. Nearly 57.04% of total equity share capital as on 31st March, 2009 is in dematerialized form with NSDL and CDSL.

ANNEXURE TO NOTICE

As required by Section 173 of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the businesses mentioned under Item Nos. 5 to 8 of the accompanying notice dated 27.08.2009.

Item No. 5

The Board of Directors at its meeting held on 30th April, 2009, has re-appointed Mr. Yashovardhan Saboo as Managing Director with the functional designation of Chief Executive Officer, w.e.f., 1st April, 2009 for a further period of

one year i.e., upto 31st March, 2010.

The particulars of general information required under Part II of Schedule XIII of the Companies Act, 1956 are annexed.

The terms and conditions relating to remuneration of Mr. Yashovardhan Saboo as approved by the Remuneration Committee are given below:

I. Salary:Rs. 1,50,000/- per month

II. Perquisites:

1. Fully furnished accommodation with reimbursement of charges for water, electricity and gas expenses, subject to maximum of Rs. 7,20,000/- per annum.
2. Medical reimbursement : Expenses incurred by him and his family, subject to the ceiling of one month's salary in a year or three month's salary over a period of three years.
3. Personal Accident Insurance and / or Medical Insurance.
4. Club Fees for two clubs.
5. Annual Bonus (including any other perquisites) : Maximum Rs. 10,00,000/- based on performance as per parameters to be fixed from time to time by the Remuneration Committee or the Board of Directors.

Note : Expenditure incurred by Company on Gas, Electricity, Water, Furnishings shall be valued as per Income Tax Rules, 1962.

III. He shall also be eligible to the following perquisites which shall, however, not be included in the computation of the ceiling on remuneration, specified in Part II of Schedule XIII :

1. Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company.
 2. Gratuity payable as per the rules of the Company.
 3. Earned Leave: Encashment of un-availed earned leaves as per the Company's rules at the end of each year on his request or at the end of the tenure.
- IV.** Provision of Car(s) for use on Company's business and telephone(s) or mobile phone(s) at residence will not be considered as perquisites. Personal long distance calls on telephone, if any, for private purpose shall be billed by the Company and recovered through his imprest from time to time.

None of the Directors, except Mr. R.K. Saboo and Mr. Yashovardhan Saboo, is in any way, concerned or interested in the resolution.

Your Directors recommend this resolution for your approval.

Item No. 6

The Board of Directors at its meeting held on 30th April, 2009 has re-appointed Mr. Dinesh Agrawal as Whole Time Director with the functional designation of Chief Operating Officer (WCO) w.e.f. 1st April, 2009 for a further period of one year i.e., upto 31st March, 2010.

The particulars of general information required under Part II of Schedule XIII of the Companies Act, 1956 are annexed.

The terms and conditions relating to remuneration of Mr. Dinesh Agrawal as approved by the Remuneration Committee are given below:

I. Salary : Rs. 80,000/- per month

Other Benefits

Perquisites/Allowances to be considered in the computation of ceilings of remuneration in Part II of Schedule XIII are as follows:

KDDL LIMITED (formerly Kamla Dials and Devices Limited)

- i) House Rent Allowance Rs. 30,000/- per month
- ii) House maintenance Allowance Rs. 10,000/- per month
- iii) Leave Travel Concession For self and family, once in a year incurred in accordance with the rules of the Company, subject to maximum of one month's salary in a year or three month's salary over a period of three years.
- iv) Medical reimbursement For self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- v) Medical Insurance Maximum of Rs. 5,000/- per annum
- vi) Club Fees Annual fee being maximum of Rs. 10,000/- per annum for two clubs

II. Performance Bonus/Ex gratia

He shall be entitled to performance related Annual Bonus/Ex-gratia or any other allowance/perquisite as may be approved by the Board of Directors or Remuneration Committee subject to maximum of Rs. 10,00,000/- per annum.

III. Perquisites/Allowances which shall not be considered in the computation of ceilings of remuneration specified in Part II of Schedule XIII. All these benefits are subject to the rules of the Company.

- i) Company's contribution towards Provident Fund.
- ii) Company's contribution towards Superannuation Fund.
- iii) Gratuity not exceeding half month's salary for each completed year of service.
- iv) Earned leave entitlement and encashment of unavailed leaves, subject to maximum amount allowed as per rules of the Company.

IV. Provision of car for use on company's business and telephone(s) or mobile(s) at residence will not be considered as perquisites. Personal long distance calls on telephone(s), if any, for private purpose and private use of car(s) (at perquisite value under Income Tax Act) shall be billed by the Company and recovered through his imprest account from time to time or at the end of the year.

None of the Directors except Mr. Dinesh Agrawal, is in any way, concerned or interested in the resolution.

Your Directors recommend this resolution for your approval.

Item No. 7

The Company has executed the following Corporate Guarantees under section 372A of the Companies Act, 1956, in favour of various banks for credit facilities availed by M/s Kamla Retail Limited, subsidiary company:

1. The Scheme of Arrangement entered into by the Company with M/s Kamla Retail Limited, subsidiary company, for transfer of its retail business division "Ethos" was approved by the Hon'ble High Court of Himachal Pradesh vide its Order dated 26th September,

2008. Accordingly, it was required to transfer the credit facilities amounting to Rs. 1752.50 lacs availed by the Company for the retail division from HDFC Bank Limited to Kamla Retail Limited. In this connection, the Board of Directors approved execution of Corporate Guarantee as sought by HDFC Bank Limited at its Board meeting held on 30th October, 2008.

2. The Federal Bank has sanctioned working capital facilities of Rs. 1100.00 lacs for which the Board of Directors approved execution of Corporate Guarantee in favour of the Bank at its Board meeting held on 30th October, 2008.
3. The IDBI Bank Limited has sanctioned working capital facilities of Rs.1000.00 lacs for which the Board of Directors approved execution of Corporate Guarantee in favour of the Bank at its Board meeting held on 30th April, 2009.

In view of the urgency of the matter, the Board of Directors accorded its consent for the execution of the aforesaid guarantees pursuant to the proviso 2 to sub-section (1) of Section 372A of the Companies Act, 1956.

Your approval is being sought by way of special resolution for ratification and confirmation of the aforesaid guarantees.

None of the Directors is concerned or interested in the resolution.

The Directors recommend the resolution for your approval.

Item No. 8

Mr. Rabender Singh Mathoda was appointed as an Additional Director of the Company by the Board of Directors with effect from 27th August, 2009. In terms of Section 260 of the Companies Act, 1956, Mr. Rabender Singh Mathoda holds office as Director till the date of the ensuing Annual General Meeting of the Company, but is eligible for appointment. Notice in writing has been received from a shareholder of the Company signifying his intention in proposing Mr. Rabender Singh Mathoda as a candidate for the office of Director.

Mr. Rabender Singh Mathoda is an Engineer from I.I.T. Kharagpur and is the former Chairman of Central Board of Direct Taxes (CBDT) and Spl. Secretary, Ministry of Finance, Government of India (Retd.).

The Board considers it desirable that the Company continues to avail the services and wise counsel of Mr. Rabender Singh Mathoda and accordingly, the Directors recommend that he be appointed as a Director of the Company.

None of the Directors except Mr. Rabender Singh Mathoda, is in any way, concerned or interested in the resolution.

By Order of the Board

Date : 27.08.2009
Place : Chandigarh

Priya Manoj Jaswani
Company Secretary

KDDL LIMITED (formerly Kamla Dials and Devices Limited)

DETAILS OF THE DIRECTORS SEEKING RE-APPOINTMENT IN ANNUAL GENERAL MEETING TO BE HELD ON 26TH SEPTEMBER, 2009

Name of Director	Mr. Jagesh Khaitan	Mr. Anil Khanna
Date of Birth	10.02.1945	20.03.1959
Date of first appointment	26.02.1990	22.12.2004
Qualification and Experience in specific functional areas	Graduate and having over 40 years of experience in edible oil industry. He is also associated with various trade associations and Chamber of Commerce and Industry. He is Vice Chairman and Managing Director of Amrit Banaspati Co. Limited, Vice Chairman and Director of ABC Paper Ltd. and Amrit Corp. Ltd. and is also President of Indian Vanaspati Producers Association.	Chartered Accountant Information System Auditor (DISA) from ICAI Bachelor of Arts (Economics, Mathematics) He is a Certified Arbitrator by the Institute of Chartered Accountants of India, has been certified as Business Counsellor by Entrepreneur Development Institute (EDI), Ahmedabad. He is in practice and has over 25 years of post qualification experience in corporate audits, taxation and management consultancy. He has worked in SAP, Mfg Pro, JD Edworks Environment, and has chaired implementation of Microsoft Navision ERP. He had been nominated as a member of Regional Direct Tax Advisor Committee, Government of India and is also a member of Income Tax Appellate Tribunal Bar Association, Chandigarh.
List of Companies in which outside Directorships held	Amrit Banaspati Co. Ltd. Amrit Corp. Ltd. ABC Paper Ltd. Purple Entertainment Ltd. Amrit Learning Ltd. United Holdings Private Ltd. Amrit Pulp and Paper Industries Pvt. Ltd. A.F. Trading Company Private Ltd.	Himachal Fine Blank Limited Kamla Retail Limited
Chairman/Member of the Committees of the Board of the Company	Audit Committee Board Committee for consideration of Un-audited Financial Results	Audit Committee Board Committee for consideration of Un-audited Financial Results Remuneration Committee Shareholders'/Investors' Grievance Committee Mahen Boutiques Review Committee
Chairman/Member of the Committees of Board of other Companies in which he is a Director.	Amrit Corp. Ltd. Finance Committee Member ABC Paper Ltd. Finance Committee Chairman ABC Paper Ltd. Shareholders'/Investors Grievance Committee Member ABC Paper Ltd. Security Transaction Committee Chairman Amrit Banaspati Co. Ltd. Audit Committee Member Amrit Banaspati Co. Ltd. Shareholders'/Investors Grievance Committee Member Amrit Banaspati Co. Ltd. Security Transaction Committee Chairman Amrit Banaspati Co. Ltd. Loan & Banking Committee Chairman	Kamla Retail Ltd. Audit Committee Chairman

KDDL LIMITED (formerly Kamla Dials and Devices Limited)

Statement giving information required under Part-II Section-II(B) Sub-Clause (iv) to the Schedule XIII of the Companies Act, 1956 for payment of remuneration to Mr Yashovardhan Saboo, Chief Executive Officer and Mr. Dinesh Agrawal, Chief Operating Officer (WCG)

I. General Information	Remarks																	
(1) Nature of Industry	The Company operates in light engineering industry and is engaged principally in manufacture of watch components.																	
(2) Date or expected date of commencement of commercial production	Commercial production started in 1983.																	
(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	N.A.																	
(4) Financial performance based on given indicators	<p>The financial performance is given in the enclosed Balance Sheet and Profit and Loss Account of the Company. The performance of the Company as on 31.03.2009 as stated in circular no. II, file no. 12/7/2000 CL.VII, dated 27.12.2000 are given below :</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">(Rs. in Million)</td> </tr> <tr> <td></td> <td style="text-align: right;">As on 31.03.2009</td> </tr> <tr> <td>Net Worth</td> <td style="text-align: right;">403.70</td> </tr> <tr> <td>Turnover (gross)</td> <td style="text-align: right;">720.00</td> </tr> <tr> <td>Net profit after tax</td> <td style="text-align: right;">2.40</td> </tr> <tr> <td>Dividend declared</td> <td style="text-align: right;">NIL</td> </tr> </table>			(Rs. in Million)		As on 31.03.2009	Net Worth	403.70	Turnover (gross)	720.00	Net profit after tax	2.40	Dividend declared	NIL				
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Net Worth	403.70																	
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Net profit after tax	2.40																	
Dividend declared	NIL																	
(5) Export performance and net foreign collaborations	<p>FOB value of export and earnings in foreign exchange from other operations during the financial year ended 31.03.2009 was Rs. 346.40 million.</p> <p>There is no foreign technical collaboration in operation at present. Investment by financial collaborators at present is as under :</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">Shares of Rs. 10/-</td> </tr> <tr> <td>1. Radexpo AG</td> <td style="text-align: right;">2,60,000</td> </tr> <tr> <td>TOTAL</td> <td style="text-align: right;"><u>2,60,000</u></td> </tr> </table>			Shares of Rs. 10/-	1. Radexpo AG	2,60,000	TOTAL	<u>2,60,000</u>										
	Shares of Rs. 10/-																	
1. Radexpo AG	2,60,000																	
TOTAL	<u>2,60,000</u>																	
(6) Foreign investments or collaborators, if any																		
II. Information about the appointee																		
(1) Background details	<p>Mr. Dinesh Agrawal, COO (WCG) He is BE(Mech) Hons. and has vast experience of 37 years including 27 years experience in our Company.</p>	<p>Mr. Yashovardhan Saboo, CEO He is BA (Hons.), PGDBM (IIMA) and has vast experience of 28 years. He is a promoter director and is with the Company since inception.</p>																
(2) Past remuneration (Salary, Perquisites, Performance Bonus)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td>Salary</td> <td style="text-align: right;">9,00,000</td> </tr> <tr> <td>Perquisites</td> <td style="text-align: right;">9,48,081</td> </tr> <tr> <td>Performance Bonus</td> <td style="text-align: right;">NIL</td> </tr> <tr> <td>TOTAL</td> <td style="text-align: right;">18,48,081</td> </tr> </table>	Salary	9,00,000	Perquisites	9,48,081	Performance Bonus	NIL	TOTAL	18,48,081	<table style="width: 100%; border-collapse: collapse;"> <tr> <td>Salary</td> <td style="text-align: right;">17,70,000</td> </tr> <tr> <td>Perquisites</td> <td style="text-align: right;">7,86,395</td> </tr> <tr> <td>Performance Bonus</td> <td style="text-align: right;">NIL</td> </tr> <tr> <td>TOTAL</td> <td style="text-align: right;">25,56,395</td> </tr> </table>	Salary	17,70,000	Perquisites	7,86,395	Performance Bonus	NIL	TOTAL	25,56,395
Salary	9,00,000																	
Perquisites	9,48,081																	
Performance Bonus	NIL																	
TOTAL	18,48,081																	
Salary	17,70,000																	
Perquisites	7,86,395																	
Performance Bonus	NIL																	
TOTAL	25,56,395																	
(3) Recognition or awards	NIL	He has been conferred with "Udyog Ratna" Award by PHDCCI in 2005.																
(4) Job profile and his suitability	He is incharge of all the manufacturing units of the Company.	He is overall incharge of the Company as Chief Executive Officer and looks after new initiatives/ expansion projects and export growth.																
(5) Remuneration proposed	Proposed remuneration is for one year starting from 1st April, 2009. Details given in the explanatory statement of the accompanying notice.	Proposed remuneration is for one year starting from 1st April, 2009. Details given in the explanatory statement of the accompanying notice.																
(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin).	Remuneration package is commensurate with his competence and responsibility in the Company and also with remuneration paid by comparable companies for similar positions.	Remuneration package is commensurate with his competence and responsibility in the Company and also with remuneration paid by comparable companies for similar positions.																
(7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.	No relationship.	He is a promoter director and also son of the Chairman of the Company.																
III. Other Information :																		
(1) Reasons of loss or inadequate profit	Due to the worldwide slow down, especially in Europe and USA, company's sales and export orders were badly affected.																	
(2) Steps taken or proposed to be taken for improvement	Reduction in manpower cost across the company and restriction on major expansion and renovation plans have contributed in keeping expenses under control.																	
(3) Expected increase in productivity and profits in measurable terms.	The Company does not anticipate an immediate increase in the profits until revival of the economy which is foreseen optimistically to happen only towards the end of the financial year.																	
IV. Disclosures :																		
(1) The shareholders of the Company shall be informed of the remuneration package of the managerial person.	The details of remuneration packages of Mr. Dinesh Agrawal and Mr. Yashovardhan Saboo are enclosed in the explanatory statement of the accompanying notice.																	
(2) Disclosures required to be mentioned in the Board of Director's report under the heading "Corporate Governance", if any, attached to the annual report.	Necessary particulars of remuneration under required heads of all Working Directors, are given in Corporate Governance Report forming part of the Director's Report for the year 2008-09.																	

DIRECTORS' REPORT

TO

THE MEMBERS

The Directors have the pleasure of presenting the Twenty Ninth Annual Report of the Company for the financial year 2008-09.

OPERATIONS AND PROSPECTS

Financial Results

The summary of operating results for the year 2008-09 and appropriation of divisible profits is given below :

(Figures in Millions of Rupees)				
Particulars	2008-09		2007-08	
Gross Operating Income	720		1088	
Profit before interest and depreciation	84		112	
Less : Interest	36		45	
Depreciation	42	78	46	91
Profit before tax		6		21
Provision for Income Tax, Deferred tax and FBT		4		6
Profit after tax		2		15
Profit/(Loss) brought forward from previous year		34		29
Net Profit/(Loss)		36		44
Appropriated as under :				
Proposed Dividend	-			8
Corporate Dividend tax	-			1
Transfer to General Reserve	-			1
Surplus carried to Balance Sheet		36		34
		36		44

Performance and Projections

The year saw a decline in sales in both the domestic and export markets. During the financial year under review, the Company achieved sales of Rs.720 million against Rs.790 million (excluding Ethos) in the previous year, thereby registering a decrease of 9%. The performance in terms of net profit was substantially below expectations mainly because of appreciation of rupee and decline in watch dial sales.

The Precision Stamping Division has performed better than the last year by registering a growth of 67% in sales. This division is further expected to show good performance during the current financial year tapping into the growing demand for its products in the electrical, automobile, telecommunications, medical and aerospace industries.

The Hands Unit had a very marginal increase of 7% in sales in the current year and in the coming year also there would not be much growth on account of the low off take in Europe. There would be a gradual increase in the sales in the last quarter of the financial year.

The Packaging division continued its business growth in this year and was able to achieve a growth of 38% in revenue and the expected growth is estimated to be around 20% annually in the next five years.

In the retail segment, 'Ethos' the retail business division of the Company was transferred to a Subsidiary Company, M/s. Kamla Retail Limited w.e.f. 1st. April, 2008 as per the plan to tap the retail potential fully and develop it as an independent business segment. This would facilitate the focused and dynamic growth of both the businesses i.e. manufacturing and retailing.

The Company's wholly owned subsidiary, M/s. Pylania SA , in Switzerland was not able to perform well in its first year of production due to the global meltdown which adversely affected its sales, resulting in a loss. The prospects in the coming years are expected to be good once the world economy recovers as the company has already created its name for quality Swiss dials.

M/s Satva Jewellery and Design Ltd., the 50:50 Joint Venture with Pascal Vaucher Holding, SA of Switzerland, specializing in jewel setting on watch cases and dials, made a profit of Rs.1.3 million against a profit of Rs. 2.9 million in the previous year. The sales grew by 43%, despite a drop in the second half of the year due to the recession in Europe. The Company is now looking at the Hong Kong and the domestic market as the main thrust areas in the coming year. The recovery from global recession is likely to be gradual and is expected that the performance of the company will start to recover towards the end of the current financial year.

DIVIDEND

In the absence of adequate profits, your Directors do not recommend dividend for the year ended 31st March, 2009.

CAPITAL STRUCTURE

The paid-up share capital of the Company has been increased from Rs. 7,23,65,600 to Rs. 7,43,63,600 by conversion of 2,00,000 Zero Coupon Convertible Warrants issued on preferential basis to the promoters into equal number of equity shares. The listing approval from Bombay Stock Exchange Limited (BSE) has been obtained for the said 2,00,000 equity shares. The proceeds have been utilized towards establishing a manufacturing base in Switzerland, technological upgradation and capability enhancement in manufacturing operations.

SCHEME OF ARRANGEMENT

The Company had proposed a Scheme of Arrangement to be entered into with M/s Kamla Retail Limited, a wholly owned subsidiary company, to transfer the retail business of the Company (Ethos), on a going concern basis. The objective of the Scheme was to develop the retail business into a parallel and independent business segment and to carry on both the manufacturing and retail businesses in a more focused and competent manner.

The said Scheme of Arrangement was approved by the Hon'ble High Court of Himachal Pradesh at Shimla vide its Order dated 26th September, 2008. The Appointed Date for the purpose of the Scheme of Arrangement was 1st April, 2008 and the Effective date of the Scheme was 30th September, 2008.

Accordingly, the retail business division "Ethos" has since the date of the Order of the Hon'ble High Court of Himachal

KDDL LIMITED (formerly Kamla Dials and Devices Limited)

Pradesh been transferred on a going concern basis to M/s. Kamla Retail Limited, Subsidiary Company.

MEMBERS OF THE BOARD/MANAGEMENT COMMITTEE

The tenure of Mr. Yashovardhan Saboo, Chief Executive Officer and Mr. Dinesh Agrawal, Chief Operating Officer (WCG), ended on 31st March, 2009 and the Board has re-appointed them for a period of one year w.e.f. 1st April, 2009, subject to the approval of shareholders in the General Meeting and subject to such other approvals of financial institutions or other statutory authorities, as may be necessary.

During the year, Mr. Ajay Vohra resigned from the Board of Directors of the Company due to pre-occupation. The Board places on record its appreciation for the invaluable services rendered by him during his tenure as Director of the Company.

Mr. Anil Khanna and Mr. Jagesh Khaitan retire by rotation, and being eligible, offer themselves for re-appointment.

CONSOLIDATED ACCOUNTS

In accordance with the requirements of Accounting Standard AS-21 prescribed by the Institute of Chartered Accountants of India, the Consolidated Accounts of the Company and its subsidiaries are annexed to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- That in the preparation of the accounts for the financial year ended 31st March, 2009, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, as mentioned in the Notes on Accounts;
- That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- That the Directors have taken proper and sufficient care in the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the Directors have prepared the accounts for the financial year ended 31st March, 2009 on a 'going concern' basis.

LISTING OF SHARES

The equity shares of the Company are listed on the Bombay Stock Exchange Limited and the Company has paid the annual listing fees to the Stock Exchange for the financial year 2008-09.

During the period under Report, the Company had filed listing application with the Bombay Stock Exchange Limited

for 2,00,000 equity shares allotted by the Company upon conversion of equal number of Zero Coupon Convertible Warrants issued on preferential basis to the promoters of the Company and the same has since been obtained.

SUBSIDIARIES

Himachal Fine Blank Limited

As required under section 212 of the Companies Act, 1956, the audited statements of accounts, alongwith the Reports of the Board of Directors and Auditors thereon of M/s Himachal Fine Blank Limited are annexed.

Pylania SA

As required under section 212 of the Companies Act, 1956, the audited statements of accounts, alongwith the Reports of the Board of Directors and Auditors thereon of M/s Pylania SA are annexed.

Kamla Retail Limited

As required under section 212 of the Companies Act, 1956, the audited statements of accounts, alongwith the Reports of the Board of Directors and Auditors thereon of M/s Kamla Retail Limited are annexed.

Mahen Boutiques Limited

The Company has formed a wholly owned subsidiary, M/s Mahen Boutiques Limited, during the year. The subsidiary has been formed with the objective of carrying on the business of retail of mono brand watches and its accessories.

As required under section 212 of the Companies Act, 1956, the audited statements of accounts, alongwith the Reports of the Board of Directors and Auditors thereon of M/s Mahen Boutiques Limited are annexed.

FIXED DEPOSITS

The Company has with a view to achieve economy and efficiency in the operations of the Fixed Deposits programme of the Company, appointed M/s. Karvy Computershare Private Limited, (Karvy) Hyderabad, as its Registrars to the Fixed Deposit Programme w.e.f. 1st May, 2009. Karvy, has been associated with the Company for over two years as its Registrar and Share Transfer Agents and has with its state of the art technology and infrastructure provided enhanced quality of service to the satisfaction of both the Company and the investors.

All provisions of Sections 58A and 58AA of the Companies Act, 1956 have been complied with. There is no unclaimed deposit due for payment at the close of the financial year. The aggregate amount of fixed deposits as on 31st March, 2009 is Rs. 4,50,05,000/-.

INTERNAL CONTROL SYSTEM

The Company has a proper and adequate system of internal control. An extensive programme of internal audits and management reviews supplement the process of internal control. Properly documented policies, guidelines and procedures are laid down for this purpose.

The Company has an Audit Committee comprising of majority of Independent, Non Executive and professionally

qualified Directors, who interact with the statutory auditors and internal auditors in dealing with matters within its terms of reference. During the year under review, the Committee met four times.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed Report on Management Discussion and Analysis, pursuant to Clause 49 of the Listing Agreement is annexed to this report.

CORPORATE GOVERNANCE

The Company has been practicing the principles of good Corporate Governance over years. The Board of Directors supports the broad principles of Corporate Governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

The Company has been in compliance with all the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchange and a Certificate from the Auditors to this effect is enclosed as a part of the Corporate Governance Report.

In terms of sub-clause (v) of Clause 49 of the Listing Agreement, Chief Executive Officer and Chief Financial Officer have confirmed the correctness of the financial statements, adequacy of the internal control measures and reporting of matters to the Audit Committee in terms of the said Clause.

DEPOSITORY SYSTEM

As members are aware, your Company's shares are tradable compulsorily in electronic form and the Company has established connectivity with both the depositories, i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository System, members are requested to avail the facility of dematerialization of the Company's shares on either of the Depositories as aforesaid.

AUDITORS

M/s Walker, Chandiook & Co., Chartered Accountants, Statutory Auditors of the Company, retires at the ensuing Annual General Meeting and is eligible for re-appointment. The Company has received confirmation from them to the effect that their appointment, if made, would be within the prescribed limits under section 224(1B) of the Companies Act, 1956.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

TRANSFER OF UNPAID AND UNCLAIMED AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the declared dividends and interest on fixed deposits which remained unpaid or unclaimed for a period of seven years, if any, have been transferred by the Company to the Investor Education and Protection Fund

(IEPF) established by the Central Government pursuant to Section 205C of the said Act.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, relating to "Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo" is annexed and forms an integral part of this Report.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended is annexed and forms an integral part of this Report.

PERSONNEL

Your Directors place on record their appreciation for the significant contribution made by all the employees, who through their competence, hard work, solidarity and co-operation, have enabled the Company to cross new milestones.

Cut in Salary

In order to mitigate the impact of the economic crisis the management and staff came forward voluntarily to forego significant amounts from their remuneration. Up to 100% of performance based pay, which amounted for 15%-25% of the total remuneration was willingly foregone.

In addition, a 10% cut in salary was accepted for over a year, by almost all management staff.

The Directors of the company wish to place on record their deep appreciation and respect for this sacrifice done spontaneously and voluntarily. It not only helped in the financial performance of the company but also promoted a tremendous sense of solidarity with the company during this trying time.

TRADE RELATIONS

The Board desires to place on record its appreciation for the support and co-operation that the Company received from its suppliers, distributors, retailers and other associates. The Company has always looked upon them as partners in its progress and has happily shared with them rewards of growth. It will be Company's endeavor to build and nurture strong links based on mutuality, respect and co-operation with each other and consistent with customers interest.

ACKNOWLEDGEMENT

Your Directors take this opportunity to thank all investors, clients, vendors, banks, regulatory and government authorities, for their continued support.

for and on behalf of the Board

Date : 27.08.2009
Place : Chandigarh

R.K. SABOO
Chairman

**ANNEXURE TO THE DIRECTORS' REPORT
INFORMATION PURSUANT TO THE COMPANIES
(DISCLOSURE OF PARTICULARS IN THE REPORT
OF THE BOARD OF DIRECTORS) RULES, 1988**

A. CONSERVATION OF ENERGY :

- a) **Energy conservation measures taken:** The Company continues to give high priority to conservation of energy on an on-going basis. A few significant measures taken are:
- i) Periodical and preventive maintenance of electric equipments and ensured optimum utilization of electric energy.
 - ii) Phased balancing of heating and lighting load.
 - iii) Increase in power factor by installing capacitor at the individual machines.
- b) **Additional investments and proposals:** Further energy conservation is planned through replacement of and modification of inefficient equipments and by providing automatic controls to reduce idle running of equipments.
- c) **Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on cost of production of goods:** Cost of power is negligible in total cost of production.
- d) Total energy consumption and energy consumption per unit of production as per 'Form A' not given as the Company is not covered under the list of specified industries.

B. TECHNOLOGY ABSORPTION:

1. **Research and Development (R & D):**
- a) **Specific areas on which R & D carried on by the Company:** Research and Development has been carried out for quality improvement.
 - b) **Benefits derived as a result of the above R & D:** Increase in overall efficiency, productivity and quality of outgoing product and a wider range of watch components.

- c) **Future plan of action:** Further improvement in production processes, to develop new dial finishes and new types of index would continue.
- d) **Expenditure on R&D:** No separate account is being maintained by the company for the expenditure incurred on R&D. However, the Company is incurring recurring expenditure towards development activities.

2. Technology Absorption, Adaptation & Innovation:

Efforts, in brief, made towards technology absorption, adaptation and innovation: The Company is constantly engaged in in-house R&D and is in constant touch with the new technologies.

Benefits derived as a result of the above efforts: Due to continuous developmental efforts, the Company has been able to produce much more complicated dials which were being imported until now.

- c) i) **Technology imported :** Manufacture of good quality diamond-cut watch hands.
- ii) **Year of Import :** 1995.
- iii) **Has technology been fully absorbed?:** Yes, to the extent provided.
- iv) **If not absorbed, area where this has not taken place, reasons thereof and future plans of action:** Full technology was not provided by the collaborators and hence the technology agreement was considered as short closed. The Company has developed alternate technology in most of the remaining areas and the same has been tested and successfully implemented.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rupees in Millions)

Foreign Exchange earnings	Rs.341.00
Foreign Exchange outgo	Rs. 31.00

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

Statement pursuant to section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report is given below :

Name	Designation	Age	Qualification	Experience	Date of appointment as Director	Gross Remuneration (Rs. in Lacs)	Last Employment
Mr. Yashovardhan Saboo	Chief Executive Officer	50	BA (Hons) P.G.D.B.M. (IIMA)	28	25.03.1981	25.56	Groz Beckert Saboo Limited

for and on behalf of the Board

Date : 27.08.2009
Place : Chandigarh

R.K. SABOO
Chairman

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT
AN OVERVIEW OF THE ECONOMY**

The Indian Economy is expected to clock a GDP growth of 6% in the coming year despite the fact that the world output in 2009 would probably shrink or, at best, remain flat. The growth in our economy is expected to ride on the back of domestic demand rather than the overseas business, at least over the next 6-12 months.

THE WATCH INDUSTRY

On the international forum, trends suggest that the year ahead will not see too many new launches.

On the domestic front, Titan, the Indian Leader is now flooding the market with international style and featured watches at highly competitive prices.

Swiss Watch Industry

Although the year 2008 saw a new high for Swiss watch exports, it was marked by an excellent start to the year, followed by a sharp decline towards the end, as the world economy collapsed into its worst recession in decades.

Watch exports from Switzerland increased by 7.2% to Rs. 65,190 crores in 2008, but since then has recorded a continuous fall. By the middle of 2009, the overall fall in exports was about 30% and recovery is not expected until the end of the year.

Outlook

The economic recession is having a severe impact on the structure and operating strategies of the international watch business. A common objective can be determined at almost all watch brands: consolidation of core business and creation of enduring values.

Many brands hope to use this calmer time to improve efficiencies in order to address the market's requirements better. Brands which mushroomed during the windfall of last 4 years are expected to vanish, reputed but financially weak brands will be forced to close down or be blessed with amalgamation, if lucky.

The Swatch Group, world leader, is expecting to experience a manageable decline, which, based on the forecasts, will result in a turnover similar to that achieved during the business year 2007 over the first six months of 2009. For the business year 2009 overall, the group expects a modest growth on 2008. During the second half of the year, they are hoping for a slight growth.

"More opportunities than risks in 2009" is what Mr Nick Hayek (CEO-Swatch Group) said during the Basel World 2009.

Chinese Watch Industry

The Hong Kong and Chinese Watch markets are the second and third biggest watch markets in the World, respectively, in terms of value after Switzerland. Hong Kong considered to be an important nerve centre for watch products, saw the largest share of its exports go to United States, China, Switzerland and Japan.

In terms of the number of wristwatches exported, China exported 550.30 million timepieces, a decline of 13.80% as compared to previous year, Hong Kong exported 425.80 million timepieces, a decline of 10.00%. and Switzerland

occupied third position, exporting 26.10 million timepieces, an increase of 0.80%. Most other watch producers saw their volumes fall.

Outlook

Like the other parts of the World, Hong Kong and Chinese Watch Industries are also struggling at the moment because of their heavy dependence on exports to USA and Europe. Hence, the position of this part of the World is also the same but people are expecting that recovery of the market in this part would be faster than Europe. China, is expected to become the second largest consumer of luxury products by 2015. Chinese buyers are mainly interested in brand name instead of looking in actual models or variants, confirming the awakening interest in Swiss watch culture and the importance of product marketing.

Indian Watch Industry

The overall Indian watch market amounted to about 48 million wristwatches, with a growth rate between 8% to 10%. The organized sector represents only 30% of this amount. Nearly 34 million watches are sold through grey market channels, accounting for value of Rs. 8 billion in sales, including import of cheap parts which can be easily assembled in India.

Amongst the Indian players, Titan is the undisputed leader. But to keep the same share of the medium market, which is at about 50%, means constant upgrading and innovation. Titan is now flooding the market with international style and featured watches at highly competitive prices.

Taiwanese and Hong Kong/China products are available in the grey market in India. They are pushing in sleek, sporty, electronic watches with a very strong cost advantage.

International brands, including Swiss watches at the luxury end and fashion brands for the youth are growing at about 20-25% per year, admittedly on a small base. Watches for women, young people brands, sports and fashion watches are registering the highest growth rates.

Outlook

The global renowned players are expected to aggressively market brand names, styles, designs and price in a highly price sensitive environment. Brand wars will be fought in every price bracket, though the sub - Rs. 1000 segment focusing on the mass market will be mainly a battle between Titan and grey market / locally assembled cheap watches.

The top premium brands will see a rise in sales with one note of qualification: people spending that much of money are frequent overseas travelers and prefer to buy watches from foreign outlets rather than Indian.

Now that the Indian market is widely open to importations, it will be more challenging for the Indian players to maintain a sustainable growth. Indian Brands will have to look towards material innovation with well supported marketing strategies to stay ahead in the race, but will enjoy a faster growing overall market.

Trends suggest that the year ahead will not see too many new launches. It is anticipated that in coming years, classic watches will transcend over luxury watches. Many brands already have designs of their vintage collection on their design tables. This also implies that the complications in the

watches will reduce. Features will become simpler. Chronographs, retrogrades, will prevail. Diamonds, use of Pink Gold and multiple tourbillions will be used for high end watches or for value addition. Innovations for newer materials will continue. Bigger, bulkier watches have been the most obvious in Swiss watches, with manufacturers making ever larger models to differentiate them from unisex versions. Many brands will link more and more with Sports events to promote sales.

BUSINESS OVERVIEW

KDDL Limited is one of the leading companies in India in the manufacture of watch components and manages the largest retail chain in luxury Swiss watches in the organized sector through its subsidiary companies.

The Company's revenues are mainly from manufacture of watch components and precision engineering tools and parts. An overview of the individual business segments are detailed below:

THE WATCH BUSINESS

WATCH COMPONENT MANUFACTURE

The year was badly hit by recession. In the second half of the year there was drastic reduction in the orders. Measures were taken at all the manufacturing locations to cut cost. The most important decision which was implemented was the closure of the Bangalore dial manufacturing unit and the consolidation of its capacity with the Derabassi unit. This would also enable in meeting the long awaited requirement of space for the Hands unit for its expansion plans.

- Know-How to make press pattern tools in-house

Until last year, we could make very limited variants of press pattern tools. We acquired the Technical "Know How" from a Swiss manufacturer of these tools who has more than 40 years of experience in this field. With this, large part of press pattern tools which were being imported from outside can now be manufactured in-house. This would result in lower cost and shorter lead times.

- Alternative use of materials for making dials

Based on customer's requirements, we have been able to make dials with alternative materials, like Titanium and Polycarbonate. Though, the quantities may not be large, it gives the confidence to the customers on the preparedness of the Company to look for alternative use of materials and technologies.

- New Features

Company's development department continued to work on adding new features to its range which would result in giving higher value.

- Stickers

During the year, we have been able to develop, luminous stickers, sticker on sticker and multi tone stickers. All these are high contribution products. The initial orders for these products have been received from the customers.

- Hands

Hands division continued to work on alternative processes and materials to create new products. The floor space additionally created by closure of the Bangalore dials unit will be used for the expansion of hands division and the

proposal to have separate production lines for domestic and export markets would enable providing the required focus on the expectations of each of these markets.

OTHER SEGMENTS

- Precision Stamping

"EIGEN", our unit manufacturing High Precision Stamping Parts & Tools addresses the market for these products in the **Electrical, Electronics, Telecommunications, Automobile, Medical equipments, Auto & Aeronautics industries.**

During the last few years, the growth at Eigen has been in the process of positioning for an appropriate niche in this growing billion dollars market, and establishing a credible position for itself. Having gained many prestigious orders, Eigen is poised for multifold jumps in its turnover in this promising market.

The growth is envisaged in two ways, viz., firstly by increasing the share from the existing customers and secondly by adding new customers especially from Telecommunications, Electronics, Medical, Electrical, Auto and Aero Industries in the domestic as well as in the Global Market.

The growth in the Telecommunications and Auto sectors in India will continue to be significant in the next decade. The opportunity is driven mainly by Telecommunications Equipments, Mobile Phones and small and medium cars.

US technology researcher, iSuppli Inc., estimates the value of Indian electronic contract manufacturing output will increase by 21% per annum to touch \$ 2.03 billion in 2009 from estimated \$935 million in 2005. As predicted by them "more EMS companies will move to India and by 2010 electronic contract manufacturers will handle about 30% of India's electronics manufacturing". On a projected manufacturing base of US\$ 35 billion to 40 billion, this could mean that EMS may account for an output of over US \$ 10 billion.

Many EMS providers and OEMs started operating in India because of the low cost workforce and to gain access to the lucrative Indian market, next only to China. The main players like Foxconn, Flextronics Elcoteq have already set up the plant in India.

Despite the global recession, the electronic Hardware market showed positive growth due to 8.5% growth in GDP in 08-09. Cellphones today are the major demand driver as they have crossed the average monthly demand level of 8 millions. Consumer Electronics market is also poised for a strong growth in the next five years.

In the Automobile sector, most of the major car makers are showing a clear interest in setting up plants in India to capture the future demand in one of the biggest economy in the world.

As per the Market Survey conducted by TAGMA, out of total tooling demand of \$ 2 billion, 28% accounts for the toolings for the sheet metal components including automobile sectors having more than 60% of the demand growing Indian auto Industry is likely to be USD 135-165 billion by 2016 with vehicle sales to reach 35 million units. Apart from increase in the demand from the domestic auto industries, export shall lead to the growth in the components industry

which is expected to be around USD 36-40 billion by 2015.

Status of Eigen

EIGEN has already developed the tools for many components used by leading cell phone manufacturers, EMS Companies in the year 08-09. Other segments which form important clientele for EIGEN includes manufacturers of instruments, auto components and medical instruments.

In total, Eigen developed more than 75 tools for different customers in the year 08-09. First article samples have already been accepted for almost all the developed tools. Clearance for the Pilot production is expected to start and production lots are expected to be stabilised by the end of this year. In addition, orders from the new customers like AISiN NTT (Toyota), Amphnol are under development.

EIGEN is confident of carving out its future - having identified the niche market segments. Eigen is expected to register annual year on year growth close to 40-50%.

STRATEGIC INITIATIVES

The Company has gone for a consolidation of its domestic dial manufacturing. The manufacturing facilities at Bangalore will get merged with the Derabassi unit. This consolidation is expected to bring in savings in the coming years.

During the year, the Company had transferred its retail business division, Ethos, on a going concern basis to its subsidiary company, Kamla Retail Limited through a Scheme of Arrangement, which was approved by the Hon'ble High Court of Himachal Pradesh at Shimla vide its Order dated 26th September, 2008. The Appointed Date for the purpose of the Scheme of Arrangement was 1st April, 2008 and the Effective date of the Scheme was 30th September, 2008. The primary objective of the transfer was to develop the retail business into a parallel and independent business segment in future and to carry on the respective businesses, viz. manufacturing and retail, in a more focused and competent manner.

BUSINESS PERFORMANCE REVIEW**Revenue**

The gross operating income of the Company has decreased from Rs. 790 million to Rs. 720 million (excluding Ethos), a decrease of 9% over the previous year. The decline in the market is due to the recession taking place world wide since the second half of the current financial year under review.

The watch segment has shown a decline from Rs. 707 million to Rs. 596 million, a decrease of 16% whereas the other segment has increased by 49% from Rs. 83 million to Rs. 124 million.

Within the watch components business, export sales have decreased by 13% from Rs. 382 million to Rs. 331 million. The domestic sector declined by 21% from Rs. 325 million to Rs. 256 million.

Margins

This year the margins have gone down due to decline in sales especially in the export sales and also due to poor performance of our Dial Unit at Derabassi.

The earning before interest, depreciation and taxes (EBIDTA) decreased from Rs. 115 million to Rs. 84 million, a

decrease of 27%. As a percentage to revenue, EBIDTA has decreased from 14.5% to 11.6%.

Own Funds

During the year, the Company allotted 2,00,000 equity shares of Rs. 10/- each upon conversion of equal number of zero coupon convertible warrants issued to promoters. As a result of the conversion, the paid up capital has increased from Rs. 72,363,600 to Rs. 74,363,600 comprising of 7,349,220 equity share of Rs. 10/- each fully paid up.

The Company's reserves increased over the previous fiscal year from Rs. 280.45 million to Rs. 283.72 million.

Loan Funds and Cost of Debts

Compared to 2007-08, the cost of debts as a percentage to total revenue has slightly increased from 4.1% to 5%. This was primarily on account of increase in the interest rate and working capital.

This is also reflected in the average weighted cost of debt increasing from 9.9% to 11.05%.

OUT LOOK AND INITIATIVES

The Company had anticipated the impact of derailment of US Economy on the Watch Industry both in the European and Domestic markets well in time. Accordingly, the Company's Watch Component Group, had initiated cost cutting measures beginning the last quarter of the previous financial year. The Hong Kong market seems to have relatively lesser impact of the economic slow down vis-à-vis the European and US markets. The European market is expected to stabilize by mid 2010.

Aggressive sales and marketing push coupled with dedicated resource allocation in manufacturing in terms of design, new product development and assembly line are enabling to penetrate the Hong Kong market and establish business with a few good accounts. Contacts established in Hong Kong also have common links to many Swiss Brands which is proving to be another facilitator.

With a view to contain expenses, improve effectiveness and optimize value addition, the Company's Swiss sales and marketing arms have been consolidated. As planned, the Company has already made strides in getting two new major accounts in Europe.

In the domestic market, our efforts are to enhance our share in Hands Business in one of the key accounts.

The prime focus of Operations is to enhance productivity, acquire excellence, and innovating new products.

The benefits of Single Man Production have motivated other dial factories to replicate this structure. The entire team in the new factory established recently in North India has been first extensively trained at other factories and then deployed so as to yield high productivity from day one. The reach of Central Procurement Cell is being extended from Imports of all factories to domestic procurement as well.

The Company has also indigenously developed a unique forming technique for dials. The salient feature of this product is low cost, good finish, short turn-around time, and achieving multiple complications in a single finish. As expected the product has provoked great interest in Brands among the Fashion and Functional segments.

A very High Quality luminising on Dials established in our Swiss Factory, M/s. Pylania SA, is proving to be a rare capability in Watch Industry and has consequently aroused a lot of attraction from many reputed brands in Europe.

No country was insulated from the impact of the global meltdown but the Indian economy was relatively better placed. The business environment, however, continues to be challenging and this will adversely affect the demand for our products in the short term. The economic situation world over is likely to improve by end 2009 or by early 2010. Due to these challenges, the Company has started focusing on internal efficiencies, cost reduction and consolidation of manufacturing as a means of surviving challenges.

The Company will continue to make good use of its competencies in Watch Components, Packaging and Precision Stamping. It will pursue its strategy with vigor in both the domestic as well as the international markets with its different brands.

SUBSIDIARY COMPANIES AND JOINT VENTURES

The Company's wholly owned subsidiaries, M/s. Himachal Fine Blank Limited, M/s. Pylania SA, M/s. Kamla Retail Limited and M/s. Mahen Boutiques Limited are playing an important strategic role in our overall growth in the watch segment.

M/s. Himachal Fine Blank Limited (HFBL), specializing in the manufacture of appliqués, enjoying over 90% market share in India, shall continue to be the primary supplier of appliqués to KDDL. During the year, due to the current macro economic scenario there has been a decline in the orders received by the Company by about 13% in terms of both quantity as well as value as compared to the previous year 2007-08. However, the Company has taken necessary steps to reduce various costs and has taken various corrective measures to ensure future financial growth and stability.

M/s. Pylania SA, saw its first full year of operations for the Company. The Company has suffered a decline of 7% in its sales due to the recession in the world economy. The recession had its effect on the watch industry in Switzerland with most of the watch segments showing a decline. Going forward, the company is geared up for serving the higher value segment of Swiss Watch Brands

M/s. Mahen Boutiques Limited was formed during the year as a wholly owned subsidiary Company with the principle object of retailing of monobrand watches. During its first year of operations, the Company opened its first Rolex Boutique at the prestigious UB City Mall in Bangalore. The operations of the boutique commenced in March, 2009. The initial response has been good and encouraging prospects are foreseen for the Company in the next year.

During the year, M/s. Kamla Retail Limited, acquired the entire retail business of the Company through a Scheme of Arrangement on a going concern basis. The retail operations showed a growth of sales of more than 50%. Three new stores were opened in the year taking the total number of stores to nineteen. The impact of the slow down was felt on the opening of some of the planned stores due to the adverse impact on the real estate sector and the

consequent delays in handing over of possession of stores by malls. However, impact on the Company was limited as the Company took several measures to control costs and maintain top line growth, such as rigorous cost reduction at the store level, stricter controls on inventory and lowering the pace of scaling up. The Company ended the year with a healthy growth, and the like-to-like store growth remained positive.

The financial year 2009-10 is going to be the year of consolidation for the company. The company plans to concentrate on achieving operational excellence and strengthen operations, through various initiatives. First, the Company will focus on rigorous cost reduction at the store levels as well as back-end, including renegotiation of rents with landlords and manpower rationalization. The Company has already met with success in reduction of rents at some locations and is in active discussions for other locations. Besides this, the Company will emphasize strict control on inventory. The Company has already implemented fully customized Merchandising solution in the ERP package that will help in analyzing, controlling and monitoring the purchase of stocks.

The Company has also recognized the immense potential of developing a strong web presence and venturing in the web based social media. The Company will be devoting considerable effort in building web presence with the specific objective of exploiting acquiring an exponentially larger customer base. The Company also plans to invest in developing Watch Service as an independent vector of growth. The Company's foray into Travel Retail has met with success and the Company plans to develop this growth vector further by signing up at other Duty Free Shops. The Company plans to open Duty Free Shops at the Delhi International Airport and is in active discussion for space at other airports. The Club Echo loyalty programme has helped in considerably improving the repeat purchasing thereby enhancing the customer lifetime value.

Satva Jewellery and Design Limited (SATVA), is the Company's 50:50 joint venture with Pascal Vaucher Holding, SA of Switzerland in the field of jewellery setting. During the year, the manufacturing plant was relocated to Panchkula, Haryana with added capacity and new CNC machines. The Company's operations and business performed well in the first half with steady inflow of orders. However, the second half year saw a dip in the orders due to the effect of global slowdown which also affected the order position substantially. The Company is making all endeavours to improve its overall performance.

BOARD OF DIRECTORS

Mr. R.K. Saboo: Chairman of the Company is a Bachelor of Science from St. Xavier's College, Kolkata, past President of PHD Chamber of Commerce and Industry, Member of Managing Committee of Federation of Indian Chamber of Commerce and Industry, Founder Chairman of CII (Northern Region), Chairman of All India Manufacturers' Organisation (Delhi and Punjab Chapter), Chairman of Bhartiya Vidya Bhawan, Chandigarh, Member of Board of Governors, Punjab Engineering College, Chandigarh, Member of Board of Governors, Thapar Institute of Engineering and

Technology, Patiala, Member of Chandigarh Administration, Sub Committee appointed by Governor of Punjab.

He has been conferred with Degree of Doctorate by Panjab University, Chandigarh by the President of India in 2007, "Padma Shri" award by the President of India in March, 2006, Degree of Doctor of Letters (Honoris Causa) by H.N. Bahuguna Garhwal University, Srinagar, Uttranchal in 2006, "Udyog Ratna" in 2005 and "Punjab Ratna" in 2005.

He has been the Trustee Chairman of the Rotary Foundation 1994-1996 and World President, Rotary International during 1991-1992.

Associated with the Company as co-promoter and Chairman since inception, i.e. 8.1.1981.

Mr. Yashovardhan Saboo : Chief Executive Officer of the Company, is BA (Hons.), MBA (IIM) and has vast experience of 28 years. He has been conferred with "Udyog Ratna" Award from PHDCCI in 2005, has been the Chairman of CIL, Northern Region, Chandigarh in 2002-03 and is also founder member of Youth Technical Training Society, Chandigarh.

Associated with the Company as co-promoter since inception, i.e. 8.1.1981 and CEO since 25.3.1981.

Dr. T.N. Kapoor : Director of the Company, is a Post Graduate in Commerce, LL.B. and Ph.D., has over 41 years of post graduate teaching experience in management subjects and has been the Vice-Chancellor, Panjab University, Chandigarh and has also held the position of Director with Management Development Institute, Gurgaon, President, Indian Association of Management Development, Chairman, Inter-University Council for Business Education and Research, Member, National Commission for Cooperation with UNESCO, Government of India, Member, Administrative Board, International Association of Universities, UNESCO Office, Paris, Member, Board of Governors, Indian Institute of Management, Calcutta and Member, Executive Council National Assessment and Accreditation, UGC, Government of India.

Associated with the Company as Director since 22.9.1997.

Mr. Chandra Mohan : Director of the Company, BA (Hons), B.Sc. Mech. Engg., (Hons), F.I.E. (India), F.I. Prod. E (India), M.I. Mech. E (London), Memb. S.A.E., M.I. Agr. E. (India), has vast experience and has held position as CEO in Punjab Tractors Limited besides various other managerial positions during his career.

He has been conferred with "Padma Shri" Award in 1985, Gold Shied for Import Substitution in 1975, National Award for Invention Promotion in 1972 and other distinguished awards and recognitions.

Associated with the Company as Director since 17.6.2003

Mr. Jagesh Khaitan : Director of the Company, is a Graduate and has over 40 years of experience in edible oil industry. He is also associated with various trade associations and Chamber of Commerce and Industry. He is Vice Chairman and Managing Director of Amrit Banaspati Co. Limited, Vice Chairman and Director of ABC Paper Limited and Amrit Corp. Limited and is also President of Indian Banaspati Producers Association.

Associated with the Company as Director since 26.2.1990

Mr. Anil Khanna: Director of the Company, is a Chartered Accountant, Information System Auditor (DISA) from ICAI and Bachelor of Arts (Economics, Mathematics).

He is a Certified Arbitrator by the Institute of Chartered Accountants of India, has been certified as Business Counselor by Entrepreneur Development Institute (EDI), Ahmedabad..

He is in practice and has over 25 years of post qualification experience in corporate audits, taxation and management consultancy. He has worked in SAP, Mfg Pro, JD Edworks Environment and has chaired implementation of Microsoft Navision, ERP.

He has been nominated as a member of Regional Direct Tax Advisory Committee, Government of India and is also a member of Income Tax Appellate Tribunal Bar Association, Chandigarh.

Associated with the Company as Director since 22.12.2004

Mr. S.K. Mandelia : Director of the Company, is a B.Com. and has been managing, controlling and administering affairs of Hindustan Everest Tools Limited, a leading manufacturer and trader of excellent quality hand tools for last 27 years.

Associated with the Company as Director since 07.11.1983

Mr. Dinesh Agrawal : Chief Operating Officer (WCG) of the Company, is BE (Mech) Hons. and has vast experience of 36 years including 26 years experience in KDDL Limited.

Associated with the Company as Director since 12.2.1997

Mr. C.S. Liao : Director of the Company, is Chemical Engineer. He is Promoter Director of Tesio Precision Industry Co. Limited, Taiwan which was the Technical Collaborator of the Company.

Associated with the Company as Director since 9.11.1991

HUMAN RESOURCE MANAGEMENT

Human Resources are a valuable asset at KDDL and the Company seeks to attract and retain the best talent available. Human Resource Management incorporates a process driven approach that invests regularly in the training and development needs of employees through succession planning, job rotation, on the job training and extensive training workshops and programs.

During the year the Company held various employee engagement programs in order to bolster employee morale, inculcate a feeling a team work and camaraderie and create a mechanism to recognize individual and team contributions to the organizations. Programs such as Chairman's Annual Awards and Star Performer Awards recognize and reward individual and team achievements across the Group.

The total number of employees of the Company was over 1000 during the year under review.

INTERNAL CONTROL SYSTEMS

The Company maintains Internal Control Systems designed in accordance with Companies (Audit Report) Rules, 2003 and to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and is properly recorded, and accounting records are adequate for preparation of financial statements and other financial information. For this purpose,

Internal Auditors have been appointed who carry out operations review audits to improve the processes and strengthen controls of the existing processes. Internal Audit Reports are put up before the Audit Committee Meetings to review problem areas if any, and initiate corrective actions.

In addition to the above, the Internal Auditors prepare and submit an Annual Statistical Report detailing the number and nature of repetitive non-compliances of significant consequences and an annual management guidance report detailing the various observations that required the attention of the Audit Committee during their audits and the suggestions made by the Internal Auditors to resolve such issues and to avoid repetition of the same.

RISKS AND CONCERNS

Risk means uncertainties about events and their outcomes that could have a material impact on the performance and projections of the Company. Since risk is inherent in every business, it is the Company's responsibility to minimize its incidence in order to protect and enhance shareholder value.

Our framework for combating risks recognizes that risks may be divided into two broad categories risks that are common and relevant for most business in general, and risks that are more specifically applicable to your Company and its businesses in particular. The management of risk starts with process of assessing risks on an ongoing basis in the Company, and an effective internal control and management reporting system. The framework also covers the practices and processes to manage and mitigate risks.

RISKS OF GENERAL NATURE

Risks relating to the general macro economic environment of the Company include risks associated with political and legal changes, changes in tax structures, and commercial rules & laws. The Company keeps a proactive track to anticipate such changes and mitigate associated risks to the extent possible.

Risks related to man-made and natural disasters such as explosions, earthquakes, storms as well as civil disturbances are handled by following best practices in the design of structures and "safety first" as a guiding principle while designing technical and business processes.

The third set of general risks relates to risks from market led changes. These include risks associated with sudden fall in GDP and growth rates, overall market condition in India and abroad, or sudden changes in market preferences. The mitigation of these risks is achieved by a cost-effective and flexible working structure which would allow the Company to scale up or scale down working in affected areas in accordance with the changes.

SPECIFIC RISKS

We have identified the following specific risks that need more detailed attention in the present circumstances and business of the Company.

- a) **Risks due to decline in overall demand for watches:** While we remain confident of a steady growth in the demand of watches in India and China over the next 10-15 years, we are aware of the gradual decline of the watch as a time keeping instrument. At the same time,

we foresee an increase in the watch becoming an important fashion accessory. The risk of such decline in the functional value of a watch is mitigated by positioning ourselves to better serve the watch as a fashion accessory.

- b) **Risks pertaining to over dependence on few customers:** The Company has enjoyed a close and mutually beneficial association with several leaders in the watch business most notably Titan, Timex in India and the Swatch Group in Switzerland. This inevitably has lead to a substantial part of the Company's business being related to these groups.

Notwithstanding the excellent standing of these companies and our Company's enduring relationship with them, we recognize that broad-basing our customer base and brand partner base is a priority to mitigate any inherent risk from over-dependence on any specific partner.

- c) **Risks related to over dependence on one business (i.e. Watch Business):** This is mitigated by an increasing focus on developing businesses outside the watch industry, for e.g. the packaging business and the business of precision engineering components through the new division EIGEN.

- d) **Foreign Exchange Risks:** More than 40% of the Company's manufacturing turnover comes from exports, denominated in Swiss Francs and US Dollars. The fall and rise in these currencies can seriously impact the working of the Company in the short and medium term. This risk is mitigated with several measures which includes:

- a) Hedging and forward cover of currencies to the extent reasonably possible.
b) Balancing of imports and exports.
c) A counter acting balancing exposure in foreign currency loans to offset movements either way in the forex rates.
e) **Risk related to Personnel:** Our business is increasingly dependent on the skills and competencies of our employees and management team. The general war for talent in our growing economy has created a substantial risk related to the retention of key personnel both in manufacturing and retail sector. This risk is mitigated through effective HR policies relating to recruitment and retention and a proactive remuneration and rewards policy that is periodically reviewed at the highest management level.

CAUTIONARY STATEMENT

Statements in the "Management Discussion and Analysis" describing the Company's objectives, estimates, expectations or projections may be "forward looking statement" within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, Government Regulations, Statues, tax laws, economic developments within India and countries in which the Company conducts business, litigations and other allied factors.

REPORT ON CORPORATE GOVERNANCE**COMPANY PHILOSOPHY ON CORPORATE GOVERNANCE**

The Company believes in adopting the best practices in the areas of Corporate Governance. Even in a fiercely competitive business environment, the Management and the employees of the Company are committed to uphold the core values of transparency, integrity, honesty and accountability which are fundamental to the Kamla Group. It also aims to achieve balance between shareholders' interest and corporate goals by providing long term vision of its business and establishing systems that help the Board in understanding and monitoring risk at every stage of the corporate evolution process to enhance the trust and confidence of the stakeholder without compromising with laws and regulations.

In essence, Corporate Governance must balance individual interest with corporate goals and operate with accepted norms of ethical behavior, propriety, equity, fair play and a sense of justice. Achieving this balance depends upon how accountable and transparent the Company is. Accountability improves decision making. Transparency helps to explain the rationale behind decisions, and thereby builds stakeholder confidence.

BOARD OF DIRECTORS**(a) Composition**

The Company supports the concept of an effective Board leading and controlling the Kamla Group. The Board provides entrepreneurial leadership of the Group within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board sets the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance.

The Company believes in an appropriate mix of executive and independent directors to maintain the independence of the Board and to separate the Board functions of governance and management. The Board of Directors presently comprises of nine members including three Whole-Time directors, i.e., the Chairman, the Chief Executive Officer and the Chief Operating Officer. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

None of the Directors on the Board is a member of more than 10 committees, or Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement) across all the Companies in which he is a Director.

The Board meets as many times in a year as may be required to review and address a schedule of matters specifically reserved for its decision, including the overall strategy of the Group, significant contractual commitments, capital expenditure and other major financial proposals.

During the year, the necessary disclosures regarding other Directorships and Committee positions have been made by the Directors which is given below:

Name of the Director	Business Relationship	Category of Directorship	*No. of other Directorships	**No. of Committee Membership	
				Chairman	Member
Mr. R.K. Saboo	Chairman	Promoter-Executive	2	–	1
Dr. T.N. Kapoor	Director	Independent-Non Executive	6	5	5
Mr. C.S. Liao	Director	Independent-Non Executive	1	–	–
Mr. Jagesh Khaitan	Director	Independent-Non Executive	5	–	4
Mr. S.K. Mandelia\$	Director	Independent-Non Executive	1	–	1
Mr. Ajay Vohra#	Director	Non Executive	–	–	–
Mr. Anil Khanna	Director	Independent-Non Executive	2	2	1
Mr. Chandra Mohan\$\$	Director	Independent-Non Executive	7	–	5
Mr. Yashovardhan Saboo	Chief Executive Officer (CEO)	Promoter-Executive	11	–	2
Mr. Dinesh Agrawal	Chief Operating Officer (WCG)	Executive	3	–	1

* Directorship in private companies, foreign companies and associations are excluded.

** As per Clause 49 of Listing Agreement, Chairmanship/membership of the Audit Committee and the Shareholders' Grievance Committee alone have been considered.

Mr. Ajay Vohra, Non Executive Director resigned from the Directorship of the Company w.e.f. 7th January, 2009.

\$ Ceased to be a member of the Audit Committee w.e.f. 27th October, 2008.

\$\$ Appointed member of the Audit Committee w.e.f. 27th October, 2008.

Since the Chairman of the Board is an Executive Chairman, the Board of Directors comprises of more than 50% of Directors who are Independent.

Independent Director means a Non-Executive Director of the Company who:

- a) apart from receiving director's remuneration, does not have any material/pecuniary relationship or transaction with the Company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director;

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- b) is not related to promoters or persons occupying management positions at the Board level or at one level below the Board;
- c) has not been an executive of the Company in the immediately preceding three financial years;
- d) is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:
- (i) the statutory audit firms or the internal audit firm that is associated with the company; and
- (ii) the legal firm(s) and consulting firm(s) that have a material association with the Company.
- e) is not a material supplier, service provider or customer or a lessor or lessee of the Company, which may affect independence of the director;
- f) is not a substantial shareholder of the Company, i.e., owning two percent or more of the block of voting shares;
- g) is not less than 21 years of age.

(b) Number of Board Meetings, attendance at Board Meetings and at previous Annual General Meeting

5 (Five) Board Meetings were held during the financial year ended 31st March, 2009 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

6th May, 2008	30th October, 2008
31st May, 2008*	25th February, 2009
30th July, 2008	

*Due to paucity of time, the Board meeting held on 31st May, 2008 continued on 4th June, 2008.

Dates for the Board Meetings are decided well in advance and communicated to the Directors. Board Meetings are held normally at the Corporate Office of the Company.

(c) Number of Board Meetings attended by the Directors

Number of Board Meetings attended by the Directors and attendance of Board of Directors at the last Annual General Meeting are given below:

Name of the Director	No. of Board Meetings attended during 2008-09	28th Annual General Meeting held on 30th July, 2008
Mr. R.K. Saboo	05	Yes
Dr. T.N. Kapoor	01	Yes
Mr. C.S. Liao	Nil	No
Mr. Jagesh Khaitan	03	No
Mr. S.K. Mandelia	Nil	No
Mr. Ajay Vohra	Nil	No
Mr. Anil Khanna	05	Yes
Mr. Chandra Mohan	04	No
Mr. Yashovardhan Saboo	05	Yes
Mr. Dinesh Agrawal	05	Yes

(d) Information supplied to the Board

Among others, include:

- Review of annual operating plans of businesses, capital budgets and other updates;
- Quarterly results of the Company and its operating divisions or business segments;
- Minutes of meeting of Audit Committee and other Committees of the Board;
- Minutes of meetings of the subsidiary companies;
- Information on recruitment and remuneration of senior officers just below the Board level including appointment or removal of the Chief Financial Officer and Company Secretary;
- Important show cause, demand, prosecution and penalty notices which are materially important;
- Fatal or serious accidents or dangerous occurrences;
- Any materially significant effluent or pollution problems;
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company;
- Any issue which involves possible public or product liability claims of a substantial nature;
- Details of any joint venture or collaboration agreement;

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- a) Recommend to the Board, remuneration including salary, perquisites and commission to be paid to the Company's Whole-Time Directors.
- b) Finalise the perquisites package of the Whole-Time Directors within the overall ceiling fixed by the Board.
- c) Recommend to the Board, retirement benefits to be paid to Whole-Time Directors under the Retirement Benefit Guidelines adopted by the Board.

During the financial year ended 31st March, 2009, one meeting of the Remuneration Committee was held on 30th July, 2008.

The composition of the Remuneration Committee is as given below:

Name of the Director	Category	Designation	Meetings Attended
Mr. Chandra Mohan	Independent-Non Executive	Chairman	0
Dr. T.N. Kapoor	Independent-Non Executive	Member	1
Mr. Anil Khanna	Independent-Non Executive	Member	1

Remuneration Policy

• Management Staff

Remuneration of employees largely consists of basic remuneration, allowances, perquisites and performance incentives. The components of the total remuneration vary for different grades and are governed by industry pattern, qualifications and experience of the employees, responsibilities handled by him/her and individual performance.

The Company while deciding the remuneration package of the employees/staff takes into consideration the following items:

- a) employment scenario;
- b) remuneration package of the industry; and
- c) remuneration package of the managerial talent of other industries.

For the last few years, efforts have also been made to link the annual variable pay of management staff with the performance of the Company in general and their individual performance for the relevant year measured against specific key performance areas which are aligned to the Company's objectives.

• Non Executive Directors

The Non-Executive Directors are paid remuneration by way of sitting fees. The Non-Executive Directors were paid sitting fees of Rs. 5000/- which has been increased to Rs. 10,000/- at the Board meeting held on 31st May, 2008 for attending the meetings of the Board and Rs. 2500/- for attending the meetings of Committees, excluding Mahen Boutiques Review Committee. The sitting fees for attending meetings of Mahen Boutiques Review Committee, which was constituted during the year, was fixed at Rs. 1000/- for each meeting.

During the year under review, the Non Executive Directors of the Company were paid sitting fees as under (including fees paid for Committee meetings):

Name of the Director	Sitting Fees paid (Gross) (Rs.)
Mr. Anil Khanna	57,500
Dr. T.N. Kapoor	20,000
Mr. Chandra Mohan	35,000
Mr. Jagesh Khaitan	27,500
Mr. Ajay Vohra	Nil
Mr. C.S. Liao	Nil
Mr. S.K. Mandelia	Nil

• Working Directors

The Company pays remuneration by way of salary, perquisites, allowances and variable pay to the Whole-Time Directors. Salary is paid within the range approved by the shareholders. The ceiling on perquisites and allowances is a percentage of salary, fixed by the Board as recommended by the Remuneration Committee. Variable amount payable to such Directors is based on the performance criteria laid down by the Board which also broadly takes into account the profits earned by the Company for the year.

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Details of remuneration paid to the Chairman, Chief Executive Officer and Chief Operating Officer (WCG) during the financial year ended 31st March, 2009 are as follows:

Name	Salary	Perquisites & Allowances	Bonus paid/provided in 2008-09	Total
Mr. R.K. Saboo	9,00,000	9,48,081	–	18,48,081
Mr. Yashovardhan Saboo	17,70,000	7,86,395	–	25,56,395
Mr. Dinesh Agrawal	9,60,000	8,57,341	–	18,17,341

3. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Shareholders'/Investors' Grievance Committee has been constituted to specifically look into transfer/demat/remat of shares, issue of duplicate/split/consolidation of share certificates, notices, the redressal of Investors' complaints, etc.

One meeting of the Shareholders'/Investors' Grievance Committee was held on 31st May, 2008.

The composition of the Shareholders'/Investors' Grievance Committee is as under:

Name of the Director	Category	Designation	Meetings Attended
Mr. Anil Khanna	Independent-Non Executive	Chairman	1
Mr. Yashovardhan Saboo	Promoter-Executive	Member	1
Mr. Dinesh Agrawal	Executive	Member	1

4. SHAREHOLDERS COMMITTEE

The present composition of Shareholders Committee is as under:

Name	Designation
Mr. Yashovardhan Saboo	Chief Executive Officer
Mr. Sameer Madan	Chief Financial Officer
Ms. Priya Manoj Jaswani	Company Secretary

This Committee meets fortnightly. Ms. Priya Manoj Jaswani, Company Secretary of the Company is authorized to authenticate the transfers/transmissions/issue of duplicate share certificates, etc. All requests for dematerialisation of shares are processed and confirmed by M/s Karvy Computershare Private Limited, Registrars and Share Transfer Agents of the Company.

Shareholders'/Investors' complaints

Complaints pending as on 1st April, 2008	Nil
During the period from 1st April, 2008 to 31st March, 2009, complaints identified and reported under Clause 41 of the Listing Agreement	50
Complaints disposed off during the year ended 31st March, 2009	50
Complaints unresolved to the satisfaction of shareholders as on 31st March, 2009	Nil

5. BOARD COMMITTEE FOR CONSIDERATION OF UN-AUDITED FINANCIAL RESULTS

The terms of reference of the Board Committee for consideration of Un-audited Financial Results is to consider and approve un-audited financial results of the Company which is taken note of by the Board of Directors after every meeting of the Committee.

During the financial year ended 31st March, 2009, one meeting of Board Committee for consideration of Un-audited Financial Results was held on 15th January, 2009.

The composition of the Board Committee for consideration of un-audited financial results is as under:

Name of the Director	Category	Designation	Meetings attended
Mr. R.K. Saboo	Promoter-Executive	Chairman	0
Dr. T.N. Kapoor	Independent-Non Executive	Member	1
Mr. Dinesh Agrawal	Executive	Member	1
Mr. Anil Khanna	Independent-Non Executive	Member	1
Mr. Jagesh Khaitan	Independent-Non Executive	Member	1
Mr. S.K. Mandelia	Independent-Non Executive	Member	0
Mr. Yashovardhan Saboo	Promoter-Executive	Member	1

6. MAHEN BOUTIQUES REVIEW COMMITTEE

During the year, the Board constituted Mahen Boutiques Review Committee. The Committee was constituted on 25th February, 2009 to review and advise on all financial matters including but not limited to review of the financial performance, annual budgets, funding requirements, modes of financing and commercial feasibility of the business plans of Mahen Boutiques Limited, wholly owned subsidiary company.

The composition of the Mahen Boutiques Review Committee is as given below:

Name of the Director	Category	Designation
Mr. Yashovardhan Saboo	Executive	Member
Mr. Anil Khanna	Independent Non Executive	Member

CODE OF CONDUCT

The Company has formulated and implemented a Code of Conduct for all Board members and Senior Management personnel of the Company in compliance with clause 49(1)(D) of the Listing Agreement. All the Board members and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct for the financial year ended 31st March, 2009. A declaration to this effect, duly signed by the Chief Executive Officer is annexed hereto.

MANAGEMENT**a) Management Discussion and Analysis**

Management Discussion and Analysis Report forms an integral part of this Annual Report.

b) Disclosures by management to the Board

All details relating to financial and commercial transactions where Directors may have pecuniary interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters. In matters other than those with pecuniary interests, the Directors are considered to be interested to the extent of their shareholding in the Company and following is the status of their shareholding as on the date of this Report:

Name of the Director	No. of equity shares held
Mr. R.K. Saboo	702901
Dr. T.N. Kapoor	Nil
Mr. C.S. Liao	Nil
Mr. Jagesh Khaitan	466
Mr. S.K. Mandelia	Nil
Mr. Ajay Vohra	Nil
Mr. Anil Khanna	850
Mr. Chandra Mohan	Nil
Mr. Yashovardhan Saboo	1382790
Mr. Dinesh Agrawal	350

Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed in the Balance Sheet and they are not in conflict with the interest of the Company at large.

SHAREHOLDERS**(a) General Body Meetings**

(i) Location, date and time where last three Annual General Meetings were held are as follows:

Financial year	Details of Location	Date	Time
2007-08	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	30th July, 2008	12.30 p.m.
2006-07	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	29th August, 2007	12.30 p.m.
2005-06	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	23rd September, 2006	12.30 p.m.

(ii) No Extra Ordinary General Meeting of the shareholders of the Company was held during the year.

(iii) No postal ballot was conducted during the year. None of the resolutions proposed for the ensuing Annual General Meeting need to be passed by Postal Ballot.

(iv) Special Resolutions passed at the previous three Annual General Meetings are as follows:

Annual General Meeting held on 30th July, 2008

- Appointment of Ms. Satvika Saboo as HR Executive with effect from 15th October, 2007 on remuneration of Rs. 25,000/- per month.

Annual General Meeting held on 29th August, 2007

- Re-appointment of Mr. R.K. Saboo as Chairman of the Company w.e.f. 1st December, 2006 for a period of three years ending 30th November, 2009.

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- Re-appointment of Mr. P.S.S. Raghavan as Whole-Time Director of the Company with such functional designation as may be decided by the Board w.e.f. 1st April, 2007 for a period of two years ending 31st March, 2009.
- To change the name of the Company from 'Kamla Dials and Devices Limited' to 'KDDL Limited'.

Annual General Meeting held on 23rd September, 2006

- Re-appointment of Mr. Dinesh Agrawal as Whole-Time Director of the Company with functional designation of Chief Operating Officer (COO) w.e.f. 1st April, 2006 for a period of three years ending 31st March, 2009.
- Re-appointment of Mr. Yashovardhan Saboo as Managing Director of the Company with functional designation as Chief Executive Officer (CEO) w.e.f. 1st August, 2006 for a period of two years and eight months ending 31st March, 2009.
- Alteration of Capital Clause of Articles of Association of the Company for increase in the Authorised Share Capital of the Company from Rs. 10 crores to Rs. 12 crores.
- To issue upto 38,99,480 equity shares on rights basis in the proportion of 2:3 at a price of Rs. 22/- per share.

(b) Disclosures

1. The Board has received disclosures from key managerial personnel relating to material, financial and commercial transactions in which they and/or their relatives have personal interest. There are no materially significant related party transactions which have potential conflict with the interest of the Company at large.
2. The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchange, SEBI or other statutory authorities in this regard.
3. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have certified to the Board in accordance with Clause 49 of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended 31st March, 2009.
4. The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India in the preparation of financial statements and the Company has not adopted a treatment different from that prescribed in the Accounting Standards.

(c) Secretarial Audit

A qualified Company Secretary carries out on a quarterly basis a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit, interalia, confirms that the total listed and paid-up capital of the Company is in agreement with the total number of shares in dematerialized form (held with CDSL and NSDL) and total number of shares in physical form.

(d) Annual General Meeting

Date : Saturday, 26th September, 2009
Venue : Hotel Timber Trail Resorts, Parwanoo
Time : 12.30 p.m.

(e) Financial Calendar

Financial year : 1st April to 31st March

For the financial year ended 31st March, 2009, results were announced on :

- | | | |
|------------------------|---|--------------------|
| - 30th June, 2008 | : | 30th July, 2008 |
| - 30th September, 2008 | : | 30th October, 2008 |
| - 31st December, 2008 | : | 15th January, 2009 |
| - 31st March, 2009 | : | 30th April, 2009 |

For the financial year ending 31st March, 2010, the tentative dates for announcement of the results :

- | | | |
|------------------------|---|----------------------------|
| - 30th June, 2009 | : | Last week of July, 2009 |
| - 30th September, 2009 | : | Last week of October, 2009 |
| - 31st December, 2009 | : | Last week of January, 2010 |
| - 31st March, 2010 | : | Last week of April, 2010 |

(f) Means of Communication

Quarterly/Half yearly report sent to each shareholder's residence

Newspapers in which quarterly results are published

Any website where results or official news are displayed

No. The financial results are published in the newspapers as required under the Listing Agreement.

Results are published in Economic Times, Nav Bharat Times, Jansatta, Financial Express and Business Standard

Yes

www.kddl.com

KDDL LIMITED (formerly Kamla Dials and Devices Limited)

Whether it also displays official news releases Yes
 The presentations made to institutional investors or to the analysts No

(g) Statistical data on shares

Market price Data			
Month	Quote at BSE (Amount in Rs.)		BSE Sensex
	High	Low	Close
April, 2008	54.70	33.50	17287.31
May, 2008	52.50	42.00	16415.57
June, 2008	52.00	35.55	13461.60
July, 2008	38.00	26.45	14355.75
August, 2008	38.00	30.25	14564.53
September, 2008	41.00	26.00	12860.43
October, 2008	29.45	18.00	9788.06
November, 2008	22.00	13.40	9092.72
December, 2008	22.90	16.30	9647.31
January, 2009	24.95	16.00	9424.24
February, 2009	19.20	13.80	8891.61
March, 2009	14.65	10.50	9708.50

Distribution of shareholding as on 31st March, 2009

Range of equity shares held (Amount)	No. of shareholders	%age	No. of shares held	%age
1-5000	3230	85.13	477962	6.50
5001-10000	246	6.48	193470	2.63
10001-20000	139	3.66	2090687	2.84
20001-30000	44	1.16	113898	1.55
30001-40000	27	0.71	92918	1.26
40001-50000	19	0.50	85970	1.17
50001-100000	30	0.79	210967	2.87
100001 and above	59	1.56	5964967	81.16
TOTAL	3794	100.00	7349220	100.00

Categories of shareholding as on 31st March, 2009

Category	No. of shareholders	No. of shares held	% of shareholding
Banks	2	270	0.00
Clearing members	2	298	0.00
Directors	3	1666	0.02
Directors and relatives	12	40319	0.55
Foreign collaborators	2	260000	3.54
Foreign companies	1	100000	1.36
HUF	49	111494	1.52
Bodies Corporates	105	890024	12.11
Mutual Funds	2	78569	1.07
Non resident Indians	22	116670	1.59
Overseas Corporate Bodies	3	349432	4.75
Persons acting in concert	3	111370	1.52
Promoters	25	3679580	50.07
Resident Individuals	3563	1609528	21.90
TOTAL	3794	7349220	100.00

(h) Dematerialization of shares and liquidity

41,91,728 equity shares equivalent to about 55.72% of the Company's issued equity capital is held in dematerialized form with NSDL and CDSL as on 31st March, 2009. Trading in equity shares of the Company is permitted only in dematerialized form w.e.f. 24th May, 2001 as per the notification issued by the Securities and Exchange Board of India.

KDDL LIMITED (formerly Kamla Dials and Devices Limited)

(i) Unclaimed dividend

Pursuant to the provisions of section 205A of the Companies Act, 1956, the amount of dividend which remains unclaimed for a period of seven years from the date of transfer to unclaimed/unpaid dividend account would be transferred to the "Investor Education and Protection Fund" and the shareholders would not be able to make any claims to the amount of dividend so transferred to the Fund. The unclaimed dividend for the years till 2000-01 have already been transferred to the fund. As such, shareholders who have not yet encashed their dividend warrants are requested in their own interest to write to the Company immediately for claiming outstanding dividends declared by the Company during the years 2001-02 onwards.

The schedule for transfer of dividend for the following years remaining unclaimed for seven years from the date of declaration and which are required to be transferred by the Company to the said account is tabled below:

Year	Dividend No.	Dividend unclaimed (Rs.) as on 31st March, 2009	Date of declaration	Due date for transfer on
2001-2002	10	1,03,396.00	30.09.2002	29.10.2009
2002-2003	11	1,46,445.00	23.08.2003	22.09.2010
2003-2004	12	1,60,673.75	31.08.2004	30.09.2011
2004-2005	13	1,57,359.00	17.08.2005	16.09.2012
2005-2006	14	1,73,037.00	23.09.2006	29.10.2013
2006-2007 (Interim)	15	1,56,148.00	20.02.2007	26.03.2014
2006-2007 (Final)	16	1,02,534.00	29.08.2007	04.10.2014
2007-2008	17	2,26,926.00	30.07.2008	05.09.2015

(j) Outstanding GDRs/ADRs/Warrants or any convertible instruments

Pursuant to the Special Resolution passed at the Extra-Ordinary General Meeting held on 12th February, 2007, the Board of Directors have allotted 4,60,000 Zero Coupon Convertible Warrants of Rs. 10/- each at a price of Rs. 57/- each duly calculated as per Chapter XIII of SEBI DIP Guidelines, 2000 to the promoters of the Company on preferential basis. Out of these 2,60,000 warrants were converted into equal number of equity shares in the Board Meeting held on 29th May, 2007. The remaining 2,00,000 Zero Coupon Convertible Warrants were converted into equal number of equity shares on 31st May, 2008.

(k) Plant/Business Locations :

- Dials Unit** :
1. Plot No. 3, Sector III, Parwanoo (H.P.) INDIA
 2. Winsmoor Complex, Plot No. 2, Sector 2, Parwanoo (H.P.) INDIA
 3. 296-297, 5 Main, Peenya Industrial Area, Bangalore INDIA
 4. Haibatpur Road, Derabassi INDIA
- Hands Unit** : 296-97, 5 Main, 11th Cross, Peenya Industrial Area, Bangalore INDIA
- Precision Stamping Division** : EIGEN, 408, 4th Main, 11th Cross, Peenya Industrial Area, Bangalore INDIA
- Packaging Units** :
1. 25/1, Industrial Area, Phase-II, Chandigarh INDIA
 2. Plot No. 9, Sector V, Parwanoo, Himachal Pradesh INDIA

(l) Investor Services

(i) Name, Designation and address of Compliance Officer

Ms. Priya Manoj Jaswani
Company Secretary
KDDL Limited
Corporate Office : SCO 88-89
Sector 8-C, Chandigarh-160 009
Tel : 0172-2544378
Fax : 0172- 2548302
Email : priya.jaswani@kddl.com

(ii) Address for correspondence

All correspondence relating to the shares of the Company should be forwarded to the following address of the Registrar and Share Transfer Agents of the Company:

Karvy Computershare Private Limited
UNIT : KDDL LIMITED
Plot No. 17-24, Vittal Rao Nagar
Madhapur, Hyderabad-500 081
Ph : +91-40 23420818-828
Fax : +91-40 23420814
Website : www.karvy.com

KDDL LIMITED (formerly Kamla Dials and Devices Limited)

The complaints can also be sent to the Corporate Office of the Company. To allow us to service shareholders with greater speed and efficiency, the Company strongly recommends email based correspondence on all issues which do not require signature verification for being processed.

Exclusive E-mail Id for redressal of investor complaints

In terms of Clause 47(f) of the Listing Agreement, please use the following contacts for lodging/reporting complaints relating to shares.

E-mail Id: investor.complaints@kddl.com

(iii) Website

The website of the Company is www.kddl.com

(iv) Nomination in respect of shares held in physical form

The Companies Act, 1956 provides facility for making nominations by shareholders in respect of their holding of shares and several shareholders have opted such facility. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his/her nominee without having to go through the time consuming and cumbersome process of obtaining Succession Certificate/Probate of the Will. It would therefore, be in the best interest of the shareholders holding shares in physical form as sole registered holders to make such nominations without any delay. Nominations will have to be made in the prescribed form which could be obtained from M/s Karvy Computershare Private Limited at the address mentioned above. It may be noted that for shares held in electronic form, the concerned shareholders have to register their nominations directly with their respective depository participants.

(v) Consolidation of Folios

Members are requested to consolidate their shareholdings held under multiple folios. This will not only reduce the cost of servicing the shareholders but also save them from the burden of receiving multiple communications and corporate benefits.

DECLARATION BY THE CEO UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT

In accordance with Clause 49 sub-clause I(D) of the Listing Agreement with the Stock Exchange, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance to their respective Code of Conduct, as applicable to them for the Financial Year ended 31st March, 2009.

for KDDL Limited

Yashovardhan Saboo
Chief Executive Officer

Auditors' Certificate on compliance with the conditions of Corporate Governance under clause 49 of the Listing Agreements

**To the members of
KDDL Limited (formerly Kamla Dials and Devices Limited)**

We have examined the compliance of conditions of Corporate Governance by KDDL Limited (formerly Kamla and Devices Limited) ("the Company") for the year ended on March 31, 2009, as stipulated in clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an auditor 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

for **Walker, Chandio & Co.**
Chartered Accountants

Per **B.P. Singh**
Partner

Membership No. 70116

Place : Chandigarh

Dated : 27 August 2009

AUDITORS' REPORT

TO THE MEMBERS OF KDDL LIMITED (FORMERLY KAMLA DIALS AND DEVICES LIMITED)

1. We have audited the attached Balance Sheet of **KDDL Limited** (Formerly Kamla Dials and Devices Limited), (the 'Company') as at 31 March 2009, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
 2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
 4. Further to our comments in the Annexure referred to above, 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 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 appears from our examination of those books;
- c. The financial statements dealt with by this report are in agreement with the books of account;
 - d. On the basis of written representations received from the directors, as on 31 March 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
 - e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and 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, in the case of:
 - i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2009;
 - ii) the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) the Cash Flow Statement, of the cash flows for the year ended on that date

**For Walker, Chandiook & Co.
Chartered Accountants**

by **B.P. Singh**
Partner

Place : Chandigarh
Dated : 27 August 2009

Membership No. 70116

Annexure to the Auditors' Report of even date to the members of KDDL Limited (formerly Kamla Dials and Devices Limited), on the financial statements for the year ended 31 March 2009

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion, except for the fixed assets transferred pursuant to the scheme of arrangement as detailed in note 14 of schedule 19 as annexed to the financial statements, a substantial part of fixed assets has not been disposed off during the year.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of sub clauses 4(iii) (b) to 4 (iii) (d) of the Order are not applicable.
- (b) The Company has taken an unsecured loan from a Company covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year was Rs 2,700,000 and the year-end balance was Rs. 2,700,000.
- (c) In our opinion, the rate of interest and other terms and conditions for such loans are not, *prima facie*, prejudicial to the interest of the Company.
- (d) In respect of loans taken, repayment of principal amount is as stipulated and payment of interest has been regular.
- (iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.
- (v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.
- (b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at prevailing market prices at the relevant time.
- (vi) In our opinion, the Company has complied with the provisions of sections 58A and 58AA and other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, in respect of the Company's products. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- (ix) (a) The Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they became payable.
- (b) The dues outstanding in respect of sales-tax, income-tax, custom duty, wealth-tax, excise duty, cess etc on account of dispute, are as follows:

KDDL LIMITED (formerly Kamla Dials and Devices Limited)

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Sevoce Tax (including penalty)	985,582	Jan 2005-June 2006	Commissioner (Appeals), CESTAT, New Delhi
Central Excise Act, 1944	Central Excise	59,106	August 2007	Joint Secretary, Govt. of India, Ministry of Finance, Deptt. of Revenue, New Delhi
Finance Act, 1994	Service Tax	167,577	July 1997-March 1999	Assistant Commissioner(Appeals), Shimla
Central Excise Act	Central Excise	4,082,441	July 1997-Feb. 2003	CESTAT, New Delhi
Central Excise Act	Central Excise	45,670	July 2002-June 2004	CESTAT, New Delhi
Finance Act, 1994	Service Tax	74,071	July 2003-June 2005	CESTAT, New Delhi
Finance Act, 1994	Service Tax	399,146	July 2004-Feb 2005	CESTAT, New Delhi
Finance Act, 1994	Service Tax	676,317	July 2003-Dec 2004	CESTAT, New Delhi
Income Tax Act, 1961	Income Tax	3,646,108	Assessment Year 2004-05	Commissioner of Income Tax (Appeals), New Delhi
Income Tax Act, 1961	Income Tax (Penalty)	150,000	Assessment Year 2003-04	Commissioner of Income Tax (Appeals), New Delhi
Income Tax Act, 1961	Income Tax	10,703,431	Assessment Year 2005-06	Commissioner of Income Tax (Appeals), New Delhi
Punjab Municipal Act, 1911	Municipal Tax	6,056,124	1996-97 to 2008-09	Municipal Council, Derabassi

- x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (xi) In our opinion, the Company has not defaulted in repayment of dues to a financial institution or a bank. The Company has no dues payable to debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a *nidhi*/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by subsidiaries from banks or financial institutions are not, prima facie, prejudicial to the interest of the Company.
- (xvi) In our opinion, the Company has applied the term loans for the purpose for which the loans were obtained.
- (xvii) In our opinion, funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For **Walker, Chandio & Co.**
Chartered Accountants

by **B.P. Singh**
Partner

Place : Chandigarh
Dated : 27 August 2009

Membership No. 70116

KDDL LIMITED (formerly Kamla Dials and Devices Limited)**BALANCE SHEET AS AT 31ST MARCH 2009**

(Amount in Rupees)

	Schedule	As at 31 March 2009	As at 31 March 2008
SOURCES OF FUNDS			
Shareholders' funds			
Capital	1	74,363,600	72,363,600
Reserves and surplus	2	283,623,149	271,853,771
		<u>357,986,749</u>	<u>344,217,371</u>
Equity share warrants	3	-	1,140,000
Loan funds			
Secured	4	255,231,483	449,972,092
Unsecured	5	70,669,416	109,129,000
		<u>325,900,899</u>	<u>559,101,092</u>
Deferred tax liability (net)		45,655,021	44,054,608
		<u>729,542,669</u>	<u>948,513,071</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	6	731,217,977	737,878,804
Less : Accumulated depreciation		333,841,674	307,392,664
Net block		397,376,303	430,486,140
Capital work-in-progress		8,599,774	4,665,775
		<u>405,976,077</u>	<u>435,151,915</u>
Investments	7	140,084,630	80,918,780
Current assets, loans and advances			
Inventories	8	130,112,888	411,932,218
Sundry debtors	9	93,397,814	133,874,901
Cash and bank balances	10	15,559,837	43,419,832
Interest accrued on deposits		530,593	1,395,193
Loans and advances	11	107,843,225	121,195,017
		<u>347,444,357</u>	<u>711,817,161</u>
Less : Current liabilities and provisions			
Liabilities	12	147,739,260	253,605,414
Provisions	13	16,223,135	25,769,371
		<u>163,962,395</u>	<u>279,374,785</u>
Net Current assets		183,481,962	432,442,376
		<u>729,542,669</u>	<u>948,513,071</u>
Significant accounting policies	18		
Notes to the financial statements	19		

The schedules referred to above form an integral part of the financial statements.

On behalf of the Board of Directors

R.K. SABOO
Chairman

Y. SABOO
Chief Executive Officer

SAMEER MADAN
Chief Financial Officer

PRIYA MANOJ JASWANI
Company Secretary

This is the Balance Sheet referred to in our report of even date.

For **Walker, Chandiook & Co.**

Chartered Accountants

by **B.P. Singh**

Partner

Membership No. 70116

Place : Chandigarh
Dated : 27 August 2009

KDDL LIMITED (formerly Kamla Dials and Devices Limited)
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

(Amount in Rupees)

	Schedule	For the year ended 31 March 2009	For the year ended 31 March 2008
INCOME			
Gross operating income	14	720,008,328	1,087,995,409
Less: Excise duty		40,092,031	51,157,830
Net operating income		679,916,297	1,036,837,579
Other income	15	8,429,316	19,319,243
		688,345,613	1,056,156,822
EXPENDITURE			
Goods purchased for resale		-	407,408,412
Manufacturing, administrative and selling expenses	16	603,865,372	536,817,216
		603,865,372	944,225,628
Profit before interest and depreciation		84,480,234	111,931,194
Finance Cost	17	36,014,923	44,601,554
Profit before depreciation		48,465,312	67,329,640
Depreciation	6	42,011,617	46,007,998
Profit from operation before tax		6,453,701	21,321,642
Profit from continuing operations before tax		6,453,701	40,863,337
Provision for Income Tax			
- Current tax		427,815	2,300,000
- Minimum Alternative Tax (MAT) credit entitlement		(304,064)	-
- Deferred tax		1,600,413	792,411
- Income tax for earlier years (net)		-	959,841
- Fringe benefit tax		2,360,159	2,322,971
Profit from continuing operations after tax		2,369,378	34,488,114
Discontinuing operations			
Loss from Discontinuing operations		-	(19,541,695)
- Deferred tax		-	(184,304)
- Fringe benefit tax		-	380,903
Net profit from discontinuing operations after tax		-	(19,738,294)
Profit after tax		2,369,378	14,749,820
Balance brought forward from previous year		34,394,443	29,242,843
Profit available for appropriation		36,763,821	43,992,663
Appropriations :			
Final dividend (proposed)		-	7,349,220
Dividend distribution tax		-	1,249,000
Transfer to general reserve		-	1,000,000
Surplus carried to balance sheet		-	34,394,444
		36,763,821	43,992,663
Earnings per share (Rs.)			
Including discontinuing operations			
Basic		0.32	2.08
Diluted		0.32	2.07
Excluding discontinuing operations			
Basic		0.32	4.85
Diluted		0.32	4.84
(Refer to note 11 on schedule 19)			
Significant accounting policies	18		
Notes to the financial statements	19		

The schedules referred to above form an integral part of the financial statements.

On behalf of the Board of Directors

 R.K. SABOO
Chairman

 Y. SABOO
Chief Executive Officer

 SAMEER MADAN
Chief Financial Officer

 PRIYA MANOJ JASWANI
Company Secretary

This is the Balance Sheet referred to in our report of even date.

 For **Walker, Chandio & Co.**
Chartered Accountants
by **B.P. Singh**
Partner

Membership No. 70116

 Place : Chandigarh
Dated : 27 August 2009

KDDL LIMITED (formerly Kamla Dials and Devices Limited)
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

(Amount in Rupees)

	Year ended 31 March 2009	Year ended 31 March 2008
A. Cash flow from operating activities:		
Net profit before tax	6,453,701	21,321,642
Adjustments for :		
Depreciation	42,011,617	46,007,998
Loss on sale of fixed assets	132,762	247,292
Provision for doubtful debts	2,046,539	1,182,536
Bad debts written off	148,148	-
Dividend income	(421,566)	(1,864,690)
Interest expense	32,165,494	40,198,627
Liabilities written back	(38,164)	(267,490)
Interest income	(3,738,500)	(3,624,132)
Operating profit before working capital changes	78,760,031	103,201,783
Adjustments for:		
Trade and other receivables	3,005,961	(54,644,380)
Inventories	(19,245,665)	(177,662,412)
Trade and other payables	26,515,096	75,185,711
Income Tax Paid	(11,758,326)	(17,113,726)
Net cash generated/(utilised) from operating activities	77,277,097	(71,033,024)
B. Cash flow from investing activities:		
Purchase of fixed assets	(51,388,958)	(78,091,708)
Proceeds from sale of fixed assets	608,329	1,115,143
Movement in restricted cash	16,748,429	(9,526,611)
Interest received	4,603,100	2,865,158
Dividend received from subsidiary	-	1,519,830
Dividend received from associate	421,566	3,44,760
Investment in subsidiaries	(19,000,003)	(20,737,870)
Other investments	(125,000)	(1,874,200)
Net cash used in investing activities	(48,132,537)	(104,385,398)
C. Cash flow from financing activities:		
Proceeds from issue of capital (including premium)	10,260,000	13,338,000
Movement in public deposits	(13,124,000)	52,632,000
Movement in long term borrowings	(15,460,161)	5,662,541
Capital subsidy received	-	3,000,000
Increase/(Decrease) in short term borrowings	25,581,325	129,543,467
Interest paid	(31,109,581)	(39,745,653)
Dividend paid	(7,349,220)	(5,361,915)
Tax on dividend	(1,249,000)	(909,058)
Net cash (utilised in)/generated from financing activities	(32,450,637)	158,159,382
Net decrease in cash and cash equivalents	(3,306,077)	(17,259,040)
Opening cash and cash equivalents	23,311,349	40,570,389
Transfer of cash and bank balances under the scheme of arrangement	(7,679,704)	-
Closing cash and cash equivalents	12,325,568	23,311,349
Notes:		
Cash and cash equivalents include:		
Cash in hand	780,913	2,670,958
Balance with banks	11,544,655	20,640,391
	12,325,568	23,311,349
Excluding the following:		
- Pledged in fixed deposit accounts	2,000,000	19,000,000
- In equity dividend accounts	1,226,519	1,100,733
- Pledged post office balances	7,750	7,750
Balance as per books of account	15,559,837	43,419,832

Note 2 : Cash flow in respect of ordinary activities attributable to discontinuing operations

Operating activities - Rs. Nil, Previous Year-Rs. (139,412,271)

Investing activities - Rs. Nil, Previous Year-Rs (37,782,046)

Financing activities - Rs. Nil, previous year-Rs. 178,168,863

Note 3 : Pursuant to the scheme of arrangement as detailed in note 14 of schedule 19, adjustments have been made for movements in trade and other receivables, inventories, trade and other payables, fixed assets, long term borrowings, and short term borrowings with corresponding adjustments in investment in subsidiaries, all being non-cash in nature. Accordingly, impact of such non-cash transactions is as follows:

Net cash generated from Operating activities - Rs. 224,620,627, Previous Year Rs. Nil.

Net cash utilised from Investing activities - Rs. 2,102,973, Previous Year Rs. Nil.

Net cash utilised from Financing activities - Rs. 230,197,358, Previous Year Rs. Nil.

On behalf of the Board of Directors

R.K. SABOO
Chairman

Y. SABOO
Chief Executive Officer

SAMEER MADAN
Chief Financial Officer

PRIYA MANOJ JASWANI
Company Secretary

This is the Balance Sheet referred to in our report of even date.

For **Walker, Chandiook & Co.**
Chartered Accountants

by **B.P. Singh**
Partner

Membership No. 70116

Place : Chandigarh
Dated : 27 August 2009

KDDL LIMITED (formerly Kamla Dials and Devices Limited)
Schedules forming part of the financial statements for the year ended 31st March, 2009

(Amount in Rupees)

	As at 31 March 2009	As at 31 March 2008
Schedule - 1		
Share Capital		
Authorised		
12,000,000 (previous year 12,000,000) Equity shares of Rs. 10 each	<u>120,000,000</u>	<u>120,000,000</u>
Issued & subscribed		
7,523,500 (previous year 7,323,500) Equity shares of Rs. 10 each	<u>75,235,000</u>	<u>73,235,000</u>
Paid up :		
7,349,220 (previous year 7,149,220) Equity shares of Rs. 10 each fully paid	<u>73,492,200</u>	<u>71,492,200</u>
Add : Forfeited shares	<u>871,400</u>	<u>871,400</u>
	<u>74,363,600</u>	<u>72,363,600</u>
Schedule - 2		
Reserves and surplus		
Capital reserves		
Central investment subsidy	2,500,000	2,500,000
State investment subsidy	3,000,000	3,000,000
Profit on re-issue of forfeited shares	9,125	9,125
Securities premium account	124,936,650	112,716,650
Addition during the year	<u>9,400,000</u>	<u>12,220,000</u>
	134,336,650	124,936,650
General reserve		
As per last balance sheet	107,013,553	107,813,677
Less : Adjustment as per transitional provisions of AS 15 (revised 2005) (ref. Note 10 of schedule 19)	-	1,800,124
Add : Transfer from profit and loss account	-	1,000,000
	107,013,553	107,013,553
Surplus in Profit and Loss Account	<u>36,763,821</u>	<u>34,394,443</u>
	<u>283,623,149</u>	<u>271,853,771</u>
Schedule - 3		
Equity share warrants		
Nil (previous year 200,000) Zero coupon Convertible Equity Share Warrants (ref. Note 5 of schedule 19)	-	1,140,000
	<u>-</u>	<u>1,140,000</u>
Schedule - 4		
Secured Loans		
Term loans from :		
- Bank of India (BOI)	53,323,780	46,575,136
- Industrial Development Bank of India (IDBI)	36,050,188	35,468,659
- Standard Chartered Bank (External commercial borrowing)	50,665,219	75,905,694
- HDFC Bank Limited (erstwhile Centurion Bank of Punjab Limited)	-	15,841,940
Working capital loans from :		
- Bank of India (BOI) on cash credit account	56,159,081	50,613,273
- IDBI Bank Limited (IDBI) on cash credit account	16,759,264	-
- HDFC Bank Limited (erstwhile Centurion Bank of Punjab Limited) on cash credit account	-	164,355,418
- Standard Chartered Bank (SCB) on cash credit account	38,467,732	55,155,894
Others :		
- Vehicle loans from banks	3,806,218	6,056,078
	<u>255,231,483</u>	<u>449,972,092</u>

KDDL LIMITED (formerly Kamla Dials and Devices Limited)**Schedules forming part of the financial statements for the year ended 31st March, 2009****Notes :**

- a) Term loans from BOI is secured by first charge on the entire fixed assets of Dials and Hands Units at Bangalore and Dials Unit at Derabassi, ranking pari passu, and second charge on current assets (save and except book debts) of the Company, subject to the first charge in favour of Company's bankers for securing the working capital limits. These loans are also guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.
- b) Term Loan from IDBI is secured by first charge on all the Company's movable assets pertaining to its Derabassi Unit and EIGEN (Tool Room) Unit of the Company at Bangalore (save and except book debts) including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and /or to be created in favour of the Company's bankers on the stock of raw materials, semi-finished and finished goods, consumable stores, book debts and such movables. It is also secured by way of an exclusive first charge on hypothecation of machinery/equipments, all movables pertaining to Tool Room Unit, Bangalore and mortgage charge on land and building of Tool Room Unit at Bangalore and pari-passu mortgage charge on land and building and other fixed assets of Derabassi unit. It is also secured by hypothecation charge of machinery/equipments installed /to be installed out of proceeds of loan from IDBI in other than above Units of the Company. This loan is also guaranteed by the chairman and Chief Executive Officer (CEO) of the Company.
- c) External commercial borrowing from SCB is secured by:
1. Hypothecation by way of first pari passu charge over the whole of fixed assets of the Company situated at Dial Unit, Derabassi, Punjab; at Hands and Dials Unit, Peenya Industrial Area, Bangalore and at Eigen (Tool Room) Unit, Peenya Industrial Area, Bangalore, including its plant and machinery, machinery spares, tools and accessories and other movables, both present and future (save and except assets specifically charged to other lenders) whether installed or not and whether now lying loose or in cases or which are now lying or stored in or open or shall hereafter from time to time during the continuance of security of these present be brought into and or upon or to be stored or to be in or about all the borrower's factories, premises and godowns situated at Haibatpur Road, Saddomajra, Derabassi-140 507, Punjab; at Plot No 296-297, 5th Main IV Phase, Peenya Industrial area Bangalore-560 058 and at plot no 81-82 A, 7 Main, Phase III, Peenya Industrial area, Bangalore-560 058, the same will be or shall be held any party to the order or disposition of the Company or in the course of transit or on high seas or on order or delivery howsoever and wheresoever in the possession of the Company.
 2. Hypothecation by way of First Exclusive Charge over movable fixed asset of the company, consisting of plant and machinery, equipment and other movable fixed assets more particularly described in the Schedule prescribed in the agreement, acquired by utilization of the facility in the form of External Commercial Borrowing, whether installed or not and whether now lying loose or in cases which are now lying or stored in or open at the Company Parwanoo Unit.
 3. All stock in trade both present and future consisting of Raw Material, finished goods, goods in process of manufacturing and other merchandise whatsoever and all present and future book debts, outstanding monies, receivables, claims and bill etc shall be hypothecated to the bank by way of second charge on the pari passu basis. This loan is also guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.
- d) Working capital loans from Bank of India, IDBI Bank and Standard Chartered Bank are secured by hypothecation of stocks of stores & spares, raw materials & components, finished goods & stocks-in-process and book debts and other assets of the Company (both present and future), on pari passu basis except Packaging Unit of the Company and are further secured by a second charge on the entire fixed assets of the Company. These loans are also guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.
- e) All fixed assets of packing unit at Chandigarh are hypothecated by first charge of HDFC Bank Ltd. (estwhile Centurion Bank of Punjab) in respect of working capital sanctioned to Kamal Retail Ltd, a subsidiary of the Company. This is further secured by the first charge over land and building and all other fixed assets of the Parwanoo dials unit of the Company excluding the assets purchased after 1st April, 2005. using the ECB from Standard Chartered Bank. These limits are guaranteed by the Chief Executive Officer (CEO) of the Company.
- f) Vehicle Loans from banks are secured against hypothecation of specific vehicles purchased out of the proceeds of those loans.
- g) Installments of term loans due within one year Rs. 26,555,150 (previous year Rs. 69,620,300)

(Amount in Rupees)

	As at 31 March 2009	As at 31 March 2008
Schedule - 5		
Unsecured Loans		
Deposits from public	45,005,000	108,129,000
Short term loan from Bank of Rajasthan (BOR)	19,964,416	
Intercorporate Deposits	5,700,000	1,000,000
	<u>70,669,416</u>	<u>109,129,000</u>

- Note :** (a) Deposits from public and other unsecured loans due within one year Rs. 43,593,416 (previous year Rs. 30,389,000)
(b) Short term loans from BOR is guaranteed by the Chairman of the Company.

KDDL LIMITED (formerly Kamla Dials and Devices Limited)
Schedules forming part of the financial statements for the year ended 31st March, 2009

(Amount in Rupees)

**SCHEDULE - 6
Fixed Assets**

	Gross Block			As at 31.03.09	Upto 31.03.08	Depreciation			Net Block	
	As at 01.04.08	Additions	Disposals*			Upto 31.03.09	Charge for the year	Adjustments (Net)	As at 31.03.09	As at 31.03.08
Tangibles										
Land										
- Leasehold	225,746	-	-	225,746	-	-	-	-	225,746	225,746
- Freehold	8,263,331	-	-	8,263,331	-	-	-	-	8,263,331	8,263,331
Buildings	118,682,227	1,620,109	16,792,388	103,509,948	27,720,493	3,032,219	5,792,573	24,960,139	78,549,809	90,961,734
Leasehold improvements	-	88,932	-	88,932	-	5,929	-	5,929	83,003	-
Plant & Machinery	501,405,487	39,268,062	4,316,360	536,357,189	233,451,934	31,908,333	1,141,742	246,318,525	262,138,663	267,953,553
Furniture & Office Equipment	85,270,793	4,805,941	31,933,667	58,143,067	39,482,113	4,419,804	8,195,538	35,706,379	22,436,688	45,788,680
Vehicles	19,096,320	773,355	1,073,371	18,796,304	5,340,940	1,770,077	432,754	66,78,263	12,118,041	13,755,380
Intangibles										
ERP Software	4,935,000	895,560	-	5,833,560	1,397,184	875,255	-	2,272,439	3,561,121	3,537,816
Total	737,878,804	47,454,959	54,115,786	731,217,977	307,392,664	42,011,617	15,562,607	333,841,674	397,376,303	430,486,140
Previous Year	659,947,622	80,259,070	2,327,888	737,878,804	262,347,837	46,007,998	963,171	307,392,664	430,486,140	397,599,785
Capital Work-in-progress									8,599,774	4,665,775

*disposals and adjustments (net) include assets aggregating to Rs 51,752,791 (accumulated depreciation thereon Rs 14,056,853) which have been transferred pursuant to scheme of arrangement as detailed in note 14 of schedule 19.

Following are the block wise details of such assets :

Particulars	Gross Block	Accumulated Depreciation	Net Block
Furniture & Office Equipments	16,792,404	5,792,573	10,999,831
Plant & Machinery	31,341,142	7,693,880	23,647,262
Vehicles	3,619,244	570,400	3,048,844
Total	51,752,791	14,056,853	37,695,938

	As at 31 March 2009	As at 31 March 2008
Schedule - 7		
Investments		
Long Term		
Trade Investments		
Fully paid-up shares (unquoted)		
Subsidiaries		
- 1,520,000 (previous year 1,520,000) equity shares of Rs. 10 each fully paid up of Himachal Fine Blank Limited	15,200,000	15,200,000
- 1,000 (previous year Nil) equity shares of Swiss Franc (CHF) 1,000 each fully paid up of Pylania AG, Switzerland	35,783,870	35,783,870
- 5,504,085 (previous year 1,000,000) equity shares of Rs. 10 each fully paid up of Kamla Retail Limited	55,040,850	10,000,000
- 50,000 (previous year Nil) equity shares of Rs. 10 each fully paid up of Mahen Boutiques Limited	500,000	-
- 2,000,000 (previous year Nil) equity shares of Rs. 10 each, partly paid up Rs. 6.75 each of Mahen Boutiques Limited*	13,500,000	-
Others		
- 51 (previous year 51) equity shares of Swiss Franc (CHF) 1,000 each fully paid up of Taratec SA, Switzerland	1,540,710	1,540,710
- 300,000 (previous year 300,000) equity shares of Rs. 10 each fully paid up of Kamla Tesio Dials Ltd.	3,000,000	3,000,000
- 1,039,420 (previous year 1,039,420) equity shares of Rs. 10 each fully paid up of Satva Jewellery and Design Limited	10,394,200	10,394,200
	134,959,630	75,918,780
Less : Provision for diminution in the value of investment, other than temporary, in Kamla Tesio Dials Ltd.	1,000,000	1,000,000
Aggregate cost of trade investments	133,959,630	74,918,780
Non Trade Investments		
Fully paid-up shares (unquoted)		
10,000 (previous year 10,000) equity shares of Rs. 100 each fully paid up, of VBL Innovations Limited	1,000,000	1,000,000
500,000 (previous year 500,000) equity shares of Rs. 10 each fully paid up of Karolview Developers Pvt Ltd.**	5,000,000	5,000,000
12,500 (previous year Nil) equity shares of Rs. 10 each fully paid up of Shivalik Waste Management Limited	125,000	-
Aggregate cost of non trade investments	6,125,000	6,000,000
	140,084,630	80,918,780

* Nominal value of each share is Rs. 10 out of which Rs. 3.25 per share is un-called money

** 490,000 (Previous year 490,000) shares are pending allotment

KDDL LIMITED (formerly Kamla Dials and Devices Limited)**Schedules forming part of the financial statements for the year ended 31st March, 2009**

(Amount in Rupees)

	As at 31 March 2009	As at 31 March 2008
Schedule - 8		
Inventories		
(As taken, valued and certified by the management)		
Stores and spares	15,419,170	10,781,400
Raw material and components	55,257,154	60,558,264
Stock-in-process	38,531,207	32,172,085
Finished goods		
– Own manufactured	16,248,367	6,675,501
– Traded	–	301,064,995
Goods in transit	4,209,990	605,279
Scrap	447,000	74,694
	<u>130,112,888</u>	<u>411,932,218</u>
Schedule - 9		
Sundry debtors		
(Unsecured)		
Debts outstanding for a period exceeding six months		
– considered good	6,582,341	6,226,981
– considered doubtful	3,778,063	1,731,524
Other debts - considered good	86,815,473	127,647,920
	<u>97,175,877</u>	<u>135,606,425</u>
Less : Provision for doubtful debts	3,778,063	1,731,524
	<u>93,397,814</u>	<u>133,874,901</u>
Schedule - 10		
Cash and bank balances		
Cash in hand	780,913	2,670,958
Balances with scheduled banks in		
– Current accounts	6,656,551	13,734,644
– Equity dividend accounts	1,226,519	1,100,733
– Fixed deposit accounts	6,888,104	25,905,747
(Receipt for Rs. 2,000,000 (Previous Year Rs. 19,000,000) pledged with bank against term loan facility availed by the Company)		
– Post office savings account	7,750	7,750
(Pass book pledged with central excise authorities)		
	<u>15,559,837</u>	<u>43,419,832</u>
Schedule - 11		
Loans and advances		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	28,262,051	48,768,021
Loans and advances to subsidiaries	49,584,378	18,083,019
Balance with central excise authorities	6,506,173	8,804,706
Minimum alternative tax entitlement	304,064	–
Prepaid income taxes (net of provision aggregating to Rs. 5,087,974 (Previous Year Rs. 5,003,874))	19,001,762	10,031,409
Security and other deposits	4,184,797	35,507,862
	<u>107,843,225</u>	<u>121,195,017</u>

Notes :

- Amount due from Kamla Retail Limited Rs. 13,675,001 (Previous Year Rs. 4,048,203). Maximum amount due at any time during the year Rs. 40,339,136 (Previous year Rs. 4,048,203).
- Amount due from Himachal Fine Blank Limited Rs. 14,396,160 (Previous year Rs. 14,034,816). Maximum amount due at any time during the year Rs. 14,764,008 (Previous year Rs. 14,347,380).
- Amount due from Mahen Boutiques Limited Rs. 19,333,914 (Previous year Rs. Nil). Maximum amount due at any time during the year Rs. 32,249,605 (Previous year Rs. Nil).
- Amount due from Satva Jewellery & Design Limited Rs. 59,860 (Previous year Rs. 41,438). Maximum amount due at any time during the year Rs. 1,064,644 (Previous year Rs. 614,028).
- Amount due from Pylania AG Rs. 2,179,303 (Previous Year Rs. Nil). Maximum amount due at any time during the year Rs. 2,179,540 (Previous Year Rs. 9,052,170).

KDDL LIMITED (formerly Kamla Dials and Devices Limited)**Schedules forming part of the financial statements for the year ended 31st March, 2009**

(Amount in Rupees)

	As at 31 March 2009	As at 31 March 2008
Schedule - 12		
Current Liabilities		
Sundry creditors for goods, services and expenses		
Due to Micro, Small and Medium enterprises	-	881,373
Other	105,403,838	231,016,238
Other liabilities	5,039,792	6,656,189
Advances from customers	31,291,474	10,229,157
Interest accrued but not due on loans	4,777,637	3,721,724
Investor education and protection fund*	1,226,519	1,100,733
* Not due for deposit		
	<u>147,739,259</u>	<u>253,605,413</u>
Schedule - 13		
Provisions		
Employee benefits	9,619,799	11,609,119
Bonus	6,543,336	5,562,032
Provision for Wealth tax	60,000	-
Proposed dividend	-	7,349,220
Dividend distribution tax on proposed dividend	-	1,249,000
	<u>16,223,135</u>	<u>25,769,371</u>
Schedule - 14		
Gross operating income		
Sale of goods	705,482,817	1,069,022,666
Miscellaneous sales	8,558,644	11,960,505
Job charges received	804,561	1,870,981
Tool development charges	5,162,306	2,581,714
Others	-	2,559,543
	<u>720,008,328</u>	<u>1,087,995,409</u>
Schedule - 15		
Other Income		
Liabilities no longer required, written back	38,164	267,490
Export incentives	4,109,694	4,758,380
Lease rent	6,00,000	600,000
Dividend Income	421,566	1,864,690
Interest income from subsidiary*	2,515,093	1,761,313
Miscellaneous receipts	744,799	10,067,370
	<u>8,429,316</u>	<u>19,319,243</u>
*Tax deducted at source	569,920	398,104
Schedule - 16		
Manufacturing, administrative and selling expenses		
Raw material consumed	202,684,754	216,880,980
Stores and spares consumed	55,672,710	57,477,626
Power, fuel and water charges	20,590,731	22,874,087
Tool development expenses	1,402,252	2,214,014
Salaries, wages and bonus	188,542,425	183,595,513
Contribution to provident and other funds	12,048,074	13,969,579
Staff and labour welfare expenses	12,093,714	12,424,122
Recruitment expenses	367,003	2,225,887

KDDL LIMITED (formerly Kamla Dials and Devices Limited)**Schedules forming part of the financial statements for the year ended 31st March, 2009**

(Amount in Rupees)

	As at 31 March 2009	As at 31 March 2008
Processing charges	17,098,702	17,629,985
Insurance	460,104	1,653,066
Rent	9,364,172	35,059,609
Rates and taxes	1,122,668	1,236,206
Repair and maintenance		
– Plant and machinery	7,423,283	7,760,605
– Buildings	2,958,526	4,498,133
– Others	3,762,025	4,513,471
Legal and professional	11,138,364	12,665,674
Payment to auditors*		
– Audit fee	300,000	300,000
– Tax audit fee	75,000	75,000
– Certification etc.	294,000	260,000
– Expenses	353,292	505,473
Directors' sitting fees	140,000	447,500
Travel and conveyance	16,776,453	16,206,734
Directors' travelling	3,923,454	5,714,328
Postage and telephone	4,597,861	5,457,811
Subscription and annual fee	774,637	793,552
Printing & Stationery	3,767,178	4,419,015
Donations	317,475	689,000
Selling & distribution expenses		
– Commission	13,193,753	21,351,147
– Discounts	266,701	7,107,276
– Other expenses	7,093,435	34,460,198
Provision for doubtful debts [excluding debtors written off against provision made in earlier year Rs. Nil (previous year Rs. 750,464)]	2,046,539	1,182,536
Bad debts written off	148,148	–
Loss on disposal of fixed assets (net)	132,762	247,292
Foreign exchange fluctuation (net)	12,628,550	5,270,400
Miscellaneous expenses	6,484,952	11,582,389
(Increase) / decrease in stocks (refer schedule 16A)	(16,178,325)	(175,930,992)
	<u>603,865,372</u>	<u>536,817,216</u>

*Current year fees does not include service tax amounting to Rs. 100,151 (Previous year Rs. 77,250) to be paid to the auditors, being available for set off against the excise duty liability.

Schedule - 16A**(Increase) / decrease in stocks****Opening Stock**

Finished goods

– Own manufactured

6,675,501

3,295,669

– Traded

301,064,995

133,919,425

Stock-in-process

32,172,085

26,316,704

Scrap

74,694

243,258

339,987,275163,775,056

Less : Adjustment pursuant to scheme of arrangement

301,064,995

–

(Refer Note 14 of Schedule 19)

38,922,280163,775,056

KDDL LIMITED (formerly Kamla Dials and Devices Limited)**Schedules forming part of the financial statements for the year ended 31st March, 2009**

(Amount in Rupees)

	As at 31 March 2009	As at 31 March 2008
Schedule - 16		
Closing Stocks		
Finished goods		
– Own manufactured	16,248,367	6,675,501
– Traded	–	301,064,995
Stock-in-process	38,531,207	32,172,085
Scrap	447,000	74,694
	<u>55,226,574</u>	<u>339,987,275</u>
	<u>(16,304,294)</u>	<u>(176,212,219)</u>
Less : (Increase) / decrease in excise duty on stocks	(125,969)	(281,227)
	<u><u>(16,178,325)</u></u>	<u><u>(175,930,992)</u></u>
Schedule - 17		
Finance Cost		
On term loans	12,888,593	16,034,985
On Fixed Deposits	5,668,907	6,110,090
On other loans from banks and others	13,607,994	18,053,552
	<u>32,165,494</u>	<u>40,198,627</u>
Less : Received from banks and other (tax deducted at source Rs. 64,566; (previous year Rs. 374,295))	1,223,407	1,862,819
Other bank and finance charges	5,072,836	6,265,746
	<u><u>36,014,923</u></u>	<u><u>44,601,554</u></u>

Schedules forming part of the financial statements for the year ended 31st March, 2009

Schedule - 18

Significant accounting policies

1. Basis of preparation

The financial statements of KDDL Limited ("the Company") have been prepared on accrual basis under the historical cost convention, in accordance with the generally accepted accounting principles in India and to comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956 ("the Act") and the Rules framed thereunder. The accounting policies have been consistently applied by the Company unless otherwise stated.

2. Use of estimates

In preparing the financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revisions to accounting estimates are recognised in the current and future periods.

3. Revenue recognition

- a) Revenue from sale of goods is recognised when the significant risks and rewards in respect of ownership of the goods are transferred to the customer and is stated inclusive of excise duty and net of trade discounts, sales returns and sales tax wherever applicable.
- b) Export entitlements under the Duty Entitlement Pass Book scheme are recognised in the profit and loss account when the right to receive credit as per the terms of the scheme is established in respect of the exports made.
- c) Revenue in respect of tool development and job charges is recognized as per the terms of the contract with the customers.
- d) Interest income is recognized on a time proportion basis, taking into account the amount outstanding and the rates applicable.
- e) Dividend income is recognized when the Company's right to receive the same is established.

4. Fixed assets

Fixed assets are stated at cost (gross block) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price (net of Cenvat credit availed) and any attributable cost of bringing the asset to its working condition for its intended use.

Expenditure on account of modification / alteration in plant and machinery / building, which increases the future benefit from the existing asset beyond its previous assessed standard of performance, is capitalised.

Borrowing costs directly attributable to acquisition or construction of fixed assets, which necessarily takes a substantial period of time to get ready for their intended use are capitalized.

5. Depreciation

- Depreciation is provided on straight line method as per the rates specified in Schedule XIV to the Act, as applicable at the time of addition of the respective fixed assets, on pro-rata basis from the month of addition, except for the following:
- Depreciation on improvements carried out on buildings taken on lease (included under buildings) is provided over the period of the lease.
- Depreciation on a particular class of dies and tools manufactured by the Company and put to use after 01 April 2003 is provided over a period of 3 years.
- The above rates of depreciation are indicative of the useful lives of the assets.
- The cost of leasehold land is not amortised.

6. Inventories

Inventories are valued as follows:

1. **Raw materials & components, stores and spares, finished goods and stock in process:** At lower of cost and net realisable value.
2. **Scrap:** At estimated realisable value.
3. Cost of inventories is ascertained on the following basis:
 - a) Raw materials and components and stores & spares - on moving weighted average basis.
 - b) Goods purchased for re-sale on moving weighted average basis.
 - c) Cost of finished goods and stock in process comprise material, labour and related estimated overheads including depreciation.

7. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

Long-term investments are stated at cost. Provision is made for diminution in the value of long-term investments to recognise decline, if any, other than temporary in nature.

8. Foreign currency transactions

Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment.

Schedules forming part of the financial statements for the year ended 31st March, 2009

Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction and monetary items denominated in foreign currency are restated at the rate prevailing on the balance sheet date.

Differences arising on foreign currency translations of transactions settled during the year are recognised in the profit and loss account.

The exchange differences arising on forward contracts other than those entered into to hedge the foreign currency risk of firm commitments or highly probable forecast transactions are recognised in the year in which they arise based on the difference between i) foreign currency amount of the contract translated at the exchange rate on the reporting date and ii) the same foreign currency amount translated at the later of the date of inception of the forward exchange contract or the last reporting date.

The premium or discount arising at the inception of the forward contracts other than those entered into to hedge the foreign currency risk of firm commitments or highly probable forecast transactions is amortised as expense or income over the life of the contract.

Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or expense for the year.

9. Employee benefits

The Company's contribution to provident fund, being a defined contribution plan, is recognised in the profit and loss account.

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability determined based on actuarial valuation using the Projected Unit Credit Method at the Balance Sheet date.

Gratuity is a post employment defined benefit plan. The present value of obligation for gratuity is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service. Gratuity and superannuation funds are administered by trustees of independently constituted trusts.

In respect of superannuation, the Company makes contribution to Life Insurance Corporation of India ("LIC") of an amount payable by the trusts to LIC, which is charged to the profit and loss account.

10. Taxes on income

Tax expense comprises current tax, deferred income tax and fringe benefit tax.

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Minimum alternative tax payable under the provisions of the Income Tax Act, 1961 is recognised as an asset in the year in which credit becomes eligible and is set off in the year in which the Company becomes liable to pay income taxes at the enacted tax rates.

Provision for Fringe Benefit Tax for the year has been determined in accordance with the provisions of section 115 WC of the Income Tax Act, 1961.

11. Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise the net profit or loss for the year attributable to the equity shareholders. Earnings per share are computed using the weighted average number of shares outstanding during the year.

For the purpose of calculating diluted earning per share, the net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

12. Leases

Lease rentals in respect of assets taken under an operating lease are charged to the profit and loss account on a straight line basis over the term of the lease.

In respect of assets given on operating lease, income is being recognised on a straight line basis over the term of the lease.

13. Contingent liabilities and provisions

The Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. A disclosure is made for possible or present obligations that may but probably will not require outflow of resources or where a reliable estimate cannot be made, as a contingent liability in the financial statements.

14. Impairment of assets

The Company on an annual basis makes an assessment of any indicator that may lead to impairment of assets. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount is less than the carrying amount, then the carrying amount is reduced to its recoverable amount by treating the difference as impairment loss and is charged to the profit and loss account.

KDDL LIMITED (formerly Kamla Dials and Devices Limited)
Schedules forming part of the financial statements for the year ended 31st March, 2009

(Amount in Rupees)

	As at 31 March 2009	As at 31 March 2008
SCHEDULE -19		
Notes to the financial statements		
1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).	232,007	568,912
2. Contingent liability not provided for exists in respect of :		
a) Bank guarantees outstanding.	1,035,400	690,628
b) Bonds in favour of central excise and customs authorities	10,125,000	10,125,000
c) Guarantee given to a scheduled bank in relation to overdraft facility of Rs. 255,000,000 (Previous Year Rs.5,000,000) and term loan of Rs. 30,200,000 (Previous Year Nil) provided by the bank to subsidiary companies. Amount of overdraft outstanding as on 31 March 2009 is Rs. 220,417,411 (Previous Year Rs.4,048,474) and term loan Rs. 24,164,166 (Previous Year Rs. Nil) respectively.		
d) Demand raised for service tax against which appeals have been filed.	2,302,693	1,552,305
e) Demand raised by Punjab State Electricity Board for payment of penalty for usage of additional power against sanctioned load. (Amount paid under protest Rs. 372,828 (Previous Year Rs. Nil))	372,828	505,000
f) Demands made by the income tax authorities against which appeals have been filed (Amount paid under protest Rs. 2,900,000, (Previous Year Rs. 400,000))	17,399,539	4,196,108
g) Demand made by central excise authority	4,187,217	4,248,000
h) Demand of House tax made by Municipal Commissioner - Derabassi	5,551,447	5,047,000
3. a) Amount due to a subsidiary company	6,276,883	7,351,421
b) Amount due to entities covered under Micro, Small and Medium Enterprises as defined in the Micro, Small, Medium Enterprises Development Act, 2006, have been identified on the basis of information available with the Company. There was no amount due to any such entities which needs to be disclosed. This has been relied upon by the auditors.		
4. Managing directors /whole-time directors remuneration *:		
a) Salary	3,630,000	3,780,000
b) Contribution to provident and other funds	966,600	1,020,600
c) Perquisites including allowances (actual and /or evaluated under the Income -tax Rules)	1,570,218	3,858,264
d) Leave encashment paid during the year	55,000	125,000
	<u>6,221,818</u>	<u>8,783,864</u>
* Exclusive of provision for future liabilities in respect of retirement benefits (which are based on actuarial valuation done on an overall Company basis)		
5. In the year 2006-07 upfront consideration of Rs. 5.70 per warrant was received towards preferential allotment of 200,000 equity share warrants of Rs. 57 each. These warrants were converted into equity shares of Rs. 10 each at a premium of Rs. 47 per equity share on exercise by the warrant holders during the year.		
6. Details of utilization of proceeds raised through conversion of share warrants issued on preferential basis		
Balance unutilised at the end of the previous year	-	22,555,535
Proceeds received during the year	10,260,000	13,338,000
Utilization of proceeds:		
For Capital contribution in a foreign subsidiary	-	1,701,000
For Establishment of new stores	-	10,747,000
For purchase of capital assets	10,260,000	23,445,535
7. Deferred tax liability (net)		
Major components of deferred tax asset and (liability) are as given below :		
Deferred Tax Assets -		
Effect of expenditure debited to profit and loss account but allowable for tax purposes in subsequent year (s)	3,269,770	3,945,940
Provision for doubtful debts	1,284,164	588,545
	<u>4,553,934</u>	<u>4,534,485</u>
Deferred Tax Liabilities -		
Depreciation differences	(50,208,955)	(48,589,093)
Net Deferred Tax Assets/(Liabilities)	<u>(45,655,021)</u>	<u>(44,054,608)</u>

KDDL LIMITED (formerly Kamla Dials and Devices Limited)
Schedules forming part of the financial statements for the year ended 31st March, 2009

(Amount in Rupees)

8. Related Party disclosures
A. Relationships
I. Subsidiary Company

 Himachal Fine Blank Ltd.
 Pylania S.A.
 Kamla Retail Limited
 Mahen Boutiques Limited (incorporated on 24 September 2008)

II. Associates

 Kamla Tesio Dials Limited
 Taratec SA

III. Joint Venture

Satva Jewellery and Design Limited

IV. Entities over which significant influence is exercised by the company /key management personnel (either individually or with others)

 Saboo Coatings Ltd., Krypton Outsourcing Ltd.,
 VBL Innovations Limited, Vardhan Properties &
 Investments Ltd., Smt. Kamla Devi Saboo
 Charitable Trust, Shri M.K. Saboo Charitable Trust,
 Tara Chand Mahendra Kumar (HUF) Trust

V Key Management Personnel

a. Mr. R.K. Saboo (Chairman)

Relatives **

 Ms. U. Saboo (wife), Ms. S Mohunta (sister),
 Mr. Y. Saboo (son) , Mr. J. Saboo (son), Ms. P. Saboo
 (Daughter in law), Ms. Asha Devi Saboo (brother's wife)
 Mr. R.K. Saboo (father), Ms. A. Saboo (Wife)
 Mr. P.S. Saboo (son), Ms. S. Saboo (Daughter)
 Ms. Shashi Agrawal (Wife)

b. Mr. Y. Saboo (Chief Executive Officer)

 c. Mr. Dinesh Agrawal
 (Chief Operating Officer (North))

**Relatives of key management personnel with whom the Company had transactions during the year.

B. The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2009

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1	Purchase of raw material and components						
	Himachal Fine Blank Limited	23,458,948					
	Taratec SA		1,790,512				
	Satva Jewellery & Design Limited			7,350			
	Saboo Coatings Limited					3,405,389	
	Others	1,382,821					
2	Sale of goods						
	Pylania	3,264,890					
	Himachal Fine Blank Limited	458,908					
	Taratec SA		108,457,669		107,486		
	Satva Jewellery & Design Limited						
	Saboo Coatings Limited						45,411
	Others	385,881					
3	Purchase of fixed assets						
	Himachal Fine Blank Limited	959,802					
	Taratec SA		199,698				
4	Sale of fixed assets						
	Himachal Fine Blank Limited	37,525					
5	Job work Charges Paid						
	Himachal Fine Blank Limited	130,781					
	Pylania	365,242					
	Taratec SA		269,700				
	Satva Jewellery & Design Limited			7,079,020			
6	Job work Charges Received						
	Himachal Fine Blank Limited	52,610					
	Taratec SA		90,524				
7	Commission paid on sales						
	Taratec SA		13,041,656				
8	Rent paid by the Company						
	Kamla Tesio Dials Limited		1,200,000				
	Saboo Coatings Limited					50,000	
	Mr. R.K. Saboo					120,224	
	Mr. Y. Saboo					120,224	
	Ms. A. Saboo						120,224
	Ms. U. Saboo						587,504
9	Salary of employees paid						
	Himachal Fine Blank Limited	600,000					
	Kamla Retail Limited	280,473					

KDDL LIMITED (formerly Kamla Dials and Devices Limited)
Schedules forming part of the financial statements for the year ended 31st March, 2009

(Amount in Rupees)

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
	Ms. A. Saboo						107,520
10	Others Directors Remunerarion Mr. R.K. Saboo Mr. Y. Saboo					1,848,081 2,556,396	
11	Mr. Dinesh Agrawal Interest received					1,817,341	
12	Himachal Fine Blank Limited Mahen Boutiques Limited Interest paid/Accrued	1,759,586 755,507					
	Vardhan Properties and investment Ltd. Tara Chand Mahendra Kumar (HUF) Ms. Asha Devi Saboo				333,769 110,564		109,971 10,771
13	Others Repayment of loans						
14	Himachal Fine Blank Limited Others (including rent received) Kamla Retail Limited	26,684 3,482,047					
	Taratec SA Satva Jewellery & Design Limited Saboo Coatings Limited		1,930,815	27,676		600,000 7,200	
15	Others Discounts given	148,827					
	Himachal Fine Blank Limited Taratec SA	480,000	10,467,159				
16	Loan/Advances given Mahen Boutiques Limited Kamla Retail Limited Others	19,380,914 10,000,000 417,173					
17	Reimbursement of Expenses by the Company Pylania SA Taratec SA Others	331,992 49,986	2,045,663				
18	Expenses Recovered Himachal Fine Blank Limited Taratec SA Others	51,767 3,514	2,658,113				
19	Investments made Mahen Boutiques Limited Kamla Retail Limited	14,000,000 45,040,850					
20	Dividend Paid Tara Chand Mahendra Kumar (HUF) Mr. R.K. Saboo Mr. Y. Saboo Mr. J. Saboo Others				77,120	733,701 1,396,448 350	709,506 840,991
21	Dividend received Taratec SA		421,566				
22	Balance at the end of the year						
a.	Loans						
	Himachal Fine Blank Limited Kamla Retail Limited	14,000,000 10,000,000					
b.	Other receivable/advances						
	Taratec SA Mahen Boutiques Limited Kamla Retail Limited Satva Jewellery & Design Limited Saboo Coatings Limited Others	19,33,914 3,675,001	17,102,622	59,860		336,476 7,200	
c.	Payables						
	Himachal Fine Blank Limited Taratec SA Kamla Tesio Dials Limited Satva Jewellery & Design Limited Saboo Coatings Limited Others	6,187,063	13,782,784 1,596,060	2,685,025		738,532	
d.	guarantees taken Mr. R.K. Saboo Mr. Y. Saboo					125,712,633 125,712,633	
e.	guarantees provided Kamla Retail Limited Others	216,793,229 3,624,182					
f.	public deposit outstanding Ms. Asha Devi Saboo Others						1,000,000 95,000
g.	Inter Corporate Deposit Vardhan Properties and Investment Limited				2,700,000		

Apart from above, there has been transfer a unit "ETHOS" by the Company to one of its subsidiary, Kamla Retail Ltd. (KRL) pursuant to a scheme of arrangement as detailed in Note 14 of Schedule 19.

KDDL LIMITED (formerly Kamla Dials and Devices Limited)
Schedules forming part of the financial statements for the year ended 31st March, 2009

(Amount in Rupees)

C. The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2008

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1	Purchase of raw material and components						
	Himachal Fine Blank Limited	27,810,309					
	Taratec SA		1,916,239				
	Satva Jewellery & Design Limited			315,240			
	Saboo Coatings Limited				3,637,254		
	Others	457,219					
2	Sale of goods						
	Himachal Fine Blank Limited	515,681					
	Pylania SA	573,185					
	Taratec SA		55,841,037				
	Satva Jewellery & Design Limited			205,187			
	Saboo Coatings Limited				79,145		
3	Purchase of fixed assets						
	Himachal Fine Blank Limited	526,425					
	Taratec SA		20,756				
4	Sale of fixed assets						
	Pylania SA	1,074,340					
5	Job work Charges Paid						
	Pylania SA	1,287,397					
	Satva Jewellery & Design Limited			6,332,822			
	Others	60,816					
6	Job work Charges Received						
	Satva Jewellery & Design Limited			97,813			
7	Commission paid on sales by the Company						
	Taratec SA		21,310,075				
8	Rent paid by the Company						
	Kamfa Tesio Dials Limited		1,200,000				
	Saboo Coatings Limited				50,000		
	Mr. R.K. Saboo					114,504	
	Mr. Y. Saboo					114,504	
	Ms. A. Saboo						114,504
	Ms. U. Saboo						539,304
9	Salary of employees paid						
	Ms. A. Saboo						107,520
10	Directors Remunerarion						
	Mr. R.K. Saboo					1,935,893	
	Mr. Y. Saboo					3,151,846	
	Mr. P.S.S. Raghavan					1,200,734	
	Mr. Dinesh Agrawal					2,495,391	
11	Interest received						
	Himachal Fine Blank Limited	1,761,313					
	Mr. P.S. Raghavan					1,504	
	Mr. Dinesh Agrawal					12,704	
12	Interest paid/Accrued						
	Vardhan Properties and investment Ltd.				375,950		
	Tara Chand Mahendra Kumar (HUF) Trust				962,808		
	Ms. Asha Devi Saboo						100,272
	Others						10,229
13	Repayment of loans						
	Himachal Fine Blank Limited	500,000					
	Mr. P.S.S. Raghavan					362,365	
	Mr. Dinesh Agrawal					369,950	
14	Others (including rent received)						
	Himachal Fine Blank Limited	96,109					
	Saboo Coatings Limited				600,000		
	VBL Innovation Limited				118,200		
	Others		1,562,887				
15	Discounts taken/paid						
	Himachal Fine Blank Limited	660,000					
	Taratec SA		5,473,059				
16	Donations made						
	Kamla Devi Saboo Charitable Trust					200,000	
17.	Investment made						
	Pylania SA	10,737,870					
	Satva Jewellery and Design Limited			1,874,200			
	Kamla Retail Limited	9,999,940					
18.	Dividend Paid						
	Tara Chand Mahendra Kumar (HUF)					52,366	

KDDL LIMITED (formerly Kamla Dials and Devices Limited)
Schedules forming part of the financial statements for the year ended 31st March, 2009

(Amount in Rupees)

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
	Mr. R.K. Saboo					555,750	
	Mr. Y. Saboo					992,478	
	Mr. J. Saboo and Ms. P. Saboo						458,115
	Ms. U. Saboo						128,535
	Others					4,012	481,077
19.	Dividend received						
	Himachal Fine Blank Limited	1,519,930					
	Taratec SA		344,760				
20.	Balance at the end of the year						
a.	Loans						
	Himachal Fine Blank Limited	14,000,000					
b.	Other receivable/advances						
	Kamla Retail Limited	4,048,203					
	Taratec SA		8,469,082				
	Satva Jewellery & Design Limited			41,438			
	Saboo Coatings Limited				1,288,880		
	Others	34,816			81,038		
c.	Payables						
	Himachal Fine Blank Limited	7,347,961					
	Taratec SA		18,887,682				
	Satva Jewellery & Design Limited			2,881,376			
	Saboo Coatings Limited				488,331		
	Others	3,460	532,020				
d.	Guarantees taken						
	Mr. R.K. Saboo					263,718,656	
	Mr. Y. Saboo					180,197,358	
e.	Guarantees provided						
	Himachal Fine Blank Limited	4,048,474					
f.	Public deposit outstanding						
	Vardyan Properties and Investments Limited				3,500,000		
	Tara Chand Mahendra Kumar (HUF) Trust				10,828,000		
	Ms. Asha Devi Saboo						1,000,000
	Others						95,000
g.	Inter Corporate Deposit						
	Vardhan Properties and Investment Limited				1,000,000		

9. Additional information pursuant to the provisions of paragraph 3 and 4 of Part II of Schedule VI of the Companies Act, 1956.
 (As certified by the management and relied by the auditors, being a matter of technical nature)

	(Qty. in No. of PCs.)	
	As at 31 March 2009	As at 31 March 2008
A. Capacity		
Item : Watch dials		
Licensed	Not Applicable	Not Applicable
Installed	12,700,000	12,700,000
Item : Watch Hands		
Licensed	Not Applicable	Not Applicable
Installed	40,000,000	40,000,000
Item : Tools		
Licensed	Not Applicable	Not Applicable
Installed	300	300
Item : Ornamental Packaging		
Licensed	Not Applicable	Not Applicable
Installed	1,860,000	720,000
B. Production (Nos.)		
Watch dials	9,153,703	12,275,746
Watch hands	30,200,798	34,560,722
Press tools	100	24
Blank Components	38,919,952	25,706,034
Clicks and lead frames	-	251,150
Ornamental packaging boxes	1,517,257	995,697
Pouches	2,257	-
C. Purchases for resale		
Watches		
- Quantity (Nos)	-	16,928
- Value (Rs.)	-	407,408,412

D. Sales and stocks
Product

	As at 31 March	Opening stock		Closing stock		Sales	
		Nos.	Rs.	Nos.	Rs.	Nos.	Rs.
Watch dials	2009	153,588	3,512,891	133,101	7,675,435	9,174,190	429,645,898
	2008	141,442	3,249,430	153,588	3,512,891	12,274,610	520,693,520
Watch hands	2009	-	-	-	-	29,949,315	112,954,277
	2008	-	-	-	-	33,994,705	109,662,730
Press tools	2009	-	-	-	-	100	10,919,525
	2008	-	-	-	-	24	4,394,872
Blank Components	2009	-	-	-	-	38,919,952	46,972,155
	2008	-	-	-	-	25,706,034	27,352,291
Clicks and lead frames	2009	-	-	-	-	-	-
	2008	-	-	-	-	251,150	675,291
Ornamental packaging boxes	2009	78,545	3,162,610	234,803	8,572,932	1,360,999	63,969,141
	2008	3,751	46,239	78,545	3,162,610	920,903	47,765,383
Indexes	2009	290,000	-	290,000	-	1,339,235	41,016,125
	2008	290,000	-	290,000	-	2,343,743	63,156,609
Watches (traded)	2009	18,962	301,064,995	-	-	-	-
	2008	12,808	133,919,425	18,962	301,064,995	10,774	295,321,970
Pouches	2009	-	-	-	-	2,257	5,696
	2008	-	-	-	-	-	-

Sales include inter unit transfers reversed during the year and are inclusive of excise duty.

Difference in quantities of closing stock of watch dials, watch hands, ornamental packaging boxes, watches and indexes are on account of samples, scrapped, internal consumptions etc.

The opening stock of watches (traded) has been transferred pursuant to the scheme of arrangement as detailed in note 14 of schedule 19.

E. Raw Material and components consumed

	Unit	2008-09		2007-08	
		Quantity	Rs.	Quantity	Rs.
i) Brass and Metal	Kgs	85,600	46,865,790	83,937	46,645,371
ii) Components	000 pcs	103,327	31,303,065	145,017	23,398,318
iii) Others			124,515,899		146,837,291
			202,684,754		216,880,980

F. Value of imported and indigenous raw materials & components and stores & spares consumed.

	2008-09		2007-08	
	Rupees	Percentage	Rupees	Percentage
Raw Material and components				
Imported	98,032,784	48.37%	102,309,674	47.17%
Indigenous	104,651,970	51.63%	114,571,306	52.83%
	202,684,754	100.00%	216,880,980	100.00%
Stores and Spares				
Imported	10,177,565	18.28%	12,634,442	21.98%
Indigenous	45,495,145	81.72%	44,843,184	78.02%
	55,672,710	100.00%	57,477,626	100.00%

G. Value of imports on CIF Basis

	2008-09	2007-08
a) Capital goods	18,381,783	10,673,526
b) Raw material & components	90,088,774	469,651,974
c) Stores & spares	12,369,381	9,408,633

H. Expenditure in foreign currency (on cash basis)

	2008-09	2007-08
a) Travelling	3,129,284	2,978,697
b) Technician fee (net of tax)	1,038,271	1,676,647
c) Commission on exports	13,168,801	23,147,478
d) Others	3,278,866	1,569,714

KDDL LIMITED (formerly Kamla Dials and Devices Limited)
Schedules forming part of the financial statements for the year ended 31st March, 2009

(Amount in Rupees)

	<u>Current Year</u>	<u>Previous Year</u>
I. Earnings in foreign exchange		
FOB value of exports	341,437,796	387,335,446
Others	4,982,306	3,337,814
J. Dividend paid to non-resident shareholders (in Foreign currency)		
Interim		
No. of Non Resident Shareholders	-	24
No. of shares	-	820,409
Amount (Rs.)	-	1,230,615
Year to which dividend pertains	-	2006-07
Final		
No. of Non Resident Shareholders	26	29
No. of shares	824,182	790,945
Amount (Rs.)	824,182	593,213
Year to which dividend pertains	2007-08	2006-07

10. Employee benefits

The Company adopted Accounting Standard 15 (Revised) on accounting for Employee Benefits issued by The Institute of Chartered Accountants of India w.e.f. 01 April 2007. According to the transitional provisions prescribed in AS 15 (Revised), the difference in the liability computed in accordance with the pre-revised AS 15 and AS 15 (Revised) as at 31 March 2007 amounting to Rs. 27,27,048 less deferred tax of Rs. 926,924 amounting to Rs. 1,800,124 has been reduced from the opening General Reserves in Schedule "2" of the Accounts for the year ended 31 March 2008.

Following are the disclosures pursuant to the said standard.

	<u>For the year ended</u> <u>31 March 2009</u>	<u>For the year ended</u> <u>31 March 2008</u>
Defined Contribution Plan: Expenditure on account of Super annuation Scheme taken by the Company with LIC of India in respect of its employee's provided in the Profit & Loss account.	688,680	991,236

Defined benefit plan/ other long term benefit plans

- a. Contribution to Gratuity Fund Trust
- b. Leave Encashment

Actuarial valuation has been done with the following assumptions.

Particulars	Leave Encashment		Gratuity	
	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Discount rate	7.5%	8%	8%	8%
Rate of increase in Compensation levels	5%	5%	5%	5%
Rate of return of plan assets	-	8%	-	8%
Expected Average remaining working lives of employees (years)	7.85	-	8.5	-

Change in the present value of obligation :

	Leave Encashment		Gratuity	
	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Present value of obligation as at beginning of the year	6,693,514	13,740,953	6,499,149	10,889,343
Adjustment pursuant to scheme of arrangement (Refer note 14 of schedule 19)	(946,036)	(270,293)	-	-
Interest Cost	431,061	927,847	533,567	832,365
Current Service Cost	2,724,569	1,412,493	4,345,927	2,731,987
Benefits paid/ Payable	(2,053,803)	(1,263,337)	(3,142,892)	(1,437,486)
Actuarial (gain)/loss on obligations	(1,363,737)	987,395	(1,542,237)	724,744
Present value of obligation as at end of the year	5,485,568	15,535,058	6,693,514	13,740,953

KDDL LIMITED (formerly Kamla Dials and Devices Limited)
Schedules forming part of the financial statements for the year ended 31st March, 2009

(Amount in Rupees)

Change in the Fair value of Plan Assets :	Gratuity	Gratuity
Fair value of Plan Assets at the beginning of the year	8,825,348	7,677,519
Adjustment pursuant to scheme of arrangement (refer note 14 of schedule 19)	(400,109)	-
Expected Return on Plan Assets	819,050	697,514
Contributions	3,419,875	1,988,763
Benefits paid	(1,263,337)	(1,538,448)
Fair value of Plan Assets at end of the year	11,400,827	8,825,348

Reconciliation of present value of defined benefit obligation and the fair value of assets

	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Present value of funded obligation as at end of the year	5,485,568	15,535,058	6,693,514	13,740,953
Fair value of Plan Assets as at the end of the period funded status	-	11,400,827	-	8,825,348
Unfunded/ Funded Net Liability recognized in Balance Sheet	5,485,568	4,134,231	6,693,514	4,915,605

Expenses recognised in the Profit and Loss Account

	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Current Service Cost	2,724,569	1,412,493	4,345,927	2,989,530
Interest Cost	431,061	927,847	533,567	832,365
Expected Return on Plan Assets	-	819,050	-	697,514
Net actuarial (gain)/loss recognized in the period	(1,363,737)	987,395	(1,542,237)	724,744
Total Expenses recognized in the Profit & Loss Account	1,791,893	2,508,685	3,337,257	3,849,125

The Company made annual contributions to the LIC of India of an amount advised by the LIC. The Company was not informed by LIC of the investment made by the LIC or the break-down of plan assets by investment type.

11. Earnings per share

	For the year ended 31 March 2009	For the year ended 31 March 2008
Net profit attributable to equity shareholders including discontinuing operations		
Profit after tax	2,369,378	14,749,820
Net profit attributable to equity shareholders excluding discontinuing operations		
Net profit available	2,369,378	14,749,820
Add: Net loss from discontinuing operations (Net of taxes)	-	19,738,294
	2,369,378	34,488,114
Number of equity shares at the beginning of the year	7,149,220	6,889,220
Shares issued during the year	200,000	260,000
Total equity shares outstanding at the end of the year	7,349,220	7,149,220
	For the year ended 31 March 2009	For the year ended 31 March 2008
No. of weighted average equity shares		
Basic	7,316,343	7,107,193
Effect of dilutive equity shares equivalents	-	-
Convertible equity share warrants outstanding	-	20,000
Diluted	7,316,343	7,127,193
Nominal value of equity share (Rs)	10	10
Including discontinuing operations		
Basic	0.32	2.08
Diluted	0.32	2.07
Excluding discontinuing operations		
Basic	0.32	4.85
Diluted	0.32	4.84

KDDL LIMITED (formerly Kamla Dials and Devices Limited)
Schedules forming part of the financial statements for the year ended 31st March, 2009

(Amount in Rupees)

12. Disclosure as per clause 32 of the listing agreement with stock exchanges

Loans and advances given to subsidiaries:

Name of the Company	Amount outstanding as at 31 March 2009	Amount outstanding as at 31 March 2008
Himachal Fine Blanks Ltd.	14,396,160	14,034,816
Kamla Retail Limited	13,675,001	4,048,203
Mahen Boutiques Limited	19,333,914	-
Pylania AG	2,179,303	-

*Loans are re-payable on demand.

13. Dividend from investments:

Long term

	For the year ended 31 March 2009	For the year ended 31 March 2008
Taratec SA(Associate)	421,566	344,760
Himachal Fine Blanks Limited(Subsidiary)	-	1,519,930

14. Scheme of arrangement : On 29 November 2007, the Board of Directors approved a Scheme of arrangement ('the Scheme') to transfer the Company's retail division ("ETHOS") to its wholly owned subsidiary company Kamla Retail Limited. The Scheme envisaged the transfer of the assets and liabilities of the ETHOS division to Kamla Retail Limited at book value. In terms of the Scheme of Arrangement sanctioned by the Hon'ble High Court of Himachal Pradesh vide Order dated 26 September 2008, this retail division of the company 'ETHOS' has been transferred to its subsidiary 'Kamla Retail Limited' with effect from 1 April 2008 (the "Appointed Date"). In consideration of the transfer, Kamla Retail Limited issued to the Company, equity shares of Rs. 10 each fully paid up, at par, aggregating to the value of net assets of the business transferred to it. Appropriate adjustments have been made wherever necessary so as to effect the aforementioned scheme of arrangement.

Against the above consideration following assets and liabilities have been transferred from KDDL Ltd. to Kamla Retail Limited:

Particulars

Fixed Assets	-
Gross Block	51,752,791
Less Depreciation	14,056,853
	37,695,938
Add: Capital Work in Progress	116,150
Total Fixed Assets (A)	37,812,088
Net Current Assets	
Current Assets, Loan and Advances	366,773,137
Less: Current Liabilities and Provisions	134,347,017
Net Current Assets (B)	232,426,120
Total Assets (C=A+B)	270,238,208
Less: Loan Funds (D)	230,197,358
Net Assets Value (E=C-D)	40,040,850

The amount of revenue and expenses in respect of the ordinary activities attributable to the discontinuing operation of the Retail Business Division.

	For the year ended 31 March 2009	For the year ended 31 March 2008
Gross Operating Income	-	297,881,513
Other Income	-	9,617,779
Goods purchased for resale, administrative and selling expenses	-	310,215,907
Interest	-	12,106,969
Depreciation	-	4,718,111
Loss before tax	-	19,541,695

KDDL LIMITED (formerly Kamla Dials and Devices Limited)**Schedules forming part of the financial statements for the year ended 31st March, 2009**

(Amount in Rupees)

15. Disclosure as per Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures

	For the year ended 31 March 2009	For the year ended 31 March 2008
Total Assets	46,515,946	28,838,257
50% share of the company in Joint Venture	23,257,973	14,419,129
Total Liabilities	46,515,946	28,838,257
50% share of the company in Joint Venture	23,257,973	14,419,129
Income	21,147,493	14,866,122
50% share of the company in Joint Venture	10,573,747	7,433,061
Expenses	19,853,445	11,950,207
50% share of the company in the Joint Venture	9,926,723	5,975,104

16. In terms of the agreement with body corporate under which the company has taken employees of the body corporate on deputation the liability of the Company in respect of gratuity payable to such employees is limited only to actual payment made by that body corporate during the period of the agreement.

17. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

	Amount outstanding as at 31 March 2009	Amount outstanding as at 31 March 2008
Receivables	43,113,549	74,033,601
Payables	31,096,970	38,106,125
Loans	76,608,913	130,449,489
Advances from customers	31,038,800	10,229,157

18. The management has ascertained that there is no impairment of fixed assets as on the balance sheet date.

19. Previous year figures have been regrouped /recasted, wherever considered necessary to make them comparable with those of the current year. Figures for the year ended 31 March 2009 do not include the figures of 'ETHOS' as referred to in note 14 above and hence are not comparable with the figures for the year ended March 31, 2008.

On behalf of the Board of Directors

R.K. SABOO
Chairman

Y. SABOO
Chief Executive Officer

SAMEER MADAN
Chief Financial Officer

PRIYA MANOJ JASWANI
Company Secretary

Place : Chandigarh
Dated : 27 August 2009

KDDL LIMITED (formerly Kamla Dials and Devices Limited)

Additional information as required under Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	8123
State Code	06
Balance Sheet Date	31st March, 2009

II. Capital Raised during the year

Public Issue	—
Rights Issue	—
Bonus Issue	—
Private Placement	Rs. 2,000,000

III. Position of Mobilisation and Deployment of Funds

(Rs. in thousands)

Total Liabilities	729,543	Total Assets	729,543
Sources of Funds:		Application of Funds:	
i. Paid up Capital	74,364	i. Net Fixed Assets	405,976
ii. Reserves & Surplus	283,623	ii. Investments	140,085
iii. Secured Loans	255,231	iii. Net Current Assets	183,482
iv. Unsecured Loans	70,669	iv. Misc. Expenditure	—
v. Deferred Tax Liability (Net)	45,655		

IV. Performance of the Company

Turnover (including other income)	728,438
Total Expenditure	721,984
Profit before tax	6,454
Profit after tax	2,369
Earning per share	Rs. 0.32
Dividend rate	—

V. Generic Names of Three principal products of the Company

(As per monetary terms)

Item Code No. (I.T.C. Code)	9114.3
Production Description	Watch Dials
Item Code No. (I.T.C. Code)	3923.9
Production Description	Ornamental Packaging
Item Code No. (I.T.C. Code)	9114.9
Production Description	Watch Hands
Item Code No. (I.T.C. Code)	8207 & 8466
Production Description	Tools

On behalf of the Board of Directors

R.K. SABOO
Chairman

Y. SABOO
Chief Executive Officer

SAMEER MADAN
Chief Financial Officer

PRIYA MANOJ JASWANI
Company Secretary

Place : Chandigarh
Dated : 27 August 2009

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF KDDL LIMITED (formerly Kamla Dials and Devices Limited)

1. We have audited the attached consolidated balance sheet of KDDL Limited (Formerly Kamla Dials and Devices Limited) (the "Company" or "KDDL"), its subsidiaries, joint venture and associates (as per list appearing in note 1 of schedule 19 (hereinafter collectively referred to as the "Group"), as at 31 March 2009, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on the date annexed thereto (hereinafter collectively referred to as the 'consolidated financial statements'). These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As stated in note 1(d) of schedule 19, the financial statements of Taratec S.A. (an associate of KDDL) whose results of the operations for the period 01 January 2008 to 31 December 2008, in the form of share in the losses of the associate of Rs. 169,433 and investments as at 31 March 2009 of Rs. 4,480,929, have been accounted for using the equity method of accounting in the consolidated financial statements, have been audited by other auditor in accordance with the Swiss Standard on the Limited Statutory Examination.
4. We did not audit the financial statements of an indian subsidiaries and joint venture whose financial statements reflect total assets of Rs. 594,280,889 as at 31 March 2009, total revenue of Rs. 512,532,173 and cash flows amounting to Rs. 8,390,960 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors.
5. The financial statements of Pylania AG, foreign subsidiary, are audited by other auditor in accordance with Swiss Standard on the Limited Statutory Examination. These financial statements have been converted and certified by the management as per accounting principles generally accepted in India and reflects total assets of Rs 49,833,969 as at 31 March 2009 and total revenue of Rs 23,649,343 and net cash out flow amounting to Rs 3,258,348 for the year ended 31 March 2009.
6. We did not audit the financial statements of an associate, whose results of operations, in the form of share in the profits of the associate of Rs.152, 305 and investments as of 31 March 2009 of Rs.2,409,426, have been accounted for using equity method of accounting in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors.
7. We report that the consolidated financial statements have been prepared by Group's management in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, Accounting Standard 23 - Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India.
8. Based on our audit and consideration of reports of other auditors on separate financial statements of the entities and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India; in case of:
 - (a) the consolidated balance sheet, of the state of affairs of the Group as at 31 March 2009;
 - (b) the consolidated profit and loss account, of the loss for the year ended on that date; and
 - (c) the consolidated cash flow statement, of the cash flows for the year ended on that date.

**for Walker, Chandio & Co
Chartered Accountants**

**by B P Singh
Partner**

Place : Chandigarh
Date : 27 August 2009

Membership No. 70116

KDDL LIMITED (formerly Kamla Dials and Devices Limited) (Consolidated)

Consolidated Balance Sheet as at 31 March 2009

(Amount in Rupees)

	Schedule	As at 31 March 2009	As at 31 March 2008
SOURCES OF FUNDS			
Shareholders' funds			
Capital	1	74,363,600	72,363,600
Reserves and surplus	2	306,175,224	270,489,592
		<u>380,538,824</u>	<u>342,853,192</u>
Equity share warrants	3	-	1,140,000
Minority Interest		24,645,909	-
Loan funds			
Secured	4	497,566,609	464,944,237
Unsecured	5	92,402,016	109,129,000
		<u>589,968,625</u>	<u>574,073,237</u>
Deferred tax liability (net)		48,818,637	47,521,033
		<u>1,043,971,995</u>	<u>965,587,462</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	6	905,023,771	832,036,243
Less : Accumulated Depreciation		379,624,419	327,971,916
Net block		525,399,352	504,064,327
Capital work-in-progress		8,627,899	4,665,775
		<u>534,027,251</u>	<u>508,730,102</u>
Investments	7	14,865,355	14,707,483
Current assets, loans and advances			
Inventories	8	533,848,407	418,782,126
Sundry debtors	9	103,150,130	140,966,838
Cash and bank balances	10	31,046,218	53,773,601
Interest accrued but not due on deposits		547,259	1,395,193
Loans and advances	11	139,069,905	114,626,215
		<u>807,661,919</u>	<u>729,543,973</u>
Less : Current liabilities and provisions			
Current Liabilities	12	293,621,338	258,898,647
Provisions	13	18,961,192	28,495,449
		<u>312,582,530</u>	<u>287,394,096</u>
Net Current assets		495,079,389	442,149,877
		<u>1,043,971,995</u>	<u>965,587,462</u>
Significant accounting policies	18		
Notes to the consolidated financial statements	19		

The schedules referred to above form an integral part of the consolidated financial statements.

On behalf of the Board of DirectorsR.K. SABOO
ChairmanY. SABOO
Chief Executive OfficerSAMEER MADAN
Chief Financial OfficerPRIYA MANOJ JASWANI
Company Secretary

This is the Consolidated Balance Sheet referred to in our report of even date.

For **Walker, Chandio & Co.**
Chartered Accountantsby **B.P. Singh**
Partner

Membership No. 70116

Place : Chandigarh
Dated : 27 August 2009

KDDL LIMITED (formerly Kamla Dials and Devices Limited) (Consolidated)**Consolidated Profit and Loss Account for the year ended 31 March 2009**

(Amount in Rupees)

	Schedule	For the year ended 31 March 2009	For the year ended 31 March 2008
INCOME			
Gross operating income	14	1,206,377,386	1,116,071,549
Less: Excise duty		40,235,263	52,857,446
Net Operating Income		1,166,142,123	1,063,214,103
Other Income	15	29,181,641	17,719,252
		1,195,323,764	1,080,933,355
EXPENDITURE			
Goods purchased for resale		445,203,299	407,408,412
Manufacturing, administrative and other expenses	16	676,693,239	558,173,070
		1,121,896,538	965,581,482
Profit before interest & depreciation		73,427,226	115,351,873
Finance Cost	17	62,354,465	45,529,772
Profit before depreciation		11,072,761	69,822,101
Depreciation	6	58,310,714	52,231,997
Profit before Tax		(47,237,953)	17,590,104
Provision for Income Tax			
- Current tax		519,900	2,342,394
- Minimum Alternative Tax (MAT) credit entitlement		(304,064)	-
- Deferred tax		1,297,603	481,548
- Income tax for earlier years (net)		310,208	959,841
- Fringe benefit tax		2,885,991	2,760,535
(Loss)/Profit after tax		(51,947,591)	11,045,786
Share in (losses)/profit of associates		(17,128)	948,076
Less: Minority interest		434,214	-
Balance brought forward from previous year		32,343,418	30,206,100
Less: Transfer to minority interests out of reserves (refer note 13 of schedule 19)		5,277,221	-
(Loss)/Profit before Appropriation		(13,909,866)	42,199,962
Appropriations :			
Dividend		-	7,349,220
Dividend distribution tax		-	1,507,324
Transfer to general reserve		-	1,000,000
(Deficit)/Surplus carried to balance sheet		(13,909,866)	32,343,418
		(13,909,866)	42,199,962
Basic earnings per share		(7.01)	1.69
Diluted earnings per share		(7.01)	1.68
(Refer to note 11 on schedule 19)			
Significant accounting policies	18		
Notes to the consolidated financial statements	19		

The schedules referred to above form an integral part of the consolidated financial statements.

On behalf of the Board of Directors

R.K. SABOO
Chairman

Y. SABOO
Chief Executive Officer

SAMEER MADAN
Chief Financial Officer

PRIYA MANOJ JASWANI
Company Secretary

This is the Consolidated Balance Sheet referred to in our report of even date.

For **Walker, Chandio & Co.**
Chartered Accountants

by **B.P. Singh**
Partner

Membership No. 70116

Place : Chandigarh
Dated : 27 August 2009

KDDL LIMITED (formerly Kamla Dials and Devices Limited) (Consolidated)
Consolidated Cash Flow Statement for the year ended 31 March 2009

(Amount in Rupees)

	Year ended 31 March 2009	Year ended 31 March 2008
A. Cash flow from operating activities:		
Net profit before tax	(47,237,953)	17,590,106
Adjustments for:		
Depreciation	58,310,714	52,231,996
Loss on sale of fixed assets	132,762	258,178
Provision for doubtful debts	2,046,539	1,182,536
Bad debts written off	218,957	-
Dividend income	(421,566)	(344,760)
Interest expense	55,543,814	41,493,142
Interest income	(1,446,050)	(2,368,562)
Liabilities written back	(589,982)	-
Operating profit before working capital changes	66,557,235	110,042,636
Adjustments for:		
Trade and other receivables	19,161,730	(37,969,880)
Inventories	(115,066,281)	(180,574,374)
Trade and other payables	38,457,235	84,304,761
Taxes paid	(13,706,238)	(16,764,669)
Net cash (used in)/generated from operating activities	(4,596,319)	(40,961,526)
B. Cash flow from investing activities:		
Purchase of fixed assets	(79,520,989)	(126,893,067)
Proceeds from sale of fixed assets	723,743	2,155,259
Impact of translation on assets of foreign subsidiary	(4,943,383)	523,183
Movement in restricted cash	16,901,714	(9,715,322)
Interest received	2,293,984	1,609,588
Dividend received	421,566	344,760
Investments	(175,000)	-
Net cash used in investing activities	(64,298,365)	(131,975,599)
C. Cash flow from financing activities:		
Proceeds from issue of capital (including premium)	96,858,638	13,338,000
Minority interest	13,401,110	-
(Repayment)/Proceeds of long term borrowings (net)	(2,037,821)	13,402,876
Movement in public deposits	(41,426,984)	52,632,000
Increase/(decrease) in short term borrowings	59,360,193	129,330,578
Capital subsidy received	-	3,000,000
Interest paid	(54,487,901)	(41,040,168)
Dividend paid	(8,598,220)	(6,529,297)
Net cash generated from financing activities	63,069,015	164,133,989
Net increase/(decrease) in cash and cash equivalents	(5,825,669)	(8,803,136)
Opening cash and cash equivalents	33,622,783	42,425,919
Closing cash and cash equivalents	27,797,114	33,622,783
Notes:		
Cash and cash equivalents include:		
Cash and cheques in hand / in transit	4,431,378	2,727,006
Balance with banks	23,365,736	30,895,777
	27,797,114	33,622,783
(excluding the following:)		
- In FD account pledged	2,014,835	19,042,335
- In equity dividend accounts	1,226,519	1,100,733
- Post office balances pledged	7,750	7,750
Balance as per books of account	31,046,218	53,773,601

On behalf of the Board of Directors

 R.K. SABOO
Chairman

 Y. SABOO
Chief Executive Officer

 SAMEER MADAN
Chief Financial Officer

 PRIYA MANOJ JASWANI
Company Secretary

This is the Consolidated Balance Sheet referred to in our report of even date.

 For **Walker, Chandiook & Co.**
Chartered Accountants
by **B.P. Singh**
Partner
Membership No. 70116

 Place : Chandigarh
Dated : 27 August 2009

KDDL LIMITED (formerly Kamla Dials and Devices Limited) (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2009

(Amount in Rupees)

	As at 31 March 2009	As at 31 March 2008
Schedule - 1		
Capital		
Share Capital		
Authorised		
12,000,000 Equity shares of Rs. 10 each	120,000,000	120,000,000
Issued & subscribed		
7,523,500 (previous year 7,323,500) Equity shares of Rs.10 each	75,235,000	73,235,000
Paid up :		
7,349,220 (previous year 7,149,220) Equity shares of Rs.10 each fully paid	73,492,200	71,492,200
Add : Forfeited shares	871,400	871,400
	74,363,600	72,363,600
Schedule - 2		
Reserves and surplus		
Capital reserves		
Central investment subsidy	2,500,000	2,500,000
State investment subsidy	3,000,000	3,000,000
Profit on re-issue of forfeited shares	9,125	9,125
Securities premium account		
As per last balance sheet	124,936,650	112,716,650
Add: Amount received during the year	95,998,638	12,220,000
Less: Amount transferred to minority interest (refer note 14 of schedule 19)	16,956,234	-
	203,979,054	124,936,650
General reserve		
As per last balance sheet	104,346,712	105,146,836
Less: Adjustment as per transitional provisions of AS 15 (revised 2005) (refer note 10 of schedule 19)	-	(1,800,124)
Add: Transfer from profit & loss account	-	1,000,000
	104,346,712	104,346,712
Foreign currency translation reserve	6,250,199	3,353,687
Surplus/(Deficit) in Profit & Loss Account	(13,909,866)	32,343,418
	306,175,224	270,489,592
Schedule - 3		
Equity share warrants		
Nil (previous year 200,000) Zero coupon convertible equity share warrants (Refer Note 5 of Schedule 19)	-	1,140,000
	-	1,140,000
Schedule - 4		
Secured Loans		
Term loans from :		
- HDFC Bank Ltd. (erstwhile Centurion Bank of Punjab Limited (CBOP))	24,164,166	15,841,940
- Credit Suisse AG	9,103,203	8,509,700
- Standard Chartered Bank (SCB), External commercial borrowing	50,665,219	75,905,694
- Bank of India (BOI)	59,081,911	48,375,091
- Industrial Development Bank of India (IDBI)	36,050,188	35,468,659
Working capital loans from :		
- Bank of India (BOI) on cash credit account	60,937,693	54,949,820
- IDBI Bank Limited	16,759,264	-
- The Federal Bank Limited	62,375,712	-
- HDFC Bank Ltd. (erstwhile) Centurion Bank of Punjab Limited (CBOP))	130,253,351	164,355,418
- Standard Chartered Bank (SCB) on cash credit account	38,467,732	55,155,894
- Credit Suisse AG	5,027,573	-
Others :		
- Tata Capital Limited	623,264	-
- Vehicle loans from banks	4,057,333	6,382,021
	497,566,609	464,944,237

KDDL LIMITED (formerly Kamla Dials and Devices Limited) (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2009

(Amount in Rupees)

	As at 31 March 2009	As at 31 March 2008
Schedule - 5		
Unsecured Loans		
Short term loan from Bank of Rajasthan (BOR)	20,000,000	-
Inter Corporate Deposits	5,700,000	1,000,000
Deposits from public	66,702,016	108,129,000
	92,402,016	109,129,000

Note :

- Deposits from public due within one year Rs. 43,629,000 (previous year Rs. 30,389,000)
- Short term loan from BOR is guaranteed by the Chairman of the parent company.

SCHEDULE - 6 : FIXED ASSETS

Particulars	Gross Block			As at 31 March 2009	Upto 31 March 2008	Charge for the year	Depreciation Adjustments (Net)	Translation adjustment	Net Block		
	As at 01 April 2008	Additions	Disposals						Upto 31 March 2009	As at 31 March 2009	As at 31 March 2008
Tangibles											
Land											
- Leasehold	792,659	-	-	792,659	-	-	-	-	-	792,659	792,659
- Freehold	10,044,331	-	-	10,044,331	-	-	-	(200,250)	(200,250)	10,244,581	10,044,331
Buildings	151,543,618	8,728,211	-	160,271,829	30,837,390	8,916,525	-	(2,618,381)	37,135,534	123,136,295	120,706,228
Leasehold improvements	-	88,932	-	88,932	-	5,929	-	-	5,929	83,003	-
Plant & Machinery	548,049,188	49,760,870	773,191	99,036,867	247,279,308	36,443,978	645,153	48,896	283,127,029	313,909,838	300,769,880
Furniture & Office Equipment	92,171,985	8,085,158	724,773	99,532,370	42,075,324	8,396,971	636,923	(1,194,681)	48,640,691	50,891,679	50,096,661
Vehicles	19,551,959	1,777,455	1,073,371	20,256,043	5,393,210	1,868,875	432,754	-	6,829,331	13,426,712	14,158,750
Intangibles											
ERP Software	4,935,000	7,118,240	-	12,053,240	1,397,184	1,624,755	-	(978,967)	2,042,972	10,010,268	3,537,816
Goodwill	4,947,500	-	-	4,947,500	989,500	1,053,683	-	-	2,043,183	2,904,317	3,958,000
Total	832,036,243	75,558,865	2,571,335	905,023,771	327,971,916	58,310,714	1,714,830	(4,943,383)	379,624,419	525,399,352	504,064,324
Previous Year	706,580,310	129,060,431	3,604,498	832,036,243	276,407,599	52,231,997	1,190,863	523,183	327,971,916	504,064,327	430,172,711
Capital Work-in-progress										8,627,899	4,665,775

Notes :

- Term loans from BOI is secured by first charge on the entire fixed assets of Dials and Hands Units at Bangalore and Dials Unit at Derabassi, ranking pari passu, and second charge on current assets (save and except book debts) of the parent company, subject to the first charge in favour of parent company's bankers for securing the working capital limits. These loans are also guaranteed by the Chairman and Chief Executive Officer (CEO) of the parent company.
- Term Loan from IDBI is secured by first charge on all the Company's movable assets pertaining to its Derabassi Unit and EIGEN (Tool Room) Unit of the Company at Bangalore (save and except book debts) including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and /or to be created in favour of the parent company's bankers on the stock of raw materials, semi-finished and finished goods, consumable stores, book debts and such movables. It is also secured by way of an exclusive first charge on hypothecation of machinery/equipments, all movables pertaining to Tool Room Unit, Bangalore and mortgage charge on land and building of Tool Room Unit at Bangalore and pari-passu mortgage charge on land and building and other fixed assets of Derabassi unit. It is also secured by hypothecation charge of machinery/equipments installed /to be installed out of proceeds of loan from IDBI in other than above units of the parent company. This loan is also guaranteed by the chairman and Chief Executive Officer (CEO) of the parent company.
- External commercial borrowing from SCB is secured by:
 - Hypothecation by way of first pari passu charge over the whole of fixed assets of the parent company situated at Haibatpur Road, Saddomajra, Derabassi, Punjab; at Plot No. 296-297, 5th Main, IV Phase, Peenya Industrial Area, Bangalore and at Plot No 81-82 A, 7 Main, Phase III, Peenya Industrial Area, Bangalore - 560 058, including its plant and machinery, machinery spares, tools and accessories and other movables, both present and future (save and except assets specifically charged to other lenders) whether installed or not and whether now lying loose or in cases or which are now lying or stored in or open or shall hereafter from time to time during the continuance of security of these present be brought into and or upon or to be stored or to be in or about all the borrower's factories, premises and godowns situated at Haibatpur Road, Saddomajra, Derabassi - 140 507, Punjab; at Plot No 296 - 297, 5th Main IV Phase, Peenya Industrial area Bangalore 560 058 and at plot no 81-82 A, 7 Main, Phase III Peenya Industrial area, Bangalore 560 058, the same will be or shall be held any party to the order or disposition of the Company or in the course of transit or on high seas or on order or delivery howsoever and wheresoever in the possession of the Company.
 - Hypothecation by way of First Exclusive Charge over movable fixed asset of the company, consisting of plant and machinery, equipment and other movable fixed assets more particularly described in the Schedule prescribed in the agreement, acquired by utilization of the facility in the form of External Commercial Borrower, whether installed or not and whether now lying loose or in cases which are now lying or stored in or open at the Company Parwanoo Unit.
 - All stock in trade both present and future consisting of Raw Material, finished goods, goods in process of manufacturing and other merchandise whatsoever and all present and future book debts, outstanding monies, receivables, claims, certain fixed deposits and bill etc shall be hypothecated to the bank by way of second charge on the pari passu basis.
- Working capital loans from Bank of India, IDBI Bank and Standard Chartered Bank are secured by hypothecation of stocks of stores & spares, raw materials & components, finished goods & stocks-in-process and book debts and other assets of the Company (both present and future), on pari passu basis except Packaging Unit of the Company and are further secured by a second charge on the entire fixed assets of the Company. These loans are also guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.

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(Amount in Rupees)

- e) Term Loan from HDFC Bank Limited (erstwhile Centurion Bank of Punjab Limited) taken by a subsidiary, Kamla Retail Limited (KRL) is secured by hypothecation of present and future fixed assets of that company. These loans are also guaranteed by parent company and Chief Executive Officer (CEO) of the parent company.
- f) The working capital loans from HDFC Bank Limited (erstwhile Centurion Bank of Punjab Limited (CBOP)) are secured by hypothecation of all the Stock of the Company i.e. raw material, stock in process, finished goods, consumable stores and spares, Components and receivables. These loans are further secured by first charge on fixed assets of packing unit at Chandigarh of parent company. This is further secured by first charge on land and building and all other fixed assets of dial unit of parent company at Parwanoo (HP) excluding the assets purchased after 01.04.05.
- g) Working capital loan from The Federal bank, is secured by pari passu charge on current assets including stock in trade of watches and receivables. These limits are guaranteed by the parent company and Chief Executive Officer (CEO) of the parent company.
- h) Vehicle Loans from banks and Tata Capital Limited are secured against hypothecation of specific vehicles purchased out of the proceeds of those loans.
- i) Working capital Loans of the Subsidiary Company (HFBL) are secured by first charge on their inventories and book debts and further by Corporate Guarantee of the holding Company.
- j) Working capital Loan of the Joint Venture Company are secured by first charge on their Inventories and book debts and tangible movable properties and further Guaranteed by a Director of that Company.
- k) Term Loan from Bank of India in the Joint Venture Company are secured by first charge on their tangible properties and fixed assets of the Company and further by guarantee by Director of that Company.
- l) Loan from Credit Suisse AG is secured by land and building of the foreign subsidiary situated at Pylania AG, Vers chez l'Ecrivain 10, 2745 Grandval, Switzerland.
- m) Installments of term loans due within one year Rs 3,5169,064. (previous year Rs 70,420,300).

	As at 31 March 2009	As at 31 March 2008
Schedule - 7		
Investments		
Long Term		
Trade Investments		
Fully paid-up shares (unquoted)		
- Saboo Coatings Limited- 180,000 (previous year 180,000) Equity shares of Rs. 10 each fully paid up	1,800,000	1,800,000
- Taratec SA, Switzerland 51 (previous year 51) Equity share of Swiss Franc (CHF) 1,000 each fully paid up Add: Share in opening reserves Add: Share in current year (loss)/profit	1,540,710 3,109,652 (169,433)	1,540,710 2,260,095 849,557
- Kamla Tesio Dials Ltd. 300,000 (previous year 300,000) Equity shares of Rs. 10 each fully paid up Less: Share in opening reserves Add: Share in current year profit	3,000,000 742,879 152,305	3,000,000 841,398 98,519
	2,409,426	2,257,121
Aggregate cost of trade investments	8,690,355	8,707,483
Non Trade Investments		
Fully paid-up shares(unquoted)		
- VBL Innovations Limited 10,000 (previous year 10,000) equity share of Rs. 100 each fully paid up	1,000,000	1,000,000
- Karolview Developers Pvt Ltd 500,000 (previous year 500,000) equity shares of Rs. 10 each fully paid up*	5,000,000	5,000,000
- Shivalik Waste Management Limited 17,500 (Previous Year Nil) equity shares of Rs. 10 each fully paid up	175,000	-
Aggregate of non trade investments	6,175,000	6,000,000
	14,865,355	14,707,483

* 490,000 (Previous year 490,000) shares are pending allotment

Schedule - 8
Inventories

(As taken, valued & certified by the management)

Stores and spares	19,259,998	14,524,342
Raw Materials and components	55,889,420	60,273,444
Stock-in-process	41,509,557	34,710,015
Finished goods		
- Own manufactured	17,117,079	7,529,357
- Traded	394,643,814	301,064,995
Goods in transit	4,209,989	605,279
Scrap	1,218,550	74,694
	533,848,407	418,782,126

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(Amount in Rupees)

	As at 31 March 2009	As at 31 March 2008
Schedule - 9		
Sundry debtors		
(Unsecured)		
Outstanding for a period exceeding six months		
– Considered good	7,446,817	6,463,504
– Considered doubtful	3,778,063	1,731,524
Other debts - considered good	95,703,313	134,503,334
	<u>106,928,193</u>	<u>142,698,362</u>
Less : Provision for doubtful debts	3,778,063	1,731,524
	<u>103,150,130</u>	<u>140,966,838</u>
Schedule - 10		
Cash and bank balances		
Cash in hand	4,429,478	2,727,006
Cheques in hand	1,900	–
Balances with banks in		
– Current accounts	15,192,541	23,990,030
– Equity dividend accounts	1,226,519	1,100,733
– Fixed deposit accounts	10,188,030	25,948,082
(Receipts for Rs. 2,014,835 (Previous year Rs. 19,042,335) pledged with banks and Sales Tax authorities)		
Post office savings account	7,750	7,750
(Pass book pledged with central excise authorities)		
	<u>31,046,218</u>	<u>53,773,601</u>
Schedule - 11		
Loans and advances		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	57,754,623	52,039,985
Balance with central excise authorities	6,506,173	9,085,170
Minimum Alternative Tax entitlement	304,064	–
Prepaid income taxes (net of provision aggregating to Rs. 519,142 (Previous Year Rs. 2,300,000))	20,733,489	10,683,345
Security and other deposits	53,771,556	40,517,715
	<u>139,069,905</u>	<u>112,326,215</u>
Schedule - 12		
Current Liabilities		
Sundry creditors for goods, services and expenses		
Due to Micro, Small and Medium enterprises	–	881,373
Others	239,530,191	228,605,482
Other liabilities	16,795,517	14,360,178
Advance from customers	31,291,474	10,229,157
Interest accrued but not due on loans	4,777,637	3,721,724
Investor education and protection fund*	1,226,519	1,100,733
* Not due for deposit		
	<u>293,621,338</u>	<u>258,898,647</u>
Schedule - 13		
Provisions		
Employee benefits	11,967,171	11,843,795
Bonus	6,934,021	5,753,434
Provision for Wealth tax	60,000	–
Proposed dividend	–	7,349,220
Dividend distribution tax on proposed dividend	–	1,249,000
	<u>18,961,192</u>	<u>26,195,449</u>

KDDL LIMITED (formerly Kamla Dials and Devices Limited) (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2009

(Amount in Rupees)

	As at 31 March 2009	As at 31 March 2008
Schedule - 14		
Gross operating income		
Sales of goods	1,188,551,351	1,094,347,186
Scrap sales	10,638,890	14,518,756
Job charges received	802,016	2,064,350
Tool development charges	5,162,306	2,581,714
Others	1,222,823	2,559,543
	<u>1,206,377,386</u>	<u>1,116,071,549</u>
Schedule - 15		
Other Income		
Liabilities no longer required, written back	589,982	282,358
Export incentives	4,109,694	4,758,380
Lease rent	2,386,600	2,080,880
Dividend Income	421,566	344,690
Miscellaneous receipts	21,673,799	10,252,944
	<u>29,181,641</u>	<u>17,719,252</u>
Schedule - 16		
Manufacturing, administrative and selling expenses		
Raw material consumed	189,201,218	200,687,044
Stores and spares consumed	61,001,952	60,754,797
Power, fuel & water charges	25,315,100	24,288,192
Tool development charges	1,402,252	2,214,014
Salaries, wages and bonus	264,469,065	205,902,663
Contribution to provident and other funds	14,195,743	14,874,650
Staff & labour welfare expenses	14,059,540	13,004,696
Recruitment expenses	890,722	2,258,478
Processing charges	17,784,113	17,318,887
Insurance(net)	1,456,796	1,730,526
Rent	61,428,364	36,485,120
Rates and taxes	2,310,564	1,597,843
Repair and maintenance:		
- Plant and machinery	7,609,973	8,132,161
- Buildings	4,394,761	4,755,146
- Others	4,646,587	4,698,010
Legal & professional	17,955,517	14,405,203
Payment to auditors of Parent Company :*		
- Audit fee	300,000	300,000
- Tax audit fee	75,000	75,000
- Certification etc.	294,000	260,000
- Expenses	353,292	521,623
Fee and payment to auditors of subsidiary company	373,153	400,130
Directors' sitting fees	248,000	477,500
Travel and conveyance	23,617,973	17,105,376
Directors' travelling	3,966,571	5,740,828
Postage and telephone	7,301,304	5,954,620
Subscription and annual fee	828,030	793,552
Printing and stationery	4,764,562	4,992,075

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(Amount in Rupees)

	As at 31 March 2009	As at 31 March 2008
Schedule - 16		
Donations	317,475	689,000
Selling & distribution expenses :		
- Commission	13,193,753	21,351,147
- Discounts	266,701	7,107,276
- Other expenses (net)	17,034,812	34,775,266
Provision for doubtful debts (excluding debtors written off against provision made in earlier year Rs. Nil (previous year Rs. 750,464))	2,046,539	1,182,536
Bad Debts written off	218,957	-
Loss on disposal of fixed assets (net)	132,762	258,178
Foreign exchange fluctuation (net)	15,361,687	6,018,676
Pre operative expenses	-	1,047,984
Miscellaneous expenses (net)	8,911,915	12,670,658
(Increase) / decrease in stocks (refer schedule 16A)	<u>(111,035,514)</u>	<u>(176,655,785)</u>
	<u>679,693,239</u>	<u>558,173,070</u>
<p>* Current year fees does not include service tax amounting to Rs. 100,151 (previous year Rs. 77,250) to be paid to the auditors of the parent company, being available for set off against the excise duty liability.</p>		
Schedule - 16A		
(Increase)/ decrease in stocks		
Opening Stocks		
Finished goods		
- Own manufactured	7,529,357	4,054,248
- Traded	301,064,995	133,919,425
Stock-in-process	34,710,015	28,296,425
Scrap	74,694	453,178
	<u>343,379,061</u>	<u>166,723,276</u>
Closing Stocks		
Finished goods		
- Own manufactured	17,117,079	7,529,357
- Traded	394,643,814	301,064,995
Stock-in-process	41,509,557	34,710,015
Scrap	1,218,550	74,694
	<u>454,489,000</u>	<u>343,379,061</u>
	<u>(111,109,939)</u>	<u>(176,655,785)</u>
Less: (Increase) / decrease in excise duty on stocks	<u>(74,425)</u>	<u>-</u>
	<u>(111,035,514)</u>	<u>(176,655,785)</u>
Schedule - 17		
Finance Cost		
On term loans	35,235,370	16,558,454
On public deposits	5,668,907	6,110,090
On other loans from banks	14,639,537	18,824,598
	<u>55,543,814</u>	<u>41,493,142</u>
Less : Received from banks and others (Gross tax deducted at source Rs. 112,589 (previous year Rs. 374,295))	1,446,050	2,368,562
Financial bank charges	8,256,701	6,405,192
	<u>62,354,465</u>	<u>45,529,772</u>

Schedule 18

SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

The consolidated financial statements include the financial statements of KDDL Limited (formerly Kamla Dials and Devices Limited) ("KDDL" or "Parent Company"), its subsidiaries associates and joint venture (collectively referred to as "Group").

The consolidated financial statements have been combined on a line by line basis by adding the book values of the like items of the assets, liabilities, income and expenses of the subsidiary companies after eliminating intra-group balances/ transactions and unrealised profits in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the post-acquisition increase in the relevant reserves of the consolidated entities.

Proportionate share of interest in Joint Venture has been accounted for by the proportionate consolidation method in accordance with Accounting Standard - 27 "Financial Reporting of Interests in Joint Ventures".

The results of the associates have been reflected in the consolidated financial statements by following the equity method of accounting.

The excess/deficit of cost to the Parent Company over its investment over its portion of net worth in the consolidated entities at the respective dates on which the investment in such entities was made is recognised in the financial statements as goodwill/ capital reserve. The Parent's Company's portion of net worth in such entities is determined on the basis of book value of assets and liabilities as per the financial statements of the entities as on the date of investment and if not available, the financial statements for the immediately preceding period adjusted for the effects of significant changes.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Parent Company for its separate financial statements.

2. Basis of preparation

The financial statements have been prepared to comply with the Accounting Standards referred to in the Companies(Accounting Standard) Rule 2006 issued by the Central Government in exercise of the power conferred under sub-section(1)(a) of Section 642 and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Group unless otherwise stated.

3. Use of estimates

In preparing the Group's financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised in the period the same is determined.

4. Revenue recognition

- a) Revenue from sale of goods is recognised when the significant risks and rewards in respect of ownership of the goods are transferred to the customer and is stated inclusive of excise duty, net of trade discounts, sales return and sales tax wherever applicable.
- b) Commission from sale of goods, received on consignment basis, is recognised upon passage of title to the customers.
- c) Export entitlements under the Duty Entitlement Pass Book scheme are recognised in the profit and loss account when the right to receive credit as per the terms of the scheme is established in respect of the exports made.
- d) Revenue in respect of tool development and job charges is recognized as per the terms of the contract with the customers.
- e) Interest income is recognized on a time proportion basis, taking into account the amount outstanding and the rates applicable.
- f) Dividend income is recognized when the Company's right to receive the same is established.

5. Fixed assets

Fixed assets are stated at cost (gross block) less accumulated depreciation and adjusted for impairment losses. Cost comprises the purchase price (net of Cenvat credit availed) and any attributable cost of bringing the asset to its working condition for its intended use.

Expenditure on account of modification / alteration in plant and machinery / building, which increases the future benefit from the existing asset beyond its previous assessed standard of performance, is capitalized.

Borrowing costs directly attributable to acquisition or construction of fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

6. Depreciation

Depreciation is provided on straight line method as per the rates specified in Schedule XIV to the Act, as applicable at the time of addition of the respective fixed assets, on pro-rata basis from the month of addition, except for the following:

- Depreciation on improvements carried out on buildings taken on lease (included under buildings) is provided over the period of the lease, which are being depreciated over the useful life estimated at 6-9 years.
- Depreciation on a particular class of dies and tools manufactured by the Parent Company and put to use after 01 April 2003 is provided over a period of 3 years.
- The above rates of depreciation are indicative of the useful lives of the assets.
- The cost of leasehold land is not amortized.
- Goodwill is amortised over a period of 5 years.
- For Pylania, AG depreciation charge is provided on straight line method based on the estimated economic useful life of the assets using the rates stated below:

Description Rates

Buildings factory	2% to 7.5%
Plant and machinery	15%
Office equipment	12.5% to 20%
Motor vehicles	16.67%

7. Inventories

Inventories are valued as follows:

1. **Raw materials & components, stores and spares, finished goods and stock in process:** At lower of cost and net realisable value.
2. **Scrap:** At realisable value.
3. Cost of inventories is ascertained on the following basis:
 - a) Raw materials and components and stores & spares - on moving weighted average basis.
 - b) Goods purchased for re-sale moving weighted average basis.
 - c) Cost of finished goods and stock in process comprise material, labour and related estimated overheads including depreciation.

8. Investments

Long-term investments (other than those accounted for using the equity method of accounting) are stated at cost. Provision is made for diminution in the value of long-term investments to recognise decline, if any, other than temporary in nature.

9. Foreign currency transactions

Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment. Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at the rate prevailing on the balance sheet date. Differences arising on foreign currency translations of transactions settled during the year are recognised in the profit and loss account.

The foreign subsidiary has been identified as non-integral operations in accordance with requirement of AS 11, the (Revised 2003). In accordance with AS 11, the Financial statement of non-integral foreign operations are translated to Indian rupees as follows :

- a) All assets and liabilities, both monetary and non-monetary are translated using the closing rate.
- b) Revenue items are translated at the respective monthly average rates.
- c) The resulting net exchange difference is credited or debited to a foreign currency translation reverse.

Indian Rupee is the reporting currency of the Group. However, the local currency of the overseas associate (having operations integral to that of the Parent Company) is different from the reporting currency of the Group. The translation of the results of the overseas associate is performed as if the transactions of such associate had been those of the Parent Company itself.

The exchange differences arising on forward contracts other than those entered into to hedge the foreign currency risk of firm commitments or highly probable forecast transactions are recognised in the year in which they arise based on the difference between i) foreign currency amount of the contract translated at the exchange rate on the reporting date and

ii) the same foreign currency amount translated at the later of the date of inception of the forward exchange contract or the last reporting date. The premium or discount on all such contracts arising at the inception of each contract is amortised as expense or income over the life of the contract.

The premium or discount arising at the inception of the forward contracts entered into to hedge the foreign currency risk of firm commitments or highly probable forecast transactions is amortised as expense or income over the life of the contract.

Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or expense for the year.

10. Miscellaneous expenditure

a) Preliminary and share issue expenses incurred before 1 April 2003 are amortised over a period of ten years.

b) Deferred revenue expenditure:

Technical know-how fee, technician's training expenses, customs duty and other expenses on collaborator's machines and start-up costs, including training expenses, salaries, rent, etc., incurred before 1 April 2003 are amortised over a period of four years from the year of commencement of commercial operations of the related project.

11. Employee benefits

The contribution to provident fund is recognised in the profit and loss account.

Provision for earned leave entitlement of employees is made on the basis of actuarial valuation as at the balance sheet date.

The gratuity and superannuation funds are administered by trustees of independently constituted trusts. In respect of superannuation, the parent company makes contribution to Life Insurance Corporation of India ("LIC") of an amount payable by the trusts to LIC, which is charged to the profit and loss account. In respect of gratuity, the liability is determined on the basis of actuarial valuation as at the balance sheet date and the Company makes contribution to fund administered by LIC of an amount equal to the shortfall between the liability and the balance in fund as at the balance sheet date, such a contribution is charged to the profit and loss account.

12. Taxes on income

Tax expense comprises both current, deferred income tax and fringe benefit taxes.

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The provision for Fringe Benefit Tax for the year has been determined in accordance with the provisions of section 115 WC of the Income Tax Act, 1961.

13. Earnings per share

The earnings considered in ascertaining the Group's earnings per share comprise the net profit or loss for the year attributable to the equity shareholders. Earnings per share are computed using the weighted average number of shares outstanding during the year.

For the purpose of calculating diluted earning per share, the net profit or loss for the period attributable to equity share holders and the weighted average number of shares outstanding during the period are adjusted for the effect of all dilutive potential equity shares.

14. Leases

Lease rentals in respect of assets taken under an operating lease are charged to the profit and loss account on accrual basis.

In respect of assets given on operating lease, income is being recognised on a straight line basis over the lease term.

15. Contingent liabilities and provisions

The Group makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. A disclosure is made for possible or present obligations that may but probably will not require outflow of resources or where a reliable estimate cannot be made, as a contingent liability in the financial statements.

KDDL LIMITED (formerly Kamla Dials and Devices Limited) (Consolidated)

16. Impairment of assets

The Group on an annual basis makes an assessment of any indicator that may lead to impairment of assets. If any such indication exists, the Group estimates the recoverable amount of the assets. If such recoverable amount is less than the carrying amount, then the carrying amount is reduced to its recoverable amount by treating the difference between them as impairment loss and is charged to the profit and loss account.

17. Segment reporting policies

The accounting policies adopted for segment reporting are in line with those of the Group with the following additional policies for segment reporting:

- a) Inter segment revenues have been accounted for based on the transaction price agreed to between segments at estimated cost of the transferor segment.
 - b) Revenues and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.
 - c) Revenues and expenses, which relate to the group as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated corporate expenses".
 - d) Assets and liabilities, which relate to the group as a whole and are not allocable to segments on a reasonable basis, are shown as unallocated corporate assets and liabilities respectively.
-

Notes to the consolidated financial statements

1. In compliance with Accounting Standard 21 "Consolidated Financial Statements", Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard 27 "Financial Reporting of Interests in Joint Ventures" issued by Institute of Chartered Accountants of India, KDDL Limited ('KDDL') has prepared the accompanying consolidated financial statements, which include the financial statements of KDDL, its subsidiary, joint venture and the results of operations of its associates listed below:

- a) Detail of the subsidiaries are as under:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
Himachal Fine Blank Limited	India	100%
Kamla Retail Limited	India	80.42%
Mahen Boutiques Limited	India	100%
Pylania AG	Switzerland	100%

- b) Details of associates are as under:

<u>Name of the associates</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
1. Kamla Tesio Dials Limited	India	30 %
2. Taratec S.A.	Switzerland	34 %

- c) Detail of joint venture is as under:

<u>Name of the Joint Venture</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
Satva Jewellery and Design Ltd.	India	50%

- d) The financial statements of Taratec S.A. (an associate of KDDL) considered for consolidation has a reporting date of 31 December 2008, which is different from the reporting date of the Group. These financial statements have not been audited as the local laws regulating the associate do not provide a time frame for the submission of the audited results and accordingly, un-audited results of Taratec S.A. have been considered for equity method of accounting while preparing the consolidated financial statements of the Group.
- e) The consolidated financial statements of the Group have been based on a line by line consolidation of profit & loss account and balance sheet of KDDL and its subsidiary. The effects of inter-company transactions between consolidated companies are eliminated on consolidation. Unrealised profit on unsold stock, if any, is eliminated while valuing inventories. These eliminations have been considered in the consolidated financial statement on the basis of figures provided and certified by the management and the auditors have relied on the same.
- f) In accordance with the applicable provisions of Accounting Standard - 23 on "Accounting for Investments in Associates in Consolidated Financial Statements", equity method of accounting has been followed to incorporate the results of the operations of the associates in the consolidated financial statements.

On December 04, 2004, the Parent Company entered into a shareholders agreement with Pascal Vincent Vaucher SA to jointly control and manage the operations of Satva Jewellery and Design Limited ('Satva'). Pursuant to this agreement, the Parent Company made its contribution of 50% of the equity share capital of Satva during the year. These investments have accordingly been accounted for using proportionate consolidation in the consolidated financial statements of the Group in accordance with Accounting Standard -27. 'Financial Reporting of Interests in Joint Venture'

KDDL LIMITED (formerly Kamla Dials and Devices Limited) (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2009

(Amount in Rupees)

	As at 31 March 2009	As at 31 March 2008
SCHEDULE -19		
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).	232,007	568,912
3. Contingent liability not provided for exists in respect of :		
a) Bank guarantees outstanding.	6,270,400	690,628
b) Modvat credit disallowed by central excise authorities, for which, appeal have been filed	210,980	210,980
c) Bonds in favour of central excise and customs authorities	11,550,000	11,550,000
d) Guarantee given to a schedule bank in relation to overdraft facility of Rs. 255,000,000 (Previous Year Rs. 5,000,000) and term loan of Rs. 30,200,000 (Previous Year Rs. Nil) provided by the bank to a subsidiary company - Amount of overdraft outstanding as on 31 March 2009 is Rs. 220,417,411 (Previous Year Rs. 4,048,474) and Rs. 24,164,166 (Previous Year Rs. Nil) respectively.		
e) Demand raised for service tax against which appeals have been filed	2,302,693	3,829,476
f) Demand raised by Punjab State Electricity Board for payment of penalty for usage of additional power against sanctioned load. (Amount paid under protest Rs. 372,828 (Previous Year Rs. Nil))	372,828	505,000
g) Demands made by the income tax authorities against which appeals have been filed (Amount paid under protest Rs. 2,900,000 (Previous Year Rs. 400,000))	17,399,539	4,196,108
h) Demands made by Sales Tax authorities (Ludhiana) against which appeals have been filed	5,106,676	
i) Demand made by central excise authority	4,187,217	4,248,000
j) Demand of House tax made by Municipal Commissioner - Derabassi	5,551,447	5,047,000
4. Managing director /whole-time directors remuneration of the Parent Company*:		
a) Salary	3,630,000	3,780,000
b) Contribution to provident and other funds	966,600	1,020,600
c) Perquisites including allowances (actual and /or evaluated under the Income -tax Rules)	1,570,218	3,858,264
d) Leave encashment paid during the year	55,000	125,000
	6,221,818	8,783,864
* Exclusive of provision for future liabilities in respect of retirement benefits (which are based on actuarial valuation done on an overall company basis)		
5. In the year 2006-07 upfront consideration of Rs 5.70 per warrant was received by the parent company towards preferential allotment of 200,000 equity share warrants of Rs 57 each. These warrants were converted into equity shares of Rs 10 each at a premium of Rs 47 per equity share on exercise by the warrant holders during the year.		
6. Details of utilization of proceeds raised through conversion of share warrants issued on preferential basis		
Balance unutilized at the end of the previous year	-	22,555,535
Proceeds received during the year	10,260,000	13,338,000
Utilization of proceeds:		
For Capital contribution in a foreign subsidiary	-	1,701,000
For Establishment of New Stores	-	10,747,000
For purchase of capital assets	10,260,000	23,445,535

KDDL LIMITED (formerly Kamla Dials and Devices Limited) (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2009

(Amount in Rupees)

	As at 31 March 2009	As at 31 March 2008
SCHEDULE -19		
7. Deferred tax liability (net)		
Major components of deferred tax asset and (liability) are as given below :-		
Deferred tax assets		
Effect of expenditure debited to profit and loss account but allowable for tax purposes in subsequent year (s)	3,604,372	4,095,560
Provision for doubtful debts	1,284,164	588,545
Deferred tax liability	4,888,536	4,684,105
Depreciation differences	(53,707,173)	(52,205,138)
Net Deferred tax assets / (liabilities)	(48,818,637)	(47,521,033)

8. Segment information

Identification of segments:

The Group has disclosed business segment as primary segment. The Group's operations predominantly relate to manufacture and trading of watches and its components. Other business segments primarily comprising of ornaments packaging and tool development are very small and reported under others category. The segments have been identified taking into account:

- the nature and use of the products,
- the differing risks and returns,
- the organisation structure, and
- the internal financing reporting systems

The secondary segments considered for disclosure are as follows:

- Sales within India include sales to customers located within India.
- Sales outside India include sales to customers located outside India.

KDDL LIMITED (formerly Kamla Dials and Devices Limited) (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2009

(Amount in Rupees)

Segment information - Primary Segment (Business Segment) :

(Figures in parentheses are for the previous year)

Particulars	Watches & its components	Others	Total
Revenue			
Gross operating and other income*	1,110,827,180 (1,049,772,594)	123,708,441 (82,926,500)	1,234,535,621 (1,132,699,094)
Results			
Segment result	70,030,319 (139,843,672)	7,045,156 (12,936,088)	77,075,475 (126,907,584)
Unallocated corporate expenses (net)			61,958,963 (63,787,708)
Operating profit			15,116,512 (63,119,876)
Interest expenses (net)			62,354,465 (45,529,772)
Current income tax (net of tax earlier years)			526,044 (3,302,235)
Deferred tax			1,297,603 (481,548)
Fringe benefits tax			2,885,991 (2,760,535)
Net Profit			51,947,591 (11,045,786)
Other Information			
Segment assets	955,447,094 (969,007,868)	166,668,288 (134,309,005)	1,122,115,382 (1,103,316,873)
Unallocated corporate assets			234,439,143 (149,664,684)
Total assets			1,356,554,525 (1,252,981,557)
Segment liabilities	497,077,006 (480,226,154)	35,409,733 (22,602,560)	532,486,739 (502,828,714)
Unallocated corporate liabilities & loans			418,883,053 (397,579,847)
Total liabilities			951,369,792 (900,408,561)
Capital expenditure	66,944,636 (118,482,444)	12,333,137 (9,585,889)	79,277,773 (128,068,333)
Unallocated capital expenditure			243,216 (992,096)
Depreciation	50,505,872 (44,442,092)	6,159,851 (6,030,632)	56,665,723 (50,472,724)
Unallocated depreciation			1,644,991 (1,759,273)
Other non cash expenses	664,586 (2,864)	1,400,986 (1,249,967)	2,065,572 (1,252,831)
Unallocated non cash expenses			113,729 (187,883)

*Excluding unallocated corporate Income Rs. 10,23,406 (previous year Rs. 10,91,707)

KDDL LIMITED (formerly Kamla Dials and Devices Limited) (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2009

(Amount in Rupees)

Segment Information - Secondary Segment (Geographical)

The following tables present revenue and profit information regarding industry segments for the period ended 31 March 2009 and asset and liability information regarding industry segments as at 31 March 2009.

(Figures in parentheses are for the previous years)

Secondary Segment information :

Particulars	India	Outside India	Total
Segment revenue	854,551,356 (755,286,143)	379,984,265 (377,412,932)	1,234,535,621 (1,132,699,075)
Segment assets	1,072,281,413 (1,051,057,160)	49,833,969 (52,259,714)	1,122,115,382 (1,103,316,874)
Capital expenditure	75,804,666 (80,089,981)	3,473,107 (47,978,354)	79,277,773 (128,068,335)

The Segment revenue is net of discount, sales returns and price variations, gross of excise duty

9. Related party disclosures**A. Relationships****I. Associates**

Kamla Tesio Dials Limited
Taratec SA

II. Joint Venture

Satva Jewellery and Design Limited

III. Entities over which significant influence is exercised by the company / key management personnel (either individually or with others)

Saboo Coatings Limited, Krypton Outsourcing Limited, VBL Innovations Limited, Vardhan Properties and Investments Limited, Smt. Kamla Devi Saboo Charitable Trust, Shri M.K. Saboo Charitable Trust
Tara Chand Mahendra Kumar (HUF) Trust

IV. Key Management Personnel**Relatives ****

a. Mr. R.K. Saboo (Chairman)

Ms. U. Saboo (wife), Ms. S Mohunta (sister),
Mr. Y. Saboo (son), Mr. J. Saboo(son), Ms. P. Saboo
(Daughter in law), Ms. Asha Devi Saboo (brother's wife)

b. Mr. Y. Saboo (Chief Executive Officer)

Mr. R.K. Saboo (father), Ms. A. Saboo (Wife)
Mr. P.S. Saboo (son), Ms. S. Saboo (Daughter)

c. Mr. Dinesh Agrawal
(Chief Operating Officer (North))

Ms. Shashi Agrawal (Wife)

** Relatives of key management personnel with whom the Company had transactions during the year.

KDDL LIMITED (formerly Kamla Dials and Devices Limited) (Consolidated)
Schedules forming part of the consolidated financial statements for the year ended 31 March 2009

(Amount in Rupees)

SCHEDULE -19
B. The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2009

S. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1	Purchase of raw material and components Himachal Fine Blank Limited Taratec SA	1,790,512				
	Satva Jewellery & Design Limited		7,350			
	Saboo Coatings Limited			3,793,188		
	Others					
2	Sale of goods Pylania Himachal Fine Blank Limited Taratec SA	108,457,669				
	Satva Jewellery & Design Limited		107,486			
	Saboo Coatings Limited			45,411		
	Others					
3	Purchase of fixed assets Himachal Fine Blank Limited Taratec SA	199,698				
4	Sale of fixed assets Himachal Fine Blank Limited					
5	Job work Charges Paid Taratec SA	269,700				
	Satva Jewellery & Design Limited		7,079,020			
6	Job work Charges Received Himachal Fine Blank Limited Taratec SA	90,524				
7	Commission paid on sales Taratec SA	13,041,656				
8	Rent paid by the Company Kamla Tesio Dials Limited Saboo Coatings Limited Mr. R.K. Saboo Mr. Y. Saboo Ms. A. Saboo Ms. U. Saboo	1,200,000		50,000	120,224 120,224	120,224 587,504
9	Salary of employees paid Himachal Fine Blank Limited Kamla Retail Limited Ms. A. Saboo Others					107,520
10	Directors Remunerarion Mr. R.K. Saboo Mr. Y. Saboo Mr. Dinesh Agrawal				1,848,081 2,556,396 1,817,341	
11	Interest received Himachal Fine Blank Limited Mahen Boutiques Limited					
12	Interest paid/Accrued Vardhan Properties and investment Ltd. Tara Chand Mahendra Kumar (HUF) Trust Ms. Asha Devi Saboo Others			333,769 110,564		109,971 10,771
13	Repayment of loans Himachal Fine Blank Limited					
14	Others (including rent received) Kamla Retail Limited Taratec SA Satva Jewellery & Design Limited Saboo Coatings Limited Others	1,930,815	328,676	600,000 7,200		
15	Discounts given Himachal Fine Blank Limited Taratec SA	10,467,159				
16	Loan/Advances given Mahen Boutiques Limited Kamla Retail Limited Others					
17	Reimbursement of Expenses by the Company Pylania SA Taratec SA Others	2,045,663				
18	Expenses Recovered Himachal Fine Blank Limited					

KDDL LIMITED (formerly Kamla Dials and Devices Limited) (Consolidated)
Schedules forming part of the consolidated financial statements for the year ended 31 March 2009

(Amount in Rupees)

S. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
	Taratec SA	2,658,113				
	Others					
19.	Investments made					
	Mahen Boutiques Limited					
	Kamla Retail Limited					
20.	Dividend Paid					
	Tara Chand Mahendra Kumar (HUF) Trust			77,120		
	Mr. R.K. Saboo				733,701	
	Mr. Y. Saboo				1,396,448	
	Mr. J. Saboo					709,506
	Others					841,341
21.	Dividend received					
	Taratec SA	421,566				
22.	Balance at the end of the year					
	a. Loans					
	Himachal Fine Blank Limited					
	Kamla Retail Limited					
	b. Other receivable/advances					
	Taratec SA	17,102,622				
	Mahen Boutiques Limited					
	Kamla Retail Limited					
	Satva Jewellery & Design Limited		360,860			
	Saboo Coatings Limited			336,476		
	Others			7,200		
	c. Payables					
	Himachal Fine Blank Limited					
	Taratec SA	13,782,784				
	Kamla Tesio Dials Limited	1,596,060				
	Satva Jewellery & Design Limited		2,685,025			
	Saboo Coatings Limited			802,418		
	Others					
	d. guarantees taken					
	Mr. R.K. Saboo				125,712,633	
	Mr. Y. Saboo				125,712,633	
	e. guarantees provided					
	Kamla Retail Limited					
	Others					
	f. public deposit outstanding					
	Ms. Asha Devi Saboo					1,000,000
	Others					95,000
	g. Inter Corporate Deposit					
	Vardhan Properties and Investment Limited			2,700,000		

C. The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2008

S. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1	Purchase of raw material and components					
	Taratec SA	1,916,239				
	Satva Jewellery & Design Limited		315,240			
	Saboo Coatings Limited			4,017,178		
2	Sale of goods					
	Taratec SA	55,841,037				
	Satva Jewellery & Design Limited		205,187			
	Saboo Coatings Limited			79,145		
3	Purchase of fixed assets					
	Taratec SA	20,756				
4	Job work Charges Paid					
	Satva Jewellery & Design Limited		6,332,822			
5	Job work Charges Received					
	Satva Jewellery & Design Limited		97,813			
6	Commission paid on sales					
	Taratec SA	21,310,075				
7	Rent paid by the Company					
	Kamla Tesio Dials Limited	1,200,000				
	Saboo Coatings Limited			50,000		
	Mr. R.K. Saboo				114,504	
	Mr. Y. Saboo				114,504	

KDDL LIMITED (formerly Kamla Dials and Devices Limited) (Consolidated)
Schedules forming part of the consolidated financial statements for the year ended 31 March 2009
(Amount in Rupees)

S. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
	Ms. A. Saboo					114,504
	Ms. U. Saboo					539,304
8	Salary of employees paid					
	Ms. A. Saboo					107,520
9	Directors Remunerarion					
	Mr. R.K. Saboo				1,935,893	
	Mr. Y. Saboo				3,151,846	
	Mr. P.S. Srinivasa Raghavan				1,200,734	
	Mr. Dinesh Agrawal				2,495,391	
10	Interest received					
	Himachal Fine Blank Limited					
	Mr. P.S. Srinivasa Raghavan				1,504	
	Mr. Dinesh Agrawal				12,704	
11	Interest paid/Accrued					
	Vardhan Properties and investment Ltd.			375,950		
	Tara Chand Mahendra Kumar (HUF) Trust			962,808		
	Ms. Asha Devi Saboo					100,272
	Others					10,229
12	Repayment of loans					
	Himachal Fine Blank Limited					
	Mr. P.S. Srinivasa Raghavan				362,365	
	Mr. Dinesh Agrawal				369,950	
13	Others (including rent received)					
	Himachal Fine Blank Limited					
	Saboo Coatings Limited			600,000		
	VBL Innovation Limited			118,200		
	Taratec SA	1,562,887				
14	Discounts taken/paid					
	Himachal Fine Blank Limited					
	Taratec SA	5,473,059				
15	Loans/Advances given					
16	Donations made					
	Smt. Kamla Devi Saboo Charitable Trust			200,000		
17.	Investment made					
	Pylania SA					
	Satva Jewellery and Design Limited	1,874,200				
	Kamla Retail Limited					
18.	Dividend Paid					
	Tara Chand Mahendra Kumar (HUF) Trust			52,366		
	Mr. R.K. Saboo				555,750	
	Mr. Y. Saboo				992,478	
	Mr. J. Saboo and Ms. Pallabi Saboo					458,115
	Ms. U. Saboo					128,535
	Others				4,012	481,077
19.	Dividend received					
	Himachal Fine Blank Limited					
	Taratec SA	344,760				
20	Balance at the end of the year					
a.	Loans					
b.	Other receivable/advances					
	Taratec SA	8,469,082				
	Satva Jewellery & Design Limited		41,438			
	Saboo Coatings Limited			1,288,880		
	Others			81,038		
c.	Payables					
	Taratec SA	18,887,682				
	Satva Jewellery & Design Limited		2,881,376			
	Saboo Coatings Limited			539,495		
	Others	532,020				
d.	Guarantees taken					
	Mr. R.K. Saboo				263,718,656	
	Mr. Y. Saboo				180,197,358	
e.	Guarantees provided					
f.	Public deposit outstanding					
	Vardhan Properties and Investments Limited			3,500,000		
	Tara Chand Mahendra Kumar (HUF) Trust			10,828,000		
	Ms. Asha Devi Saboo					1,000,000
	Others					95,000
g.	Inter Corporate Deposit					
	Vardhan Properties and Investment Limited			1,000,000		

SCHEDULE -19
10. Employee benefits

The Company has adopted Accounting Standard 15 (Revised) on accounting for Employee Benefits issued by The Institute of Chartered Accountants of India w.e.f. 1st April 2007. According to the transitional provisions prescribed in AS 15 (Revised), the difference in the liability computed in accordance with the pre-revised AS 15 and AS 15 (Revised) as of March 31, 2007 amounting to Rs 2,727,048 less deferred tax of Rs 926,924, amounting to Rs 1,800,124 had been reduced from the opening General Reserve in schedule 2 of the accounts for the year ended March 31, 2008.

Following are the disclosure pursuant to the said standard:

	For the year ended 31st March, 2009	For the year ended 31st March, 2008
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Super-annuation scheme with LIC

Defined Contribution Plan: The liability on account of Superannuation Scheme taken by the company with LIC of India in respect of its employee provided in the profit and loss account

737,280

991,236

Defined benefit plan/ other long term benefit plans

a. Contribution to Gratuity Fund Trust

b. Leave Encashment

Actuarial valuation has been done with the following assumptions.

Particulars	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Discount rate	8%	8%	8%	8%
Rate of increase in Compensation levels	5%	5%	5%	5%
Rate of return of plan assets	-	8%	-	8%
Expected Average remaining working lives of employees (years)	8%	-	8%	-
Change in the present value of obligation :	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Present value of obligation as at beginning of the year	7,024,334	14,459,611	6,499,149	10,889,343
Interest Cost	526,826	985,340	864,387	832,365
Current Service Cost	4,005,528	1,538,604	4,345,927	3,450,645
Settlement Cost/Credit	-	-	-	-
Benefits paid/ Payable	(2,540,153)	(1,263,337)	(3,142,892)	(1,437,486)
Actuarial (gain)/loss on obligations	(1,807,346)	1,337,468	(1,542,237)	724,744
Present value of obligation as at end of the year	7,209,209	17,057,686	7,024,334	14,459,611
Change in the Fair value of Plan Assets :		Gratuity		Gratuity
Fair value of Plan Assets at beginning of the year		9,262,335		7,677,519
Adjustment pursuant to scheme of arrangement (refer note 14 of schedule 19)				
Expected Return on Plan Assets		858,736		697,514
Contributions		3,534,337		2,425,750
Benefits paid		(1,205,685)		(1,538,448)
Fair value of Plan Assets at end of the year		12,449,723		9,262,335

The fair value of the plan assets under the provident fund schemes has been determined at amounts based on their value at the time of redemption, assuming a constant rate of return to maturity.

Reconciliation of present value of defined benefit obligation and the fair value of assets

	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Present value of funded obligation as at end of the year	7,209,209	17,057,686	6,693,514	13,740,953
Fair value of Plan Assets as at the end of the period funded status	-	12,449,724	-	8,825,348
Present value of unfunded obligation as at 31 March 2009	-	-	-	-
Unfunded/ Funded Net Liability recognized in Balance Sheet	7,209,209	4,607,962	6,693,514	4,915,605

KDDL LIMITED (formerly Kamla Dials and Devices Limited) (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2009

(Amount in Rupees)

Expenses recognised in the Profit and Loss Account	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Current Service Cost	4,005,548	1,538,604	4,345,927	2,989,530
Interest Cost	526,826	985,340	533,567	832,365
Expected Return on Plan Assets	-	858,736	-	697,514
Settlement Cost/Credit	-	-	-	-
Net actuarial (gain)/loss recognized in the period	(1,807,346)	1,337,468	(1,542,237)	724,744
Total Expenses recognized in the Profit & Loss Account	2,725,028	3,002,676	3,337,257	3,849,125

The Company made annual contributions to the LIC of India of an amount advised by the LIC. The Company was not informed by LIC of the investment made by the LIC or the break-down of plan assets by investment type.

Present value of obligation as at 31st March 2009 with respect to leave encashment is exclusive of Rs. 150,000, accrued by Kamla Retail Ltd., one of the subsidiary, which is in addition to what in actuary has certified such amount has been accrued with respect to employees who have left the organization pending full and final settlement.

	For the year ended 31st March, 2009	For the year ended 31st March, 2008
11. Earnings per Share		
Net profit attributable to equity shareholders	(51,530,505)	11,993,862
Number of equity shares at the beginning of the year	7,149,220	6,889,220
Shares issued during the year	200,000	260,000
Total equity shares outstanding at the end of the year	7,349,220	7,149,220
No. of weighted average equity shares		
Basic	7,349,220	7,107,193
Convertible equity share warrants outstanding	-	20,000
Diluted	7,349,220	7,127,193
Nominal value of equity share (Rs)	10	10
Earnings per Share (Rs)		
Basic	-7.01	1.69
Diluted	-7.01	1.68

12. Incorporation of wholly owned subsidiary

- On 24 September 2008, the Company incorporated its wholly owned subsidiary in the name of "Mahen Boutiques Limited" with a share capital of Rs 500,00,000, to operate as a separate business with the main object of carrying on retail business including watches and its accessories.
- In terms of Scheme of Arrangement sanctioned by the Hon'ble High Court of Himachal Pradesh vide order dated September 26, 2008, the retail division of the parent company 'Ethos' has been transferred to its subsidiary company 'Kamla Retail Limited' with effect from April 1, 2008 (the 'Appointed date').

13. During the year, Kamla Retail Limited, (KRL) one of the subsidiary of the parent Company, issued 1,340,111 shares outside the group. Accordingly adjustments have been made in Reserves and Surplus accounts to take the effect of minority interest in the consolidated financial statements.

14. The management has ascertained that there is no impairment of fixed assets as on the balance date.

15. The consolidated financial statements have been prepared in compliance with clause 32 of the listing agreement with stock exchange.

16. Previous year figures have been regrouped / recast wherever considered necessary to make these comparable with those of the current year.

On behalf of the Board of Directors

R.K. SABOO
Chairman

Y. SABOO
Chief Executive Officer

SAMEER MADAN
Chief Financial Officer

PRIYA MANOJ JASWANI
Company Secretary

Place : Chandigarh
Dated : 27 August 2009

KDDL LIMITED (formerly Kamla Dials and Devices Limited)

Statement Pursuant to Section 212 of the Companies Act, 1956 relating to companies interest in subsidiary companies

1. Name of Subsidiary Company	Himachal Fine Blank Limited	Pylania S.A.	Kamla Retail Ltd.	Mahen Boutique Ltd.
2. Financial/Accounting year of the subsidiary Companies	31 March, 2009	31 March, 2009	31 March, 2009	31 March, 2009
3. Date on which it became subsidiary	8 April, 1996	5 April, 2007	5 November, 2007	24 September, 2008
4. a) Number of shares held by KDDL Limited with its nominees in the subsidiaries at the end of the Financial Accounting year of the subsidiary company. b) Extent of interest of holding company at the end of the Financial/Accounting year of the subsidiary company.	1,520,000 equity shares of the face value of Rs. 10 each fully paid. 100%	1000 equity shares of the face value of CHF 1000 each fully paid. 100%	55,04,085 equity shares of the face value of Rs. 10 each fully paid. 80.42%	50,000 equity shares of the face value of Rs. 10 each fully paid. 20,00,000 equity shares of Rs. 6.75 each, partly paid 100%
5. Net aggregate amount of Subsidiary Companies Profit/(Loss) so far as it concerns the members of the holding company. a) Not dealt with in the holding Company's accounts i) For the period ended 31 March 2009 ii) For the previous accounting years of the Subsidiary Company since they became the holding Company's Subsidiaries b) Dealt with in the holding Company's i) For the period ended 31 March, 2009 ii) For the previous Accounting years of the Subsidiary Companies since they became the holding Company's subsidiary	 Rs. (1.06) Millions Rs. (0.59) Millions Nil Rs. 6.99 Million	 Rs. (25.01) Millions Rs. (2.53) Millions Nil	 Rs. (27.75) Millions Rs. (1.41) Millions Nil	 Rs. (3.37) Millions Nil

R.K. SABOO
Chairman

Y. SABOO
Chief Executive Officer

SAMEER MADAN
Chief Financial Officer

PRIYA MANOJ JASWANI
Company Secretary

HIMACHAL FINE BLANK LIMITED

DIRECTORS' REPORT

To the Members

Your Directors are pleased to place before you the 14th Annual Report together with Audited Statement of Accounts of the Company for the financial year ended 31st March, 2009, alongwith the Auditors' Report thereupon.

FINANCIAL STATEMENT

Particulars	Amount (In Millions of Rupees)	
	Year ended 31.3.2009	Year ended 31.3.2008
Sales and other income	27.59	31.58
Gross Profit before Interest and Depreciation	2.84	3.29
Less : Interest	2.49	1.88
Depreciation	1.73	2.09
Profit/(Loss) before Tax	(1.38)	(0.68)
Provision for deferred tax liability Including MAT and FBT	0.68	0.09
Profit/(Loss) after Tax	(0.76)	(0.59)
Dividend Tax	-	-
Profit/(Loss) brought forward from previous year	1.72	2.31
Previous year adjustment	0.31	-

OPERATIONS

During the year, due to the current macro economic scenario there has been a decline in the orders received by the Company by about 13% in terms of both quantity as well as in value as compared to the previous year 2007-08. However, your company has taken necessary steps to reduce various costs and has taken various corrective measures to ensure future financial growth and stability.

DIRECTORS

Mr. Yashovardhan Saboo, Director of the Company, retires at the ensuing Annual General Meeting as per the requirement of section 256 of the Companies Act, 1956 and being eligible, offers himself for re-appointment.

The Board recommends his re-appointment.

REGISTERED OFFICE

During the year, as part of the company's strategic initiative, the company had decided to shift its Registered Office from the Union Territory of Chandigarh to the State of Himachal Pradesh. Accordingly, as per the Orders of the Company Law Board, the Registered Office has been shifted to the State of Himachal Pradesh, w.e.f., 22nd June, 2009.

DEPOSITS

The Company has not accepted any fixed deposit from the public.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. that in the preparation of the annual accounts for the financial year ended 31st March, 2009, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
2. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
3. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. that the Directors had prepared the accounts for the financial year ended 31st March, 2009 on a 'going concern' basis.

AUDITORS

M/s Singhal Karun and Co., Chartered Accountants, the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

During the year under Report, the Company did not have any employee covered under section 217(2A) of the Companies Act, 1956.

ENERGY CONSERVATION AND TECHNOLOGY ABSORPTION

The information required under section 217(1)(e) of the Companies Act, 1956 (relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo) is annexed.

APPRECIATION

The Directors wish to place on record their deep appreciation of the assistance and co-operation given by the Banks, Suppliers and employees of the Company.

for and on behalf of the Board

Date : 30.07.2009
Place : Chandigarh

Yashovardhan Saboo Dinesh Agrawal
Director Director

HIMACHAL FINE BLANK LIMITED

INFORMATION PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

CONSERVATION OF ENERGY

A. ENERGY CONSERVATION MEASURES PLANNED TO BE TAKEN

- a) The Company has planned to give high priority to conservation of energy on an on-going basis. A few significant measures to be taken are:
 - i) Increase in power factor by installing capacitor at the individual machines.
 - ii) Periodical and preventive maintenance of electric equipments.
- b) Total energy consumption per unit of production as per Form 'A' is not given as the Company is not covered under the list of specified industries.

B. TECHNOLOGY ABSORPTION

The Company has set up a separate facility by installing a sophisticated electroplating line for manufacturing finished appliques of superior quality for Swiss market. Your company has successfully delivered the indexes to Taratec for meeting their entire requirement of Basel World 2009 Collection. Initiatives have been taken to enhance the High Value Export business, positive

impact of our initiatives shall be visible in later half of this year

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Our product is essentially an import substitution product and considerable amount of foreign exchange is saved by our indigenous manufacture of Watch Dial Indexes/Logos which would otherwise have to be imported. Efforts for export of our product are continuing and would result in further foreign exchange earnings.

Foreign Exchange earnings and outgo

Particulars	(Rupees in Million)	
	2008-09	2007-08
Foreign Exchange Earnings	3.19	2.49
(on account of Export Sales FOB value)		
Foreign Exchange Outgo	2.71	2.35

for and on behalf of the Board

Date : 30.07.2009
Place : Chandigarh

Yashovardhan Saboo Dinesh Agrawal
Director Director

HIMACHAL FINE BLANK LIMITED

AUDITORS' REPORT

The Members,

Himachal Fine Blank Limited

We have audited the attached Balance Sheet of Himachal Fine Blank Ltd as at 31st March, 2009, the Profit and Loss Account for the year ended on that date and also the Cash Flow statement for the year 2008-09 annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet And Profit and Loss Account dealt with by this report are in agreement with the books of accounts;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow statement dealt with by this report, comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as director in terms of section 274(1)(g) of the Companies Act, 1956.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Accounting Policies and Notes on Accounts as stated in Schedule 15 of the Balance Sheet, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009; and
 - b) in the case of the Profit and Loss Account, of the Loss for the year ended on that date.
 - c) in the case of the Cash Flow statement, the movement of funds during the year 2008-09.

**For Singhal Karun & Co.
Chartered Accountants**

**Place : Chandigarh
Dated : 30.07.2009**

**Anil K. Goyal
Proprietor**

HIMACHAL FINE BLANK LIMITED

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT TO THE MEMBERS OF HIMACHAL FINE BLANK LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

1. (a) The Company has maintained proper records showing full particulars including quantitative detail and location of Fixed Assets.
(b) The fixed assets are physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. However, the obsolete and damaged equipments have been reduced to their approximate salvage value and provided for in books of accounts
(c) According to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. (a) The inventory (excluding stock with third parties) has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of the business.
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. No material discrepancies between the book records and the physical inventory have been noticed.
3. (a) The Company has taken unsecured loan of Rs 140 Lac from its holding company. The Company has not granted any loans, secured or unsecured to the Companies/parties covered in the register maintained under section 301 of the Act except Loans to its staff. The repayment of such loans is as stipulated.
(b) In our opinion, the rate of interest and other terms and conditions of that loan are not prima facie prejudicial to the interest of the Company.
(c) The Company is regular in payment of interest on such loan.
(d) In respect of aforesaid loan taken, there is no overdue amount.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. (a) In our opinion and according to the information and explanations given to us, the transactions that needs to be entered into register in pursuance of Section 301 of Act, have been so entered.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of Section 301 of the Act and exceeding the value of Rupees Five Lac in respect of any party during the year, have been made at the prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. The Company has adequate internal audit system commensurate with its size and nature of its business.
8. We are informed that the maintenance of cost records has not been prescribed by the Central Govt. under Section 209(1)(d) of the Companies Act, 1956, in respect of the company's product.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, excise duty and other material statutory dues as applicable with the appropriate authorities.
(b) The Company is contesting a demand of Rs 210980/- toward Cenvat credit availed by it, before the Central Excise Authorities, Chandigarh. The Company has deposited a sum of Rs 125000/- with the department against the said demand. (Refer notes no 2(ii)).
(c) The Company has also filed an appeal against the sales tax demand of Rs. 332800/-. The same has been however provided in the books of accounts in full. The Company has deposited a sum of Rs.130000/- with the department against the said demand.
10. The Company has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. As per explanations and information given to us, the Company has not defaulted in repayment of dues to any financial institution or bank.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
14. The Company is not a dealer or trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on short term basis which have been used for long term investments and vice versa.
18. During the year under review, the Company has not made preferential allotment of its equity shares.
19. The Company has not issued any debentures.
20. The Company has not raised any money by public issue during the year.
21. During the course of our examination of books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across, noticed or reported any instance of material fraud on or by the Company during the year, nor we have been informed of such case by the management.

**For Singhal Karun & Co.
Chartered Accountants**

**Place : Chandigarh
Dated : 30.07.2009**

**Anil K. Goyal
Proprietor**

HIMACHAL FINE BLANK LIMITED

BALANCE SHEET AS AT 31st MARCH, 2009

(Amount in Rupees)

	Schedule	As at 31 March 2009	As at 31 March 2008
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	15,200,000	15,200,000
Reserves & Surplus	2	652,346	1,719,530
		<u>15,852,346</u>	<u>16,919,530</u>
LOAN FUNDS			
Secured	3	3,624,182	4,048,474
Unsecured	4	14,000,000	14,000,000
		<u>17,624,182</u>	<u>18,048,474</u>
DEFERRED TAX LIABILITIES (NET)		<u>2,814,924</u>	<u>34,66,426</u>
		<u>36,291,452</u>	<u>38,434,430</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	35,926,378	35,647,114
Less : Depreciation		15,925,651	14,409,075
Net Block		<u>20,000,727</u>	<u>21,238,038</u>
INVESTMENTS	6	1,850,000	1,800,000
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	9,620,308	9,051,242
Sundry Debtors	8	7,500,159	8,662,266
Cash & Bank Balances	9	251,689	1,213,200
Loans & Advances	10	1,883,213	1,554,089
		<u>19,255,368</u>	<u>20,480,797</u>
LESS : CURRENT LIABILITIES & PROVISIONS			
Liabilities	11	3,847,422	4,624,052
Provisions	12	967,222	460,354
		<u>4,814,644</u>	<u>5,084,406</u>
NET CURRENT ASSETS		<u>14,440,725</u>	<u>15,396,391</u>
		<u>36,291,452</u>	<u>38,434,430</u>
ACCOUNTING POLICIES & NOTES ON ACCOUNTS	16		

AUDITORS' REPORT

In terms of our attached report of even date

For SINGHAL KARUN & CO.
Chartered Accountants

For & on behalf of the Board

Anil K. Goyal
Proprietor

Y. Saboo
Director

Dinesh Agrawal
Director

Place : Chandigarh
Dated : 30.07.2009

HIMACHAL FINE BLANK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

(Amount in Rupees)

	Schedule	For the year ended 31 March 2009	For the year ended 31 March 2008
INCOME			
Gross Operating income	13	27,594,143	31,579,829
Less : Excise Duty		3,011,799	4,512,811
Net Operating Income		24,582,344	27,067,018
Other Income		466,000	600,868
Net Income		25,048,344	27,667,886
Manufacturing Admn. & Selling Expenses	14	22,203,900	24,374,055
Profit/(Loss) before Interest & Depreciation		2,844,443	3,293,831
Less: Interest	15	2,492,107	1,883,054
Profit/(Loss) before Depreciation		352,336	1,410,777
Less: Depreciation	5	1,727,941	2,092,813
Profit/(Loss) before Taxation		(1,375,604)	(682,036)
Provision for Taxation-earlier years		-	1,352
Provision For Deferred Tax Liability		(651,501)	(126,559)
Provision For Fringe Benefit Tax		32,873	34,276
Profit/(Loss) after Tax		(756,976)	(591,105)
Previous year adjustments		310,208	-
Profit/(Loss) Carried to Balance Sheet		(1,067,184)	(591,105)
Accounting Policies and Notes on Accounts	16		

AUDITORS' REPORT

In terms of our attached report of even date

For SINGHAL KARUN & CO.
Chartered Accountants

For & on behalf of the Board

Anil K. Goyal
Proprietor

Y. Saboo
Director

Dinesh Agrawal
Director

Place : Chandigarh
Dated : 30.07.2009

HIMACHAL FINE BLANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

(Amount in Rupees)

	Year ended 31 March 2009	Year ended 31 March 2008
A. Cash flow from operating activities:		
Net profit/(Loss) before tax	(1,375,604)	(682,036)
Adjustments for :		
Depreciation	1,727,941	2,092,813
Miscellaneous expenses written off	-	-
Loss/ (profit) on sale of fixed assets	-	(59,114)
Fixed assets written off	-	-
Provision for bonus / leave encashment	198,063	(195,907)
Bad debts written off	-	-
Dividend Income	-	-
Lease rent income	-	-
Interest expense	2,310,209	2,279,475
Interest income	(6,304)	(505,743)
Operating profit before working capital changes	2,854,304	2,929,488
Adjustments for:		
Trade and other receivables	935,054	995,975
Inventories	(569,066)	(738,899)
Trade and other payables	(776,630)	(869,238)
Income tax paid	(136,347)	563,545
Net cash generated from operating activities	2,307,315	2,880,871
B. Cash flow from investing activities:		
Purchase of fixed assets	(1,102,650)	(239,716)
Proceeds from sale of fixed assets	612,020	1,108,030
Movement in restricted cash	-	-
Interest received	6,304	505,743
Dividend received	-	-
Lease rents received	-	-
Advance for share application money	-	-
Investments	(50,000)	-
Dividend Paid	-	(1,778,324)
Net cash generated from investing activities	(534,326)	(404,267)
C. Cash flow from financing activities:		
Proceeds from issue of capital (including premium)	-	-
Proceeds of long term borrowings (net)	-	-
Repayment of long term borrowings	-	-
Increase/(Decrease) in short term borrowings	(424,292)	(513,472)
Interest paid	(2,310,209)	(2,279,475)
Net cash generated from financing activities	(2,734,501)	(2,792,947)
Net increase/(decrease) in cash and cash equivalents	(961,511)	(316,343)
Opening cash and cash equivalents	1,213,200	1,529,543
Closing cash and cash equivalents	251,689	1,213,201
Notes:		
Cash and cash equivalents include:		
Cash and cheques in hand / in transit	27,304	21,578
Balance with banks	224,385	1,191,622
	251,689	1,213,200
Excluding the following:		
- Pledged in fixed deposit accounts	-	-
- In equity dividend accounts	-	-
- Pledged post office balances	-	-
Balance as per books of account	251,689	1,213,200

AUDITORS' REPORT

In terms of our attached report of even date

For SINGHAL KARUN & CO.
Chartered Accountants

For & on behalf of the Board

Anil K. Goyal
Proprietor

Y. Saboo
Director

Dinesh Agrawal
Director

Place : Chandigarh
Dated : 30.07.2009

HIMACHAL FINE BLANK LIMITED

SCHEDULES TO THE ACCOUNTS

(Amount in Rupees)

	31 March, 2009	31 March, 2008
1. SHARE CAPITAL		
Authorised		
20,00,000 Equity Shares of Rs.10/- each (Previous Year 20,00,000 Equity Shares of Rs. 10/- each)	<u>20,000,000</u>	<u>20,000,000</u>
Issued,Subscribed and Paid up:		
15,20,000 (Previous Year 15,20,000) Equity Shares of Rs.10/- each fully paid up (out of the above 15,19,930 shares of Rs.10/- each are held by holding company-KDDL Limited)	<u>15,200,000</u>	<u>15,200,000</u>
	<u>15,200,000</u>	<u>15,200,000</u>
2. RESERVES & SURPLUS		
– General Reserve		
As per Last Balance Sheet	1,520,000	1,520,000
Transfer to Profit & Loss A/c	1,000,000	591,105
	<u>520,000</u>	<u>1,520,000</u>
– Profit & Loss Account - as per last balance sheet	199,530	790,635
Transfer from Profit & Loss Account	<u>(1,067,184)</u>	<u>(591,105)</u>
	<u>(867,654)</u>	<u>199,530</u>
Transfer from General Reserve	1,000,000	-
	<u>132,346</u>	<u>199,530</u>
	<u>652,346</u>	<u>1,719,530</u>
3. SECURED LOANS		
Cash Credit— Bank of India, Chandigarh	<u>3,624,182</u>	<u>4,048,474</u>
	<u>3,624,182</u>	<u>4,048,474</u>
NOTES :		
i) Cash Credit from Bank of India is secured by hypothecation of stocks of raw materials, components, stores & spares, finished goods, stock in process and Book Debts, and is further secured by corporate guarantee of holding company.		
4. UNSECURED LOANS		
From Holding Company	<u>14,000,000</u>	<u>14,000,000</u>
	<u>14,000,000</u>	<u>14,000,000</u>

5. FIXED ASSETS AS AT 31 MARCH 2009

	Gross Block			As at 31.03.09	Depreciation				Net Block	
	As at 01.04.08	Additions	Disposals		Upto 31.03.08	Charge for the year	Adjustments (Net)	Upto 31.03.09	As at 31.03.09	As at 31.03.08
LAND – LEASEHOLD	566,913	-	-	566,913	-	-	-	-	566,913	566,913
BUILDING	7,606,715	-	-	7,606,715	2,240,996	254,064	-	2,495,060	5,111,655	5,365,719
PLANT & MACHINERY	21,154,973	1,027,015	417,118	21,764,690	8,114,453	989,797	76,075	9,028,175	12,736,514	13,040,340
DIES & TOOLS	2,028,158	-	-	2,028,158	1,607,269	292,245	-	1,899,514	128,644	420,889
ELECTRICAL INSTALLATION	1,245,452	-	-	1,245,452	500,577	59,159	-	559,736	685,716	744,875
FIRE FIGHTING EQUIPMENT	47,931	-	-	47,931	33414	2,277	-	35,691	12,240	14,517
FURNITURE & FIXTURE	1,793,439	41,545	349,910	1,485,074	952,221	91,595	103,240	940,576	544,499	841,218
OFFICE EQUIPMENT	209,969	9,300	-	219,269	120,530	10,342	-	130,872	88,397	89,439
COMPUTERS	940,929	24,789	56,357	909,361	813,093	23,577	32,050	804,620	104,741	127,836
VEHICLE	52,814	-	-	52,814	26,522	4,885	-	31,407	21,407	26,292
TOTAL	35,647,114	1,102,649	823,385	35,926,377	14,409,075	1,727,941	211,365	15,925,651	20,000,727	21,238,039
PREVIOUS YEAR (TOTAL)	36,684,007	239,716	1,276,610	35,647,113	12,543,954	2,092,813	227,692	14,409,075	21,238,038	24,140,051

HIMACHAL FINE BLANK LIMITED

SCHEDULES TO THE ACCOUNTS

(Amount in Rupees)

	31 March 2009	31 March 2008
6. INVESTMENTS		
Fully Paid-up Shares (Unquoted) :		
- 180000(180000) Equity Shares of Rs.10/- each, of M/S Saboo Coatings Ltd. Chandigarh	1,800,000	1,800,000
- 5,000 Equity Shares of Rs. 10/- each of M/s Shivalik Solid Waste Management Ltd. Dabhota, Tehsil Nalagarh, Distt. Solan	50,000	-
	<u>1,850,000</u>	<u>1,800,000</u>
7. INVENTORIES		
(As taken, valued & certified by the Management)		
Raw Materials	2,328,781	2,771,763
Stores & Spares	2,672,915	2,887,693
Stock-in-Process	2,978,350	2,537,930
Finished Goods	868,712	853,856
Scrap (Copper & Brass)	771,550	-
	<u>9,620,308</u>	<u>9,051,242</u>
8. SUNDRY DEBTORS		
(Unsecured, unconfirmed but considered Good)		
Outstanding for more than six months	165,950	233,577
Other Debts	7,334,209	8,428,689
	<u>7,500,159</u>	<u>8,662,266</u>
9. CASH AND BANK BALANCES		
Cash in hand	27,304	21,578
Balance with Scheduled Banks		
- In Current Accounts	224,385	1,191,622
	<u>251,689</u>	<u>1,213,200</u>
10. LOANS AND ADVANCES		
(Unsecured, unconfirmed but Considered Good)		
Advances Recoverable in cash or in kind or for value to be received and/or adjusted	814,723	585,137
Advance Income Tax / Refund Recoverable.	620,934	518,863
Cenvat Recoverable	120,203	135,177
Modvat Service tax	22,281	15,631
Excise Duty (PLA)	6,394	4,656
Advance Duty with Excise Deptt	125,000	125,000
Advance Tax with Sales Tax Deptt (Agt. Appeal)	130,000	130,000
Security Deposit	39,625	39,625
Vat Recoverable 2009-10-11	4,053	-
	<u>1,883,213</u>	<u>1,554,089</u>
11. CURRENT LIABILITIES		
Sundry Creditors for Materials & Expenses	3,233,684	4,112,565
Other Liabilities	613,738	511,487
	<u>3,847,422</u>	<u>4,624,052</u>
12. PROVISIONS :		
For Bonus	189,662	191,402
For Leave Encashment	317,126	234,676
For Gratuity (Additional)	427,561	-
For FBT	32,873	34,276
	<u>967,222</u>	<u>460,354</u>
13. GROSS OPERATING INCOME		
Sales	25,304,090	28,926,253
Miscellaneous Sales	2,080,246	2,558,251
Job Charges received	209,807	95,325
	<u>27,594,143</u>	<u>31,579,829</u>

HIMACHAL FINE BLANK LIMITED

SCHEDULES TO THE ACCOUNTS

(Amount in Rupees)

	31 March 2009	31 March 2008
OTHER INCOMES		
Profit on Sale of fixed Assets	-	70,000
Liabilities no longer reqd written back	-	14,868
Rent Received	466,000	516,000
	<u>466,000</u>	<u>600,868</u>
14. MANUFACTURING,ADMINISTRATIVE & SELLING EXPENSES		
Raw Materials Consumed	8,213,416	9,517,635
Stores & Spares Consumed	3,301,152	3,160,836
Power, Fuel and Water Charges	725,855	961,379
Salaries & Wages	7,335,799	7,390,835
Contribution to Provident & Other Funds	661,705	582,119
Staff & Labour Welfare Expenses	242,666	284,814
Job Charges	897,763	1,047,761
Insurance	31,970	(22,507)
Excise Duty consumed	44,103	340,555
Repair & Maintenance		
- Plant & Machinery	186,690	243,622
- Buildings	35,769	42,287
- Other Assets	27,920	95,973
- Rates, Fees & Taxes	302,369	21,250
Payment to Auditors		
- Audit Fees	70,000	70,000
- Tax Audit Fee	15,000	15,000
- Others / Certification	32,000	16,950
- For Expenses	5,315	6,150
Travelling & Conveyance	339,117	298,121
Directors Travelling	25,480	26,500
Directors Fees	30,000	20,000
Postage,Telephones & Fax	171,050	132,963
Legal & Professional Charges	81,603	74,324
Miscellaneous Expenses	435,013	371,462
Selling & Distribution Expenses	31,632	133,394
Additional Sales Tax	142,432	-
Exchange Rate Fluctuation Loss	25,642	(412)
Loss On Sale Of Fixed Assets	-	10,886
Bad Debts Written Off	70,809	-
Diff.in excise duty loaded on op. & cl. Finished Goods	(51,544)	(1,888)
Decrease /(Increase) in Stocks (Ref. Schedule 14A)	(1,226,826)	(443,566)
	<u>22,203,900</u>	<u>24,374,055</u>
14A. INCREASE IN STOCKS		
Opening Stocks		
- Finished Goods	853,856	758,579
- Stock in process	2,537,930	1,979,721
- Scrap (Copper & Brass)	-	209,920
	<u>3,391,786</u>	<u>2,948,220</u>
Closing Stocks		
- Finished Goods	868,712	853,856
- Stock in process	2,978,350	2,537,930
- Scrap (Copper & Brass)	771,550	-
	<u>4,618,612</u>	<u>3,391,786</u>
Net Increase / (Decrease) in Stocks	1,226,826	443,566
15. INTEREST		
On Working Capital Facilities	550,622	518,162
Add: Interest to KDDL holding co.	1,759,587	1,761,313
Interest others	19,339	-
Less: Interest received & accrued	6,304	505,743
Financial / Bank Charges	168,863	109,322
	<u>2,492,107</u>	<u>1,883,054</u>

HIMACHAL FINE BLANK LIMITED

SCHEDULE 16

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

(Forming part of Balance Sheet as at 31-03-2009)

1 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The accounts of the company are prepared under the historical cost convention and in accordance with the applicable accounting standards except where otherwise stated. Mercantile system of accounting is followed except insurance and other claims receivable, which are accounted for on receipt basis on account of uncertainties.

b) Fixed Assets and Depreciation

Fixed Assets are shown at cost of acquisition / cost of construction. Depreciation is being provided on straight line method as per the rates specified in Schedule XIV of the Companies Act, 1956, as applicable at the time of addition of the respective Fixed Assets, on pro-rata basis from the month of addition, except for the following:

- Depreciation on a particular class of Dies & Tools manufactured by the Company and put to use after April-2005 is provided over a period of 3 years.
- The above rate of depreciation are indicative of the useful lives of the assets.
- Depreciation on insurance spares is being provided retrospectively from the date when the related/mother assets were put to use.

c) Valuation of Inventory

Inventories are valued as follows :

- i) **Finished Goods:-** Valued at cost or net realisable value, whichever is lower.
- ii) **Work in Process :-** Valued at cost or net realisable value, whichever is lower.
- iii) **Raw Material & Components, Stores & Spares:-** Valued at cost or net realisable value, whichever is lower.
- iv) **Scrap :-** At realisable value.
- v) Cost of Raw Material & Components, Stores & Spares is determined on Moving Weighted Average Method.
- vi) As required by Accounting Standard -2, the cost of finished goods and WIP has been determined by considering material,labour and related overheads including depreciation based on production capacity of the unit. Due to practical difficulties and to align the basis of valuation to that followed by the Holding company,the allocation of overheads as above, has been done by global costing method instead of absorption costing method as required under AS-2. Accordingly, the stock of finished goods has been valued at lower of aggregate cost or market price, whichever is less.

d) Revenue Recognition

Revenue from the sale of goods is recognised upon passage of the title to the customers which generally coincides with delivery. Revenue for other areas is recognised at the time of raising the invoice/ credit note.

e) Foreign currency transaction

Transactions arising in foreign currencies during the year are converted at the rates closely approximating those prevailing on the dates of transactions. Assets and Liabilities in foreign currency as at the date of Balance Sheet are restated at exchange rates prevailing as on that date. All exchange differences arising from conversion are adjusted with exchange gains from export realisations and the net balance is accounted for in Profit & Loss Account.

f) Custom and Excise Duty

Custom duty on material lying under bond and Excise duty on manufactured goods lying in the factory are paid on clearance but are accounted for on accrual basis. Accordingly provision for excise duty is made in the account for goods manufactured and lying in the bonded store room within the factory premises.

g) Retirement Benefit

- i) Liability for gratuity has been provided on the basis of actuarial valuation. Part of the amount is contributed to Life Insurance Corporation of India, under the Group Gratuity-cum-Life Assurance Policy taken by the Company. The balance has been created as a provision in books.
- ii) The Company has created an approved Superannuation Fund and contribution is being paid to Life Insurance Corporation of India against an insurance policy taken by the company.
- iii) Provision for Leave encashment has been made on the basis of actuarial computation.

HIMACHAL FINE BLANK LIMITED

(Amount in Rupees)

	31 March 2009	31 March 2008
2 Contingent liabilities not provided for		
i) Bond executed in favour of Central Excise Authorities.	1,425,000	1,425,000
ii) Cenvat credit on capital goods / inputs availed by the Company but disputed by the Central Excise Authorities, for which appeal has been preferred by the Company. (Advance duty Rs.1,25,000/- deposited against the demand with Excise Authorities)	210,980	210,980
3 Miscellaneous exp. Includes: Charity and Donations	16,201	2,500
4 Additional Sales Tax paid during the includes Penalties for	8,694	-
5 (i) Sundry Debtors (Trade) includes due from Holding Company.	7,500,159	7,353,613
(ii) Amount payable to Small Scale Industrial (SSI) undertakings The Small Scale Industrial Undertakings for which outstanding is more than 30 days : BRRC Metal Products, Chandigarh Tooling, CNC Engineering, Essen Precision, Mechnotract Engineers, Futuron Technologies, Sumen Precision, Techwel Industries, The Shiv Engineers & Traders, JBJ Machine Technologies Pvt. Ltd., Synergy Metal Forming. There are no Micro, Small and Medium Enterprises, to whom the company owes dues, which are outstanding for more than 45 days at the Balance Sheet date. The Micro, Small and Medium Enterprises have been identified on the basis of information available with the Company. This has been relied upon by the auditors.	559,807	927,312
6 In compliance with AS 15, the gratuity provision has been made on the basis of actuarial valuation. Whereas the additional liability amounting to Rs. 1,17,353/- for the year 2008-09 has been debited to Profit and Loss Account, the liability for earlier years amounting to Rs. 3,10,208/- has been shown as previous year adjustment in the Profit & Loss account.		
7 Related Party Disclosure		
i) Name of the parties:		
Holding Company	KDDL Limited	
Other Related parties	Satva Jewellery & Designs Ltd. Saboo Coatings Ltd.	
ii) Summary of transactions entered into with Related parties:		
	31.03.09	31.03.08
	Holding Co.	Others
	Holding Co.	Others
Sale of goods	19,110,527	1357
Purchase of goods	594,965	298,613
Purchase of fixed assets	29,152	-
Sale of fixed assets	612,020	-
Job work income	189,607	1260
Job work Charges paid	75,155	-
Interest paid against loan	1,759,587	-
Rent Received	-	466,000
Balances outstanding at the end of year		
- Value of outstanding Guarantee provided	3,624,182	-
- Receivables	6,917,931	212,152
- Payables	-	63,886
- Unsecured Loan taken	14,000,000	-
	22,193,610	-
	501,039	407,668
	-	-
	382,308	705,724
	93,575	-
	37,241	30,240
	1,761,313	-
	-	516,000
	4,048,474	-
	8,086,479	494,502
	-	51,164
	14,000,000	-
8 The Company has adopted the provisions of accounting standard - 28 "impairment of assets" and assessed the conditions as stated in the standard for impairment. Based on such assessment and evaluation no impairment loss has been recognised and adjusted in Profit & Loss Account.		
9 a) Deferred Tax Liabilities/(Assets) of Rs (651,501/-) arising on account of temporary differences as on 31st March, 2009 have been adjusted in the Profit & Loss account.		

HIMACHAL FINE BLANK LIMITED

b) Calculation of Deferred Tax Liabilities(Net) as on 31st March, 2009 is as given below:

Deferred Tax Assets arising on account of timing differences in:	
- Accrued Expenses allowable on actual payments: Total (A) :	952,121
Deferred Tax Liabilities arising on account of timing difference in	
Depreciation (B) :	10,143,628
Balance Total (A - B) :	(9,191,507)
Deferred Tax Liability @ 30%+Edu Cess @ 3%	2,814,924
Less Deferred tax liability provided in books upto 31.03.2008	3,466,425
Deferred Tax Liability/(Assets) for the year ending on 31.03.2009	(651,501)

c) The Company on the basis of projections expects to generate sufficient taxable income in the coming year, which will enable it to utilize the carried forward accumulated expenses and unabsorbed losses/allowances.

10 Previous year's figures have been regrouped or rearranged, wherever considered necessary.

11 Schedules 1 to 16 form an integral part of the Balance Sheet and Profit and Loss Account.

12 Additional information pursuant to the provisions of paragraphs 3 and 4 of part II of Schedule VI of the Companies Act, 1956.

A CAPACITY

(QUANTITY IN LAKH PCS.)

	2008-09	2007-08
LICENSED CAPACITY	NOT APPLICABLE	NOT APPLICABLE
INSTALLED CAPACITY INDEX / LOGOS	800*	800*

*AS CERTIFIED BY MANAGEMENT FOR SINGLE SHIFT

B PRODUCTION

	2008-09	2007-08
INDEX / LOGOS	350.38	437.97

C. SALES / STOCKS OF INDEX / LOGOS (Quantity in lakh Pcs)

Year	Opening Stock		Closing Stock		Net Sales	
	Quantity	Rupees	Quantity	Rupees	Quantity	Rupees
2008-09	103.201	853,856	99.353	868,712	354.23	22,292,291
2007-08	107.209	758,579	103.201	853,856	441.977	24,431,442

D. RAW MATERIAL AND COMPONENTS CONSUMED

	Unit	2008-09		2007-08	
		Quantity	Rupees	Quantity	Rupees
i) Brass	Kgs	6,086	3,682,464	10,951	5,134,998
ii) Raw Indexes / Logos	Pcs (in, 000)	12,832	983,437	9,480	757,957
iii) Plating Salt, Chemicals, other	-	-	3,547,515	-	3,654,680
Total			8,213,416		9,547,635

E. VALUE OF IMPORTED AND INDIGENOUS RAW MATERIAL AND COMPONENTS AND STORES & SPARES CONSUMED

Description	2008-09		2007-08	
	Rupees	%age	Rupees	%age
Raw Materials and Components				
- Imported	3,670,419	44.69	2,533,398	26.62
- Indigenous	4,542,997	55.31	6,984,237	73.38
Total	8,213,416	100.00	9,517,635	100.00
Stores and Spares				
- Imported	682,040	20.66	863,957	27.33
- Indigenous	2,619,113	79.34	2,296,869	72.67
Total	3,301,152	100.00	3,160,826	100.00

HIMACHAL FINE BLANK LIMITED

(Amount in Rupees)

	31 March 2009	31 March 2008
F. CIF VALUE OF IMPORTS		
Capital Goods	622,751	67,244
Raw Material and Components	1,392,835	1,513,805
Stores & Spares	698,580	767,667
Total	2,714,165	2,348,716
G. EARNING IN FOREIGN EXCHANGE		
FOB Value of Exports	3,188,855	2,488,195

13. Additional information as required under Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	15424
State Code	53
Balance Sheet Date	31st March, 2009

II. Capital Raised during the year

Public Issue	-
Rights Issue	-
Bonus issue	-

III. Position of Mobilisation and Deployment of Funds

Total Liabilities	362.91	Total Assets	362.91
Sources of Funds		Uses of Funds	
i) Paid up Capital	152.00	i) Net Fixed Assets	200.01
ii) Reserves & Surplus	6.52	ii) Investments	18.50
iii) Secured Loans	36.24	iii) Net Current Assets	144.41
iv) Unsecured Loans	140.00	iv) Misc. Expenditure	-
v) Deferred Tax Liability	28.15		

IV. Performance of the Company :

Turnover (Including Misc. Income)	250.48
Total Expenditure	264.24
Profit before tax	-13.76
Profit after tax	-7.57
Earning per share (Rs.)	Negative
Dividend rate	0%

V. Generic Names of Three principal products of the Company

(As per monetary terms):	
Item Code No. (I.T.C. Code)	9114.9
Product Description	Appliqués, Logos and Dials

AUDITORS' REPORT

In terms of our attached report of even date

For SINGHAL KARUN & CO.
Chartered Accountants

For & on behalf of the Board

Anil K. Goyal
Proprietor

Y. Saboo
Director

Dinesh Agrawal
Director

Place : Chandigarh
Dated : 30.07.2009

KAMLA RETAIL LIMITED

DIRECTORS' REPORT

To the Members

Your Directors are pleased to place before you the Second Annual Report together with Audited Statement of Accounts of the Company for the financial year ended 31st March, 2009, along with the Auditors' Report thereon.

FINANCIAL STATEMENT

Particulars	Amount in Rupees	
	Financial year ended 31.3.2009	Period ended 31.3.2008
Sales and other income	468,879,792	-
Total expenditure	463,388,794	1,419,171
Profit/(Loss) before interest and depreciation	5,490,998	(1,419,171)
Less : Interest	24,473,604	-
Less : Depreciation	8,308,792	-
Net Profit/(Loss)	(27,291,398)	(1,419,171)
Provision for Tax	458,792	-
Profit/(Loss) after Tax	(27,750,190)	-
Profit/(Loss) brought forward from previous year	(1,419,171)	-
Net Profit/(Loss) carried to Balance Sheet	(29,169,361)	(1,419,171)

SCHEME OF ARRANGEMENT

The Company had proposed a Scheme of Arrangement to be entered into with M/s KDDL Limited, Holding Company, to take over its retail business division (Ethos), on a going concern basis.

The said Scheme of Arrangement was approved by the Hon'ble High Court of Himachal Pradesh at Shimla vide its Order dated 26th September, 2008. The Appointed Date for the purpose of the Scheme of Arrangement was 1st April, 2008 and the Effective date of the Scheme was 30th September, 2008.

Accordingly, the retail business division "Ethos" has since the date of the Order of the Hon'ble High Court of Himachal Pradesh been acquired on a going concern basis by the Company.

OPERATIONS

The retail operations showed a growth of sales of more than 50%. Three new stores were opened in the year taking the total number of stores to nineteen. The impact of the slow down was felt on the opening of some of the planned stores due the adverse impact on the real estate sector and the consequent delays in handing over of possession of stores by malls. However, impact on the Company was limited as the Company took several measures to control costs and maintain top line growth, such as rigorous cost reduction at the store level, stricter controls on inventory and lowering the pace of scaling up. The Company ended the year with a healthy growth, and the like-to-like store growth remained positive.

DEPOSITS

During the financial year under Report, the Company accepted public deposits to the tune of Rs. 5 crores after filing Statement in lieu of Advertisement with the Ministry of Corporate Affairs. The said deposit was repaid during the year and the aggregate amount of fixed deposits as on 31st March, 2009 was Rs. Nil.

DIVIDEND

The Company has not made any profits during the period under review, therefore, no dividend is being recommended.

DIRECTORS

During the financial year ended 31st March, 2009, Mr. Jaivardhan Saboo and Mr. Ashish Bagrodia were appointed Additional Directors to broad base the Board of Directors and hold office till the conclusion of the ensuing Annual General Meeting. Notice under Section 257 of the Companies Act, 1956 have been received from members of the Company, proposing their re-appointment as Director of the Company liable to retire by rotation. The appointed Directors have wide and varied experience in different disciplines of corporate functioning.

Mr. Yashovardhan Saboo was appointed Managing Director of the Company, w.e.f. 1st December, 2008. Mr. Yashovardhan Saboo is BA (Hons), PGDBM (IIM) and has vast experience of 28 years. He is also Chief Executive Officer of M/s KDDL Limited, the Holding Company.

Mrs. Anuradha Saboo, Director of the Company, resigned from the directorship of the Company during the financial year under Report and was appointed Alternate Director to Mr. Jaivardhan Saboo.

Mr. Anil Khanna, Director retires at the ensuing Annual General Meeting, as per the requirement of section 256 of the Companies Act, 1956, and being eligible, offers himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. that in the preparation of the annual accounts for the financial year ended 31st March, 2009, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
2. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for the year under review;
3. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. that the Directors have prepared the accounts for the financial year ended 31st March, 2009 on a 'going concern' basis.

KAMLA RETAIL LIMITED

AUDITORS

M/s Narottam Chitranjan & Co., Chartered Accountants, the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting. They have given notice in writing of their unwillingness to be re-appointed due to pre-occupation.

In this connection, a special notice in terms of provisions of Section 190 of the Companies Act, 1956, read with Section 225 of the Act has been received from Shareholders of the Company for the appointment of new Statutory Auditors, M/s B.S.R and Associates, Chartered Accountants, in place of the retiring auditors M/s Narottam Chitranjan & Co., Chartered Accountants. The Company has forthwith communicated to the retiring auditors of the Special Notice and that the retiring auditors have made no representation against the said special notice. A written certificate has been obtained from M/s B.S.R and Associates, Chartered Accountants, to the effect that in case of their appointment as Auditors of the Company, the appointment will be in accordance with the limits prescribed under section 224(1B) of the Act.

The Board recommends the appointment of M/s B.S.R and Associates, Chartered Accountants, as the Statutory Auditors of the Company at a remuneration to be mutually agreed to between the Auditors and the Board of Directors of the Company.

AUDIT COMMITTEE

With the increase in paid-up share capital of the Company, an Audit Committee has been constituted by the Board of Directors at its meeting held on 9th December, 2008, pursuant to the provisions of section 292A of the Companies Act, 1956. The members of the Audit Committee are Mr. Yashovardhan Saboo, Mr. Anil Khanna and Mr. Jaivardhan Saboo.

INTERNAL CONTROL SYSTEM

The Company has a proper and adequate system of internal control. An extensive programme of internal audits and management reviews supplement the process of internal control. Properly documented policies, guidelines and procedures are laid down for this purpose.

The Company has an Audit Committee comprising of majority of Non-Executive and professionally qualified Directors, who interact with the statutory auditors and internal auditors in dealing with matters within its terms of reference.

PARTICULARS OF EMPLOYEES

During the year under Report, the Company did not have any employee covered under section 217(2A) of the Companies Act, 1956.

ENERGY CONSERVATION AND TECHNOLOGY ABSORPTION

The information required under section 217(1)(e) of the Companies Act, 1956, relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed.

APPRECIATION

The Directors wish to place on record their appreciation to the assistance and cooperation provided by the Company's Bankers and other Government and Non-Government Agencies.

for and on behalf of the Board

Place : Chandigarh Yashovardhan Saboo Anil Khanna
Date : 19.08.2009 Director Director

Information pursuant to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

A. Conservation of Energy

(a) **Energy conservation measures planned to be taken** : The Company has planned to give high priority to conservation of energy on an on-going basis for which periodical and preventive maintenance of electric equipments is being carried out regularly.

(b) **Total energy consumption and energy consumption** per unit of production as per 'Form A' not given as the Company is not covered under the list of specified industries.

B. Technology Absorption

The company being in retail business does not utilize any technology and hence this information is not being given.

C. Foreign Exchange Earnings and Outgo

	(Amount in Rs.)	
	2008-09	2007-08
Foreign Exchange Earnings	11,441,632	-
Foreign Exchange Outgo	48,035,513	-

for and on behalf of the Board

Place : Chandigarh Yashovardhan Saboo Anil Khanna
Date : 19.08.2009 Managing Director Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Kamla Retail Limited (*hereinafter referred to as the "Company"*) as at 31st March 2009 the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred to as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors' Report) (Amendment) Order, 2004, *hereinafter referred to as the Order*, issued by the Central Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, *hereinafter referred to as the Act*, we enclose as Annexure, a statement on the matters specified in the paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred above, we report that:

- 1 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;
- 2 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;
- 3 The financial statements dealt with by this report are in agreement with the books of account;
- 4 In our opinion, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- 5 On the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2009 from being appointed as a Director in terms of clause(g) of sub-section(1) of section of 274 of the Companies Act, 1956;
- 6 In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with other Notes thereon and attached thereto, give the prescribed information required by the Companies Act, 1956, a true and fair view in the case of:

- (i) the Balance Sheet of the state of affairs of the Company as at 31st March 2009
- (ii) the Profit and Loss Account, of the loss for the year ended on that date.
- (iii) the Cash Flow Statement, of the cash flows for the year ended on that date

FOR NAROTTAM CHITRANJAN & CO.
Chartered Accountants

CHITRANJAN AGARWAL

Partner

M.No. 89242

Place: Chandigarh

Dated : 19.08.2009

ANNEXURE TO THE AUDITORS' REPORT

- i (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) Fixed Assets have been physically verified by the management periodically in a phased manner and no material discrepancies have been noticed on physical verification as confirmed by the management.
- (c) No substantial part of Fixed Asset has been disposed off during the year, which has bearing on the going concern assumption.
- ii (a) Physical verification of Inventory (except stocks lying with third parties, confirmation for which has been obtained and in transit) have been conducted at reasonable intervals during the year by the management.
- (b) In our opinion, the procedures of physical verification of inventory followed by management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) The Company has maintained proper records of inventory. No material discrepancies were noticed on physical verification.
- iii (a) The company has not taken/ granted any loans, secured or unsecured to the companies/ parties covered in the register maintained under section 301 of the Act. Accordingly, Clauses 4 (iii) (b, c, d, e, f & g) of the Order is not applicable to the company.
- iv. On the basis of checks carried out during the course of audit and as per explanations given to us, we are of the opinion that there is adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed asset and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.

KAMLA RETAIL LIMITED

- v. (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into register in pursuance of Section 301 of the Act, have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of Section 301 of the Act and exceeding the value of rupees Five Lakhs in respect of any party during the year have been made at the prices which are reasonable having regard to the prevailing market prices at the reasonable time.
- vi The company has not accepted any deposits from the public. Accordingly, Clause 4(vi) of the Order is not applicable.
- vii. In our opinion and according to the information and explanations given to us, the company has an internal audit system commensurate with the size and nature of business of the Company.
- viii In our opinion and according to the information and explanations given to us, the maintenance of the cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Act in respect of the company's products. Accordingly, Clause 4(viii) of the Order is not applicable.
- ix (a) According to the information and explanations given to us and on the basis of our examination of the books of accounts, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise duty, Cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and on the basis of our examination of the books of accounts, no amount is due on account of dispute in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise duty and Cess.
- x. The accumulated losses of the Company are less than fifty percent of its net worth and the Company has incurred cash losses in the current financial year and in the immediately preceding financial year.
- xi As per information and explanations given to us, the Company has not defaulted in repayment of dues to Financial Institutions or Banks.
- xii According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of Shares, Debentures and other Securities.
- xiii The Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, Clause 4(xiii) of the Order is not applicable.
- xiv The company is not a dealer or trader in shares, securities, debentures and other investments. Accordingly, Clause 4(xiv) of the Order is not applicable.
- xv In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- xvii On the basis of overall examination of the Balance Sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on the short-term basis which have been used for long term investments.
- xviii During the year under Audit, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xxix On the basis of records made available to us, the Company has not issued any debentures.
- xx The Company has not raised any money by way of Public Issue during the year.
- xxi Based upon the audit procedures performed and on the basis of information and explanations provided by the management, we report that no fraud, on or by the Company has been noticed or reported during the year.

FOR NAROTTAM CHITRANJAN & CO.
Chartered Accountants

CHITRANJAN AGARWAL
Partner
M.No. 89242

Place: Chandigarh
Dated : 19.08.2009

KAMLA RETAIL LIMITED**BALANCE SHEET AS AT 31ST MARCH 2009**

(Amount in Rupees)

	Schedule	As at 31st March 2009	As at 31st March 2008
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1	68,441,960	10,000,000
Reserves & Surplus	2	86,598,638	–
Total		155,040,598	10,000,000
LOAN FUNDS			
Secured	3	217,416,492	–
		217,416,492	–
		372,457,090	10,000,000
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	64,220,377	–
Less : Accumulated Depreciation		22,365,647	–
Net Block		41,854,730	–
Capital Work-in-progress		28,125	–
		41,882,855	–
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	5	367,919,671	–
Sundry Debtors	6	3,114,887	–
Cash & Bank Balances	7	14,159,814	5,604,447
Loans & Advances	8	71,874,965	7,053,585
		457,069,337	12,658,032
Less: Current Liabilities & Provisions			
Liabilities	9	153,860,755	4,077,203
Provisions	10	1,803,708	–
		155,664,463	4,077,203
NET CURRENT ASSETS			
		301,404,874	8,580,829
MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)			
Profit and Loss Account	11	29,169,361	1,419,171
Total		372,457,090	10,000,000
ACCOUNTING POLICES & NOTES ON ACCOUNTS	16		

AUDITORS' REPORT

As per our report of even date annexed.

For NAROTTAM CHITRANJAN & CO.
Chartered Accountants

For & on behalf of the Board

CHITRANJAN AGARWAL
Partner
Membership No. 89242Y. SABOO
Managing DirectorANIL KHANNA
DirectorC. RAJA SEKHAH
Chief Financial OfficerPlace : Chandigarh
Dated : 19th August 2009

KAMLA RETAIL LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009**

(Amount in Rupees)

	Schedule	As at 31st March 2009	As at 31st March 2008
INCOME			
Income from Operations	12	447,452,194	—
Add : Other Income	13	21,427,598	—
		<u>468,879,792</u>	<u>—</u>
Less : Expenditure			
Goods purchased for Resale		713,219,980	—
Administrative & Operating Expenses	14	(249,831,186)	1,418,312
Profit/(Loss) before interest and depreciation		5,490,998	(1,418,312)
Less : Interest	15	24,473,604	859
Profit / (Loss) before depreciation		(18,982,606)	(1,419,171)
Less : Depreciation	5	8,308,792	—
Profit / (Loss) before Tax		(27,291,398)	(1,419,171)
Provision for Taxation			
- Fringe benefit tax		458,792	—
Profit / (Loss) after Tax		(27,750,190)	(1,419,171)
Add : Balance brought forward from previous year		(1,419,171)	—
Profit / (Loss) available for appropriation		<u>(29,169,361)</u>	<u>(1,419,171)</u>
Appropriations :			
Surplus / (Loss) carried to Balance Sheet		(29,169,361)	(1,419,171)
		<u>(29,169,361)</u>	<u>(1,419,171)</u>
Basic earnings per share (Rs.)		(5.22)	(1.42)
Diluted earnings per share (Rs.)		(5.22)	(1.42)
Equity Shares as on 31st March, 2009 (Nos.)		6,844,196	1,000,000
Weighted Average equity share as on 31st March, 2009 (Nos.)		5,320,766	1,000,000
ACCOUNTING POLICES & NOTES ON ACCOUNTS	16		

AUDITORS' REPORT

As per our report of even date annexed

For NAROTTAM CHITRANJAN & CO.
Chartered Accountants

For & on behalf of the Board

CHITRANJAN AGARWAL
Partner
Membership No. 89242Y. SABOO
Managing DirectorANIL KHANNA
DirectorC. RAJA SEKHAR
Chief Financial OfficerPlace : Chandigarh
Dated : 19th August 2009

KAMLA RETAIL LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

(Amount in Rupees)

Schedule	Year ended 31st March 2009	Year ended 31st March 2008
A. Cash flow from operating activities:		
Net profit before tax	(27,750,190)	(1,419,171)
Adjustments for:		
Depreciation	8,308,792	-
Interest expense	24,689,943	859
Interest income	(216,339)	-
Unrealised loss on Exchange rate	1,122,206	-
Less: Tax paid	458,792	-
Operating profit before working capital changes	5,695,620	(1,418,312)
Adjustments for:		
Trade and other receivables	2,470,970	(2,268,107)
Inventories	(66,854,676)	-
Trade and other payables	17,240,244	4,077,203
Taxes paid	458,792	-
Net cash from generated operating activities	(40,989,051)	390,784
B. Cash flow from investing activities:		
Purchase of fixed assets	(12,379,561)	
Interest received	216,339	
Investment in Security Deposit	(12,504,589)	(4,785,478)
Net cash used in investing activities	(24,667,811)	(4,785,478)
C. Cash flow from financing activities:		
Proceeds from issue of capital	104,999,751	10,000,000
Proceeds of long term borrowings (net of repayment)	8,945,489	-
Repayment of Demand Loan	(40,000,000)	-
Increase/(decrease) in short term borrowings	68,273,648	-
Increase/(decrease) in unsecured loans	(50,000,000)	-
Unrealised loss on Exchange rate	(1,122,206)	-
Interest paid	(24,689,943)	(859)
Net cash used in financing activities	66,406,739	9,999,141
Net increase/(decrease) in cash and cash equivalents	749,878	5,604,447
Opening cash and cash equivalents	5,604,447	
Transfer of Cash & bank balances under the Scheme of Arrangement	7,805,490	
Closing cash and cash equivalents	14,159,814	5,604,447
Notes:		
Cash and cash equivalents include:		
Cash and cheques in hand/ in transit	3,199,274	-
Balance with banks	8,102,974	5,604,447
	11,302,248	5,604,447
(excluding the following:)		
In FD account pledged	2,857,566	-
Balance as per books of account	14,159,814	5,604,447

Note: Transfer of all assets and liabilities under the Scheme of Arrangement has not been considered in the preparation of this statement since there was no impact on cash flows. Also refer note no. 6 in notes to the financial statement for detail.

AUDITORS' REPORT

In terms of our attached report of even date

For NAROTTAM CHITRANJAN & CO.
Chartered Accountants

For & on behalf of the Board

N.D. AGRAWAL
Partner
Membership No. 89242

Y. SABOO
Managing Director

ANIL KHANNA
Director

C. RAJA SEKCHAR
Chief Financial Officer

Place : Chandigarh
Dated : 19th August 2009

KAMLA RETAIL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2009 (Amount in Rupees)

	As at 31st March 2009	As at 31st March 2008
SCHEDULE - 1		
CAPITAL		
AUTHORISED:		
15,000,000 (Previous Year 10,000,000) Equity Shares of Rs. 10 each	150,000,000	100,000,000
ISSUED, SUBSCRIBED & PAID UP:		
6,844,196 (Previous Year 1,000,000 Equity Shares of Rs. 10 each, fully paid up)	68,441,960	10,000,000
TOTAL	68,441,960	10,000,000
(Out of the above 5,504,085 (Previous Year 999,994) shares of Rs. 10/- each are held by the holding company - KDDL Ltd.)		
SCHEDULE - 2		
RESERVES AND SURPLUS		
Share Premium	86,598,638	-
	86,598,638	-
SCHEDULE - 3		
SECURED LOANS		
Term Loans from HDFC Bank	24,164,166	-
Working Capital Loans from:		
- HDFC Bank	130,253,351	-
- The Federal Bank	62,375,712	-
Others:		
- Tata Capital Ltd.	623,263	-
	217,416,492	-

Notes:

- Term Loans from HDFC Bank Ltd are secured by the hypothecation of all movable and immovable assets of the company, both present and future. These loans are guaranteed by the Holding Company (KDDL Ltd.) and the Chief Executive Officer (CEO) of the Company
- The working capital loans from HDFC Bank Ltd. are secured by first parri passu charge on the current assets and exclusive first charge on the fixed assets of the company. These limits are also secured by the first charge on the fixed assets of packaging unit at Chandigarh of KDDL Ltd.. This is further secured by the first charge over land and building and all other fixed assets of the Parwanoo dials unit of KDDL Ltd. excluding the assets purchased after 01.04.05. These limits are guaranteed by the Holding Company (KDDL Ltd.) and the Chief Executive Officer (CEO) of the Company.
- The working capital loans from The Federal Bank Ltd. are secured by first parri passu charge on current assets of the Company. These limits are also secured by a Second pari passu charge on the fixed assets of the company. These limits are guaranteed by the Holding Company (KDDL Ltd.) and the Chief Executive Officer (CEO) of the Company.
- Vehicle Loan from Tata Capital Ltd. is secured against hypothecation of the specified vehicle purchased from proceeds of the said loan.
- Installments of term loans due within one year Rs. 8,613,914

SCHEDULE - 4 : FIXED ASSETS

	As at 01.04.08	Assets acquired under scheme of arrangement	Gross Block Additions during the year	Disposals	As at 31.03.09	Upto 31.03.08	Depreciation Accumulated Depreciation acquired under scheme of arrangement	Charge for the year	Adjustments	Upto 31.03.09	Net Block As at 31.03.09	As at 31.03.08
Tangibles												
Buildings	-	10,792,388	4,837,078	-	21,629,466	-	5,792,573	4,493,767	-	10,286,340	11,343,125	-
Plant & Machinery	-	3,619,243	16,279	-	3,635,522	-	570,401	178,820	-	749,221	2,886,302	-
Furniture & Office Equipment	-	29,293,013	2,438,596	-	31,731,609	-	6,883,630	2,831,061	-	9,714,691	22,016,918	-
Vehicles	-	-	1,004,100	-	1,004,100	-	-	55,644	-	55,644	948,456	-
Intangibles												
ERP Software	-	2,048,160	4,171,520	-	6,219,680	-	810,251	749,500	-	1,559,751	4,659,929	-
Total	-	51,752,804	12,467,573	-	64,220,377	-	14,056,855	8,308,792	-	22,365,647	41,854,730	-
Previous Year (Totals only)	-	-	-	-	-	-	-	-	-	-	-	-
Capital work-in-progress	-	116,150	-	-	28,125	-	-	-	-	-	28,125	-

KAMLA RETAIL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2009 (Amount in Rupees)

	As at 31st March 2009	As at 31st March 2008
SCHEDULE - 5		
INVENTORIES		
(As taken, valued and certified by the management)		
Finished Goods		
- Stock in Trade	367,786,694	-
Goods in Transit	132,977	-
TOTAL	367,919,671	-
SCHEDULE - 6		
SUNDRY DEBTORS		
(Unsecured)		
Outstanding for more than 6 months		
- considered good	632,745	-
- considered doubtful	-	-
Other debts - considered good	2,482,142	-
TOTAL	3,114,887	-
Schedule - 7		
Cash and Bank Balances		
Cash / Cheques in hand	3,197,374	-
Stamps	1,900	-
Balances with scheduled banks in		
Current Accounts	8,102,974	5,604,447
Fixed Deposits (pledged with banks, previous year Nil)	2,857,566	-
TOTAL	14,159,814	5,604,447
Schedule - 8		
Loans and Advances		
(Unsecured, considered good)		
Advances Recoverable in cash or in kind		
or for value to be received	24,419,133	2,268,107
Security and other deposits	46,682,226	4,785,478
Prepaid Income Taxes	756,941	-
Interest Accrued on Deposits	16,665	-
TOTAL	71,874,965	7,053,585
Schedule - 9		
Current Liabilities		
Sundry Creditors for goods, services and expenses	147,326,485	4,074,912
Other Liabilities	6,534,270	2,291
TOTAL	153,860,755	4,077,203
Schedule - 10		
Provisions		
For Bonus	201,023	-
For Leave Encashment	1,556,515	-
For Gratuity	46,170	-
TOTAL	1,803,708	-
Schedule - 11		
Profit and Loss Account		
Opening	1,419,171	-
Loss for the year	27,750,190	1,419,171
TOTAL	29,169,361	1,419,171
Schedule - 12		
Gross Operating Income		
Sales of goods	446,229,371	-
Commission Income	1,222,823	-
TOTAL	447,452,194	-
Schedule - 13		
Other Income		
Liabilities no longer required, written back	551,818	-
Promotion Participation Income	20,875,780	-
TOTAL	21,427,598	-

KAMLA RETAIL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2009 (Amount in Rupees)

	As at 31st March 2009	As at 31st March 2008
Schedule - 14		
Administrative and Operating Expenses		
Power, Fuel and Water	3,685,680	-
Salaries, Wages, Bonus and Gratuity	30,745,582	-
Contribution to Provident and Other Funds	1,438,964	-
Staff and Labour Welfare Expenses	1,649,096	-
Insurance	917,306	-
Rent	48,975,529	446,057
Rates and Taxes	410,427	39,701
Repair and Maintenance		
Buildings	233,234	-
Others	811,314	-
Payment to Auditors		
Audit Fees	167,100	10,000
Tax Audit Fees	50,000	-
Audit Expenses	3,738	-
Exchange Rate Fluctuation	2,972,073	-
Travelling and Conveyance	5,894,499	2,500
Directors Sitting Fees	60,000	4,000
Postage, Telephones and Telex	2,407,551	-
Selling and Distribution Expenses	9,671,248	-
Miscellaneous Expenses	1,632,116	15,000
Recruitment Expenses	519,034	-
Subscription and Annual Fees	53,393	-
Printing and Stationery	945,762	11,379
Legal and Professional	4,844,839	889,675
	<u>118,088,485</u>	<u>1,418,312</u>
(Increase) / Decrease in Stocks (Refer Schedule 14 A)	<u>(367,919,671)</u>	-
Sub Total	<u>(249,831,186)</u>	<u>1,418,312</u>
Schedule - 14 A		
Opening Stocks		
Finished Goods	-	-
- Stock in Trade	-	-
Goods in Transit	-	-
	<u>-</u>	<u>-</u>
Closing Stocks		
Finished Goods		
- Stock in Trade	367,786,694	-
Goods in Transit	132,977	-
	<u>367,919,671</u>	<u>-</u>
(Increase) / Decrease in Stocks	<u>(367,919,671)</u>	-
Schedule - 15		
Interest		
On term Loans	5,748,078	-
On other Loans	15,716,936	-
Others	394,358	859
	<u>21,859,372</u>	<u>859</u>
Less: Received from banks on deposits pledged (gross tax deducted at source 48,023/-, (previous year Rs. nil)	216,339	-
Financial Bank charges	2,830,571	-
	<u>24,473,604</u>	<u>859</u>

KAMLA RETAIL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2009

SCHEDULE - 16

I. Significant accounting policies

1. Basis of preparation

The financial statements of KAMLA RETAIL LIMITED ("the Company") have been prepared on accrual basis under the historical cost convention, in accordance with the generally accepted accounting principles in India and to comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956("the Act") and the Rules framed here under. The accounting policies have been consistently applied by the Company unless otherwise stated.

2. Use of estimates

In preparing Company's financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revisions to accounting estimates are recognised, accordingly in current and/or future periods.

3. Revenue recognition

- a) Revenue from sale of goods is recognised when the significant risks and rewards in respect of ownership of the goods are transferred to the customer and is stated net of trade discounts, sales return and sales tax / VAT wherever applicable.
- b) Commission from sale of goods, received on consignment basis, is recognised upon passage of title to the customers.
- c) Interest income is recognized on a time proportion basis, taking into account the amount outstanding and the rates applicable.

4. Fixed assets

Fixed assets are stated at cost (gross block) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price (net of Cenvat credit availed) and any attributable cost of bringing the asset to its working condition for its intended use.

Expenditure on account of modification / alteration in plant and machinery / building, which increases the future benefit from the existing asset beyond its previous assessed standard of performance, is capitalised.

Borrowing costs directly attributable to acquisition or construction of fixed assets, which necessarily takes a substantial period of time to get ready for their intended use are capitalized.

5. Depreciation

Depreciation is provided on straight line method as per the rates specified in Schedule XIV to the Act, as applicable at the time of addition of the respective fixed assets, on pro-rata basis from the month of addition, except for the following:

- Depreciation on improvements carried out on buildings taken on lease (included under buildings) is provided over the period of the lease.
- The above rates of depreciation are indicative of the useful lives of the assets.

6. Inventories

Stock in trade and goods in transit are valued at the lower of cost or net realisable value on moving weighted average basis.

7. Investments

Long-term investments are stated at cost. Provision is made for diminution in the value of long-term investments to recognise decline, if any, other than temporary in nature.

8. Foreign currency transactions

Differences arising on foreign currency translations of transactions settled during the year are recognised in the profit and loss account.

9. Employee benefits

The Company's contribution to provident fund is recognised in the profit and loss account.

Provision for earned leave entitlement of employees is made on the basis of actuarial valuation as at the balance sheet date.

The gratuity is administered by trustees of independently constituted trusts. In respect of gratuity, the liability is determined on the basis of actuarial valuation as at the balance sheet date and the Company makes contribution to fund administered by LIC of an amount equal to the shortfall between the liability and the balance in fund as at the balance sheet date, such a contribution is charged to the profit and loss account.

10. Taxes on income

Tax expense comprises fringe benefit taxes.

The provision for Fringe Benefit Tax for the year has been determined in accordance with the provisions of section 115 WC of the Income Tax Act, 1961.

11. Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise the net profit or loss for the year attributable to the equity shareholders. Earnings per share are computed using the weighted average number of shares outstanding during the year.

12. Leases

Lease rentals in respect of assets taken under a finance lease are charged to the profit and loss account on a straight line basis over the term of the lease.

13. Contingent liabilities and provisions

The Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. A disclosure is made for possible or present obligations that may but probably will not require outflow of resources or where a reliable estimate cannot be made, as a contingent liability in the financial statements.

KAMLA RETAIL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2009 (Amount in Rupees)

	As at 31st March 2009	As at 31st March 2008
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SCHEDULE -16

II. Notes to the financial statements

1 Contingent liability not provided for exists in respect of :

a) Bank guarantees outstanding.	5,235,000	-
b) Demands made by the Sales Tax authorities (Ludhiana) against which appeals have been filed	5,106,676	-

2 Related Party disclosures

A. Relationships

I. Holding Company	KDDL LTD.
II. Fellow Subsidiary	Mahen Boutiques Ltd.
III. Key Management Personnel	Relatives**
Mr. Y Saboo	Mr. R.K. Saboo (Father), Ms. U. Saboo (Mother) Ms. A. Saboo (wife), Ms. S. Saboo (Daughter) Mr. P.S. Saboo (Son)
Ms. A Saboo	Mr. Y. Saboo (Husband)

B. The following transactions were carried out with related parties in the ordinary course of the business for the year ended 31 March 2009

	Holding Companies	Fellow Subsidiary
Investment	45,040,850	-
Payables	13,498,354	-
Recoverables	-	2,188,727
Purchases	329,508	-

C. The following transactions were carried out with related parties in the ordinary course of the business for the year ended 31 March 2008

	Holding Companies	Key Management Personnel
Investment	99,999,940	60
Payables	3,949,203	-

3. A. Purchases for resale

Watches & other items		
- Quantity(Nos)	36,180	-
- Value (Rs.)	713,219,980	-

B. Sales and stocks

Product		Opening stock		Closing Stock		Sales	
		Nos.	Rs.	Nos.	Rs.	Nos.	Rs.
Watches & Other items (traded)	2008-09 2007-08	-	-	17,442	367,919,671	18,738	446,229,371
		-	-	-	-	-	-

C. CIF Value of imports

	2008-09	2007-08
a) Traded Goods	47,655,659	-

D. Expenditure in foreign currency

a) Travelling	379,854	-
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E. Earnings in foreign exchange

Sales at duty free shop at Bangalore International Airport	11,441,632	-
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KAMLA RETAIL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2009 (Amount in Rupees)

	As at 31st March 2009	As at 31st March 2008
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4. Employee benefits

The Company has adopted Accounting Standard 15 (Revised) on accounting for Employee Benefits issued by The Institute of Chartered Accountants of India from the current financial year. According to the transitional provisions prescribed in AS 15 (Revised).

	Current Year As at 31st March, 2009	Previous Year As at 31st March, 2008
Defined Contribution Plan		
Provident Fund Contribution	1,109,454	-
Liability recognized in Balance Sheet	122,402	-
Defined benefit plan/ other long term benefit plans		
a. Contribution to Gratuity Fund Trust	163,396	-
b. Leave Encashment	1,079,324	-

Actuarial valuation has been done with the following assumptions:

Particulars	Leave Encashment	Gratuity
Discount rate	8%	8%
Rate of increase in compensation levels	7%	7%
Rate of return of plan assets	-	8%
Expected average remaining working lives of employees (years)	8.21	-

Change in the present value of obligation :

Particulars	Leave Encashment	Gratuity
Present value of obligation as at 01 April 2008	946,036	-
Acquisiting Adjustment	-	-
Interest Cost	70,953	-
Current Service Cost	1,060,642	310,940
Settlement Cost/Credit	-	-
Benefits paid/payabale	(468,845)	-
Actuarial (gain)/loss on obligations	(202,271)	252,026
Present value of obligation as at 31 March 2009	1,406,515	562,966

Change in the Fair value of Plan Assets :

Particulars	Leave Encashment	Gratuity
Fair value of Plan Assets at 01 April 2008	-	434,118
Actual Return on Plan Assets	-	1,035
Contributions	-	23,990
Amount lying in deposit	-	57,653
Fair value of Plan Assets at 31 March 2009	-	516,796

The fair value of the plan assets under the provident fund schemes has been determined at amounts based on their value at the time of redemption, assuming a constant rate of return to maturity.

Reconciliation of present value of defined benefit obligation and the fair value of assets:

Particulars	Leave Encashment	Gratuity
Present value of funded obligation as at 31 March 2009	(1,406,515)	(562,966)
Fair value of Plan Assets as at the end of the period funded status	-	516,796
Present value of unfunded obligation as at 31 March 2009	-	-
Unfunded/Funded Net Liability recognized in Balance Sheet	(1,406,515)	(46,170)

KAMLA RETAIL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2009 (Amount in Rupees)

	As at 31st March 2009	As at 31st March 2008
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Expenses recognised in the Profit and Loss Account:

Particulars	Leave Encashment	Gratuity
Current Service Cost	1,060,642	310,940
Interest Cost	70,953	-
Expected Return on Plan Assets	-	1,035
Settlement Cost/Credit	-	-
Net actuarial (gain)/loss recognized in the period	(202,271)	252,026
Total Expenses recognized in the Profit & Loss Account	929,324	561,931

Present value of obligation as at 31st March 2009 with respect to leave encashment is exclusive of Rs. 150,000/- which is in addition to what the actuary has certified. Such amount has been accrued with respect to employees who have left the organization pending full and final settlements.

The Company made annual contributions to the LIC of India of an amount advised by the LIC. The Company was not informed by LIC of the investment made by the LIC or the break-down of plan assets by investment type.

5. Earnings per Share

Net profit attributable to equity shareholders	27,750,190	(1,419,171)
Including discontinuing operations		
Profit after Tax		
Net profit attributable to equity shareholders excluding discontinuing operations		
Net Profit available	(27,750,190)	(1,419,171)
Add : Net loss from discontinuing operations (net of taxes)	(27,750,190)	(1,419,171)
Number of equity shares at the beginning of the year	1,000,000	-
Shares issued during the year	5,844,196	1,000,000
Total equity shares outstanding at the end of the year	6,844,196	1,000,000
Number of weighted average equity shares		
Basic	5,320,766	1,000,000
Effect of dilutive equity shares equivalents	-	-
Convertible equity share warrants outstanding	-	-
Diluted	-	-
Nominal value of equity share (Rs.)	10	10
Basic	(5.22)	(1.42)
Diluted	(5.22)	(1.42)

6 Pursuant to the scheme of arrangement as ordered by Hon'ble High Court of Himachal Pradesh at Shimla, all assets and liabilities of the retail division of KDDL Ltd. were transferred to Kamla Retail Limited on a going concern basis w.e.f. appointed date i.e.01/04/08.

General nature of business under the Scheme of Arrangement company	Retail
Effective Date of Scheme of Arrangement for accounting purposes	01st April, 2008
Method of accounting used to reflect Scheme of Arrangement	Purchase method of Accounting Scheme of Arrangement filed between the Kamla Retail Limited and KDDL Limited for transfer of the retail business of KDDL Limited to Kamla Retail Limited
Particulars of the scheme sanctioned under a statute	

Consideration for Scheme of Arrangement and a description of the consideration paid

4004085 shares of Rs. 10/- each.

KAMLA RETAIL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2009 (Amount in Rupees)

	As at 31st March 2009	As at 31st March 2008
Against the above consideration, following assets and liabilities have been transferred from KDDL Ltd. to Kamla Retail Ltd.		
Particulars		Rs.
Fixed Assets		
Gross Block		51,752,791
Less: Depreciation		14,058,853
		<u>37,695,938</u>
Add: Capital Work in Progress		116,150
Total Fixed Assets (A)		<u>37,812,088</u>
Net Current Assets		
Current Assets, Loans and Advances		366,773,137
Less: Current Liabilities and Provisions		134,347,017
Net Current Assets (B)		<u>232,426,120</u>
Total Assets (C=A+B)		270,238,208
Less: Loan Funds (D)		230,197,358
Net Assets Value (E=C-D)		<u>40,040,850</u>

- As per the provisions of AS-22, there arises Net Deferred Tax Asset amounting to Rs. 6,375,074/- due to timing difference of allow ability of expenses under Income Tax Act, 1961 which have been fully charged to the Profit & Loss account in the books of accounts after netting off the Deferred Tax Liability on account of timing difference of differential of depreciation (Rs. 75,681/-) charged in the books of accounts and allowable in the Income Tax Act, 1961. This shall be recognised as and when there are sufficient taxable profits.
- Segment reporting is not required to be disclosed since, by applying the definitions of 'business segment' and 'geographical segment' contained in AS 17, there is neither more than one business segment nor more than one geographical segment.
- Previous year figures have been regrouped /recasted, wherever considered necessary to make them comparable with those of the current year.
- Schedules 1 to 16 form an integral part of the Balance Sheet and Profit and Loss Account.

AUDITORS' REPORT

In terms of our attached report of even date

For NAROTTAM CHITRANJAN & CO.
Chartered Accountants

For & on behalf of the Board

CHITRANJAN AGRAWAL
Partner
Membership No. 89242

Y. SABOO
Managing Director

ANIL KHANNA
Director

C. RAJA SEKHAR
Chief Financial Officer

Place : Chandigarh
Dated : 19th August 2009

KAMLA RETAIL LIMITED

Additional information as required under Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	30800
State Code	06
Balance Sheet Date	31st March, 2009

II. Capital Raised during the year

Public Issue	-
Rights Issue	-
Bonus Issue	-
Private Placement	-
Preferential Allotment	- 145,040,598

III. Position of Mobilisation and Deployment of Funds

Total Liabilities	372,457
Sources of Funds:	
i. Paid up Capital	68,442
ii. Reserves & Surplus	86,599
iii. Secured Loans	217,416

Total Assets	(Rs. in thousands) 372,457
Application of Funds:	
i. Net Fixed Assets	41,883
ii. Net Current Assets	301,405
iii. Profit & Loss Account	29,169

IV. Performance of the Company

Turnover (including other income)	468,880
Total Expenditure	496,171
Profit before tax	-27,291
Profit after tax	-27,750
Earning per share	Rs. (5.22)
Dividend Rate	

(Rs. in thousands)

V. Generic Names of Three principal products of the Company (As per monetary terms)

Item Code (I.T.C. Code)	9102
Production Description	Watches
Item Code (I.T.C. Code)	9608
Production Description	Pens
Item Code (I.T.C. Code)	9105
Production Description	Clocks

ON BEHALF OF THE BOARD OF DIRECTORS

Place : Chandigarh
Dated : 19th August 2009

Y. SABOO
Managing Director

ANIL KHANNA
Director

C. RAJA SEKHAR
Chief Financial Officer

MANAGEMENT REPORT

The Audited Statement of Accounts of the Company for the period ended 31st March, 2009 along with the Auditors' Report thereon, is placed before the Assembly.

SUMMARY OF FINANCIAL PERFORMANCE

Particulars	Amount (in 000's of CHF)	
	Year ended 31.3.2009	
Sales and other income		561
Gross Profit before interest and depreciation		(454)
Less : Interest	12	
Depreciation	<u>132</u>	144
Profit/(Loss) before Tax		(598)
Provision for Tax		—
Profit/(Loss) after Tax		(598)
Profit/(Loss) brought forward from previous year		(74)
Net Profit/(Loss) carried to Balance Sheet		(672)

OPERATIONS

This was the first full year of operations for the Company. The Company has suffered a decline of 7% in its sales due to the recession in the world economy. The recession had its effect on the watch industry in Switzerland with most of the watch segments showing a decline. Going forward, your company is geared up for serving the higher value segment of Swiss Watch Brands.

CAPITAL

The Authorized, issued and paid-up capital of the Company is 1000 shares of CHF 1000 each.

APPRECIATION

The Directors wish to place on record their deep appreciation of the assistance and co-operation given by the banks, suppliers and especially employees of the company with whose contribution the Company has established itself and commenced operations.

Date : 23 June 2009

Place : Bienne

**Heinz Kohler
Board Member and Director**

Report of the statutory auditors

To the general meeting of

Pylania SA

Grandval

As statutory auditors, we have examined the financial statements (balance sheet, income statement and notes) of Pylania SA for the year ended March 31, 2009. The financial statements of the previous year were examined by other auditors.

These financial statements are the responsibility of the board of directors. Our responsibility is to perform a limited statutory examination of these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance the Swiss Standard on the Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company

documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control systems, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe the financial statements do not comply with Swiss law and the company's articles of incorporation.

As more than fifty percent of the Share Capital is lost, we explicitly refer to Art. 725 of the Swiss Code of Obligations. Taking into consideration the subordination of a loan in the amount of CHF 200'000 from a group company the board of directors has renounced to call for an extraordinary General Assembly.

Prime Support GmbH

(Roland Lienhard)
(Licensed Auditor in Charge)

PYLANIA SA**BALANCE SHEET AS AT MARCH 31 2009**

	03-31-2009 CHF	03-31-2008 CHF
ASSETS		
Current Assets		
Liquid Funds	3,571.89	83,416.56
Petty Cash	1,776.30	729.15
Bank Accounts	1,795.59	82,687.41
Trade accounts receivable	41,706.19	94,132.52
Third parties	39,706.19	94,132.52
Inter company	2,000.00	0.00
Other receiveable	5,435.43	8,714.72
Third parties	5,435.43	3,903.92
Shareholders	0.00	4,810.80
Inventory	18,060.00	22,802.00
Prepaid expenses	15,585.00	6,545.00
	84,358.51	215,610.80
Total Current Assets		
Tangible Fixed Assets	935,000.00	941,400.00
Land	45,000.00	45,000.00
Building and Surrounding Infrastructure and Facilities	398,700.00	407,000.00
Machines, Equipment, Furniture	211,500.00	209,000.00
EDP Hard- und Software	256,600.00	269,800.00
	23,200.00	20,600.00
Intangible Fixed Assets	131,900.00	171,300.00
Incorporation and organization costs	56,900.00	71,300.00
Goodwill	75,000.00	100,000.00
Total Fixed Assets	1,066,900.00	1,112,700.00
TOTAL ASSETS	1,151,258.51	1,328,310.80

PYLANIA SA**BALANCE SHEET AS AT MARCH 31 2009**

	03-31-2009 CHF	03-31-2008 CHF
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities		
Trade Accounts Payables	40,447.83	28,618.11
Third Parties	0.00	28,618.11
Inter Company	40,447.83	0.00
Short Term Bank Liability	114,185.16	0.00
Other current liabilities	111,980.94	0.00
Other Liabilities	41,980.94	0.00
Short term Loan	70,000.00	0.00
Accrued expenses	0.00	8,350.00
Long Term Liabilities	556,750.00	365,000.00
Mortgage	206,750.00	215,000.00
Loan from Third Party	150,000.00	150,000.00
Subordinated Loan from intercompany	200,000.00	0.00
Total Liabilities	823,363.93	401,968.11
Equity		
Share Capital	1,000,000.00	1,000,000.00
Balance Loss	-672,105.42	-73,657.31
Loss brought forward	-73,657.31	0.00
Loss of the period	-598,448.11	-73,657.31
Total Equity	327,894.58	926,342.69
TOTAL LIABILITIES AND EQUITY	1,151,258.51	1,328,310.80

PYLANIA SA

STATEMENT OF INCOME AS AT MARCH 31 2009

	2008-09 (04.01.2008 to 03-31-2009) CHF	2007-08 (04.05.2007 to 03-31-2008) CHF
INCOME		
Net sales	528,809.76	574,043.86
Financial income	969.61	2,898.34
Other income	31,333.00	28,000.00
TOTAL INCOME	561,112.37	604,942.20
EXPENSES		
Cost of Goods Sold	-136,127.68	20,682.97
Personnel Expenses	-656,821.57	418,340.15
Repair, Maintenance, Energy	-27,694.14	-20,182.85
Administrative Expenses	-192,648.07	-76,794.61
Depreciation	-132,405.62	-108,741.83
Financial Expenses	-11,678.55	-32,666.10
Other Expenses	-371.50	-681.10
Tax Expenses	-1,813.35	-509.90
TOTAL EXPENSES	-1,159,560.48	-678,599.51
LOSS OF THE PERIOD	-598,448.11	-73,657.31

PYLANIA SA

NOTES TO THE FINANCIAL STATEMENT AS AT MARCH 31 2009

	2008-09 (04.01.2008 to 03-31-2009) CHF	2007-08 (04.05.2007 to 03-31-2008) CHF
Total Book Value of Assets Pledged	443,700.00	452,000.00
Land	45,000.00	45,000.00
Building and Surrounding	398,700.00	407,000.00
Fire Insurance Value of Fixed Assets	2,066,400.00	1,316,400.00
Real Estate	1,316,400.00	566,400.00
Inventory and Equipment	750,000	750,000
Financial Leasing Liabilities	14,615.55	15,576.45
Car Leasing	14,615.55	15,576.45

Evaluation of Risks

Management has evaluated from time to time the risk the Company runs and taken - if necessary - appropriate measures.

MAHEN BOUTIQUES LIMITED

DIRECTORS' REPORT

To the Members

Your Directors are pleased to place before you the First Annual Report together with Audited Statement of Accounts of the Company for the period ended 31st March, 2009 alongwith the Auditors' Report thereon.

FINANCIAL STATEMENT

Particulars	Amount in Rupees Financial year ended 31.3.2009
Sales and other income	8,030,290
Total expenditure	10,525,950
Profit/(Loss) before interest and depreciation	(2,495,660)
Less : Interest	758,265
Less : Depreciation	64,021
Net Profit/(Loss)	(3,317,946)
Provision for Tax	48,459
Profit/(Loss) after Tax	(3,366,405)
Profit/(Loss) brought forward from previous year	-
Net Profit/(Loss) carried to Balance Sheet	(3,366,405)

OPERATIONS

This was the first year of the operations of the company. The Rolex Boutique was opened at the prestigious UB City Mall in Bangalore. The operations of the boutique commenced in March, 2009. The initial response has been good and we foresee encouraging prospects for the boutique in the next year.

HOLDING COMPANY

The Company is a wholly owned subsidiary of M/s. KDDL Limited.

DEPOSITS

The company has not accepted any fixed deposit from public.

DIVIDEND

In the absence of profits during the period under review, no dividend is being recommended.

DIRECTORS

Mr. Yashovardhan Saboo, Mr. Anil Khanna and Mrs. Anuradha Saboo, first Directors of the Company, were appointed by the Articles of Association of the Company. During the year, Mr. Anil Khanna resigned from the Directorship due to pre-occupation and Mr. Nagarajan Subramanian was appointed as an Additional Director and holds office till the conclusion of the ensuing Annual General Meeting. Nominations under section 257 of the Companies Act, 1956 alongwith a deposit of Rs. 500/- each, have been received from members of the Company to appoint Mr. Yashovardhan Saboo, Mrs. Anuradha Saboo and Mr. Nagarajan Subramanian as the Directors of the Company, liable to retire by rotation, if approved at the ensuing Annual General Meeting.

The appointed Directors have wide and varied experience in different disciplines of corporate functioning.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

- that in the preparation of the annual accounts for the financial period ended 31st March, 2009, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial period and of the profit or loss of the company for the period under review;

- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the accounts for the financial period ended 31st March, 2009 on a 'going concern' basis.

AUDITORS

M/s Narottam Chitranjan & Co., Chartered Accountants, the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

During the period under Report, the Company did not have any employee covered under section 217(2A) of the Companies Act, 1956.

ENERGY CONSERVATION AND TECHNOLOGY ABSORPTION

The information required under section 217(1)(e) of the Companies Act, 1956, relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed.

APPRECIATION

The Directors wish to place on record their appreciation to the assistance and cooperation provided by the Company's Bankers and other Government and Non-Government Agencies.

for and on behalf of the Board

Date : 12.08.2009 Yashovardhan Saboo Nagarajan Subramanian
Place : Chandigarh Director Director

Information pursuant to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

A. Conservation of Energy

- Energy conservation measures planned to be taken** : The Company has planned to give high priority to conservation of energy on an on-going basis for which periodical and preventive maintenance of electric equipments is being carried out regularly.
- Total energy consumption and energy consumption per unit of production as per 'Form A' not given as the Company is not covered under the list of specified industries.

B. Technology Absorption

The company being in retail business does not utilize any technology and hence this information is not being given.

C. Foreign Exchange Earnings and Outgo

	Amount in Rs. 2008-09
Foreign Exchange Earnings	-
Foreign Exchange Outgo	25,287,072

for and on behalf of the Board

Date : 12.08.2009 Yashovardhan Saboo Nagarajan Subramanian
Place : Chandigarh Director Director

MAHEN BOUTIQUES LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Mahen Boutiques Limited (*hereinafter referred to as the "Company"*) as at 31st March 2009 the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred to as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors' Report) Order, 2003 as amended by Companies (Auditors' Report) (Amendment) Order, 2004, *hereinafter referred to as the Order*, issued by the Central Government of India in terms of sub section (4A) of section 227 of the Companies Act, 1956, *hereinafter referred to as the Act*, we enclose as Annexure, a statement on the matters specified in the paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred above, we report that:

- 1 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;
- 2 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;
- 3 The financial statements dealt with by this report are in agreement with the books of account;
- 4 In our opinion, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- 5 On the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2009 from being appointed as a Director in terms of clause(g) of sub-section(1) of section of 274 of the Companies Act, 1956;
- 6 In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with other Notes thereon and attached thereto, give the prescribed information

required by the Companies Act, 1956, a true and fair view in the case of:

- (i) the Balance Sheet of the state of affairs of the Company as at 31st March 2009.
- (ii) the Profit and Loss Account, of the loss for the year ended on that date.
- (iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

FOR NAROTTAM CHITRANJAN & CO.
Chartered Accountants

CHITRANJAN AGARWAL
Partner
M.No. 89242

Place: Chandigarh
Dated : 12.08.2009

ANNEXURE TO THE AUDITORS' REPORT

- i (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) Fixed Assets have been physically verified by the management periodically in a phased manner and no material discrepancies have been noticed on physical verification as confirmed by the management.
- (c) No substantial part of Fixed Asset has been disposed off during the year, which has bearing on the going concern assumption.
- ii (a) Physical verification of Inventory (except stocks lying with third parties, confirmation for which has been obtained and in transit) have been conducted at reasonable intervals during the year by the management.
- (b) In our opinion, the procedures of physical verification of Inventory followed by management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) The Company has maintained proper records of inventory. No material discrepancies were noticed on physical verification.
- iii (a) The company has not taken/ granted any loans, secured or unsecured to the companies/ parties covered in the register maintained under section 301 of the Act. Accordingly, Clauses 4 (iii) (b, c, d, e, f & g) of the Order are not applicable to the company.
- iv. On the basis of checks carried out during the course of audit and as per explanations given to us, we are of the opinion that there is adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed asset and for the sale of goods and services.

MAHEN BOUTIQUES LIMITED

During the course of our audit, no major weakness has been noticed in the internal controls.

- v. (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into register in pursuance of Section 301 of the Act, have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of Section 301 of the Act and exceeding the value of rupees Five Lakhs in respect of any party during the year, have been made at the prices which are reasonable having regard to the prevailing market prices at the reasonable time.
- vi The company has not accepted any deposits from the public. Accordingly, Clause 4(vi) of the Order is not applicable.
- vii. In our opinion and according to the information and explanations given to us, the company has an internal audit system commensurate with the size and nature of business of the Company.
- viii In our opinion and according to the information and explanations given to us, the maintenance of the cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Act in respect of the company's products. Accordingly, Clause 4(viii) of the Order is not applicable.
- ix (a) According to the information and explanations given to us and on the basis of our examination of the books of accounts, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise duty, Cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and on the basis of our examination of the books of accounts, no amount is due on account of dispute in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise duty and Cess.
- x. The Company does not have any accumulated losses but has incurred cash losses in the current financial year.
- xi As per information and explanations given to us, the Company has not defaulted in repayment of dues to

Financial Institutions or Banks.

- xii According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of Shares, Debentures and other Securities.
- xiii The Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, Clause 4(xiii) of the Order is not applicable.
- xiv The company is not a dealer or trader in shares, securities, debentures and other investments. Accordingly, Clause 4(xiv) of the Order is not applicable.
- xv In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- xvii On the basis of overall examination of the Balance Sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on the short-term basis which have been used for long term investments.
- xviii During the year under Audit, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xxix On the basis of records made available to us, the Company has not issued any debentures.
- xx The Company has not raised any money by way of Public Issue during the year.
- xxi Based upon the audit procedures performed and on the basis of information and explanations provided by the management, we report that no fraud, on or by the Company has been noticed or reported during the year.

FOR NAROTTAM CHITRANJAN & CO.
Chartered Accountants

CHITRANJAN AGARWAL
Partner
M.No. 89242

Place: Chandigarh
Dated : 12.08.2009

MAHEN BOUTIQUES LIMITED

BALANCE SHEET AS AT 31ST MARCH 2009

(Amount in Rupees)

	Schedule	As at 31st March 2009
SOURCES OF FUNDS		
SHAREHOLDERS' FUNDS		
Capital	1	14,000,000
Total		14,000,000
LOAN FUNDS		
Unsecured	2	19,333,914
		19,333,914
DEFERRED TAX LIABILITIES		
		48,459
		33,382,373
APPLICATION OF FUNDS		
FIXED ASSETS		
Gross Block	3	3,050,264
Less : Accumulated Depreciation		64,021
Net Block		2,986,243
CURRENT ASSETS, LOANS & ADVANCES		
Inventories	4	26,724,143
Cash & Bank Balances	5	416,904
Loans & Advances	6	2,956,128
		30,097,175
Less: Current Liabilities & Provisions		
Liabilities	7	3,067,450
		3,067,450
NET CURRENT ASSETS		
		27,029,725
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
Profit and Loss Account	8	3,366,405
Total		33,382,373
ACCOUNTING POLICIES & NOTES ON ACCOUNTS	13	

AUDITORS' REPORT

As per our report of even date annexed

For NAROTTAM CHITRANJAN & CO.
Chartered Accountants

For & on behalf of the Board

CHITRANJAN AGARWAL
Partner
Membership No. 89242

Y. SABOO
Director

S. NAGARAJAN
Director

Place : Chandigarh
Dated : 12th August 2009

MAHEN BOUTIQUES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

(Amount in Rupees)

	Schedule	For the year ended 31st March 2009
INCOME		
Income from Operations	9	7,632,533
Add : Other Income	10	397,757
		<u>8,030,290</u>
Less : Expenditure		
Goods purchased for Resale		33,048,314
Administrative & Operating Expenses	11	(22,522,364)
Profit/(Loss) before interest and depreciation		<u>(2,495,660)</u>
Less : Interest	12	758,265
Profit / (Loss) before depreciation		<u>(3,253,925)</u>
Less : Depreciation	3	64,021
Profit / (Loss) before Tax		<u>(3,317,946)</u>
Provision for Taxation		
- Deferred Tax		48,459
Profit / (Loss) available for appropriation		<u>(3,366,405)</u>
Appropriations :		
Surplus / (Loss) carried to Balance Sheet		<u>(3,366,405)</u>
		<u>(3,366,405)</u>
Basic earnings per share (Rs.)		(7.63)
Equity shares as on 31st March, 2009 (Nos.)		2,050,000
Weighted average equity shares on 31st March, 2009 (Nos.)		441,061
<u>ACCOUNTING POLICES & NOTES ON ACCOUNTS</u>	13	

AUDITORS' REPORT

As per our report of even date annexed

For NAROTTAM CHITRANJAN & CO.
Chartered Accountants

For & on behalf of the Board

CHITRANJAN AGARWAL
Partner
Membership No. 89242

Y. SABOO
Director

S. NAGARAJAN
Director

Place : Chandigarh
Dated : 12th August 2009

MAHEN BOUTIQUES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2009

(Amount in Rupees)

	Year ended 31st March 2009
A. Cash flow from operating activities:	
Net profit before tax	(3,366,405)
Adjustments for:	
Depreciation	64,021
Deferred Tax	48,459
Interest expense	758,265
Operating profit before working capital changes	(2,495,660)
Adjustments for:	
Trade and other receivables	(2,956,128)
Inventories	(26,724,143)
Trade and other payables	3,067,450
Net cash from generated operating activities	(29,108,481)
B. Cash flow from investing activities:	
Purchase of fixed assets	(3,050,264)
Net cash used in investing activities	(3,050,264)
C. Cash flow from financing activities:	
Proceeds from issue of capital	14,000,000
Increase/(decrease) in short term borrowings	19,333,914
Interest paid	(758,265)
Dividend paid	-
Net cash used in financing activities	32,575,649
Net increase/(decrease) in cash and cash equivalents	416,904
Opening cash and cash equivalents	
Closing cash and cash equivalents	416,904
Notes:	
Cash and cash equivalents include:	345,000
Cash and cheques in hand/ in transit	71,904
Balance with banks	416,904

AUDITORS' REPORT

As per our report of even date annexed

For NAROTTAM CHITRANJAN & CO.
Chartered Accountants

For & on behalf of the Board

CHITRANJAN AGARWAL
Partner
Membership No. 89242

Y. SABOO
Director

S. NAGARAJAN
Director

Place : Chandigarh
Dated : 12th August 2009

MAHEN BOUTIQUES LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2009 (Amount in Rupees)

As at
31st March 2009

SCHEDULE - 1

CAPITAL

AUTHORISED:

50,000,000

5,000,000 Equity Shares of Rs. 10 each

50,000,000

ISSUED, SUBSCRIBED & PAID UP:

(50,000 Equity Shares of Rs. 10 each, fully paid up and 2,000,000

14,000,000

Equity shares of Rs. 10 each, Rs. 6.75 per share paid up, no calls in arrear thereon)

(Out of the above 2,499,994 shares of Rs. 10 each are held by the holding company - KDDL Ltd.)

TOTAL

14,000,000

SCHEDULE - 2

UNSECURED LOAN

(Unsecured Loan from holding company (KDDL Ltd.))

19,333,914

19,333,914

SCHEDULE - 3

FIXED ASSETS

	As at 01.04.08	Gross Block		As at 31.03.09	Upto 31.03.08	Depreciation		Upto 31.03.09	Net Block As at 31.03.09
		Additions	Disposals			Charge for the year	Adjustments (Net)		
Tangibles									
Buildings	-	1,431,000	-	1,431,000	-	51,997	-	51,997	1,379,003
Furniture & Office Equipment	-	1,619,264	-	1,619,264	-	12,024	-	12,024	1,607,240
Total	-	3,050,264	-	3,050,264	-	64,021	-	64,021	2,986,243

SCHEDULE - 4

INVENTORIES

(As taken, valued and certified by the management)

- Stock in Trade

26,724,143

26,724,143

SCHEDULE - 5

CASH AND BANK BALANCES

Cash/Cheques in hand

345,000

Balance with scheduled banks in Current Accounts

71,904

416,904

SCHEDULE - 6

LOANS AND ADVANCES

(Unsecured, considered good)

Advances Recoverable in cash or in kind or for value to be received

463,968

Security and other deposits

2,492,160

2,956,128

SCHEDULE - 7

CURRENT LIABILITIES

Sundry Creditors for goods, services and expenses

2,317,588

Other Liabilities

749,862

3,067,450

SCHEDULE - 8

PROFIT AND LOSS ACCOUNT

Opening

Loss for the year

3,366,405

3,366,405

MAHEN BOUTIQUES LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2009 (Amount in Rupees)

As at
31st March 2009

SCHEDULE - 9

GROSS OPERATING INCOME

Sales of goods	7,632,533
	<u>7,632,533</u>

SCHEDULE - 10

OTHER INCOME

Exchange Rate Gain	397,757
	<u>397,757</u>

SCHEDULE - 11

ADMINISTRATIVE AND OPERATING EXPENSES

Power, Fuel and Water	77,517
Salaries, Wages, Bonus and Gratuity	519,191
Staff and Labour Welfare Expenses	8,203
Insurance	23,358
Rent	1,793,808
Rates and Taxes	436,338
Repair and Maintenance	
- Others	3,688
Payment to Auditors	
- Audit Fees	10,000
- Tax Audit Fees	5,000
Travelling and Conveyance	3,115
Postage, Telephones and Telex	20,038
Selling and Distribution Expenses	230,337
Miscellaneous Expenses	10,758
Printing and Stationery	13,878
Legal and Professional	1,046,550

4,201,779

(Increase)/Decrease in Stocks (Refer Schedule 11A) (26,724,143)

SUB-TOTAL

(22,522,364)

SCHEDULE - 11A

Opening Stocks	-
- Stock in Trade	-

Closing Stocks	-
- Stock in Trade	26,724,143

26,724,143

(Increase)/Decrease in Stocks (26,724,143)

SCHEDULE - 12

INTEREST

Others	755,507
	<u>755,507</u>
Financial Bank Charges	2,758
	<u>758,265</u>

MAHEN BOUTIQUES LIMITED

SCHEDULE - 13

I. Significant accounting policies

1. Basis of preparation

The financial statements of Mahen Boutiques Limited ("the Company") have been prepared on accrual basis under the historical cost convention, in accordance with the generally accepted accounting principles in India and to comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956("the Act") and the Rules framed here under. The accounting policies have been consistently applied by the Company unless otherwise stated.

2. Use of estimates

In preparing Company's financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revisions to accounting estimates are recognised accordingly in current and/or future periods.

3. Revenue recognition

Revenue from sale of goods is recognised when the significant risks and rewards in respect of ownership of the goods are transferred to the customer and is stated inclusive of excise duty and net of trade discounts, sales return and sales tax wherever applicable.

4. Fixed assets

Fixed assets are stated at cost (gross block) less accumulated depreciation and impairment losses; if any. Cost comprises the purchase price (net of Cenvat credit availed) and any attributable cost of bringing the asset to its working condition for its intended use.

Expenditure on account of modification / alteration in plant and machinery / building, which increases the future benefit from the existing asset beyond its previous assessed standard of performance, is capitalised.

5. Depreciation

Depreciation is provided on straight line method as per the rates specified in Schedule XIV to the Act, as applicable at the time of addition of the respective fixed assets, on pro-rata basis from the month of addition, except for the following:

- Depreciation on improvements carried out on buildings taken on lease (included under buildings) is provided over the period of the lease.
- The above rates of depreciation are indicative of the useful lives of the assets.

6. Inventories

Finished goods Inventories are valued at Weighted Average Method .

7. Foreign currency transactions

Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction; monetary items denominated in foreign currency are restated at the rate prevailing on the balance sheet date.

Differences arising on foreign currency translations of transactions settled during the year are recognised in the profit and loss account.

8. Taxes on income

Tax expense comprise, deferred income tax.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable/virtual certainty, depending on the nature of the timing differences, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

9. Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise the net profit or loss for the year attributable to the equity shareholders. Earnings per share are computed using the weighted average number of shares outstanding during the year.

MAHEN BOUTIQUES LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2009 (Amount in Rupees)

As at
31st March 2009

SCHEDULE -13

II. Notes to the financial statements

1 Deferred tax liability (net)

Major components of deferred tax asset and (liability) are as given below :

Timing difference on account of depreciation	48,459
Net Deferred Tax Assets / (Liabilities)	<u>48,459</u>

2 Related Party disclosures

A. Relationships

I. Holding Company

KDDL LIMITED

II. Fellow Subsidiary

Kamla Retail Limited

III. Key Management Personnel

Relatives**

Mr. Y. Saboo

Mr. R.K. Saboo (Father), Ms. U. Saboo (Mother)

Ms. A. Saboo (Wife), Mr. P.S. Saboo (Son)

	Holding Companies	Fellow Subsidiary	Key Management Personnel
Investment	13,999,940	-	60
Loan Account	19,333,914	-	-
Payables	-	2,188,727	2,188,727
3. A. Purchases for resale			
Watches			
- Quantity (Nos.)		115	
- Value (Rs.)		33,048,314	
B. Sales and stocks			
Product	Opening Stock	Closing Stock	Sales
Watches (traded)	Nos. Rs. (Lacs)	Nos. Rs. (Lacs)	Nos. Rs. (Lacs)
2,009	N.A.	93 26,724,143	22 7,632,533
C. CIF Value of Imports		2008-09	
a) Traded goods		25,287,072	

Year ended
31 March, 2009

4. Earnings per Share

Net profit attributable to equity shareholders including discontinuing operations
Profit/Loss) after Tax

(3,366,405.00)
(3,366,405.00)

Net profit attributable to equity shareholders excluding discontinuing operations
Net Profit available

(3,366,405.00)
(3,366,405.00)

Add : Net Loss from discontinuing operations (net of taxes)

(3,366,405.00)

Number of equity shares at the beginning of the year

0

Shares issued during the year

2,050,000

Total equity shares outstanding at the end of the year

Number of weighted average equity shares

Basic

441,061

Effect of dilutive equity shares equivalents

Convertible equity share warrants outstanding

Diluted

441,061

Nominal value of equity share (Rs.)
including discontinuing operations

(7.63)

5. The management has ascertained that there is no impairment of fixed assets as on the balance date.

6. Previous year figures are not reported as this is the first accounting period of the company.

7. Schedules 1 to 13 form an integral part of the Balance Sheet and Profit and Loss Account.

For NAROTTAM CHITRANJAN & CO.
Chartered Accountants

For & on behalf of the Board

CHITRANJAN AGARWAL
Partner
Membership No. 89242

Y. SABOO
Director

S. NAGARAJAN
Director

Place : Chandigarh
Dated : 12th August 2009

MAHEN BOUTIQUES LIMITED

Additional information as required under Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	183646
State Code	55
Balance Sheet Date	31st March, 2009

II. Capital Raised during the year

Issue of Shares	—	14,000,000
Rights Issue	—	—
Bonus Issue	—	—
Private Placement	—	—
Preferential Allotment	—	—

III. Position of Mobilisation and Deployment of Funds

Total Liabilities	33,382
Sources of Funds:	
i. Paid up Capital	14,000
ii. Unsecured Loans	19,334
iii. Deferred Tax Liability	48

Total Assets	33,382	(Rs. in thousands)
Application of Funds:		
i. Net Fixed Assets	2,986	
ii. Net Current Assets	27,030	
iii. Profit & Loss Account	3,366	

IV. Performance of the Company

Turnover (including other income)	8,030
Total Expenditure	11,348
Profit before tax	-3,318
Profit after tax	-3,366
Earning per share	Rs. (7.63)
Dividend Rate	

(Rs. in thousands)

V. Generic Names of Three principal products of the Company (As per monetary terms)

Item Code (I.T.C. Code)	9102
Production Description	Watches

ON BEHALF OF THE BOARD OF DIRECTORS

Place : Chandigarh
Dated : 12th August, 2009

Y. SABOO
Director

S. NAGARAJAN
Director

KDDL LIMITED

(Formerly Kamla Dials and Devices Limited)
Registered Office : Plot No. 3, Sector - III
Parwanoo, Distt. Solan (H.P.)

PROXY

DPID/Client ID No

Folio No.....



I/We.....

of.....

being a member(s) of the above named Company, hereby appoint

.....of.....

.....or failing him.....

.....of.....

as my/our proxy to attend and vote for me/us on my/our behalf at the 29th ANNUAL GENERAL MEETING of the Company to be held at Hotel Timber Trail Resorts, Parwanoo, Distt. Solan (H.P.) on Saturday, the 26th September, 2009 at 12.30 p.m.

Affix
Revenue
Stamp

Dated the day of September, 2009

Signature



KDDL LIMITED

(Formerly Kamla Dials and Devices Limited)
Registered Office : Plot No. 3, Sector - III
Parwanoo, Distt. Solan (H.P.)

ADMISSION CARD

Name of the attending Member
(in Block Letters)

Member's Folio Number/.....No. of Shares.....
DPID/Client ID No:



Name of the Proxy
(in Block Letters to be filled in if the Proxy attends instead of the Member(s))

I, hereby, record my presence at the 29th ANNUAL GENERAL MEETING at Hotel Timber Trial Resorts, Parwanoo, Distt. Solan (H.P.) at 12.30 p.m. on Saturday, the 26th September, 2009.

* To be signed at the time of handing over this slip.

Member's/Proxy Signature*

If undelivered, please return to :

KDDL LIMITED

Kamla Centre
S.C.O. 88-89, Sector 8-C,
Madhya Marg,
Chandigarh-160 009

Japnika 2661579