



## GOKALDAS EXPORTS LIMITED

Regd. Office : No. 70, Mission Road, Bangalore – 560 027

### Notice

NOTICE is hereby given that the Seventh Annual General Meeting of the Members of Gokaldas Exports Limited will be held at The Atria Hotel, No.1, Palace Road, Bangalore – 560 001 on September 17, 2010 at 10.30 A.M. to transact the following business:

#### ORDINARY BUSINESS:

To consider and it though fit, to pass with or without modification(s), the following resolutions:

1. To receive, consider and adopt the Balance Sheet as at March 31, 2010 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Shri Rajendra J Hinduja who retires by rotation and being eligible for reappointment.
3. To appoint a Director in place of Shri Dinesh J Hinduja who retires by rotation and being eligible for reappointment.
4. To appoint a Director in place of Shri Prince Asirvatham who retires by rotation and being eligible for reappointment.
5. To re-appoint M/s S.R. Batliboi & Co and M/s. Girish Murthy & Kumar, Chartered Accountants as Joint Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

#### SPECIAL BUSINESS:

To consider and it though fit, to pass with or without modification(s), the following resolutions:

##### As special Resolutions:

6. To reappoint Shri Dinesh J Hinduja as Executive Director.

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

**RESOLVED THAT** pursuant to the provisions of Sections 198, 269, 309 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII of the said Act, approval be and is hereby given to the appointment of Mr. Dinesh J Hinduja, as the Executive Director of the company from April 01, 2010 to March 31, 2012 (both days inclusive).

**RESOLVED FURTHER THAT** the consent of the members be and is hereby accorded for the payment of remuneration, as set out in the explanatory statement annexed hereto and forming part of this notice, to Shri Dinesh J Hinduja, Executive Director of the company for the period from April 01, 2010 to March 31, 2012 (both days inclusive).

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and are hereby authorized to fix and vary remuneration and perquisites including monetary value thereof to the extent the Board of Directors may consider appropriate and as may be considered and permitted or authorized in accordance with the provisions of the Companies Act, 1956, for the time being in force and any statutory modifications or reenactment thereof, and any / or rules or regulations framed there under."

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

**"RESOLVED THAT** pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI Guidelines") and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to reserve 5% of the Paid-up Equity Share Capital (or 17,18,800 options convertible into 17,18,800 shares), of the Company, to offer and issue at any time to or to the benefit of such person(s) who are in permanent employment of the Company, including any Director of the Company, whether whole time or otherwise, equity shares of the Company, of a face value of Rs. 5 each fully paid-up on payment of the requisite exercise price to the Company, under Gokaldas Exports Limited – Employee Stock Option Scheme 2010 hereinafter referred as "GEL – ESOS 2010" or any other Employee Stock Option Scheme(s), in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant authorities.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to issue and allot Equity shares to the employees upon exercise of options from time to time in accordance with the employee stock option scheme and such Equity shares shall rank pari passu in all respects with the then existing Equity Shares of the Company.

**RESOLVED FURTHER THAT** in case of any corporate action (s) such as rights issues, bonus issues, merger and sale of division and others, if any additional equity shares are issued by the Company to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 5 % of the Paid-up Equity Share Capital (or 17,18,800 options convertible into 17,18,800 shares) shall be deemed to be increased to the extent of such additional equity shares issued.

**RESOLVED FURTHER THAT** in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition payable by the option grantees under the schemes shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 5 per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.

**RESOLVED FURTHER THAT** the Board (including the Compensation Committee) be and is hereby authorized to take necessary steps for listing of the securities allotted under the GEL - ESOS 2010 or any other Stock Option Scheme (s) on the Stock Exchanges, where the securities of the Company are listed as per the provisions of the Listing Agreement with the concerned Stock Exchanges and other applicable guidelines, rules and regulations.

**RESOLVED FURTHER THAT** the maximum number of stock options that can be granted under the said GEL - ESOS 2010, to non-executive directors, including independent directors, in any financial year and in aggregate shall not exceed 1% of the Paid-up Equity Share Capital which shall be within the overall limit of 5 % of the Paid-up Equity Share Capital (or 17,18,800 options convertible into 17,18,800 shares) of the Company.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the said schemes as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws.”

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

“**RESOLVED THAT** pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of

All Colour Garments Private Limited  
Deejay Trading Private Limited  
Glamourwear Apparels Private Limited  
Madhin Trading Private Limited  
Magenta Trading Private Limited  
Rafter Trading Private Limited  
Rajdin Apparels Private Limited  
Reflexion Trading Private Limited  
Rishikesh Apparels Private Limited  
Seven Hills Clothing Private Limited  
SNS Clothing Private Limited  
Vignesh Apparels Private Limited  
Robot Systems Private Limited

and any future subsidiaries, the present and future subsidiaries of the Company, including any Director of the Company, whether whole time or otherwise, options exercisable into shares or securities convertible into equity shares within the overall ceiling of 5 % of the Paid-up Equity Share Capital (or 17,18,800 options convertible into 17,18,800 shares) of the Company as mentioned in Resolution No.7 above, under GEL - ESOS 2010, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority; each option would be exercisable for one Equity share of a face value of Rs.5 each fully paid-up on payment of the requisite exercise price to the Company.

By Order of the Board of Directors

Place: Bangalore  
Date : August 2, 2010

**N Sri Sai Kumar**  
Company Secretary

## Notes:

- 1) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
- 2) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself and a proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company at its Registered Office not less than 48 hours before the commencement of the meeting.
- 3) Corporate members are requested to send a duly certified copy of the board resolution authorizing their representative(s) to attend and vote at the Annual General Meeting.
- 4). The Register of Members and Share Transfer Books will remain closed from September 14, 2010 to September 17, 2010 (both days inclusive).
- 5). Members / Shareholders are requested to bring the duly filled attendance slip sent herewith and produce at the registration counters for admission to the Meeting Hall.
- 6). Copies of the Annual Report will not be distributed at the Annual General Meeting. Members / Proxy Holders are therefore requested to bring to the Annual General Meeting their copy of the Annual Report and the Attendance Slip sent herewith duly filled in.
- 7). In case you have any query relating to the enclosed Annual Accounts, you are requested to send the same to the Company Secretary at the Registered Office of the Company at least 10 days before the date of the Annual General Meeting so as to enable the management to keep the information ready.
- 8). In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- 9). Members are requested to write to the Company Secretary or to the Share Transfer Agent at the address given below, regarding transfer of shares, change in address and for resolving grievances  

Company Secretary	Karvy Computershare Pvt. Ltd
Gokaldas Exports Limited	Plot No.17-24, Vittalrao Nagar, Madhapur,
70 Mission Road, P.B. No. 2717	Hyderabad 500 081.
Bangalore 560027	Tel: 040 2342 0818 / 4465 5000
Tel & Fax: 080 41510124	Fax: 040 2342 0814 / 4465 5021
Email: investorcare@gokaldasexports.com	Email:
- 10) Members holding shares in physical form can avail of the nomination facility by filing Form 2B (in duplicate) with the Company or its Registrar & Share Transfer Agents which will be made available on request and in case of shares held in demat form, the nomination has to be lodged with their Depository Participant.
- 11) Attendance Slip and Proxy Form are given at the end of this Notice.

By Order of the Board of Directors

Place: Bangalore  
Date : August 2, 2010

**N Sri Sai Kumar**  
Company Secretary

## ANNEXURE TO THE NOTICE

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

The following Explanatory Statement sets out material facts relating to some of the Ordinary Business mentioned in the accompanying Notice and should be taken as forming part of the Notice.

#### Ordinary Business

Profile of the Directors proposed to be re-appointed

#### In respect of Item No.2

Shri Rajendra J Hinduja holds a bachelors degree in Engineering from Bangalore University and founder promoter of the Company. He is on the Boards of not only in Gokaldas Exports group but also on the Board of Apparel Export Promotion Council (APEC). He has served as Executive Committee Member of Export Promotion Council of EOU's and SEZs since 2003 and also was on various committees formed by the Ministry of Textiles, Government of Karnataka.

He is the brain behind critical functions like shipping, customs clearance, documentation, finance, legal and imports. He is also responsible for new projects and initiatives of the Company.

Presently, Shri Rajendra J Hinduja is Managing Director of the Company. The details of his other directorships and memberships in other companies / committees are provided in the Corporate Governance Reports, which form part of this Annual Report.

He holds 19,55,580 shares in the company.

No Director other than Shri Madanlal J Hinduja & Dinesh J Hinduja is in any way concerned or interested in the said resolution.

#### **In respect of Item No.3 & 6**

Shri Dinesh J Hinduja, Executive Director, who is retires by rotation in this Annual General Meeting and being eligible, offers himself for re-appointment, pursuant to clause 123A(f) of article of association and sec 257 of Companies Act, 1956 proposed to be re-appointed.

He holds 21,45,580 shares in the company.

Shri Dinesh J Hinduja is the recipient of Award for Excellence from Association of Young India in 1994 and holds a bachelors degree in Science from Bangalore University. With his speedy decision making, he controls the Company's 40 manufacturing units that employ over 39000 workers and produce more than 2.5 million garments of various styles per month.

He was also on the state level management committee of National Institute of Fashion Technology (NIFT) and on the advisory Board of the World Fashion Exchange Inc. USA.

Presently, Shri Dinesh J Hinduja is Executive Director of the Company. The details of his other directorships and memberships in other companies / committees are provided in the Corporate Governance Reports, which form part of this Annual Report.

The Board of Directors of the Company at it's meeting held on August 02, 2010, re-appointed Shri Dinesh J Hinduja as Executive Director for the period from April 01, 2010 to March 31, 2012 (both days inclusive) on term and conditions set out detailed hereinafter, subject to approval of the shareholders.

**Shri Dineh J Hinduja**, is the founder promoter of Gokaldas Exports Group of Companies. He has over 37 years of varied experience in the apparel industry. He is instrumental to the growth of the company. He heads marketing and production and instrumental in operation excellence & efficiently.

The relevant terms of the salary and other benefits payable to Shri Dinesh J Hinduja are as follows:

#### **Particulars**

- a. Salary (Rs.) 12,50,000/- per month from 01.04.2010.
- b. **Commission:** 1% of net profits computed as per Section 349 & 350 of Companies Act, 1956, subject to a maximum of annual salary
- c. **Perquisites:**
  1. Chauffer driven car for official as well as for personal purposes.
  2. Two telephones at residence and mobiles at company's cost.
  3. Subject to any statutory ceilings, the Executive Director may be given any other allowances, perquisites, benefits and facilities at the discretion of the Board of Directors.

#### **Evaluation of perquisites:**

Perquisites/allowances shall be evaluated as per Income Tax Rules, wherever applicable, and in the absence of any such rules shall be evaluated at actual cost.

#### **Minimum remuneration:**

In the event of loss or inadequacy of profits in any financial year during the tenure of the appointment, the director shall be paid salary and perquisites as set out above as the minimum remuneration, subject to the approval of the Central Government, if so required, in accordance with the provision of the Companies Act / Schedule XIII.

In same kind of industry and size of the company remuneration of executive Director is close or even higher to the remuneration proposed.

Shri Dinesh J Hinduja was getting remuneration of Rs 4,00,000/- P.M. during 2004-2009.

Shri Madanlal J Hinduja and Shri Rajendra J Hinduja, Directors are interested in this Special Resolution. None of the other Directors is interested or connected in this Special Resolution.

Shri Dinesh J Hinduja holds 21,45,580 shares in the company.

Your Board commends the Special Resolution for your approval.

#### **In respect of Item No.4**

Shri Prince Asirvatham is a Fellow member of the Institute of Chartered Accountants of India. He is a former Group Treasurer & Head (M&A) of Hindustan Lever Limited. In a distinguished career spanning 3 decades with the Unilever Group in Asia, London and South America, he has, among others, directed the commercial operations of the largest F&B operation, restructured treasury operations post liberalization in India and partnered Unilever in the design of its global corporate assurance process. He was actively involved in over 25 acquisitions and disposals which include India's first commercial privatisation.

Shri Prince Asirvatham is a Promoter-Director of Guardian Risk Advisors (P) Ltd., a business engaged in promoting aspirational management of personal financial assets and a Director & Audit Committee Member of TVS Motor Company Limited.

He has presented several papers and is today a coach in corporate finance and risk management."

Presently, Shri Prince Asirvatham is Independent Director, Chairman of the Audit Committee & member of the Remuneration Committee of the Company. The details of his other directorships and memberships in other companies / committees are provided in the Corporate Governance Reports, which form part of this Annual Report.

He does not hold any shares in the company.

No Director other than Shri Prince Asirvatham is in any way concerned or interested in the said resolution.

#### **In respect of Item No.7 & 8**

The objective of the GEL-ESOS 2010 is to align the employees to corporate goals and motivate them to contribute to the growth and profitability of the Company (including subsidiary companies). The Company views employee stock options as instrument that would enable the Employees to share the value they create for the Company in the years to come. The Company also intends to use this Scheme to attract and retain talent in the organization.

The main features of the employee stock option schemes are as under:

##### **1. Total number of options to be granted:**

Options up to 5 % of the Paid-up Equity Share Capital (or 17,18,800 options convertible into 17,18,800 shares) of the Company would be available for being granted to eligible employees of the Company and its subsidiaries under GEL-ESOS 2010. Each option when exercised would be converted into one Equity share of Rs. 5 each fully paid-up.

Vested options lapsed due to non-exercise and/or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at a future date. The Board is authorized to re-grant such lapsed / cancelled options as per the GEL- ESOS 2010.

SEBI guidelines require that in case of any corporate action (s) such as rights issues, bonus issues, merger and sale of division and others, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are issued by the Company to the Option Grantees for making such fair and reasonable adjustment, the ceiling of 5 % of the Paid-up Equity Share Capital (or 17,18,800 options convertible into 17,18,800 shares) as stated above from time to time shall be deemed to be increased to the extent of such additional equity shares issued.

##### **2. Identification of classes of employees entitled to participate in the Employee Stock Option Scheme(s):**

All permanent employees of the company, including any subsidiaries companies in India, including the Directors but excluding the promoters of the Company, as may be decided by the Board from time to time, would be entitled to be granted stock options under GEL- ESOS 2010.

##### **3. Transferability of employee stock options**

The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

**4. Requirements of vesting and period of vesting:**

The Options granted shall vest so long as the employee continues to be in the employment of the Company. The Board may, at its discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting, and the proportion in which options granted would vest (subject to the minimum and maximum vesting period as specified below).

Options granted under GEL- ESOS 2010 would vest not less than one year and not more than seven years from the date of grant of such options. The exact proportion in which and the exact period over which the options would vest would be determined by the Board, subject to the minimum vesting period of one year from the date of grant of options.

**5. Exercise Price:**

The exercise price shall be the Market Price of the equity shares of the company discounted, if required, by such percentage not exceeding 20% to be determined by the Compensation Committee in the best interest of the various stake holders in the prevailing market conditions.

Market Price for the purposes of the above clause shall be the closing market price one day prior to the date when the Compensation Committee finalizes the number of options to be granted, on a stock exchange where highest trading volume is registered.

**6. Exercise Period and the process of Exercise:**

The Exercise period would be a maximum of 7 years from the date of vesting of options. The shares arising out of exercise of vested options would not be subject to any lock-in period after such exercise.

The options will be exercisable by the Employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Compensation Committee from time to time. The options will lapse if not exercised within the specified exercise period.

**7. Appraisal Process for determining the eligibility of the employees to ESOS:**

The appraisal process for determining the eligibility of the employee will be specified by the Compensation Committee, and will be based on criteria such as role / designation of the employee, length of service with the Company, past performance record, future potential of the employee and/or such other criteria that may be determined by the Compensation Committee at its sole discretion.

**8. Maximum number of options to be issued per employee and in aggregate:**

The number of options that may be granted to any specific employee under the Scheme shall not exceed 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options.

**9. Disclosure and Accounting Policies:**

The Company shall comply with the disclosure and the accounting policies prescribed as per SEBI Guidelines.

**10. Method of option valuation**

To calculate the employee compensation cost, the Company shall use the Intrinsic Value Method for valuation of the options granted.

The difference between the employee compensation cost computed using the Intrinsic Value method and the cost that shall have been recognized if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As the employee stock option scheme provides for issue of shares to be offered to persons other than existing shareholders of the company, consent of the members is being sought pursuant to Section 81(1A) and all other applicable provisions, if any, of the Act and as per clause 6 of the SEBI Guidelines.

None of the Directors of the Company are in any way, concerned or interested in the resolution, except to the extent of the securities that may be offered to them under the scheme.

By Order of the Board of Directors

Place: Bangalore  
Date : August 2, 2010

**N Sri Sai Kumar**  
Company Secretary





**GOKALDAS EXPORTS LIMITED**

Regd. Office : No: 70, Mission Road, Bangalore – 560 027

**PROXY FORM**

Reg. Folio No.

No. of Shares

Client ID No.

DP ID No.

I/We.....  
of.....being Member/s of Gokaldas Exports Limited  
hereby appoint .....or failing  
him/her.....of.....  
as my/ our proxy to vote for me/ us on my/ our behalf at the 7th Annual General Meeting of the Company to be held at  
10.30 a.m. on Friday, the September 17, 2010 at The Atria Hotel, No.1, Palace Road, Bangalore -560 001, and at any  
adjournment thereof.

Signed this ..... day of .....2010.

Affix  
Re. 1/-  
Revenue  
Stamp

Note :

- 1. This form duly completed and signed must be deposited at the Registered Office of the Company not less than 48 hours before the Meeting.



**GOKALDAS EXPORTS LIMITED**

Regd. Office : No: 70, Mission Road, Bangalore – 560 027

**ATTENDANCE SLIP**

Reg. Folio No.

No. of Shares

Client ID No.

DP ID No.

I / We, certify that I / We, am / are a Member / Proxy for the Member of the Company.

I / We hereby record my / our presence at the 7th Annual General Meeting to be held at 10.30 a.m. on Friday, the  
September 17, 2010 at The Atria Hotel, No.1, Palace Road, Bangalore - 560 001.

.....

Shareholder's/ Proxy's name in block letters

.....

Signature of Shareholder/ Proxy

Note :

- 1. Please fill up this attendance slip and hand it over at the entrance of the meeting hall.
- 2. Members are requested to bring their copies of the Annual Report to the meeting.



**gokaldas exports ltd.**

7TH ANNUAL REPORT 2009-2010





# THE FOUNDER

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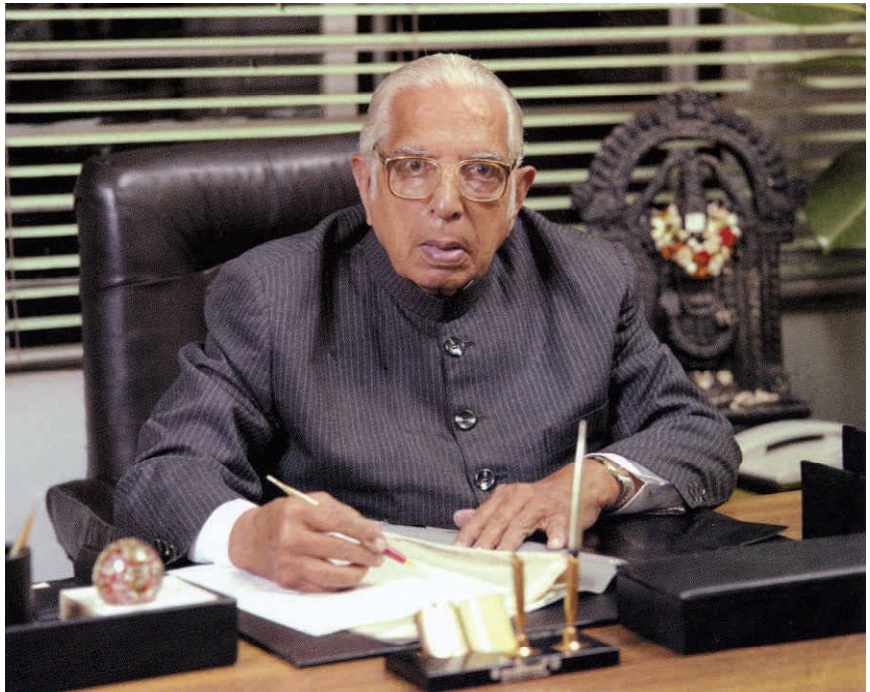
**G**OKALDAS EXPORTS was founded by the visionary Jhamandas H. Hinduja, who, with his innate ability to plan for the future, while closely overseeing the details of day-to-day operations, built a company with strong foundations and a corporate ethos that rewards initiative and innovation.

## OUR VISION

To set a precedent in the global garment manufacturing industry through continuous innovation, exceptional products, focused services and enhanced customer satisfaction.

## OUR MISSION

- Deliver on-time, every time, any where in the world.
- Keep a sharp eye on product quality and put in all efforts to raise the bar, constantly.
- Comply flawlessly with all statutory regulations required by our customers in any country.
- Augment and maintain a logistics infrastructure that adheres to the highest levels of efficiency that seamlessly blends with our customers' own supply chain.
- Ensure escalating productivity standards at the lowest operating cost, thus offering our customers a product of the highest quality at the most competitive price.



*The late Jhamandas H. Hinduja*

# LEADERSHIP AWARD

## Gokaldas Exports Accolades

**G**OKALDAS EXPORTS has won the highest number of awards in Asia! since 1980, the company has also won all the top export awards amongst all Indian garment manufacturers.

These awards are based on a comprehensive set of attributes including design, technology, value, product and experience.

A signal recognition indeed!



*Won highest number of export awards*



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## **REGISTERED OFFICE**

No. 70, Mission Road  
Bangalore 560 027, India

## **COMPANY SECRETARY**

N Sri Sai Kumar

## **STATUTORY AUDITORS**

M/s S R Batliboi & Co,  
Chartered Accountants  
Canberra Block, 12<sup>th</sup> Floor, UB City,  
No 24, Vittal Mallya Road,  
Bangalore- 560001

M/s Girish Murthy & Kumar  
Chartered Accountants  
4502, High Point IV,  
45, Palace Road,  
Bangalore 560001

## **BANKERS**

Canara Bank  
Citi Bank





*The Gokaldas Exports  
Corporate Office in Bangalore*



*Industrial engineering team*



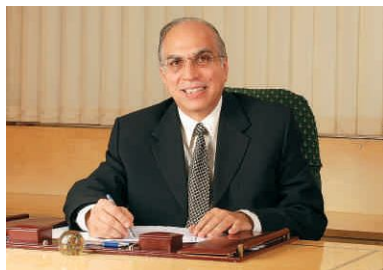
*Marketing team-brandwise*

# BOARD OF DIRECTORS

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**Shri Madanlal J. Hinduja**  
*Chairman*



**Shri Rajendra J. Hinduja**  
*Managing Director*



**Shri Dinesh J. Hinduja**  
*Executive Director*



**Shri Akhilesh Krishna Gupta**  
*Director*



**Shri Mathew Cyriac**  
*Director*



**Shri Prince Asirvatham**  
*Independent Director*



**Shri Arun K. Thiagarajan**  
*Independent Director*



**Shri J H Mehta**  
*Independent Director*



**Shri Rangachary N**  
*Independent Director*



**Shri Partha Sarkar**  
*Independent Director*





Style vault



# CHAIRMAN'S STATEMENT



**Shri Madanal J. Hinduja**  
Chairman

In 2009-10, U.S. textile and clothing markets experienced their worst fall in over 20 years. The year, in fact, witnessed an upheaval. Compared to 2008, the \$ value of U.S. sector imports dropped by 14% in 2009. Coming on top of the decrease of 3.4% in the

previous year, it brought the total U.S. imports in the year down from \$100 billion in 2008 to \$ 86 billion in 2009. This is also lower by \$ 4.2 billion than the low level reached in 2004.

The country's apparel exports suffered an embarrassing decline for the first

time since 2004-05. During 2009-10, apparel exports witnessed a 2.6% dip i.e, \$ 10.6 Billion in 2009-10 against \$ 10.9 Billion in 2008-09.

The global recession, economic downturn, and the resulting slow-down in the textile and clothing industry took away a major chunk of the demand in the year 2009. Thankfully, the market improved in terms of orders and thereby fuelling the business confidence for most of the major exporters.

While the global recovery is still considered very slow and in some pockets still doubtful, the full confidence is yet to be built up. Though volumes have improved, the following factors are suppressing the industry's growth.

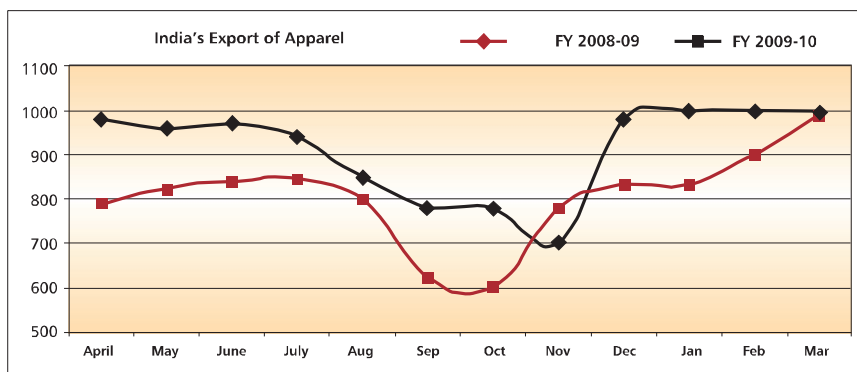
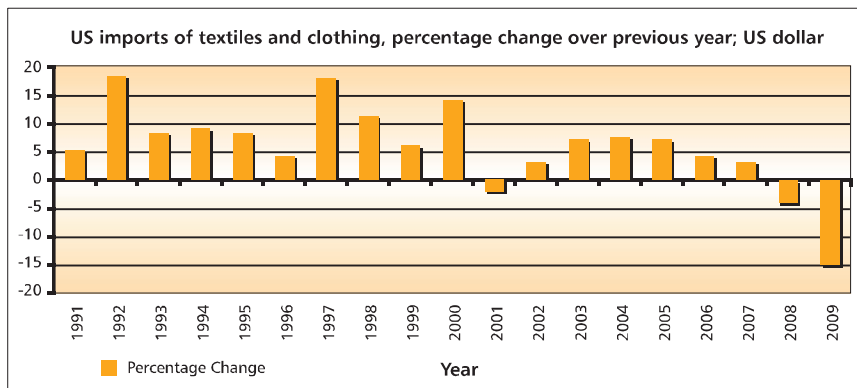
- a) Higher cotton fabric prices.
- b) Acute pricing pressures from European and U.S. markets.
- c) Higher wages paid in comparison to last year.
- d) Volatile forex markets.

The apparel industry has been adversely affected by recessionary conditions still prevailing in the U.S. and Europe. On the one hand, selling prices are on the decrease, and on the other raw material prices are increasing. The Indian apparel export industry is struggling with this low pricing structure.

The past 4 months have witnessed a mind-boggling 50% increase in prices of basic raw materials. Just when there were signs of initial recovery, the industry has plunged into gloom because of high raw material prices and erratic supplies.

The industry hopes to be back on the growth trajectory this year, on the back of revival trends in the U.S. But the sovereign debt crisis in Euro zone may upset the growth. Europe accounts for more than half of India's apparel exports. With Bangladesh already ahead of India, there are fears that Vietnam may also overtake India.

The financial crisis never really went away. The debt mountain which has brought down some of the world's biggest banks and dragged the international financial system to the brink of disaster has simply shifted to governments. It is threatening countries







## Garments Exports 2009-10

Month	FY 2008-09		FY 2009-10		MoM Growth (%)	
	In INR Crore	In US\$ Million	In INR Crore	In US\$ Million	INR	US\$
April	3870.47	967.00	4363.56	871.63	12.74	-9.86
May	3937.73	935.00	4268.99	879.61	8.41	-5.92
June	4182.12	977.00	4602.85	963.51	10.06	-1.38
July	4011.77	937.00	5111.00	1054.29	27.40	12.52
August	3711.37	865.00	4339.56	897.81	16.93	3.79
September	3388.36	744.00	3505.76	723.75	3.46	-2.72
October	3560.47	732.00	3349.34	716.88	-5.93	-2.07
November	3359.25	686.00	3355.96	720.67	-0.10	5.05
December	4734.25	973.00	4260.52	913.71	-10.11	-6.09
January	4875.16	998.00	4401.16	957.61	-9.72	-4.05
February	4793.73	973.00	4057.63	876.00	-15.36	-9.97
March	5868.80	1146.00	4862.88	1069.00	-17.14	-6.72
Cumulative (Apr-Mar)	50293.48	10933.00	50479.21	10644.47	0.37	-2.64

around the globe and if left unchecked, could cause a heavy damage in European economic system and also affect the economic recovery in the U.S, China and Latin America.

The impact on markets has been severe. The Euro has slumped more than 12% against the US \$.

Added to the problems of wage increase are raw material price increases. The apparel industry is reeling under the acute shortage of skilled labour. Prices in Bangalore, in terms of rentals and operational costs are increasing heavily and that leaves us with no other choice but to look into shifting our units to the smaller towns, viz. Tier-2 and Tier-3 categories.

This effort is on and to ensure regular availability of skilled hands and we are in the process of shifting some of our units into smaller towns, like Mysore, Tumkur, etc.

In the year 2009-10, we have established 2 new factories in Mysore, besides the existing old one.

During the year under review,

- The adverse impact of the global economic recession continued, adversely impacting the revenue and earnings of our company.
- Strengthening of the Rupee against the U.S. \$.
- Increase in raw material prices hit the profits of the company.

e) Despite implementation of all possible austerity measures, the year ended with a loss of Rs.1.93 Crores.

Recently, the long awaited announcement about the Chinese currency being made more flexible against the Dollar has been made by the Chinese government. The Indian export industry is upbeat on this announcement. Moreover Chinese wages have also been revised a few weeks ago by 25%.

Obviously, any strengthening of the Yuan will be to the advantage of Indian exporters. We are also optimistic that the strengthening of the Yuan may bring part of the Chinese apparel business to Gokaldas Exports.



*The ultra modern design studio*



*Design studio*



*Sampling section*

# DIRECTOR'S REPORT

Your Directors are pleased to present their Seventh Annual Report on the business and operations of your company for the year ended 31st March, 2010.

e) Government apathy, with no relief or support directly to the industry.

Combined together, these immediate concerns have affected the competitiveness of the industry by around 25%.

## Financial Results

(Rs. In lakhs)

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
<b>Sales</b>	<b>1,06,874.26</b>	<b>1,09,213.30</b>
Profit Before Tax	(453.23)	345.00
Less: Provision for Tax:	260.00	8.53
<b>Profit after Tax</b>	<b>(193.23)</b>	<b>336.47</b>
Balance brought forward from last Year	18,087.55	17,751.08
Amount available for appropriation	17,894.32	18,087.55
<b>Appropriations:</b>		
Proposed dividend	-	-
Corporate dividend tax	-	-
General Reserve	-	-
Balance carried forward	17,894.32	18,087.55

The company reported turnover of Rs 1,06,874.26 lakhs ( Standalone) for the year ending March 31, 2010 and loss after tax Rs 193.23 Lakhs, the reasons for the same were explained under Operations Review in details.

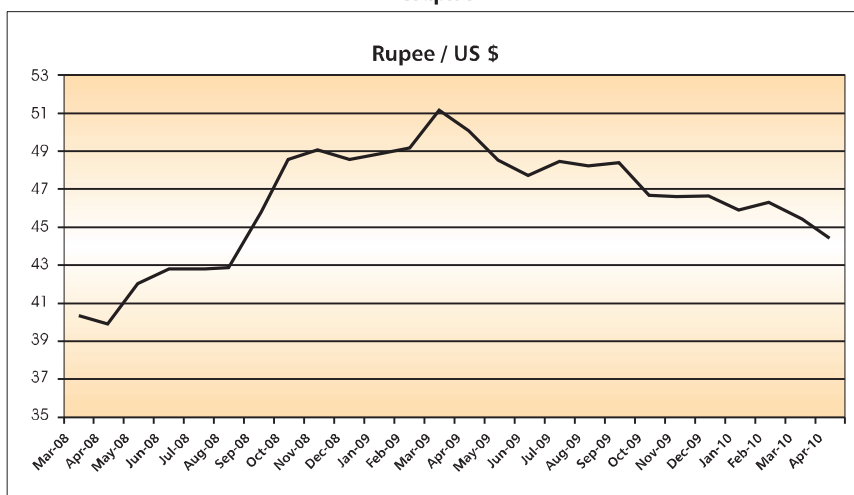
## Operations Review

The global textile and clothing trade has undergone a sea-change in recent times. The economic recession in major importing countries last year and the gradual revival of the business optimism in the first few months of the current year have paved the way for consolidation in major producing countries like China and India and relatively new entrants like Vietnam.

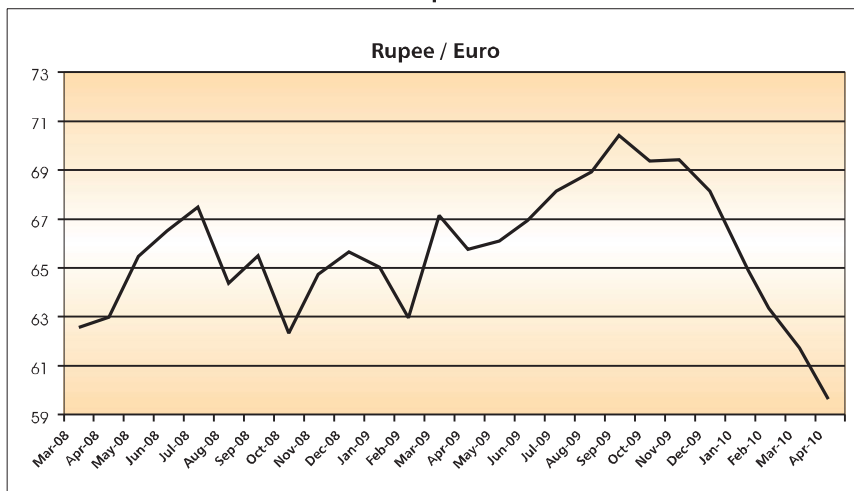
There is no doubt that a number of macro issues are ailing the apparel export industry today, like,

- Escalating cotton fabric prices which are more than 40% higher than a few months ago.
- Appreciating currency against both USD and the Euro, which have seen 4.2% and 10% hardening respectively, since January 1, 2010. See Graphs F & G.
- Rising wage rates.
- Shortage of labour as NREGA scheme takes a toll.

Graph F



Graph G





*Venkateshwara  
Clothing Company*



*Wearcraft Apparels*



*Global Garments - 3*



*New Mysore Factory - Atlantic Apparels - 2*

## Material Cost & its Impact on the Profitability

Rs. In Crores

	FY 2010	FY 2009
Export Sale of Garments	929.93	991.21
Domestic Sale of Garments	70.64	72.13
Sale of Raw Materials	64.86	24.05
<b>Total Sales</b>	<b>1,065.43</b>	<b>1,087.39</b>
Material Cost	654.78	581.43
Material Cost %	61%	53%

**Increase in Material Cost is 8%**

Qty & amount are in Lakhs

S.No	Product	FY 2010				FY 2009			
		Qty.	UVR	Amount	%	Qty.	UVR	Amount	%
1	Outer wear	41.92	722.47	30,285.03	30%	35.92	800.10	28,739.23	29%
2	Active wear	3.06	614.33	1,879.91	2%	5.15	280.99	1,445.74	1%
3	Bottom wear	148.88	323.90	48,223.71	48%	156.25	365.27	57,074.97	57%
4	Casual wear	80.56	208.75	16,817.18	17%	34.22	275.23	9,417.24	9%
5	Babies Garments	11.53	247.09	2,848.51	3%	9.68	251.71	2,436.38	2%
6	Others	0.14	17.21	2.49	0%	23.19	311.35	7,221.37	7%
		<b>286.10</b>	<b>349.73</b>	<b>100,056.82</b>		<b>264.41</b>	<b>402.16</b>	<b>106,334.94</b>	

**Drop in unit value realisations is 13%**



Improvement are higher than ever before with significant improvements in sight.

The company is now in a cautious ramping up of resources so as to leverage from the sharp market recovery expected in the next few months. The company has adequate internal control systems as part of the Management Information System in place. Regular productivity audits are being conducted in all fronts and we feel confident that in the latter part of 2010-11 markets will take a turn for the better and the company will swing to better performance.

Ironically, at this point of time the industry is not short of business. In fact, predictions are that by October, 2010, India will run out of capacity. The challenge, of course, is meeting the price points.

Even with orders pouring in from the major export markets (the U.S. and E.U.) the Indian apparel exporters are not able to cash in on the opportunity due to the unprecedented rise in cotton prices.

Wage hike, labour shortage because of alternative opportunities elsewhere,

and skilling the unskilled are the new constraints of the garment industry.

Added to the above,

1. Recessionary trends,
2. Low prices,
3. Hardening Rupee
4. Reducing incentive.

There has been significant learning from the market upheavals of the last 2 years.

Focus on Cost Reduction, Increasing Productivity and Working Capital

### Fire at Yeshwanthpur Fabric Godown

In the early hours on April 16, 2010 a fire broke out in our Yeshwanthpur Fabric godown. An electric short circuit is suspected to have caused the fire. This grew into a big fire and about 70% of the godown was gutted. About 40 lakhs meters of fabric has been burnt. About 20 fire tenders were put into service & with their dedicated efforts the fire was brought under control and extinguished by 10 AM in the morning.





Shoulder pad pressing machine

Computerised embroidery



Shoulder pad fusing machine



Eton production system

The godown was insured and the necessary insurance claim has been filed. As a consequence of this fire we lost 3 weeks of production time, as we had to wait for the supply of the fresh fabric.

### Dividend

Despite the recovery trends, the profitability achieved during the year has been less than that of the previous year. Our Directors felt it appropriate to conserve the cash reserves and therefore do not recommend any dividend for this year.

### Subsidiary companies

In line with the requirements of Accounting Standard AS - 21 issued by the Institute of Chartered Accountants of India, consolidated financial statements presented by the Company include the financial information of its subsidiaries.

In terms of the Central Government approval under Section 212(8) of the Companies Act, 1956, the audited Financial Statements along with the reports of the Board of Directors and the Auditors pertaining to the above subsidiaries have not been attached to this Report.

The Financial Statements of the said subsidiaries will be kept for inspection by any investor at the registered office of your Company and that of the subsidiary companies. Investors who want to have a copy of the above may write to the Company Secretary at the registered office.

### List of the Subsidiaries

- 1 All Colour Garments Private Limited
- 2 DeeJay Trading Private Limited
- 3 Glamourwear Apparels Private Limited
- 4 Madhin Trading Private Limited
- 5 Magenta Trading Private Limited
- 6 Rafter Trading Private Limited
- 7 Rajdin Apparels Private Limited
- 8 Reflexion Trading Private Limited
- 9 Rishikesh Apparels Private Limited
- 10 Seven Hills Clothing Private Limited
- 11 SNS Clothing Private Limited

12 Vignesh Apparels Private Limited

13 Robot Systems Private Limited

### Listing

The equity shares of the Company are listed on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India of India Limited (NSE). The company has paid the listing fees to the respective stock exchanges upto date. The Company's shares are tradable compulsorily in the dematerialized form and the Company has entered into an agreement with National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) for trading in electronic form.

### Directors

During the year Shri Ranjan Pant resigned from the Board w.e.f. May 5, 2009 and Shri N Rangachary and Shri Partha Sarkar were appointed as Directors w.e.f. effect from July 13, 2009.

### The profile of the Directors appointed during the year is mentioned below:

#### Shri N Rangachary

Shri N Rangachary is Fellow member of Institute of Chartered Accountants of India (FCA), Fellow Member of Institute of Company Secretaries of India (FCS) and Fellow member of Institute of Cost & Works Accountants of India (ACWA) & Honorable Fellow Actuarial Society of India

Mr. N Rangachary was selected as Indian Revenue Service Officer in 1960 and retired in July 1996 as Chairman, Central Board of Direct Taxes. Besides, he served as

- (i) Additional Secretary in the Department of Space,
- (ii) Financial Advisor to the United India Insurance Company Ltd.,
- (iii) Chairman, Insurance Regulatory and Development Authority of India from August 1996 to June 2003.
- (iv) The Controller of Insurance, Government of India,
- (v) Chairman Tariff Advisory Committee.
- (vi) Advisor to the Government of Andhra Pradesh on Finance, Risk

Management and Insurance from October 2003 to November 2008.

In recognition of Shri N Rangachary's contribution to the insurance reforms in India, the International Insurance Council USA, honored him with 'International Insurance Award' for the year 1999-2000.

Shri N Rangachary also holds directorship in the following Companies as on March 31, 2010:

- (i) MAX India Limited
- (ii) RT Exports Limited
- (iii) Shriram EPC Limited
- (iv) Take Solutions Limited
- (v) Shriram properties Limited
- (vi) AIG Trustee Co (India) Pvt Limited
- (vii) Cecilia Healthcare Services Pvt Ltd
- (viii) Tiger Warehouse Cold Chain Pvt Ltd
- (ix) Equitas Micro Finance ( India) Pvt Ltd
- (x) MTAR Technologies Pvt Ltd
- (xi) Root Multiclean Ltd

Shri N Rangachary is also a member of Max India Limited and AIG Trustee Co (India) Pvt Ltd Audit Committees.

Shri N Rangachary does not hold any shares in the Company.

#### Shri Partha Sarkar

Shri Partha Sarkar holds a Bachelor Degree in Technology and an MBA from the Indian Institute of Management, Ahmedabad.

He is having 34 years of experience in business with 21 years with the well-known Tata Group of companies in diverse industries.

Shri Partha Sarkar worked for Hindustan Unilever Ltd. He joined Tata Administrative Services in the year 1975 and worked with the Tata Group till 1996 under various capacities. He was Group Strategic Planning Manager in Tata Group. He worked with Escorts Limited as CEO & Managing Director from 2000 – 2008.

Presently, Shri Partha Sarkar is running own management consulting business, focusing on acquisitions and financial restructuring of companies.



Shri Partha Sarkar presently is a director of Elixir Asset Preconstruction (India) Ltd.

He does not hold any shares in the Company.

### Corporate Governance

Your Company believes that Corporate Governance is a voluntary code of self-discipline. In line with this philosophy, it follows healthy Corporate Governance practices and reports to the shareholders the progress made on the various measures undertaken. Your Directors have reported the initiatives on Corporate Governance adopted by your Company in the section 'Corporate Governance' in the Annual Report. The Auditor's Certificate confirming the compliance of the Corporate Governance requirements by the company is attached to the Report on Corporate Governance.

### Management Discussion and Analysis Report

A detailed review of operations, performance and future outlook of the company is given separately under the head "Management Discussion and Analysis"

### Auditors

M/s S.R. Batliboi & Co, Chartered Accountants and M/s Girish Murthy & Kumar, Chartered Accountants appointed by the Shareholders in the last Annual General Meeting held on September 22, 2009, as Joint Auditors, will retire at the forthcoming Annual General Meeting and, confirmed their eligibility for reappointment.

### Particulars of Employees

Information as per section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report. However, as per provisions of section 219(1)(b)(iv) of the Companies Act, 1956, this Report and accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees under section 217 (2A) of the Companies Act 1956. Any shareholder interested in obtaining a copy of the said statement may write to the Company Secretary of the Company and same will be sent by post.

### Deposits

Your Company has neither accepted nor renewed any deposits during the year. As such, no amount of principal and / or interest is outstanding as on the balance sheet date.

### 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:

- In the preparation of the annual accounts, the applicable accounting standards have been followed by the company.
- 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.
- The Directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The Directors have prepared the annual accounts on a going concern basis.

### Conservation of Energy, Research & Development, Technology Absorption, Foreign Exchange Earnings and Outgo

In pursuance of the provisions of section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is given below

#### A. 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 continued basis.

#### B. Technology absorption, adaptations and innovation

Not Applicable

#### C. Foreign Exchange Earnings and Outgo

Foreign Exchange  
earned : Rs 95,416.49 lakhs  
Out go : Rs 16,552.17 lakhs

#### Acknowledgements

Your Directors place on record their appreciation of co-operation and support extended by customers, shareholders, vendors, bankers and all governmental and statutory agencies. Your Directors thank the employees for their valuable contribution during the year and look forward to their continued support.

#### For and on behalf of the Board of Directors

Bangalore                      Madanlal J Hinduja  
August 2, 2010              Chairman.

# CORPORATE GOVERNANCE REPORT

In compliance with the Corporate Governance reporting requirements as per the format prescribed by the Securities Exchange Board of India and incorporated in Clause 49 of the Listing Agreements with the Stock Exchanges, the Company's policies on Corporate Governance and compliance thereof, for the year ended March 31, 2010 is enumerated below for information of the shareholders and investors of the Company.

## (A) Corporate Governance Philosophy

Your Company stand committed to good Corporate Governance – transparency, accountability, disclosure and independent supervision to increase the value to the stakeholders. The Company is committed to transparency in all its dealings with shareholders, employees, the Government and other parties and places high emphasis on business ethics. The basic philosophy of Corporate Governance in the Company is to achieve business excellence and increasing long-term shareholder value, keeping in view the interests of the company's stakeholders.

Your Company is in compliance with the requirements of the guidelines on Corporate Governance stipulated under Clause 49 of the Listing Agreement existing as of March 31, 2010 and presents the following Corporate Governance Report for the year 2009-10 based on the said disclosure requirements.

## (B) Board of Directors

Your Company's Board has an optimum combination of Executive, Non-Executive and Independent Directors with considerable experience in their respective fields. The Chairman of the Board is an Executive Director. Of the entire Board, 50% of the Directors are "Independent" as required under Clause 49 of the Listing Agreement as on March 31, 2010.

No Director of the Company is a member in more than 10 committees or acts as Chairman of more than 5 committees across all companies, in which he is a director.

During the Year 2009-10, Shri Partha Sarkar and Shri N Rangachary were appointed as Directors of the company on July 13, 2009 and Shri Ranjan Pant stepped down from the board on May 5, 2009.

### (i) Current Composition of the Board of Directors:

Sl. No.	Name of Director	Category	Shareholding as on Mar 31, 2010	No. of other Directorships@	Committee* Memberships@	Committee Chairmanships@
1.	Shri Madanlal J Hinduja Chairman	Executive Director	1,955,600	1	1	Nil
2.	Shri Rajendra J Hinduja Managing Director	Executive Director	1,955,580	1	1	Nil
3.	Shri Dinesh J Hinduja Executive Director	Executive Director	2,145,580	1	1	Nil
4.	Shri Akhilesh Krishna Gupta	Non Executive Director	-	5	3	Nil
5.	Shri Mathew Cyriac	Non Executive Director	-	2	1	1
6.	Shri Prince Asirvatham	Independent Director	-	2	1	1
7.	Shri Arun K Thiagarajan	Independent Director	-	14	8	2
8.	Shri J H Mehta	Independent Director	-	2	1	Nil
9.	Shri Rangachary N	Independent Director	-	7	2	Nil
10.	Shri Partha Sarkar	Independent Director	-	2	Nil	Nil

@ Excluding Private/ Foreign and section 25 companies including Gokaldas Exports Limited.

### ii) Board Meetings

The Directors of the Company are eminent personalities with varied knowledge and experience in manufacturing, marketing, finance, banking, legal, management and commercial administration. The Board meets as often as required being not less than 4 times in a year with a maximum gap not exceeding 4 months between any two meetings.

# CORPORATE GOVERNANCE REPORT

Agenda papers for Board Meetings containing all necessary information / documents are made available to the Board in advance to enable the Board to discharge its responsibilities effectively and take informed decisions. In some instances, documents are tabled at the meetings.

During the financial year 2009-10, 4 meetings of the Board of Directors were held on May 28, 2009, July 28, 2009, October 27, 2009 and January 27, 2010.

The attendance of each Director at these meetings and the last Annual General meeting was as follows:

Sl. No.	Name of Director	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
1)	Shri Madanlal J Hinduja	4	4	Yes
2)	Shri Rajendra J Hinduja	4	4	Yes
3)	Shri Dinesh J Hinduja	4	3	Yes
4)	Shri Akhilesh Krishna Gupta	4	3	No
5)	Shri Mathew Cyriac	4	3	No
6)	Shri Prince Asirvatham	4	3	Yes
7)	Shri Arun K Thiagarajan	4	4	Yes
8)	Shri J H Mehta	4	4	Yes
9)	Shri Rangachary N@	4	2	Yes
10)	Shri Partha Sarkar@	4	2	No
11)	Shri Ranjan Pant#	4	NA	NA

# Shri Ranjan Pant resigned on 05.05.2009.

@ Shri Rangachary N & Shri Partha Sarkar appointed on July 13, 2009.

## (C) Remuneration to Non Executive / Independent Directors

No remuneration is paid to the Non Executive Directors.

### Remuneration to Executive Directors

Amount in Rs.

Name of the Director	Fixed	Variable( Commission)	Total
Shri Madanlal J Hinduja	16,47,432	-	16,47,432
Shri Rajendra J Hinduja	16,50,834	-	16,50,834
Shri Dinesh J Hinduja	16,50,834	-	16,50,834

The terms and conditions of the executive directors' appointment and remuneration are governed by the resolutions passed by the shareholders for their respective appointment. The company has not entered into separate agreements for the contract of service with the executive directors.

### Remuneration to Independent Directors

Independents Directors are entitled to sitting fee only and are not entitled to any remuneration. During the financial year 2009-10, the sitting fee paid the directors is detailed below:

Amount in Rs.

Name of the Director	Board Meeting	Audit Committee Meeting	Shareholders & investors Greivance Committee	Remuneration Committee	Total
Shri Prince Asirvatham	50,000	50,000	-	10,000	1,10,000
Shri Arun K Thiagarajan	70,000	70,000	40,000	10,000	1,90,000
Shri J H Mehta	70,000	70,000	-	10,000	1,50,000
Shri Rangachary N	40,000				40,000
Shri Partha Sarkar	40,000				40,000
Total					5,30,000

# CORPORATE GOVERNANCE REPORT

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## **(D) Code of Conduct**

All the Directors and senior management personnel have affirmed compliance with the Code of Conduct/Ethics as approved and adopted by the Board of Directors and a declaration to that effect signed by the Chairman is attached and forms part of this report.

## **(E) Risk Management**

Your Company has a well-defined risk management framework in place. The risk management framework adopted by the Company is discussed in detail in the Management Discussion and Analysis section of this Annual Report.

## **(F) Committees of the Board**

In compliance with the Listing Agreements and the SEBI Regulations, the Board has constituted a set of committees with specific terms of reference and scope to deal with specified matters expediently.

Presently, the Board has three committees:

- The Audit Committee,
- The Shareholders Grievances Redressal Committee and
- Remuneration Committee.

The Audit Committee consists of entirely of independent directors whereas Shareholders Grievances Redressal Committee consists of three executive directors and one non-executive independent director and The Remuneration Committee consists of three non-executive independent directors. Normally, the Audit Committees meet four times in a year, once in each quarter, Shareholders Grievances Redressal Committee meet twice in a year and Remuneration Committee as required by companies Act, 1956. The minutes of these committees' meetings are submitted to the Board for approval/confirmation.

The details of the committees constituted by the Board are given below:

### **i) Audit Committee**

The Audit Committee of the Board of Directors has been constituted in line with the provisions of Section 292A of the Companies Act, 1956, read with Clause 49 of the Listing Agreement.

The purpose of this Committee is to ensure the objectivity, credibility and correctness of the Company's financial reporting and disclosure process, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters.

The Audit Committee as on March 31, 2010 comprises solely of 3 independent directors, namely:

- Shri Prince Asirvatham
- Shri Arun K Thiagarajan and
- Shri J H Mehta

The Company Secretary acts as Secretary to the Audit Committee. Shri Prince Asirvatham, Chairman of the Audit Committee was present and available to answer the shareholders' queries in the last Annual General Meeting held on September 22, 2009.

The Composition of the Audit Committee is in compliance of Clause 49 of the Listing Agreement as on March 31, 2010.

### **A. Powers of the Audit Committee:**

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

# CORPORATE GOVERNANCE REPORT

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## B. Terms of Reference:

Oversight (supervision, direction and control) of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

- ❖ Discussion with the Auditors periodically about the internal control systems and the scope of audit including observations of the Auditors.
- ❖ Review of the quarterly, half-yearly and annual financial statements before submission to the Board focusing primarily on:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
  - Any changes in accounting policies and practices.
  - Major accounting entries based on exercise of judgment by management.
  - Qualifications in draft report.
  - Significant adjustments arising out of audit.
  - Going concern assumption.
  - Compliance with accounting standards.
  - Compliance with Stock Exchange and legal requirements concerning financial statements.
  - Any related party transactions, transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of company at large.
- ❖ Ensure compliance of internal control systems.
- ❖ Investigation into any of the afore-stated matters or as may be referred to by the Board.
- ❖ Review of the Auditors' Report on the Financial Statements and to seek clarifications thereon, if required, from the Auditors.
- ❖ Review of weaknesses in Internal Controls, if any and make recommendations relating thereto to the Board so as to ensure compliance of internal control systems.
- ❖ To act as a link between the Statutory and the Internal Auditors and the Board of Directors.
- ❖ Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- ❖ Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- ❖ Discussion with internal auditors any significant findings and follow up there on.
- ❖ Any other matter which the Board of Directors may at its discretion assign to the Committee from time to time.

### Audit Committee Attendance

The Audit Committee met four times during the year 2009-10, on May 28, 2009, July 28, 2009, October 27, 2009 and January 27, 2010. The minutes of the meetings are placed before the Board at the succeeding Board Meeting for information. Quorum was present at all the meetings.

Name of the Director	No. of Meetings Held	No. of Meetings Attended
Shri Prince Asirvatham	4	3
Shri Arun K Thiagarajan	4	4
Shri J H Mehta	4	4
Shri Ranjan Pant*	4	0

\* Shri Ranjan Pant resigned on 05.05.2009



## CORPORATE GOVERNANCE REPORT

### (ii) Shareholders Grievances Redressal Committee:

The Shareholders Grievances Redressal Committee is headed by an Independent Director and consists of the following Directors.

Sl No.	Name of Director	Designation
1.	Shri Arun K Thiagarajan	Chairman
2.	Shri Madanlal J Hinduja	Member
3.	Shri Rajendra J Hinduja	Member
4.	Shri Dinesh J Hinduja	Member

The Committee has the mandate to review and redress the shareholder grievances viz. non-receipt of refund orders, transfer and transmission of shares, non-receipt of annual reports, non-receipt of declared dividends etc

N Sri Sai Kumar Company Secretary is the Compliance Officer of the Company.

The Shareholders Grievances Redressal Committee met on July 28, 2009 and January 27, 2010 during the year 2009-10

Name of the Director	No. of Meetings Held	No. of Meetings Attended
Shri Arun K Thiagarajan	2	2
Shri Madanlal J Hinduja	2	2
Shri Rajendra J Hinduja	2	2
Shri Dinesh J Hinduja	2	2

The following table shows the nature of complaints / correspondence received from the shareholders / investors during the financial year 2009-10 all of which have been resolved and at the end of year, there were no complaints pending unresolved/ unattended as on March 31, 2010.

Sl.	Nature of Complaint/correspondence	Receipt	Replied	Pending
a	Non-receipt of dividend warrants	6	6	0
b	Non-receipt of Annual Report	2	2	0
c	Non-receipt of refund orders	1	1	0
d	Non-credit of securities/electronic credit shares	5	5	0
<b>TOTAL</b>		<b>14</b>	<b>14</b>	<b>0</b>

### (iii) Remuneration Committee:

The Company has constituted a remuneration committee on April 01, 2009 to carry on function relating to determination of the remuneration payable to the executive and other non executive directors, recommendation for appointment/reappointment of the Managing Directors/Whole-Time Directors, revision in remuneration of the existing executive directors of the Company from time to time.

The Remuneration Committee is headed by an Independent Director and consists of the following Directors

Name of the Director	Designation
Shri J H Mehta	Chairman
Shri Arun K Thiagarajan	Member
Shri Prince Asirvatham	Member

The Remuneration Committee met once on July 28, 2009 during the year 2009-10

Name of the Director	No of Meetings held	No of Meetings attended
Shri J H Mehta	1	1
Shri Arun K Thiagarajan	1	1
Shri Prince Asirvatham	1	1

# CORPORATE GOVERNANCE REPORT

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## (G) Annual General Meetings

Location, time and date where last three Annual General Meetings of the company were held are given below:

Financial Year	Day, date & Time	Location
2006-07	Friday, August 17, 2007 10.30 A.M	Hotel Grand Ashok, Kumara Krupa Road, High Grounds, Bangalore – 560 001
2007-08	Thursday, September 04, 2008 10.30 A.M	The Atria Hotel, No. 1, Palace Road, Bangalore – 560 001
2008-09	Tuesday, September 22, 2009 10.30 A.M	The Atria Hotel, No. 1, Palace Road, Bangalore – 560 001

## Special Resolution's passed during the last 3 Years

### Annual General Meeting held on August 17, 2007:

- ❖ Reappointment of Shri Vivek M Hinduja as Chief Operating Officer – Marketing of the company
- ❖ Reappointment of Shri Ashwin R Hinduja as Chief Operating Officer – Production of the company

### Annual General Meeting held on September 04, 2008: No Special Resolution

### Annual General Meeting held on September 22, 2009:

- To appoint Shri Rajendra J Hinduja as the Managing Director
- To re-appoint Shri Madanlal J Hinduja as the Chairman

## (H) Auditor's Certificate on Corporate Governance

As required under clause 49 of the Listing Agreement, a certificate from the Statutory Auditor's is obtained regarding compliance of conditions of corporate governance and is annexed and forms part of the Director's Report.

## (I) CEO CFO Certificate

As required by clause 49 of the Listing Agreement, the certificate issued by the Managing Director and General Manger Finance on financial statements etc., is provided elsewhere in the Annual Report.

## (J) Disclosures

### (i) Disclosures on materially significant related party transactions

The related party transactions during the year ended March 31, 2010 have been listed in the notes to the accounts. Shareholders may please refer the same. However, these are not in conflict with the interests of the company at large. There are no material individual transactions which are not in the normal course of business.

### (ii) Details of non-compliance by the Company, penalties and strictures imposed on the Company by the Stock Exchanges, SEBI or any statutory authorities or any member related to capital markets

There has been no non-compliance of any legal requirements nor have there been any strictures imposed by any stock exchange or SEBI or ROC etc., on any matters relating to the capital market since the date of listing of shares on the stock exchanges.

### (iii) Compliance with mandatory requirements of Clause 49 of the Listing Agreement

The Company has complied with all mandatory requirements of the Clause 49 of the Listing Agreement except composition of Board of Directors as given in Clause 49 I (A) (ii). During the year 2009-10, from April 1, 2009 to 05.05.2009 there are only 4 Independent Directors and from 06.05.2009 to 12.07.2009 there are only 3 Independent Directors on Board instead of 5 Independent Directors.

### (iv) Compliance with non-mandatory requirements of Clause 49 of the listing agreement:

The Company has complied with the non-mandatory requirements relating to Remuneration Committee to the extent detailed above and has not complied with other non-mandatory requirements.

# CORPORATE GOVERNANCE REPORT

## (K) Means of Communication

The annual audited financial results, the quarterly / half yearly unaudited financial results are generally published in, the Financial Express and Times of India Kannada (a regional daily published from Bangalore). These results are also posted on the Company's website at [www.gokaldasexports.com](http://www.gokaldasexports.com).

Other information like shareholding pattern (quarterly), Corporate Governance Report, Memorandum and Articles of Association of the Company (with amendments thereof), Annual Reports, press release etc., are also posted on our website as soon as they are released/ published.

## (L) Investor Grievances and Share Transfer

The Company has a Board level Investor Grievances Committee to examine and redress shareholders' and investors' complaints. The status on complaints and share transfers is reported to the Board. For matters like dividends, change of address, refunds, demat, remat of shares etc., the shareholders/investors should communicate with Karvy Computershare Private Limited, Registrar and Share Transfer Agent of the company. Their address is given in the section of General Shareholder Information.

## (M) Disclosure regarding Appointment / Re-appointment of Directors

According to the Articles of Association, one third of the directors retire by rotation and, if eligible, offer themselves for re-appointment at the Annual General Meeting of shareholders. Accordingly Shri Rajendra J Hinduja, Shri Dinesh J Hinduja, and Mr Prince Asirvatham, Directors will retire at the ensuing Annual General Meeting.

The profile of the Directors seeking appointment / re appointment given below:

### a) Shri Rajendra J Hinduja

Shri Rajendra J Hinduja holds a bachelors degree in Engineering from Bangalore University and founder promoter of the Company. He is on the Boards of not only in Gokaldas Exports group but also on the Board of Apparel Export Promotion Council (APEC). He has served as Executive Committee Member of Export Promotion Council of EOUs and SEZs since 2003 and also was on various committees formed by the Ministry of Textiles, Government of Karnataka.

He is the brain behind critical functions like shipping, customs clearance, documentation, finance, legal and imports. He is also responsible for new projects and initiatives of the Company.

Presently, Shri Rajendra J Hinduja is Managing Director & member of the Shareholders & Investors Grievance Committee of the company. The details of his other directorships and memberships in other companies / committees are given below:

Name of the Company/Firm	Nature of interest
Apparel Export Promotion Council, Delhi	Vice Chairman
The Clothing Manufacturers Association of India, Karnataka Region	Regional Chairman
Export Promotion Council for EOU's & SEZ Units	Management Committee Member
All Colour Garments Private Limited	Director
Dazzle Trading Private Limited	Director
Deejay Trading Private Limited	Director
Glamourwear Apparels Private Limited	Director
Gokaldas Exports Apparel & Textile Park Private Limited	Director
Gokaldas Infotek Private Limited	Director
JVN Exports private Limited	Director
Madhin Trading Private Limited	Director
Magenta Trading Private Limited	Director
Poly Products Private Limited	Director
Rafter Trading Private Limited	Director

2006-2007  
2006-2007



## CORPORATE GOVERNANCE REPORT

Rajdin Apparels Private Limited	Director
Rapple Trading Private Limited	Director
Reflexion Trading Private Limited	Director
Rishikesh Apparels Private Limited	Director
Robot Systems Private Limited	Director
Seven Hills Clothing Private Limited	Director
SNS Clothing Private Limited	Director
VAG Exports Private Limited	Director
Vignesh Apparels Private Limited	Director
DMR Enterprises	Partner
AVIS Industrial Estate	Partner

He holds 19,55,580 shares in the company.

### b) Shri Dinesh J Hinduja

Shri Dinesh J Hinduja is the recipient of Award for Excellence from Association of Young India in 1994 and holds a bachelors degree in Science from Bangalore University. With his speedy decision making, he controls the Company's 40 manufacturing units that employ approximately 39000 workers and produce more than 1.5 million garments of various styles per month.

He was also on the state level management committee of National Institute of Fashion Technology (NIFT) and on the advisory Board of the World Fashion Exchange Inc. USA.

Presently, Shri Dinesh J Hinduja is Executive Director member of the Shareholders & Investors Grievance Committee of the company. The details of his other directorships and memberships in other companies / committees are given below:

Name of the Company/Firm	Nature of interest
All Colour Garments Private Limited	Director
Dazzle Trading Private Limited	Director
Deejay Trading Private Limited	Director
Dice Trading Private Limited	Director
Glamourwear Apparels Private Limited	Director
Gokaldas Exports Apparel & Textile Park Private Ltd	Director
Gokaldas Infotek Private Limited	Director
JVN Exports private Limited	Director
Madhin Trading Private Limited	Director
Magenta Trading Private Limited	Director
Poly Products Private Limited	Director
Rafter Trading Private Limited	Director
Rajdin Apparels Private Limited	Director
Reflexion Trading Private Limited	Director
Rishikesh Apparels Private Limited	Director
Robot Systems Private Limited	Director
Seven Hills Clothing Private Limited	Director
SNS Clothing Private Limited	Director
VAG Exports Private Limited	Director
Vignesh Apparels Private Limited	Director
DMR Enterprises	Partner
AVIS Industrial Estate	Partner

He holds 21,45,580 shares in the company.



# CORPORATE GOVERNANCE REPORT

## c) Shri Prince Asirvatham

Shri Prince Asirvatham is a Fellow member of the Institute of Chartered Accountants of India. He is a former Group Treasurer & Head (M&A) of Hindustan Lever Limited. In a distinguished career spanning 3 decades with the Unilever Group in Asia, London and South America, he has, among others, directed the commercial operations of the largest F&B operation, restructured treasury operations post liberalization in India and partnered Unilever in the design of its global corporate assurance process. He was actively involved in over 25 acquisitions and disposals which include India's first commercial privatisation.

Shri Prince Asirvatham is a Promoter-Director of Guardian Risk Advisors (P) Ltd., a business engaged in promoting aspirational management of personal financial assets and a Director & Audit Committee Member of TVS Motor Company Limited.

He has presented several papers and is today a coach in corporate finance and risk management."

## (N) Management Discussion and Analysis

The Management Discussion & Analysis is given separately in the Annual Report.

## General Shareholders' Information

### 1. 7th Annual General Meeting

<b>Day, date and time</b>	: Friday, September 17, 2010 at 10.30 AM
<b>Venue</b>	: The Atria Hotel No.1, Palace Road, Bangalore - 560 001

### 2. Financial year : The Financial Year is April 1 to March 31.

#### Financial Calendar:

Tentative schedule (subject to change)	Likely Board Meeting Schedule
Unaudited results for the quarter ending June 30, 2010	August 02, 2010
Unaudited results for the quarter ending September 30, 2010	First week of Nov 2010
Unaudited results for the quarter ending December 31, 2010	Last week of January 2011
Audited Results for the year ending March 31, 2011	Before end of May 2011

### 3. Date of Book closure :

The Register of Members and Share Transfer Books will remain closed from September 14, 2010 to September 17, 2010 (both days inclusive) for the purpose of Annual General Meeting.

### 4. Dividend Payment Date

The Board has not recommended for any dividend for the Financial Year 2009-10

### 5. Listing on Stock Exchanges & Stock Code

Name of the Stock Exchange	Script Code
Bombay Stock Exchange Limited (BSE)	532630
National Stock Exchange of India Limited (NSE)	GOKEX

Listing fees for the year 2010-11 have been paid to both the Stock Exchanges.

The ISIN No for the Company's Equity Shares in Demat form: INE887G01019

Depository Connectivity : NSDL and CDSL



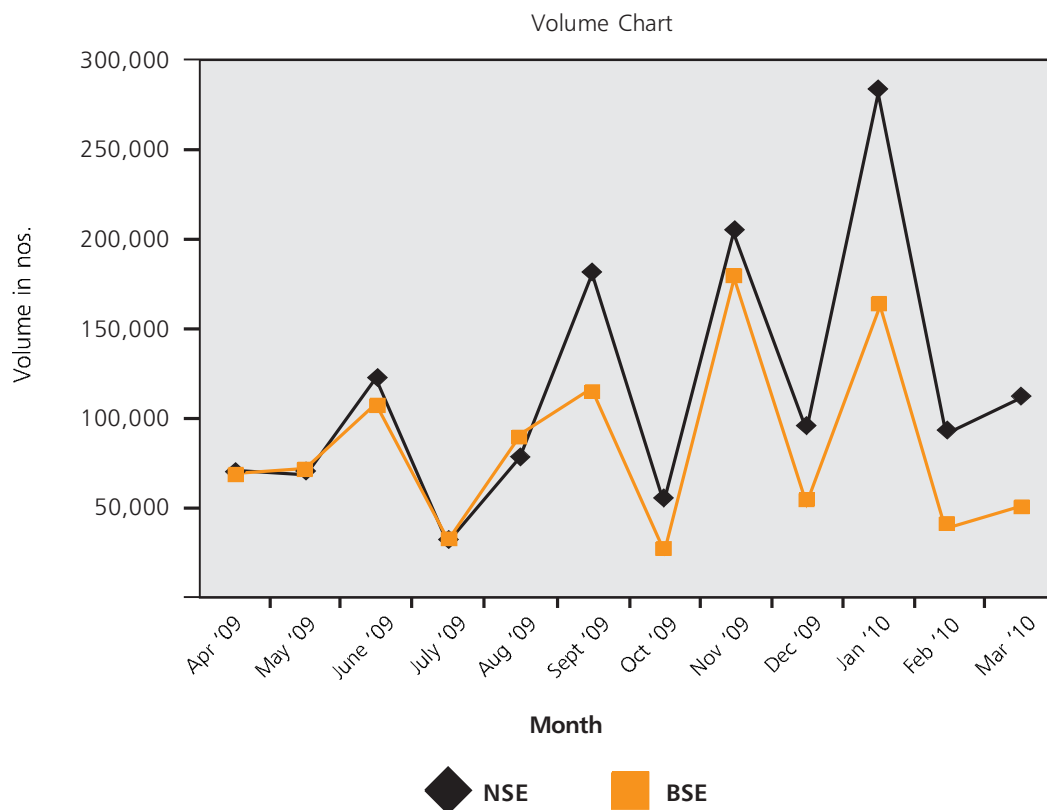
# CORPORATE GOVERNANCE REPORT

## (x) Stock Market Data

### (A) Monthly high and low along High, during each month and the Share volume details in the last Financial Year

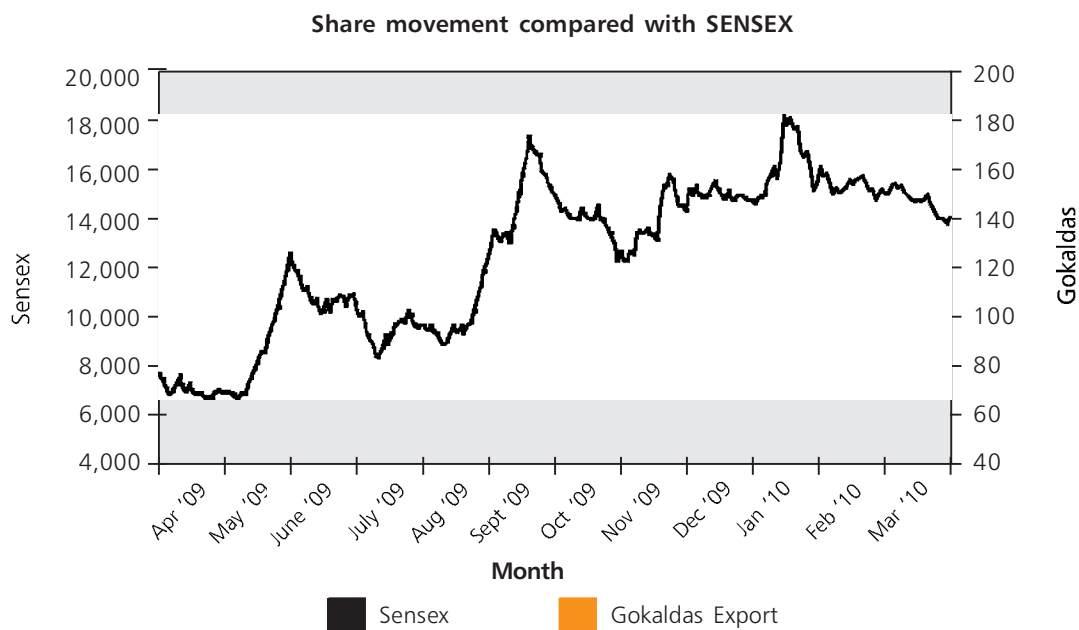
Month	BSE			NSE		
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Volume (Nos.)
Apr-09	80.15	65.40	67,181	80.45	65.50	69,624
May-09	100.10	65.10	67,831	100.75	65.50	65,223
Jun-09	133.50	98.55	105,326	134.60	99.10	121,867
Jul-09	113.00	84.30	31,950	111.80	82.00	30,583
Aug-09	130.65	86.00	87,409	129.70	86.10	76,227
Sept-09	185.75	130.00	112,745	185.75	130.00	180,551
Oct-09	155.90	124.60	24,443	153.35	125.15	54,705
Nov-09	164.40	119.15	175,407	165.00	122.00	204,879
Dec-09	164.85	146.10	55,083	164.85	145.10	93,745
Jan-10	193.00	145.00	164,743	192.95	146.25	284,315
Feb-10	172.00	147.50	36,880	172.80	143.00	92,700
Mar-10	163.00	140.00	51,246	162.00	140.00	112,639

### (B) Graphical representation of volume of shares traded during April 2009 – March 2010



## CORPORATE GOVERNANCE REPORT

### (C) Comparison on SENSEX with the share price of Gokaldas Exports Limited



### (D) Comparison on SENSEX with the share price of Gokaldas Exports Limited

#### 7. Distribution of Shareholding

##### (A) Distribution Schedule – March 31, 2010

Category (Amount)	No. of Cases	% of Cases	Total shares	Amount	% of Amount
1 - 5000	11291	98.91	712247	3561235	2.07
5001 - 10,000	57	0.50	86826	434130	0.25
10,001 - 20,000	31	0.27	91581	457905	0.27
20,001 - 30,000	8	0.07	40913	204565	0.12
30,001 - 40,000	2	0.02	14517	72585	0.04
40,001 - 50,000	5	0.04	47305	236525	0.14
50,001 - 1,00,000	5	0.04	70479	352395	0.20
1,00,001 - & above	17	0.15	33312132	166560660	96.91
<b>TOTAL</b>	<b>11416</b>	<b>100.00</b>	<b>34376000</b>	<b>171880000</b>	<b>100.00</b>

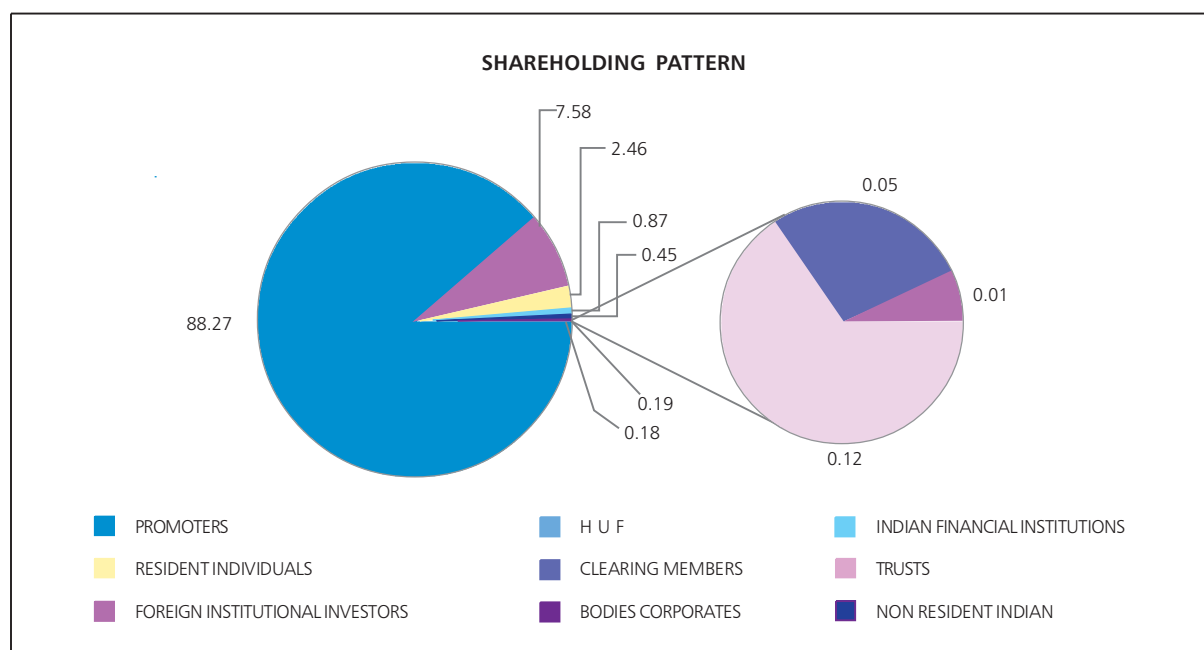


# CORPORATE GOVERNANCE REPORT

## (B) Shareholding Pattern March 31, 2010

Category	No. of Holders	Total Shares	% To Equity
Promoters foreign corporate bodies	1	23,469,242	68.27
Directors	3	6,056,760	17.62
Bodies corporates	279	2,604,703	7.58
Resident individuals	10607	845,125	2.46
Promoters	3	818,442	2.38
Indian financial institutions	1	299,484	0.87
Foreign institutional investors	1	155,734	0.45
Trusts	3	65,015	0.19
HUF	359	40,025	0.12
Non resident indians	140	17,426	0.05
Clearing members	19	4,044	0.01
<b>Total</b>	<b>11416</b>	<b>34,376,000</b>	<b>100.00</b>

## (C) Shareholding pattern – Graphical Representation March 31, 2010



## (D) Names of shareholders holding more than 1% with no of shares as on 31<sup>st</sup> March 2010

Sl. No	Name	Present Holdings	% of equity
1.	Blackstone FP Capital Partners (Mauritus) V-B Subsidiary Limited	23,469,242	68.27
2.	Vinamra Universal Traders Pvt Ltd	2,283,459	6.64
3.	Dinesh J Hinduja	2,145,580	6.24
4.	Madanlal J Hinduja	1,955,600	5.69
5.	Rajendra J Hinduja	1,955,580	5.69
6.	Ashwin R Hinduja	377,596	1.10
7.	Vivek M Hinduja	377,576	1.10
<b>Total</b>		<b>32,564,633</b>	<b>94.73</b>

# CORPORATE GOVERNANCE REPORT

## 8. Share Transfer System

The Company's shares are covered under the compulsory dematerialization list and are transferable through the depository system. Shares sent for transfer in physical form are registered and returned within a period of thirty days from the date of receipt of the documents, provided the documents are valid and complete in all respects.

## 9. GDR/ADR/Stock Option

The Company has not issued any GDR/ADR or any convertible instruments or stock options.

## 10. Dematerialisation of Shares

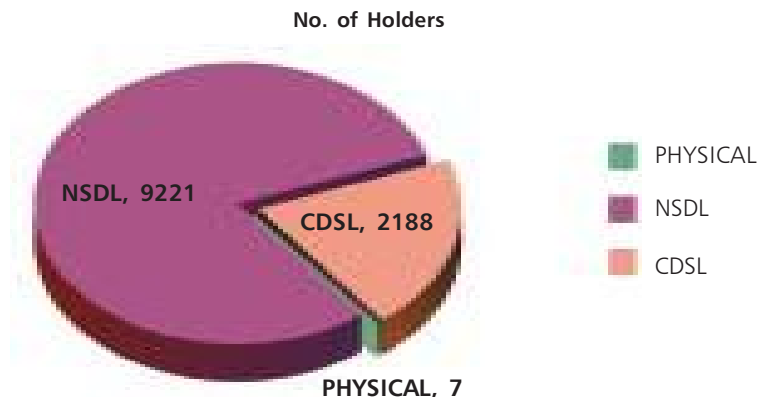
The equity shares of the company are available under dematerialized form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Trading of the Company's shares for all investors is compulsorily carried out in Dematerialised form.

### Shares Dematerialised as on March 31,2010

No. of Shares	% of Shares	No. of Shareholders	% of Shareholders
34375430	99.99	11409	99.94

### Summary Shareholding Pattern as on March 31, 2010:

Category	No. of Shareholders	Total Shares	% to Equity
Physical	7	570	0.00002
NSDL	9,221	34,138,123	0.99308
CDSL	2,188	237,307	0.00690
<b>TOTAL</b>	<b>11,416</b>	<b>34,376,000</b>	<b>100.000</b>



## 11. Unclaimed Dividend

The dividend for the year 2004-05, 2005-06, 2006-07 & 2007-08, which had remained unclaimed by the shareholders, have been requested to be claimed immediately. The dividend which remains unclaimed for seven years will be transferred to Investor Education and Protection Fund established by the Central Government as required under section 205C of the Companies Act, 1956.

## 12. Unclaimed Shares

As per Listing Agreement we are in process of transfer of all unclaimed share to suspense demat account, Any corporate benefit in terms of securities, accruing on unclaimed shares such as bonus shares, split etc, shall also be credited to such account. The allottee's account shall be credited as and when he/she approaches the issuer after proper verification and the voting rights to these shares will remain frozen till the rightful owner claims the shares. The detail of unclaimed shares is as follow:

# CORPORATE GOVERNANCE REPORT

Sl No.	Name	No of Shares
1	PREM SHANKER SHARMA	30
2	BHAVNA JAGDISH KUMAR PANCHAL	30
3	MAMTA DINESHBHAI PATEL	30
4	DIPANKAR BANERJEE	30
5	NITIN AMBALAL PATEL	30
6	POONAM BHATI	30
7	VIJAYKUMAR M JAKKANI	30
8	KISHAN GOPAL MAHESHWARI	30
9	KASHYAP VARANASI	30
10	KANTILAL D JAIN HUF	30
11	SHIMLA DEVI BHATIAR	30
12	SAMPAT DEVI KHANDERA	30
13	REENA MUKESHBHAI PATEL	30
	Total	390

## 13. Plant Location

Sl. No.	Address	Sl. No.	Address
1.	Atlantic Apparels-I, No.46/3b, Garvebavipalya, 8th Mile, Hosur Road, Bangalore-560 068.	11	Gokaldas Exports Ltd – Chennai, Sez Division, Plot No.6/1, Phase - 2, Mepz - Sez, Tambaram, Nh - 45, Chennai - 600 045.
2	Atlantic Apparels - II, Plot No.28 D & 28 - E, Belvadi Industrial Area, Mysore, Karnataka - 570 018.	12	Global Garments-I, No.17/4,38/1, Industrial Suburb, Yeshwanthpur, Bangalore-560 022
3	Atlantic Apparels – III – Hyderabad Survey No. A-7/1, Nacharam, Rangareddy District, Hyderabad -	13	Global Garments-II, No.46/3b-2, 8th Mile, Garebhavipalya, Hosur Road, Bangalore-560 068.
4	Balaji Finishing House Unit-i & ii No.60, 1st Main, Industrial Suburb, Yeshwanthpur, Bangalore-560 022.	14	Global Garments-III, No.44, 3rd Cross, Industrial Suburb, Yeshwanthpur, Bangalore-560 022.
5	Carnival Clothing Co., No.2/A-1, Chikkaveeranna Road Cross Bannimantap Etn, Mysore – 15	15	Gokaldas India, No.21c & 21b, Survey No.34,35,36 & 37, Nallakadaranahalli, Peenya ii Stage, Industrial Area, Peenya, Bangalore-560 058.
6	Dressmaster Suits, No.76/77, 6th Main, 3rd Phase Peenya Industrial Area Bangalore - 560 058	16	Hinduja Fashions, No.76, Industrial Suburb, Yeshwanthpur, Bangalore-560 022.
7	Euro Clothing Co - I, No.122/1, Doddabidarakallu Village, Yeshwanthpur Hobli, Bangalore North Taluk.	17	Hinduja Proc & Fins Unit, No.2, 5th Cross, Mysore Road, Bangalore-560 023.
8	Euro Clothing Co – III, No.122/1, Doddabidarakallu Village, Yeshwanthpur Hobli, Bangalore North Taluk.	18	Hinduja Sports Wear, No.73/19/5, Industrial Suburb, Yeshwanthpur, Bangalore-560 022.
9	Gokaldas Exports (P) Ltd, R & D - I No.70, Mission Road, Bangalore-560 027.	19	International Clothing Company #B2, B3 & B4, Indl Estate, Madanapalli Andhra Pradesh - - 517 325
10	Gokaldas Exports (P) Ltd, R & D - III # 76/1, 11 & Iii Floor, Mission Road, Kalingarao Road, Bangalore-560 027.	20	International Clothing Company-II & III Survey No.113, Hongasandra Village, Begur Hobli, (Near Bhondary Factory) 7th Mile, Hosur Road, Bangalore-560 068.
		21	International Clothing Company-IV Survey No.112,A Block, Near Bhandary Factory , 7th Mile, Hosur Road, Bangalore-560 068.





## CORPORATE GOVERNANCE REPORT

Sl. No.	Address	Sl. No.	Address
22	International Clothing Company-V No.180/1, Yelhankunte, Begur Hobli Hosur Road, Bangalore - 560 068.	32	Triangle Apparels-II, No.106/5,6,7,8,9, Rachnahalli, Arabic College Post, Bangalore-560 045.
23	Intex, No.31, Magadi Road, Bangalore-560 023.	33	Triangle Apparels-III, C-99, (Govindaraju Kalyan Mant.bldg), Kankanagar Main Road, R.t.nagar, Bangalore-560 032.
24	The Intex II, III & IV, #26, 2nd Cross, 3rd Main Road, Industrial Suburb, Yeshwanthpur, Bangalore-560 022	34	Triangle Apparels – VI, # 25/26, 3rd Main Road, Industrial Suburb, Yeshwanthpur, Bangalore - 22
25	The Intex V, #13 & 4, 1st A Cross Kamakshipallya, Magadi Main Road Bangalore - 560 079	35	The Unique Creations, No.44, Industrial Suburb, 3rd Main, li Stage, Yeshwanthpur, Bangalore-560 022.
26	Indigo Blues, Plot No-2, KIADB Indl Area, Doddaballapur - 581 203.	36	Venkateshwara Clothing Company No.29, Yelahanka Industrial Estate, Yelahanka, Bangalore - 64.
27	J.D.Clothing Company, No.9, Rajajinagar Industrial Estate, Bangalore-560 010.	37	Venkateshwara Clothing Company - II No.10, Khb, Colonyindustrial Area, Yelahanka, Bangalore - 64.
28	Luckytex-iii, No.17/A-34/A-1, Industrial Suburb, Yeshwanthpur, Bangalore-560 022.	38	Wearwel, No. 21 & 21c, 'A' Layout Industrial Area, Bannimantap Extension Mysore – 570 015
29	New Generation Apparels-II Plot No.251-a2, Bommasandra, Industrial Area, Bangalore District, Bangalore-560 068	39	Wearcraft Apparels – I & II No.17/1-38/4-1, Industrial Suburb, Yeshwanthpur, Bangalore-560 022.
30	Sri Krishna Industries, No.25/26, 3rd Main Road, Industrial Suburb, Yeshwanthpur, Bangalore-560 022.	40	Wearcraft Apparels – III, No.17/1 Yeshwanthpur, Bangalore-560 022.
31	Triangle Apparels-I, Site No.804/75, 7th Ward, Near Tilak Park Police Station, Jayapure Road, Tumkur - 01.		

### (14) Address for Correspondence

#### For All Shares / Dividend or any other queries:

N Sri Sai Kumar, Company Secretary &  
Compliance Officer  
Gokaldas Exports Limited  
No.70, Mission Road  
Bangalore – 560027  
Phones: 91-80-22223600 / 1 / 2 / 41272200  
Fax : 91-80- 22274869 / 22277497  
Email: cs@gokaldasexports.com;  
investorcare@gokaldasexports.com  
Website: www.gokaldasexports.com

#### For queries relating to financials:

S N Rangiah General Manager – Finance  
Gokaldas Exports Limited  
No.70, Mission Road  
Bangalore – 560027  
Phones: 91-80-22223600 / 1 / 2 / 41272200  
Fax : 91-80- 22274869 / 22277497  
Email: snr@gokaldasexports.com  
Website: www.gokaldasexports.com

#### Registrar and Transfer Agent:

Shri K Sreedharamurthy, Senior Manager  
Karvy Computershare Private Limited  
(Unit: Gokaldas Exports Limited)  
Plot No. 17 to 24,  
Vittal Rao Nagar,  
Madhapur, Hyderabad - 500 081  
Phone : 040 - 4465 5186  
Fax : 040 - 2342 0814

# CORPORATE GOVERNANCE REPORT

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## DECLARATION ON CODE OF CONDUCT

To

The Members  
Gokaldas Exports Limited

This is to confirm that the Board has laid down a code of conduct for all Board members and senior management of the company. It is further confirmed that all directors and senior management personnel of the company have affirmed compliance with the Code of Conduct of the company as at March 31, 2010, as envisaged in clause 49 of the Listing Agreement with stock exchanges.

Bangalore  
July 29, 2010

Madanlal J Hinduja  
Chairman

## CEO AND CFO CERTIFICATE

We, Rajendra J Hinduja, Managing Director and S N Rangaiah, General Manager Finance of Gokaldas Exports Limited, to the best of our knowledge and belief, certify that:

- a) We have reviewed financial statements and the cash flow statement (standalone and consolidated) for the year 2009-10 and to the best of our knowledge and belief:
  - I. these statement do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - II. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and
  - III. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations
- b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the auditors and the Audit committee
  - I. significant changes in internal control over financial reporting during the year;
  - II. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - III. instances of significant fraud if any of which we were aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

For Gokaldas Exports Limited

Place: Bangalore  
Date: May 24, 2010

Sd/-  
Rajendra J Hinduja  
Managing Director

Sd/-  
S N Rangaiah  
General Manager Finance

# CORPORATE GOVERNANCE REPORT

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

To

The Members of  
Gokaldas Exports Limited

We have examined the compliance of conditions of corporate governance by Gokaldas Exports Limited, for the year ended on March 31, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s) in India.

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 the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, subject to the following observation:

*(i) For the period April 1, 2009 to July 12, 2009, the Company did not have at least half of its Board members as independent directors. Accordingly, the Company is not in compliance with sub clause I (A) (ii) in clause 49 of Listing Agreement.*

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

For S. R. Batliboi & Co.  
Chartered Accountants  
Firm Registration Number: 301003E

per Navin Agrawal  
Partner  
Membership No.: 56102

Place : Bangalore  
Date : August 2, 2010

For Girish Murthy & Kumar  
Chartered Accountants  
Firm Registration Number: 000934S

per A.V. Satish Kumar  
Partner  
Membership No.: F-26526

Place : Bangalore  
Date : August 2, 2010



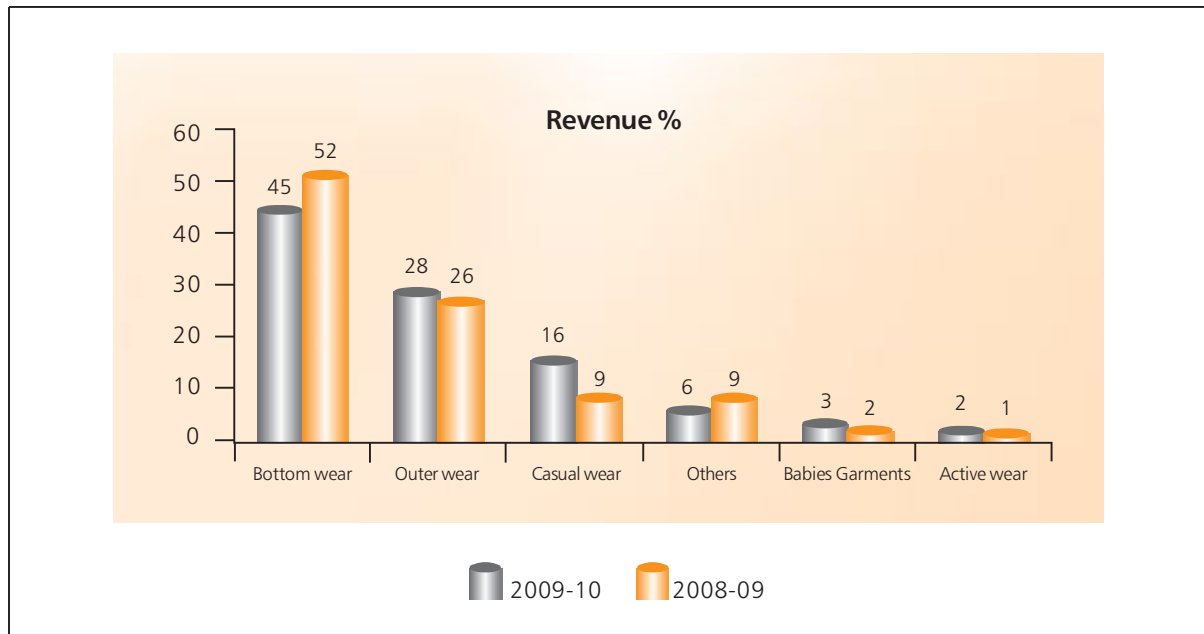
# MANAGEMENT DISCUSSION AND ANALYSIS

## Introduction

Gokaldas Exports Limited (GEL) is the largest and one of the leading exporter of apparel in India having worldwide presence with established manufacturing, marketing and research capabilities and is a ISO 9001:2002 certified company. GEL is vertically integrated with a presence across the apparel and textile products. GEL has more than 40 factories spread across in Bangalore, Chennai, Mysore, Tumkur Hyderabad, and Madanapalle manufacturing around 2.5 million garments per month.

The principal products that GEL produces are outer wear and bottom wear. Outerwear includes both sports wear and winter wear and bottom wear include casual pants, chinos, linen trousers, denim jeans etc. The following graph shows the product mix for the year 2009-10:

## Graphical representation of product mix



## Industry Structure and Developments

The Indian economy has weathered the storm unleashed by the financial crisis. However, the impact of this crisis is different on various sectors.

Industries that depend on overseas markets (exporters) have continued to be subdued whereas those that depend on domestic demand have fared well.

We, as export industry, belong to the former category and are still getting out from the hangover of last year's economic slowdown.

The after effects from last year's economic slowdown continue to weigh on the business. Global retail sales are still subdued and will take some months more to come back to old levels. Consumer spending in both U.S. and European markets is sluggish and though the recession is "officially" over in most markets, their economic growth is marginal.

Pricing pressures are dominating the markets. All the buyers have got used to cheaper prices offered during the global crisis and are unwilling to reverse this trend. Their obvious answer has been that their retail prices have not improved. In the textile and apparel industry, the order book position has improved but the prices are maintained at the same old lower levels.

Cheaper countries like Bangladesh and Vietnam have hit Indian apparel exports and have captured substantial markets in U.S. and Europe.

The Government of India has withdrawn the 2% subvention which was given to the textile and apparel sector and this also has resulted in making our prices uncompetitive.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Market share by value of US Apparel Imports (USD M)

	CY 2006	CY 2007	CY 2008	CY 2009
<b>Total US Imports</b>	71,630	73,923	71,569	63,104
<b>Growth (%)</b>		<b>3.2%</b>	<b>(3.2%)</b>	<b>(11.8%)</b>
China	25.9%	30.8%	32.0%	37.2%
Vietnam	4.5%	5.9%	7.3%	8.0%
<b>India</b>	<b>4.4%</b>	<b>4.3%</b>	<b>4.3%</b>	<b>4.5%</b>
Bangladesh	4.1%	4.2%	4.8%	5.4%
Indonesia	5.1%	5.4%	5.6%	6.1%
Cambodia	3.0%	3.3%	3.3%	3.0%
<b>Total of 6 countries</b>	<b>47.0%</b>	<b>53.9%</b>	<b>57.3%</b>	<b>64.2%</b>
<b>Total excl. China</b>	<b>21.1%</b>	<b>23.1%</b>	<b>25.3%</b>	<b>27.0%</b>

China is the largest player in Asia but this country is also facing a difficult situation. The critical problems are:

- (1) anticipated currency appreciation.
- (2) increase in wage cost.
- (3) social compliance.

The competitive edge that Indian apparel industry has are:

- a) large fibre base.
- b) 2nd largest cotton growing country.
- c) design and development capabilities.
- d) integrated supply chain.
- e) higher level of social compliance.

However, against the above advantages, we have the following negatives.

- a) pricing pressures, coupled with increasing yarn prices.
- b) rising wage inflation.
- c) high infrastructure cost.
- d) volatile forex currency levels, making calculations difficult.
- e) Euro has fallen 14% and Rupee has appreciated 5% against the Dollar.
- f) acute shortage of skilled labour.

## Opportunities and Threats

India seems to benefit due to raw material, design skills and skilled labour advantages. India is the world's second largest producer of cotton, second largest producer of cotton yarn, third largest exporter of cotton fabric and fourth largest exporter of synthetic fabric. With the establishment of training institutions like National Institute of Fashion Technology (NIFT), many high quality designers, who are able to create modern designs and interact with the buyers, are emerging. This is a distinctive advantage that Indian companies have, and not yet exploited.

The U.S. and EU markets constitute 86% of our company's exports and the slow down in these markets have impacted our exports in a significant way. Consumers in these major markets also seem to have shifted towards cheaper products and therefore more economic sources of supply. Countries which are able to supply cheaper goods have therefore been less affected. Several of the leading manufacturing countries have taken various steps to mitigate the hardship faced by their respective garment industries.

## Outlook

Buyers are trying to reduce their Chinese exposure and are moving to other Asian countries. India stands a good chance to capture some of the Chinese orders because of the above reasons. Even if India captures 3% of the Chinese business, it will result into approx. \$ 2.5 billion additional revenue. This is a ray of hope for the Indian apparel industry and expectations are that post-September, India will go back to earlier pricing levels and volume levels. We expect our company also to fare better from the second half of the Financial Year 2010-11.

# MANAGEMENT DISCUSSION AND ANALYSIS

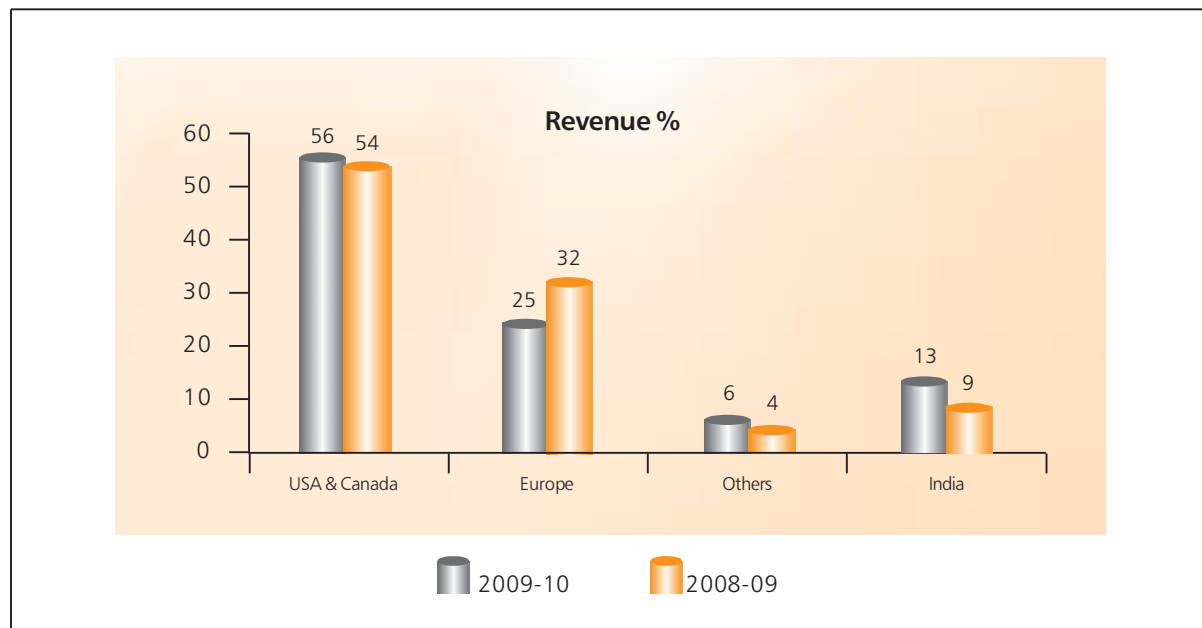
## Operating Results / Financial Highlights

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 the responsibility for the integrity and objectivity of these financial statements and the basis for the various estimates and judgments used in preparing the financial statements.

During the year, the Company has achieved a revenue of Rs. 1,15,516.17 lakhs, out of which 82.56 % is in the form of foreign exchange. Loss before tax is at Rs. 453.23 lakhs and net loss after tax stood at Rs. 193.23 lakhs.

The low profit margin is mainly due to increase in the raw material cost.

### Graphical representation of revenues from various geographical locations / countries:



Some of the key performance indications are given below:

Particulars	(Rs. in lakhs)	
	2009-10	2008-09
Gross Revenue	1,15,516.17	1,17,494.20
Profit Before Tax (PBT)	(453.23)	345.00
Ratio of PBT to Gross Revenue	(0.39)%	0.29%
Profit After Tax (PAT)	(193.23)	336.47
Ratio of PAT on Gross Revenue	(0.17)%	0.29%
Earnings Per Share (EPS) Rs.	(0.56)	0.98

## Risks and Concerns

We are exposed to foreign currency risk. The company is an export oriented apparel manufacturer and approx. 90% of its revenue comes as foreign currency. Since the buyers compare our products with that of competitors in USD denominated rate, appreciation of Indian rupee vis-à-vis USD would weaken our competitive position and similarly, our profits would depend on the Indian rupee appreciation / depreciation.

Since the Company is Bangalore based and most of the factories/units are located in and around Bangalore If there is any localized social unrest, break down of services and utilities, it may affect the business and consequently its revenues. To minimize the locational risks, the Company set up factories / units in Chennai, Hyderabad, Mysore, Tumkur Madanapalle etc.

## MANAGEMENT DISCUSSION AND ANALYSIS

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The Government of India has instituted several policies to promote the growth and these include interest rate subsidies, duty/tax reimbursement schemes etc. Withdrawal/ termination of any of these policies / schemes may adversely impact the profitability of the Company. Also wage costs in India have been significantly lower than the wage costs in the developed countries for skilled professionals in the textile industry, which has been our competitive strength. Wage increase in India may prevent us from sustaining this competitive advantage and may negatively affect our profit margins.

### **Internal Control Systems and their adequacy**

The Company is committed to maintaining an effective system of internal control to facilitate accurate, reliable and speedy compilation of financial information, safeguarding the assets and interests of the Company and ensuring compliance with all laws and regulations. The Company has an internal control department to monitor, review and update internal controls on an ongoing basis. The Company has put in place a well defined organisation structure, authority levels and internal guidelines for conducting business transactions.

The Company appointed independent internal auditors, who would monitor and review all transactions independently to get higher level of efficiency and would report directly to the Audit Committee, which consists of entirely independent directors, on quarterly basis. The Internal Auditors conducts audit on all key business areas as per the pre-drawn audit plan. All significant audit observations and follow up actions are reported to the Audit Committee along Internal Audit reports and management's responses/replies. The minutes of Audit Committee would be reviewed by the Board for its suggestions/recommendations to further improve the internal control systems.

The Audit Committee periodically reviews audit plans, observations and recommendations of the internal auditors as well as external (statutory) auditors with reference to significant risk areas and adequacy of internal controls.

### **Human Resources / Industrial Relations**

The Company believes that its people are a key differentiator, especially in knowledge driven, competitive and global business environment. Adapting work culture to suit the dynamic balancing of people requirements and employee needs is an ongoing process. Fundamental HR processes which enable higher performance orientation, speed, skill and competency development, talent management are corner stones for the success of any organization.

As in the past, the industrial relations continued to remain cordial at all factories / units of the Company. The Company has around 39000 employees as on March 31, 2010.

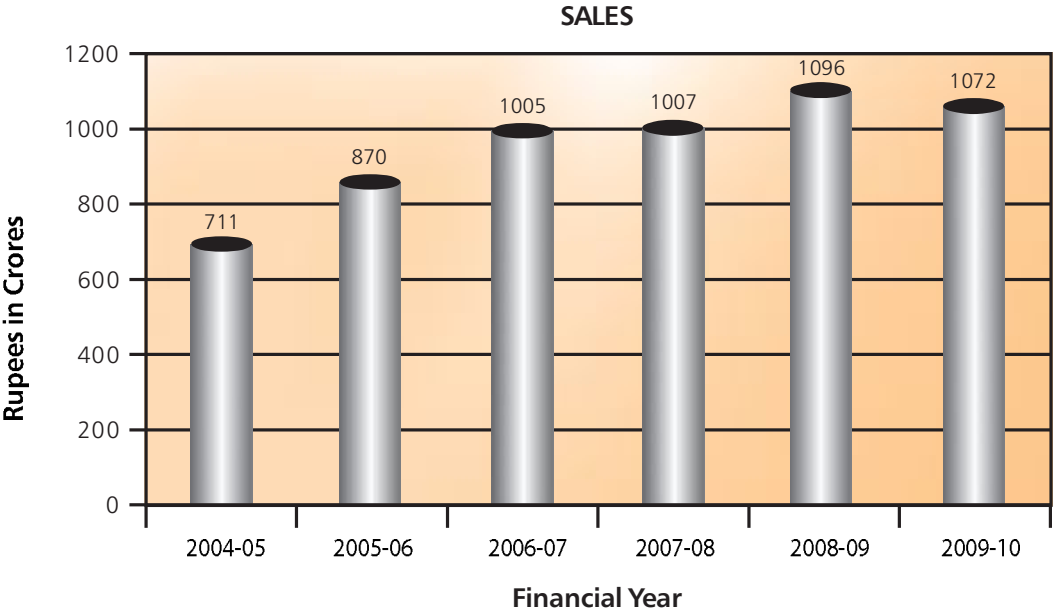
### **Caution Statement**

*Investors are cautioned that this discussion contains statements that involve risks and uncertainties. Words like anticipate, believe, estimate, intend, will, expect and other similar expressions are intended to identify such forward looking statements. The Company assumes no responsibility to amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events. Besides, the Company cannot guarantee that these assumptions and expectations are accurate or will be realized and actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements.*



# FINANCIAL HIGHLIGHTS

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# FINANCIAL STATEMENTS

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For the year ended March 31, 2010

**GOKALDAS EXPORTS LIMITED**

# AUDITORS' REPORT

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To,

**The members of Gokaldas Exports Limited**

1. We have audited the attached Balance Sheet of Gokaldas Exports Limited ('the Company') as at March 31, 2010 and also the profit and loss account 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 presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. 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 Companies Act, 1956.
  - v. On the basis of the written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2010;
    - b) in the case of the profit and loss account, of the loss for the year ended on that date; and
    - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

**For Girish Murthy & Kumar**

Firm Registration Number: 000934S  
Chartered Accountants

**per A.V. Satish Kumar**

Partner  
Membership No.: F- 26526

Place: Bengaluru  
Date: May 27, 2010

**For S.R. BATLIBOI & CO.**

Firm Registration Number: 301003E  
Chartered Accountants

**per Kaustav Ghose**

Partner  
Membership No.: 57828

Place: Bengaluru  
Date: May 27, 2010

## ANNEXURE TO AUDITORS' REPORT

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### **Annexure referred to in paragraph 4 of our report of even date**

Re: Gokaldas Exports Limited ('the Company')

- (i) (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
  - (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
  - (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
  - (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is adequate internal control system commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
  - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A 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, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.



## ANNEXURE TO AUDITORS' REPORT

- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Amount Rs (in lakhs)	Period to which the amount relates Assessment Year	Forum where dispute is pending
Income Tax Act, 1961	132.99	1995-1996	High Court Karnataka

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) 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 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 Girish Murthy & Kumar**

Firm Registration Number: 000934S  
Chartered Accountants

**per A.V. Satish Kumar**

Partner  
Membership No.: F- 26526

Place: Bengaluru  
Date: May 27, 2010

**For S.R. BATLIBOI & CO.**

Firm Registration Number: 301003E  
Chartered Accountants

**per Kaustav Ghose**

Partner  
Membership No.: 57828

Place: Bengaluru  
Date: May 27, 2010

# BALANCE SHEET AS AT MARCH 31, 2010

Amount in Lakhs

	Schedules	As at March 31, 2010	As at March 31, 2009
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	I	1,718.80	1,718.80
Reserves and Surplus	II	44,293.04	42,577.72
<b>Loan Funds</b>			
Secured Loans	III	34,489.91	36,294.78
<b>Deferred Tax Liability (net)</b>		456.79	716.78
[Refer Note C-10 of Schedule XV]			
<b>Total</b>		<b>80,958.54</b>	<b>81,308.08</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	IV	41,066.36	38,161.89
Less: Accumulated Depreciation		17,780.40	14,623.96
Net Block		23,285.96	23,537.93
Capital work-in-progress including capital advances		273.94	1,784.97
		<b>23,559.90</b>	<b>25,322.90</b>
<b>Investments</b>			
Current Assets, Loans and Advances	V	<b>5,609.43</b>	<b>5,605.23</b>
Inventories	VI	37,079.45	43,088.07
Sundry Debtors		9,681.28	6,883.47
Cash and Bank Balances		2,196.02	445.39
Other Current Assets		5,184.80	2,615.89
Loans and Advances		5,856.52	6,453.80
		<b>59,998.07</b>	<b>59,486.62</b>
<b>Less: Current Liabilities and Provisions</b>	VII		
Current Liabilities		7,989.31	8,843.81
Provisions		219.55	262.86
		8,208.86	9,106.67
<b>Net Current Assets</b>		<b>51,789.21</b>	<b>50,379.95</b>
<b>Total</b>		<b>80,958.54</b>	<b>81,308.08</b>
<b>Notes to Accounts</b>	XV		

Schedules referred to above form an integral part of the Balance Sheet

As per our report of even date

**for Girish Murthy & Kumar**  
Firm Registration Number: 000934S  
Chartered Accountants

**per A.V. Satish Kumar**  
Partner  
Membership No. F-26526

Bengaluru  
Dated : May 27, 2010

**for S.R. Batliboi & Co.**  
Firm Registration Number: 301003E  
Chartered Accountants

**per Kaustav Ghose**  
Partner  
Membership No. 57828

Bengaluru  
Dated : May 27, 2010

**For and on behalf of the Board**

**Madanlal J Hinduja**  
Chairman

**Rajendra J Hinduja**  
Managing Director

**N Sri Sai Kumar**  
Company Secretary  
Bengaluru  
Dated : May 27, 2010

# PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

Amount in Lakhs

	Schedules	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>INCOME</b>			
Sales	VIII	106,874.26	109,213.31
Other Income	IX	8,641.91	8,280.89
		<b>115,516.17</b>	<b>117,494.20</b>
<b>EXPENDITURE</b>			
Raw Materials Consumed	X	65,478.58	58,143.54
Other Manufacturing and Operating Expenses	XI	29,084.25	32,011.49
Personnel Costs	XII	9,071.88	7,935.65
Selling and Administrative Expenses	XIII	5,898.50	5,060.77
Finance Charges	XIV	3,463.12	3,510.33
Exchange loss/ (gain) (net)		(551.56)	7,060.30
Depreciation	IV	3,524.63	3,427.12
		<b>115,969.40</b>	<b>117,149.20</b>
<b>Profit / (Loss) Before Tax</b>		<b>(453.23)</b>	<b>345.00</b>
Provision for Taxation			
-- Current Tax		-	40.32
Less : Minimum Alternate Tax Credit Entitlement		-	(40.32)
-- Deferred Tax charge / (credit)		(260.00)	(20.59)
-- Fringe Benefit Tax		-	29.12
<b>Net Profit / (Loss) for the Year</b>		<b>(193.23)</b>	<b>336.47</b>
Profit Brought Forward from Previous Year		18,087.55	17,751.08
<b>Balance carried to Balance Sheet</b>		<b>17,894.32</b>	<b>18,087.55</b>
<b>Basic / Diluted Earnings Per Share (Rs.), Face value Rs. 5 each</b>		<b>(0.56)</b>	<b>0.98</b>
[Refer Note C-8 of Schedule XV]			
<b>Notes to Accounts</b>	XV		

Schedules referred to above form an integral part of the Profit and Loss Account

As per our report of even date

**for Girish Murthy & Kumar**  
Firm Registration Number: 000934S  
Chartered Accountants

**per A.V. Satish Kumar**  
Partner  
Membership No. F-26526

Bengaluru  
Dated : May 27, 2010

**for S.R. Batliboi & Co.**  
Firm Registration Number: 301003E  
Chartered Accountants

**per Kaustav Ghose**  
Partner  
Membership No. 57828

Bengaluru  
Dated : May 27, 2010

**For and on behalf of the Board**

**Madanlal J Hinduja**  
Chairman

**Rajendra J Hinduja**  
Managing Director

**N Sri Sai Kumar**  
Company Secretary  
Bengaluru  
Dated : May 27, 2010

# CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

Amount in Lakhs

PARTICULARS	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
<b>Net profit/ (loss) before taxation and exceptional items</b>	(453.23)	345.00
<b>Adjustments for:</b>		
Depreciation	3,524.63	3,427.12
Unrealised foreign exchange losses / (gains) (net)	(173.07)	1,469.25
Interest expense	3,076.06	3,123.15
Interest earned	(14.93)	(12.74)
(Profit)/Loss on sale of assets (net)	(46.11)	47.13
(Profit)/Loss on sale of investments	(19.33)	(19.18)
Dividend on investments	(114.59)	(141.53)
Exchange difference on loans (net)	(332.19)	1,922.65
<b>Operating Profit before working capital changes</b>	<b>5,447.24</b>	<b>10,160.85</b>
Movements in Working Capital :		
(Increase)/Decrease in Sundry Debtors, Loans and Advances	(3,704.64)	1,638.86
(Increase)/Decrease in Inventories	6,008.61	(2,398.00)
Increase/(Decrease) in Current Liabilities and Provisions	183.86	(1,219.35)
<b>Cash Generated from Operations</b>	<b>7,935.07</b>	<b>8,182.36</b>
Direct taxes paid (net of refunds)	(161.71)	(456.88)
<b>Net Cash Flow from Operating Activities</b>	<b>7,773.36</b>	<b>7,725.48</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Interest received	14.93	4.50
Purchase of Fixed Assets	(1,774.78)	(2,534.32)
Proceeds from Sale of Fixed Assets	156.13	47.94
Dividends received	114.59	141.53
Purchase of Investments	(5,075.14)	(2,698.49)
Proceeds from sale of Investments	4,953.05	2,593.43
<b>Net Cash Flow from / (used in) Investing Activities</b>	<b>(1,611.22)</b>	<b>(2,445.41)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from/ (repayment of) Packing Credit (net)	(366.74)	1,776.61
Repayment of Term Loans	(1,437.11)	(1,634.79)
Exchange difference (net)	332.19	(1,922.65)
Dividend Payouts (including Dividend Tax)	-	(402.04)
Interest paid	(3,077.07)	(3,102.53)
<b>Net Cash Flow from / (used in) Financing Activities</b>	<b>(4,548.73)</b>	<b>(5,285.40)</b>



# CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

Amount in Lakhs

PARTICULARS	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>D. Net Increase / (Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>1,613.41</b>	<b>(5.33)</b>
<b>E. Opening Balance of Cash &amp; Cash Equivalents</b>	304.10	309.43
<b>Closing Balance of Cash &amp; Cash Equivalents</b>	<b>1,917.51</b>	<b>304.10</b>
Components of Cash and Cash Equivalents		
Cash on hand	36.67	23.25
Bank Balances with Scheduled Banks:		
-- in Current Accounts	1,852.33	266.26
-- in Deposit Accounts	278.51	141.29
-- in EEFC Accounts	27.44	13.51
-- in Unpaid Dividend Accounts	1.07	1.08
	<b>2,196.02</b>	<b>445.39</b>
Less: Balance in Deposit Accounts	<b>278.51</b>	<b>141.29</b>
	<b>1,917.51</b>	<b>304.10</b>

Note:

Cash and cash equivalents include restricted for use balances amounting to Rs. 1.07 lakhs (2009: Rs. 1.08 lakhs).

As per our report of even date

**for Girish Murthy & Kumar**  
Firm Registration Number: 000934S  
Chartered Accountants

**per A.V. Satish Kumar**  
Partner  
Membership No. F-26526

Bengaluru  
Dated : May 27, 2010

**for S.R. Batliboi & Co.**  
Firm Registration Number: 301003E  
Chartered Accountants

**per Kaustav Ghose**  
Partner  
Membership No. 57828

Bengaluru  
Dated : May 27, 2010

**For and on behalf of the Board**

**Madanlal J Hinduja**  
Chairman

**Rajendra J Hinduja**  
Managing Director

**N Sri Sai Kumar**  
Company Secretary  
Bengaluru  
Dated : May 27, 2010

# SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2010

Amount in Lakhs

	As at March 31, 2010	As at March 31, 2009
<b>SCHEDULE I - SHARE CAPITAL</b>		
Authorized		
40,000,000 (2009: 40,000,000) Equity Shares of Rs. 5 each	2,000.00	2,000.00
<b>Issued, Subscribed and Paid-up</b>		
34,376,000 (2009: 34,376,000) Equity Shares of Rs.5 each fully paid-up	1,718.80	1,718.80
	<b>1,718.80</b>	<b>1,718.80</b>
Of the above:		
i. 23,469,242 (2009: 23,469,242) equity shares of Rs.5 each are held by Blackstone FP Capital Partners (Mauritius) V-B Subsidiary Limited, the Holding Company.		
ii. 7,126,000 (2009: 7,126,000) equity shares of Rs. 5 each have been allotted as fully paid-up pursuant to a scheme of amalgamation without payment being received in cash.		
<b>SCHEDULE II - RESERVES AND SURPLUS</b>		
<b>Capital Reserve (on amalgamation) as per last account</b>	9,751.18	9,751.18
<b>Securities Premium Account as per last account</b>	13,721.30	13,721.30
General Reserve as per last account	2,192.09	2,192.09
<b>Unrealised Gains / (Losses) on Cash Flow Hedges (net)</b>		
Balance as per last account	(1,174.40)	-
Less: Reclassified to Profit and Loss account	1,174.40	-
Add: Unrealised gain/(loss) on designated derivative contracts	734.15	(1,174.40)
	734.15	(1,174.40)
Profit and Loss Account balance	17,894.32	18,087.55
	<b>44,293.04</b>	<b>42,577.72</b>
<b>SCHEDULE III - SECURED LOANS</b>		
Packing Credit Loan from Banks	30,238.04	30,604.77
[Secured by hypothecation of raw materials, finished goods & book debts]		
Term Loan from Banks (Under Technology Upgradation Fund Scheme)	4,232.27	5,669.38
[Secured by hypothecation of specific fixed assets purchased]		
Interest accrued and due	19.60	20.63
	<b>34,489.91</b>	<b>36,294.78</b>

**SCHEDULE - IV - FIXED ASSETS**

Amount in Lakhs

PARTICULARS	GROSS BLOCK		DEPRECIATION		NET BLOCK			
	As at April 01, 2009	Additions during the year	Sale/Deletion during the year	As at March 31, 2010	for the Year	Deduction for Sale/Deletion	As at March 31, 2010	As at March 31, 2009
<b>Tangible Assets</b>								
Freehold Land	1,330.10	-	-	1,330.10	-	-	1,330.10	1,330.10
Buildings	6,081.69	1,002.69	-	7,084.38	563.80	-	1,972.50	5,111.88
Leasehold Improvements	238.79	362.16	-	600.95	222.98	-	278.67	322.28
Plant & Machinery	26,396.01	918.47	449.64	26,864.84	2,190.46	342.46	13,071.25	13,793.59
Electrical Equipments	750.48	24.18	-	774.66	73.69	-	304.08	470.58
Office Equipments	320.77	69.26	-	390.03	32.03	-	172.91	217.12
Furniture & Fixtures	1,476.16	74.82	-	1,550.98	188.66	-	732.81	818.17
Computers (including software)	1,030.83	193.80	-	1,224.63	197.73	-	880.74	343.89
Vehicles	537.05	42.65	28.56	551.15	55.28	25.72	367.44	186.71
	38,161.89	2,688.03	478.20	40,371.72	3,524.63	368.18	17,780.40	22,591.32
<b>Intangible Assets</b>								
	-	694.64	-	694.64	-	-	-	694.64
<b>Total</b>	<b>38,161.89</b>	<b>3,382.67</b>	<b>478.20</b>	<b>41,066.36</b>	<b>3,524.63</b>	<b>368.18</b>	<b>17,780.40</b>	<b>23,285.96</b>
<b>Previous Year</b>	<b>35,903.00</b>	<b>2,434.09</b>	<b>175.20</b>	<b>38,161.89</b>	<b>3,427.12</b>	<b>80.13</b>	<b>14,623.96</b>	<b>23,537.93</b>

Amount in Lakhs

	As at March 31, 2010	As at March 31, 2009
<b>SCHEDULE V - INVESTMENTS</b>		
<b>A. Long-term Investments</b>		
[at cost] [unquoted]		
<b>In Government Securities [Non-trade]</b>		
National Savings Certificate	0.43	0.43
	<b>0.43</b>	<b>0.43</b>
<b>In Subsidiary Companies [Trade]</b>		
All Colour Garments Private Limited 20,000 Equity Shares of Rs. 10 each, fully paid-up	333.98	333.98
Deejay Trading Private Limited 20,000 Equity Shares of Rs. 10 each, fully paid-up	81.96	81.96
Glamourwear Apparels Private Limited 20,000 Equity Shares of Rs. 10 each, fully paid-up	101.46	101.46
Madhin Trading Private Limited 20,000 Equity Shares of Rs. 10 each, fully paid-up	65.86	65.86
Magenta Trading Private Limited 20,000 Equity Shares of Rs. 10 each, fully paid-up	69.08	69.08
Rafter Trading Private Limited 20,000 Equity Shares of Rs. 10 each, fully paid-up	36.72	36.72
Rajdin Apparels Private Limited 20,000 Equity Shares of Rs. 10 each, fully paid-up	170.90	170.90
Reflexion Trading Private Limited 10,000 Equity Shares of Rs. 10 each, fully paid-up	1.00	1.00
Rishikesh Apparels Private Limited 20,000 Equity Shares of Rs. 10 each, fully paid-up	67.83	67.83
Robot Systems Private Limited 12,000 Equity Shares of Rs. 10 each, fully paid-up	327.81	327.81
Seven Hills Clothing Private Limited 20,000 Equity Shares of Rs. 10 each, fully paid-up	307.90	307.90
SNS Clothing Private Limited 20,000 Equity Shares of Rs. 10 each, fully paid-up	1,776.00	1,776.00
Vignesh Apparels Private Limited 20,000 Equity Shares of Rs. 10 each, fully paid-up	80.89	80.89
	<b>3,421.39</b>	<b>3,421.39</b>
<b>B. Current Investments [unquoted, at lower of cost and fair value] [Non-trade] In Mutual Funds</b>		
HSBC Income Fund - STP - Institutional Weekly Dividend Nil (2009:10,189,907) units of Rs. 10 each	-	1,039.59
Templeton India Short Term Income Retail Plan 113,347 (2009:53,448) units of Rs. 1,000 each	1,217.62	575.80
Birla Sunlife Medium Term Plan 96,70,896 (2009:Nil) units of Rs.10 each	969.99	-
IDFC Arbitrage Plus Fund - Plan A - Dividend Nil (2009:5,445,751) units of Rs. 10 each	-	568.02
	<b>2,187.61</b>	<b>2,183.41</b>
	<b>5,609.43</b>	<b>5,605.23</b>



**SCHEDULES** ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2010

Amount in Lakhs

	As at March 31, 2010	As at March 31, 2009
<b>SCHEDULE VI - CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Inventories</b>		
(at lower of cost and net realisable value)		
Raw Materials and Packing Materials [includes Material in Transit Rs.190.93 lakhs (2009: Rs. 84.45 lakhs)]	23,034.58	29,237.52
Consumable Stores and Spares Parts	282.92	311.55
Finished Goods [includes Material in Transit Rs 45.09 lakhs(2009: 1828.42 lakhs)]	8,572.37	8,765.55
Work-in-progress	5,189.58	4,773.45
	<b><u>37,079.45</u></b>	<b><u>43,088.07</u></b>
<b>Sundry Debtors</b>		
[Unsecured, considered good]		
Debts outstanding for a period exceeding six months	803.29	558.15
--Others debts	8,877.99	6,325.32
	<b><u>9,681.28</u></b>	<b><u>6,883.47</u></b>
<b>Cash and Bank Balances</b>		
Cash on hand	36.67	23.25
Bank Balances with Scheduled Banks:		
— in Current Accounts	1,852.33	266.26
— in EEFC Accounts	27.44	13.51
— in Deposit Accounts	278.51	141.29
— in Unpaid Dividend Accounts	1.07	1.08
	<b><u>2,196.02</u></b>	<b><u>445.39</u></b>
Other Current Assets		
Interest accrued on bank deposits	11.53	9.56
Export Incentives receivable	5,173.27	2,606.33
	<b><u>5,184.80</u></b>	<b><u>2,615.89</u></b>
<b>Loans and Advances</b>		
[Unsecured, considered good]		
Advances to Subsidiaries	1,213.61	1,590.95
Advances recoverable in cash or kind or for value to be received	1,811.26	1,617.13
Balances with customs, excise and other authorities	434.07	422.08
Security & other deposits	1,333.81	1,285.61
Claims receivable	703.08	1,339.51
Advance Tax [net of provision Rs. 1047.18 lakhs (2009: Rs. 1047.18 lakhs)]	320.37	158.20
Minimum Alternate Tax Credit Entitlement	40.32	40.32
	<b><u>5,856.52</u></b>	<b><u>6,453.80</u></b>
Refer Note C- 7 to Schedule XV for dues from companies under same management		
	<b><u>59,998.07</u></b>	<b><u>59,486.62</u></b>

**SCHEDULES** ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2010

Amount in Lakhs

	As at March 31, 2010	As at March 31, 2009
<b>SCHEDULE VII - CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors		
— Dues to Micro and Small Enterprises [Refer Note C-14 to Schedule XV]	27.48	46.40
— Others	5,881.15	6,737.47
Due to Subsidiaries	1,721.15	1,515.37
Advances from Customers	125.10	10.28
Unclaimed Dividends (to be transferred to IEPF as and when due)	1.07	1.08
Book Overdraft	34.50	227.55
Other Liabilities	198.86	305.66
	<u>7,989.31</u>	<u>8,843.81</u>
<b>Provisions</b>		
Fringe Benefit Tax (net of payments)	-	0.46
Gratuity	104.18	125.04
Leave Benefits	115.37	137.36
	<u>219.55</u>	<u>262.86</u>
	<b><u>8,208.86</u></b>	<b><u>9,106.67</u></b>
<b>SCHEDULE VIII - SALES</b>		
Sale of Finished Goods		
— Exports	92,993.28	99,121.48
— Domestic	7,063.54	7,213.46
Job Work Income	331.30	473.19
Sale of accessories, fabrics, etc.	6,486.14	2,405.18
	<u>106,874.26</u>	<u>109,213.31</u>
<b>SCHEDULE IX - OTHER INCOME</b>		
Export Incentives	7,615.35	7,238.73
Bank Interest [gross]	14.93	12.74
[Tax Deducted at Source Rs.1.58 lakhs (2009: Rs. 2.32 lakhs)]		
Dividend on current investments [Non-trade]	114.59	141.53
Profit on sale of current investments	19.33	19.18
Profit on sale of fixed assets (net)	46.11	-
Miscellaneous Income (including claims)	831.60	868.71
	<u>8,641.91</u>	<u>8,280.89</u>

# SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2010

Amount in Lakhs

	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>SCHEDULE X - RAW MATERIAL CONSUMED</b>		
Consumption of Raw Materials and Packing Materials	65,701.53	60,992.41
<b>Add / (Less):</b> Decrease / (Increase) in stocks		
<b>Opening Stock</b>		
— Finished Goods	8,765.55	4,727.58
— Work-in-progress	4,773.45	5,962.55
	<b>13,539.00</b>	<b>10,690.13</b>
<b>Less : Closing Stock</b>		
— Finished Goods	8,572.37	8,765.55
— Work-in-progress	5,189.58	4,773.45
	13,761.95	13,539.00
	(222.95)	(2,848.87)
	<b>65,478.58</b>	<b>58,143.54</b>
<b>SCHEDULE XI - OTHER MANUFACTURING AND OPERATING EXPENSES</b>		
Consumption of Consumables, Stores and Spares	1,553.11	1,852.09
Job Work Charges	24,829.17	27,370.21
Power and Fuel	1,200.92	1,331.98
Repairs and Maintenance - Plant and Machinery	465.47	458.32
Other Manufacturing Expenses	1,035.58	998.89
	<b>29,084.25</b>	<b>32,011.49</b>
<b>SCHEDULE XII - PERSONNEL COSTS</b>		
Salaries, Wages and Bonus	8,163.93	7,077.89
Contribution to Provident Fund and other Funds	574.71	555.45
Gratuity Expense	152.76	98.76
Welfare Expenses	180.48	203.55
	<b>9,071.88</b>	<b>7,935.65</b>

# SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2010

Amount in Lakhs

	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>SCHEDULE XIII - SELLING AND ADMINISTRATIVE EXPENSES</b>		
Rent	675.57	698.88
Repairs and Maintenance		
— Buildings	53.48	35.60
— Others	460.68	429.69
Insurance	253.34	117.48
Rates and Taxes	73.15	56.66
Legal and Professional Charges	451.62	348.92
Printing and Stationery	203.38	201.93
Communication Costs	292.58	384.28
Travelling and Conveyance	395.03	244.65
Auditors' Remuneration [Refer Note C- 12 to Schedule XV]	33.00	29.00
Membership and Subscription	12.32	18.95
Brokerage and Commission	519.53	593.95
Clearing, Forwarding and Freight (net of recoveries)	859.95	1,034.02
Export Claims	396.26	276.46
Advertisement, Publicity and Business Promotion	82.73	96.99
Charity and Donation	0.94	3.06
Directors' Remuneration	54.79	113.40
Advances Written off	140.55	-
Bad Debts written off	612.82	-
Loss on Sale of Fixed Assets (net)	-	47.13
Miscellaneous Expenses	326.78	329.72
	<b>5,898.50</b>	<b>5,060.77</b>
<b>SCHEDULE XIV - FINANCE CHARGES</b>		
Bank Interest		
— On Fixed Loans*	315.38	409.30
— Others	2,760.68	2,713.85
Bank Charges	387.06	387.18
	<b>3,463.12</b>	<b>3,510.33</b>

\* Interest is net of interest subsidy under Technology Upgradation Scheme Rs. 246.01 lakhs (2009:Rs.321.12 lakhs)



## SCHEDULE XV - NOTES TO ACCOUNTS

### A. Background

Gokaldas Exports Limited ('the Company') was incorporated on March 1, 2004 by converting the erstwhile partnership firm Gokaldas India under Part IX of the Companies Act, 1956. Pursuant to the order of the Hon'ble High Court of Karnataka dated November 20, 2004, Gokaldas Exports Private Limited and The Unique Creations (Bangalore) Private Limited have been amalgamated with the Company, with April 1, 2004 being the appointed date. The Company currently operates a 100% Export Oriented Unit, a Domestic Tariff Area Unit and a Special Economic Zone Unit.

The Company is engaged in the business of design, manufacture and sale of a wide range of garments for men, women and children and caters to the needs of several leading international fashion brands and retailers. The principal source of revenue for the Company is from export of garments and related products.

### B. Significant accounting policies

#### a) Basis of preparation of financial statements

The financial statements have been prepared to comply in all material respects in respects with the notified accounting standards under Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

#### b) Use of estimates

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

#### c) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer.

Export incentives are recognized on accrual basis in accordance with the applicable schemes formulated, by the Government of India.

Revenues from job work contract are recognized as and when services are rendered.

Dividend income on investments is accounted when the right to receive the dividend is established.

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Insurance / other claims are recognized on acceptance basis.

#### d) Hedge accounting

The Company is exposed to foreign currency fluctuations on foreign currency assets, liabilities and forecasted cash flows denominated in foreign currencies. The Company limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of forward cover derivatives. The Company enters into derivative contract for sale of US dollars and Euros, where the counterparty is a bank.

The Company has adopted principles of hedge accounting as set out in Accounting Standard (AS) 30, "Financial Instruments: Recognition and Measurement", to the extent that the adoption does not conflict with existing accounting standards and other authoritative pronouncements of Company Law and other regulatory requirements.

Based on the recognition and measurement principles of hedge accounting set out in AS 30, changes in the fair values of derivative financial instruments designated as cash flow hedges are recognized directly in reserves/ equity and are reclassified to the profit and loss account upon the occurrence of the hedged

transaction. Changes in fair value relating to derivatives not designated as hedges are recognized in the profit and loss account.

**e) Fixed assets and depreciation/ amortization (tangible and intangible)**

Fixed assets are stated at cost of acquisition/construction less accumulated depreciation and impairment losses if any, net of grants received, where applicable and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation is provided using the written down value method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act, 1956 whichever is higher.

	Rate of depreciation (WDV)
Buildings	10%
Plant & Machinery	13.91%
Electrical Equipments	13.91%
Office Equipments	13.91%
Furniture & Fixtures	18.10%
Computers (including software)	40%
Vehicles	25.89%

Assets individually costing Rs. 5,000 or less are fully depreciated in the year of addition.

Leasehold improvements are depreciated over the primary lease period or useful life, whichever is lower.

Process improvement costs capitalized as intangible assets are amortized over three years.

**f) Borrowing Costs**

Borrowing costs attributable to acquisition and construction of qualifying assets are capitalized as a part of the cost of such asset. Other borrowing costs are charged to Profit and Loss Account.

**g) Impairment of assets**

At each Balance Sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the Profit and Loss Account to the extent the carrying amount exceeds the recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

**h) Inventories**

Raw materials, packing materials, stores, spares and consumables are valued at lower of cost and net realizable value. Cost is determined on a weighted average basis. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Finished goods and work in progress are valued at lower of cost and net realisable value after considering provision for obsolescence and other anticipated loss, wherever considered necessary. Finished goods and work in progress includes cost of conversion and other production overheads. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

**i) Foreign currency transactions**

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

**j) Government Grants**

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is netted off with the relevant expense. Where the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset.

**k) Investments**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

**l) Retirement and Other Employee Benefits**

**Defined Contribution Plans:**

Contributions to Provident Fund are made at pre-determined rates and charged to the Profit & Loss Account. The company's liability is limited to the extent of contributions made.

**Defined Benefit Plans:**

Gratuity liability is accrued in the books based on actuarial valuation on projected unit credit method as at Balance Sheet date. Actuarial gains or losses are recognized immediately in the Profit and Loss Account.

**Other Employee Benefits:**

Compensated absences are provided for, on the basis of an actuarial valuation on projected unit credit method at the end of each financial year. Actuarial loss / gain are immediately taken to profit and loss account and are not deferred.

**m) Taxation**

Tax expense comprises current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, deferred tax asset is recognised only to the extent that it has timing differences the reversal of which will result in sufficient income or there is other convincing evidence that sufficient taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

**n) Accounting for leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

**o) Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**p) Segment Reporting Policies**

**Identification of segments:**

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

**Basis of allocation:**

Assets, liabilities, income and expenditure are allocated to each segment according to the relative contribution of each segment to the total amount. Unallocated items include general corporate items which are not allocated to any segment.

**Segment Policies:**

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the company as a whole.

**q) Earnings Per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

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

**r) Cash and Cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

**C. Notes to Accounts**

**1. Contingent liabilities**

*Amount in Rs. Lakhs*

Particulars	2010	2009
Claims against the Company not acknowledged as debts	349.60	67.60
Guarantees given by banks	315.10	23.55
Outstanding letters of credit	364.37	1,221.90
Export Bills discounted with banks	13,849.46	17,220.14
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	470.66	90.40

Note: Certain industrial/ labour disputes are pending before various judicial authorities for which amounts are not ascertainable.

**2. Export Promotion Capital Goods Scheme**

The Company has imported capital goods without payment of duty under the Export Promotion Capital Goods Scheme. Under the scheme, the Company has export obligations of Rs. 840.41 lakhs (2009: Rs. 1205.59 lakhs ) to be fulfilled before November 05, 2017.

**3. Gratuity**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on retirement or termination at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet:

Net employee benefit expense (in Profit and Loss Account)

*Amount in Rs. Lakhs*

	2010	2009
Current Service Cost	125.04	96.98
Interest cost on benefit obligation	16.71	11.20
Expected Return on Plan Assets	(13.65)	(4.92)
Actuarial (gain)/loss	24.66	(4.50)
<b>Net benefit expense</b>	<b>152.76</b>	<b>98.76</b>
<b>Actual return on plan asset</b>	<b>16.33</b>	<b>3.31</b>

Details of Provision for gratuity (in Balance Sheet)

*Amount in Rs. Lakhs*

	2010	2009
Defined benefit obligation	337.80	248.95
Fair value of plan asset	(233.62)	(123.91)
<b>Plan liability</b>	<b>104.18</b>	<b>125.04</b>

Changes in the present value of the defined benefit obligation are as follows:

*Amount in Rs. Lakhs*

	2010	2009
Opening defined benefit obligation	248.95	172.86
Current Service Cost	125.04	96.98
Interest Cost	16.70	11.20
Benefits Paid	(80.24)	(25.73)
Actuarial (gain)/loss	27.35	(6.36)
<b>Closing defined benefit obligation</b>	<b>337.80</b>	<b>248.95</b>



Changes in the fair value of plan asset are as follows:

Amount in Rs. Lakhs

	2010	2009
Opening fair value of plan asset	123.91	2.16
Expected return	13.65	4.92
Actuarial gain/(loss)	2.68	(1.86)
Contributions by employer	173.62	118.69
Benefits Paid	(80.24)	-
<b>Closing fair value of plan asset</b>	<b>233.62</b>	<b>123.91</b>

The principal assumptions used in determining gratuity obligations for the Company's plan are shown below:

	2010	2009
Interest Rate	8%	7%
Discount Factor	8%	7%
Estimated Rate of return on Plan Assets	8%	8%
Attrition Rate	35%	35%
Rate of escalation in Salary per annum	5%	5%
Retirement Age	58	58

The major categories of plan asset as a percentage of the fair value of total plan asset are as follows:

	2010	2009
Investments with insurer	100%	100%

Notes:

- The estimate of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- The Company expects to contribute Rs. 190 Lakhs to gratuity in 2010-11.

#### 4. Segment information

- a) Primary business segment

The Company is engaged in a single business segment of sale of garment, and hence, no additional disclosures are required, other than those already given in the financial statements.

- b) Secondary business segment (by geographical area based on location of customers):

Amount in Rs. Lakhs

Geographical Segment	Revenues	Carrying amount of segment assets (Debtors)
In India	13,880.98 (10,091.82)	2,569.94 (3,953.72)
Outside India	92,993.28 (99,121.48)	7,111.34 (2,929.75)
<b>Total</b>	<b>106,874.27</b> <b>(109,213.30)</b>	<b>9,681.28</b> <b>(6,883.47)</b>

Notes:

- All fixed assets are located in India.
- Figures in brackets relate to previous year.

**5. Related party disclosures**

A. Names of related parties and description of relationship:

	<b>Description of Relationship</b>	<b>Names of related parties</b>
a.	<i>Parties where control exists:</i>	
	Immediate Holding Company	Blackstone FP Capital Partners (Mauritius) V-B Subsidiary Limited
	Ultimate Holding Company	Blackstone FP Capital Partners (Mauritius) V-B Limited
	Wholly Owned Subsidiaries	All Colour Garments Private Limited Deejay Trading Private Limited Glamourwear Apparels Private Limited Madhin Trading Private Limited Magenta Trading Private Limited Rafters Trading Private Limited Rajdin Apparels Private Limited Reflexion Trading Private Limited Rishikesh Apparels Private Limited Robot Systems Private Limited Seven Hills Clothing Private Limited SNS Clothing Private Limited Vignesh Apparels Private Limited
b.	<i>Key management personnel:</i>	
	Chairman	Mr. Madanlal J Hinduja
	Managing Director	Mr. Rajendra J Hinduja
	Executive Director	Mr. Dinesh J Hinduja
	Chief Operating Officer – Production	Mr. Ashwin R Hinduja
	Chief Operating Officer – Marketing	Mr. Vivek M Hinduja
	Chief Operating Officer – Marketing	Mr. Gaurav D Hinduja
c.	<i>Enterprises over which key management personnel and their relatives exercise significant influence with whom transactions have taken place during the year</i>	
	Partnership Firm	Hinduja Trading Company
	Private Limited Companies	Vag Exports Private Limited Dazzle Trading Private Limited

## SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2010

- B. The following are the volume of transactions with related parties during the year and outstanding balances as at the year-end disclosed in aggregate by type of related party:

*Amount in Rs. Lakhs*

Nature of Transactions	Subsidiary Companies	Key Management Personnel	Others	Total
<b>Sales/Other Income</b>				
Sale of garments/ materials	410.01 (723.71)	- (-)	- (-)	410.01 (723.71)
<b>Expenses</b>				
Job work charges	24,366.99 (27,122.60)	- (-)	- (-)	24,366.99 (27,122.60)
Material purchases	192.78 (213.46)	- (-)	- (-)	192.78 (213.46)
Rent expense	- (-)	- (-)	2.68 (22.17)	2.68 (22.17)
Remuneration	- (-)	229.49 (251.30)	- (-)	229.49 (251.30)
Reimbursement of Expenses	122.10 (77.79)	- (-)	- (-)	122.10 (77.79)
<b>Security deposits</b>				
Security deposits paid	- (-)	- (-)	- (10.00)	- (10.00)
Refund of security deposits received	- (-)	- (-)	10.00 (-)	10.00 (-)
<b>Balances outstanding as at March 31, 2010</b>				
— Current liabilities	1,721.15 (1,515.37)	- (10.00)	0.2 (13.36)	1,721.35 (1,538.73)
— Loans and advances	1,213.62 (1,590.95)	- (-)	- (-)	1,213.62 (1,590.95)
— Security deposits	- (-)	- (-)	624.20 (634.20)	624.20 (634.20)

Figures in brackets relate to previous year.

Disclosure for transactions that exceed 10% of total value of each class of transactions:

*Amount in Rs. Lakhs*

Sale of Garments/ Materials	2010	2009
Subsidiary companies		
SNS Clothing Private Limited	410.01	717.71
Others	-	6.00
	410.01	723.71

**SCHEDULES** ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2010

Amount in Rs. Lakhs

	2010	2009
<b>Job work Charges</b>		
Subsidiary companies		
Seven Hills Clothing Private Limited	5,047.65	6,442.68
Glamourwear Apparels Private Limited	3,682.15	3,583.02
Rishikesh Apparels Private Limited	3,496.75	3,440.58
Magenta Trading Private Limited	3,063.39	3,209.47
Others	9,077.06	10,446.85
	<b>24,367.00</b>	<b>27,122.60</b>
<b>Material Purchases</b>		
Subsidiary companies		
Reflexion Trading Private Limited	156.96	158.34
Rajdin Apparels Private Limited	15.40	42.29
Others	20.42	12.82
	<b>192.78</b>	<b>213.45</b>
<b>Rent Expense</b>		
Enterprises over which key management personnel and their relatives exercise significant influence		
VAG Exports Private Limited	2.17	18.05
Others	0.51	4.12
	<b>2.68</b>	<b>22.17</b>
<b>Remuneration</b>		
Key Management Personnel		
Madanlal J Hinduja	16.47	37.04
Rajendra J Hinduja	16.51	37.13
Dinesh J Hinduja	16.51	37.13
Vivek M Hinduja	60.00	50.00
Ashwin R Hinduja	60.00	50.00
Gaurav D Hinduja	60.00	40.00
	<b>229.49</b>	<b>251.31</b>
<b>Reimbursement of Expenses</b>		
Subsidiary company		
SNS Clothing Private Limited	107.25	77.79
Madhin Trading Private Limited	14.85	-
	<b>122.10</b>	<b>77.79</b>
<b>Security deposits paid</b>		
Enterprises over which key management personnel and their relatives exercise significant influence		
Hinduja Trading Company	-	10.00
<b>Refund of security deposits received</b>		
Enterprises over which key management personnel and their relatives exercise significant influence		
Hinduja Trading Company	<b>10.00</b>	-

**SCHEDULES** ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2010

*Amount in Rs. Lakhs*

	2010	2009
<b>Current Liabilities</b>		
Subsidiary companies		
SNS Clothing Private Limited	1,249.12	1,103.96
All Colour Garments Private Limited	363.50	317.56
Others	108.53	93.85
	<b>1,721.15</b>	<b>1,515.37</b>
Key Management Personnel		
Vivek M Hinduja	-	5.00
Ashwin R Hinduja	-	5.00
	<b>-</b>	<b>10.00</b>
Enterprises over which key management personnel and their relatives exercise significant influence		
Dazzle Trading Private Limited	-	13.16
Others	0.20	0.20
	<b>0.20</b>	<b>13.36</b>
<b>Loans &amp; Advances</b>		
Subsidiary companies		
Seven Hills Clothing Private Limited	385.51	633.13
Rajdin Apparels Private Limited	261.73	155.18
Rishikesh Apparels Private Limited	235.27	263.56
Reflexion Trading Private Limited	148.82	117.40
Magenta Trading Private Limited	147.50	212.86
Others	34.79	208.82
	<b>1,213.62</b>	<b>1,590.95</b>
<b>Security Deposits</b>		
Enterprises over which key management personnel and their relatives exercise significant influence		
VAG Exports Private Limited	319.00	319.00
Hinduja Trading Company	305.20	315.20
	<b>624.20</b>	<b>634.20</b>



**6. Leasing Arrangements:**

The Company's leasing arrangements in respect of its office, factory and residential premises are in the nature of operating leases. These leasing arrangements, which are usually cancellable at the option of the lessee, are for a total period ranging from eleven months to six years and are renewable with mutual consent.

The charge on account of lease rentals for the year is Rs. 675.57lakhs (2009: Rs. 698.88 lakhs ).

Future obligations of lease rentals for non cancellable period under respective lease agreements aggregate to Rs. 149.26 lakhs (2009: Rs. 341.73 lakhs)

*Amount in Rs. Lakhs*

Period	2010	2009
Not later than one year	35.42	118.61
Later than one year and not later than five years	113.84	223.12
Later than five years	-	-
	<b>149.26</b>	<b>341.73</b>

**7. Loans & Advances to subsidiaries, associates, etc**

*Amount in Rs. Lakhs*

Name of the company	2010		2009	
	Maximum balance outstanding during the year	Closing balance	Maximum balance outstanding during the year	Closing balance
<b>Companies under the same management</b>				
Magenta Trading Private Limited*	285.56	147.50	737.93	212.86
Rishkesh Apparels Private Limited*	436.83	235.27	904.56	263.56
Rajdin Apparels Private Limited*	416.94	261.73	403.92	155.18
Glamourwear Apparels Private Limited*	458.68	-	451.42	125.55
Reflexion Trading Private Limited*	276.16	148.82	376.56	117.40
Seven Hills Clothing Private Limited*	900.77	385.51	982.24	633.13
Robot Systems Private Limited*	1.27	1.27	1.22	1.22
Madhin Trading Private Limited*	55.37	16.36	42.60	10.62
Rafter Trading Private Limited*	256.93	17.16	277.96	71.43
Deejay Trading Private limited*	95.35	-	104.06	-
Vignesh Apparels Private Limited*	18.88	-	76.08	-
Vag Exports Private Limited**	319.00	319.00	319.00	319.00
<b>Other Associate concerns</b>				
Hinduja Trading Company**	315.20	305.20	315.20	315.20
<b>Total</b>		<b>1,837.82</b>		<b>2,225.15</b>

\* represents routine supplier advances to be adjusted against future supply of services.

\*\* represents rental security deposits repayable per the respective lease agreements .

**8. Earnings per share**

*Amount in Rs. Lakhs (except Nominal value & Earning per share)*

Particulars	2010	2009
Net profit/ (loss) for the year as per profit and loss account	(193.24)	336.47
Weighted average number of equity shares (Nos.)	343.76	343.76
Nominal value per share	5.00	5.00
Earnings per share – Basic and diluted	(0.56)	0.98

9. Detail of investments in units of mutual funds purchased and sold during the year:

Fund	Scheme	Purchase Units	Reinvestment Units	Sale Units	Nominal Value of the Unit (Rs.)
HSBC Mutual Fund	HSBC Floating Rate weekly Dividend	9,550,268	98,200	9,648,468	10
Franklin Templeton Investments	Templeton India Cash Management Dividend Account	20,730,526	5,010	20,735,536	10
IDFC Mutual Fund	IDFC Arbitrage Plus Fund – Plan A-D	-	31,539	31,539	10
HSBC Mutual Fund	HSBC Income Fund STP	-	203,975	203,975	10
<b>Total</b>		<b>30,280,794</b>	<b>338,724</b>	<b>30,619,518</b>	

10. Deferred taxes - components of asset / (liability):

Amount in Rs. Lakhs

Particulars	2010	2009
Difference between carrying amount of Fixed Assets in Financial Statements and Income Tax returns	(876.83)	(945.12)
Unabsorbed depreciation losses	420.05	179.17
Expenditure charged in the financial statements but allowable as expenses in future years under the Income Tax Act, 1961	-	49.17
<b>Net Deferred Tax Asset/ (Liability)</b>	<b>(456.78)</b>	<b>(716.78)</b>

11. Remuneration to directors

Amount in Rs. Lakhs

Particulars	2010	2009
<b>Managing Director and other Whole-time Directors</b>		
Salaries	49.49	111.30
<b>Non Whole-time Directors</b>		
Sitting fees	5.30	2.10
<b>Total</b>	<b>54.79</b>	<b>113.40</b>

Note: The above figures do not include provisions for encashable leave and gratuity as actuarial valuation is done for Company as a whole.

12. Auditors' remuneration (excluding service tax)

Amount in Rs. Lakhs

Particulars	2010	2009
Audit fees	32.00	28.00
In other capacity: Taxation matters	1.00	1.00
<b>Total</b>	<b>33.00</b>	<b>29.00</b>

**13. a) Licensed, installed capacities and production**

Particulars	Unit	2010	2009
<i>Licensed capacity</i>			
Readymade garments	Pcs	Not Applicable	Not Applicable
<i>Installed capacity</i>			
Readymade garments		Refer note below	
<i>Production</i>			
Readymade garments			
- Own production	Pcs	4,828,953	4,093,702
- Through Job workers		23,839,047	23,623,191

Note: Installed capacity cannot be quantified on account of a large variety of products that can be manufactured with varying specifications.

**b. Sales**

*Amount in Rs. Lakhs*

Products	Unit	2010		2009	
		Quantity	Amount	Quantity	Amount
Readymade garments					
- Manufactured	Pcs	28,596,785	100,056.82	26,440,878	106,334.94
- Others*			6,486.14		2,405.18
<b>Total</b>			<b>106,542.96</b>	<b>26,440,878</b>	<b>108,740.12</b>

\*Quantitative information for others is not provided as this comprises numerous accessories/ items.

**c. Stock of finished goods**

*Amount in Rs. Lakhs*

Products	Unit	2010		2009	
		Quantity	Amount	Quantity	Amount
Manufactured					
- Readymade garments	Pcs	2,749,233	8,572.37	2,678,018	8,765.55
<b>Total</b>		<b>2,749,233</b>	<b>8,572.37</b>	<b>2,678,018</b>	<b>8,765.55</b>

**d. Raw materials consumed**

*Amount in Rs. Lakhs*

Products	Unit	2010		2009	
		Quantity	Amount	Quantity	Amount
Cloth	Mtr	41,845,679	45,015.19	42,083,777	39,671.86
Fusible interlining	Mtr	3,604,387	523.58	4,183,516	670.45
Polywadding	Mtr	1,266,820	328.30	485,839	169.83
Accessories			14,829.02		17,326.50
Others			5,005.43		3,153.77
<b>Total</b>			<b>65,701.52</b>		<b>60,992.41</b>

Notes:

- The above consumption figures are shown after adjusting excesses and shortages ascertained on physical count, unserviceable items, etc.
- Quantitative information for accessories/ others is not provided as this comprises numerous items.

e. CIF value of imports

Amount in Rs. Lakhs

Particulars	2010	2009
Capital goods	311.53	477.39
Raw materials and accessories	15,310.58	18,474.22
Stores and spares	72.34	36.53
<b>Total</b>	<b>15,694.45</b>	<b>18,988.14</b>

f. Expenditure in foreign currency on accrual basis

Amount in Rs. Lakhs

Particulars	2010	2009
Travel expenses	140.69	43.17
Brokerage and commission	221.54	163.74
Export claims	396.26	276.46
Salaries	24.47	52.56
Consultancy	-	13.47
Others	74.75	27.00
<b>Total</b>	<b>857.71</b>	<b>576.40</b>

g. Imported and indigenous raw materials, stores and spare parts consumed

Amount in Rs. Lakhs

Particulars	2010		2009	
	Amount	%	Amount	%
<i>Raw Materials</i>				
Imported	16,689.61	25.40	18,755.02	30.75
Indigenous	49,011.92	74.60	42,237.39	69.25
	<b>65,701.53</b>	<b>100.00</b>	<b>60,992.41</b>	<b>100.00</b>
<i>Consumables, Stores and Spares</i>				
Imported	72.34	4.66	-	-
Indigenous	1,480.77	95.34	1,852.09	100.00
	<b>1,553.11</b>	<b>100.00</b>	<b>1,852.09</b>	<b>100.00</b>

h. Earnings in foreign currency

Amount in Rs. Lakhs

Particulars	2010	2009
FOB value of exports	92,993.28	99,121.48
Freight and insurance recoveries	2,423.21	1,359.34
	<b>95,416.49</b>	<b>100,480.82</b>

i. Information in respect of amounts remitted during the year in foreign currencies in respect of dividends:

Amount in Rs. Lakhs

Particulars	2010	2009
Number of non-resident shareholders on record date	152	157
Number of shares held by such shareholders	23,488,331	23,490,546
Amount remitted during the year as dividend	-	234.91
Financial year to which the dividend relates	-	2007-08

**14. Disclosure of dues / payments to micro and small enterprises to the extent such enterprises are identified by the company:**

*Amount in Rs. Lakhs*

	2010	2009
(i) The principal amount due thereon remaining unpaid on March 31, 2010	22.80	46.40
Interest amount due and remaining unpaid on March 31, 2010	4.69	-
(ii) The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day during each accounting year.	-	-
(iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Micro, Small and Medium Enterprises Development Act, 2006	4.69	-
(iv) The amount of interest accrued and remaining unpaid on March 31, 2010 in respect of principal amount settled during the year	4.69	-
(v) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the Micro, Small and Medium Enterprises Development Act, 2006.	4.69	-

**15. Derivative contracts / instruments**

Particulars of Derivative contracts	Purpose
Forward contract outstanding as at Balance Sheet Date	
<b>Sell</b>	
US \$ 42,000,000	Hedge of expected future sales
<b>Interest rate swap</b>	
INR 450.00 lakhs	Hedge against exposure to variable interest outflow on loans. Swap to pay fixed rate of interest of 10% and to receive floating rate linked to Mumbai Inter-Bank Offer Rate

**16. Exchange difference loss / (gain)**

*Amount in Rs. Lakhs*

Particulars	2010	2009
Pre-shipment Packing Credit	(332.19)	3,616.30
Post-shipment Credit	(761.22)	464.31
Forward Contracts and Options	(746.41)	3,971.47
Foreign Currency Receivables	1,319.77	(1,069.97)
Foreign Currency Payables	(31.50)	78.19
	<b>(551.55)</b>	<b>7,060.30</b>



**17. As of the Balance Sheet date, the Company's foreign currency exposure is as under**

Particulars	2010		2009	
	Amount in foreign currency	Amount in Rs. lakhs	Amount in foreign currency	Amount in Rs. lakhs
Pre-shipment credit – USD	-	-	17,961,473	9,154.96
Bank balances – USD	60,794	27.44	26,512	13.51
Debtors – USD*	13,704,534	6,184.86	4,889,667	2,492.26
Debtors – EUR*	1,298,962	785.83	640,076	433.14
Debtors – GBP*	206,691	140.66	5,915	4.35
Creditors – USD	1,236,976	558.37	2,399,343	1,222.95
Loans and advances – USD	1,656,220	747.45	3,071,941	1,565.77
Loans and advances – EUR	120,362	72.82	210,525	142.46
Loans and advances – GBP	7,777	5.29	-	-
Advances received from customers – USD	68,888	31.09	20,168	10.28

\* net of export bills discounted

**18. Post balance sheet event**

On April 16, 2010, there was a fire in the raw material warehouse of the Company in Bangalore and materials valued at Rs. 3766.49 lakhs were fully destroyed. The Company has filed claim with the insurance company and management does not foresee any loss arising out of such event.

**19.** Previous year's figures have been regrouped/rearranged/reclassified, wherever necessary to conform to the current year's presentation.

As per our report of even date

**For Girish Murthy & Kumar**  
Firm Registration No: 000934S  
**Chartered Accountants**

**For S.R. Batliboi & Co.**  
Firm Registration No: 301003E  
**Chartered Accountants**

**For and on behalf of Board**

**Madanlal J Hinduja**  
Chairman

**per A.V. Satish Kumar**  
**Partner**  
Membership No.: F- 26526

**per Kaustav Ghose**  
**Partner**  
Membership No.: 57828

**Rajendra J Hinduja**  
Managing Director

Bengaluru  
Date: May 27, 2010

Bengaluru  
Date: May 27, 2010

**N Sri Sai Kumar**  
Company Secretary

Bengaluru  
Date: May 27, 2010



# ANNEXURE TO DIRECTORS' REPORT

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956

Amount in Lakhs

Name of the Company	All Colour Garments Pvt., Ltd.	Deejay Trading Pvt., Ltd.	Glamourwear Apparels Pvt., Ltd.	Madhin Trading Pvt., Ltd.	Magenta Trading Pvt., Ltd.	Rafter Trading Pvt., Ltd.	Rajdin Trading Pvt., Ltd.	Reflexion Trading Pvt., Ltd.	Rishikesh Trading Pvt., Ltd.	Seven Hills Clothing Pvt., Ltd.	SNS Clothing Pvt., Ltd.	Vignesh Apparels Pvt., Ltd.	Robot Systems Pvt., Ltd.
Financial Year ending	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010	March 31, 2010
Share of the subsidiary held by the Company on the above date													
a) Number of shares and Face value	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	10000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	12000 Eq. shares of Rs.100/- each
b) Extent of holding	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Net aggregate amount of profit/ (loss) of subsidiary for the above financial year so far as they concern members of the Company	-	-	-	-	-	-	-	-	-	-	-	-	-
a) dealt within the accounts of the company for the ended 31 <sup>st</sup> March 2010	12.75	10.36	16.64	(14.84)	14.84	7.72	12.08	8.12	8.41	0.33	(70.15)	4.86	(0.15)
b) not dealt within the accounts of the company for the ended 31 <sup>st</sup> March 2010													
Net aggregate amount of profit/ (loss) for previous financial years of the subsidiary since it became subsidiary so far as they concern members of the Company	-	-	-	-	-	-	-	-	-	-	-	-	-
a) dealt within the accounts of the company for the ended 31 <sup>st</sup> March 2010	22.13	25.45	33.35	1.32	24.91	19.54	26.31	15.30	23.45	11.81	(112.37)	24.67	(32.92)
b) not dealt within the accounts of the company for the ended 31 <sup>st</sup> March 2010													

# ANNEXURE TO DIRECTORS' REPORT

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956 (contd.)

Subsidiary	Issued & subscribed share capital	Reserves	Loans	Total Assets	Total Liabilities	Investments	Turnover	Profit/loss before taxation	Provision for taxation	Profit/Loss after taxation	Proposed dividend
All Colour Garments Private Limited	2.00	356.02	-	359.69	359.69	0.00	1380.59	20.25	7.50	12.75	-
Deejay Trading Private Limited	2.00	105.64	-	115.66	115.66	0.01	1471.70	14.99	4.63	10.36	-
Glamourwear Apparels Private Limited	2.00	135.34	-	137.34	137.34	0.09	368.21	29.92	13.28	16.64	-
Madhin Trading Private Limited	2.00	65.29	-	67.29	67.29	0.01	47.89	(19.63)	(4.79)	(14.84)	-
Magenta Trading Private Limited	2.00	92.33	-	94.33	94.33	0.03	3064.01	20.21	5.37	14.84	-
Rafter Trading Private Limited	2.00	54.25	-	59.99	59.99	0.00	2156.11	12.00	4.28	7.72	-
Rajdin Apparels Private Limited	2.00	195.21	-	197.21	197.21	0.34	2073.88	7.87	(4.21)	12.08	-
Reflexion Trading Private Limited	1.00	15.32	-	16.82	16.82	0.03	1294.60	12.84	4.72	8.12	-
Rishikesh Apparels Private Limited	2.00	89.34	-	94.38	94.38	0.00	3496.75	12.18	3.77	8.41	-
Seven Hills Clothing Private Limited	2.00	317.72	-	330.00	330.00	0.00	5047.65	16.52	16.16	0.36	-
SNS Clothing Private Limited	2.00	1663.84	-	1665.84	1665.84	0.02	699.14	(69.57)	0.58	(70.15)	-
Vignesh Apparels Private Limited	2.00	103.56	-	105.56	105.56	0.08	900.11	7.61	2.75	4.86	-
Robot Systems Private Limited	12.00	25.65	-	37.65	37.65	0.00	0.00	(0.15)	0.00	(0.15)	-

Amount in Lakhs

For and on behalf of the Board

Bangalore  
May 27, 2010

**Madanlal J Hinduja**  
Chairman

**Rajendra J Hinduja**  
Managing Director

**N Sri Sai Kumar**  
Company Secretary

## CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended March 31, 2010

**GOKALDAS EXPORTS LIMITED**

# AUDITORS' REPORT

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To,

**The Board of Directors of Gokaldas Exports Limited**

1. We, Girish Murthy and Kumar and S.R. Batliboi and Co., have audited the attached consolidated Balance Sheet of Gokaldas Exports Limited ('the Company') and its subsidiaries (collectively called 'Gokaldas Group'), as at March 31, 2010, and also the consolidated Profit and Loss Account for the year ended March 31, 2010 and the consolidated Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not jointly audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 388,161,713 as at March 31, 2010; total revenues of Rs. 765,507,987; total expenditure of Rs. 768,435,248 and cash inflows, net amounting to Rs. 8,593,330 for the year then ended. These financial statements and other financial information have been audited solely by Girish Murthy and Kumar on which, S.R. Batliboi and Co. has placed reliance for the purpose of this report.
4. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 428,321,576 as at March 31, 2010; total revenues of Rs. 1,773,643,472; total expenditure of Rs. 1,764,210,546 and cash inflows, net amounting to Rs. 27,055,295 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors.
5. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on other financial information of the subsidiaries, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Gokaldas Group as at March 31, 2010;
  - b) in the case of the Consolidated Profit and Loss Account, of the loss for the year ended on that date; and
  - c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

**For Girish Murthy & Kumar**

Firm Registration Number: 000934S  
Chartered Accountants

**per A.V. Satish Kumar**

Partner  
Membership No.: F- 26526

Place: Bengaluru  
Date: May 27, 2010

**For S.R. BATLIBOI & CO.**

Firm Registration Number: 301003E  
Chartered Accountants

**per Kaustav Ghose**

Partner  
Membership No.: 57828

Place: Bengaluru  
Date: May 27, 2010



# CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2010

Amount in Rs. Lakhs

	Schedule	As at March 31, 2010	As at March 31, 2009
<b>SOURCES OF FUNDS</b>			
Shareholders' Funds			
Share Capital	I	1,718.80	1,718.80
Reserves and Surplus	II	44,392.94	42,666.67
<b>Loan Funds</b>			
Secured Loans	III	34,489.91	36,294.77
<b>Deferred Tax Liability (net)</b>		442.88	723.25
[Refer Note C-8 of Schedule XV]			
<b>Total</b>		<b>81,044.53</b>	<b>81,403.49</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	IV	45,817.53	42,835.02
Less: Accumulated Depreciation		19,922.33	16,324.86
Net Block		25,895.20	26,510.16
Capital work-in-progress including capital advances		278.08	1,784.97
		<b>26,173.28</b>	<b>28,295.13</b>
<b>Investments</b>	V	2,188.65	2,184.45
<b>Current Assets, Loans and Advances</b>			
Inventories	VI	37,256.38	43,396.82
Sundry Debtors		9,802.90	7,101.22
Cash and Bank Balances		2,881.76	774.65
Other Current Assets		5,184.80	2,615.90
Loans and Advances		7,797.17	8,055.25
		<b>62,923.01</b>	<b>61,943.84</b>
<b>Less: Current Liabilities and Provisions</b>	VII		
Current Liabilities		9,670.62	10,371.95
Provisions		569.79	647.98
		<b>10,240.41</b>	<b>11,019.93</b>
<b>Net Current Assets</b>		<b>52,682.60</b>	<b>50,923.91</b>
<b>Total</b>		<b>81,044.53</b>	<b>81,403.49</b>
<b>Notes to Accounts</b>	XV		

Schedules referred to above form an integral part of the Consolidated Balance Sheet

As per our report of even date

**for Girish Murthy & Kumar**  
Firm Registration Number: 000934S  
Chartered Accountants

**per A.V. Satish Kumar**  
Partner  
Membership No. F-26526

Bengaluru  
Dated : May 27, 2010

**for S.R. Batliboi & Co.**  
Firm Registration Number: 301003E  
Chartered Accountants

**per Kaustav Ghose**  
Partner  
Membership No. 57828

Bengaluru  
Dated : May 27, 2010

**For and on behalf of the Board**

**Madanlal J Hinduja**  
Chairman

**Rajendra J Hinduja**  
Managing Director

**N Sri Sai Kumar**  
Company Secretary

Bengaluru  
Dated : May 27, 2010

# CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

Amount in Rs. Lakhs

	Schedule	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>INCOME</b>			
Sales	VIII	107,239.47	109,449.86
Other Income	IX	8,698.44	8,293.38
		<b>115,937.91</b>	<b>117,743.24</b>
<b>EXPENDITURE</b>			
Raw Materials Consumed	X	65,569.89	57,874.34
Other Manufacturing and Operating Expenses	XI	6,111.26	6,546.38
Personnel Costs	XII	30,158.78	31,051.55
Selling and Administrative Expenses	XIII	7,569.73	7,363.34
Finance Charges	XIV	3,473.81	3,528.12
Exchange Difference (net)		(551.56)	7,060.30
Depreciation	IV	3,994.17	3,879.41
		<b>116,326.08</b>	<b>117,303.44</b>
<b>Profit / (Loss) Before Tax</b>		(388.17)	439.80
Provision for Taxation			
-- Current Tax		60.60	120.04
Less : Minimum Alternate Tax Credit Entitlement		-	(40.32)
-- Deferred Tax charge / (credit)		(280.37)	(5.43)
-- Fringe Benefit Tax		-	34.35
-- Tax charge / (credit) for earlier years		13.87	(11.38)
<b>Net Profit / (Loss) for the Year</b>		(182.27)	342.54
Profit Brought Forward from Previous Year		18,158.55	17,816.01
<b>Balance carried to Balance Sheet</b>		<b>17,976.28</b>	<b>18,158.55</b>
<b>Basic / Diluted Earnings Per Share (Rs.), face value Rs. 5 each</b>		(0.53)	1.00
[Refer Note C-7 of Schedule XV]			
<b>Notes to Accounts</b>	XV		

Schedules referred to above form an integral part of the Consolidated Profit and Loss Account

As per our report of even date

**for Girish Murthy & Kumar**  
Firm Registration Number: 000934S  
Chartered Accountants

**per A.V. Satish Kumar**  
Partner  
Membership No. F-26526

Bengaluru  
Dated : May 27, 2010

**for S.R. Batliboi & Co.**  
Firm Registration Number: 301003E  
Chartered Accountants

**per Kaustav Ghose**  
Partner  
Membership No. 57828

Bengaluru  
Dated : May 27, 2010

**For and on behalf of the Board**

**Madanlal J Hinduja**  
Chairman

**Rajendra J Hinduja**  
Managing Director

**N Sri Sai Kumar**  
Company Secretary

Bengaluru  
Dated : May 27, 2010

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

Amount in Rs. Lakhs

PARTICULARS	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net profit/ (loss) before taxation and exceptional items</b>	(388.17)	439.81
<b>Adjustments for:</b>		
Depreciation	3,994.17	3,879.41
Unrealised foreign exchange losses / (gains) (net)	(173.07)	1,469.25
Interest expense	3,076.06	3,123.15
Interest earned	(14.93)	(24.67)
(Profit)/Loss on sale of assets (net)	(47.04)	47.13
(Profit)/loss on sale of investments	(19.33)	(19.18)
Dividend on investments	(114.59)	(141.53)
Exchange difference on loans (net)	(332.19)	1,922.65
<b>Operating Profit before working capital changes</b>	<b>5,980.91</b>	<b>10,696.01</b>
Movements in Working Capital :		
(Increase)/Decrease in Sundry Debtors, Loans and Advances	(3,825.54)	1,428.27
(Increase)/Decrease in Inventories	6,140.45	(2,464.10)
Increase/(Decrease) in Current Liabilities and Provisions	303.11	(1,166.21)
<b>Cash Generated from Operations</b>	<b>8,598.92</b>	<b>8,493.97</b>
Direct taxes paid (net of refunds)	(359.31)	(922.41)
<b>Net Cash Flow from Operating Activities</b>	<b>8,239.61</b>	<b>7,571.56</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Interest received	14.93	5.53
Purchase of fixed assets	(1,888.50)	(2,693.22)
Proceeds on sale of fixed assets	160.08	47.94
Dividends received	114.59	141.53
Purchase of investments	(5,075.14)	(2,698.48)
Proceeds from sale of investments	4,953.05	2,593.43
<b>Net Cash Flow from / (used in) Investing Activities</b>	<b>(1,720.99)</b>	<b>(2,603.27)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from/ (repayment of) Packing Credit (net)	(366.74)	1,776.61
Repayment of Term Loans	(1,437.11)	(1,634.79)
Exchange difference (net)	332.19	(1,922.65)
Dividend Payouts (including Dividend Tax)	-	(402.04)
Interest Paid	(3,077.07)	(3,102.53)
<b>Net Cash Flow from / (used in) Financing Activities</b>	<b>(4,548.73)</b>	<b>(5,285.40)</b>

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

Amount in Rs. Lakhs

PARTICULARS	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>D. NET INCREASE / (DECREASE) IN CASH &amp; CASH EQUIVALENTS (A+B+C)</b>	1,969.89	(317.11)
<b>E. Opening Balance of Cash &amp; Cash Equivalents</b>	633.36	950.47
<b>F. Closing Balance of Cash &amp; Cash Equivalents</b>	<b><u>2,603.25</u></b>	<b><u>633.36</u></b>
Components of Cash and Cash Equivalents		
Cash on hand	275.29	93.72
Bank Balances with Scheduled Banks:		
— in Current Accounts	2,299.45	525.05
— in EEFC Accounts	27.44	13.51
— in Deposit Accounts	278.51	141.29
— in Unpaid Dividend Accounts	1.07	1.08
	<b><u>2,881.76</u></b>	<b><u>774.65</u></b>
Less: Balance in Deposit Accounts	278.51	141.29
	<b><u>2,603.25</u></b>	<b><u>633.36</u></b>

Note:

Cash and cash equivalents include restricted for use balances amounting to Rs. 1.07 Lakhs (2009: Rs. 1.08 Lakhs).

As per our report of even date

**for Girish Murthy & Kumar**  
Firm Registration Number: 000934S  
Chartered Accountants

**per A.V. Satish Kumar**  
Partner  
Membership No. F-26526

Bengaluru  
Dated : May 27, 2010

**for S.R. Batliboi & Co.**  
Firm Registration Number: 301003E  
Chartered Accountants

**per Kaustav Ghose**  
Partner  
Membership No. 57828

Bengaluru  
Dated : May 27, 2010

**For and on behalf of the Board**

**Madanlal J Hinduja**  
Chairman

**Rajendra J Hinduja**  
Managing Director

**N Sri Sai Kumar**  
Company Secretary

Bengaluru  
Dated : May 27, 2010

**SCHEDULES** ANNEXED TO AND FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED  
MARCH 31, 2010

Amount in Rs. Lakhs

	As at March 31, 2010	As at March 31, 2009
<b>SCHEDULE I - SHARE CAPITAL</b>		
<b>Authorized</b>	<u><b>2,000.00</b></u>	<u><b>2,000.00</b></u>
40,000,000 (2009:40,000,000) Equity Shares of Rs. 5 each		
<b>Issued, Subscribed and Paid-up</b>		
34,376,000 (2009: 34,376,000) Equity Shares of Rs.5 each fully paid-up	<u>1,718.80</u>	<u>1,718.80</u>
	<u><b>1,718.80</b></u>	<u><b>1,718.80</b></u>
Of the above:		
i. 23,469,242 (2009: 23,469,242) equity shares of Rs.5 each are held by Blackstone FP Capital Partners (Mauritius) V-B Subsidiary Limited, the Holding Company.		
ii. 7,126,000 (2009: 7,126,000) equity shares of Rs. 5 each have been allotted as fully paid-up pursuant to a scheme of amalgamation without payment being received in cash.		
<b>SCHEDULE II - RESERVES AND SURPLUS</b>		
Capital Reserve (on amalgamation) as per last account	9,769.12	9,769.12
Securities Premium Account as per last account	13,721.30	13,721.31
General Reserve as per last account	2,192.09	2,192.09
Unrealised Gains / (Losses) on Cash Flow Hedges (net)		
Balance as per last account	(1,174.40)	-
Less: Reclassified to Profit and Loss account	1,174.40	-
Add: Unrealised gain/(loss) on designated derivative contracts	734.15	(1,174.40)
	<u><b>734.15</b></u>	<u><b>(1,174.40)</b></u>
<b>Profit and Loss Account balance</b>	<u>17,976.28</u>	<u>18,158.55</u>
	<u><b>44,392.94</b></u>	<u><b>42,666.67</b></u>
<b>SCHEDULE III - SECURED LOANS</b>		
Packing Credit Loan from Banks	30,238.04	30,604.77
[Secured by hypothecation of raw materials, finished goods & book debts]		
Term Loan from Banks (Under Technology Upgradation Fund Scheme)	4,232.27	5,669.38
[Secured by hypothecation of specific fixed assets purchased]		
Interest accrued and due	19.60	20.62
	<u><b>34,489.91</b></u>	<u><b>36,294.77</b></u>

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED  
MARCH 31, 2010

SCHEDULE - IV Fixed Assets

Particulars	Gross Block			Depreciation			Net Block		
	As At April 1, 2009	Additions During the year	Sale/Deletion during the Year	As At March 31, 2010	As At April 1, 2009	For The Year	As At March 31, 2010	As At March 31, 2010	As At March 31, 2009
<b>Tangible Assets</b>									
Goodwill on Consolidation	314.79	-	-	314.79	-	-	-	314.79	314.79
Freehold Land	1,331.07	-	-	1,331.07	-	-	-	1,331.07	1,331.07
Buildings	6,807.21	1,003.5	12.17	7,798.54	1,634.88	668.09	2,290.80	5,507.74	5,172.32
Leasehold Improvements	390.34	411.84	-	802.18	87.09	256.35	343.44	458.74	303.25
Plant & Machinery	27,697.88	944.59	453.63	28,188.84	11,737.52	2,308.43	13,699.50	14,489.34	15,960.35
Electrical Equipments	1,963.15	33.07	-	1,996.22	686.97	190.15	877.12	1,119.10	1,276.17
Furniture & Fixtures	2,339.05	90.35	1.52	2,427.88	964.01	277.48	1,239.97	1,187.91	1,375.05
Office Equipments	389.66	77.8	0.36	467.10	168.42	38.56	206.62	260.48	221.26
Computers (including software)	1,036.15	193.8	-	1,229.95	687.22	198.16	885.38	344.57	348.93
Vehicles	565.72	42.65	42.05	566.32	358.76	56.94	379.50	186.82	206.97
	<b>42,835.02</b>	<b>2,797.60</b>	<b>509.73</b>	<b>45,122.89</b>	<b>16,324.87</b>	<b>3,994.16</b>	<b>19,922.33</b>	<b>25,200.56</b>	<b>26,510.16</b>
<b>Intangible Assets</b>									
	-	694.64	-	694.64	-	-	-	694.64	-
<b>Grand Total</b>	<b>42,835.02</b>	<b>3,492.24</b>	<b>509.73</b>	<b>45,817.53</b>	<b>16,324.87</b>	<b>3,994.16</b>	<b>19,922.33</b>	<b>25,895.20</b>	<b>26,510.16</b>
<b>Previous Year</b>	<b>40,417.24</b>	<b>2,592.97</b>	<b>175.19</b>	<b>42,835.02</b>	<b>12,525.59</b>	<b>3,879.41</b>	<b>16,324.86</b>	<b>26,510.16</b>	



**SCHEDULES** ANNEXED TO AND FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED  
MARCH 31, 2010

Amount in Rs. Lakhs

	As at March 31, 2010	As at March 31, 2009
<b>SCHEDULE V - INVESTMENTS</b>		
<b>A. Long-term Investments [at cost] [unquoted]</b>		
<b>In Government Securities [Non-trade]</b>		
National Savings Certificate	0.92	0.92
Indira Vikas Pathra	0.12	0.12
	<u>1.04</u>	<u>1.04</u>
<b>B. Current Investments [unquoted, at lower of cost and fair value] [Non-trade]</b>		
<b>In Mutual Funds</b>		
HSBC Income Fund - STP - Institutional Weekly Dividend Nil (2009: 10,189,907) units of Rs 10 each	-	1,039.59
Templeton India Short Term Income Retail Plan 113,347 (2009: 53,448) units of Rs. 1,000 each	1,217.62	575.80
Birla Sunlife Medium Term Plan 9,670,896 units (2009: Nil) of Rs. 10 each	969.99	-
IDFC Arbitrage Plus Fund - Plan A - Dividend Nil (2009: 5,445,751) units of Rs. 10 each	-	568.02
	<u>2,187.61</u>	<u>2,183.41</u>
	<u>2,188.65</u>	<u>2,184.45</u>

**SCHEDULES** ANNEXED TO AND FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED  
MARCH 31, 2010

Amount in Rs. Lakhs

	As at March 31, 2010	As at March 31, 2009
<b>SCHEDULE VI - CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Inventories</b>		
(at lower of cost and net realisable value)		
Raw Materials and Packing Materials	23,091.19	29,342.79
[includes Material in Transit Rs. 190.93 lakhs (2009: Rs. 84.45 lakhs)]		
Consumable Stores and Spares Parts	282.93	311.55
Finished Goods	8,692.68	8,969.03
[includes Material in Transit Rs. 45.09 lakhs (2009: Rs.1828.42 lakhs)]		
Work-in-progress	5,189.58	4,773.45
	<b><u>37,256.38</u></b>	<b><u>43,396.82</u></b>
<b>Sundry Debtors</b>		
[Unsecured, considered good]		
Debts outstanding for a period exceeding six months	868.41	582.65
Other debts	8,934.49	6,518.57
	<b><u>9,802.90</u></b>	<b><u>7,101.22</u></b>
<b>Cash and Bank Balances</b>		
Cash on hand	275.29	93.72
Bank Balances with Scheduled Banks:		
— in Current Accounts	2,299.45	525.05
— in EEFC Accounts	27.44	13.51
— in Deposit Accounts	278.51	141.29
— in Unpaid Dividend Accounts	1.07	1.08
	<b><u>2,881.76</u></b>	<b><u>774.65</u></b>
<b>Other Current Assets</b>		
Interest accrued on bank deposits	11.53	9.57
Export Incentives receivable	5,173.27	2,606.33
	<b><u>5,184.80</u></b>	<b><u>2,615.90</u></b>
<b>Loans and Advances</b>		
[Unsecured, considered good]		
Advances recoverable in cash or kind or for value to be received	2,115.35	1,895.67
Balances with customs, excise and other authorities	441.79	422.08
Security & other deposits	2,920.26	3,065.64
Claims receivable	703.08	1,339.51
Advance Tax [net of provision Rs. 1265.08 lakhs (2009: Rs. 1178.69 lakhs)]	1,576.37	1,292.03
Minimum Alternate Tax Credit Entitlement	40.32	40.32
	<b><u>7,797.17</u></b>	<b><u>8,055.25</u></b>
	<b><u>62,923.01</u></b>	<b><u>61,943.84</u></b>

**SCHEDULES** ANNEXED TO AND FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED  
MARCH 31, 2010

Amount in Rs. Lakhs

	As at March 31, 2010	As at March 31, 2009
<b>SCHEDULE VII - CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Sundry Creditors	9,203.61	8,307.52
Advances from Customers	127.35	13.40
Unclaimed Dividends (to be transferred to IEPF as and when due)	1.07	1.08
Book Overdraft	92.75	269.02
Other Liabilities	245.84	1,780.93
	<b>9,670.62</b>	<b>10,371.95</b>
<b>Provisions</b>		
Fringe Benefit Tax (net of payments)	-	0.50
Gratuity	211.64	250.04
Leave Benefits	358.15	397.44
	<b>569.79</b>	<b>647.98</b>
	<b>10,240.41</b>	<b>11,019.93</b>
<b>SCHEDULE VIII - SALES</b>		
Sale of Finished Goods		
— Exports	92,993.28	99,121.48
— Domestic	7,400.10	7,371.52
Job Work Income	359.95	536.16
Sale of accessories, fabrics, etc.	6,486.14	2,420.70
	<b>107,239.47</b>	<b>109,449.86</b>
<b>SCHEDULE IX - OTHER INCOME</b>		
Export Incentives	7,615.35	7,238.73
Bank Interest [gross]	14.93	13.77
[Tax Deducted at Source Rs. 1.58 lakhs (2009: Rs. 2.50 lakhs)]		
Dividend on current investments [Non-trade]	114.59	141.53
Profit on sale of fixed assets (net)	47.04	-
Profit on sale of current investments	19.33	19.18
Prior Period Income (net)	15.22	-
Interest on Income Tax refunds	32.49	10.90
Miscellaneous Income	839.49	869.27
	<b>8,698.44</b>	<b>8,293.38</b>
<b>SCHEDULE X - RAW MATERIAL CONSUMED</b>		
Consumption of Raw Materials and Packing Materials	65,709.67	60,779.07
Add / (Less): Decrease / (Increase) in stocks		
<b>Opening Stock</b>		
Finished Goods	8,969.03	4,875.19
Work-in-progress	4,773.45	5,962.56
	<b>13,742.48</b>	<b>10,837.75</b>
<b>Less : Closing Stock</b>		
Finished Goods	8,692.68	8,969.03
Work-in-progress	5,189.58	4,773.45
	<b>13,882.26</b>	<b>13,742.48</b>
	(139.78)	(2,904.73)
	<b>65,569.89</b>	<b>57,874.34</b>

**SCHEDULES** ANNEXED TO AND FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED  
MARCH 31, 2010

Amount in Rs. Lakhs

	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>SCHEDULE XI - OTHER MANUFACTURING AND OPERATING EXPENSES</b>		
Consumption of Consumables, Stores and Spares	1,567.57	2,014.29
Job Work Charges	508.46	247.95
Power and Fuel	2,091.33	2,361.49
Repairs and Maintenance - Plant and Machinery	700.01	571.20
Other Manufacturing Expenses	1,243.89	1,351.45
	<b>6,111.26</b>	<b>6,546.38</b>
<b>SCHEDULE XII - PERSONNEL COSTS</b>		
Salaries, Wages and Bonus	26,606.68	26,848.82
Contribution to Provident Fund and other Funds	2,671.04	2,984.92
Gratuity expense	266.56	211.67
Welfare Expenses	614.50	1,006.14
	<b>30,158.78</b>	<b>31,051.55</b>
<b>SCHEDULE XIII - SELLING AND ADMINISTRATIVE EXPENSES</b>		
Rent	1,396.68	2,046.88
Repairs and Maintenance		
— Buildings	146.02	129.42
— Others	731.02	698.78
Insurance	272.04	148.02
Rates and Taxes	97.02	87.27
Legal and Professional Charges	660.10	503.81
Printing and Stationery	215.00	209.74
Communication Costs	309.31	403.09
Travelling and Conveyance	446.12	313.99
Auditors' Remuneration [Refer Note C- 10 to Schedule XV]	38.76	34.75
Membership and Subscription	12.64	18.95
Brokerage and Commission	520.19	597.06
Clearing, Forwarding and Freight (net of recoveries)	859.95	1,034.04
Export Claims	396.26	276.46
Advertisement, Publicity and Business Promotion	82.73	96.99
Charity and Donation	1.59	3.51
Directors' Remuneration	54.79	113.40
Loss on Sale of Fixed Assets (net)	-	47.13
Prior Period Expenses (net)	-	27.79
Advances/ sundry balances written off	155.75	-
Bad Debts written off	612.82	-
Miscellaneous Expenses	560.94	572.26
	<b>7,569.73</b>	<b>7,363.34</b>
<b>SCHEDULE XIV - FINANCE CHARGES</b>		
Bank Interest		
— On Fixed Loans*	315.38	409.30
— Others	2,760.68	2,713.84
Bank Charges	397.75	404.98
	<b>3,473.81</b>	<b>3,528.12</b>

\* Interest is net of interest subsidy under Technology Upgradation Scheme Rs.246.01 lakhs (2009:321.12 lakhs)

# NOTES TO ACCOUNTS

## SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2010

### SCHEDULE XV - NOTES TO ACCOUNTS

#### A. Background

Gokaldas Exports Limited ('the Company' or 'Gokaldas') and its subsidiaries (hereinafter collectively referred to as "the Group") is engaged in the business of design, manufacture and sale of a wide range of garments for men, women and children and caters to the needs of several leading international fashion brands and retailers. The principal source of revenue for the Group is from export of garments and related products.

#### B. Significant accounting policies

##### a) Basis of presentation and consolidation

The accompanying consolidated financial statements include the accounts of Gokaldas and its subsidiaries as follows:

Name of the Subsidiary	% Holding	Country of Incorporation
All Colour Garments Private Limited	100%	India
Deejay Trading Private Limited	100%	India
Glamourwear Apparels Private Limited	100%	India
Madhin Trading Private Limited	100%	India
Magenta Trading Private Limited	100%	India
Rafter Trading Private Limited	100%	India
Rajdin Apparels Private Limited	100%	India
Reflexion Trading Private Limited	100%	India
Rishikesh Apparels Private Limited	100%	India
Robot Systems Private Limited	100%	India
Seven Hills Clothing Private Limited	100%	India
SNS Clothing Private Limited	100%	India
Vignesh Apparels Private Limited	100%	India

The consolidated financial statements have been prepared to comply in all material respects in respects with the notified accounting standards under Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

The consolidated financial statements have been prepared based on a line-by-line consolidation of balance sheet, statement of profit and loss and cash flows of Gokaldas and its subsidiaries. All material inter-company transactions and balances between the entities included in the consolidated financial statements have been eliminated.

The excess of the cost to the Company of its investments in subsidiaries over its proportionate share in equity of the investee company as at the date of acquisition, is recognised in the financial statements as Goodwill. In case the cost of investment in subsidiary companies is less than the proportionate share in equity of the investee company as on the date of investment, the difference is treated as capital reserve and shown under Reserves and Surplus.

##### b) Use of estimates

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

##### c) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

# NOTES TO ACCOUNTS

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer.

Export incentives are recognized on accrual basis in accordance with the applicable schemes formulated, by the Government of India.

Revenues from job work contract are recognized as and when services are rendered.

Dividend income on investments is accounted when the right to receive the dividend is established.

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Insurance / other claims are recognized on acceptance basis.

## d) Hedge accounting

The Group is exposed to foreign currency fluctuations on foreign currency assets, liabilities and forecasted cash flows denominated in foreign currencies. The Group limits the effects of foreign exchange rate fluctuations by following established risk management policies including the use of forward cover derivatives. The Group enters into derivative contract for sale of US dollars and Euros, where the counterparty is a bank.

The Group has adopted principles of hedge accounting as set out in Accounting Standard (AS) 30, "Financial Instruments: Recognition and Measurement", to the extent that the adoption does not conflict with existing accounting standards and other authoritative pronouncements of Company Law and other regulatory requirements.

Based on the recognition and measurement principles of hedge accounting set out in AS 30, changes in the fair values of derivative financial instruments designated as cash flow hedges are recognized directly in reserves/equity and are reclassified to the profit and loss account upon the occurrence of the hedged transaction. Changes in fair value relating to derivatives not designated as hedges are recognized in the Profit and Loss Account.

## e) Fixed assets and depreciation/ amortization (tangible and intangible)

Fixed assets are stated at cost of acquisition/construction less accumulated depreciation and impairment losses if any, net of grants received, where applicable and subsequent improvements thereto including taxes, duties, freight and other incidental expenses related to acquisition/construction.

Depreciation is provided using the written down value method as per the useful lives of the assets estimated by the management, or at the rates prescribed under Schedule XIV of the Companies Act, 1956 whichever is higher.

	Rate of depreciation (WDV)
Buildings	10%
Plant & Machinery	13.91%
Electrical Equipments	13.91%
Office Equipments	13.91%
Furniture & Fixtures	18.10%
Computers	40%
Vehicles	25.89%

Assets individually costing Rs. 5,000 or less are fully depreciated in the year of addition.

Leasehold improvements are depreciated over the primary lease period or useful life, whichever is lower.

Process improvement costs capitalized as intangible assets are amortized over three years.

## f) Borrowing Costs

Borrowing costs attributable to acquisition and construction of qualifying assets are capitalized as a part of the cost of such asset. Other borrowing costs are charged to Profit and Loss Account.

## g) Impairment of assets

At each Balance Sheet date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the Profit and Loss Account to the extent the carrying amount exceeds the recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.



# NOTES TO ACCOUNTS

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## **h) Inventories**

Raw materials, packing materials, stores, spares and consumables are valued at lower of cost and net realizable value. Cost is determined on a weighted average basis. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

Finished goods and work in progress are valued at lower of cost and net realisable value after considering provision for obsolescence and other anticipated loss, wherever considered necessary. Finished goods and work in progress includes cost of conversion and other production overheads. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

## **i) Foreign currency transactions**

### **(i) Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

### **(ii) Conversion**

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

### **(iii) Exchange Differences**

Exchange differences arising on the settlement of monetary items or on reporting monetary items of Group at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

## **j) Government Grants**

Grants and subsidies from the government are recognized when there is reasonable assurance that the grant/subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is netted off with the relevant expense. Where the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset.

## **k) Investments**

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

## **l) Retirement and Other Employee Benefits**

### **Defined Contribution Plans:**

Contributions to Provident Fund are made at pre-determined rates and charged to the Profit & Loss Account. The Group's liability is limited to the extent of contributions made.

### **Defined Benefit Plans:**

Gratuity liability is accrued in the books based on actuarial valuation on projected unit credit method as at Balance Sheet date. Actuarial gains or losses are recognized immediately in the Profit and Loss Account.

### **Other Employee Benefits:**

Compensated absences are provided for, on the basis of an actuarial valuation on projected unit credit method at the end of each financial year. Actuarial loss / gain are immediately taken to Profit and Loss Account and are not deferred.

# NOTES TO ACCOUNTS

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## m) Taxation

Tax expense comprises current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Group has unabsorbed depreciation or carry forward tax losses, deferred tax asset is recognised only to the extent that it has timing differences the reversal of which will result in sufficient income or there is other convincing evidence that sufficient taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Group re-assesses unrecognised deferred tax assets. It recognises deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal Income Tax during the specified period.

## n) Accounting for leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

## o) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

## p) Segment Reporting Policies

### Identification of segments:

The Group's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Group operate.

### Basis of allocation:

Assets, liabilities, income and expenditure are allocated to each segment according to the relative contribution of each segment to the total amount. Unallocated items include general corporate items which are not allocated to any segment.

### Segment Policies:

The Group prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group as a whole.

## NOTES TO ACCOUNTS

### q) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

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

### r) Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

## C. Notes to Accounts

### 1. Contingent liabilities

Amount in Rs. Lakhs

Particulars	2010	2009
Claims against the Company not acknowledged as debts	354.42	69.44
Guarantees given by banks	315.10	23.55
Outstanding letter of credit	364.37	1,221.90
Bills discounted with banks	13,849.46	17,220.14
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	470.66	90.40

Note: Certain industrial disputes are pending before various judicial authorities for which amounts are not ascertainable

### 2. Export Promotion Capital Goods Scheme

During the year, the Group has imported capital goods without payment of duty under the Export Promotion Capital Goods Scheme. Under the scheme the Group has export obligations of Rs. 840.41 lakhs (2009: Rs. 120.89 lakhs) to be fulfilled before November 5, 2017.

### 3. Gratuity

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on retirement or termination at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet:

Net employee benefit expense (in Profit and Loss Account)

Amount in Rs. Lakhs

	2010	2009
Current Service Cost	284.07	243.17
Interest cost on benefit obligation	31.01	22.82
Expected Return on Plan Assets	(24.74)	(10.02)
Actuarial (gain)/loss	(23.78)	(44.31)
<b>Net benefit expense</b>	<b>266.56</b>	<b>211.67</b>
<b>Actual return on plan asset</b>	<b>29.29</b>	<b>7.27</b>

# NOTES TO ACCOUNTS

Details of Provision for gratuity (in Balance Sheet)

Amount in Rs. Lakhs

	2010	2009
Defined benefit obligation	613.51	496.02
Fair value of plan asset	(401.88)	(245.98)
<b>Plan liability</b>	<b>211.64</b>	<b>250.04</b>

Changes in the present value of the defined benefit obligation are as follows:

Amount in Rs. Lakhs

	2010	2009
Opening defined benefit obligation	496.02	374.94
Current Service Cost	284.07	243.17
Interest Cost	31.01	22.82
Benefits Paid	(216.82)	(97.85)
Actuarial (gain)/loss	(19.24)	(47.06)
<b>Closing defined benefit obligation</b>	<b>613.51</b>	<b>496.02</b>

Changes in the fair value of plan asset are as follows:

Amount in Rs. Lakhs

	2010	2009
Opening fair value of plan asset	245.98	11.55
Expected return	24.74	10.02
Actuarial gain/(loss)	4.55	(2.75)
Contributions by employer	343.43	227.16
Benefits Paid	(216.82)	-
<b>Closing fair value of plan asset</b>	<b>401.88</b>	<b>245.98</b>

The principal assumptions used in determining gratuity obligations for the Group's plan are shown below:

Interest Rate	8%	7%
Discount Factor	8%	7%
Estimated Rate of return on Plan Assets	8%	8%
Attrition Rate	35%	35%
Rate of escalation in Salary per annum	5%	5%
Retirement Age	58	58

The major categories of plan asset as a percentage of the fair value of total plan asset are as follows:

	2010	2009
Investments with insurer	100%	100%

Notes:

1. The estimate of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
2. The Group expects to contribute Rs. 350 Lakhs to gratuity in 2010-11.

#### 4. Segment information

a) Primary business segment

The Group is engaged in a single business segment of sale of garment, and hence, no additional disclosures are required, other than those already given in the financial statements.

## NOTES TO ACCOUNTS

b) Secondary business segment (by geographical area based on location of customers)

Amount in Rs. Lakhs

Geographical Segment	Revenues	Carrying amount of segment assets (Debtors)
India	14,246.19 (10,328.38)	2,691.56 (4,171.47)
Outside India	92,993.28 (99,121.48)	7,111.34 (2,929.75)
<b>Total</b>	<b>107,239.47</b> <b>(109,449.86)</b>	<b>9,802.90</b> <b>(7,101.22)</b>

Note:

- All fixed assets are located in India.
- Figures in brackets relate to previous year.

### 5. Related party disclosure

A. The following are the names of related parties and description of relationship:

Description of Relationship	Names of related parties
a. <i>Parties where control exists:</i>	
Immediate Holding Company	Blackstone FP Capital Partners (Mauritius) V-B Subsidiary Limited
Ultimate Holding Company	Blackstone FP Capital Partners (Mauritius) V-B Limited
b. <i>Key management personnel:</i>	
Chairman	Mr. Madanlal J Hinduja
Managing Director	Mr. Rajendra J Hinduja
Executive Director	Mr. Dinesh J Hinduja
Chief Operating Officer – Production	Mr. Ashwin R Hinduja
Chief Operating Officer – Marketing	Mr. Vivek M Hinduja
Chief Operating Officer – Marketing	Mr. Gaurav D Hinduja
c. <i>Enterprises over which key management personnel and their relatives exercise significant influence with whom transactions have taken place during the year</i>	
Partnership Firm	Hinduja Trading Company DMR Enterprises Avis Industrial Estate
Private Limited Companies	Vag Exports Private Limited Dazzle Trading Private Limited J.V.N. Exports Private Limited Polyproducts Private Limited

B. The following are the volume of transactions with related parties during the year and outstanding balances as at the year- end disclosed in aggregate by type of related party:

Amount in Rs. Lakhs

Transactions	Key Management Personnel	Others	Total
<b>Expenses</b>			
Rent Expense	- (-)	66.02 (422.21)	66.02 (422.21)
Remuneration	229.49 (251.30)	- (-)	229.49 (251.30)

## NOTES TO ACCOUNTS

<b>Security deposits</b>			
Refund of security deposits received	-	11.50	11.50
	(-)	(424.54)	(424.54)
Security deposits paid	-	-	-
	(-)	(134.64)	(134.64)
<b>Balances outstanding as on March 31, 2010</b>			
— Current liabilities	-	0.20	0.20
	(10.00)	(14.01)	(24.01)
— Security deposits	-	1469.30	1,469.30
	(-)	(1,480.80)	(1,480.80)

Figures in brackets relate to previous year.

Disclosure for transactions that exceed 10% of total value of each class of transactions:

	<i>Amount in Rs. Lakhs</i>	
	2010	2009
<b>Rent Expense</b>		
Enterprises over which key management personnel and their relatives exercise significant influence		
Avis Industrial Estate	16.69	130.07
Vag Exports Private Limited	12.72	103.63
J.V.N. Exports Private Limited	12.91	71.47
Hinduja Trading Company	15.59	63.25
Dazzle Trading Private Limited	4.66	35.85
Others	3.45	17.94
	<b>66.02</b>	<b>422.21</b>
<b>Remuneration</b>		
Key Management Personnel		
Madanlal J Hinduja	16.47	37.05
Rajendra J Hinduja	16.51	37.13
Dinesh J Hinduja	16.51	37.12
Vivek M Hinduja	60.00	50.00
Ashwin R Hinduja	60.00	50.00
Gaurav D Hinduja	60.00	40.00
	<b>229.49</b>	<b>251.30</b>
<b>Refund of security deposits received</b>		
Enterprises over which key management personnel and their relatives exercise significant influence		
Hinduja Trading Company	11.50	250.00
Avis Industrial Estate	-	155.44
J.V.N. Exports Private Limited	-	19.10
	<b>11.50</b>	<b>424.54</b>
<b>Security deposits paid</b>		
Enterprises over which key management personnel and their relatives exercise significant influence		
Vag Exports Private Limited	-	57.00
Polyproducts Private Limited	-	36.84
Dazzle Trading Private Limited	-	30.80
Others	-	10.00
	<b>-</b>	<b>134.64</b>



## NOTES TO ACCOUNTS

Amount in Rs. Lakhs

Current liabilities	2010	2009
Key Management Personnel		
Vivek M Hinduja	-	5.00
Ashwin R Hinduja	-	5.00
	-	<b>10.00</b>
Enterprises over which key management personnel and their relatives exercise significant influence		
Dazzle Trading Private Limited	-	13.81
Others	0.20	0.20
	<b>0.20</b>	<b>14.01</b>
Security deposits	2010	2009
Enterprises over which key management personnel and their relatives exercise significant influence		
Hinduja Trading Company	455.20	465.20
Vag Exports Private Limited	632.50	632.50
Avis Industrial Estate	166.56	168.06
Others	215.04	215.04
	<b>1,469.30</b>	<b>1,480.80</b>

### 6. Leasing Arrangements

The Group's leasing arrangements in respect of its office, factory and residential premises are in the nature of operating leases. These leasing arrangements, which are usually cancellable at the option of the lessee, are for a total period ranging from eleven months to six years and are renewable with mutual consent.

The charge on account of lease rentals for the year is Rs. 1396.68 Lakhs (2009: Rs. 2046.88 Lakhs).

Future obligations of lease rentals applicable to the leased assets aggregate to Rs. 149.26 Lakhs (2009: Rs. 341.73 Lakhs)

Amount in Rs. Lakhs

Period	2010	2009
Not later than one year	35.42	118.61
Later than one year and not later than five years	113.84	223.12
Later than five years	-	-
	<b>149.26</b>	<b>341.73</b>

### 7. Earnings per share

Amount in Rs. Lakhs (except Nominal value & Earning per share)

Particulars	2010	2009
Net profit/(loss) for the year as per profit and loss account	(182.27)	342.54
Weighted average number of equity shares (Nos.)	343.76	343.76
Nominal value per share	5.00	5.00
Earnings per share – Basic and diluted	(0.53)	1.00

### 8. Deferred Taxes – components of assets / (liability)

Amount in Rs. Lakhs

Particulars	2010	2009
Difference between carrying amount of Fixed Assets in Financial Statements and Income Tax Returns	(886.37)	(976.80)
Unabsorbed depreciation losses	443.48	195.75
Expenditure charged in the financial statements but allowable as expenses in future years under the Income Tax Act, 1961	-	57.80
Net Deferred Tax Asset/ (Liability)	(442.89)	(723.25)

# NOTES TO ACCOUNTS

## 9. Remuneration to directors

Amount in Rs. Lakhs

Particulars	2010	2009
<b>Managing Director and other Whole-time Directors</b>		
Salaries	49.49	111.30
<b>Non Whole-time Directors</b>		
Sitting Fees	5.30	2.10
<b>Total</b>	<b>54.79</b>	<b>113.40</b>

Note: The above figures do not include provisions for encashable leave and gratuity as actuarial valuation is done for Group as a whole.

## 10. Auditors Remuneration (excluding service tax)

Amount in Rs. Lakhs

Particulars	2010	2009
Audit fees	37.12	33.11
In other capacity:		
Taxation matters	1.64	1.64
<b>Total</b>	<b>38.76</b>	<b>34.75</b>

## 11. Exchange difference loss / (gain)

Amount in Rs. Lakhs

Particulars	2010	2009
Pre-shipment Packing Credit	(332.19)	3,616.30
Post-shipment Credit	(761.22)	464.31
Forward Contracts and Options	(746.41)	3,971.47
Foreign Currency Receivables	1,319.77	(1,069.97)
Foreign Currency Payables	(31.50)	78.19
	(551.55)	7,060.30

## 12. Derivative contracts / instruments

Particulars of Derivative contracts	Purpose
Forward contract outstanding as at Balance Sheet Date	
<b>Sell</b>	
US \$ 42,000,000	Hedge of expected future sales
<b>Interest rate swap</b>	
INR 450.00 lakhs	Hedge against exposure to variable interest outflow on loans. Swap to pay fixed rate of interest of 10% and to receive floating rate linked to Mumbai Inter-Bank Offer Rate

## NOTES TO ACCOUNTS

### 13. As of the Balance Sheet date, the Group's foreign currency exposure is as under:

Particulars	2010		2009	
	Amount in foreign currency	Amount in Rs. Lakhs	Amount in foreign currency	Amount in Rs. Lakhs
Pre-shipment credit – USD	-	-	179.61	9,154.96
Bank balances – USD	0.61	27.44	0.27	13.51
Debtors – USD*	137.05	6,184.86	48.90	2,492.26
Debtors – EUR*	12.99	785.83	6.40	433.14
Debtors – GBP	2.07	140.66	0.06	4.35
Creditors – USD	12.37	558.37	23.99	1,222.95
Loans and advances (USD)	16.56	747.45	30.72	1,565.77
Loans and advances (EUR)	1.20	72.82	2.11	142.46
Loans and advances (GBP)	0.08	5.29	-	-
Advances received from customers – USD	0.69	31.09	0.20	10.28

\* net of export bills discounted

### 14. Post balance sheet event

On April 16, 2010, there was a fire in the raw material warehouse of the Group in Bangalore and materials valued at Rs. 3766.49 Lakhs were fully destroyed. The Group has filed claim with the insurance company and management does not foresee any loss arising out of such event.

15. Previous year's figures have been regrouped/rearranged/reclassified, wherever necessary to conform to the current year's presentation.

As per our report of even date

**For Girish Murthy & Kumar**  
Firm Registration No: 000934S  
**Chartered Accountants**

**For S.R. Batliboi & Co.**  
Firm Registration No: 301003E  
**Chartered Accountants**

**For and on behalf of Board**

**Madanlal J Hinduja**  
Chairman

**per A.V. Satish Kumar**  
**Partner**  
Membership No.: F- 26526

**per Kaustav Ghose**  
**Partner**  
Membership No.: 57828

**Rajendra J Hinduja**  
Managing Director

Bengaluru  
Date: May 27, 2010

Bengaluru  
Date: May 27, 2010

**N Sri Sai Kumar**  
Company Secretary

Bengaluru  
Date: May 27, 2010





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