

### **FOR THE ATTENTION OF THE MEMBERS**

1. Register of Members and Share transfer books of the Company will remain closed from 13th September, 2011 to 28<sup>th</sup> September, 2011 (both days inclusive)
2. Members are requested to notify immediately any change in their address to the Company specifying the full address in block capitals with pin code of the Post office etc;
3. Members are requested to quote their Folio Number in the Correspondence.
4. Members are requested to quote their queries relating to the accounts at least 10 Days before the date of the Meeting. So that the necessary information can be made available at the meeting.
5. Members are requested to bring a copy of the Annual Report along with them to the Annual General Meeting, since extra copies will not be supplied.
6. Members are requested to hand over the attendance slip duly signed at entrance of the meeting Hall.
7. Registration starts at 10.30 a.m. at Mahalaya Residency, No.114, GST Road, (Opp Areva) Pallavaram, Chennai-600 043 on Wednesday the 28<sup>th</sup> September 2011.

## **EURO LEDER FASHION LIMITED**

|                     |                             |                       |
|---------------------|-----------------------------|-----------------------|
| Board of Directors. | 1.Shri.AR.Ramanathan        | - Managing Director.  |
|                     | 2.Shri.RM.Lakshman          | -Whole Time Director. |
|                     | 3.Shri.AR.Arunachalam       | -Director             |
|                     | 4.Shri.P.S.Nathan           | -Director             |
|                     | 5.Shri.S.Narayan            | -Director             |
|                     | 6.Shri.S.Jambunath          | -Director             |
|                     | 7.Shri.N.Meenakshi Sundaram | -Director             |

Auditors - M/s.N.Venkatesan Associates  
Chartered Accountants,  
20(Old No.8) Dr.Natesan Salai,  
Ashok Nagar.  
Chennai.-600 083  
Tel.044-2489 3635

Registered Office &  
Factory No.99 G.S.T.Road  
Pallavaram, Chennai.600 043  
Tel.044-42943204  
044-2264 3437  
Fax.044-2264 3043

Bankers Canara Bank, Overseas Branch, Chennai.

## **NOTICE OF 19<sup>th</sup> ANNUAL GENERAL MEETING**

Notice is hereby given that the 19<sup>th</sup> Annual General Meeting of the Company will be held on Wednesday, the 28<sup>th</sup> September 2011 at 11.00.A.M. at Mahalaya Residency, No.114, GST Road, (Opp Areva) Pallavaram, Chennai - 600 043 to transact the following business.

Ordinary Business:

1. To, receive, consider and adopt the audited Balance Sheet of the Company as at 31<sup>st</sup> March 2011 and the Profit and Loss Account for the year ended on that date, together with the notes thereon and the schedules there to and the reports of the Auditors and the Directors.
2. To appoint a Director in the place of S.Jambunath who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in the place of Shri. P.S.Nathan who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors of the Company and fix their remuneration M/s.N.Venkatesan Associates, Chartered Accountants. Chennai, the retiring auditors, are eligible for reappointment.

Chennai  
Date: 28.05.2011

AR.Ramanathan  
Managing Director

Notes:

1. A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member of the Company.
2. Proxy Forms duly completed shall be deposited with the Company at its Registered Office not less than 48 hours before the meeting.
3. The Register of Members and Share Transfer Books will remain closed from 13th September 2011 to 28<sup>th</sup> September.2011 (both days inclusive).

## **DIRECTORS REPORT TO THE MEMBERS**

Your Directors have pleasure in submitting their Nineteenth Annual Report and that of the Auditors' together with the audited Balance Sheet as at 31st March 2011 and the Profit Loss Account for the year ended on that date.

### **FINANCIAL PERFORMANCE**

**(Rs. in lakhs)**

| <b>PARTICULARS</b>                      | <b>2011</b> | <b>2010</b> |
|---|-------------|-------------|
| Income from Operations                  | 4917.64     | 5254.16     |
| Profit before Depreciation and Taxation | 60.64       | 94.95       |
| Less:                                   |             |             |
| Depreciation                            | 12.83       | 9.19        |
| Profit before Tax                       | 47.81       | 85.75       |
| Provision for Tax                       | 16.06       | 27.29       |
| Profit after Tax                        | 31.76       | 58.46       |
| Profit brought forward                  | 243.35      | 184.89      |
| Profit available for appropriation      | 275.12      | 243.35      |
| Profit/Loss carried to Balance Sheet    | 275.12      | 243.35      |

### **DIVIDEND**

Your Directors of the Company wish to plough back the profit for the year and hence do not recommend any dividend for the year.

### **PERFORMANCE**

The Company has achieved a turnover of Rs.4917.64 lacs in 2010-2011 and earned a profit of Rs.47.81 lacs before tax. The profit after tax has been Rs.31.76 lacs.

### **PROSPECTS**

The Value of US\$ and Euro against the Rupee has gone up in the past few months has resulted in an improved realization from exports. This is likely to benefit the bottom line of the Company in the current year .The order position is healthy and the Company should register a modest improvement in its performance in 2011-2012.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

As Stipulated in Section 217 (2AA) of the Companies Act, 1956, your Directors subscribe to the "Directors' Responsibility Statement" and confirm that:

1. The Directors have followed, in the preparation of the annual accounts, the applicable accounting standards along with proper explanation relating to material departures if any:
2. 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 the affairs of the Company at the end of the financial year and of the profit and loss of the Company for the year.
3. The Directors have taken proper and sufficient care for the maintenance of adequate, accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing or deducting fraud or other irregularities.
4. The Directors have prepared the annual accounts on going concern basis.

## **CORPORATE GOVERNANCE**

The Report on Corporate Governance and Management Discussion and Analysis as well as Auditors certificate on Compliance with the code of Corporate Governance are provided in separate Annexure to this report.

## **DIRECTORS**

Shri.S.Jambunath and Shri.P.S.Nathan retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

## **AUDITORS**

M/s.N.Venkatesan Associates, Chartered Accountants, Chennai, the retiring auditors are eligible for reappointment and have given their consent for re-appointment.

## **PERSONNEL**

None of the employees of the Company was in receipt of remuneration, which comes under the provisions of the Sec. 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended.

## **COMPLIANCE CERTIFICATE**

A Secretarial compliance certificate from a company secretary in practise is attached.

## INFORMATION UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956.

Information as per clause (e) of Section 217 (1) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 for the year ended 31<sup>st</sup> March 2011 is given below.

### CONSERVATION OF ENERGY

|  | 2011          | 2010         |
|--|---------------|--------------|
| Electricity Consumed -Unit                 | 261190        | 279420       |
| Total Cost                                 | Rs. 15,27,582 | Rs.14,66,063 |
| Generator Fuel                             | Rs. 15,65,233 | Rs.9,20,660  |
| Average Cost per unit                      | Rs.5.85       | Rs.5.25      |
| Average Consumption per Unit of production | N.A           | N.A          |

### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The manufacturing activity is confined to simple cutting and stitching of leather garments and hence absorption, adaptation and innovation of technology do not arise.

### RESEARCH AND DEVELOPMENT

Though the Company does not have separate R&D establishment, activities are carried out by the design and quality control departments.

Expenditure on R& D: NIL

### FOREIGN EXCHANGE EARNINGS AND OUTGO

#### EARNINGS:

F O B Value of Exports. : RS.4286.66lacs

#### OutGo:

Selling Expenses in Foreign Currencies: NIL

Foreign Travel Rs.1.60 Lakhs

### ACKNOWLEDGEMENT

Your Directors take this opportunity to express their thanks to the Government of India, Banks and customers and suppliers for their valuable assistance and support.

Your Directors wish to place on record their appreciation of the sincere efforts put in by the employees of the Company at all levels.

|                 |  |                      |
|-----------------|--|----------------------|
| Chennai         | On behalf of the Board.<br>AR.Ramanathan | RM.Lakshmanan        |
| Date:28.05.2011 | Managing Director                        | Whole Time Director. |

## **ANNEXURE TO DIRECTORS' REPORT**

### **REPORT ON CORPORATE GOVERNANCE**

The Board has adopted the principles of good corporate governance with emphasis on transparency, integrity and accountability. The Board believes that good governance is voluntary and reflects self-discipline with the strongest impetus coming from the Directors and the Management. The Organization of the Company Endeavour's to be progressive, competent and trustworthy, creating value for customers and shareholders while reflecting the best of Indian values in its conduct.

All the Directors have complied with the Company's code of conduct for prevention of insider trading in its shares.

### **BOARD OF DIRECTORS**

#### **COMPOSITION**

The Board presently consists of 7 Directors, 2 of whom are Executive. The management of the affairs of the company is vested with Sri.AR.Ramanathan, Managing Director and Sri.Rm.Lakshmanan, Whole Time Director, subject to the general supervision, control and direction of the Board. Shri.AR.Ramanathan, heads the Management team, holds operational responsibility for the day –to-day activities of the Company and has been entrusted with ensuring that all management functions are carried out professionally and is accountable to the Board for actions and results. Of the 7 Directors, 5 are independent and 2 represent the promoters. The independent Directors play an important role in the deliberations of the Board level and bring to the Company the wide experience in the fields of industry, banking and administration and contribute significantly to Board Committees. Their independent role vis-à-vis the Company means that they add a broader perspective, help to ensure that the interests of the Shareholders are kept in acceptable balance and can also provide an objective view in all matters under the consideration of the Board.

#### **BOARD MEETINGS AND COMMITTEES**

Board meetings are held and are usually scheduled reasonably in advance. The Board generally meets at least once a quarter, to inter-alia, review the quarterly financial results. In order to ensure greater attention of the Directors to the affairs of the Company. the Board delegates specified matters to its committees which also prepare the groundwork for decision making and report to the Board.

The Board met 4 times during the year. The attendance of the Directors at the meetings of the Board and the Annual General Meeting are as follows:

|                          | No. of meetings of the Board |          | Membership of other Boards                                     | Whether present at the AGM |
|--------------------------|------------------------------|----------|--|----------------------------|
|                          | Held                         | Attended |  |                            |
| Shri.AR.Ramanathan       | 4                            | 4        | Sournam Planatation (P) Ltd<br>Euro Prime Properties Pvt Ltd   | Yes                        |
| Shri.Rm.Lakshmanan       | 4                            | 4        | Euro Prime Properties Pvt Ltd                                  | No                         |
| Shri.AR.Arunachalam      | 4                            | 4        | Gudang Garam Tabak Industries Ltd<br>Suryabarath Indus (P) Ltd | Yes                        |
| Sri.N.Meenakshi Sundaram | 4                            | 1        |  | No                         |
| Shri.P.S.Nathan          | 4                            | 0        |  | No                         |
| Shri.S.Jambunath         | 4                            | 4        |  | Yes                        |
| Shri.S.Narayan           | 4                            | 4        |  | Yes                        |

During the year there was no pecuniary relationship or business transaction by the Company with any non-executive director (other than the sitting fee for attending the Board and Committee meetings). Board meetings were held during the year on 29<sup>th</sup> May, 2010, 26<sup>th</sup> July, 2010, 30<sup>th</sup> October, 2010 and 29<sup>th</sup> January, 2011.

#### Remuneration paid to the Directors

##### Executive Directors

| Name              | Designation         | Sitting Fees | Salary & perquisites |
|-------------------|---------------------|--------------|----------------------|
| Sri.AR.Ramanathan | Managing Director   | Nil          | Rs.7,68,000/-        |
| Sri.RM.Lakshmanan | Whole Time Director | Nil          | Rs.4,80,000/-        |

| Non-Executive Directors      | ARA  | NM   | SJ   | PSN | SN   |
|------------------------------|------|------|------|-----|------|
| For attending Board meetings | 8000 | 2000 | 8000 | NIL | 8000 |
| For attending Committees     | 4000 | 2000 | 8000 | NIL | 4000 |

## **AUDIT COMMITTEE**

The terms of reference of the Audit Committee, specified by the Board in writing, include a review of the audit procedures and techniques, financial reporting systems, internal control systems and procedures besides ensuring compliance with regulatory guidelines. The Committee recommends the appointment of statutory auditors and their fees/payments and takes on overview of the financial reporting process to ensure the financial statements are correct, sufficient and credible. The reports of the statutory and internal auditors are reviewed along with the managements' comments and action taken reports. The committee has full authority to investigate any matter within its terms of reference and has full access to the information, resources and external professional advice, which it needs to do so. The Committee has been mandated to meet at least 4 times in a year, once to assess the audited accounts before they are put up to the Board, besides reviewing the un-audited financial statements for each quarter. It has also been reviewing the compliance by the Company of various laws. Shri.AR.Arunachalam resigned from the Committee on 26<sup>th</sup> July 2010 and Shri S.Narayan was appointed as the Chairman from 26<sup>th</sup> July 2010.

The Committee met 4 times during the year on 29<sup>th</sup> May, 2010, 26<sup>th</sup> July, 2010, 30<sup>th</sup> October, 2010 and 29<sup>th</sup> January, 2011.

|                          | No.Meetings attended |
|--------------------------|----------------------|
| Sri.AR.Arunachalam       | 2                    |
| Sri.N.Meenakshi Sundaram | 1                    |
| Sri.S.Jambunath          | 4                    |
| Sri.S.Narayan            | 2                    |

### **Remuneration Committee:**

It did not meet during the year

### **Shareholders Grievance Committee:**

Shri.S.Jambunath and Shri.AR.Ramanathan constitute this committee which meets as often as necessary to minimize any delay in the share transfer process. Any shareholder's grievance is referred to this committee for speedy resolution.

Shri.M.Nagendra is the Compliance Officer.

The committee met 4 times during the year. No grievance/complaint was received during the year.

## **CODE OF CONDUCT**

The Board of Directors has adopted a Code of Ethics and Business Conduct for the Directors and Senior Personnel. The Code is a comprehensive one applicable to all Directors, Executive and Non-Executive, and members of senior management. The Code has been circulated to all the members of the Board and senior personnel and they have affirmed compliance of the same. A declaration signed by the Managing Director and CEO in this regard is reproduced below:

“I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Personnel of the Company, affirmation that they have complied with the Code of Ethics and Business Conduct framed for Directors and Senior Personnel in respect of the financial year 2010-2011”.

All the Directors of the Company have affirmed their compliances with the Company’s Code of Conduct for prevention of insider trading in its shares.

AR.RAMANATHAN  
Managing Director & CEO.

**The details of the last 3 Annual General Meetings are:**

| <b>Date</b> | <b>Time</b> | <b>Venue</b>                          |
|-------------|-------------|---------------------------------------|
| 25.09.2008  | 11.00A M    | Maharaja Restaurant Chromepet,Chennai |
| 30.09.2009  | 11.00A M    | Maharaja Restaurant Chromepet,Chennai |
| 20.09.2010  | 11.00A M    | Maharaja Restaurant Chromepet,Chennai |

**Disclosures:**

1. There have been no significant related party transactions during the year.
2. No penalties have been imposed of strictures have been issued by any stock exchange or SEBI or any other statutory authority on any matter related to Capital markets during the last three years.
3. No personnel have been denied access to the audit committee.
4. The Company has complied with all the mandatory requirements.

**5. Means of Communications:**

The main source of information for shareholders is the Annual report, which includes, inter-alia the reports of the Directors and the auditors, the audited accounts and the Management’s Discussion and Analysis Report on operations and outlook. The quarterly financial results are published in NEWS TODAY in English & MAALAI SUDAR in Tamil.

**6.General Shareholder’s Information:**

- i) Annual General Meeting: 28<sup>th</sup> September 2011
- ii) Financial year of the Company runs from 1<sup>st</sup> April to 31<sup>st</sup> March
- iii) Date of Book Closure: 13th September 2011 to 28<sup>th</sup> September.2011 (both days Inclusive)
- iv) The Company’s equity shares are listed at the stock exchanges at Chennai and Mumbai. The Listing fee for the financial year 2011-2012 has been paid to both the exchanges. The equity shares have directed to be compulsorily traded in the dematerialized form and the company has entered into agreement with NSDL and CSDL
- v) The ISIN No of the Company is INE 940E01011  
Bombay Stock Exchange code No 526468.

- vi) The Shares have not been traded regularly on any stock exchange during the year  
Traded only in BSE.  
Market Price data: Highest Rs 8.20  
Lowest Rs 4.10
- vii) M/s. Cameo Corporate Services Ltd; No.1.Club House Road,  
Chennai.600 002 are the share transfer agents of the Company for both  
Physical and dematerialized forms.

**vii) Distribution of Share Holdings as on 31<sup>st</sup> March 2011**

| Category<br>(Rs.) | No of Share Holders | %          |
|-------------------|---------------------|------------|
| Up to 5000        | 3888                | 81.07      |
| 5001-10000        | 549                 | 11.45      |
| 10001-20000       | 224                 | 4.67       |
| 20001-30000       | 39                  | 0.81       |
| 30001-40000       | 31                  | 0.64       |
| 40001-50000       | 12                  | 0.25       |
| 50001-100000      | 23                  | 0.48       |
| 100000 and above  | 30                  | 0.63       |
| <b>TOTAL</b>      | <b>4796</b>         | <b>100</b> |

ix) Plant Location : The Company's factory is located at 99.G.S.T.Road,Pallavaram,  
Chennai 600 043.

x) Address for Correspondence:

No.99.G.S.T.Road,  
Pallavaram,  
Chennai.600 043  
Phone:044-42943204  
044-2264 3437  
FAX :044-2264 3043

**7. Calender of Events:**

Publication of quarterly results.

|                         |              |
|-------------------------|--------------|
| 1 <sup>st</sup> Quarter | :End July    |
| 2 <sup>nd</sup> Quarter | :End October |
| 3 <sup>rd</sup> Quarter | :End January |
| Audited Accounts        | :End May     |
| Annual General Meeting  | :September   |

**Shareholding pattern as on 31<sup>st</sup> March, 2011**

| <b>S.No</b>                            | <b>Category</b>           | <b>No.of.shares held</b> | <b>% of Share holding</b> |
|--|---------------------------|--------------------------|---------------------------|
| <b><u>1.Promoter's Holding</u></b>     |                           |                          |                           |
| <b>A.</b>                              | Indian Promoters          | 1118200                  | 25.00                     |
| <b>B</b>                               | Persons acting in concert | 830400                   | 18.56                     |
| <b><u>2.Non-Promoter's Holding</u></b> |                           |                          |                           |
| <b>C</b>                               | Mutual Funds and UTI      | 18800                    | 0.42                      |
| <b><u>3.Others</u></b>                 |                           |                          |                           |
| <b>A</b>                               | Private Corporate Bodies  | 42430                    | 0.95                      |
| <b>B</b>                               | Indian Public             | 2411965                  | 53.92                     |
| <b>C</b>                               | NRIs/ OCBs                | 51805                    | 1.15                      |
| <b>TOTAL</b>                           |                           | <b>4473600</b>           | <b>100.00</b>             |

The promoter's holdings in the company have not been pledged by any of the holders

**Other Disclosures:**

The Background of Shri.S.Jambunath and P.S.Nathan the retiring directors are as follows.

Shri.S.Jambunath aged 41 years is an Engineering Graduate and has specialized in mechanical engineering. He had 11 years of service and experience in the field.

Shri.S.Jambunath is an independent Director.

**Shri.P.S.Nathan** aged 49 years is a post graduate in Management from the Madras University and has specialized in trading. He had 29 years experience in trading business. He travels abroad regularly.

Mr.P.S.Nathan is an independent Director.

## POSTAL BALLOT

|   |    |
|---|----|
| Whether Special Resolutions                     |    |
| Where put through postal ballot last year?      | No |
| If yes details of voting pattern                | NA |
| Person who conducted the postal ballot exercise | NA |
| Procedure for postal ballot                     | NA |

There is no item on the agenda of the forthcoming Annual General Meeting that needs approval by postal ballot.

### Non-Mandatory Requirements:

The Company has adopted the following non-mandatory requirements.

- a). The remuneration committee has been set up to determine the Company's policy on specific remuneration package for Executive Directors.
- b) The Chairman of the Audit Committee would be present at the Annual General Meetings to answer any questions from the shareholders.
- c ) Audit Qualifications: The Company attempts to bring in a regime of unqualified financial statements.
- d) Whistle blower policy: The Company has set up a mechanism for employees to report, to the management concerns about unethical behavior, actual or suspected fraud of Company's code of conduct or ethics policy. Adequate safeguards are in place against victimization of employees who availed themselves of the mechanism and to provide the direct access to the Chairman of the audit committee.
- e) The CEO of the Company certifies the financial reporting and internal controls to the Board in terms of Clause 49.
- f) The Company will mandatory comply with all the accounting standards by ICAI from time to time.

ON BEHALF OF THE BOARD

Place: Chennai  
28.05.2011

AR.Ramanathan  
Managing Director

RM.Lakshmanan  
Whole Time Director

# COMPLIANCE CERTIFICATE

## To The Members of EURO LEDER FASHION LIMITED

I have examined the registers, records, books and papers of Euro Leder Fashion Limited as required under the Companies Act, 1956 and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the year ended on 31st March, 2011. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure A to this certificate, as per the provisions of the Act and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed forms and returns as stated in Annexure B to this certificate, with the Registrar of Companies or other authorities within the time prescribed under the Act and the rules made there under.
3. The Company being a public limited company, the compliance with prohibition applicable to private companies does not arise.
4. The Board of Directors duly met 4 times respectively on 29<sup>th</sup> May 2010, 26<sup>th</sup> July 2010, 30<sup>th</sup> October 2010 and 29<sup>th</sup> January 2011 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company has closed its Register of members from 5<sup>th</sup> September 2010 to 20<sup>th</sup> September 2010 during the year.
6. The annual general meeting for the financial year ended on 31<sup>st</sup> March 2010 was held on 20<sup>th</sup> September 2010 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the minutes book maintained for the purpose.
7. No extraordinary general meeting was held during the year.
8. The Company has not advanced any loans to its directors and/or firms or companies referred to in Section 295 of the Act.
9. The Company has not entered into any contract specified in Section 297 of the Act.
10. The Company has made entries in the register maintained under Section 301 of the Act in one case.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approval from the Board of Directors, members or the Central Government.
12. The Board of Directors has not issued any duplicate share certificates.

13. The Company:
- (i) has delivered all the certificates on transfer / transmission of Shares in accordance with the provisions of the Act;
  - (ii) has not deposited any amount of dividend in a separate bank as no dividend was declared during the year ,
  - (iii) Was not required to post warrants for dividends to its members as no dividend was declared:
  - (iv) has duly complied with the requirement of Sec. 217 of the Act.
14. The Board of Directors of the Company is duly constituted and no appointment of any directors was made during the year.
15. The Company has not appointed its Managing/Whole- time Director during the year.
16. The Company has not appointed any sole selling agent in compliance of the provisions of the Act.
17. The Company was not required to obtain the approval of the Central Government for the remuneration payable to its whole time directors.
18. The directors have disclosed their interest in other firms/ companies to the Board pursuant to the provisions of the Act and the rules made hereunder.
19. The Company has not issued any shares during the year
20. The Company has not bought back any shares during the year.
21. The Company has no redeemable preference shares.
22. The Company has not kept in abeyance rights to dividend, rights shares and bonus shares.
23. The Company has not accepted deposits during the year.
24. The amount borrowed by the Company is within the limits of borrowing of the Company as approved by its shareholders.
25. The Company has not made any loans or advance or given any guarantee or provided securities to other bodies corporate and hence no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of its memorandum of association with respect to situation of its registered office from one state to another during the year under scrutiny.
27. The Company has not altered the provisions of its memorandum of association with respect to its objects during the year.
28. The Company has not altered the provisions of its memorandum of association with respect to its name of the Company during the year.
29. The Company has not altered the provisions of the memorandum of association with respect to the share capital of the Company during the year.
30. The Company has not altered its articles of association during the year.

31. There was no prosecution initiated against or show cause notices received by the Company and no fines and penalties or any other punishment imposed on the Company during the year, for offences under the Act.

32. The Company has not received any money as security from its employees during the year under certification.

33. The Company has deducted contribution towards Provident Fund during the period.

Chennai  
27<sup>th</sup> May, 2011

**S. ANANTHANARAYAN**  
C.P. No. 1828

**Annexure A:** Registers maintained by the Company:

|                               |                                      |
|-------------------------------|--------------------------------------|
| Register of Members           | Index of Members                     |
| Register of Directors         | Register of Directors' Shareholdings |
| Register of Allotment         | Minutes of Board Meetings            |
| Register of Transfers         | Minutes of General Meetings          |
| Register of Contracts         | Register of Investments, Loans       |
| Directors Attendance Register | Shareholders Attendance Register     |

**Annexure B:** Forms and returns as filed by the company with the Registrar of Companies, Regional Director, Central Government or other authorities during the year ending 31<sup>st</sup> March, 2011:

| Sl. No. | Form No. / Return | Filed under Section | For                               | Date of filing | Whether filed within the prescribed time | If filed with delay whether additional fee paid |
|---------|-------------------|---------------------|-----------------------------------|----------------|--|---|
| 1       | 66                | Proviso-383A(1)     | Compliance Certificate            | 19/10/2010     | Yes                                      | No  |
| 2       | 23AC/23ACA        | 220                 | Balance Sheet & Profit & Loss A/c | 19/10/2010     | Yes                                      | No  |
| 3       | 20B-2010          | 159                 | Annual Return                     | 24/11/2010     | No                                       | Yes   |

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

We herewith submit Management Discussion and Analysis Report on the business of the Company for the year ended 31<sup>st</sup> March, 2011 in this we have attempted to include discussion on all the specified matters to the extent relevant or within limits that in our opinion are imposed by the Company's own competitive position.

### **COMPANY AND INDUSTRY STRUCTURE**

The Company manufactures leather garments exclusively for export and has its factory at Pallavaram, Chennai. This unit is self sufficient to perform its duties and functions .The commitment of the Company towards quality and customer orientation reflects in its well-established clientele.

The industry continued to suffer this year due to a demand supply imbalance and rising input costs. However despite these factors, the Company has vigorously channelized its efforts at increasing its productivity and turnover and this strategy has paid off by way of a modest increase in the turnover during the year.

### **REVIEW OF OPERATIONS**

A summary of major performance indicators is given below, while the detailed and physical performance may be viewed from the Balance Sheet and Profit & Loss account and the annexure thereto

|         | 2010-2011      | 2009-2010      |
|---------|----------------|----------------|
| SALES   | RS.4540.48lacs | RS.4697.37lacs |
| EXPORTS | RS.4459.58lacs | RS.4584.43lacs |

The Company has adopted a time-bound policy in the short term, to balance production to level which could avoid built up inventory and has taken special measures to bring down stocks to optimum levels. However, in spite of the operating gains the margins have been under strain for the following reasons:

- 1.Increase in major input costs particularly the cost of leather.
- 2.Globally leather garments have registered a decline in realization and this affected India also.
- 3.Average price realization per garment fell to Rs.3306/=During the year. Buyer's domination was pronounced and our buyers abroad bargained hard in view of the raising Indian Rupee against the Euro and U.S.Dollars.
4. Freight rates and selling expenses rose appreciably, further pushing the costs. These factors constitute the threats faced by the company.

### **OUTLOOK**

The outlook of the industry appears to be challenging due to strong competition in price and quality and a large rise in input cost and the rising Indian rupees against the USD & Euro.

There are signs of a modest improvement in which may go up depending on the resurgence of the economy, besides cyclical improvement. The Company has orders in hand worth Rs.10.00 Crores. The Company's strength lies in the quality of its products and the promising looks continued patronage of its buyers. However the realization per garment is likely to be low. The peak season is due to start shortly.

#### **ENVIRONMENT AND SAFETY**

The Company is conscious of the need for environmentally clean and safe operations are conducted in such a way to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources.

#### **OTHER MATTERS**

There are no further or typical areas of risks or concerns outside the usual course of business foreseeable at this time. Internal control systems had been found to be adequate and are continuously reviewed for further improvement. Our team is committed to the Board's dictates on standards of conduct as well as good governance and exercise of due diligence including compliance of all relevant laws and regulations. Our appreciation is due to all employees, gratefulness to our board, shareholders and Banks.

#### **CAUTIONARY STATEMENT.**

Statements in this "Management Discussions and Analysis report" which seek to describe the Company's objectives, projections estimates expectations or predictions may be considered to be "forwarded looking statements" within meaning of applicable securities law or regulations.

Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global demand and supply conditions, prices of finished goods, stock availability and prices, cyclical demand and pricing in the Company's markets, Exchange fluctuations changes in the Government regulations, tax regimes, economic development within India and countries with which the Company conducts business besides other factors, such as litigation and labour negotiations.

Place: Chennai  
28.05.2011

For and on behalf of the Management  
AR.Ramanathan.  
Team Head.

## **AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF M/S EURO LEDER FASHION LIMITED**

We have audited the attached Balance Sheet of M/s. EURO LEDER FASHION LIMITED as at 31<sup>st</sup> March 2011 and the relative Profit and Loss Account and Cash Flow statement for the year ended on that date, which we have signed under reference to this report. 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.

1. 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.
2. As required by the Companies (Auditor's Report) Order, 2003, issued by the Government of India in terms of Section 227(4A) of the Companies Act, 1956, and as amended, we enclose in the annexure a statement on the matters specified in paragraphs (4) and (5) of the said Order, to the extent applicable to the Company.
3. Further to our comments in the Annexure referred to in paragraph 2 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 purposes of our audit;
  2. 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;
  3. The Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report are in agreement with the books of account;
  4. In our opinion, the Balance Sheet, Profit and Loss Account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act, 1956.
  5. On the basis of written representations received from the Directors, as on 31<sup>st</sup> March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as director in terms of clause (g) of sub-section (1) of Section 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 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 March 31, 2011;
    - ii. in the case of the Profit and Loss Account, of the Profit for the year ended on that date;
    - iii in the case of the Cash Flow statement of the cash flows for the year ended on that date.

## **ANNEXURE TO THE AUDITORS' REPORT**

(Referred to in paragraph 2 of our report of even date to the members of) .M/S.EURO LEDER FASHION LIMITED)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) The Fixed assets of the Company have been physically verified during the year by the management and no material discrepancies between the book records and the physical inventory have been noticed.
  - (c) No substantial part of fixed assets of the company has been disposed of during the year.
- (ii) (a) The inventories of the company at all its location have been physically verified by the management during the year.
  - (b) In our opinion the procedures of physical verification of inventories followed by the 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 inventories and the discrepancies between the physical inventories and the books records which have been properly dealt with in the books of account were not material.
- (iii) The company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms and other parties covered in the register maintained under section 301 of the Act.
- (iv) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for purchase of inventories and fixed assets and for the sale of goods.
- (v) (a) In our opinion, the transactions that need to be entered in the register maintained under section 301 of the act have been so entered.
  - (b) In our opinion, the aforesaid transactions have been made at prices which are reasonable having regard to the prevailing market prices.
- (vi) The company has not accepted any deposit from the public.
- (vii) In our opinion, the company's present internal audit system is commensurate with its size and nature of its business.
- (viii) The provision of the order made by the Central Government of the maintenance of cost records under section 209(1) (d) of the companies Act, 1956 do not apply to the Company..
- (ix) The company has been regular in depositing undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess and other statutory dues with the appropriate authorities in India.
- (x) The company does not have any accumulated losses at the end of the financial year, nor had it incurred any cash loss during the financial year or in the immediately preceding financial year.
- (xi) Based on our audit procedures and the information and explanations given to us, we are of the opinion that the Company has not defaulted in the repayment of dues to banks or financial institutions.
- (xii) The company has not granted any loans and advances on the basis of security by way of pledge of share and other securities.
- (xiii) The company has not given any guarantee for loans taken by others, from banks or financial institutions.
- (xiv) To the best of our knowledge and belief and according to the information and the explanations given to us, term loans availed by Company were, prima facie, applied by the company during the year for the purposes for which the loans were obtained.
- (xv) According to the cash flow statement and other records examined by us and the information and the explanations given to us, on an overall basis, funds raised on short term basis have, prima facie, not been used during the year for long term investment.

- (xvi) According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xvii) The Company has not issued any debentures during the year
- (xviii) The Company has not raised any money by issue of shares during the year.
- (xix) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

Clauses (xiii) (xiv) of the aforesaid Order are not applicable to the Company.

Place: Chennai  
Date : 28.05.2011

For N.VENKATESASN ASSOCIATES  
CHARTERED ACCOUNTANTS  
Firm Regn.No.004632S

(K.S.RAMESH BABU)  
Partner.  
Membership No.27855

# Auditor's Certificate on Compliance with the conditions of Corporate Governance under clause 49 of the Listing Agreement(s)

## To the members of Euro Leder Fashion Limited

We have examined the compliance of the conditions of Corporate Governance by M/s Euro Leder Fashion Limited, for the year ended 31<sup>st</sup> March 2011, as stipulated in Clause 49 of the Listing agreement of the said Company with Stock Exchanges.

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

In Our opinion and to the best of our information and 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 state that no investor grievance(s) are pending for a period exceeding one month against the Company, as per the records maintained by the Shareholder/Investors Grievance Committee.

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

Place: Chennai  
Date : 28.05.2011

For N.VENKATESASN ASSOCIATES  
CHARTERED ACCOUNTANTS  
Firm Regn.No.004632S

(K.S.RAMESH BABU)  
Partner.  
Membership No.27855

**Euro Leder Fashion Limited, Chennai – 600 043.**  
**Schedules to Balance Sheet and Profit and Loss Account as at 31<sup>st</sup> March 2011**

SCHEDULE 17

NOTES ON ACCOUNTS

(A) SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

The accompanying financial statements have been prepared on historical cost conventions and in accordance with the generally accepted accounting principles.

2. FIXED ASSETS

Fixed assets are stated at cost

3. DEPRECIATION

Depreciation is charged under Straight Line basis at the rates prescribed under Schedule XIV to the Companies Act, 1956. Depreciation on fixed assets added/disposed off during the year is provided on pro-rata basis.

4. INVENTORIES

Stock of raw material, work in progress, finished goods and consumables are valued at cost or market price whichever is lower.

5. REVENUE RECOGNITION

- i) Duty Drawback claims are accounted on accrual basis.
- (ii) The Company is entitled for import licence in respect of export made under DFIA (Duty Free Import Authorisation) basis. The import licence sold is accounted on net of Sales Tax.

6. BORROWING COST

Borrowing costs are recognized as an expense in the period in which they are incurred. No borrowing has been made for the acquisition of fixed asset. Borrowing cost, in respect of borrowing made for the purpose of acquisition of fixed asset if any will be capitalized until all the substantial activities necessary to prepare such assets for their intended use are complete.

7. RETIREMENT BENEFITS

- (A) Leave Salary: The Company's policy is to settle the claim of the employee's in respect of encashment of leave benefit at the time of retirement by the respective employees.
- (B) Gratuity: Provision for accrued liability of gratuity is made on the basis of going concern (not actuarially) determined and in terms of the payment of Gratuity Act, 1972.
- (C) Pension/ Superannuating fund: Employers Contribution to pension / superannuating fund shall be in accordance with the scheme of the company.

8. FOREIGN CURRENCY TRANSACTION

Transactions in foreign currency are recorded at the rate of exchange at the time of relevant transaction. Exchange

differences are accounted on actual realization/settlement.

## 9. SEGMENT REPORTING

The company is engaged in the manufacturing and exporting of leather garments. Hence there is no secondary segment to be reported.

## 10. TAXES ON INCOME

Provision for Income Tax is made for both current and deferred taxes. Provision for current Income Tax is made on the assessable income at the tax rates applicable to the relevant assessment years. Deferred Tax is accounted for by computing the tax effect of the timing difference, which arise during the year and reversed out in the subsequent periods. Deferred Tax is calculated at currently applicable tax rates. Deferred Tax assets are recognized only if there is virtual certainty that they will be realized.

11. Income Tax demand amounting to Rs.4,04,363/- for the Assessment Year 2001-02 has been paid in full and appeal to pending before the Commissioner of Income Tax (Appeals) III, Chennai.

12. Export Sales have been taken as Net Realisation Value for the year.

13. a) No dues to MSME undertakings to whom the Company owes any sum outstanding for more than 30 days.
- b) No dues either principal or interest remaining unpaid to any supplier under the Micro Small and Medium Enterprise Development Act, 2006. Similarly no payments have been made to the suppliers beyond the appointed day without adding interest. No interest accrued and remaining unpaid during the year.
- c) No amount is paid/payable by the Company under Sec.44A of the Companies Act, 1956 (cess on Turnover). Since the rules specifying the manner in which the cess shall be paid has not been notified yet by the Central Govt.

## (D) OTHER NOTES

|  | <u>31.3.2011</u> | <u>31.3.2010</u> |
|--|------------------|------------------|
| 1. Contingent liability not provided for in respect of:  |                  |                  |
| (a) Income tax demand disputed pending on appeal (which includes income tax demand for the A.Y-2004-05 for Rs.704531/- has been paid in full and disputed pending on appeal) | 41,08,129        | 28,73,476        |
| (b) Bills discounted with banks  | 11,80,53,920     | 5,73,21,467      |
| (C) Income tax demand for the A.Y.2003-04 and 2004-05 fully paid and pending before the High Court in connection with Sec.80HHC.   |                  |                  |
| (d ).A.Y 2003-04 pending with CIT appeal III   |                  |                  |

## 2. MANAGERIAL REMUNERATION:

|                        |        |        |
|------------------------|--------|--------|
| Directors sitting Fees | 44,000 | 46,000 |
|------------------------|--------|--------|

(No sitting fees is paid to Managing Director and Whole time Director)

## 3. REMUNERATION TO MANAGING DIRECTOR AND WHOLE TIME DIRECTOR (included in Schedule 14):

|                   |           |           |
|-------------------|-----------|-----------|
| Salary            | 12,48,000 | 11,37,600 |
| Other Perquisites | 8,500     | 8,500     |
|                   | -----     | -----     |
| Total             | 12,56,500 | 11,46,100 |
|                   | -----     | -----     |

Note: The remuneration paid to the Managing Director and Whole Time Director is within the limits specified under Schedule XIII to the Companies Act, 1956.

4. RELATED PARTIES TRANSACTIONS:

The Company has entered into the following transactions with related parties as defined in Accounting Standard 18 issued by the institute of Chartered Accountants of India.

NATURE OF TRANSACTION

**Factory Rent**

|   |           |
|---|-----------|
| Rental Deposit                            | 15,00,000 |
| (Paid to Smt.L Meenal wife of a Director) |           |
| Rent Paid during the year                 | 9,00,000  |

(B) RELATED PARTY DISCLOSURE

Nature of Relationship  
(Wife of Whole time Director)

5. EARNING PER SHARE (EPS)

|  | 31.3.2011 | 31.03.2010 |
|--|-----------|------------|
| Profit as per Profit & Loss account (Rs.In lacs).  | 47.81     | 85.75      |
| Weighted Average number of equity shares (in lacs) | 33.99     | 33.99      |
| Basic and Diluted Earning Per Share (Rs. P).       | 1.41      | 2.52       |
| Nominal Value of Shares (Rs.).                     | 10/-.     | 10/-       |

6. The balances in sundry debtors, sundry creditors, loans, certain bank balances and advances including advances to capital contracts are subject to confirmation, reconciliation and consequential adjustments, if any, to be made.

7. Information required by Paragraph 3, 4C and Schedule VI of the Companies Act, 1956.

(a) Capacities and Production  
(As certified by the Managing Director)

| Licensed and Installed Capacity | UNITS | <u>31.3.2011.</u> | <u>31.3.2010</u> |
|---------------------------------|-------|-------------------|------------------|
| Leather Garments                | Nos   | 75,000            | 75,000           |
| Leather Goods                   | Nos   | 2,00,000          | 2,00,000         |
| Actual production               |       |                   |                  |
| Leather Garments                | Nos   | 1,35,591          | 1,44,243         |
| Leather Goods                   | Nil   | Nil               | Nil              |

| (b) Turnover     | UNITS | Qty.      | Rs           | UNITS | Qty.      | Rs.         |
|------------------|-------|-----------|--------------|-------|-----------|-------------|
| Leather Garments | Nos   | 131534    | 43,49,04,257 | Nos   | 144243    | 45,92,50096 |
| Leather          | Sq.ft | 267712.30 | 1,91,43,382  | Sq.ft | 173955.36 | 1,04,86,694 |

(C) Opening and Closing Stock of Goods

| Opening Stock    | UNITS | Qty.  | Rs.         | UNITS | Qty. | Rs.         |
|------------------|-------|-------|-------------|-------|------|-------------|
| Leather Garments | Nos   | 6187  | 1,33,24,200 | Nos   | 3266 | 74,53,500   |
| Leather Goods    | Nos   | Nil   | Nil         | Nil   | Nil  | Nil         |
|                  |       | ----- | -----       |       |      | -----       |
|                  |       | 6187  | 1,33,24,200 |       |      | 74,53,500   |
|                  |       | ----- | -----       |       |      | -----       |
| Closing Stock:   |       |       |             |       |      |             |
| Leather Garments |       | 4057  | 1,00,75,700 |       | 6187 | 1,33,24,200 |
| Leather Goods    |       |       | Nil         |       |      | Nil         |
|                  |       | ----- | -----       |       |      | -----       |

|                       | 1,00,75,700 |              | 1,33,24,200 |              |
|-----------------------|-------------|--------------|-------------|--------------|
|                       | -----       |              | -----       |              |
| (d) Material Consumed | Sq. Ft      | Rs.          | Sq. Ft      | Rs.          |
| Leather               | 7451742     | 28,40,49,825 | 8096340     | 30,72,39,721 |
| Other Accessories     | Nil         | 5,29,36,420  |             | 5,48,00,427  |
|                       |             | -----        |             | -----        |
|                       |             | 33,69,86,245 |             | 36,20,40,148 |
|                       |             | -----        |             | -----        |

(E) Value of imported / indigenous material consumed

|                    |        |              |        |              |
|--------------------|--------|--------------|--------|--------------|
| Imports-Landed Cos | 6.41%  | 2,16,30,069  | 5.17%  | 1,87,33,488  |
| Indigenous         | 93.59% | 31,53,56,176 | 94.83% | 34,33,06,660 |
|                    | -----  | -----        | -----  | -----        |
|                    | 100%   | 33,69,86,245 | 100%   | 36,20,40,148 |
|                    |        | -----        |        | -----        |

|                                     |                   |                    |
|-------------------------------------|-------------------|--------------------|
| (f) Value of Imports on C.I.F basis | Nil               | Nil                |
| (g) Expenditure in Foreign Currency |                   |                    |
| Selling Expenses                    | Nil               | Nil                |
| (h) Foreign Travel                  | 1.60 Lakhs        | 6.07               |
| (i) Earning in Foreign Currency     |                   |                    |
| Exports of goods on F.O.B. value    | Rs. 4286.66 Lakhs | Rs. 4,397.67 Lakhs |

8. Previous year figures have been regrouped wherever considered necessary to conform to current year's classification.

## **Auditor's Certificate**

The Statement has been prepared by the company in accordance with the requirements of clause 32 of the listing agreement and is based on and is in agreement with the corresponding profit and loss account and balance sheet of the company, covered by our report dated 28.05.2011 to the member of the company.

Place: Chennai  
Date : 28.05.2011

For N.VENKATESASN ASSOCIATES  
CHARTERED ACCOUNTANTS  
Firm Regn.No.004632S

(K.S.RAMESH BABU)  
Partner.  
Membership No.27855