

INDIAN TERRAIN FASHIONS LIMITED



3rd
ANNUAL REPORT 2011-2012

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Board of Directors

Mr. V.Rajagopal, Chairman and Managing Director
Mrs.Rama Rajagopal, Executive Director
Mr. S. Surya Narayanan, Director & Chief Financial Officer
Mr. N.K. Ranganath, Independent Director
Mr. P.S. Raman, Independent Director
Mr. Harsh Bahadur, Independent Director
Mr. Manoj Mohanka, Independent Director

Company Secretary

Mr. J. Manikandan

Management Team

Mr. Charath Narsimhan, Chief Executive Officer
Mr. Amitabh Suri, Senior Vice-President-Marketing
Ms.Shehnaz Sharraf, General Manager, Merchandising

Mr. Selin Reubalin CC, Vice President - Operations (Group)
Mr. A.M. Gopinath, General Manager - Commercial (Group)
Ms.L.Visalakshi, General Manager-Finance & Accounts (Group)
Mr. Charlie Manickarayan, General Manager-HR (Group)

Registered Office:

NO. 208, Velachery, Tambaram Road,
Narayanapuram, Pallikaranai,
Chennai-600 100

Corporate Office:

SDF-IV & C2, 3rd Main Road,
MEPZ-SEZ, Tambaram,
Chennai-600 045

Statutory Auditors

M/s Anil Nair & Associates
Egmore, Chennai-600 008

M/s CNGSN & Associates
T. Nagar, Chennai 600 017

Internal Auditors

M/s R.Venkatakrishnan & Associates
R.A. Puram, Chennai-600 028

Banker

State Bank of India, Chennai - 600 001
HDFC Bank Ltd, Chennai - 600 002

Warehouse

70/2 & 3A, Agaram Road, Thiruvanchery Village,
Chennai 600 073.



NOTICE CONVENING THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 3rd Annual General Meeting of Indian Terrain Fashions Limited will be held on 17th September, 2012 the Monday, at 10.30 A.M. at the Corporate Office of the Company, situated at SDF-IV & C2, 3rd Main Road, MEPZ-SEZ, Tambaram, Chennai 600 045 to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss account for the year ended 31st March, 2012 and the Balance Sheet as on that date together with the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr.N.K.Ranganath, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mr.P.S.Raman, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint M/s. Anil Nair & Associates, Chartered Accountants, Chennai and M/s. CNGSN & Associates, Chartered Accountants, Chennai as Joint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. Appointment of Mr. Manoj Mohanka as a Director of the Company

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

"RESOLVED THAT Mr. Manoj Mohanka who was appointed by the Board of Directors as an Additional Director of the Company with effect from 13th December 2011 holds office up to the date of ensuing Annual General Meeting of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing from a member under Section 257 of the Act proposing his candidature for the Office of the Company, be and is hereby appointed as a Director of the Company"

Date: 09th August, 2012
Place: Chennai

For and On behalf of the Board
J.Manikandan
Company Secretary

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxies, in order to be effective must be received at the company's Registered Office not less than 48 hours before the meeting. Proxies submitted on behalf of Companies, Societies and Partnership firms etc must be supported by appropriate resolution/authority as applicable issued on behalf of the nominating organization.
2. The Register of members and transfer books of the Company will be closed from Monday, the 10th September, 2012 to Monday the 17th September, 2012 (both days inclusive).
3. In terms of Clause 49 of the Listing Agreement entered with Stock Exchanges, a brief resume of the directors proposed to be reappointed in this meeting, nature of expertise in specific functional areas, their other directorship, committee membership and their Shareholdings in the Company are annexed to this notice.

4. IMPORTANT SHAREHOLDER COMMUNICATION:

The Ministry of Corporate Affairs (MCA), Government of India has taken a "Green Initiative in Corporate Governance" by allowing paperless compliance by the Companies through its recent Circular Nos. 17/2011 and 18/2011, dated 21st and 29th April 2011 respectively allowing companies to send various official documents to their shareholders electronically. Your Company recognizes the spirit of this MCA circular and it is proposed to henceforth send all documents and communications such as, Notice convening the General Meetings, Financial Statements, Directors Report, Auditors Report etc to the email addresses provided by you with your depository. It is encouraged that the members support this green initiative and update their email address with their depository participant to ensure that all communications sent by the company are received on the desired email address. However, as per the records shared by the Depositories, your email address has not been registered and to enable us to implement the said initiative, we request you to please register / update your email address with your DP at the earliest.

In addition, the full text of the reports and documents will also be made available on the Company's website: www.indianterrain.com in the investor section.



ANNEXURE TO THE NOTICE CONVENING THE ANNUAL GENERAL MEETING

Additional information on directors seeking re-election at the Annual General Meeting

Mr.N.K.Ranganath

Profile and expertise in specific functional areas

Born on 13th March 1956, Mr.N.K.Ranganath is a Mechanical Engineer and holds a post graduate degree in Business Management from XLRI.

Mr.N.K.Ranganath is Managing Director of M/s.Grundfos Pumps India Private Limited. He had acquired valuable knowledge, experience and expertise in sales, marketing, finance, production and human resources disciplines.

He was inducted as a director by the Board on 20th September 2010.

Mr. P.S.Raman

Profile and expertise in specific functional areas

Born on 7th November 1960, Mr.P.S.Raman holds bachelor degree in Commerce and Law. He is an advocate with more than twenty years of practice in Madras High Court and in the Supreme Court.

During the years of practice, he has gained valuable knowledge, experience and expertise in the field of law.

Mr. P.S.Raman is also a Director in Sundaram Brake Linings Limited.

He was inducted as a director by the Board on 20th September 2010.

Explanatory Statement pursuant to Section 173 (2) of the Companies Act 1956

Item No.5

Mr.Manoj Mohanka

Profile and expertise in specific functional areas

Mr. Manoj Mohanka was appointed as an Additional Director of the Company by the Board of Directors vide the Circular Resolution dated 13th December 2011. As per the provisions of Section 260 of the Companies Act, 1956 he holds office till the conclusion of the ensuing Annual General Meeting.

The Company had received a notice from a member under Section 257 of the Companies Act, 1956 proposing his appointment as a director.

Born on 5th March 1963, Mr. Manoj Mohanka holds a Masters Degree in Strategic Marketing from National University of Ireland, Chevening Scholar from London School of Economics.

He holds 20 years of experience in business management and held various position in industry forums including President, Calcutta Chamber of Commerce, Co-Chairman, Economic Affairs Committee of FICCI (Eastern Region), Committee Member, Indo-Italian Chamber of Commerce, Board of Governors, Eastern Institute of Management, Chairman, Young Presidents Organisation, Kolkata. Also a guest lecturer at Indian Institute of Technology at Kharagpur.

Date: 09th August, 2012

Place: Chennai

For and On behalf of the Board

J.Manikandan

Company Secretary



Directors Report

Dear Members,

The directors have pleasure in presenting the Third Annual Report of your Company for the year ending 31st March 2012.

Financial Performance

Your Company has recorded total revenues (gross) of Rs.153 crs (25% growth) for the year ended 31st March 2012 as compared to Rs.122 crs (gross) during the previous year. Profit before Interest, Depreciation and Tax was at Rs.13.05 crs as against Rs.13.07 crs during the previous year. Profit before Tax stood at Rs.2.34 crs as compared to Rs.6.49 crs in the previous year and Net Profit after Tax was at Rs.2.25 crs as against a net profit of Rs.6.31 crs last year.

The financial year under review has been both challenging as well as imperative for your Company. The Brand's core strength of Deep Understanding of Product Positioning, Distribution Pattern and Supply Chain Advantage has enabled the Company to maintain the Operating Margins despite increase in raw material prices and excise duty levy. But the rise in interest costs and the incremental borrowings has taken a blow on the bottom line of your Company.

With the continued thrust on improved performance, the above strengths of the brand will get amplified and will result in better efficiencies in operations.

Finance and Accounts

Your Company has a portion of Accumulated losses and unabsorbed depreciation transferred pursuant to Demerger and hence the Company is not liable to Current Tax. However, the Company has charged the Minimum Alternate Tax (MAT) of Rs.0.47 crores to Profit and Loss Account and has not considered MAT credit Entitlement as an asset as a matter of prudence.

The company has not availed any credit facility from any institutions during the year. The company has not accepted any deposits within the meaning of Section 58A and 58AA of the Companies Act 1956.

Management's Discussion and Analysis Report

Management Discussion and Analysis is presented in a separate section and forms part of this Annual Report.

Dividend

With a view to conserve the resources, the Board of Directors have not recommended any Dividend for the current financial year.

Directors

Pursuant to Section 255 of the Companies Act, 1956, Mr. N.K. Ranganath and Mr. P.S. Raman retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Auditors

M/s Anil Nair & Associates, Chartered Accountants, Chennai and M/s CNGSN & Associates, Chartered Accountants, Chennai, the Joint Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Personnel

Employee relations have been very cordial during the year ended 31st March 2012. The Board wishes to place on record its appreciation to all the employees in the company for their sustained efforts and immense contribution to the high level of performance and growth of the business during the year. The Management team of your Company comprises of young passionate driven professionals committed to the organizational goals.

Corporate Governance Report

Your Company is in compliance with the standards set out by Clause 49 of the Listing Agreement with the Stock Exchanges.

A separate report on Corporate Governance along with Auditors' Certificate on compliance with Corporate Governance is enclosed in the Annual Report and forms part of this report.

Employee Stock Option Plan (ESOP)

Your Company has introduced Employee Stock Option Plan 2011 in accordance with SEBI ESOP guidelines. The Particulars of the plans are given in a separate statement attached to this report and forms part of it.

Particulars as per Section 217 of the Companies Act, 1956

A) Pursuant to the requirement of Section 217 (2AA) of the Companies Act, 1956 and based on the representations received, your Directors hereby confirm that:

- i. In the preparation of the Annual Accounts for the year ended 31st March 2012, the applicable Accounting Standards have been followed and there are no material departures;
- ii. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;



iii. The Directors have taken proper and sufficient care for 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;

iv. The Directors have prepared the Annual Accounts on a going concern basis.

B) Information in accordance with Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 and "The Companies (Particulars of Employees) Amendment Rules 2011"

None of the employees have drawn remuneration as specified in the Rules therein.

C) The information pursuant to 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 is given below:

i. Conservation of Energy:

The operations of the Company are not energy-intensive. However, wherever possible, the Company strives to curtail the consumption of energy on a continuing basis.

ii. Technology absorption:

Not applicable.

iii. Foreign Exchange Earning and Outgo:

Total Foreign exchange earned (FOB Value)	Rs.0.34 crs
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Total Foreign exchange outgo	Rs.0.16 crs
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Appreciation

The Directors are sincerely thankful to you – the esteemed shareholders, customers, business partners, commercial banks and all its employees for the valuable support provided by them to the Company and its Management.

For and on Behalf of the Board
V. Rajagopal

Chennai, 15th May 2012 Chairman & Managing Director

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Code of Corporate Governance

Indian Terrain Fashions Limited focuses Corporate Governance as a key driver of sustainable corporate growth and a powerful medium to achieve the company's goal of maximizing value for all its stakeholders. A sound corporate governance strengthens investors' trust and enables the company to fulfill its commitment towards the customers, employees and the society in general. Indian Terrain Fashions Limited believes that the primary objective is to create and adhere to a corporate culture of conscience and consciousness, empowerment, accountability and independent monitoring.

The company philosophy is based on the key elements in corporate governance viz., transparency, disclosure, supervision and internal controls, risk management, internal and external communications, high standard of safety, health, accounting fidelity, product and service quality. The company has a strong legacy of fair and ethical governance practices.

BOARD OF DIRECTORS

The Board of Directors of the Company possess highest personal and professional ethics, integrity and values, and provides leadership, strategic guidance and objective judgement on the affairs of the company. The Board is fully aware of its fiduciary responsibilities and is committed to represent the long-term interest of the Stakeholders. The Board adopted the principles of corporate governance and remains informed, participative, and independent to implement its broad policies and guidelines and has set up adequate review procedures.

The Key to good corporate governance is the optimum combination of the executive and non-executive directors on the board and the extent of their independence. The Board consists of seven members with knowledge and experience in diverse fields and professionally acclaimed to understand their role in addressing the issues raised by the management. The day-to-day affairs of the company are managed by the Managing Director and Executive Director under the supervision of the Board.

Composition of the Board

The Board has constituted in the manner, which will result in an appropriate mix of Executive / non executive and independent directors to ensure proper governance and Management.

During the financial year 2011-12, the Board consists of Seven Directors. Mr.V.Rajagopal is the Chairman and Managing Director and Mrs. Rama Rajagopal, Executive Director and Mr. Surya Narayanan, Director and Chief Financial Officer.

Out of Seven Directors, four directors viz., Mr.P.S.Raman, Mr.N.K.Ranganath, Mr. Harsh Bahadur and Mr. Manoj Mohanka



are non executive Independent Directors. The number of independent directors on the Board is more than half of its strength. Thus the Company meets the requirements of composition of the Board according to the Listing agreement.

Board Meetings

During the financial year 2011-12, the Board met 4 times on 30th May 2011, 11th August 2011, 8th November 2011, and 14th February 2012.

Details of attendance of each director at the Board Meetings and in the last Annual General Meeting and number of directorships / committee memberships held by them as on 31st March 2012 are as follows:

Name of the Director	Category	Attendance at the Board Meetings	Attendance at the Last AGM	Number of other Director- ships held**	Other Committee Membership ***	
					Member	Chairman
Mr. V. Rajagopal Chairman and Managing Director	Executive / Promoter	4/4	Yes	2	2	-
Mrs.Rama Rajagopal Executive Director	Executive / Promoter	4/4	Yes	2	-	-
Mr.S.Surya Narayanan Director & CFO	Executive	4/4	Yes	3	2	-
Mr.P.S.Raman Director	Independent Non Executive	0/4	No	1	2	-
Mr.N.K.Ranganath Director	Independent Non Executive	4/4	Yes	3	3	3
Mr. Harsh Bahadur Director	Independent Non Executive	2/3	N.A	0	2	-
Mr. Manoj Mohanka Director	Independent Non Executive	1/1	N.A	9	-	-

Notes:

** The Directorship held by the Directors, as mentioned above, includes the directorship held in Private Limited Companies

*** Only membership of audit committee and shareholders / investors grievance committee & Remuneration Committee has been taken into consideration.

Access to information and updation to Directors

The required information as enumerated in Annexure 1A to Clause 49 of the Listing Agreement is made available to the Board of Directors for discussions and consideration at Board Meetings. The Board also reviews significant strategic, financial, operational and compliance matters in the meeting.

COMMITTEES OF THE BOARD

The Board in order to be effective had constituted an Audit Committee, a Shareholder / Investor Grievance Committee and a Remuneration and Compensation Committee.

AUDIT COMMITTEE

The Audit Committee plays an important role in financial reporting of performance and review of internal control procedure.

The Company consists of qualified and independent Audit Committee. The committee consists of four members Mr.N.K.Ranganath, Non-executive independent director as its Chairman, Mr.S.Surya Narayanan, Mr.V.Rajagopal and Mr. Harsh Bahadur as its members. All the members of the Committee have excellent financial and accounting knowledge.

The role of the Audit Committee, in brief, is to review financial statements, internal controls, accounting policies and internal audit reports. The quarterly financial results are placed before the audit committee for its review, suggestions and recommendation(s), before taking the same to the Board. The Committee also reviews the management discussion and analysis of financial conditions and results of operations, related party transactions.



The Committee met 4 times on 30th May 2011, 11th August 2011, 8th November 2011, and 14th February 2012 during the financial year ended 31st March 2012, wherein all the Committee members were present except Mr. Harsh Bahadur was not present for the meeting dated 11th August 2011.

REMUNERATION AND COMPENSATION COMMITTEE

The Board has set up Remuneration and Compensation Committee with a role to determine the remuneration payable to whole time directors and key managerial personnel of the Company, to recommend to the Board the appointment / reappointment of the Executive / Non-executive directors, to grant stock options and for framing of policies to attract, motivate and retain personnel.

The Committee consists of three non-executive independent directors, Mr. N K Ranganath as its Chairman, Mr.P.S.Raman and Mr.Harsh Bahadur as its members.

During the year ended 31st March 2012, the Remuneration and Compensation Committee met once on 08th November 2011.

Remuneration Policy

The Remuneration policy of the company has been structured to match the market trends of the industry, qualifications and experience of the employee and responsibilities handled by them.

Remuneration to Directors

The Non executive directors do not draw any remuneration from the Company other than the sitting fees for attending each meeting of the Board and committees thereof. The Company pays sitting fees of Rs. 10,000/- to all the non-executive directors for attending each meeting of the Board and Rs.1,500/- for each meeting of its committee thereof which is within the limits prescribed under the Companies Act, 1956.

During the financial year 2011-12, the sitting fee paid to Non - Executive Directors were as under:

Name of the Director	Sitting Fees (includes the fees paid for Committee Meetings) Rs.
Mr. N.K .Ranganath	34,000
Mr. P.S.Raman	Nil
Mr. Harsh Bahadur	24,500
Mr. Manoj Mohanka	10,000

There are no other particular pecuniary relationships or transactions of the non-executive directors' vis-à-vis of the Company.

The Company pays remuneration by way of Salary, perquisites

and allowances to the Managing Director and Executive Directors. Details of the remuneration and perquisites paid to the whole time directors are as under:

Name of the Director	Salary (Rs. in Lakhs)	Retirement Benefits	Total (Rs. in Lakhs)
Mr. V Rajagopal	24.00	Nil	24.00
Mrs.Rama Rajagopal	24.00	Nil	24.00

In addition to the above, the whole time directors shall be entitled to suitable mediclaim policy for hospitalization and reimbursement of all actual medical expenses for themselves and their family to the extent not reimbursed under Mediclaim policy. They shall be entitled to telephone, fax and other communication facilities at their residence at company's cost. They are entitled to a fully maintained company car for company's business and the company shall pay the cost of vehicle, inclusive of driver. They shall also be entitled to reimbursement of all actual expenses or charges, including travel, entertainment and other out of pocket expenses incurred by them for and on behalf of the Company, in furtherance of its business and objects.

During the year 2011-12, Company had granted ESOP to the employees as per the approval of shareholders in the last AGM dated 30th September 2011. The following are the details:

Name of the Employee	Total Options	Growth Options	Thank you Options
Charath Narasimhan	5,00,000	3,90,000/- @Rs.99	1,10,000/- @Rs.10
Amitabh Suri	3,35,000	2,80,000/- @Rs.99	55,000/- @Rs.10
Surya Narayanan	2,25,000	1,70,000/- @Rs.99	55,000/- @Rs.10
John Dulip Kumar	56,000	46,000/- @Rs.99	10,000/- @Rs.10

Growth Options:

The Options will vest over the next five years, subject to continuous employment with the Company and fulfillment of performance parameters as follows:

Date of Vesting	Vesting Percentage	Number of Options
31.10.2012-1st Vesting	20%	177200
31.10.2013-2st Vesting	20%	177200
31.10.2014-3rd Vesting	20%	177200
31.10.2015-4th Vesting	20%	177200
31.10.2016-5th Vesting	20%	177200
Total	100%	886000



Thank You Options:

The Options will vest over the next two years, subject to continuous employment with the Company as follows:

Date of Vesting	Vesting Percentage	Number of Options
31.10.2012-1st Vesting	50%	115000
31.10.2013-2nd Vesting	50%	115000
Total	100%	230000

Shareholders/Investors Grievance Committee

The Committee oversees and reviews all matters connected with share transfers, issue of duplicate share certificates, etc. The Committee also looks into the redressal of investors' grievances pertaining to transfer of shares and dematerialization, non-receipt of balance sheet, non-receipt of declared dividends, etc.

The Committee consists of four members and Mr.N.K.Ranganath, Non executive independent director as its Chairman and Mr. P.S.Raman, Mr.V.Rajagopal and Mr.S.Suryanarayanan as its members. During the year, the committee met once on 08th November 2011.

Mr.J.Manikandan Company Secretary was appointed as Compliance Officer by the Board of Directors at their meeting held on 09th October, 2010 pursuant to Clause 47(a) of the Listing Agreement.

The Company received no complaints during the year and there were no complaints pending to be resolved as on 31st March 2012.

Subsidiary Companies

The Company has no subsidiary Companies.

General Meetings

The details of the last three Annual General Meetings (AGMs) held were as under:

Financial year	Day and Date	Time	Venue
2010-11	Friday, 30th September 2011 SDF- IV & C 2,3rd Main Road, MEPZ - SEZ, Tambaram,	11.00. A.M	Corporate Office, SDF- IV & C 2,3rd Main Road, MEPZ - SEZ, Tambaram, Chennai 600 045.
2009-10	Saturday, 18th September 2010	11.00 A.M	Corporate Office, SDF- IV & C 2,3rd Main Road, MEPZ - SEZ, Tambaram, Chennai 600 045.

The following special resolutions were passed by the members during the last 2 annual general meetings:

AGM held on 30.09.2011

1. Employee Stock Option Scheme
2. Employee Stock Options equal or exceeding 1% of the issued Capital- Mr.Charath Narsimhan
3. Employee Stock Options equal or exceeding 1% of the issued Capital- Mr.Amitabh Suri
4. Employee Stock Options equal or exceeding 1% of the issued Capital-Mr.S.Surya Narayanan
5. Employee Stock Options equal or exceeding 1% of the issued Capital-Mr.John Dulip Kumar

AGM held on 18.09.2010

1. INCREASE IN AUTHORISED SHARE CAPITAL
2. ALTERATION OF CAPITAL CLAUSE OF THE MEMORANDUM OF ASSOCIATION
3. ALTERATION OF ARTICLES OF ASSOCIATION

Code of conduct

The Company has adopted a Code of Conduct for all board members and senior management of the Company. The Code has been communicated to the directors and the members of the Senior Management of the Company. The code has been displayed on the Company's website namely www.indianterrain.com. All the members of the Board and senior management have confirmed compliance with the Code for the year ended, 31st March 2012. The annual report contains a declaration to this effect signed by the Chairman and Managing Director and the Company Secretary as Compliance Officer of the Code.

The Company has also framed a Code of Conduct for prevention of Insider Trading in compliance with SEBI (Prohibition of Insider Trading) Regulations, 1992. This code is applicable to all directors/officers and designated employees of the company. The code regulates dealing in shares by the persons having access to the unpublished price sensitive information.

CEO/ CFO CERTIFICATION

CEO and CFO have given the certificate as given in Clause 49 of the Listing Agreement.

DISCLOSURES

There were no materially significant related party transactions that may have potential conflict with the interest of company at large. The details of the related party transactions are disclosed



under the notes on accounts, as required under the Accounting standard 18 issued by the institute of Chartered Accountants of India.

The Company has complied with the requirements of SEBI and stock exchanges on the matters relating to capital markets as applicable from time to time. There has been no instance of non-compliance by the company or penalty imposed on company by the stock exchanges or SEBI or any statutory authority, on any matter relating to capital markets, during last three years.

The company has complied with all the mandatory requirements of the code of corporate governance prescribed by the stock exchanges. In compliance with non-mandatory requirements, the company has constituted a Remuneration and Compensation Committee.

The company has not adopted the whistle blower mechanism, as it is a non-mandatory requirement.

Means of Communication

The quarterly and half-yearly / annual financial results are communicated to the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE), where the shares of the Company are listed, as soon as they are approved and taken on record by the Board of Directors. The financial results are published in English Newspaper having all India Edition and in Tamil newspaper.

GENERAL SHAREHOLDERS INFORMATION

Financial Year

1st April to 31st March

Annual General Meeting and Date of Book Closure

This Corporate Governance Report was taken on record by the Board in their meeting held on 15th May 2012. The date and venue of the Annual General Meeting was not finalized in the Board Meeting. Hence the details as to the Schedule of Annual General Meeting and the dates of Book Closure have not been provided.

Listing on Stock Exchanges

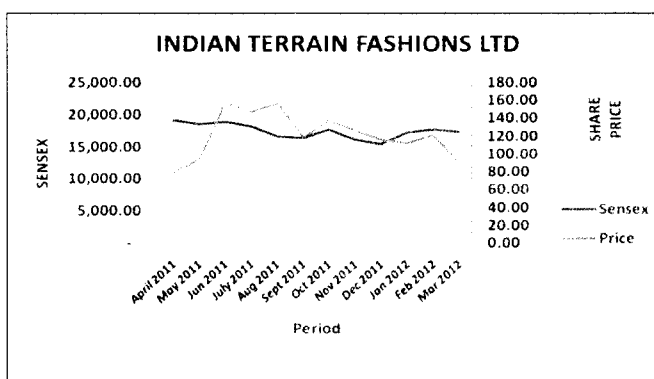
Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 Stock Code: "533329"	National Stock Exchange of India Limited Exchange Plaza, Block G, Bandra Kurla Complex, Bandra (East), Mumbai 400 051 Stock Code: "INDTERRAIN"
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Market Price data

(Share price in Rs.)

Month	BSE			NSE		
	High	Low	Volume	High	Low	Volume
Apr-11	78.95	67.00	25473	79.80	60.00	51390
May-11	93.90	66.05	57026	89.00	70.50	16558
Jun-11	157.85	81.35	188604	158.15	81.25	364120
Jul-11	147.40	118.65	24113	147.40	120.00	37880
Aug-11	157.00	102.05	23957	159.05	96.80	20393
Sep-11	119.00	94.40	11537	119.50	90.40	38448
Oct-11	138.20	98.00	18429	133.80	96.00	9615
Nov-11	127.00	92.90	18625	126.00	90.00	9659
Dec-11	115.80	78.05	21549	115.00	75.40	13323
Jan-12	111.95	78.20	22324	115.90	80.10	10652
Feb-12	121.80	65.30	39960	114.00	63.00	34682
Mar-12	89.90	59.35	35561	87.00	59.25	14633

Indian Terrain Fashions Limited Share Price Performance in comparison with BSE SENSEX



Registrar and Share Transfer Agents

M/s. Link Intime India Private Limited, Mumbai are the Registrar and Share Transfer agents for handling physical and electronic registry work. The Shareholders are requested to address their share related requests/ queries to the RTA. The contact address of the registrar and share transfer agent is as follows:

M/s. Link Intime India Private Limited
C - 13, Pannalal Silk Mills Compound,
L.B.S.Marg, Bhandup (W),
Mumbai 400 078
Tel: + 91 22 2596 3838
Fax : + 91 22 2596 2691
Website : www.linkintime.co.in

Share Transfer System

The Board has delegated the powers to approve share transfers, transmissions, rematerialisation by constituting a Shareholders/ Investors Grievance Committee. As 99.99% of the shares were held in dematerialized mode, the transfers of those shares were done through the depositories with no involvement of the company.



The physical share transfer, transmissions are processed based on number of requests received. The shares lodged for transfers are processed and registered as per the requirements of the listing agreement if the documents are complete in all respects.

Distribution of Shareholding:

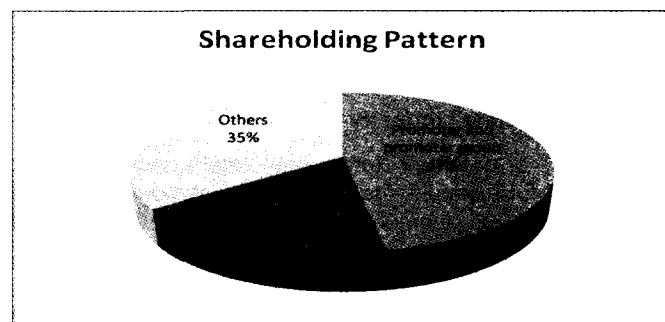
Distribution of shareholding as on 31st March 2012 is as under:

Range	Holding	Amount (Rs.)	% to Capital	No. of Holders	% to Total Holders
0001- 5000	489166	4891660	8.76	12226	97.55
5001- 10000	107946	1079460	1.93	157	1.25
10001- 20000	102247	1022470	1.83	71	0.56
20001- 30000	59107	591070	1.05	23	0.18
30001- 40000	46213	462130	0.82	13	0.10
40001- 50000	31137	311370	0.55	7	0.05
50001- 100000	100020	1000200	1.79	15	0.11
Greater than 100000	4645495	46454950	80.60	21	0.16
TOTAL	5581331	55813310	100.0000	12533	100.000

Shareholding Pattern as on 31st March 2012

Category	No. of Shares	Percentage
Promoter and promoter group		
Promoter and promoter group	2637510	47.26
Sub Total	2637510	47.26
NRIs/OCBs		
Foreign Company	971428	17.40
Foreign Nationals	0	0.00
Non Resident Indians	10945	0.20
Sub Total	982373	17.60
Others		
Clearing Members	85275	1.53
Private Corporate Bodies	849027	15.20
Public	1027146	18.40
Sub Total	1961448	35.14
Total	5581331	100

Graphical Representation of the Shareholding pattern



Dematerialisation of Shares and liquidity

The Equity Shares of the company were admitted in the following depositories under International Securities Identification number (ISIN) No. INE611L01013 considering the benefits embedded in holding and trading of the securities in electronic form.

Name of the depository	Address
National Securities Depository Limited	4th Floor, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai - 400 013.
Central Depository Services (India) Limited	28th Floor, Phiroze Jee Jeebhoy Towers, Dalal Street, Mumbai - 400 001.

As at 31st March 2012, 5581092 Equity shares aggregating to 99.99% were held in dematerialized form.

Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity

The Company has not issued any GDRs/ADRs/Warrants or any convertible instruments up to the financial year 2011 - 12.

Address for correspondence

Indian Terrain Fashions Limited
Registered Office
No:208, Velachery, Tambaram Road,
Narayanapuram, Pallikaranai,
Chennai 600 100
Tel: 91 44 4345 3000
Fax:91 44 4345 3202

Corporate Office
SDF - IV & C2, 3rd Main Road,
MEPZ - SEZ, Tambaram,
Chennai 600 045.
Tel : + 91 44 43432200
Fax : +91 44 22622897, 22628184
Email : investorservices@indianterrain.com
Website : www.indianterrain.com



"GROUP COMING WITHIN THE DEFINITION OF GROUP AS DEFINED IN THE MONOPOLIES AND RESTRICTIVE TRADE PRACTICES ACT 1969"

1. Mr. V. Rajagopal
2. Mrs. Rama Rajagopal
3. Mr. Suresh Rajagopal
4. Mr. K.A. Rajagopal
5. Ms. Anjali Rajagopal
6. Mr. Vidyuth Rajagopal
7. Celebrity Connections (Partnership Firm)
8. Celebrity Fashions Limited
9. Celebrity Clothing Limited

The above disclosure has been made inter alia for the purpose of Regulation 3 (1) (e) of the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

For Indian Terrain Fashions Limited
S. Surya Narayanan
Director

AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

To the Members
Indian Terrain Fashions Limited

We have examined the Compliance of conditions of Corporate Governance by Indian Terrain Fashions Limited for the year ended on 31st March 2012, as stipulated in clause 49 of the listing agreement of the said Company with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

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 audit nor an expression of opinion on the financial statement 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 future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For CNGSN & Associates
Chartered Accountants
F.R.No.004915S
C.N. Gangadharan
Partner
Membership No.11205

Dated: 15.05.2012
Place: Chennai

Management Discussion and Analysis – 31st March 2012

This Management Discussion and Analysis Report is prepared in adherence to the spirit enunciated in the Code of Corporate Governance, approved by the Securities and Exchange Board of India and in compliance with the provisions of the Listing Agreement.

Overview

The Indian retail market currently stands at USD 396 billion and is likely to grow further at 12% to increase to USD 574 billion by 2015. This sector is the second largest employer after agriculture, employing more than 35 million people with wholesale trade generating an additional employment to 5.50 million more. The growing disposable income in the country is resulting in increasing consumer spending habits. The government is considering in allowing foreign direct investment (FDI) in multi-brand retailing as a measure to make India more attractive to overseas investors. The proposal, piloted by the Department of Industrial Policy and Promotion (DIPP), is currently at the discussion stage and is awaiting government clearance.

Judging by feedback obtained from a cross-section of Indian retail players, it emerges that most retailers perceived FY 2011 – 12 to be a flat year. In fact, many retailers experienced decelerated sales – the affected segments included the apparels and footwear industries, which – on the whole – grew by only 9% as compared to the 12% of the preceding year.

Overall demand outlook for the textile industry for FY13 is expected to remain moderate; with volatile commodity prices and exchange rate being key challenges for the industry. Participants who are well placed in value chain and have control over their debt levels may witness improved performance. Prospect of cotton spinning units is expected to improve with decline in cotton prices leading to a revival in demand for cotton yarn and consequent increase in capacity utilization across the cotton textile value chain. Further, with increasing urbanization, growing households and increasing disposable income, the domestic demand for denim fabric is also expected to remain healthy going forward. However, recent increase in input prices owing to the increase in crude oil prices and the stabilization of cotton prices may limit the envisaged growth prospects of the Man Made Fibre (MMF) industry.

Outlook

Trends in the Retail industry

Emergence of organized retail: Real estate development in the country, for example, the construction of mega malls and shopping malls, is augmenting the growth of the organized retail business.

Spending capacity of youth of India: India has a large youth population, which is a conducive environment to growth of this sector.



Raising incomes and purchasing power: The per capita income in India has doubled between 2000-01 and 2009-10 resulting in improved purchasing power.

Changing mindset of customers: The customer mind set is gradually shifting from low price to better convenience, high value and a better shopping experience.

Higher brand consciousness: There is high brand consciousness among the youth; 60% of India's population is below the age of 30 leading to popularization of brands and products.

Global brands are making their mark and increasing their presence across tier 1 and tier 2 cities, whilst at the same time, regional local brands are also upping their competitive presence. Certain local players have also strengthened their presence, investing in aggressive expansion in opening their own exclusive brand outlets (EBOs).

Value sales of apparel are projected to be very strong over the 2011-2016 forecast period, driven by a growing shift in preference towards Western clothing and branded products, particularly across tier I cities. Companies are also expected to branch out to tier 2 and tier 3 cities outlets across India, which represent as yet an untapped market for branded apparel. The increasing disposable income in these cities, comfort fitting and rich appeal are the major factors that are expected to drive the apparel market towards long-term growth.

Indian Terrain as a brand has proved its salience and distinctiveness. The brand was voted among the "TOP 10 MOST TRUSTED APPAREL BRANDS" in the Economic Times Brand Trust Survey.

The unprecedented rise in Input Costs, Excise Duty levy in Feb 2011 & continued high levels of inflation which dampened demand, have temporarily resulted in a margin pressures in the last year. With the softening of cotton prices and cooling of inflation, this is expected to get corrected in the coming year.

The Long term view for the retail industry and particularly Branded Apparel is very positive and Company is very bullish on the brand's performance and the possibilities. With the Apparel Industry as a whole expected to grow at a CAGR of 8-10% over the next few years and Branded Menswear Apparel expected to touch 11,000 Cr by FY'17 Indian Terrain is targeting to double its market share over this period.

Internal Control Systems and their Adequacy

The Company has developed adequate internal control system commensurate to its size and business to ensure that all assets are safeguarded and protected against any loss from unauthorized use or disposition and that all transactions are authorized, recorded and reported correctly. The internal audit reports are periodically reviewed by the Management together with the Audit Committee of the Board. The Company has a strong Management Information System as a part of Control Mechanism.

Risk Management

The Company is exposed to Interest Rate Risk. The Interest rate regime has been continuously on the hike mode for the past several quarters and this is impacting the earnings after interest.

Financial Performance

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India.

The management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgment relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present our state of affairs and profits for the year.

Highlights

Rs. In Crores

	2011-2012	2010-2011
Income From operations	140.97	121.11
PBITD	13.05	13.07
Interest	9.91	5.48
PBDT	3.14	7.59
Depreciation	0.81	1.09
Profit/ (Loss) Before Tax	2.33	6.50
Provision for Taxation	0.56	0.18
Net Profit / (Loss) after Tax	1.77	6.32

Human Resources/Industrial Relations

Industrial relations have continued to be harmonious at all units throughout the year. No man-days were lost due to strike, lock out etc.

Measures for employees' safety, their welfare and development receives top priorities. The Company had over 300 employees as on 31st March 2012.

Cautionary Statement

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities, laws and regulations. Actual results could materially differ from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, global demand-supply conditions, changes in governmental regulations and tax structure, economic structure within India and the countries with which the Company has business contacts and other incidental factors.



AUDITOR'S REPORT

To the Members of,
INDIAN TERRAIN FASHIONS LIMITED

1. We have audited the attached Balance Sheet of M/S INDIAN TERRAIN FASHIONS LIMITED as at March 31, 2012, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 preparation. 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") 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 & 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 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 and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;

- c. The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d. In our opinion the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred in sub-section (3C) of Section 211 of the Companies Act, 1956.
- e. On the basis of written representations received from the Directors as on 31st March 2012 and taken on record by the Board of Directors, we report that none of the directors is prima facie disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and Notes thereon, 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:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2012;
 - ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
 - iii) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

for **ANIL NAIR & ASSOCIATES**
Chartered Accountants
Registration Number:000175S

G.ANIL
Partner
Membership Number:22450

Chennai,
May 15, 2012

for **CNGSN & ASSOCIATES**
Chartered Accountants
Registration Number:004915S

C.N. GANGADARAN
Partner
Membership Number:11205



ANNEXURE TO THE AUDITOR'S REPORT

Referred to in paragraph 3 of our report of even date

1. In respect of its Fixed Assets:

- a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
- b. As explained to us, the fixed assets of the Company have been physically verified by the Management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. In accordance with the phased programme of verification, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification.
- c. The fixed assets disposed of during the year do not constitute a substantial part of the fixed assets of the Company and such disposal in our opinion has not affected the going concern status of the Company.

2. In respect of its inventories :

- a. The inventories have been physically verified during the year by the management. In our opinion the frequency of verification is reasonable.
- b. In our opinion and according to the information and explanations given to us, the physical certification of inventories 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 has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to the book records.

3. In respect of loans, secured or unsecured, granted or taken by the Company to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 :

- a. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Act.
- b. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Act.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and

the nature of its business for the purchase of fixed assets, inventory and for the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.

5. In respect of contracts or arrangements referred to in section 301 of Companies Act, 1956

- a. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- b. in our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs.500,000/- in respect of each party during the year have been made at prices which appear reasonable having regard to the prevailing market prices at the relevant time, as per information available with the Company.

6. According to the information and explanations given to us the Company has not accepted any deposits from the public. Therefore the provisions of Clause (vi) of paragraph 4 of the Order (as amended) are not applicable to the Company.

7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

8. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules 2011 prescribed by the Central Government under section 209(1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed cost records have been maintained. We have however not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

9. In respect of statutory dues:

- a. According to the information and explanations given to us, and on the basis of our examination of the records of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues, including Provident Fund, Employees State Insurance Scheme, Income Tax, Excise Duty, Service Tax, Value Added Tax and other material statutory dues, as applicable have been regularly deposited during the year by the Company with the appropriate authorities.

Further since the Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to



comment upon the regularity or otherwise of the Company in depositing the same.

- b. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees State Insurance Scheme, Income Tax, Service Tax, Value Added Tax and other material statutory dues were in arrears as at March 31, 2012 for a period of more than six months from the date they became payable.
- c. According to the information and explanations given to us, the disputed statutory dues aggregating to Rs.71.18 Lacs that has not been deposited on account of matters pending before the appropriate authority are as under:-

Name of the Statute	Nature of Dues	Period to which the amount related	Forum where dispute is pending	Amount (₹ In Lacs)
Service Tax	Service Tax Demand	March 2009 to September 2011	Pending Before Supreme Court	71.18 *

* As per the directions of the Supreme Court the Company has remitted a sum of Rs. 35.59 Lacs against this demand.

10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions and banks. The Company did not have any debentures outstanding during the year.
12. According to the information and explanations given to us, and based on the records and documents produced before us, The Company has not granted loans and advances on the basis of security by way of pledge of share, debentures and other securities.
13. In our opinion and to the best of our information and according to the explanations provided by the management, the Company is not a Chit Fund or a Nidhi / Mutual Benefit Fund / Society. Therefore the provisions of Clause 4(xiii) of the Companies (Auditors Report) Order 2003 (as amended) do not apply to the Company.

14. According to the information and explanations given to us, the Company is not dealing or trading 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.
16. According to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
17. According to the information and explanations given to us and an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on a short term basis have not been used for long term investments.
18. The Company has not made any preferential allotment of shares to companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company did not have any outstanding debentures during the period.
20. The Company has not raised any money by way of public issue during the period. Hence in our opinion Clause 4(xx) of the Companies (Auditors Report) Order 2003 (as amended) is not applicable to the Company.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements, and as per the information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

for **ANIL NAIR & ASSOCIATES**
Chartered Accountants
Registration Number:000175S

G.ANIL
Partner
Membership Number:22450

Chennai,
May 15, 2012

for **CNGSN & ASSOCIATES**
Chartered Accountants
Registration Number:004915S

C.N. GANGADARAN
Partner
Membership Number:11205

Indian Terrain Fashions Limited



Balance Sheet as at 31st March 2012

Rs. In Crores

Particulars	Note No.	As at 31-Mar-12	As at 31-Mar-11
I EQUITY AND LIABILITIES			
1 Shareholder's Funds			
(a) Share Capital	2	5.58	5.58
(b) Reserves and Surplus	3	15.29	14.32
		20.87	19.90
2 Non-Current Liabilities			
(a) Long-term borrowings	4	24.75	28.75
(b) Deferred tax liabilities (Net)	5	0.28	0.18
(c) Other Long-term liabilities	6	2.15	1.30
		27.18	30.23
3 Current Liabilities			
(a) Short-term borrowings	7	32.40	22.09
(b) Trade payables	8	27.35	18.55
(c) Other current liabilities	9	6.22	3.19
(d) Short-term provisions	10	3.20	3.96
		69.17	47.79
Total		117.22	97.92
II ASSETS			
1 Non-Current Assets			
(a) Fixed Assets	11		
(i) Tangible assets		8.83	8.83
(ii) Intangible assets		0.29	0.10
		9.12	8.93
(b) Long-term loans and advances	12	5.81	6.43
(c) Other non-current assets	13	0.11	0.02
		15.04	15.38
2 Current Assets			
(a) Inventories	14	32.41	33.31
(b) Trade receivables	15	62.46	44.83
(c) Cash and Bank Balances	16	5.88	3.13
(d) Short-term loans and advances	17	1.22	0.22
(e) Other current assets	18	0.21	1.05
		102.18	82.54
Total		117.22	97.92

See Accompanying Notes to Financial Statements 1

To be read with our report of even date

For Anil Nair & Associates
Chartered Accountants
Registration # 175S

For CNGSN & Associates
Chartered Accountants
Registration # 4915S

For and on Behalf of the Board
V Rajagopal
Chairman & Managing Director

G Anil
Partner
Membership # 22450

C N Gangadaran
Partner
Membership # 11205

S Surya Narayanan
Director

Chennai, 15 May 2012

J Manikandan
Company Secretary

Indian Terrain Fashions Limited



Statement of Profit and Loss for the Year Ended 31st March 2012

Rs. In Crores

Particulars	Note No.	As at 31-Mar-12	As at 31-Mar-11
I Revenue from Operations (gross)	19	153.19	122.37
Less: Excise Duty		12.22	1.26
Revenue from Operations (net)		140.97	121.11
II Other Income	20	0.59	0.65
III Total Revenues		141.56	121.76
IV Expenses			
a Cost of Materials	21	41.90	38.35
b Purchases of Traded Goods		16.96	17.08
c Changes in Inventories of Finished Goods & Work-in-Progress - (Inc) / Dec		(0.27)	(13.82)
d Employee Benefit Expenses	22	7.63	5.79
e Other Expenses	23	62.29	61.29
		128.51	108.69
V Earnings before Interest, Depreciation and Tax		13.05	13.07
f Finance Costs	24	9.90	5.48
g Depreciation		0.81	1.09
h Preliminary Expenses Written Off		-	0.01
Total Expenses		10.71	6.58
VI Profit / (Loss) before Tax		2.34	6.49
VII Tax Expenses			
a Current Tax Expense		0.47	-
b Deferred Tax		0.10	0.18
		0.57	0.18
VIII Profit / (Loss) for the Period		1.77	6.31
IX Earnings Per Share - In Rs.			
-- Basic		3.17	11.30
-- Diluted		3.06	11.30

See Accompanying Notes to Financial Statements 1

To be read with our report of even date

For Anil Nair & Associates
Chartered Accountants
Registration # 175S

For CNGSN & Associates
Chartered Accountants
Registration # 4915S

For and on Behalf of the Board
V Rajagopal
Chairman & Managing Director

G Anil
Partner
Membership # 22450

C N Gangadaran
Partner
Membership # 11205

S Surya Narayanan
Director

Chennai, 15 May 2012

J Manikandan
Company Secretary

Notes to the Accounts as at 31st March 2012

1 Significant Accounting Policies

Sl #	Particulars
1	Accounting Convention: The Financial Statements are prepared on accrual basis and in accordance with the requirements of the Companies Act, 1956 and the applicable Accounting Standards.
2	Fixed Assets, Intangible Assets & Depreciation:
a	Fixed Assets are stated at cost of acquisition (inclusive of all incidental expenses incurred towards acquisition and installation thereof) less accumulated depreciation there on
b	Depreciation on Fixed Assets is calculated on Straight Line Method at the rates specified in Schedule XIV to the Companies Act, 1956
3	Inventories:
a	Raw Materials and Components are valued at lower of Cost or Net Realizable Value. Cost of the said is computed by applying Specific Identification Method.
b	Work in Progress and Finished Goods are valued at lower of Cost or Net Realizable Value. Cost of these inventories includes Costs of Conversion and Other costs incurred in bringing them to the present location and condition.
c	The excise duty in respect of closing stock of finished goods is included as part of the finished goods.
4	Income Recognition: Sales net of trade discounts and rebates are recorded when the significant risks and rewards of ownership are transferred. Consignment Sales are accounted on the basis of Sales Memo received from Consignees. Sales include excise duty but exclude Sales Tax and Value Added Tax. Export Sales are accounted on the basis of the dates of Bill of Lading, other delivery documents as per the contract. Export benefits are accounted for in the year of exports based on eligibility and when there is no uncertainty in receiving the same. Interest Income is recognised on Time-Propotion basis taking into account the amount outstanding and the rate applicable.
5	Measurement of foreign currency monetary items at the Balance Sheet date and Treatment of Exchange Differences: Foreign currency monetary items of the Company outstanding at the Balance Sheet date are restated at the year-end rates. Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.
6	Employees' Benefits: Provident Fund is defined contribution plan and charged to Profit & Loss Account on accrual basis with corresponding contribution to recognised funds. Leave Entitlement is short term employees benefit and determined arithmetically and charged to Profit & Loss Account on accrual basis. Gratuity Liability under Payment of Gratuity Act is determined on the basis of an actuarial valuation made at the end of the financial year and in accordance with the Revised Accounting Standard 15.
7	Taxation: Income Taxes are accrued in the same period when the related revenue and expenses arise. Provision for Current Tax is made after taking into consideration tax allowances, benefits and exemptions admissible under the provisions of the Income Tax Act, 1961. Consequent to Demerger, the Company has a portion of Accumulated losses and unabsorbed depreciation transferred from Celebrity Fashions Limited and hence the Company is not liable for Income Tax under the normal provisions of the Income Tax Act. However the Company is subject to Minimum Alternate Tax (MAT) amounting to Rs.0.47 crs (Previous Year Rs.1.29 crs). Minimum alternate tax gives rise to future economic benefits in the form of tax credit against future income tax liability. MAT credit is recognised as an asset if there is convincing evidence that the Company will pay normal tax after setting off the carried forward losses and the resultant asset can be measured reliably. During the year the Company has not recognised the eligible MAT credit as an asset, as a matter of prudence.



Deferred Tax is recognised on timing differences, being the differences between taxable income and the accounting income that originate in one period and is capable of reversal in one or more subsequent periods.

8 Impairment of Assets:

The Company assesses at each Balance Sheet date whether there is any indication due to internal or external factors that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the profit and loss account. If at any subsequent balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to maximum of depreciated historical cost and is accordingly reversed in the profit and loss account.

In the opinion of the Management, Current Assets, Loans and Advances have a value of at least equal to the amounts shown in the Balance Sheet, if realised in the due course of the business. The provision for all liabilities is adequate and not in excess of the amount reasonably necessary.

9 Provisions and Contingent Liabilities:

Provisions are recognized when the Company has a present obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of obligation. Contingent liabilities are not recognized but are disclosed in the Notes.

10 Segment reporting:

The Company has considered business segment as the primary segment for disclosure. The Company is primarily engaged in a single segment business of manufacturing garments and is managed as one entity and is governed by a similar set of risks and return.

Rs. In Crores		
	As at 31-Mar-12	As at 31-Mar-11
2 SHARE CAPITAL		
a Authorised, Issued, Subscribed and Paid-Up Share Capital		
Authorised Share Capital:		
1,20,00,000 (Prev. Yr. 1,20,00,000) Equity Shares of Rs.10/- each	12.00	12.00
Issued, Subscribed and Paid up Capital :		
55,81,331 (55,81,331) Equity Shares of Rs.10/- each	5.58	5.58
Total	5.58	5.58
b Reconciliation of the number of Shares		
Number of Equity Shares Outstanding at the beginning of the Year	5,581,331	50,000
Add: Number of Shares issued during the Year	-	5,581,331
Less: Number of Shares cancelled on account of Demerger	-	(50,000)
Number of Equity Shares Outstanding at the end of the Year	5,581,331	5,581,331
c Rights, Preferences and Restrictions attached to Equity Shares		
The Company has only one class of shares referred to as Equity Shares having a par value of Rs.10/- Each holder of equity shares is entitled to one vote per share		
d Shares held by Holding Company, Ultimate Holding Company, Subsidiaries, Associates	NIL	NIL
e Details of Shares held by each Shareholder holding more than 5%		
No. of Shares		
Mr. Venkatesh Rajagopal	1,369,423	1,369,423
Mrs. Rama Rajagopal	1,240,586	1,240,586
M/s New Vernon Private Equity Limited	971,428	971,428
M/s Benett, Coleman and Company Limited	376,233	376,233
M/s Reliance Capital Limited	330,962	330,962
% Holding		
Mr. Venkatesh Rajagopal	24.5%	24.5%
Mrs. Rama Rajagopal	22.2%	22.2%



Particulars	As at 31-Mar-12	As at 31-Mar-11
M/s New Vernon Private Equity Limited	17.4%	17.4%
M/s Benett, Coleman and Company Limited	6.7%	6.7%
M/s Reliance Capital Limited	5.9%	5.9%
f Shares reserved for issuance		
Employee Stock Options granted (Refer Note 33)	1,060,000	-
g Shares allotted for consideration other than cash	-	5,581,331
1) The Company was incorporated on 29th September 2009 with an Authorised Share Capital of Rs.50 lakhs (5,00,000 Shares of Rs.10 each)		
2) In terms of the Scheme of Arrangement between Celebrity Fashions Limited, Indian Terrain Fashions Limited and its respective Shareholders and Creditors sanctioned by the Honorable High Court of Madras, which became effective on 3rd September 2010 with retrospective effect from 1st April 2010, the following effects were given:		
a) Authorised Shared Capital increased to Rs.12,00,00,000 (1,20,00,000 shares of Rs.10 each)		
b) The Pre-demerger paid up share capital of Rs.5,00,000 stands cancelled		
c) 55,81,331 shares of the Company were issued to the Share holders of Celebrity Fashions Limited pursuant to demerger in the ratio of 2:7 (Two Shares for every Seven shares held in Celebrity Fashions Limited)		
3 RESERVES AND SURPLUS		
a Capital Reserve		
Opening Balance	8.01	-
Add: As computed in terms of the Scheme of Arrangement	-	8.01
Closing Balance	8.01	8.01
b Share Options Outstanding Account		
Opening Balance	-	-
Add: Amounts recorded on grants/modifications/cancellations during the year	1.96	-
Less: Deferred Stock compensation expense	1.47	-
Closing Balance	0.49	-
c Surplus / (Deficit) in Statement of Profit and Loss		
Opening Balance	6.31	-
Less: Write down - MAT Credit of Previous Year	1.29	-
	5.02	-
Add: Profit / (Loss) for the Year	1.77	6.31
Closing Balance	6.79	6.31
Total	15.29	14.32
The Company has reviewed the MAT Credit of Rs.1.29 crs recognised during the Previous Year and as a matter of prudence has written down the amount of Rs.1.29 crs in the Current Year		
4 LONG TERM BORROWINGS		
(i) Termloans from Banks		
Secured:		
Clean Termloan	21.04	22.83
Funded Interest Termloan	3.71	5.92
	24.75	28.75
Details on Termloans - Bankwise, Repayments and Security		
Termloans from State Bank of India	24.18	25.87
Termloans from HDFC Bank Limited	4.57	4.98
The loans have been secured as under:		



Particulars	As at 31-Mar-12	As at 31-Mar-11
First Charge on paripassu basis by way of hypothecation of Company's current assets including stock and book debts against the Termloans extended by State Bank of India and HDFC Bank.		
Collateral Securities:		
First Charge to State Bank of India and Second Charge on to HDFC Bank for Termloans on the following:		
1. Hypothecation of entire plant & machinery of Indian Terrain Fashions Limited.		
Loans from State Bank of India is further secured by Pledge of Promoters Shares in the Company to an extent of 15,29,290 Equity Shares, Personal Guarantee by Promoters and Assignment of Indian Terrain Brand. Brand Assignment documentation with State Bank of India is pending as on date. Loans from HDFC Bank is further secured by Pledge of Promoters Shares in the Company to an extent of 2,28,571 Equity Shares.		
Personal Guarantee of Promoters to the extent of value of shares pledged exclusively to HDFC Bank.		
The Termloans were transferred to the Company as part of the Scheme of Arrangement of Demerger		
Clean Termloans are repayable in monthly instalments as fixed by the Bankers upto September 2018		
Funded Interest Termloans are repayable in monthly instalments as fixed by the Bankers upto September 2014		
Repayment Schedule	Clean Termloan	Funded Interest Termloan
Rs. In Crs		
FY 2012-13 (classified under Other Current Liabilities)	1.79	2.21
FY 2013-14	1.79	2.21
FY 2014-15	3.41	1.50
FY 2015-16	4.64	
FY 2016-17	4.65	
FY 2017-18	4.65	
FY 2018-19	1.90	
	22.83	5.92
5 DEFERRED TAX LIABILITIES		
On the difference between Book Balance and Tax Balance of Fixed Assets		
Written-down Value of Fixed Assets as per Books	9.11	8.92
Written-down Value of Fixed Assets as per Income Tax	8.25	8.37
	0.86	0.55
Deferred Tax Liability	0.28	0.18
6 OTHER LONG-TERM LIABILITIES		
a Trade Payables	-	-
b Others:		
Trade / Security Deposits Received	2.15	1.30
Total	2.15	1.30
7 SHORT-TERM BORROWINGS		
a Loans Repayable on Demand from Banks		
Secured:		
Working Capital Facilities from State Bank of India	32.40	22.09
	32.40	22.09
The loans have been secured as under:		
First Charge on Inventories in the form of Raw Materials, Stock In Process and Finished Goods, Receivables and other current assets of the Company both present and future for the loans in the form of Cash Credit, Export Packing Credit, Export Bills Discounting facility extended by State Bank of India.		
Loans from State Bank of India is further secured by Pledge of Promoters Shares in the Company to an extent of 15,29,290 Equity Shares, Personal Guarantee by Promoters and Assignment of Indian Terrain Brand. Brand Assignment documentation with State Bank of India is pending as on date.		
Total	32.40	22.09
8 TRADE PAYABLES		
-- Acceptances	6.71	5.38
-- Other than Acceptances	6.09	5.85
-- MSME	-	-
-- Other Trade Payables	14.55	7.32
Total	27.35	18.55

Particulars		As at 31-Mar-12	As at 31-Mar-11
The Company has not received any Memorandum (as required to be filed by the Supplier with the notified authority under the Micro, Small and Medium Enterprises Development Act, 2006) claiming their status as on 31st March 2012 as Micro, Small or Medium Enterprises (MSME). Consequently the amount payable to these enterprises during the year is NIL.			
Other Trade Payables include Rs.6.22 crs payable to Company under Significant Influence or Control of Key Managerial Personnel as specified in Note 27 (d)(ii)			
9 OTHER CURRENT LIABILITIES			
a Current Maturities of Long-Term Borrowings - Termloans			
Termloans from Banks			
Clean Termloan		1.79	1.47
Funded Interest Termloan		2.21	0.63
		4.00	2.10
b Other Payables			
Salaries and Wages Payable		0.43	0.34
Excise Duty Payable		0.63	(0.08)
Sales Tax / VAT Payable		0.41	0.20
Service Tax Payable		0.36	-
Statutory Remittances - Payable		0.08	0.06
TDS Payable		0.31	0.54
Others		-	0.03
		2.22	1.09
Total		6.22	3.19

The Company is one among the Petitioners challenging the levy of Service Tax on Rent of Immovable Properties. The total Service Tax Liability on Renting of Immovable Properties is at Rs.71,17,503/- upto September 30, 2011.

The Supreme Court vide its Order dated 4th August 2011 has directed the petitioners to remit 50% of the disputed liability upto September 30, 2011 in three instalments and to furnish a Bank Guarantee / Solvency Certificate for the balance 50%. Further it ordered for payment of Service Tax on Rentals commencing 1st October 2011.

The Company has accordingly paid 50% of the Disputed Service Tax of Rs.35.58 lakhs and has given a Solvency Certificate for the balance amount.

The Company has provided for the Service Tax Amounts in the books as a matter of prudence and has started remitting Service Tax on lease rentals from 1st October 2011

10 SHORT-TERM PROVISIONS

a Provision for Employee Benefits			
Provision for Bonus		0.19	0.18
Provision for compensated absences / earned leave encashment		0.20	0.13
Provision for Gratuity (Refer Note 32)		0.01	0.09
		0.40	0.40
b Provision - Others			
Provision for Tax - MAT payable		0.47	1.29
Provision for Excise Duty on Finished Goods		2.33	2.27
		2.80	3.56
Total		3.20	3.96



Particulars	As at 31-Mar-12	As at 31-Mar-11
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Note 11 - Fixed Assets**Tangible Assets**

Sl. No.	Particulars	Gross Block				Depreciation				Net Block	
		As on 01/04/11	Addi tions	Deductions / Adjustments	As on 31/03/12	As on 01/04/11	For the year	Deductions / Adjustments	As on 31/03/12	As on 31/03/12	As on 31/03/11
1	Plant & Machinery	0.82	-	-	0.82	0.04	0.04	-	0.08	0.74	0.78
2	Electrical Installation	0.29	-	-	0.29	0.01	0.01	-	0.03	0.26	0.27
3	Office Equipments	0.21	0.02	-	0.23	0.01	0.01	-	0.02	0.21	0.20
4	Computers	0.26	0.06	-	0.32	0.10	0.04	0.06	0.08	0.24	0.16
5	Vehicles	0.73	-	0.08	0.65	0.07	0.09	0.04	0.12	0.53	0.66
6	Furniture & Fixtures	7.13	0.79	0.24	7.68	0.38	0.69	0.23	0.83	6.85	6.76
	Total	9.44	0.87	0.32	9.99	0.61	0.88	0.33	1.16	8.83	8.83
	Previous Year	8.47	1.41	0.45	9.44	-	1.03	0.42	0.61	8.83	-
Intangible Assets											
1	Computer Software	0.16	0.18	-	0.34	0.07	0.03	0.04	0.06	0.29	0.10
	Total	0.16	0.18	-	0.34	0.07	0.03	0.04	0.06	0.29	0.10
	Previous Year	0.16	-	-	0.16	-	0.07	-	0.07	0.10	-

12 LONG-TERM LOANS AND ADVANCES

a	Deposits - Unsecured - Considered Good		
	-- Rent	5.76	5.09
	-- Government or Public Bodies	0.05	0.05
		5.81	5.14
b	MAT (Minimum Alternate Tax) Credit Entitlement	-	1.29
		-	1.29
	Total	5.81	6.43

13 OTHER NON-CURRENT ASSETS

a	Interest accrued on Fixed Deposits	0.11	0.02
	Total	0.11	0.02

14 INVENTORIES

a	Raw Materials	2.65	3.62
b	Trims and Packing Materials	0.91	1.12
c	Work-in-Progress	0.14	0.62
d	Finished Goods / Traded Goods	26.38	22.90
e	Goods in Transit	-	2.78
f	Excise Duty Provision on Finished Goods	2.33	2.27
	Total	32.41	33.31

15 TRADE RECEIVABLES

	Unsecured - Considered Good		
a	Outstanding for a period exceeding six months from the due date	6.36	4.83
b	Other Trade Receivables	56.10	40.00
	Total	62.46	44.83

16 CASH AND BANK BALANCES

a	Cash on hand	0.02	0.01
b	Balances with Bank		
	-- in Current Account	4.19	2.88
	-- in Deposit Account - held as Margin Money against Borrowings /Guarantees	1.67	0.24
	Total	5.88	3.13



	Particulars	As at 31-Mar-12	As at 31-Mar-11
17	SHORT-TERM LOANS AND ADVANCES		
a	Loans and advances to Employees - Unsecured - Considered Good	0.11	0.09
b	Balances with Government Authorities - Unsecured - Considered Good		
	Excise Duty on Consignment Transfers	0.58	0.07
	Cenvat Receivable	0.52	0.05
	Duty Drawback receivable	0.01	0.01
	Total	1.22	0.22
18	OTHER CURRENT ASSETS		
	Advances to Suppliers of Goods and Services	0.18	1.04
	Tax deducted at Source	0.03	0.01
	Total	0.21	1.05
19	REVENUE FROM OPERATIONS (GROSS)		
a	Sale of Products **		
	-- Domestic	152.84	122.21
	-- Exports	0.34	0.15
b	Other Operating Revenues		
	-- Duty Drawback	0.01	0.01
	Total	153.19	122.37
	** Sale of Traded Goods included above	27.65	21.75
20	OTHER INCOME		
a	Interest Accrued / Received on Fixed Deposits	0.10	0.02
b	Gain on Sale of Current Investments	0.53	0.63
c	Gain / (Loss) on Foreign Currency Transactions (Other than considered in finance costs)	(0.04)	-
	Total	0.59	0.65
21	COST OF MATERIALS		
	Opening Stock of Materials	4.74	3.53
	Add:		
	Purchases of Materials	40.72	39.56
	Less : Closing Stock of Materials	3.56	4.74
	Total	41.90	38.35
	PURCHASES OF TRADED GOODS		
	Knitwear	12.96	14.66
	Jackets	2.19	0.56
	Denims	1.81	1.86
	Total	16.96	17.08
	CHANGE IN INVENTORIES OF FINISHED GOODS / WORK-IN-PROGRESS - (INC) / DEC		
	Closing Stock		
	- Finished Goods - Manufactured / Traded	26.38	25.69
	- Work-in-Progress	0.14	0.62
	Opening Stock		
	- Finished Goods - Manufactured / Traded	25.69	13.35
	- Work-in-Progress	0.62	1.41
	Add/(Less)		
	Variation in Excise Duty Provision on Opening and Closing stock of Finished Goods at Warehouse	0.06	2.27
	Total	(0.27)	(13.82)

	Particulars	As at 31-Mar-12	As at 31-Mar-11
22	EMPLOYEE COSTS		
	Salaries and Wages	6.57	5.28
	Statutory Contributions	0.37	0.28
	Welfare Expenses	0.20	0.23
	Expense on Employee Stock Option Scheme (Refer Note 33)	0.49	-
	Total	7.63	5.79
23	OTHER EXPENSES		
	Subcontracting and Garment Processing Costs	14.31	18.62
	Rent	7.53	6.88
	Traveling & Conveyance	1.38	0.99
	Communication Expenses	0.60	0.43
	Consultancy Charges	0.44	0.58
	Printing & Stationery	0.18	0.15
	Insurance	0.14	0.12
	Books, Periodicals & Subscriptions	0.11	0.01
	Power & Fuel	0.10	0.04
	Rates and Taxes	0.10	0.12
	Vehicle Fuel & Repairs	0.06	-
	Auditors' remuneration	0.05	0.05
	Advertisement	6.52	7.65
	Bad Debts written off	-	0.66
	Selling Commission & Discounts	20.28	14.15
	Selling Expenditure Reimbursement	3.40	1.92
	Distribution Costs	2.88	2.89
	Entertainment & Sales Promotion Expenses	1.80	1.57
	Showroom Maintenance	1.11	0.95
	Other Miscellaneous Expenses	0.76	1.00
	Excise Duty Expenses	0.06	2.27
	Remuneration to Directors	0.48	0.24
	Total	62.29	61.29
	Auditors' Remuneration includes Rs.4,00,000/- (PY-Rs.4,00,000/-) for Statutory Audit, Rs.60,000/- (PY-Rs.60,000/-) for Tax Audit. An amount of Rs.41,365 (PY - NIL) was paid to the Auditors towards Certification and Out-of-Pocket Expenses and the same is grouped under Consultancy Charges		
	Directors Sitting Fee of Rs.47,000 (PY - Rs.37,500/-) is grouped under Other Miscellaneous Expenses		
24	FINANCE COSTS		
a	Interest on		
	-- Termloans	4.04	2.54
	-- Working Capital & Others	4.77	2.19
b	Other Borrowing Costs - Bank Charges	0.81	0.75
c	Net (Gain) / Loss on Foreign Currency Transactions (considered as Finance Costs)	0.28	-
	Total	9.90	5.48
25	EARNINGS PER SHARE		
	Earnings Per Share - In Rs.		
	-- Basic	3.17	11.30
	-- Diluted	3.06	11.30
	Earnings per Share is calculated as under:		
a	Numerator		
	Net Profit after Tax as disclosed in Statemen of Profit and Loss	1.77	6.31



Particulars		As at 31-Mar-12	As at 31-Mar-11
b	Denominator		
	Weighted Average Number of Equity Share Outstanding		
	-- Basic	5,581,331	5,581,331
	-- Diluted	5,779,109	5,581,331
c	Nominal Value of Share (In Rs.)	10.00	10.00
26	CONTINGENT LIABILITIES (TO THE EXTENT NOT PROVIDED FOR)		
a	Guarantees given by Banks and Counter Guaranteed by the Company	0.43	-
b	On account of Letters of Credit issued by Bankers on behalf of the Company	1.24	2.39
c	The Banks have extended concessional interest rate for the Credit facilities sanctioned to the Company for the period upto 31st March 2011.		
	As per the terms of the Sanction letter, Banks have the right of recompense in future for the sacrifice extended.		
27	RELATED PARTY TRANSACTIONS		
a	Key Managerial Personnel:		
	Mr. V.Rajagopal		
	Mrs. Rama Rajagopal		
	Mr.S.Suryanarayanan		
	Mr. Vidyuth Rajagopal		
b	Enterprises under Control or Significant Influence of Key Managerial Personnel:		
	M/s Celebrity Fashions Limited		
	M/s Celebrity Clothing Limited		
	M/s Celebrity Connections		
c	Transactions carried out with Related Parties during the Year		
	Key Managerial Personnel		
	Managerial Remuneration	0.48	0.24
	Salaries	0.05	-
	Enterprises Under Same Management		
	Jobwork Charges, Material Purchases, Rentals and Administrative Expenses - Celebrity Fashions Limited	19.90	19.10
d	Outstanding Balances as on 31.03.12		
i	Payable as Managerial Remuneration	0.04	0.02
ii	Trade Payable against Jobwork Charges, Material Purchases, Rentals and Administrative Expenses - Celebrity Fashions Limited	6.22	0.64
28	DISCLOSURE AS PER CLAUSE 32 OF THE LISTING AGREEMENTS WITH THE STOCK EXCHANGES		
	Loans and advances in the nature of Loans given to Subsidiaries, Associates and Others	-	-
29	EMPLOYEE BENEFIT PLAN - GRATUITY		
	The employees' gratuity fund scheme managed by a Trust is a defined benefit plan. The present value of obligation is determined based on the actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The Company did not have an independent Gratuity Policy as on 31st March 2011. The employees of the Company were covered by the Policy taken by Celebrity Fashions Limited. Gratuity Liability pertaining to the Company's employees were determined specifically by the Actuaries and accordingly the same was provided in the Books.		
	Amount Recognised in the Balance Sheet in respect of gratuity		
	Present Value of Defined Benefit Obligation at the end of the Year	0.22	-
	Fair Value of Plan Assets at the end of the Year	0.22	-
	Net Liability / (Asset)	0.01	-
	Amount Recognised in Profit and Loss Account in respect of gratuity		
	Current Service Cost	0.06	
	Interest on Defined Benefit Obligations	0.01	
	Expected Return on Plan Assets	(0.01)	
	Net Actuarial (Gain) / Loss recognised during the Period	0.10	-
	Net Gratuity Cost	0.16	-



Particulars	As at 31-Mar-12	As at 31-Mar-11
Actual Return on Plan Assets		
Expected Return on Plan Assets	0.01	-
Actuarial Gain / (Loss) on Plan Assets	0.00	-
Actual Return on Plan Assets	0.01	-
Reconciliation of present value of obligation and the fair value of the plan assets		
Opening Defined Benefit Obligation	0.09	
Current Service Cost	0.06	-
Interest Cost	0.01	-
Actuarial (Gain) / Loss	0.10	-
Benefits Paid	(0.04)	
Closing Defined Benefit Obligation	0.22	-
Opening Fair Value of Plan Assets	-	
Expected Return on Plan Assets	0.01	-
Actuarial Gain / (Loss)	0.00	-
Employer Contributions	0.24	
Benefits Paid	(0.04)	-
Closing Fair Value of Plan Assets	0.22	-
Closing balances of Defined Benefit Obligation		
Defined Benefit Obligation at the beginning of the Year	0.09	
Interest Cost	0.01	
Current Service Cost	0.06	
Benefit Paid	(0.04)	
Actuarial (gain) / loss on obligations	0.10	-
Liability at the end of the Year	0.22	
Closing balances of Fair Value of Plan Assets		
Fair Value of Plan Assets at the beginning of the Year	-	
Expected Return on Plan Assets	0.01	
Employer Contributions	0.24	
Benefits Paid	(0.04)	-
Actuarial gain/(loss) on Plan Assets	0.00	-
Fair Value of Plan Assets at the end of the Year	0.22	
Actual Return on plan assets	0.01	-
Investment Details of Plan Assets		
Assets under Insurance Schemes	100%	
Principal Actuarial Assumptions at the Balance Sheet Date		
Discount Rate	8.0%	
Estimated Rate of Return on Plan Assets	8.0%	
The estimates of future salary increases, considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.		
30 EMPLOYEE STOCK OPTION SCHEME DETAILS (ESOP)		
The Shareholders in the Annual General Meeting held on 30th September 2011, have approved the issue of 11,16,000 Options under the Scheme titled "Employee Stock Option Scheme (ESOP) 2011" to Key Managerial Executives of the Company. Each Option comprises one underlying Equity Share. The Details of the Scheme is provided in the Annexure to the Directors' Report. The difference between the Fair Price of the Share underlying the Options on the date of grant and the exercise price of the Options (being the intrinsic value of the option) representing Stock Compensation expense is expensed over the Vesting Period.		
ESOP Details as on the date of the Balance Sheet		
Options Outstanding at the beginning of the Year	-	-
Granted during the Year	1,116,000	-
Vested during the Year	-	-
Exercised during the Year	-	-
Cancelled during the Year	56,000	-
Options Outstanding at the end of the Year	1,060,000	-

Particulars	As at 31-Mar-12	As at 31-Mar-11
31 OTHERS		
a Aggregate Expenses		
Electricity Expenses included under Power and Fuel	0.08	0.04
b Earnings in Foreign Currency		
Export of Goods - FOB Value	0.34	0.15
c Expenditure in Foreign Currency		
Traveling expenses	0.16	0.09
d Value of Imports		
Rawmaterials	6.27	0.48
Capital Goods	-	-
e Imported and Indegenious Consumption of Rawmaterials		
Imported		
-- Rs. In Crores	5.41	0.48
-- % to Total	9.2%	0.9%
Indigenous		
-- Rs. In Crores	53.43	54.95
-- % to Total	90.8%	99.1%

32 OTHER DISCLOSURES

- a During the Year ended 31st March 2012, the revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company for the preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the Current Year.

To be read with our report of even date

For Anil Nair & Associates
Chartered Accountants
Registration # 175S

For CNGSN & Associates
Chartered Accountants
Registration # 4915S

For and on Behalf of the Board
V Rajagopal
Chairman & Managing Director

G Anil
Partner
Membership # 22450

C N Gangadaran
Partner
Membership # 11205

S Surya Narayanan
Director

Chennai, 15 May 2012

J Manikandan
Company Secretary

**Cashflow Statement for the year ending 31st March 2012**

Sl. No.	Particulars	2011-12	2010-11
A	Cashflow from Operating Activities		
	Net Profit before Tax and before Extra-Ordinary Items	2.34	6.49
	Adjustments for:		
	Depreciation for the Year	0.91	1.09
	Depreciation for Sale of Assets	(0.37)	(0.42)
	Write down of MAT Credit Entitlement	(1.29)	-
	Bad Debts written off	-	0.66
	Deferred Employee Compensation Expenses	0.49	-
	Miscellaneous Expenditure Written off	-	0.01
	Unrealised (Gain) / Loss on Exchange Differences	0.28	-
	Interest & Finance Charges paid	9.63	5.48
	Interest Income	(0.11)	(0.02)
		9.54	6.81
	Operating Profit before Working Capital Changes	11.87	13.30
	Adjustments for:		
	Decrease / (Increase) in debtors and other receivables	(18.52)	(51.91)
	Decrease / (Increase) in inventories	0.91	(33.31)
	Increase / (Decrease) in creditors and other payables	10.55	23.61
	Cash generated from Operations	4.80	(48.31)
	Income Taxes Refund / (Paid) (net)	(0.01)	(0.01)
	Net Cash from Operating Activities	4.79	(48.33)
B	Cashflow from Investing Activities		
	Proceeds from Sale of Fixed Assets	(0.01)	0.03
	Transfer of Fixed Assets - Demerger	-	(8.64)
	(Purchase) / Sale of Fixed Assets (net)	(0.72)	(0.99)
	Interest Received	0.11	0.02
	Net Cash (Used In) / from Investing Activities	(0.63)	(9.58)
C	Cashflow from Financing Activities		
	Share Capital	-	5.58
	Cancellation of Pre-Demerger Share Capital	-	(0.05)
	Reserve created pursuant to Demerger	-	8.01
	Short Term Borrowings	10.31	22.09
	Term loan Receipts (Net)	(2.10)	30.85
	Interest and Finance Charges paid	(9.63)	(5.48)
	Net Cash (Used In) / from Financing Activities	(1.42)	61.00
	Net Increase in Cash and Cash Equivalents	2.75	3.09
	Cash and Cash Equivalents (Opening Balance)	3.13	0.04
	Cash and Cash Equivalents (Closing Balance)	5.88	3.13
	Note:		
1	The above statement has been prepared on the basis of indirect method as stipulated in Accounting Standard 3		
2	Cash and Cash equivalents represents		
	-- Cash balances		
	-- Bank balances		
	-- Deposits held as Margin Money against Borrowings / Guarantees (Refer Note 16)		

To be read with our report of even date

For Anil Nair & Associates
Chartered Accountants
Registration # 175S

For CNGSN & Associates
Chartered Accountants
Registration # 4915S

For and on Behalf of the Board
V Rajagopal
Chairman & Managing Director

G Anil
Partner
Membership # 22450

C N Gangadaran
Partner
Membership # 11205

S Surya Narayanan
Director

Chennai, 15 May 2012

J Manikandan
Company Secretary



Indian Terrain Fashions Limited

No. 208, Velachery, Tambaram Road, Narayanapuram, Pallikaranai, Chennai-600 100.

Proxy Form

Regd Folio No. /DP/ Client ID

I / Weof being a member / members of the
Company hereby appoint
of or failing him / her
..... of as my / our proxy, to vote for me / us on my behalf at the Third
Annual General Meeting of the Company to be held on Monday, the 17th day of September 2012, at 10.30 A.M. at Corporate
Office situated at SDF-IV& C2, 3rd Main Road, MEPZ-SEZ, Tambaram, Chennai-600 045 and at any adjournment thereof.
Signed this day of 2012.

Signature

Re.1.00
Revenue
Stamp

Notes : This form in order to be effective, should be duly stamped, completed, signed and deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

Indian Terrain Fashions Limited

No. 208, Velachery, Tambaram Road, Narayanapuram, Pallikaranai, Chennai-600 100.

ATTENDANCE SLIP

Regd Folio No. /DP/ Client ID

No.of Shares held

I certify that I am member / proxy for the member of the Company.I hereby record my presence at the Third Annual General
Meeting of the Company at the Corporate Office situated at SDF-IV & C2, 3rd Main Road, MEPZ-SEZ, Tambaram,
Chennai-600 045 at 10.30 A.M. on Monday,the 17th day of September 2012

.....
Name of the Member / Proxy

.....
Signature of member / Proxy

Note : Please fill the Attendance slip and hand it over at the entrance of the meeting hall.
Members are requested to bring their copies of the Annual Report to the Meeting.

If undelivered please return to

Indian Terrain Fashions Limited

No.208, Velachery, Tambaram Road,
Narayanapuram, Pallikaranai
Chennai - 600 100.