



# 10<sup>TH</sup> ANNUAL REPORT

2012-2013



gokaldas exports ltd.  
since 1979



# The Origin and Ascent

## VISION

*“To be a globally reputed apparel manufacturer, evoking distinctive recognition for Product, Performance, Processes and People”*



### **The late Jhamandas H. Hinduja**

Gokaldas 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.

## MISSION

*“Achieve profitable growth through Innovation, Quality, Consistency and Commitment”*

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## REGISTERED OFFICE

No. 70, Mission Road  
Bangalore 560 027, India

## CHIEF FINANCIAL OFFICER

Mr. Sumit Keshan

## COMPANY SECRETARY AND COMPLIANCE OFFICER

Ms. Ramya .K  
(w.e.f. from 24th June, 2013)

## STATUTORY AUDITORS

M/s S R Batliboi & Co. LLP  
Chartered Accountants  
Canberra Block, 12th 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 560 001

## BANKERS

Canara Bank  
Corporation Bank

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*Won highest number of export awards*



# BOARD OF DIRECTORS

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Shri Richard B Saldanha  
Chairman



Shri Gautam Chakravarti  
*Director & CEO*



Shri Mathew Cyriac  
*Director*



Shri Arun K Thiagarajan  
*Independent Director*



Shri J H Mehta  
*Independent Director*



Shri Yashwant Shankarrao  
Patil Thorat  
*Independent Director*

# CHAIRMAN'S MESSAGE



**Richard B Saldanha**  
*Chairman*

Dear Shareholders,

The key challenges that your company faced for last financial year was, tepid demand from western countries accompanied by shifting sourcing strategies from buyers' worldwide, continued rise in the input costs, and serious difficulties to sustain operational efficiencies.

To offset the adverse impact of such challenges, your company has taken some strategic initiatives to enhance focus on improved profitability while delivering customer value in terms of: on time deliveries, best in class quality performance and manufacturing excellence both in terms of volumes and customer centric innovative designs.

In summary, your organization has leveraged on its core competencies and capabilities with insightful change management to equip itself to meet the challenges as well as to secure its future.

The strategic thrusts are:

1. **Customer Retention & Stickiness:**  
Improve service levels for existing customers with vigorous drives to acquire new customers keeping manufacturing alignment in focus. Marketing initiatives targeted at aggressively expanding the domestic footprint.
2. **Lean Management practices:**

Organizational restructuring to attain vertical alignment for seamless control and information flow based on market centric product categories.

3. Invest in operational excellence initiatives to strengthen our entire value chain.
4. Invest in IT enabled infrastructure to enhance speed and quality of decision making.
5. Continuous cost management, cost effectiveness and cost control.
6. Sustained focus on financial management - this year focused efforts were on management of working capital and capex expenditure, and selective sale of assets.

We believe that these strategic initiatives taken by the organization will help restore quality growth despite depressed economic conditions. We also see these testing times as a stimulus to become a true learning organization capable of managing change, transformation and shape up for sustained superior performance.

Our performance leaves much to be desired and I wish to express my gratitude to all employees for their unwavering dedication and loyalty, especially during such uncertain and

turbulent times. As we enter Quarter 3 of this financial year we see some very encouraging trends, thanks to the resolve and perseverance of our employees at all levels.

On behalf of the whole organization, I would like to thank our valued customers who continue to support us. We truly believe that value, trust, and quality are treasured. We renew our 'pledge' to customers and continue to strive to build relationships that last.

We also thank our business partners, vendors, and other business associates, who form our extended partnership network, in which we operate. We depend on their continued support as a key enabler to overcome the existing challenges. We truly value the existing partnerships and strive to make it win-win at all times.

Further, I thank this outstanding board for their patience, guidance on governance and strategic direction without which we would not have been able to pull through such a difficult period.

And last, but not the least, I wish to thank you and all stake holders for continued and unstinted support, confidence, encouragement and trust, in the firm.

# DIRECTORS' REPORT

Your Directors present herewith the Tenth Annual Report and the Audited Accounts for the year ended March 31, 2013.

## Financial Results (Consolidated)

(Rs. In lakhs)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Revenue	98,979	1,03,020
Profit Before Tax	(10,813)	(13,162)
Profit after Tax	(10,944)	(13,237)

## Review of Operations

Gokaldas Exports, on a consolidated basis, has reported total sales of Rs. 98,979 Lakhs representing a decline of 3.9% over 2011-12. From a merchandise sales point of view, FY2012-13 has shown a growth of 1% over the previous year.

On a macroeconomic environment basis, India's apparel industry has declined by 5% to \$ 12.9 billion in 2012-13. This is mainly due to sluggish demand in western markets. The US and Europe, which together account for the bulk of the country's apparel exports, faced a weak economic scenario, which has hurt the prospects of garment manufacturers globally.

In this challenging environment, the Company has focused its efforts towards the export market and achieved a growth of 1.5% in the year 2012-13. Consequently export sales as percentage of total sales has shown a growth of 2.3%.

Growth Metrics (In INR lakhs)	FY12	FY13	Gr %
Merchandise Sales	73,951	75,082	1.5%
Export as % of total sales	79.3%	81.6%	2.3%

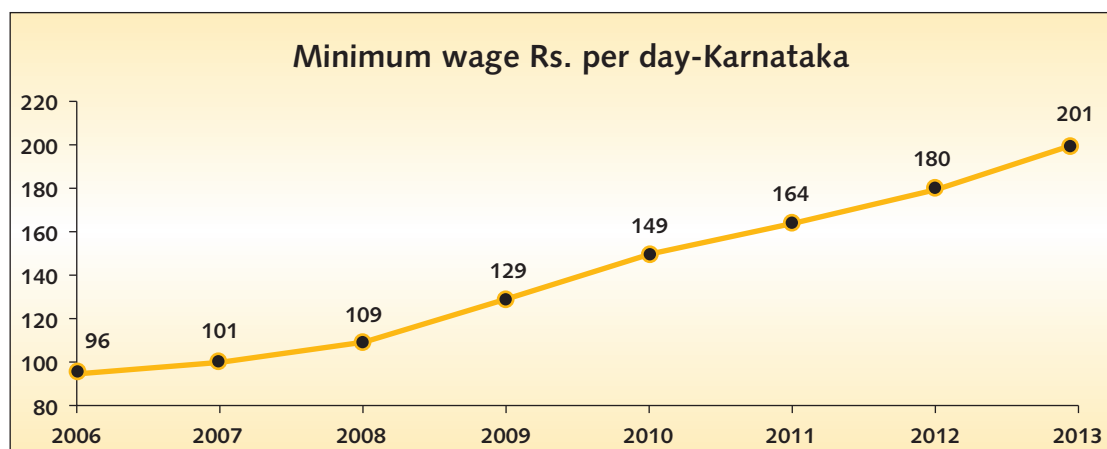
## Key Costs and their impact on profitability

From a cost point of view, there has been a decrease in total expenses in FY13 by 5.5%. This has been achieved through various cost control measures taken during the year. While the year has been impacted by increase in wage costs and general inflation, this has been offset by lower raw material costs, finance costs and other manufacturing & admin costs.

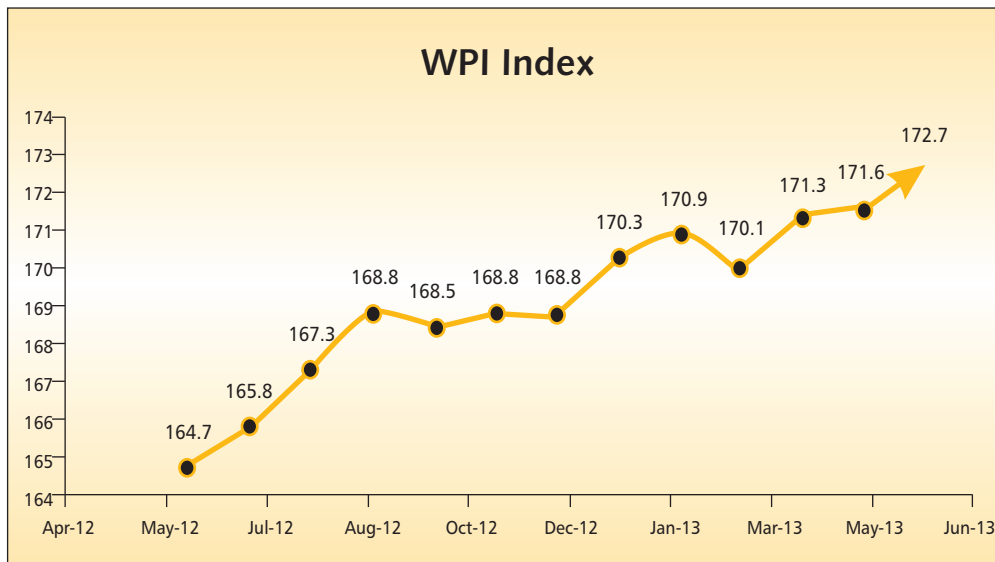
(Rs. In lakhs)

Key Costs	FY12	FY13	% change
Raw Material Cost(Including increase/decrease in Inventory)	57,662	50,630	-12.2%
Wage cost	33,245	35,672	7.3%
Other Expenses	17,631	16,319	-7.4%
Depreciation and amortisation expense	3,696	3,409	-7.8%
Finance costs	3,949	3,761	-4.8%
<b>Total Expenses</b>	<b>1,16,183</b>	<b>1,09,792</b>	<b>-5.5%</b>

The upward trends in Wage costs and inflation are evident from exhibits given below:



The trend in wholesale price index (WPI) indicates significant inflationary pressure on operating costs.



However due to decline in revenues and pricing pressure from customers, the company has not been able to absorb the total cost resulting in PBT of Rs. (10,813)Lakhs for FY13, which is lower by 18% as compared to previous year PBT of Rs. (13,162) Lakhs.

For the year 2013-14, we have undertaken necessary measures to improve our performance. Some of these are – focus on increasing share with existing customers, selectively develop new customers and build on them, bring in product diversity, improving manufacturing efficiencies and sustaining the focus on tighter financial management. These initiatives along with improved productivity measures will help us achieve better results in the coming year.

#### Safety, Health, Environment and Corporate social responsibility-

We, as a responsible manufacturer, are committed to take adequate measures related to environment, employee health and safety in developing, manufacturing, storing, handling and distribution of our products. It is our responsibility to provide a workplace free from accidents, injuries and exposure to hazardous substances, conserve natural resources and prevent pollution to protect the environment.

Besides, as a constructive partner in the communities in which it operates, the Company has been taking concrete actions to realize its social responsibility objectives, thereby building value for its various stakeholders. We respect human rights, value our employees, and invest in innovative technologies. In the past four decades, the Company has supported innumerable social and community

initiatives.

Some of the key initiatives taken by the company are-

- Regular fire safety audits along with mock drills at all locations
- Identification and implementation for additional fire safety measures for high rising buildings
- Up gradation of existing fire control and safety systems
- Continuous training on fire prevention and control to employees
- Enhanced focus on product safety and safe working practices through training programs

#### Dividend

No dividend has been recommended by the Directors for the year.

#### Transfer to Reserves

Due to the loss sustained by the Company no amount is transferred to the Reserves.

#### List of Subsidiaries

Your Company has 13 subsidiary companies. The name of these companies is as follows: 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 and Robot Systems Private Limited.

In terms of the specific approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, and in terms of the general permission granted by the Central Government to all companies vide General Circular No. 3/2011 dated February 21, 2011, 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.

#### Fixed Deposits

During the year under review, the Company has neither accepted nor renewed any deposits from public within the meaning of Sections 58A and 58AA of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.



## Corporate Governance

Your Company is committed to maintaining the highest standards of Corporate Governance. Your Directors adhere to the standards set out by the Securities and Exchange Board of India's (SEBI) Corporate Governance practices and accordingly have implemented all the major stipulations prescribed. Your Company's Corporate Governance Compliance Certificate dated July 27, 2011 in line with Clause 49 of the Stock Exchange Listing Agreement is given along with the Corporate Governance Report.

## Management Discussion and Analysis

Management Discussion and Analysis Report is given separately, forming part of this Annual Report and is in accordance with the requirements laid out in Clause 49 of the Listing Agreement with Stock Exchanges.

## ESOPs

GEL ESOP Scheme 2010 has been approved by the shareholders. Stock options are yet to be granted.

## 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 till 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

In the current fiscal 2013-14 Mr. N. Rangachary tendered his resignation to the Board of Directors due to his other commitments. The Board of Directors at their meeting held on May 4, 2013 has accepted his resignation. During the year under review, Mr. Prince Asirvatham, Mr. Partha Sarkar and Mr. Akhilesh K Gupta, had tendered their resignation to the Board of Directors. The Board of Directors at their meeting held on July 27, 2012 accepted their resignation.

The Board would like to take this

opportunity to thank the outgoing directors for their invaluable contribution and guidance to steer through these challenging times.

During the year under review, Mr. Richard Saldanha and Mr. J. H. Mehta, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The detailed profile of the Directors seeking reappointment is mentioned in the notice of the ensuing Annual General Meeting.

## Auditors

The Company's Joint Auditors, M/s S.R. Batliboi & Co. LLP, Chartered Accountants and M/s Girish Murthy & Kumar Chartered Accountants hold office upto the conclusion of the ensuing Annual General Meeting. The Company has received the requisite certificate from them pursuant to Section 224(1B) of the Companies Act, 1956, confirming their eligibility for re-appointment as Auditors of the Company.

## Particulars of Employees

In accordance with the provisions of Section 217(2A) read with Companies (Particulars of Employees), Rules, 1975, the names and other particulars of employees are set out in the Annexure to the Directors' Report.

## Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors Responsibility Statement, the Whole-time Management state that:

I) In the preparation of the annual accounts for the year ended March 31, 2013, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

II) They 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 and of its profits for the year ended March 31, 2013;

III) They have taken proper and sufficient care towards the maintenance of adequate accounting records in accordance with the provisions of this Act, to safeguard the assets of the

Company and to prevent and detect fraud and other irregularities;

IV) They have prepared the financial statements for the year ended March 31, 2013 on a going concern basis.

Due to the loss sustained by the Company no amount is transferred to the Reserves.

## Conservation of Energy, 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 use of energy on continued basis.

### B. Technology absorption, adaptations and innovation

Not Applicable

### C. Foreign Exchange Earnings and Outgo

Foreign Exchange earned:  
:Rs.78,131.77 lakhs

Out go :Rs. 22,129.89 lakhs

## Acknowledgements and Appreciation

Your Directors take this opportunity to thank the customers, shareholders, suppliers, bankers, business partners/associates, financial institutions and Central and State Governments for their consistent support and encouragement to the Company. I am sure you will join our Directors in conveying our sincere appreciation to all employees of the Company for their hard work and commitment.

## On behalf of the Board of Directors

Richard B Saldanha  
(Chairman)

Bangalore  
July 31, 2013

Gautam Chakravarti  
(CEO)

## Disclosure as per order of Ministry of Corporate Affairs' General Circular Letter No. 2/2011 CL-III dated 8th February 2011.

## Subsidiary's financial summary

Name of the Company	Amount in Lakhs												
	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 Apparels Pvt Ltd	Reflexion Trading Pvt Ltd	Rishikesh Apparels Pvt Ltd	Seven Hills Clothing Pvt Ltd	SNS Clothing Pvt Ltd	Vignesh Apparels Pvt Ltd	Robot Systems Pvt Ltd
Capital	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.00	2.00	2.00	2.00	2.00	12.00
Reserves-Dr Balance -	-	-	-	-	-	-	-	-	-	-	-	-	(7.74)
Total Assets (Gross)*	361.02	488.82	646.86	287.06	587.19	542.24	488.19	324.12	679.37	1,434.66	1,791.03	96.38	7.08
Total Liabilities	361.02	488.82	646.86	287.06	587.19	542.24	488.19	324.12	679.37	1,434.66	1,791.03	96.38	7.08
Details of investments (except in case of investments in subsidiaries)	-	-	-	-	-	-	-	-	-	-	-	-	-
Turnover (Total revenue)	1.12	2,410.10	3,565.68	1,505.84	3,558.97	2,902.34	1,910.09	1,435.85	3,281.08	6,805.61	1,300.32	0.13	(0.11)
Profit/(Loss) before taxation	(5.18)	20.81	222.16	7.71	41.47	41.32	16.60	4.73	(0.79)	27.76	5.16	(7.82)	-
Tax expenses	0.01	18.18	-	4.87	40.13	33.79	12.17	2.16	(8.33)	25.93	0.98	0.01	-
Profit after taxation	(5.19)	2.63	222.16	2.84	1.33	7.53	4.43	2.57	7.54	1.83	4.19	(7.82)	(0.11)
Proposed Dividend	-	-	-	-	-	-	-	-	-	-	-	-	-

\*NOTE: The detailed financials of the subsidiary companies shall be made available to any shareholder seeking such information.

# ANNEXURE TO DIRECTORS' REPORT

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of employees) Rules, 1975, and forming part of the Directors' Report for the year ended March 31, 2013

<i>Amount in Rs.</i>								
Sr. No.	Name	Designation	Qualification	Age (years)	Previous Employer	Designation at previous employment	Date of Joining	Gross Remuneration (Rs.)
1	Gautam Chakravarti	Director & Chief Executive Officer	MA (ECO) MBA (IIMB)	60	Blackstone advisors india pvt ltd	Executive Director	01/04/2011	10,000,000
2	Sumit Keshan	Chief Financial Officer	CA, CWA	44	Deutsche bank	Director	20/10/2010	7,800,000

Notes:

1. Remuneration above is on cost to company basis, i.e. basic salary, all perks and allowances, incentives and employer's contribution to provident fund.
2. None of the employees is related to any director of the Company.
3. The terms of employment of the above-referred employees/directors are contractual and they perform such duties as prescribed there under.
4. None of the above-referred employees hold shares exceeding 1% as on March 31, 2013.
5. There are non employees who have been employed for the part of the year, whose remuneration exceeds the limit as prescribed under the Section 217(2A) of the Companies Act, 1956.

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

Bangalore  
July 31, 2013

**Richard B Saldanha**  
Chairman

**Gautam Chakravarti**  
Director & CEO

# 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, 2013 is enumerated below for information of the shareholders and investors of the Company.

## Company's philosophy on Corporate Governance

Corporate Governance is a set of systems and practices to ensure that the affairs of the Company are being managed in a way which ensures accountability, transparency, fairness in all its transactions in the widest sense and meet its stakeholder's aspirations and societal expectations. In keeping with its commitment to the principles of good corporate governance, which it has always believed leads to efficiency and excellence in the operations of a company, your Company has been upholding fair and ethical business and corporate practices and transparency in its dealings. The Company continuously endeavors to review, strengthen and upgrade its systems and processes so as to bring in transparency and efficiency in its various business segments.

Good Corporate Governance leads to long-term shareholder value and enhances interests of other stakeholders. It brings into focus the fiduciary and trusteeship role of the Board to align and direct the actions of the organization towards creating wealth and shareholder value.

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, 2013 and presents the following Corporate Governance Report for the year 2012-13, based on the said disclosure requirements.

## Board of Directors

The Board is headed by a Non-Executive Chairman, Mr. Richard B. Saldanha, and is composed of eminent persons with considerable professional experience in diverse fields viz, manufacturing, marketing, finance, banking, legal, management and commercial administration and comprises a majority of Non-Executive Directors. The Gokaldas Exports Board is a balanced Board, comprising of Executive and Non-Executive Directors. As on March 31, 2013, over two thirds of the Board consists of Non-Executive Directors and of these, the majority are independent Directors. As on March 31, 2013, of the Seven Directors, Six (i.e. 85.71%) are Non-Executive Directors and Four (i.e. 57.14%) are Independent Directors.

The composition of the Board and category of Directors as on March 31, 2013 is as follows:

Sl. No.	Name of Directors	Category
1.	Mr. Richard B. Saldanha	Non Executive Director
2.	Mr. Gautam G. Chakravarti	Executive Director & CEO
3.	Mr. Arun K.Thiagarajan	Non Executive & Independent Director
4.	Mr. Rangachary N. Iyengar*	Non Executive & Independent Director
5.	Mr. Mathew Cyriac	Non Executive Director
6.	Mr. Jitendrakumar H.Mehta	Non Executive & Independent Director
7.	Mr. Yashwant S.Thorat**	Non Executive & Independent Director

\* Mr. Rangachary N. Iyengar Non Executive & Independent Director has resigned from the Directorship of the Company with effect from May 4, 2013.

\*\*Mr. Yashwant S.Thorat, Non Executive & Independent Director has been co-opted as an Additional Director of the Company with effect from December 21, 2012.

The composition of the Board is in conformity with Clause 49(I) (A)(ii) of the Listing Agreement.

During the year 2012 - 13, following Directors resigned from the Board of Directors of the Company.

Sl.No.	Name of Directors	Category	Date of Resignation
1	Mr. Prince Asirvatham	Non Executive & Independent Director	July 01, 2012
2.	Mr. Partha Sarkar	Non Executive & Independent Director	July 10, 2012
3.	Mr. Akhilesh K. Gupta	Non Executive Director	July 17, 2012

# CORPORATE GOVERNANCE REPORT

## Meetings

The meetings of the Board of Directors are normally held at the Company's Registered Office in Bangalore. During the year under review, 5 (Five) meetings were held on May 21st, 2012, July 27th, 2012, November 02nd, 2012, December 21st, 2012 and February 07th, 2013.

The Company Secretary prepares the agenda and explanatory notes, in consultation with the Chairman and Managing Director and circulates the same well in advance to the Directors. Every Director is free to suggest inclusion of items on the agenda. The Board is provided with the relevant information as stipulated in Clause 49 of the Listing Agreement. The Meetings are governed by a structured agenda.

The details of the Board meetings for the financial year 2012-2013 are as under:

Sl.no	Date of the Board Meeting	Board Strength	No of Directors Present
1	May 21st, 2012	9	6
2	July 27th, 2012	6	5
3	November 02nd, 2012	6	4
4	December 21st, 2012	7	6
5	February 07th, 2013	7	5

The last Annual General Meeting (AGM) was held on Tuesday, September 4, 2012, 11.30 AM

Particulars of the directorship of the Board, membership and office of the Chairman of Board Committees across all Companies as on March 31, 2013 and attendance at the Board Meetings of the Company are given below:

## Directors Details :

SI No	Name	Designation of the Director and Category	No of Meetings		No of Directorship* and Committee** Membership/Chairmanships in Public Limited Companies			Whether attended last AGM
			Held	Attended	Director-ships held	Committee Member-ships	Committee Chairman-ships	
1	Mr. Richard B. Saldanha	Chairman & Non Executive Director	5	5	4	2	Nil	Yes
2	Mr. Gautam G. Chakravarti	Whole-time Director & CEO, Executive Director	5	5	1	Nil	Nil	Yes
3	Mr. Arun K. Thiagarajan	Non Executive and Independent Director	5	5	6	7	Nil	Yes
4	Mr. Rangachary N. Iyengar*	Non Executive and Independent Director	5	5	7	1	1	No
5	Mr. Mathew Cyriac	Non Executive Director	5	0	6	1	Nil	No
6	Mr. Jitendrakumar H.Mehta	Non Executive and Independent Director	5	3	2	2	Nil	No
7	Mr. Yashwant S.Thorat@	Non-Executive and Independent Director	5	2	10	Nil	Nil	N. A
8.	Mr. Prince Asirvatham#	Non-Executive and Independent Director	5	0	2	Nil	Nil	N. A
9.	Mr. ParthaSarkar ^	Non-Executive and Independent Director	5	1	1	Nil	Nil	N. A
10.	Mr. Akhilesh K. Gupta\$	Non-Executive Director	5	0	3	Nil	Nil	N. A

@ Mr. Yashwant S.Thorat, Non Executive & Independent Director has been co-opted as an Additional Director of the Company with effect from December 21, 2012.

\* Mr. Rangachary N. Iyengar Non Executive & Independent Director has resigned from the Directorship of the Company with effect from May 4, 2013.

# Mr. Prince Asirvatham, Non Executive & Independent Director has resigned from the Directorship of the Company with effect from July 01, 2012.

^ Mr. Partha Sarkar, Non Executive & Independent Director has resigned from the Directorship of the Company with effect from July 10, 2012.

\$ Mr. Akhilesh K. Gupta, Non Executive Director has resigned from the Directorship of the Company with effect from July 17, 2012.

## Remuneration to Executive Directors

Rs in Lakhs

Name of the Director	Designation	Total
Mr. Gautam Chakravarti	Wholetime Director & CEO	100.00

The terms and conditions of the executive director's appointment and remuneration are governed by the resolution passed by the shareholders of his appointment; The Company has not entered into separate agreement for the contract of services with the executive director.

# CORPORATE GOVERNANCE REPORT

No remuneration is paid to non- executive directors except Independent Directors as detailed below

Independent Directors are entitled to sitting fee only and are not entitled to any remuneration. During the financial year 2012-13, the sitting fees paid to Independent Directors is detailed below:

Rs. in Lakhs

Name	Board Meeting	Audit Committee	Shareholders Grievance Redressal Committee	Compensation Committee	Total
Mr. Partha S. Sarkar	0.20	N.A	N.A	N.A	0.20
Mr. Rangachary N. Iyengar	1.00	0.80	0.20	N.A	2.00
Mr. Arun K.Thiagarajan	1.00	0.80	0.20	N.A	2.00
Mr. Jitendrakumar H.Mehta	0.60	0.40	N.A	N.A	1.00
Mr. Yashwant S.Thorat	0.20	N.A	N.A	N.A	0.20

## Code of Conduct

In compliance with the Clause 49 (1) (d) of the Listing Agreement, the Company has adopted a Code of conduct and Ethics for the Board of Directors, officers and employees of the Company. The said Code of Conduct and Ethics is posted on the website of the Company: <http://www.gokaldasindia.com>. The code is circulated to all the members of the Board, Officers and Employees of the Company on an annual basis and compliance of the same is affirmed by them on or before 31st March of every year.

## CONFIRMATION OF THE CODE OF CONDUCT AND ETHICS BY WHOLETIME DIRECTOR & CEO.

To,

The Members  
Gokaldas Exports Limited,  
70, Mission Road,  
Bengaluru- 560 027

This is to confirm that the Company has adopted "Gokaldas Export Group Code of Conduct and Ethics" herein after referred as "Code of Conduct" for its employees including the officers and Board Members. In addition, the Company has adopted the Code of Conduct and Ethics for its Subsidiaries and Associate Companies.

The Code of Conduct is posted on the Company's website, <http://www.gokaldasindia.com>.

In accordance with Clause 49 (1) (d) of the Listing Agreement with the Stock Exchanges, I hereby conform that all the directors, officers and employees of the company have affirmed compliance to their respective Codes of Conduct and Ethics, as applicable to them for the financial year ended March 31, 2013.

Place : Bengaluru

Date : July 31, 2013

Sd/  
Gautam Chakravarti  
Wholetime Director & Chief Executive Office

## Risk Management

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

## 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 four committees:

1. Audit Committee
2. Shareholders Grievances Redressal Committee
3. Remuneration Committee and
4. Compensation Committee

### 1. Audit Committee

The Audit Committee of the Company functions in accordance with the requirements of Section 292A of the Companies Act, 1956 and the Listing Agreement.

# CORPORATE GOVERNANCE REPORT

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## **Terms of Reference of the Audit Committee**

- Chairman of the Audit Committee shall be an Independent Director.
- The Audit Committee may invite such executives of the Company as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Committee. The Chief Financial Officer, Head of Internal Audit and representative of the statutory auditor may be present as invitees for the meetings of the Audit Committee.
- The Company Secretary shall act as Secretary of the Audit Committee.
- The Audit Committee shall meet at least four times in a year and not more than four months shall elapse between two meetings.
- The quorum shall be either two members or one-third of the members of the Audit Committee, whichever is higher but there shall be a minimum of two independent members present.

## **Role of Audit Committee**

The role of the Audit Committee shall include the following:

- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditors and the fixation of audit fees.
- Approval of payment to Statutory Auditors for any other services rendered by them.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
  - Changes, if any, in accounting policies and practices and reasons for the same.
  - Major accounting entries involving estimates based on the exercise of judgment by Management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with listing and other legal requirements relating to financial statements.
  - Disclosure of any related party transactions.
  - Qualifications, if any, in the draft limited review audit report and audit report.
- Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the Management, performance of Statutory and Internal Auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function.
- Reviewing the findings of any internal investigations by the Internal Auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

## **Powers of the Audit Committee**

The Audit Committee has the following powers:

- to investigate any activity within its terms of reference.
- to seek information from any employee.
- to obtain outside legal or other professional advice.
- to secure the attendance of outsiders with relevant expertise, if it considers necessary.

## **Review of information by Audit Committee:**

The Audit Committee reviews the following information:

- Management discussion and analysis of financial condition and results of operations.

# CORPORATE GOVERNANCE REPORT

- Statement of significant related party transactions (as defined by the Audit Committee) submitted by Management.
- Management letters / letters of internal control weaknesses issued by the Statutory Auditors.
- Internal audit reports relating to internal control weaknesses.
- The appointment and removal of the Internal Auditor.

## Constitution of Audit Committee:

During the year under review, the Audit Committee of the Company consists of three members and all are Independent Directors with vast experience in Financial Management. The members of the Committee are

1. Mr. Arun K. Thiagarajan
2. Mr. Rangachary N. Iyengar and
3. Mr. Jitendrakumar H.Mehta

## Composition and details of Audit Committee Meetings during the financial year:

During the financial year ended March 31, 2013, 4 (Four) Meetings of the Audit Committee were held on May 21, 2012, July 27, 2012, November 2, 2012 and February 7, 2013. The composition of the Audit Committee and the number of meetings attended during the year under review are as under:

Name of the Director	No. of Meetings Held	No. of Meetings Attended
Mr. Arun K. Thiagarajan	4	4
Mr. Jitendrakumar H.Mehta	4	2
Mr. Rangachary N. Iyengar	4	4

## Shareholders Grievances Redressal Committee

During the year under review, the Shareholders Grievances Redressal Committee of the Company consists of 3 members. Mr. Jitendrakumar H. Mehta, Non Executive and Independent Director is the Chairman of the Committee.

During the year under review, one Meeting of the Shareholders Grievances Redressal Committee was held.

Name of the Director	No. of Meetings Held	No. of Meetings Attended
Mr. Jitendrakumar H.Mehta	1	1
Mr. Arun K. Thiagarajan	1	1
Mr. Rangachary N. Iyengar	1	1

The Shareholders Grievances Redressal Committee is authorized to:

1. Monitor the system of share transfer, transmission, sub-division, consolidation of share certificates and issue of duplicate certificates.
2. Deal with all investor related issues including redressal of complaints from shareholders relating to transfer of shares, non-receipt of annual report, etc.
3. Delegate such powers to Company's officers, as may be necessary including powers to approve transfers, transmissions, authenticate share certificates and to take other actions in relation to Shareholders' related matters.

The Company through its Registrar and Share Transfer Agents has resolved most of the investor grievances / correspondence at the earliest from the date of their receipt.

The statistics of Shareholders complaints received /redressed, during the year under review is appended below:

No. of Shareholders complaints pending as at April 01, 2012	Nil
No. of Complaints relating to Non-receipt of dividend warrants, Redemption / Interest warrants, Annual Reports, Share certificates, endorsement stickers, change of address, deletion of name and others received during the year April 01, 2012 to March 31, 2013	6
No. of Shareholders complaints resolved during the year April 01, 2012 to March 31, 2013	6
No. of Shareholders complaints pending as on March 31, 2013	Nil

## Secretarial Audit for Reconciliation of Capital

A Secretarial Audit was carried out by a qualified Practicing Company Secretary for reconciling the total admitted



# CORPORATE GOVERNANCE REPORT

capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares held in physical form and the total number of dematerialized shares held with NSDL and CDSL. This audit is carried out every quarter and the report thereon is submitted to the stock exchanges and is also placed before the Board of Directors.

### 3. Remuneration Committee

The Company had constituted a remuneration committee on April 01, 2009 to carry on functions relating to determination of the remuneration payable to the Directors, recommendation for appointment/ reappointment of the Managing Directors/Whole-Time Directors, revision in remuneration of the existing Directors of the Company from time to time.

As on March 31, 2013, the Remuneration Committee comprises of Mr. J H Mehta (Chairman), Mr Arun K Thiagarajan as member.

There was no Remuneration Committee Meeting held during the year 2012 -13.

### 4. Compensation Committee

As required under Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, Compensation Committee is to be constituted to oversee Employee Stock Option's (ESOP) granted by the Company.

GEL ESOP Scheme 2010 was approved by the members at the Annual General Meeting held on September 17, 2010. Compensation Committee was constituted on August 2, 2010.

As on March 31, 2013, the members of the Compensation Committee are:

1. Mr J. H. Mehta, Chairman
2. Mr. Arun K. Thiagarajan
3. Mr. Gautam Chakravarti

ESOPs are yet to be granted. No Compensation Committee meeting was held during the year.

### Disclosures

#### *Disclosures on materially significant related party transactions*

The related party transactions during the year ended March 31, 2013 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.

#### *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, SEBI or any other statutory authorities on any matters relating to the capital markets.

#### *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.

#### *Compliance with non-mandatory requirements of Clause 49 of the listing agreement*

The Company has complied with the non-mandatory requirements to the extent detailed above.

### Accounting Treatment

The guidelines/accounting standards notified under Section 211(3C) of the Companies Act, 1956 and relevant provisions of the Companies Act, 1956 have been followed in preparation of the financial statements of the Company.

### Capital Issues

The Company has not made any capital issues during the year April 01, 2012 to March 31, 2013.

### General Body Meeting

Details of Annual General Meetings (AGM) of the Company held for the last three years:

Financial Year	Day, date & Time	Location
2009-10	Friday, September 17, 2010, 10:30 AM	The Atria Hotel, No.1, Palace Road, Bangalore – 560 001
2010-11	Friday, September 9, 2011, 11.30 AM	NIMHANS Conventional Hall, Hosur Road, Bangalore – 560 029
2011-12	Tuesday, September 4, 2012, 11.30 A.M.	NIMHANS Conventional Hall, Hosur Road, Bangalore - 560 029

# CORPORATE GOVERNANCE REPORT

## Special Resolutions passed during the last 3 Years

Date of AGM	Number of Special Resolutions	Details of Special Resolution passed
Friday, September 17, 2010	3	To appoint Shri Dinesh J Hinduja as the Executive Director of the Company.
		To issue stock options to the employees of the company- GEL ESOP Scheme 2010.
		To issue stock options to the employees of the subsidiary companies under GEL ESOP Scheme 2010.
Friday, September 9, 2011	2	To appoint Mr. Gautam Chakravarti, as Whole-time Director & Chief Executive Officer of the Company for 3 years with effect from April 1, 2011 to March 31, 2014.
		To issue stock options to the employees (including the Directors of the Company whether Whole-time Directors or not) of the Company under GEL-ESOP Scheme 2010.
Tuesday, September 4, 2012.	Nil	Nil

## Postal Ballot

The approval of the shareholders was sought through a postal ballot pursuant to Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 for the year ended March 31, 2013 for

Sr. No.	Type of Resolution	Particulars
1	Special Resolution	Special Resolution: Under Section 31 of the Companies Act, 1956, for altering, substituting, amending, inserting, deleting and modifying the existing Articles in the Articles of Association of the Company.

passing of the following Special Resolution.

## Insider Trading

Pursuant to the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Company has prescribed a Code of Conduct for Prevention of Insider Trading and a Code of Corporate Disclosure Practices.

The Company observes a closed period for trading in securities of the Company by the Directors/Officers and Designated Employees of the Company for a minimum period of seven days prior to the close of the quarter/half year/year and up to 24 hours after the date on which the results for the respective quarter/half year/year are declared.

## Auditor's Certificate on Corporate Governance

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

## CEO / CFO Certificate

As required by clause 49 of the Listing Agreement, the certificate issued by the Whole-time Director & CEO and CFO on financial statements etc., is provided in the Annual Report.

## Means of Communication

The annual audited financial results, the quarterly / half yearly unaudited financial results are generally published in, the Financial Express and Samyukta Karnataka (a regional daily published from Bangalore).

## 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 on General Shareholder Information.

# CORPORATE GOVERNANCE REPORT

## General Shareholder information:

<b>Annual General Meeting</b>	Sri. Shivarathreeshwara Centre, JSS Circle, 1st Main, 38th Cross, 8th Block, Jayanagar, Bengaluru - 560 070 11:30 A.M
<b>Date of Book Closure</b>	September 19, 2013 (Thursday) to September 23, 2013 (Monday)
<b>Financial Results Calendar (tentative)</b>	Fourth week of July, 2013 - Unaudited Results for the quarter and three months ended June 30, 2013.  First week of November, 2013- Unaudited Results for the quarter and sixmonths ended September 30, 2013.  First week of February, 2014 - Unaudited Results for the quarter and nine months ended December 31, 2013.  Fourth week of May, 2014 - Audited Results for the year ended March 31, 2014
<b>Listing on Stock Exchanges</b>	National Stock Exchange, Mumbai (Scrip Code - GOKEX) Bombay Stock Exchange, Mumbai (Scrip Code - 532630)
<b>International Securities Identification Number (ISIN)</b>	INE887G01027
<b>Corporate Identification Number (CIN)</b>	L18101KA2004PLC033475

The Company has paid annual listing fees, as prescribed, to the National Stock Exchange of India Limited and Bombay Stock Exchange Limited, Mumbai for the Financial Year 2013-14.

### Custodial Fee

Pursuant to the Securities and Exchange Board of India (SEBI) Circular No.MRD/DoP/SE/DEP/CIR-4/2005 dated 28th January, 2005 and MRD/DoP/SE/DEP/CIR-2/2009 dated February 10, 2009, Issuer Companies are required to pay custodial fees to the depositories. Accordingly, the Company has paid custodial fee for the year 2013-14 to NSDL and CDSL on the basis of the number of beneficial accounts maintained by them as on 31st March 2013.

### Registrar & Share Transfer Agents:

Share registration and other investor related activities are carried out by our Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited for both Physical and Demat securities. Their address is given below:

#### ***Karvy Computershare Private Limited***

Plot No.17-24, Vithal Rao Nagar,  
Madhapur, Hyderabad - 500 081  
Tel: +91 40 2342 0818, Fax: + 91 40 2342 0814  
E-mail: einward.ris@karvy.com, www.karvycomputershare.com  
Contact person: MrSreedharmurthy / Mrs. SravanthiKodali

### Share Transfer System:

Shares sent for transfer in physical form are registered and dispatched within 15 days of receipt of the documents, if documents are found to be in order. Shares under objection are returned within 15 days. Monitoring of Share Transfers and other investor related matters are dealt with by the Shareholders' Grievance Committee. The Company's Registrars, M/s. Karvy Computershare Private Limited process the share transfers in respect of physical securities on a fortnightly basis and the processed transfers are approved by the authorized Executives of the Company also on a fortnightly basis. All requests for dematerialization of shares, which are in order, are processed within 15 days and the confirmation is given to the respective depositories, i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

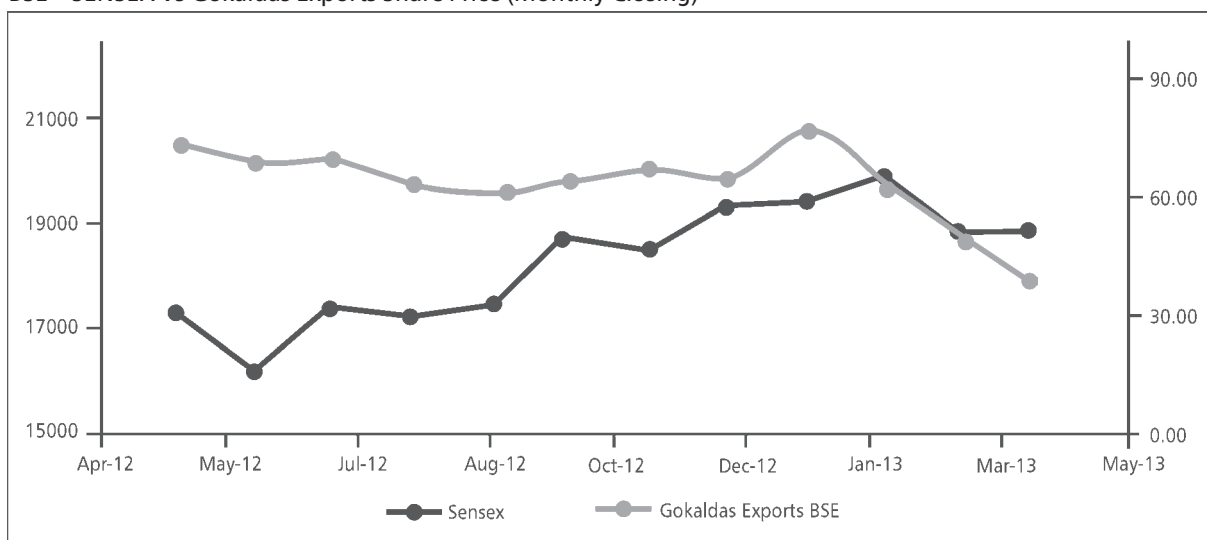
# CORPORATE GOVERNANCE REPORT

## Stock price Data:

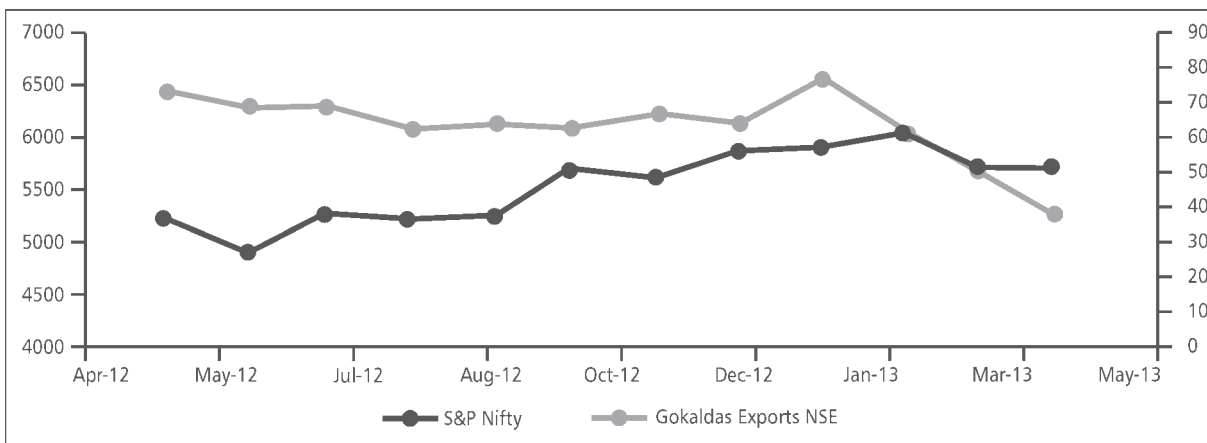
Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High (Rs)	Low (Rs)	No of shares traded	High (Rs)	Low (Rs)	No of shares traded
April-12	78.00	72.00	782	76.00	72.00	891
May-12	71.45	67.15	258	71.85	66.60	675
Jun-12	72.80	68.75	101	72.00	68.90	1,461
Jul-12	63.20	62.00	161	67.95	62.00	276
Aug-12	64.90	58.10	442	63.90	60.30	1,082
Sep-12	63.00	61.15	1,830	63.80	60.10	624
Oct-12	66.70	65.45	5,484	66.65	61.55	2,518
Nov-12	70.00	63.10	297	71.85	62.00	2,846
Dec-12	77.20	67.70	47,960	76.40	67.05	70,220
Jan-13	62.30	61.00	202	61.35	61.15	123
Feb-13	54.00	46.80	930	50.75	48.00	1,396
Mar-13	37.40	36.00	3,194	38.70	35.40	12,410

## Stock Performance:

### BSE – SENSEX Vs Gokaldas Exports Share Price (Monthly Closing)



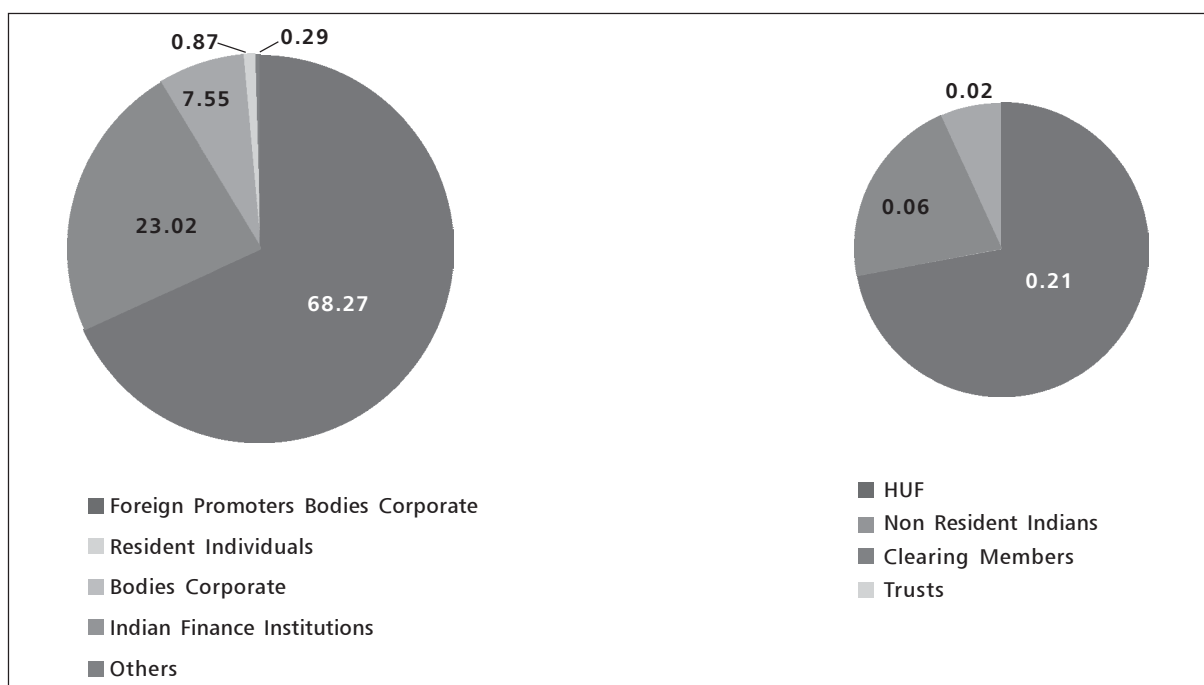
### NSE – S&P CNX NIFTY V/s Gokaldas Exports Share Price (Monthly Closing)



# CORPORATE GOVERNANCE REPORT

## Shareholding Pattern as on March 31, 2013:

Sno	Description	Cases	Shares	%Equity
1	Foreign Promoters Bodies Corporate	1	23,469,242	68.27
2	Resident Individuals	9,576	79,13,541	23.02
3	Bodies Corporate	228	2,596,816	7.55
4	Indian Financial Institutions	1	299,484	0.87
5	H U F	355	70,690	0.21
6	Non Resident Indians	118	21,004	0.06
7	Clearing Members	13	5,208	0.02
8	Trusts	1	15	0.00
	<b>Total:</b>	<b>10,293</b>	<b>34,376,000</b>	<b>100.00</b>



Sl. No.	DP Id	Folio/ Client ID	Name of concern/ person	Shares	% Equity
1	IN301348	20015218	Blackstone FP Capital Partners (Mauritius) V- B Subsidiary Ltd.	23469242	68.27
2	IN301549	33506698	Dinesh J Hinduja	2228464	6.48
3	IN301926	30583450	Madanlal J Hinduja	1914158	5.57
4	IN301926	30583435	Rajendra J Hinduja	1914138	5.57
5	IN302927	10137278	Shinano Retail Private Limited	1413513	4.11
6	IN302927	10119135	Arimas Trading Private Limited	867000	2.52
7	IN301926	30583484	Aswin R Hinduja	377596	1.10
8	IN301549	33047240	VivekHinduja	314654	0.92
9	IN300812	10000012	Life Insurance Corporation of India	299484	0.87
10	IN301549	37418034	Khushboo Rajiv Poddar	65000	0.19

# CORPORATE GOVERNANCE REPORT

## Distribution of Shareholding on March 31, 2013:

Slno	Category (Shares)	No. of Holders	% To Holders	Total Shares	Amount	% of Amount
1	1 - 5000	10092	98.05	724,826	3,624,130	2.11
2	5001 - 10000	104	1.01	153,126	765,630	0.45
3	10001 - 20000	46	0.45	128,786	643,930	0.37
4	20001 - 30000	18	0.17	93,994	469,970	0.27
5	30001 - 40000	5	0.05	36,191	180,955	0.11
6	40001 - 50000	5	0.05	47,878	239,390	0.14
7	50001 - 100000	6	0.06	87,162	435,810	0.25
8	100001 and above	17	0.17	33,104,037	165,520,185	96.30
	<b>TOTAL:</b>	<b>10,293</b>	<b>100.00</b>	<b>34,376,000</b>	<b>171,880,000</b>	<b>100.00</b>

## Dematerialization of shares and Liquidity as on March 31, 2013:

Sl. No.	Category	No. of Holders	Total Shares	% To Equity
1	PHYSICAL	26	589	0.00
2	NSDL	8,030	33,996,395	98.90
3	CDSL	2,237	379,016	1.10
	<b>Total:</b>	<b>10,293</b>	<b>34,376,000</b>	<b>100.00</b>

## No of Shares in Demat form as on March 31, 2012

No of Shares	% of Shares	No of Shareholders	% of Shareholders
34,375,411	100.00	10,267	99.75

## Plant Location

Sl. No. Address	Sl. No. Address
1. Atlantic Apparels – III – Hyderabad Survey No. A-7/1, Nacharam, Rangareddy District, Hyderabad. Andhra Pradesh	8. Gokaldas Exports Ltd, R &D - III # 76/1, II & III Floor, Mission Road, Kalingaroo Road, Bengaluru-560 027. Karnataka
2. Carnival Clothing Co, No.2/A-1, Chikkaveeranna Road Cross, Bannimantap Etn, Mysore – 15, Karnataka	9. Gokaldas Exports Ltd Sez Division, Plot No.6/1, Phase - 2, Mepz - Sez, Tambaram, NH - 45, Chennai - 600 045. Tamil Nadu
3. Carnival clothing company-II Benganur Village Bangarpet - KGF Road, Bangarpet, Karnataka	10. Global Garments -Unit-I No.17/1-38/4 Industrial Suburb, Bengaluru, Karnataka
4. Dressmaster Suits, No.76/77, 6th Main, 3rd Phase, Peenya Industrial Area, Bengaluru - 560 058, Karnataka	11. Global Garments-III, No.44, 3rd Cross, Industrial Suburb, Yeshwanthpur, Bengaluru-560 022. Karnataka
5. Euro Clothing Co - I, No.122/1, Doddabidarakallu Village, Yeshwanthpur – 560 022 Bengaluru. Karnataka	12. Gokaldas India, No.21C & 21B, Survey No.34,35,36 & 37, Nallakadarannahalli, Peenya II Stage, Industrial Area, Peenya, Bengaluru-560 058. Karnataka
6. Euro Clothing Company II T.B.Road Srirangapatna, Mandya, Karnataka	13. Hinduja Proc & Fins Unit, No.2, 5th Cross, Mysore Road, Bengaluru-560 023. Karnataka
7. Gokaldas Exports Ltd, R &D -I No.70, Mission Road, Bengaluru-560 027, Karnataka	14. Hinduja Sports Wear, No.73/19/5, Industrial Suburb, Yeshwanthpur, Bengaluru-560 022. Karnataka

## CORPORATE GOVERNANCE REPORT

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Sl. No. Address	Sl. No. Address
15. International Clothing Company – I #B2, B3 & B4, Indl Estate, Madanapalli -517 325. Andhra Pradesh	24. Luckytex-III, No.17/A-34/A-1, Industrial Suburb, Yeshwanthpur, Bengaluru-560 022. Karnataka
16. International Clothing Company-II Survey No.113, Hongasandra Village, Begur Hobli, (Near Bhondary Factory) 7th Mile, Hosur Road, Bengaluru-560 068, Karnataka	25. Sri Krishna Industries, No.25/26, 3rd Main Road, Industrial Suburb, Yeshwanthpur, Bengaluru-560 022. Karnataka
17. International Clothing Company-IV Survey No.112,A Block, Near Bhandary Factory, 7th Mile, Hosur Road, Bengaluru-560 068, Karnataka	26. Triangle Apparels-I, Site No.804/75, 7th Ward, Near Tilak Park Police Station, Jayapure Road, Tumkur - 01. Karnataka
18. Intex I, No.31, Magadi Road, Bengaluru-560 023, Karnataka	27. Triangle Apparels-II, No.106/5,6,7,8,9, Rachenahalli, Arabic College Post, Bengaluru-560 045. Karnataka
19. The Intex II, #26, 2nd Cross, 3rd Main Road, Industrial Suburb, Yeshwanthpur, Bengaluru-560 022 Karnataka	28. Triangle Apparels – VI, # 25/26, 3rd Main Road, Industrial Suburb, Yeshwanthpur, Bengaluru – 22, Karnataka
20. The Intex V, #13 & 4, 1st A Cross Kamakshipallya, Magadi Main Road Bengaluru - 560 079, Karnataka	29. The Unique Creations, No.44, Industrial Suburb, 3rd Main, II Stage, Yeshwanthpur, Bengaluru-560 022, Karnataka
21. Indigo Blues, Plot No-2, KIADB Industrial Area, Doddaballapur - 581 203. Karnataka	30. Venkateshwara Clothing Company – II No.10, KHB, Colony Industrial Area, Yelahanka, Bengaluru - 64. Karnataka
22. J.D.Clothing Company, No.9, Rajajinagar Industrial Estate, Bengaluru-560 010. Karnataka	31. Wearcraft Apparels – I No.17/1-38/4-1, Industrial Suburb, Yeshwanthpur, Bengaluru-560 022. Karnataka
23. Luckytex Unit-I No.17/A-34/A-1 Industrial Suburb, Bengaluru, Karnataka	32. The Wearwel II Industrial Estate N.H-206, Tiptur, Karnataka

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### Address for Correspondence

Registered office  
# 70 Mission Road, Bengaluru 560027  
Phones: 80-22223600 / 1 / 2 / 41272200  
Fax : 91-80- 22274869 / 22277497  
Email: gokex@vsnl.com  
investorcare@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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## CEO AND CFO CERTIFICATE

We, Gautam Chakravarti, CEO and Sumit Keshan CFO of Gokaldas Exports Limited, certify that:

- 1) We have reviewed the Balance Sheet and Profit and Loss account (standalone and consolidated), and all the schedules and notes on accounts, as well as the Cash Flow Statements and the Directors' Report.
- 2) Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made.
- 3) To the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's Code of Conduct.
- 4) We are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company, and we have:
  - (i) Designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
  - (ii) To provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.
  - (iii) Evaluated the effectiveness of the Company's disclosure, controls and procedures.
  - (iv) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
- 5) We have disclosed, based on our most recent evaluation, wherever applicable, to the Company's auditors and the audit committee of the Company's Board of Directors (and persons performing the equivalent functions):
  - a. There were no deficiencies in the design or operation of internal controls, that could adversely affect the company's ability to record, process, summarize and report financial data, and there have been no material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies.
  - b. There were no significant changes in internal controls during the year covered by this report.
  - c. All significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements.
  - d. There were no instances of fraud of which we are aware, that involve the Management or other employees who have a significant role in the Company's internal control system.
- 6) We further declare that all Board members and senior managerial personnel have affirmed compliance with the Code of conduct for the current year.

For Gokaldas Exports Limited

Place: Bengaluru  
Date: March 31, 2013

Gautam Chakravarti  
Chief Executive Officer

Sumit Keshan  
Chief Financial Officer



# 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 March 31, 2013, as stipulated in clause 49 of the Listed 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 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.

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 **Girish Murthy & Kumar**  
Chartered Accountants  
Firm Registration Number: 0009345

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

Place : Bengaluru  
Date : August 22, 2013

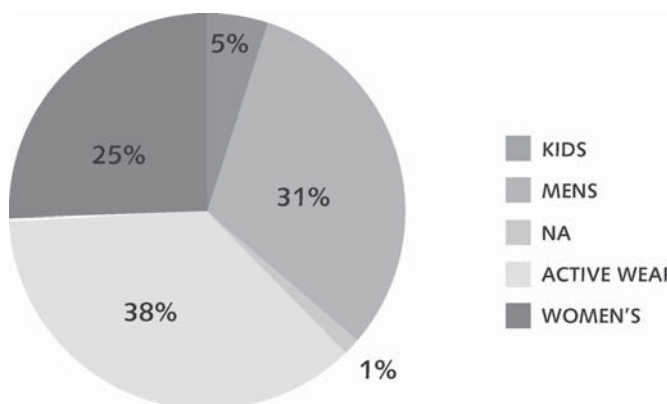
# MANAGEMENT DISCUSSION AND ANALYSIS

## Introduction

Gokaldas Exports Limited (GEL) is one of the leading apparel exporters of India serving large global retailers since its inception in the year 1978. GEL, an ISO 9001:2001 certified company, operates from 32 units spread across states of Karnataka, Tamil Nadu and Andhra Pradesh and has installed capacity to produce more than 2.5 million garments per month. GEL provides employment to 33,000 people.

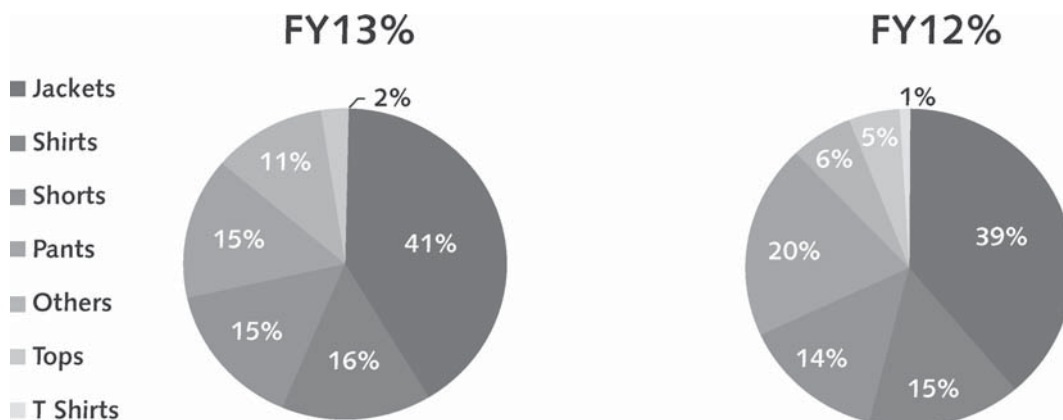
GEL blends its manufacturing expertise with state of the art design capabilities to provide multiproduct offerings; sustained reliability weaved with consistent quality to meet changing demands from customers at right cost: from design to delivery.

GEL has a diversified product portfolio across various categories of garments for men, women and children. GEL's expertise lies in manufacturing outerwear which very few manufacturers in India can match. Below chart depicts various categories catered to by GEX:



The following graph shows the product mix of past two years. There has been a shift towards the jackets and outerwear products in FY 2012-13 signifying move towards value added products. Also, below exhibit illustrates the wide range of products to meet our customer needs and continuously build upon capabilities to cater to the changing market requirements.

### Category Movement



## Industry Scenario

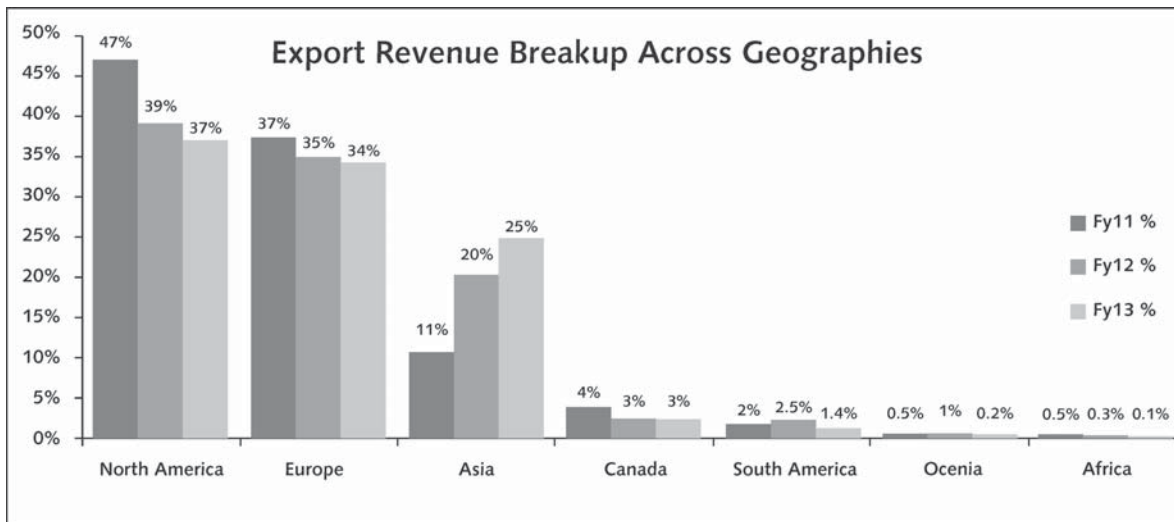
Growth in global apparel trade market with Asia increasingly becoming the hub of global production.

The global apparel trade market is USD 350bn and is expected to grow in single digit going forward. Low cost Asian countries continue to increase their share of business in terms of export volumes.

Our key markets continue to be USA and Europe, with increase in share from Asia. At the same time, share of business from domestic market is on a rise too. It presents opportunity for us as the Indian retail market continues reshaping itself from unorganized to organized structure.

## MANAGEMENT DISCUSSION AND ANALYSIS

Our revenue share from various geographical locations in 2010-11, 2011-12 and 2012-13 is given below-



There is a shift in geography wise revenue share in FY 13 over FY12 and FY11 due to increased demand from Asian economies.

Overall there has not been any upward movement in global demand for our sector; in fact some of the key countries have shown sharp reduction. This has led to volume and pricing pressures starting at retail outlet level and impacting entire supply chain with perhaps the largest impact being felt by the manufacturers. Coupled with this, inflation in India has hurt us significantly. In addition, intensity of competition from countries like Bangladesh, Vietnam and Indonesia continued to be felt in this fiscal.

### Opportunities and Challenges

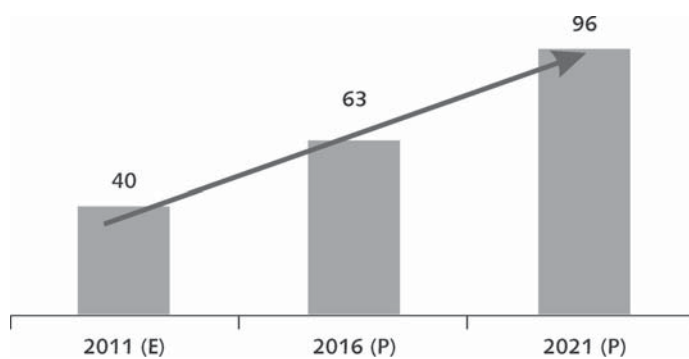
India has distinctive competitive advantage over many other competing countries, if provided with a level playing field, it has the potential to grow rapidly as India's market share is less than 4% in the global apparel trade. India could credibly challenge the dominance of China in apparel exports, which is currently producing USD 120 bn in apparel exports

- India has a large fibre base; it is the 3rd largest cotton producing country in the world (second only to US and China).
- The country has developed a large spinning and weaving industry, it is the 2nd largest cotton yarn exporter
- The country has a large pool of skilled labor
- The industry has developed design and product development capabilities
- The country has developed an integrated and efficient supply chain
- The country has higher compliance standards as compared to some of the Asian counterparts.
- Unlike its competition in Asia, India has a stable political and social environment, which is attractive to buyers in North America and Europe
- The growing domestic demand is a big opportunity which can be capitalized by the industry.

### Macroeconomic scenario:

- Rising wage costs in China (Salary inflation of 15% over the last 4 years) - Wage rates in South China are 400 USD and North China are 250 USD. In comparison, wage rates in India are 150 USD (40% to 60% of wage levels in China)
- Growing opportunities in North China is leading to migration of workers and business to the North. This is making it more expensive to transport goods from inland China to the coast
- With growing domestic demand, China has started focusing on meeting this rising demand
- Bangladesh Exports in June 2013 were USD 2.7 Billion which showed a growth of 16% on YOY basis.
- Bangladesh exports continue to enjoy duty benefits for imports in certain European countries.
- High inflation in most of the South Asian apparel export countries except China.

## MANAGEMENT DISCUSSION AND ANALYSIS



### Domestic Apparel Market (USD bn)

Growth in Domestic Apparel market:

- The Domestic apparel market is 40 bn dollars and is expected to grow at a CAGR of 9%
- An increasing number of international brands across formats are foraying into India to leverage the potential in the country.

However above opportunities are not without the challenges stemming from macroeconomic forces, a few of these challenges that apparel industry continue to face are-

- Sluggish global demand due to weak western economies
- Continuing pricing pressures due to uncertain consumer sentiment and ripple effect across the value chain
- Wage and cost inflation- wage costs continue to rise on account of increased minimum wages and availability of skilled labor at competitive prices
- Diminishing policy support by the government –market share shifting to Southeast Asian countries/Bangladesh.
- Uncertain raw material prices due to heavy dependency on weather.

It can be seen from the below table, Exports to USA from India has come down by 4% over FY12. This also indicates increase in market share for countries like Bangladesh, Vietnam, Indonesia and China.

USA Apparel Imports from Key countries

Country	USD Mn Year FY-2012	USD Mn Year FY-2013	Growth over FY 12	Market Share in 2012	Market Share in 2013
India	3173	3041	-4%	4.1%	3.9%
Bangladesh	4494	4631	3%	5.8%	5.9%
China	9793	10143	4%	12.6%	13.0%
Vietnam	6824	7429	9%	8.8%	9.5%
Indonesia	5008	5057	1%	6.4%	6.5%
World	77823	77921	0%	100%	100%

\*Source- Ministry of Commerce, US. Government

### Key Focus Areas

The company has formulated its strategies and identified key focus areas to improve performance in the current environment.

1. Top line growth – Strong focus on growing the top line by increasing share of business with existing customers
2. Strengthen presence in new product categories such as swim wear, work wear, sleeping bags
3. Increase share of domestic market and tap into its aggressive growth
4. Target capturing share of China business in the back drop of current challenges in China
5. Improvement in operational efficiencies through lean initiatives
6. Sustained focus on financial management and profitability improvement

### Risks and concerns

As an export driven enterprise with 80% revenues being denominated in USD/EURO, we are exposed to currency fluctuation risks. Forex related risks are being mitigated through robust foreign currency risk management practices.

Rise in wage costs and inflationary conditions in the country may have an adverse impact on the profitability of the company. Additionally customers may expect better prices from us in the current macroeconomic scenario

Any change in government policies which adversely impacts us may hurt our competitiveness – eg, adverse GST rules, changes in exports incentives, increase in service tax etc.

## MANAGEMENT DISCUSSION AND ANALYSIS

Similarly, change in government policies of competitive countries favoring the respective country's industry may affect the competitiveness of the Indian apparel industry.

### 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 function to monitor, review and update internal controls on an ongoing basis. The Company has put in place a well-defined organization structure, authority levels and internal guidelines for conducting business transactions.

The Company has appointed independent internal auditors, who monitor and review transactions independently and report directly to the Audit Committee, which consists of entirely independent directors, on quarterly basis. The Internal Auditors conduct audit on all key business areas as per 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 are reviewed by the Board.

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.

### 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.

Some of the key performance indicators are given below

Particulars (Consolidated)	Rs in Lacs	
	2011-12	2012-13
Gross Revenue	1,03,020	98,979
Profit Before Tax ( PBT)	(13,162)	(10,813)
Ratio of PBT to Gross Revenue	-12.8%	-10.9%
Profit After Tax	(13,237)	(10,944)
Ratio of PAT to Gross Revenue	-12.8%	-11.0%
Earnings Per Share ( EPS) Rs.	(38.5)	(31.8)

### Human Resources

We believe that people are our greatest asset and we compete for business through the people we employ. Various learning and development initiatives have been undertaken during the year to strengthen the human capital of the company. Periodic skill up-gradation has been a continuous process.

The HR processes and employee engagement activities supplement the facilitation of better performance and skill evaluation, higher employee satisfaction and skill and career development of our employees.

As in the past, the industrial relations continue to remain cordial at all factories / units of the Company. The Company has around 33,000 employees as on March 31, 2013.

### 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.*

# INDEPENDENT AUDITOR'S REPORT

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## To the Members of Gokaldas Exports Limited

### Report on the Financial Statements

We, Girish Murthy & Kumar and S.R. Batliboi & Co. LLP have audited the accompanying financial statements of Gokaldas Exports Limited ("the Company"), which comprise the balance sheet as at March 31, 2013, the statement of profit and loss and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the statement of profit and loss, of the loss for the year ended on that date; and
- (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. 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 Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The balance sheet, statement of profit and loss, and cash flow statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the balance sheet, statement of profit and loss, and cash flow statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

## INDEPENDENT AUDITOR'S REPORT

---

- (e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

**For Girish Murthy & Kumar**

ICAI Firm Registration No: 000934S

Chartered Accountants

**per A.V. Satish Kumar**

Partner

Membership No: F- 26526

Place: Bengaluru

Date: May 20, 2013

**For S.R. Batliboi & Co. LLP**

ICAI Firm Registration No: 301003E

Chartered Accountants

**per Navin Agrawal**

Partner

Membership No: 56102

Place: Bengaluru

Date: May 20, 2013

# ANNEXURE TO AUDITORS' REPORT

## Annexure referred to in paragraph 1 of our report of even date

Re: Gokaldas Exports Limited ('the Company')

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, *but the location details are in process of being updated for certain 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 disposal of a substantial part 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) According to the information and explanations given to us, 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. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.  
 (b) According to information and explanations given to us, 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. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- 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 an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services, including sale of surplus inventories for which management is taking steps to further strengthen the process. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company 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 Companies Act, 1956 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 and exceeding the 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. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, related to the manufacture of apparel and clothing, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- ix. (a) 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 have generally been regularly deposited with the appropriate authorities *though there has been serious delay in payment of dues to Investor Education and Protection Fund.*  
 (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, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable, except for the following:

Name of Statute	Nature of dues	Amount (Rs. in lakhs)	Period to which the amount relates	Due date	Date of payment
The Companies Act, 1956	Investor Education and Protection Fund	0.26	August 2005	August 2012	Not paid



## 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 statute	Nature of dues	Demand Amount (Rs. in lakhs)	Amount paid (Rs. in lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Various disallowances	278.43	25.00	AY 1995-96	Income Tax Appellate Tribunal
		3.13	3.13	AY 2009-10	Commissioner of Income Tax (Appeals)
Finance Act, 1994	Service tax demand	1.10	1.10	FY 2005-2006	Central Excise and Service Tax Appellate Tribunal (CESTAT)
The Karnataka Municipal Corporations Act, 1976	Property tax	165.81	-	FY 2008-09 to 2012-13	-

- x. *The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth and it has 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 banks. The Company did not have any outstanding dues in respect of a financial institution and has not issued any debentures.
- xii. According to the information and explanations given to us and based on the documents and records produced before us, 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 overall examination of the balance sheet of the Company, *we report that funds amounting to Rs. 10,818.09 lakhs raised on short term basis, have been used for long term investment, mainly towards funding of losses.*
- 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 during the financial year through public issue.
- 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 year.

**For Girish Murthy & Kumar**  
ICAI Firm Registration No: 0009345  
Chartered Accountants

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

Place: Bengaluru  
Date: May 20, 2013

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

**per Navin Agrawal**  
Partner  
Membership No: 56102

Place: Bengaluru  
Date: May 20, 2013

# BALANCE SHEET AS AT MARCH 31, 2013

All amounts in Indian Rupees in lakhs, except stated otherwise

	Notes	As at March 31, 2013	As at March 31, 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's funds</b>			
Share capital	4	1,718.80	1,718.80
Reserves and surplus	5	10,496.13	21,055.70
		<b>12,214.93</b>	<b>22,774.50</b>
<b>Non-current liabilities</b>			
Long-term borrowings	6	-	526.00
Long-term provisions	7	484.87	372.88
		<b>484.87</b>	<b>898.88</b>
<b>Current liabilities</b>			
Short term borrowings	8	31,166.38	24,465.86
Trade payables	9	11,711.07	6,535.76
Other current liabilities	9	6,178.94	4,351.91
Short term provisions	7	434.44	513.49
		<b>49,490.83</b>	<b>35,867.02</b>
		<b>62,190.63</b>	<b>59,540.40</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
Tangible assets	10	18,625.76	19,959.43
Intangible assets		136.12	424.99
Capital work-in-progress		19.37	477.83
		<b>18,781.25</b>	<b>20,862.25</b>
Non-current investments	11	3,218.43	3,218.43
Long-term loans and advances	12	1,427.52	1,864.36
Other non-current assets	13	90.69	823.85
		<b>23,517.89</b>	<b>26,768.89</b>
<b>Current assets</b>			
Current investments	14	1,000.00	2,439.81
Inventories	15	24,433.92	16,810.54
Trade receivables	16	7,799.44	6,217.24
Cash and bank balances	17	1,386.00	3,972.72
Short-term loans and advances	12	1,483.24	1,568.57
Other current assets	13	2,570.14	1,762.63
		<b>38,672.74</b>	<b>32,771.51</b>
		<b>62,190.63</b>	<b>59,540.40</b>
Summary of significant accounting policies	2.1		

The accompanying notes are integral part of the financial statements.

As per our report of even date

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

**per A.V. Satish Kumar**  
Partner  
Membership No. F-26526  
Place: Bengaluru  
Date: May 20, 2013

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

**per Navin Agrawal**  
Partner  
Membership No: 56102  
Place: Bengaluru  
Date: May 20, 2013

**For and on behalf of  
Board of Directors**

**Richard B Saldanha**  
Chairman

**Gautam Chakravarti**  
Director & Chief Executive Officer

**Sumit Keshan**  
Chief Financial Officer

**Naveen Chandra Prakash**  
Company Secretary  
Place: Bengaluru  
Date: May 20, 2013

# STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2013

All amounts in Indian Rupees in lakhs, except stated otherwise

	Notes	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>INCOME</b>			
Revenue from operations (gross)	18	98,640.67	102,819.31
Less: excise duty		1,684.46	2,612.66
Revenue from operations (net)		96,956.21	100,206.65
Other income	19	331.57	421.07
		<b>97,287.78</b>	<b>100,627.72</b>
<b>Expenses</b>			
Cost of raw materials consumed	20	52,640.38	57,299.49
(Increase) / decrease in inventories of finished goods and work-in-progress	21	(2,022.75)	605.61
Employee benefits expense	22	12,370.84	11,241.16
Other expenses	23	38,636.25	37,572.76
Depreciation and amortisation expense	24	3,097.15	3,301.67
Finance costs	25	3,753.21	3,941.85
		<b>108,475.08</b>	<b>113,962.54</b>
Loss before tax		(11,187.30)	(13,334.82)
<b>Tax expense:</b>			
Current tax		-	-
Tax of earlier years - charge / (credit)		0.74	(58.69)
		0.74	(58.69)
Net loss for the year		<b>(11,188.04)</b>	<b>(13,276.13)</b>
Earnings per equity share - (Basic and Diluted) [nominal value per share : Rs. 5]	32	(32.55)	(38.62)
Summary of significant accounting policies	2.1		

The accompanying notes are integral part of the financial statements.

As per our report of even date

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

**per A.V. Satish Kumar**  
Partner  
Membership No. F-26526  
Place: Bengaluru  
Date: May 20, 2013

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

**per Navin Agrawal**  
Partner  
Membership No: 56102  
Place: Bengaluru  
Date: May 20, 2013

**For and on behalf of  
Board of Directors**

**Richard B Saldanha**  
Chairman

**Gautam Chakravarti**  
Director & Chief Executive Officer

**Sumit Keshan**  
Chief Financial Officer

**Naveen Chandra Prakash**  
Company Secretary  
Place: Bengaluru  
Date: May 20, 2013

# CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

*All amounts in Indian Rupees in lakhs, except stated otherwise*

PARTICULARS	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Loss before tax	(11,187.30)	(13,334.82)
Adjustments		
Depreciation and amortisation expense	3,097.15	3,301.67
Provision for diminution in value of non current investments	-	203.39
Provision for doubtful deposits and advances	221.55	474.05
Irrecoverable balances written off	147.02	1,372.16
Bad debts written off	22.17	316.50
Unrealised foreign exchange losses / (gains) (net)	36.08	143.30
(Profit)/Loss on sale of assets (net)	(31.03)	3.15
(Profit)/Loss on sale of investments	(56.28)	(65.32)
Interest expense	2,860.25	2,205.71
Interest earned	(189.06)	(93.04)
Dividend on investments	(5.98)	(213.99)
<b>Operating loss before working capital changes</b>	<b>(5,085.43)</b>	<b>(5,687.24)</b>
(Increase)/Decrease in inventories	(7,623.38)	12,126.22
(Increase)/Decrease in trade receivables	(1,630.61)	1,967.26
(Increase)/Decrease in other non current assets	766.37	697.73
(Increase)/Decrease in other current assets	(452.75)	302.51
(Increase)/Decrease in non current loans and advances	(103.43)	(1,314.83)
(Increase)/Decrease in current loans and advances	84.56	530.86
Increase/(Decrease) in trade payables	5,180.92	729.87
Increase/(Decrease) in other current liabilities	2,589.13	923.67
Increase/(Decrease) in long term provisions	111.99	201.44
Increase/(Decrease) in short term provisions	(79.05)	257.83
<b>Cash Generated from /(used in) Operations</b>	<b>(6,241.68)</b>	<b>10,735.32</b>
Direct taxes (paid) / refund received, net	(34.58)	306.91
<b>Net Cash Flow from /(used in) operating activities</b>	<b>(6,276.26)</b>	<b>11,042.23</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Interest received	253.28	27.81
Purchase of fixed assets	(1,070.65)	(1,093.03)
Proceeds from sale of fixed assets	82.04	110.10
Dividends received	5.98	213.99
Deposits redeemed (maturity more than 3 months)	2,500.00	163.62
Deposits made (maturity more than 3 months)	(11.37)	(2,506.41)
Purchase of current investments	(1,005.98)	(7,427.00)
Proceeds from sale of current Investments	2,502.07	6,515.37
<b>Net Cash Flow from / (used in) investing activities</b>	<b>3,255.37</b>	<b>(3,995.55)</b>

# CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

All amounts in Indian Rupees in lakhs, except stated otherwise

PARTICULARS	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from packing credit	82,032.37	70,996.05
Repayment of packing credit	(75,347.92)	(75,861.70)
Repayment of term loans	(864.00)	(1,064.00)
Interest paid	(2,864.45)	(2,213.65)
<b>Net Cash Flow from / (used in) financing activities</b>	<b>2,956.00</b>	<b>(8,143.30)</b>
<b>D. Net Increase / (Decrease) in Cash &amp; Cash Equivalents (A + B + C)</b>	<b>(64.89)</b>	<b>(1,096.62)</b>
<b>E. Opening Balance of Cash &amp; Cash Equivalents</b>	<b>1,394.47</b>	<b>2,491.09</b>
<b>F. Closing Balance of Cash &amp; Cash Equivalents</b>	<b>1,329.58</b>	<b>1,394.47</b>
<b>Components of Cash and Cash Equivalents</b>		
Cash on hand	28.91	22.04
Balance with banks :		
-- in deposit accounts	850.00	-
-- in current accounts	449.60	1,371.36
-- in unpaid dividend accounts (restricted use)	1.07	1.07
	<b>1,329.58</b>	<b>1,394.47</b>

As per our report of even date

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

**per A.V. Satish Kumar**  
Partner  
Membership No. F-26526  
Place: Bengaluru  
Date: May 20, 2013

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

**per Navin Agrawal**  
Partner  
Membership No: 56102  
Place: Bengaluru  
Date: May 20, 2013

**For and on behalf of  
Board of Directors**

**Richard B Saldanha**  
Chairman

**Gautam Chakravarti**  
Director & Chief Executive Officer

**Sumit Keshan**  
Chief Financial Officer

**Naveen Chandra Prakash**  
Company Secretary  
Place: Bengaluru  
Date: May 20, 2013

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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*(All amounts in Indian Rupees in lakhs, except stated otherwise)*

## 1. Corporate Information

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 a public company domiciled in India and its shares are listed on two stock exchanges in India. 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.

## 2. Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP) and complies in all material respects with the notified accounting standards under Companies (Accounting Standards) Rules (as amended), 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 and derivative financial instruments which have been measured at fair value. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

### 2.1 Summary of Significant accounting policies

#### a) 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 revenues, expenses, 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, uncertainty about these assumptions and estimates could result in outcomes requiring material adjustment to the carrying amounts of assets and liabilities in future periods.

#### b) 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 and where there is reasonable assurance that the enterprise will comply with the conditions attached to them.

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 as at reporting date.

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.

#### c) 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, GBP 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 the Company Law and other regulatory requirements.

Based on the recognition and measurement principles of hedge accounting set out in AS 30, the effective portion on changes in the fair values of derivative financial instruments designated as cash flow hedges are

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

recognized directly in reserves/ equity and are reclassified to the statement of profit and loss upon the occurrence of the hedged transaction. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the statement of profit and loss. Changes in fair value relating to derivatives not designated as hedges are recognized in the statement of profit and loss.

Hedge Accounting is discontinued when the hedging instrument expires or is sold, or terminated, or exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument is recognised in hedging reserve is transferred to profit and loss account when forecasted transaction occurs or when a hedged transaction is no longer expected to occur.

## d) 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. Any trade discounts and rebates are deducted in arriving at the purchase price.

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	10.00%
Plant & Machinery	13.91%
Electrical Equipments	13.91%
Office Equipments	13.91%
Furniture & Fixtures	18.10%
Computers	40.00%
Vehicles	25.89%
Computer Software (Intangibles)	40.00%

Assets individually costing Rs. 5,000 or less are depreciated at 100% per annum. Leasehold improvements are depreciated over the primary lease period or useful life, whichever is lower which ranges between 5 to 10 years. Intangible assets comprising of Know-how (Process improvement costs) are amortized over 36 months.

## e) Borrowing Costs

Borrowing costs includes interest, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs attributable to acquisition and construction of qualifying assets that necessarily takes substantial period of time to get ready for its intended use are capitalized as a part of the cost of such asset. All other borrowing costs are expensed in the period they occur.

## f) Impairment of tangible and intangible assets

At each reporting 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 statement of profit and loss 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 using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

## g) 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.

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

*(All amounts in Indian Rupees in lakhs, except stated otherwise)*

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. Cost of finished goods includes excise duty.

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.

## **h) 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.

## **i) Government Grants and subsidies**

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.

## **j) Investments**

Investments that are readily realizable and intended to be held for not more than a year from the date on which such investments are made, 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. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged / credited to statement of profit and loss.

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

### **(i) Defined Contribution Plans:**

Contributions to provident fund are made at pre-determined rates and charged to the statement of profit and loss for the year when the employee renders the services. The Company has no obligation, other than the contribution payable to the provident fund.

### **(ii) Defined Benefit Plans:**

Gratuity liability is accrued in the books based on actuarial valuation on projected unit credit method as at reporting date. Actuarial gains or losses are immediately taken to statement of profit and loss and are not deferred.

### **(iii) Compensated absences:**

Accumulated leave, which is expected to be utilised within the next twelve months, is treated as short-term employee benefit. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the basis of an actuarial valuation using the projected unit credit method at the year end. Actuarial gains or losses are immediately taken to statement of profit and loss and are not deferred. The Company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for twelve months after the reporting date.



# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

## **l) Taxation**

Tax expense comprises current and deferred tax. Current income tax is 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 reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. 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 reporting 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 reporting 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.

Minimum Alternative Tax ('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 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 statement of profit and loss and shown as MAT Credit Entitlement. The Company reviews the same at each reporting 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.

## **m) 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 statement of profit and loss on a straight-line basis over the lease term.

## **n) 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 reporting date. These are reviewed at each reporting date and adjusted to reflect the current best estimates.

## **o) Segment Reporting Policies**

### **(i) 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.

### **(ii) 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.

### **(iii) 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.

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

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*(All amounts in Indian Rupees in lakhs, except stated otherwise)*

## **p) 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.

## **q) Contingent Liability**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the controls of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

## **r) Cash and Cash equivalents**

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

3. During the year, the Company continued to incur substantial losses i.e. Rs 11,188.04 lakhs (2012 – Rs 13,276.13 lakhs) and has accumulated losses of Rs 15,377.95 lakhs (2012- Rs 4,189.91 lakhs) as at March 31, 2013. The management has taken several measures to cut costs and improve productivity and is reasonably confident of improved profitability in coming years. Based on the future business plan, the Company is confident of funding its operating and capital expenditure and continue business operations in the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	As at March 31, 2013	As at March 31, 2012
<b>4 SHARE CAPITAL</b>		
Authorised shares 40,000,000 (2012 : 40,000,000) equity shares of Rs. 5 each	2,000.00	2,000.00
Issued, subscribed and fully paid-up 34,376,000 (2012 : 34,376,000) equity shares of Rs. 5 each	<u>1,718.80</u>	<u>1,718.80</u>
	<u><b>1,718.80</b></u>	<u><b>1,718.80</b></u>

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares	31 March 2013		31 March 2012	
	No.	Amount	No.	Amount
At the beginning of the year	34,376,000	1,718.80	34,376,000	1,718.80
Outstanding at the end of the year	34,376,000	1,718.80	34,376,000	1,718.80

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 5 per share. Each holder of equity is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of directors is subject to the approval of the shareholders in ensuing Annual General Meeting.

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

(c) Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates

Equity shares of Rs. 5 each fully paid up	31 March 2013		31 March 2012	
	No.	Amount	No.	Amount
Holding company : Blackstone FP Capital Partners (Mauritius) V-B Subsidiary Limited	23,469,242	1,173.46	23,469,242	1,173.46

(d) Details of shareholders holding more than 5% shares in the Company

Equity shares	31 March 2013		31 March 2012	
	No.	Shareholding %	No.	Shareholding %
Blackstone FP Capital Partners (Mauritius) V-B Subsidiary Limited, Holding company	23,469,242	68.27%	23,469,242	68.27%
Dinesh J Hinduja	2,228,464	6.48%	2,228,464	6.48%
Madanlal J Hinduja	1,914,158	5.57%	1,914,158	5.57%
Rajendra J Hinduja	1,914,138	5.57%	1,914,138	5.57%

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	As at March 31, 2013	As at March 31, 2012
<b>5 RESERVES AND SURPLUS</b>		
<b>Capital reserves</b>		
Capital reserve (on amalgamation) balance as per last account	9,751.19	9,751.19
<b>Securities premium</b>		
Balance as per last account	13,721.31	13,721.31
<b>General reserve</b>		
Balance as per last account	2,192.09	2,192.09
<b>Hedging reserve</b>		
Balance as per last account	(418.98)	464.15
Changes during the year :		
Transferred to profit and loss account on occurrence of forecasted hedge transaction	418.98	(464.15)
Net changes in the fair value of effective portion of outstanding cash flow derivatives	209.49	(418.98)
	<u>209.49</u>	<u>(418.98)</u>
<b>Surplus / (deficit) in the statement of profit and loss</b>		
Balance as per last financial statements	(4,189.91)	9,086.22
Profit / (loss) for the year	(11,188.04)	(13,276.13)
Net surplus / (deficit) in the statement of profit and loss	<u>(15,377.95)</u>	<u>(4,189.91)</u>
	<b><u>10,496.13</u></b>	<b><u>21,055.70</u></b>

## 6 LONG-TERM BORROWINGS

	Non-current		Current Maturities	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Term loans (secured) :				
Indian rupee loan from banks	-	526.00	526.00	864.00
	<u>-</u>	<u>526.00</u>	<u>526.00</u>	<u>864.00</u>

Note :

- (a) Term Loan from banks was taken under Technology Upgradation Fund(TUF) scheme and carries interest @ 14.25%. The loan is repayable in 52 monthly installments of Rs. 72 lakhs commencing from September 2009. The loan is secured by hypothecation of plant and machinery acquired out of this TUF Loan.
- (b) Current maturities are disclosed under the head current liabilities [ Refer Note 9 ]

## 7 PROVISIONS

	Long term		Short term	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Provision for employee benefits				
Provision for gratuity [Refer Note 28]	484.87	372.88	72.81	151.85
Provision for leave benefits	-	-	361.63	361.64
	<u>484.87</u>	<u>372.88</u>	<u>434.44</u>	<u>513.49</u>

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	As at March 31, 2013	As at March 31, 2012
<b>8 SHORT-TERM BORROWINGS</b>		
Loans repayable on demand from banks (secured)		
Indian rupee packing credit loan	26,220.14	13,563.80
Foreign currency packing credit loan	4,946.24	10,902.06
	<u>31,166.38</u>	<u>24,465.86</u>
Note :		
(a) Packing Credit is secured against hypothecation of inventory and trade receivables. The interest is 11.25% p.a for Indian Rupee loan and LIBOR + 350 basis points for foreign currency packing credit loan.		
<b>9 TRADE PAYABLES AND OTHER CURRENT LIABILITIES</b>		
Trade payables		
to micro and small enterprises [Refer Note 36]	91.61	44.45
to others	11,619.46	6,491.31
	<u>11,711.07</u>	<u>6,535.76</u>
Other current liabilities		
Current maturities of long-term borrowings [Refer Note 6]	526.00	864.00
Advances from customers / others	1,410.34	153.23
Due to subsidiaries [Refer Note 30]	2,664.92	2,461.46
Book overdraft	1,139.52	5.23
Interest accrued and not due on term loans	3.08	7.28
Unclaimed dividends	1.07	1.07
[Investor education and protection fund will be credited as and when due]		
Mark to market loss on derivative contracts	-	418.98
Statutory liabilities	434.01	440.66
	<u>6,178.94</u>	<u>4,351.91</u>
	<u>17,890.01</u>	<u>10,887.67</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

10 FIXED ASSETS

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	Tangible assets										Intangible assets			Total intangible assets
	Land	Buildings	Leasehold improvements	Plant & machinery	Electrical equipments	Office equipments	Furniture & fixtures	Computers	Vehicles	Total tangible assets	Know-how	Computer software		
<b>Cost or valuation</b>														
At 1 April 2011	1,330.10	7,398.33	760.16	28,554.03	808.90	411.24	1,658.46	866.60	520.52	42,308.34	694.64	639.35	1,333.99	
Additions	-	62.94	381.97	585.74	9.41	18.20	12.16	28.57	1.50	1,100.49	-	14.16	14.16	
Disposals	-	118.06	-	50.55	11.35	-	-	-	57.67	237.63	-	43.10	43.10	
<b>At 31 March 2012</b>	<b>1,330.10</b>	<b>7,343.21</b>	<b>1,142.13</b>	<b>29,089.22</b>	<b>806.96</b>	<b>429.44</b>	<b>1,670.62</b>	<b>895.17</b>	<b>464.35</b>	<b>43,171.20</b>	<b>694.64</b>	<b>610.41</b>	<b>1,305.05</b>	
Additions	-	533.77	6.60	822.24	19.03	14.24	20.89	81.81	-	1,498.58	-	27.04	27.04	
Disposals	4.25	-	-	408.29	-	-	-	56.29	-	468.83	-	-	-	
<b>At 31 March 2013</b>	<b>1,325.85</b>	<b>7,876.98</b>	<b>1,148.73</b>	<b>29,503.17</b>	<b>825.99</b>	<b>443.68</b>	<b>1,691.51</b>	<b>920.69</b>	<b>464.35</b>	<b>44,200.95</b>	<b>694.64</b>	<b>637.45</b>	<b>1,332.09</b>	
<b>Depreciation</b>														
At 1 April 2011	-	2,513.73	493.30	14,891.33	372.02	204.39	878.61	735.27	313.85	20,402.50	231.55	323.59	555.14	
Charge for the year	-	485.21	169.07	1,944.59	63.26	27.92	142.27	54.20	47.13	2,933.65	231.55	136.47	368.02	
Disposals	-	43.04	-	38.06	11.35	-	-	-	31.93	124.38	-	43.10	43.10	
<b>At 31 March 2012</b>	<b>-</b>	<b>2,955.90</b>	<b>662.37</b>	<b>16,797.86</b>	<b>423.93</b>	<b>232.31</b>	<b>1,020.88</b>	<b>789.47</b>	<b>329.05</b>	<b>23,211.77</b>	<b>463.10</b>	<b>416.96</b>	<b>880.06</b>	
Charge for the year	-	481.58	164.32	1,824.66	54.76	27.47	130.64	62.78	35.03	2,781.24	231.54	84.37	315.91	
Disposals	-	-	-	362.05	-	-	-	55.77	-	417.82	-	-	-	
<b>At 31 March 2013</b>	<b>-</b>	<b>3,437.48</b>	<b>826.69</b>	<b>18,260.47</b>	<b>478.69</b>	<b>259.78</b>	<b>1,151.52</b>	<b>796.48</b>	<b>364.08</b>	<b>25,575.19</b>	<b>694.64</b>	<b>501.33</b>	<b>1,195.97</b>	
<b>Net Block</b>														
At 31 March 2012	1,330.10	4,387.31	479.76	12,291.36	383.03	197.13	649.74	105.70	135.30	19,959.43	231.54	193.45	424.99	
At 31 March 2013	1,325.85	4,439.50	322.04	11,242.70	347.30	183.90	539.99	124.21	100.27	18,625.76	-	136.12	136.12	

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	As at March 31, 2013	As at March 31, 2012
<b>11 NON-CURRENT INVESTMENTS</b>		
<b>Trade investments [valued at cost unless stated otherwise]</b>		
Investment In subsidiaries (unquoted equity instruments)		
All Colour Garments Private Limited 20,000 (2012 : 20,000) equity shares of Rs. 10 each, fully paid-up	333.98	333.98
Deejay Trading Private Limited 20,000 (2012 : 20,000) equity shares of Rs. 10 each, fully paid-up	81.96	81.96
Glamourwear Apparels Private Limited 20,000 (2012 : 20,000) equity shares of Rs. 10 each, fully paid-up	101.46	101.46
Madhin Trading Private Limited 20,000 (2012 : 20,000) equity shares of Rs. 10 each, fully paid-up	65.86	65.86
Magenta Trading Private Limited 20,000 (2012 : 20,000) equity shares of Rs. 10 each, fully paid-up	69.08	69.08
Rafter Trading Private Limited 20,000 (2012 : 20,000) equity shares of Rs. 10 each, fully paid-up	36.72	36.72
Rajdin Apparels Private Limited 20,000 (2012 : 20,000) equity shares of Rs. 10 each, fully paid-up	170.90	170.90
Reflexion Trading Private Limited 10,000 (2012 : 10,000) equity shares of Rs. 10 each, fully paid-up	1.00	1.00
Rishikesh Apparels Private Limited 20,000 (2012 : 20,000) equity shares of Rs. 10 each, fully paid-up	67.83	67.83
Robot Systems Private Limited 12,000 (2012 : 12,000) equity shares of Rs. 100 each, fully paid-up	327.81	327.81
Seven Hills Clothing Private Limited 20,000 (2012 : 20,000) equity shares of Rs. 10 each, fully paid-up	307.90	307.90
Vignesh Apparels Private Limited 20,000 (2012 : 20,000) equity shares of Rs. 10 each, fully paid-up	80.89	80.89
SNS Clothing Private Limited 20,000 (2012 : 20,000) equity shares of Rs. 10 each, fully paid-up	1,776.00	1,776.00
Less : Provision for diminution in value of Investment	(203.39)	(203.39)
	<u>1,572.61</u>	<u>1,572.61</u>
	(A) 3,218.00	3,218.00
<b>Non trade investments [valued at cost unless stated otherwise]</b>		
Investment in government securities (unquoted) - National Savings Certificate	0.43	0.43
	(B) 0.43	0.43
	(A) + (B) <u>3,218.43</u>	<u>3,218.43</u>
Note :		
(a) Aggregate amount of unquoted investments	3,218.43	3,218.43
(b) Aggregate provision for dimunition in value of investment	203.39	203.39

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

## 12 LOANS AND ADVANCES

### (A) Unsecured, Considered Good

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Capital advances	43.22	46.71	-	-
Security and other deposits	1,221.56	1,459.30	-	-
Advance to wholly owned subsidiaries [Refer Note below]	-	-	94.80	331.64
Advances recoverable in cash / kind	-	-	659.80	714.40
Other loans and advances				
Prepaid expenses	1.98	1.49	198.17	158.19
Loans and advances to employees	20.76	29.15	30.01	38.77
Other receivables	-	221.55	419.91	181.92
Advance tax	99.68	65.84	-	-
Minimum alternate tax credit entitlement	40.32	40.32	-	-
Balance with government authorities	-	-	80.55	143.65
	<b>1,427.52</b>	<b>1,864.36</b>	<b>1,483.24</b>	<b>1,568.57</b>

### (B) Advances / deposits considered doubtful

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Security and other deposits	65.94	85.44	-	-
Other receivables	221.55	-	-	-
Balance with government authorities	61.98	61.98	-	-
	349.47	147.42	-	-
Less: Provision for doubtful advances / deposits	(349.47)	(147.42)	-	-
	-	-	-	-
<b>Total (A+B)</b>	<b>1,427.52</b>	<b>1,864.36</b>	<b>1,483.24</b>	<b>1,568.57</b>

Note :

Advance to wholly owned subsidiaries for supplies / services.

	Current	
	31 March 2013	31 March 2012
Rishikesh Apparels Private Limited	22.89	125.09
Reflexion Trading Private Limited	66.80	96.73
Madhin Trading Private Limited	-	60.96
Rajdin Apparels Private Limited	2.40	48.86
Robot Systems Private Limited	2.71	-
	<b>94.80</b>	<b>331.64</b>

## 13 OTHER ASSETS

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
<b>(A) Unsecured, Considered Good</b>				
Non-current bank balances [ Refer Note 17 ]	90.69	57.48	-	-
Interest accrued on bank deposits	-	-	13.22	77.44
Mark to market gain on derivative contracts	-	-	209.49	-
Export incentives receivable	-	766.37	2,347.43	1,685.19
	90.69	823.85	2,570.14	1,762.63
<b>(B) Unsecured, Considered doubtful</b>				
Export incentives receivable	-	326.63	-	-
Provision for doubtful assets	-	(326.63)	-	-
	-	-	-	-
<b>Total (A+B)</b>	<b>90.69</b>	<b>823.85</b>	<b>2,570.14</b>	<b>1,762.63</b>



# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	As at March 31, 2013	As at March 31, 2012
<b>14 CURRENT INVESTMENTS</b>		
<b>Unquoted mutual funds (valued at lower of cost and fair value)</b>		
BNP Paribas Short Term Income Fund - daily dividend plan Nil (2012 : 6,113,679 units of Rs. 10.03 each fully paid-up)	-	613.37
IDFC Money Manager Fund - growth plan Nil (2012 : 2,566,386 units of Rs. 16.11 each fully paid-up)	-	413.44
JP Morgan India Short Term Income Fund - growth plan Nil (2012 : 8,839,701 units of Rs. 11.31 each fully paid-up)	-	1,000.00
AIG Short Term Fund Retail Growth Plan Nil (2012 : 31,187 units of Rs. 1,324.27 each fully paid-up)	-	413.00
L & T Liquid Fund - growth 31,317 (2012 : Nil) units of Rs. 1,596.59 each fully paid-up	500.00	-
IDFC Cash Fund - growth 35,333 (2012 : Nil) units of Rs. 1,415.12 each fully paid-up	500.00	-
	<b>1,000.00</b>	<b>2,439.81</b>
Note :		
(a) Aggregate amount of unquoted investments	1,000.00	2,439.81
<b>15 INVENTORIES</b>		
(Valued at lower of cost and net realisable value)		
Raw materials (including packing materials) [includes material in transit Rs. 175.88 lakhs (2012 : 226.01 lakhs)]	12,488.48	6,919.69
Work-in-progress	8,409.93	5,884.37
Finished goods	3,387.06	3,889.87
Consumables, stores and spares parts	148.45	116.61
	<b>24,433.92</b>	<b>16,810.54</b>

## 16 TRADE RECEIVABLES

(unsecured, considered good)

- Outstanding for a period exceeding six months from the date they are due for payment
- Other receivables

Current	
31 March 2013	31 March 2012
316.25	155.27
7,483.19	6,061.97
<b>7,799.44</b>	<b>6,217.24</b>

## 17 CASH AND BANK BALANCES

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Cash and cash equivalents				
Balance with banks :				
-- in current accounts	-	-	418.33	1,350.04
-- in EEFC accounts	-	-	31.27	21.32
-- in unpaid dividend accounts	-	-	1.07	1.07
Cash on hand	-	-	28.91	22.04
Deposits with original maturity for less than 3 months	-	-	850.00	-
	-	-	1,329.58	1,394.47
Other bank balances				
Deposits with original maturity for more than 12 months	90.69	57.48	56.42	-
Deposits with original maturity for more than 3 months and less than 12 months	-	-	-	2,578.25
	90.69	57.48	56.42	2,578.25
	<b>90.69</b>	<b>57.48</b>	<b>1,386.00</b>	<b>3,972.72</b>

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	As at March 31, 2013	As at March 31, 2012
<b>18 REVENUE FROM OPERATIONS</b>		
(A) Sale of Finished goods		
-- Exports	75,081.61	73,947.48
-- Domestic	16,502.04	19,003.36
	<u>91,583.65</u>	<u>92,950.84</u>
(B) Other operating revenue		
Sale of accessories, fabrics, etc	1,515.13	3,833.32
Job work income	500.72	1,705.74
Export incentives	4,118.01	3,265.82
Scrap sales and others (including claims)	923.16	1,063.59
	<u>7,057.02</u>	<u>9,868.47</u>
Revenue from operations (gross)	<u><b>98,640.67</b></u>	<u><b>102,819.31</b></u>
Note :		
(a) <u>Details of finished goods sold</u>		
Manufactured (Ready made garments)	<u>91,583.65</u>	<u>92,950.84</u>
<b>19 OTHER INCOME</b>		
Interest income on bank deposit (gross)	189.06	93.04
[Tax deducted at source Rs. 18.9 lakhs (2012 : Rs. 9.31 lakhs)]		
Dividend income on current investments	5.98	213.99
Gain (net) on sale of current investments	56.28	65.32
Profit on sale of fixed assets (net)	31.03	-
Other non-operating income	49.22	48.72
	<u><b>331.57</b></u>	<u><b>421.07</b></u>
<b>20 COST OF RAW MATERIALS CONSUMED</b>		
Inventory at the beginning of the year	6,919.69	18,285.20
Add: purchases	58,209.17	45,933.98
	<u>65,128.86</u>	<u>64,219.18</u>
Less: inventory at the end of the year	12,488.48	6,919.69
Cost of raw materials consumed	<u><b>52,640.38</b></u>	<u><b>57,299.49</b></u>
Note :		
(a) <u>Details of inventory held</u>		
Fabrics	10,048.38	5,526.41
Accessories and others	2,440.10	1,393.28
	<u>12,488.48</u>	<u>6,919.69</u>
(b) <u>Details of raw materials consumed</u>		
Fabrics	38,392.06	39,249.60
Accessories	13,381.40	17,112.66
Others	866.92	937.23
	<u>52,640.38</u>	<u>57,299.49</u>
(c) <u>Imported and indigenous raw materials consumed</u>		
Imported	18,876.57	19,753.70
Indigenous	33,763.81	37,545.79
	<u>52,640.38</u>	<u>57,299.49</u>
<u>% of total consumption</u>		
Imported	36%	34%
Indigenous	64%	66%
	<u>100%</u>	<u>100%</u>

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	As at March 31, 2013	As at March 31, 2012
<b>21 (INCREASE) / DECREASE IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS</b>		
Inventories at the beginning of the year		
Work-in-progress	5,884.37	6,249.92
Finished goods	3,889.87	4,129.93
	<u>9,774.24</u>	<u>10,379.85</u>
Inventories at the end of the year		
Work-in-progress	8,409.93	5,884.37
Finished goods	3,387.06	3,889.87
	<u>11,796.99</u>	<u>9,774.24</u>
	<u><b>(2,022.75)</b></u>	<u><b>605.61</b></u>
Note :		
(a) <u>Details of work-in-progress</u>		
Ready made garments (Manufactured)	<u>8,409.93</u>	<u>5,884.37</u>
(b) <u>Details of finished goods</u>		
Ready made garments (Manufactured)	<u>3,387.06</u>	<u>3,889.87</u>
<b>22 EMPLOYEE BENEFITS EXPENSE</b>		
Salaries, wages and bonus	11,055.49	9,958.90
Contribution to provident fund and other fund	751.41	644.63
Gratuity expense [Refer Note 28]	164.15	360.57
Staff welfare expenses	399.79	277.06
	<u><b>12,370.84</b></u>	<u><b>11,241.16</b></u>
<b>23 OTHER EXPENSES</b>		
Consumption of consumables, stores and spares [Refer Note (a) below]	1,259.72	1,083.01
Power and fuel	1,401.51	1,214.83
Job work charges	27,439.68	24,213.81
Other manufacturing expenses	641.44	636.24
Rent	675.67	843.52
Rates and taxes	228.20	117.31
Insurance	326.46	239.30
Repairs and maintenance		
- Plant and machinery	536.36	560.18
- Buildings	34.16	46.03
- Others	544.37	384.64
Legal and professional charges	510.59	317.79
Printing and stationery	143.48	168.36
Communication costs	275.99	243.78
Travelling and conveyance	350.25	289.97
Auditors' remuneration [Refer Note (b) below]	36.52	34.85
Director's remuneration	104.09	107.80
Clearing, forwarding and freight (net of recoveries)	1,092.78	850.48
Provision for doubtful deposits and advances	221.55	474.05
Irrecoverable balances written off	147.02	1,372.16
Bad debts written off	22.17	316.50
Loss on sale of fixed assets (net)	-	3.15
Exchange differences (net)	1,064.48	2,048.43
Provision for diminution in value of non current investments	-	203.39
Miscellaneous expenses	1,579.76	1,803.18
	<u><b>38,636.25</b></u>	<u><b>37,572.76</b></u>

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	As at March 31, 2013	As at March 31, 2012
Note :		
(a) Consumables, stores and spares consumed		
Imported	31.83	20.66
Indigenous	1,227.89	1,062.35
	<u>1,259.72</u>	<u>1,083.01</u>
<u>% of total consumption</u>		
Imported	2.53%	1.91%
Indigenous	97.47%	98.09%
	<u>100.00%</u>	<u>100.00%</u>
(b) Payment to auditor		
Audit fees	20.75	20.75
Limited review fees	11.25	11.25
In other capacity - Taxation matters	1.50	1.50
Out of pocket expenses	3.02	1.35
	<u>36.52</u>	<u>34.85</u>
<b>24 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Depreciation on tangible assets	2,781.24	2,933.65
Amortisation on intangible assets	315.91	368.02
	<u><b>3,097.15</b></u>	<u><b>3,301.67</b></u>
<b>25 FINANCE COSTS</b>		
Interest		
- on term loans [Refer Note below]	82.01	170.71
- on packing credit	2,378.74	1,692.71
- on bill discounting and others	399.50	342.29
Exchange difference to the extent considered as an adjustment to borrowing cost	265.59	1,347.70
Bank charges	627.37	388.44
	<u><b>3,753.21</b></u>	<u><b>3,941.85</b></u>
Note :		
(a) Interest on term loans is net of interest subvention subsidy Rs. 55.67 lakhs (2012 : Rs. 97.68 lakhs) under Technology Upgradation Scheme.		

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

## 26. Contingent liabilities (to the extent not provided for)

	2013	2012
Claims against the Company not acknowledged as debts	278.43	240.23
Guarantees given by banks	19.81	15.10
Outstanding letters of credit	963.79	1,098.00
Bills discounted with banks	10,232.48	8,647.81

## 27. Capital and other commitments

(a) Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	62.48	58.28
(b) The Company has imported capital goods without payment of duty under Export promotion capital goods ('EPCG') scheme. Value of pending export obligations to be fulfilled before November 05, 2017.	1,483.59	1,483.59
(c) For commitments relating to leasing arrangements, refer Note 31		
(d) For commitments relating to forward contracts, refer Note 37		

## 28. 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 summaries the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet:

(All amounts in Indian Rupees in lakhs, except stated otherwise)

### Net employee benefit expense (in statement of profit and loss) :

	2013	2012
Current service cost	106.54	305.46
Interest cost on benefit obligation	42.25	27.24
Expected Return on Plan Assets	(4.24)	(9.12)
Actuarial loss/(gain)	19.60	36.99
<b>Net benefit expense</b>	<b>164.15</b>	<b>360.57</b>
<b>Actual return on plan asset</b>	<b>4.54</b>	<b>8.45</b>

### Details of Provision for gratuity (in Balance Sheet)

Defined benefit obligation	588.73	604.18
Fair value of plan asset	(31.05)	(79.45)
<b>Plan liability / (asset)</b>	<b>557.68</b>	<b>524.73</b>

### Changes in the present value of defined benefit obligation:

Opening defined benefit obligation	604.18	405.83
Current Service Cost	106.54	305.46
Interest Cost	42.25	27.24
Benefits Paid	(184.14)	(170.67)
Actuarial (gain)/loss	19.90	36.32
<b>Closing defined benefit obligation</b>	<b>588.73</b>	<b>604.18</b>

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

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

	2013	2012
Opening fair value of plan asset	79.45	157.11
Expected return	4.24	9.12
Actuarial gain/(loss)	0.30	(0.67)
Contributions by employer	131.20	84.56
Benefits Paid	(184.14)	(170.67)
<b>Closing fair value of plan asset</b>	<b>31.05</b>	<b>79.45</b>

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

	2013	2012
Interest Rate	8.25 %	8.5 %
Discount Factor	8.25 %	8.5 %
Estimated Rate of return on Plan Assets	8 %	8 %
Attrition Rate	40 %	35 %
Rate of escalation in Salary per annum	5 %	5 %
Retirement Age	60 years	58 years

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

	2013	2012
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 & demand in the employment market.
- The estimated rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.
- The Company expects to contribute Rs.150 lakhs to gratuity in 2013-14.

## Amounts for the current year and previous four year period are as follows:

	2013	2012	2011	2010	2009
Defined benefit obligation	588.73	604.18	405.83	337.80	248.95
Plan assets	(31.05)	(79.45)	(157.11)	(233.62)	(123.91)
(Surplus) / deficit	<b>557.68</b>	<b>524.73</b>	<b>248.72</b>	<b>104.18</b>	<b>125.04</b>
Experience adjustment on plan liabilities	19.90	36.32	4.98	27.35	(6.36)
Experience adjustment on plan assets	(0.30)	0.67	(1.54)	(2.68)	1.86

## 29. 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):

Geographical Segment	Revenues / Income	Carrying amount of segment assets
In India	21,345.81 (26,259.17)	57,485.97 (56,504.40)
Outside India	75,610.40 (73,947.48)	4,704.66 (3,036.00)
<b>Total</b>	<b>96,956.21</b> <b>(100,206.65)</b>	<b>62,190.63</b> <b>(59,540.40)</b>

All fixed assets are located in India.

Notes: Figures in brackets relate to previous year.

30. Related party disclosures

A. Names of related parties and description of relationship:

	Description of Relationship	Names of related parties
<b>a.</b>	<b><i>Parties where control exists:</i></b>	
	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 Rafter 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>b.</b>	<b><i>Key management personnel:</i></b>	
	Director and Chief Executive Officer	Mr. Gautam Chakravarti
	Chief Operating Officer - Production	Mr. Ashwin R Hinduja (upto July 15, 2011)

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

- 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:

Nature of Transactions	Subsidiary Companies	Key Management Personnel	Total
<b>Sales/Other Income</b>			
Sale of fabrics, accessories / ready made garments	369.33 (220.08)	Nil (Nil)	369.33 (220.08)
<b>Expenses</b>			
Job work charges	26,172.19 (23,950.03)	Nil (Nil)	26,172.19 (23,950.03)
Material purchases	229.84 (408.43)	Nil (Nil)	229.84 (408.43)
Remuneration	Nil (Nil)	98.25 (117.50)	98.25 (117.50)
Reimbursement of Expenses by Company	215.00 (103.67)	Nil (Nil)	215.00 (103.67)
Provision for diminution in value of investment	Nil (203.39)	Nil (Nil)	Nil (203.39)
<b>Balances outstanding as at March 31, 2013</b>			
Current liabilities	2,664.92 (2,461.46)	13.27 (7.43)	2,678.19 (2,468.89)
Loans and advances	94.80 (331.64)	Nil (Nil)	94.80 (331.64)

Note : (i) Figures in brackets relate to previous year.

(ii) Loans and advances are in the nature of advances for supplies / services.

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

Sale of fabrics, accessories/ready made garments	2013	2012
Subsidiary companies		
SNS Clothing Private Limited	369.33	220.08
	<b>369.33</b>	<b>220.08</b>



# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	2013	2012
<b>Job work Charges</b>		
Subsidiary Companies		
Seven Hills Clothing Private Limited	6,634.57	5,408.74
Glamourwear Apparels Private Limited	3,377.28	4,143.62
Rishikesh Apparels Private Limited	3,146.34	2,781.71
Rafter Trading Private Limited	2,900.30	2,544.44
Magenta Trading Private Limited	3,549.64	2,991.14
Others	6,564.06	6,080.38
	<b>26,172.19</b>	<b>23,950.03</b>
<b>Material Purchases</b>		
Subsidiary Companies		
Reflexion Trading Private Limited	229.84	408.43
<b>Remuneration to Key Management Personnel</b>		
Gautam Chakravarti	98.25	100.00
Ashwin R Hinduja	-	17.50
	<b>98.25</b>	<b>117.50</b>
<b>Reimbursement of expenses</b>		
Subsidiary Companies		
SNS Clothing Private Limited	-	31.44
Vignesh Apparels Private Limited	-	55.73
All Colour Garments Private Limited	-	16.50
Madhin Trading Private Limited	215.00	-
	<b>215.00</b>	<b>103.67</b>
<b>Provision for dimunition in value of investments</b>		
Subsidiary Companies		
SNS Clothing Private Limited	-	203.39
<b>Current Liabilities</b>		
Subsidiary Companies		
SNS Clothing Private Limited	1,375.24	1,397.33
Seven Hills Clothing Private Limited	312.69	74.53
All Colour Garments Private Limited	278.29	273.11
Glamourwear Apparels Private Limited	133.84	276.16
Others	564.86	440.33
	<b>2,664.92</b>	<b>2,461.46</b>
<b>Key Management Personnel</b>		
Gautam Chakravarti	13.27	7.43
<b>Loans and Advances</b>		
Subsidiary Companies		
Rishikesh Apparels Private Limited	22.89	125.09
Reflexion Trading Private Limited	66.80	96.73
Madhin Trading Private Limited	-	60.96
Rajdin Apparels Private Limited	2.40	48.86
Others	2.71	-
	<b>94.80</b>	<b>331.64</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### 31. 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. All leases include a clause to enable upward revision of the rental charge on a periodic basis as specified under the rental agreement. The charge on account of lease rentals for the year is Rs. 675.67 lakhs (2012: Rs.843.52 lakhs).

Future obligations of lease rentals for non-cancellable period under respective lease agreements aggregate to Rs. 166.81 lakhs (2012: Rs. 194.01 lakhs)

	2013	2012
Not later than one year	166.81	194.01
Later than one year and not later than five years	-	-
Later than five years	-	-
	<b>166.81</b>	<b>194.01</b>

### 32. Earnings per share

	2013	2012
(A) Net profit/ (loss) for the year as per statement of profit and loss	(11,188.04)	(13,276.13)
(B) Weighted average number of equity shares (Nos.)	34,376,000	34,376,000
(C) Nominal value per share (Rs.)	5.00	5.00
(D) Earnings per share (Rs.) basic and diluted	(32.55)	(38.62)

### 33. CIF value of imports

	2013	2012
Capital goods	710.90	523.93
Raw materials and accessories	20,919.71	15,675.20
Stores and spares	6.74	20.66
	<b>21,637.35</b>	<b>16,219.79</b>

### 34. Expenditure in foreign currency (accrual basis)

	2013	2012
Travel expenses	24.97	103.55
Brokerage and commission	29.42	81.21
Export claims	365.06	482.31
Others	73.09	52.64
	<b>492.54</b>	<b>719.71</b>

### 35. Earnings in foreign currency

	2013	2012
FOB value of exports	75,081.61	73,947.48
Freight and insurance recoveries	2,521.37	872.45
Export Claims	528.79	278.34
	<b>78,131.77</b>	<b>75,098.27</b>

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

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

	2013	2012
(i) The principal amount due thereon remaining unpaid on March 31, 2013	84.71	43.85
Interest amount due and remaining unpaid on March 31, 2013	6.90	0.60
(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	-	-
(iv) The amount of interest accrued and remaining unpaid on March 31, 2013 in respect of principal amount settled during the year.	6.90	0.60
(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.	6.90	0.60

## 37. Derivative contracts / instruments

**Particulars of Derivative contracts:** Forward contract outstanding as at balance sheet date

Sell contracts	2013		2012		Purpose
	foreign currency (in lakhs)	Rs. (in lakhs)	foreign currency (in lakhs)	Rs. (in lakhs)	
USD	509.58	27,747.18	407.33	20,783.36	Hedge of expected future sales
EURO	-	-	9.26	634.48	Hedge of expected future sales
GBP	-	-	3.25	266.32	Hedge of expected future sales

## 38. Exchange difference loss / (gain)

	2013	2012
Pre-shipment packing credit	429.38	1,718.44
Post-shipment credit	(204.85)	206.71
Forward contracts and options	812.81	773.28
Foreign currency receivables	(9.19)	(686.15)
Foreign currency payables	36.33	36.15
	<b>1,064.48</b>	<b>2,048.43</b>

## 39. Deferred taxes

	2013	2012
Difference between carrying amount of Fixed Assets in Financial Statements and Income Tax returns	(501.44)	(765.73)
Unabsorbed depreciation & business losses	501.44	765.73
	-	-

# NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

## 41. As of the Balance Sheet date, the Company's unhedged foreign currency exposure is as under:

	Receivables / (Payables)			
	2013		2012	
	Amount in foreign currency	Amount in Rs. lakhs	Amount in foreign currency	Amount in Rs. lakhs
Bank balances – USD	57,421	31.27	41,558	21.32
Trade receivables – USD*	7,294,774	3,972.00	4,250,212	2,180.36
Trade receivables – EUR*	103,812	72.24	13,454	9.21
Trade receivables – GBP*	315,310	259.80	463,093	379.49
Loans and advances – USD	720,437	392.35	864,059	443.35
Loans and advances – EUR	11,598	8.07	7,845	5.38
Loans and advances – GBP	242	0.20	22,211	18.21
Pre-shipment credit – USD	(9,082,344)	(4,946.24)	(21,247,441)	(10,902.06)
Trade payables – USD	(2,795,840)	(1,522.61)	(2,983,892)	(1,531.03)
Trade payables – EUR	(1,279)	(0.89)	(907)	(0.62)
Advances received from customers – USD	(1,89,858)	(103.38)	(46,257)	(23.73)
Advances received from customers – EUR	(1,136)	(0.79)	(1,37,820)	(94.39)

\* net of export bills discounted

41. The Company is in process of taking necessary steps to comply with the Transfer Pricing requirements relating to the preparation & maintenance of the Transfer Pricing documentation with respect to the specified domestic transactions entered into by the Company during financial year ended March 31, 2013. The Management is of the opinion that the specified domestic transactions are at arm's length and hence the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

42. The Company has filed petition with the Company Law Board for compounding of offence u/s. 297 of the Companies Act, 1956 for the transactions entered with CMS Info Systems Private Limited between July 2009 to October 2011 and as at date, the petition is pending with the Company Law Board.

For periods subsequent to October 2011, the Company has filed an application with Central Government, Ministry of Corporate Affairs, seeking its approval u/s. 297(1) of the Companies Act, 1956 for entering into contract with CMS Info Systems Private Limited which is pending approval.

## 43. Previous year comparatives

Previous year figures have been regrouped/re-arranged/reclassified, wherever necessary to conform to the current year's presentation.

As per our report of even date

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

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

Place: Bengaluru  
Date: May 20, 2013

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

**per Navin Agrawal**  
Partner  
Membership No: 56102

Place: Bengaluru  
Date: May 20, 2013

**For and on behalf of  
Board of Directors**

**Richard B Saldanha**  
Chairman

**Gautam Chakravarti**  
Director & Chief Executive Officer

**Sumit Keshan**  
Chief Financial Officer

**Naveen Chandra Prakash**  
Company Secretary  
Place: Bengaluru  
Date: May 20, 2013

## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of Gokaldas Exports Limited

#### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Gokaldas Exports Limited ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2013, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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 Company as at March 31, 2013;
- (b) in the case of the consolidated Statement of Profit and Loss, 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.

#### Other Matters

We did not jointly audit total assets of Rs. 331,961,398 as at March 31, 2013, total revenues of Rs. 649,260,621 and net cash outflows amounting to Rs. 4,506,469 for the year then ended, included in the accompanying consolidated financial statements in respect of certain subsidiaries, whose financial statements and other financial information have been audited by Girish, Murthy & Kumar on which S.R. Batliboi & Co. LLP has placed reliance for the purpose of this report.

We did not audit total assets of Rs. 441,439,708 as at March 31, 2013, total revenues of Rs. 2,218,451,549 and net cash outflows amounting to Rs. 20,472,014 for the year then ended, included in the accompanying consolidated financial statements in respect of certain subsidiaries, whose financial statements and other financial information have been audited by other auditors and whose reports have been furnished to us. Our opinion, in so far as it relates to the affairs of such subsidiaries is based solely on the report of other auditors.

**For Girish Murthy & Kumar**  
ICAI Firm Registration No: 0009345  
Chartered Accountants

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

Place: Bengaluru  
Date: May 20, 2013

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

**per Navin Agrawal**  
Partner  
Membership No: 56102

Place: Bengaluru  
Date: May 20, 2013

# CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2013

All amounts in Indian Rupees in lakhs, except stated otherwise

	Notes	As at March 31, 2013	As at March 31, 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's funds</b>			
Share capital	4	1,718.80	1,718.80
Reserves and surplus	5	10,679.09	20,994.71
		<b>12,397.89</b>	<b>22,713.51</b>
<b>Non-current liabilities</b>			
Long-term borrowings	6	-	526.00
Long-term provisions	7	1,004.03	780.24
Deferred tax liability (net)	8	2.41	5.09
		<b>1,006.44</b>	<b>1,311.33</b>
<b>Current liabilities</b>			
Short term borrowings	9	31,166.38	24,465.86
Trade payables	10	11,849.78	6,688.62
Other current liabilities	10	7,001.87	5,542.90
Short term provisions	7	828.33	935.70
		<b>50,846.36</b>	<b>37,633.08</b>
		<b>64,250.69</b>	<b>61,657.92</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	11		
Tangible assets		19,895.21	21,610.71
Intangible assets		450.91	739.78
Capital work-in-progress		19.37	477.83
		<b>20,365.49</b>	<b>22,828.32</b>
Non-current investments	12	0.63	0.63
Long-term loans and advances	13	4,515.26	3,294.14
Trade receivables	17	21.24	-
Other non-current assets	14	90.69	823.84
		<b>24,993.31</b>	<b>26,946.93</b>
<b>Current assets</b>			
Current investments	15	1,000.09	2,439.89
Inventories	16	24,638.16	17,081.83
Trade receivables	17	8,037.34	6,374.27
Cash and bank balances	18	1,541.91	4,378.41
Short-term loans and advances	13	1,469.41	2,673.63
Other current assets	14	2,570.47	1,762.96
		<b>39,257.38</b>	<b>34,710.99</b>
		<b>64,250.69</b>	<b>61,657.92</b>
Summary of significant accounting policies	2.1		

The accompanying notes are integral part of the Consolidated financial statements.

As per our report of even date

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

**per A.V. Satish Kumar**  
Partner  
Membership No. F-26526  
Place: Bengaluru  
Date: May 20, 2013

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

**per Navin Agrawal**  
Partner  
Membership No: 56102  
Place: Bengaluru  
Date: May 20, 2013

**For and on behalf of  
Board of Directors**

**Richard B Saldanha**  
Chairman

**Gautam Chakravarti**  
Director & Chief Executive Officer

**Sumit Keshan**  
Chief Financial Officer

**Naveen Chandra Prakash**  
Company Secretary  
Place: Bengaluru  
Date: May 20, 2013

# CONSOLIDATED STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2013

All amounts in Indian Rupees in lakhs, except stated otherwise

	Notes	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>INCOME</b>			
Revenue from operations (gross)	19	99,856.05	105,120.17
Less: excise duty		1,756.16	2,694.59
Revenue from operations (net)		98,099.89	102,425.58
Other income	20	878.64	594.95
		<b>98,978.53</b>	<b>103,020.53</b>
<b>Expenses</b>			
Cost of materials consumed	21	52,637.08	57,149.70
(Increase) / decrease in inventories of finished goods and work-in-progress	22	(2,006.83)	512.07
Employee benefits expense	23	35,672.09	33,245.24
Other expenses	24	16,319.39	17,631.10
Depreciation and amortisation expense	25	3,409.49	3,696.08
Finance costs	26	3,760.75	3,949.14
		<b>109,791.97</b>	<b>116,183.33</b>
Loss before tax		(10,813.44)	(13,162.80)
<b>Tax expense:</b>			
Current tax		62.81	119.03
Tax of earlier years - (net)		70.51	(34.35)
Deferred tax charge / (credit)		(2.67)	(9.64)
		130.65	75.04
Net loss for the year		<b>(10,944.09)</b>	<b>(13,237.84)</b>
Earnings per equity share - (Basic and Diluted) [nominal value per share : Rs. 5]	33	(31.84)	(38.51)
Summary of significant accounting policies	2.1		

The accompanying notes are integral part of the Consolidated financial statements.

As per our report of even date

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

**per A.V. Satish Kumar**  
Partner  
Membership No. F-26526  
Place: Bengaluru  
Date: May 20, 2013

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

**per Navin Agrawal**  
Partner  
Membership No: 56102  
Place: Bengaluru  
Date: May 20, 2013

**For and on behalf of  
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**Richard B Saldanha**  
Chairman

**Gautam Chakravarti**  
Director & Chief Executive Officer

**Sumit Keshan**  
Chief Financial Officer

**Naveen Chandra Prakash**  
Company Secretary  
Place: Bengaluru  
Date: May 20, 2013

# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

All amounts in Indian Rupees in lakhs, except stated otherwise

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Loss before tax	(10,813.44)	(13,162.80)
Adjustments		
Depreciation and amortisation expense	3,409.49	3,696.08
Provision for doubtful deposits and advances	221.55	474.05
Irrecoverable balances written off	147.02	1,381.73
Bad debts written off	42.77	373.30
Unrealised foreign exchange losses / (gains) (net)	36.08	143.30
(Profit)/Loss on sale of assets (net)	(43.35)	141.50
(Profit)/Loss on sale of investments	(56.28)	(65.32)
Interest expense	2,860.25	2,205.71
Interest earned	(189.06)	(93.04)
Dividend on investments	(5.98)	(213.99)
<b>Operating loss before working capital changes</b>	<b>(4,390.95)</b>	<b>(5,119.48)</b>
(Increase)/Decrease in inventories	(7,556.33)	12,039.54
(Increase)/Decrease in trade receivables	(1,753.32)	1,792.42
(Increase)/Decrease in other non current assets	766.36	697.73
(Increase)/Decrease in other current assets	(479.69)	302.84
(Increase)/Decrease in non current loans and advances	(133.05)	(1,281.76)
(Increase)/Decrease in current loans and advances	(64.04)	930.55
Increase/(Decrease) in trade payables	5,166.77	986.91
Increase/(Decrease) in other current liabilities	2,221.07	(92.01)
Increase/(Decrease) in long term provisions	223.79	322.14
Increase/(Decrease) in short term provisions	(107.37)	253.35
<b>Cash Generated from /(used in) Operations</b>	<b>(6,106.76)</b>	<b>10,832.23</b>
Direct taxes (paid) / refund received, net	(508.39)	322.05
<b>Net Cash Flow from /(used in) operating activities</b>	<b>(6,615.15)</b>	<b>11,154.28</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Interest received	253.61	27.48
Purchase of fixed assets	(1,105.44)	(1,140.14)
Proceeds from sale of fixed assets	205.62	198.23
Dividends received	5.98	213.99
Deposits redeemed (maturity more than 3 months)	2,500.00	163.62
Deposits made (maturity more than 3 months)	(11.37)	(2,506.41)
Purchase of current investments	(1,005.98)	(7,427.00)
Proceeds from sale of current Investments	2,502.07	6,515.37
<b>Net Cash Flow from / (used in) investing activities</b>	<b>3,344.49</b>	<b>(3,954.86)</b>



# CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

All amounts in Indian Rupees in lakhs, except stated otherwise

PARTICULARS	For the year ended March 31, 2013	For the year ended March 31, 2012
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from packing credit	82,032.37	70,996.05
Repayment of packing credit	(75,347.92)	(75,861.70)
Repayment of term loans	(864.00)	(1,064.00)
Interest paid	(2,864.45)	(2,213.65)
<b>Net Cash Flow from / (used in) financing activities</b>	<b>2,956.00</b>	<b>(8,143.30)</b>
<b>D. Net Increase / (Decrease) in Cash &amp; Cash Equivalents (A + B + C)</b>	<b>(314.66)</b>	<b>(943.88)</b>
<b>E. Opening Balance of Cash &amp; Cash Equivalents</b>	<b>1,800.16</b>	<b>2,744.04</b>
<b>F. Closing Balance of Cash &amp; Cash Equivalents</b>	<b>1,485.50</b>	<b>1,800.16</b>
<b>Components of Cash and Cash Equivalents</b>		
Cash on hand	45.59	63.94
Balance with banks :		
-- in deposit accounts	850.00	-
-- in current accounts	588.84	1,735.15
-- in unpaid dividend accounts (restricted use)	1.07	1.07
	<b>1,485.50</b>	<b>1,800.16</b>

As per our report of even date

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

**per A.V. Satish Kumar**  
Partner  
Membership No. F-26526  
Place: Bengaluru  
Date: May 20, 2013

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

**per Navin Agrawal**  
Partner  
Membership No: 56102  
Place: Bengaluru  
Date: May 20, 2013

**For and on behalf of  
Board of Directors**

**Richard B Saldanha**  
Chairman

**Gautam Chakravarti**  
Director & Chief Executive Officer

**Sumit Keshan**  
Chief Financial Officer

**Naveen Chandra Prakash**  
Company Secretary  
Place: Bengaluru  
Date: May 20, 2013

# CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

## 1. Corporate Information

Gokaldas Exports Limited ('the Company' or 'Gokaldas') 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 a public company domiciled in India and its shares are listed in India. The Company 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.

## 2. Basis of preparation and consolidation of financial statements

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

\* No change in the shareholding during the year.

The consolidated financial statements of the Group have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP) and complies in all material respects with the notified accounting standards under Companies (Accounting Standards) Rules (as amended), 2006 and the relevant provisions of the Companies Act, 1956. The consolidated 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 consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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 consolidated 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.

## 2.1 Summary of Significant accounting policies

### a) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities and disclosure of contingent liabilities at the date of the consolidated

# CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

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, uncertainty about these assumptions and estimates could result in outcomes requiring material adjustment to the carrying amounts of assets and liabilities in future periods.

## b) 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.

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 and where there is reasonable assurance that the enterprise will comply with the conditions attached to them.

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 as at reporting date.

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.

## c) 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, GBP 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, the effective portion on 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 statement of profit and loss upon the occurrence of the hedged transaction. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the statement of profit and loss. Changes in fair value relating to derivatives not designated as hedges are recognized in the statement of profit and loss.

Hedge Accounting is discontinued when the hedging instrument expires or is sold, or terminated, or exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in hedging reserve is transferred to profit and loss account when forecasted transaction occurs or when a hedged transaction is no longer expected to occur.

## d) 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. Any trade discounts and rebates are deducted in arriving at the purchase price.

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	10.00%
Plant & Machinery	13.91%
Electrical Equipments	13.91%
Office Equipments	13.91%
Furniture & Fixtures	18.10%
Computers	40.00%
Vehicles	25.89%
Computer Software (Intangibles)	40.00%

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

*(All amounts in Indian Rupees in lakhs, except stated otherwise)*

Assets individually costing Rs. 5,000 or less are depreciated at 100% per annum. Leasehold improvements are depreciated over the primary lease period or useful life, whichever is lower which ranges between 5 to 10 years.

Intangible assets comprising of Know-how (Process improvement costs) are amortized over 36 months.

### **e) Borrowing Costs**

Borrowing costs includes interest, amortisation of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs attributable to acquisition and construction of qualifying assets that necessarily takes substantial period of time to get ready for its intended use are capitalized as a part of the cost of such asset. All other borrowing costs are expensed in the period they occur.

### **f) Impairment of tangible and intangible assets**

At each reporting 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 statement of profit and loss 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 using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

### **g) 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. Cost of finished goods includes excise duty.

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.

### **h) 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.

### **i) Government Grants and subsidies**

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.

*(All amounts in Indian Rupees in lakhs, except stated otherwise)*

## **j) Investments**

Investments that are readily realizable and intended to be held for not more than a year from the date on which such investments are made, 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. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged / credited to statement of profit and loss.

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

### **(i) Defined Contribution Plans:**

Contributions to provident fund are made at pre-determined rates and charged to the statement of profit and loss for the year when the employee renders the services. The Group has no obligation, other than the contribution payable to the provident fund.

### **(ii) Defined Benefit Plans:**

Gratuity liability is accrued in the books based on actuarial valuation on projected unit credit method as at reporting date. Actuarial gains or losses are immediately taken to statement of profit and loss and are not deferred.

### **(iii) Compensated absences:**

Accumulated leave, which is expected to be utilised within the next twelve months, is treated as short-term employee benefit. The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the basis of an actuarial valuation using the projected unit credit method at the year end. Actuarial gains or losses are immediately taken to statement of profit and loss and are not deferred. The Group presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

## **l) Taxation**

Tax expense comprises current and deferred tax. Current income tax is 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 reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. 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 reporting 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 reporting 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.

Minimum Alternative Tax ('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 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 statement of profit and loss and shown as MAT Credit Entitlement. The Group reviews the same at each reporting 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.

## CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

*(All amounts in Indian Rupees in lakhs, except stated otherwise)*

### **m) 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 statement of profit and loss on a straight-line basis over the lease term.

### **n) 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 reporting date. These are reviewed at each reporting date and adjusted to reflect the current best estimates.

### **o) Segment Reporting Policies**

#### **(i) 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.

#### **(ii) 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.

#### **(iii) Segment Policies:**

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

### **p) 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.

### **q) Contingent Liability**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the controls of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the consolidated financial statements.

### **r) Cash and Cash equivalents**

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

3. During the year, the Group continued to incur substantial losses i.e. Rs 10,944.09 lakhs (2012 – Rs 13,237.84 lakhs) and has accumulated losses of Rs 15,212.92 lakhs (2012- Rs 4,268.83 lakhs) as at March 31, 2013. The management has taken several measures to cut costs and improve productivity and is reasonably confident of improved profitability in coming years. Based on the future business plan, the Company is confident of funding its operating and capital expenditure and continue business operations in the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	As at March 31, 2013	As at March 31, 2012
<b>4 SHARE CAPITAL</b>		
Authorised shares 40,000,000 (2012 : 40,000,000) equity shares of Rs. 5 each	2,000.00	2,000.00
Issued, subscribed and fully paid-up 34,376,000 (2012 : 34,376,000) equity shares of Rs. 5 each	<u>1,718.80</u>	<u>1,718.80</u>
	<u><b>1,718.80</b></u>	<u><b>1,718.80</b></u>

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares	31 March 2013		31 March 2012	
	No.	Amount	No.	Amount
At the beginning of the year	34,376,000	1,718.80	34,376,000	1,718.80
Outstanding at the end of the year	34,376,000	1,718.80	34,376,000	1,718.80

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs. 5 per share. Each holder of equity is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of directors is subject to the approval of the shareholders in ensuing Annual General Meeting.

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

(c) Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates

Equity shares of Rs. 5 each fully paid up	31 March 2013		31 March 2012	
	No.	Amount	No.	Amount
Holding company : Blackstone FP Capital Partners (Mauritius) V-B Subsidiary Limited	23,469,242	1,173.46	23,469,242	1,173.46

(d) Details of shareholders holding more than 5% shares in the Company

Equity shares	31 March 2013		31 March 2012	
	No.	Shareholding %	No.	Shareholding %
Blackstone FP Capital Partners (Mauritius) V-B Subsidiary Limited, Holding company	23,469,242	68.27%	23,469,242	68.27%
Dinesh J Hinduja	2,228,464	6.48%	2,228,464	6.48%
Madanlal J Hinduja	1,914,158	5.57%	1,914,158	5.57%
Rajendra J Hinduja	1,914,138	5.57%	1,914,138	5.57%

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	As at March 31, 2013	As at March 31, 2012
<b>5 RESERVES AND SURPLUS</b>		
<b>Capital reserves</b>		
Capital reserve (on amalgamation) balance as per last account	9,769.12	9,769.12
<b>Securities premium</b>		
Balance as per last account	13,721.31	13,721.31
<b>General reserve</b>		
Balance as per last account	2,192.09	2,192.09
<b>Hedging reserve</b>		
Balance as per last account	(418.98)	464.15
Changes during the year :		
Transferred to profit and loss account on occurrence of forecasted hedge transaction	418.98	(464.15)
Net changes in the fair value of effective portion of outstanding cash flow derivatives	209.49	(418.98)
	<u>209.49</u>	<u>(418.98)</u>
<b>Surplus / (deficit) in the statement of profit and loss</b>		
Balance as per last financial statements	(4,268.83)	8,969.01
Profit / (loss) for the year	(10,944.09)	(13,237.84)
Net surplus / (deficit) in the statement of profit and loss	<u>(15,212.92)</u>	<u>(4,268.83)</u>
	<b><u>10,679.09</u></b>	<b><u>20,994.71</u></b>

## 6 LONG-TERM BORROWINGS

	Non-current		Current Maturities	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Term loans (secured) :				
Indian rupee loan from banks	-	526.00	526.00	864.00
Note :	-	<b>526.00</b>	<b>526.00</b>	<b>864.00</b>

(a) Term Loan from banks was taken under Technology Upgradation Fund(TUF) scheme and carries interest @ 14.25%. The loan is repayable in 52 monthly installments of Rs. 72 lakhs commencing from September 2009. The loan is secured by hypothecation of plant and machinery acquired out of this TUF Loan.

(b) Current maturities are disclosed under the head current liabilities [ Refer Note 10]

## 7 PROVISIONS

	Long term		Short term	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Provision for employee benefits				
Provision for gratuity [Refer Note 29]	1,004.03	780.24	162.69	177.91
Provision for leave benefits	-	-	665.64	757.79
	<b>1,004.03</b>	<b>780.24</b>	<b>828.33</b>	<b>935.70</b>



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	As at March 31, 2013	As at March 31, 2012
<b>8 DEFERRED TAX LIABILITY (NET)</b>		
Fixed assets: Impact of difference between tax depreciation and book depreciation	503.85	780.46
<b>Gross deferred tax liability</b>	<u>503.85</u>	<u>780.46</u>
Deferred tax asset		
Unabsorbed business losses	(501.44)	(775.37)
<b>Gross deferred tax assets</b>	<u>(501.44)</u>	<u>(775.37)</u>
<b>Net deferred tax liability</b>	<u>2.41</u>	<u>5.09</u>
<b>9 SHORT-TERM BORROWINGS</b>		
Loans repayable on demand from banks (secured)		
Indian rupee packing credit loan	26,220.14	13,563.80
Foreign currency packing credit loan	4,946.24	10,902.06
	<u>31,166.38</u>	<u>24,465.86</u>
Note :		
(a) Packing Credit is secured against hypothecation of inventory and trade receivables. The interest is 11.25% p.a for Indian Rupee loan and LIBOR + 350 basis points for foreign currency packing credit loan.		
<b>10 TRADE PAYABLES AND OTHER CURRENT LIABILITIES</b>		
Trade payables		
to micro and small enterprises	91.61	44.45
to others	11,758.17	6,644.17
	<u>11,849.78</u>	<u>6,688.62</u>
Other current liabilities		
Current maturities of long-term borrowings [Refer Note 6]	526.00	864.00
Other expenses / liabilities	3,043.01	3,252.21
Advances from customers / others	1,410.34	153.23
Book overdraft	1,197.86	87.67
Interest accrued and not due on term loans	3.08	7.28
Unclaimed dividends	1.07	1.07
[Investor education and protection fund will be credited as and when due ]		
Mark to market loss on derivative contracts	-	418.98
Statutory liabilities	820.51	758.46
	<u>7,001.87</u>	<u>5,542.90</u>
	<u>18,851.65</u>	<u>12,231.52</u>

**11 FIXED ASSETS**

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	Tangible assets										Intangible assets				Total intangible
	Land	Buildings	Leasehold improvements	Plant & machinery	Electrical equipments	Office equipments	Furniture & fixtures	Computers	Vehicles	Total tangible assets	Know-How	Goodwill on consolidation	Computer software		
At 1 April 2011	1,331.07	8,113.14	1,091.54	29,935.63	2,078.58	490.13	2,576.12	871.92	532.75	47,020.88	694.64	314.79	639.35	1,648.78	
Additions	-	63.49	430.98	596.07	19.65	18.30	16.04	28.57	1.50	1,174.60	-	-	14.16	14.16	
Disposals	-	202.79	11.90	134.12	188.07	0.91	87.73	0.77	58.83	685.12	-	-	43.10	43.10	
<b>At 31 March 2012</b>	<b>1,331.07</b>	<b>7,973.84</b>	<b>1,510.62</b>	<b>30,397.58</b>	<b>1,910.16</b>	<b>507.52</b>	<b>2,504.43</b>	<b>899.72</b>	<b>475.42</b>	<b>47,510.36</b>	<b>694.64</b>	<b>314.79</b>	<b>610.41</b>	<b>1,619.84</b>	
Additions	-	533.77	24.54	824.06	20.31	14.24	41.62	81.81	-	1,540.35	-	-	27.04	27.04	
Disposals	4.25	1.59	30.24	649.65	23.21	0.02	20.24	56.33	-	785.53	-	-	-	-	
<b>At 31 March 2013</b>	<b>1,326.82</b>	<b>8,506.02</b>	<b>1,504.92</b>	<b>30,571.99</b>	<b>1,907.26</b>	<b>521.74</b>	<b>2,525.81</b>	<b>925.20</b>	<b>475.42</b>	<b>48,265.18</b>	<b>694.64</b>	<b>314.79</b>	<b>637.45</b>	<b>1,646.88</b>	
Depreciation															
At 1 April 2011	-	2,863.83	617.49	15,625.33	1,037.51	244.02	1,464.48	740.18	324.14	22,916.98	231.55	-	323.59	555.14	
Charge for the year	-	552.44	271.26	2,030.44	141.61	33.00	197.37	54.36	47.58	3,328.06	231.55	-	136.47	368.02	
Disposals	-	88.56	7.24	76.26	98.73	-	40.97	0.73	32.90	345.39	-	-	43.10	43.10	
<b>At 31 March 2012</b>	<b>-</b>	<b>3,327.71</b>	<b>881.51</b>	<b>17,579.51</b>	<b>1,080.39</b>	<b>277.02</b>	<b>1,620.88</b>	<b>793.81</b>	<b>338.82</b>	<b>25,899.65</b>	<b>463.10</b>	<b>-</b>	<b>416.96</b>	<b>880.06</b>	
Charge for the year	-	529.67	248.77	1,895.76	115.89	31.61	173.64	62.87	35.37	3,093.58	231.54	-	84.37	315.91	
Disposals	-	1.21	21.20	517.90	13.54	0.01	13.61	55.79	-	623.26	-	-	-	-	
<b>At 31 March 2013</b>	<b>-</b>	<b>3,856.17</b>	<b>1,109.08</b>	<b>18,957.37</b>	<b>1,182.74</b>	<b>308.62</b>	<b>1,780.91</b>	<b>800.89</b>	<b>374.19</b>	<b>28,369.97</b>	<b>694.64</b>	<b>-</b>	<b>501.33</b>	<b>1,195.97</b>	
<b>Net Block</b>															
At 31 March 2012	1,331.07	4,646.13	629.11	12,818.07	829.77	230.50	883.55	105.91	136.60	21,610.71	231.54	314.79	193.45	739.78	
At 31 March 2013	1,326.82	4,649.85	395.84	11,614.62	724.52	213.12	744.90	124.31	101.23	19,895.21	-	314.79	136.12	450.91	

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	As at March 31, 2013	As at March 31, 2012
<b>12 NON-CURRENT INVESTMENTS</b>		
<b>Non trade investments [valued at cost unless stated otherwise]</b>		
Investment in Government Securities (unquoted)	0.63	0.63
	<b>0.63</b>	<b>0.63</b>
Note :		
(a) Aggregate amount of unquoted investments	0.63	0.63

## 13 LOANS AND ADVANCES

### (A) Unsecured, Considered Good

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Capital advances	43.22	46.71	-	-
Security and other deposits	2,675.71	2,889.08	3.01	-
Advances recoverable in cash / kind	19.62	-	683.56	812.37
Other loans and advances				
Prepaid expenses	1.98	1.49	218.05	189.18
Loans and advances to employees	20.76	29.15	54.96	75.23
Other receivables	5.25	221.55	419.91	181.92
Advance tax	1,674.64	65.84	3.79	1,271.28
Minimum alternate tax credit entitlement	74.08	40.32	-	-
Balance with government authorities	-	-	86.13	143.65
	<b>4,515.26</b>	<b>3,294.14</b>	<b>1,469.41</b>	<b>2,673.63</b>

### (B) Advances/deposits considered doubtful

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Security and other deposits	65.94	85.44	-	-
Other receivables	221.55	-	-	-
Balance with government authorities	61.98	61.98	-	-
	349.47	147.42	-	-
Less: Provision for doubtful advances / deposits	(349.47)	(147.42)	-	-
	-	-	-	-
<b>Total (A+B)</b>	<b>4,515.26</b>	<b>3,294.14</b>	<b>1,469.41</b>	<b>2,673.63</b>

## 14 OTHER ASSETS

	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
<b>(A) Unsecured, Considered Good</b>				
Non-current bank balances [ Refer Note 18]	90.69	57.48	-	-
Interest accrued on bank deposits	-	-	13.22	77.77
Insurance claim receivables	-	-	0.33	-
Mark to market gain on derivative contracts	-	-	209.49	-
Export incentives receivable	-	766.36	2,347.43	1,685.19
	90.69	823.84	2,570.47	1,762.96
<b>(B) Unsecured, Considered doubtful</b>				
Export incentives receivable	-	326.63	-	-
Provision for doubtful assets	-	(326.63)	-	-
	-	-	-	-
<b>Total (A+B)</b>	<b>90.69</b>	<b>823.84</b>	<b>2,570.47</b>	<b>1,762.96</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	As at March 31, 2013		As at March 31, 2012	
<b>15 CURRENT INVESTMENTS</b>				
<b>Unquoted mutual funds (valued at lower of cost and fair value)</b>				
BNP Paribas Short Term Income Fund - daily dividend plan Nil (2012 : 6,113,679 units of Rs. 10.03 each fully paid-up)	-		613.37	
IDFC Money Manager Fund - growth plan Nil (2012 : 2,566,386 units of Rs. 16.11 each fully paid-up)	-		413.44	
JP Morgan India Short Term Income Fund - growth plan Nil (2012 : 8,839,701 units of Rs. 11.31 each fully paid-up)	-		1,000.00	
AIG Short Term Fund Retail Growth Plan Nil (2012 : 31,187 units of Rs. 1,324.27 each fully paid-up)	-		413.00	
L & T Liquid Fund - growth 31,316.75 (2012 : Nil) units of Rs. 1,596.59 each fully paid-up	500.00		-	
IDFC Cash Fund - growth 35,332.59 (2012 : Nil) units of Rs. 1,415.12 each fully paid-up	500.00		-	
<b>Unquoted government securities</b>				
National Savings Certificate and Indira Vikas Patra (maturing within twelve months)	0.09		0.08	
	<b>1,000.09</b>		<b>2,439.89</b>	
Note :				
(a) Aggregate amount of unquoted investments	1,000.09		2,439.89	
<b>16 INVENTORIES</b>				
(Valued at lower of cost and net realisable value)				
Raw materials (including packing materials) [includes material in transit Rs. 175.88 lakhs (2012 : 226.01 lakhs)]	12,521.54		7,003.87	
Work-in-progress	8,409.93		6,006.19	
Finished goods	3,558.25		3,955.16	
Consumables, stores and spares parts	148.44		116.61	
	<b>24,638.16</b>		<b>17,081.83</b>	
<b>17 TRADE RECEIVABLES</b>				
(unsecured, considered good)				
	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
- Outstanding for a period exceeding six months from the date they are due for payment	21.24	-	316.25	158.82
- Other receivables	-	-	7,721.09	6,215.45
	<b>21.24</b>	<b>-</b>	<b>8,037.34</b>	<b>6,374.27</b>
<b>18 CASH AND BANK BALANCES</b>				
	Non-current		Current	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
Cash and cash equivalents				
Balance with banks :				
-- in current accounts	-	-	557.57	1,713.83
-- in EEFC accounts	-	-	31.27	21.32
-- in unpaid dividend accounts	-	-	1.07	1.07
Cash on hand	-	-	45.59	63.94
Deposits with original maturity for less than 3 months	-	-	850.00	-
	-	-	1,485.50	1,800.16
Other bank balances				
Deposits with original maturity for more than 12 months	90.69	57.48	56.41	-
Deposits with original maturity for more than 3 months and less than 12 months	-	-	-	2,578.25
	90.69	57.48	56.41	2,578.25
	<b>90.69</b>	<b>57.48</b>	<b>1,541.91</b>	<b>4,378.41</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	As at March 31, 2013	As at March 31, 2012
<b>19 REVENUE FROM OPERATIONS</b>		
(A) Sale of Finished goods		
-- Exports	75,081.61	73,950.84
-- Domestic	16,931.31	19,340.78
	<u>92,012.92</u>	<u>93,291.62</u>
(B) Other operating revenue		
Sale of accessories, fabrics, etc	1,515.13	3,833.32
Job work income	1,286.83	3,665.63
Export incentives	4,118.01	3,265.82
Scrap sales and others (including claims)	923.16	1,063.78
	<u>7,843.13</u>	<u>11,828.55</u>
Revenue from operations (gross)	<u><b>99,856.05</b></u>	<u><b>105,120.17</b></u>
<b>20 OTHER INCOME</b>		
Interest income on bank deposit (gross)	189.06	93.04
[Tax deducted at source Rs. 18.9 lakhs (2012 : Rs. 9.31 lakhs)]		
Dividend income on current investments	5.98	213.99
Gain (net) on sale of current investments	56.28	65.32
Profit on sale of fixed assets	43.35	-
Other non-operating income	583.97	222.60
	<u><b>878.64</b></u>	<u><b>594.95</b></u>
<b>21 COST OF RAW MATERIALS CONSUMED</b>		
Inventory at the beginning of the year	7,003.87	18,294.91
Add: purchases	58,154.75	45,858.66
	65,158.62	64,153.57
Less: inventory at the end of the year	12,521.54	7,003.87
Cost of raw materials consumed	<u><b>52,637.08</b></u>	<u><b>57,149.70</b></u>
<b>22 (INCREASE) / DECREASE IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS</b>		
Inventories at the beginning of the year		
Work-in-progress	6,006.19	6,249.92
Finished goods	3,955.16	4,223.50
	<u>9,961.35</u>	<u>10,473.42</u>
Inventories at the end of the year		
Work-in-progress	8,409.93	6,006.19
Finished goods	3,558.25	3,955.16
	<u>11,968.18</u>	<u>9,961.35</u>
	<u><b>(2,006.83)</b></u>	<u><b>512.07</b></u>
<b>23 EMPLOYEE BENEFITS EXPENSE</b>		
Salaries, wages and bonus	30,807.09	28,898.59
Contribution to provident fund and other fund	3,061.68	2,778.41
Gratuity expense [Refer Note 29]	466.97	705.11
Staff welfare expenses	1,336.35	863.13
	<u><b>35,672.09</b></u>	<u><b>33,245.24</b></u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

(All amounts in Indian Rupees in lakhs, except stated otherwise)

	As at March 31, 2013	As at March 31, 2012
<b>24 OTHER EXPENSES</b>		
Consumption of consumables, stores and spares	1,281.54	1,100.14
Power and fuel	2,337.28	2,062.60
Job work charges	1,341.91	331.99
Other manufacturing expenses	718.69	715.93
Rent	2,359.23	2,693.07
Rates and taxes	252.26	141.93
Insurance	330.53	242.24
Repairs and maintenance		
- Plant and machinery	653.58	713.41
- Buildings	92.32	107.15
- Others	650.74	484.65
Legal and professional charges	566.37	364.19
Printing and stationery	144.96	172.40
Communication costs	278.92	251.53
Travelling and conveyance	420.30	347.74
Auditors' remuneration	42.89	41.32
Director's remuneration	104.09	107.80
Clearing, forwarding and freight (net of recoveries)	1,092.78	850.76
Provision for doubtful deposits and advances	221.55	474.05
Irrecoverable balances written off	147.02	1,381.73
Bad debts written off	42.77	373.30
Loss on sale of fixed assets	-	141.50
Exchange differences (net)	1,065.26	2,051.49
Miscellaneous expenses	2,174.40	2,480.18
	<b><u>16,319.39</u></b>	<b><u>17,631.10</u></b>
<b>25 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Depreciation on tangible assets	3,093.58	3,328.06
Amortisation on intangible assets	315.91	368.02
	<b><u>3,409.49</u></b>	<b><u>3,696.08</u></b>
<b>26 FINANCE COSTS</b>		
Interest		
- on term loans [Refer Note (a) below]	82.01	170.71
- on packing credit	2,378.74	1,692.71
- on bill discounting and others	399.50	342.29
Exchange difference to the extent considered as an adjustment to borrowing cost	265.59	1,347.70
Bank charges	634.91	395.73
	<b><u>3,760.75</u></b>	<b><u>3,949.14</u></b>

Note :

(a) Interest on term loans is net of interest subvention subsidy Rs. 55.67 lakhs (2012 : Rs. 97.68 lakhs) under Technology Upgradation Scheme.

(All amounts in Indian Rupees in lakhs, except stated otherwise)

**27. Contingent liabilities (to the extent not provided for)**

	2013	2012
Claims against the Group not acknowledged as debts	382.70	342.04
Guarantees given by banks	19.81	15.10
Outstanding letters of credit	963.79	1,098.00
Bills discounted with banks	10,232.48	8,647.81

**28. Capital and other commitments**

(a) Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	62.48	58.28
(b) The Company has imported capital goods without payment of duty under Export promotion capital goods ('EPCG') scheme. Value of pending export obligations to be fulfilled before November 05, 2017.	1,483.59	1,483.59
(c) For commitments relating to leasing arrangements, refer Note 32		
(d) For commitments relating to forward contracts, refer Note 34		

**29. 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 summaries the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet:

	2013	2012
<b>Net employee benefit expense (in statement of profit and loss) :</b>		
Current service cost	406.46	618.25
Interest cost on benefit obligation	85.22	56.70
Expected Return on Plan Assets	(17.62)	(20.69)
Actuarial loss/(gain)	(7.09)	50.85
<b>Net benefit expense</b>	<b>466.97</b>	<b>705.11</b>
<b>Actual return on plan asset</b>	<b>17.68</b>	<b>21.97</b>
<b>Details of Provision for gratuity (in Balance Sheet)</b>		
Defined benefit obligation	1,339.81	1,252.46
Fair value of plan asset	(173.09)	(294.31)
<b>Plan liability / (asset)</b>	<b>1,166.72</b>	<b>958.15</b>
<b>Changes in the present value of defined benefit obligation</b>		
Opening defined benefit obligation	1,252.46	898.46
Current Service Cost	406.46	618.25
Interest Cost	85.22	56.70
Benefits Paid	(397.30)	(373.08)
Actuarial (gain)/loss	(7.03)	52.13
<b>Closing defined benefit obligation</b>	<b>1,339.81</b>	<b>1,252.46</b>

(All amounts in Indian Rupees in lakhs, except stated otherwise)

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

	2013	2012
Opening fair value of plan asset	294.31	250.14
Expected return	17.62	20.69
Actuarial gain/(loss)	0.06	1.28
Contributions by employer	258.40	395.28
Benefits Paid	(397.30)	(373.08)
<b>Closing fair value of plan asset</b>	<b>173.09</b>	<b>294.31</b>

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

	2013	2012
Interest Rate	8.25 %	8.5 %
Discount Factor	8.25 %	8.5 %
Estimated Rate of return on Plan Assets	8 %	8 %
Attrition Rate	40 %	35 %
Rate of escalation in Salary per annum	5 %	5 %
Retirement Age	60 years	58 years

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

	2013	2012
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 & demand in the employment market.
2. The estimated rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled,
3. The Company expects to contribute Rs.450 lakhs to gratuity in 2013-14.

**Amounts for the current year and previous four year period are as follows:**

	2013	2012	2011	2010	2009
Defined benefit obligation	1,339.81	1,252.46	898.46	613.51	496.02
Plan assets	(173.09)	(294.31)	(250.14)	(401.87)	(245.98)
(Surplus) / deficit	1,166.72	958.15	648.32	211.64	250.04
Experience adjustment on plan liabilities	(7.03)	52.13	77.89	(19.24)	(47.06)
Experience adjustment on plan assets	(0.06)	(1.28)	(2.04)	(4.54)	2.75

**30. 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.

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

Geographical Segment	Revenues	Carrying amount of segment assets
In India	22,489.49 (28,474.74)	59,546.03 (58,621.92)
Outside India	75,610.40 (73,950.84)	4,704.66 (3,036.00)
<b>Total</b>	<b>98,099.89</b> <b>(102,425.58)</b>	<b>64,250.69</b> <b>(61,657.92)</b>

All fixed assets are located in India.

Notes: Figures in brackets relate to previous year.



### 31. Related party disclosures

#### A. 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>	
	Director and Chief Executive Officer	Mr. Gautam Chakravarti
	Chief Operating Officer - Production	Mr. Ashwin R Hinduja (upto July 15, 2011)

#### 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:

Nature of Transactions	Key Management Personnel
<b>Expenses (Remuneration):</b>	
Mr. Gautam Chakravarti	98.25 (100.00)
Mr. Ashwin R Hinduja	- (17.50)
<b>Balances outstanding as at March 31, 2013 :</b>	
Current liabilities -	
Mr. Gautam Chakravarti	13.27 (7.43)

Note:

Figures in brackets relate to previous year

### 32. 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. All leases include a clause to enable upward revision of the rental charge on a periodic basis as specified under the rental agreement. The charge on account of lease rentals for the year is Rs. 2,359.23 lakhs (2012: Rs. 2,693.07 lakhs).

Future obligations of lease rentals for non cancellable period under respective lease agreements aggregate to Rs.166.81 lakhs (2012: Rs. 194.01 lakhs).

	2013	2012
Not later than one year	166.81	194.01
Later than one year and not later than five years	-	-
Later than five years	-	-
	<b>166.81</b>	<b>194.01</b>

### 33. Earnings per share

	2013	2012
(A) Net profit / (loss) for the year as per statement of profit and loss	(10,944.09)	(13,237.84)
(B) Weighted average number of equity shares (Nos.)	34,376,000	34,376,000
(C) Nominal value per share (Rs.)	5.00	5.00
(D) Earnings per share (Rs.) basic and diluted	(31.84)	(38.51)

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2013

## 34. Derivative contracts / instruments

**Particulars of Derivative contracts:** Forward contract outstanding as at balance sheet date

Sell contracts	2013		2012		Purpose
	foreign currency (in lakhs)	Rs. (in lakhs)	foreign currency (in lakhs)	Rs. (in lakhs)	
USD	509.58	27,747.18	407.33	20,783.36	Hedge of expected future sales
EURO	-	-	9.26	634.48	Hedge of expected future sales
GBP	-	-	3.25	266.32	Hedge of expected future sales

## 35. Exchange difference loss / (gain)

	2013	2012
Pre-shipment packing credit	429.38	1,718.44
Post-shipment credit	(204.85)	206.71
Forward contracts and options	812.81	773.28
Foreign currency receivables	(9.19)	(683.09)
Foreign currency payables	37.11	36.15
	<b>1,065.26</b>	<b>2,051.49</b>

## 36. As of the Balance Sheet date, the Group unhedged foreign currency exposure is as under:

	Receivables / (Payables)			
	2013		2012	
	Amount in foreign currency	Amount in Rs. lakhs	Amount in foreign currency	Amount in Rs. lakhs
Bank balances – USD	57,421	31.27	41,558	21.32
Trade receivables – USD*	7,294,774	3,972.00	4,250,212	2,180.36
Trade receivables – EUR*	103,812	72.24	13,454	9.21
Trade receivables – GBP*	315,310	259.80	463,093	379.49
Loans and advances – USD	720,437	392.35	864,059	443.35
Loans and advances – EUR	11,598	8.07	7,845	5.38
Loans and advances – GBP	242	0.20	22,211	18.21
Pre-shipment credit – USD	(9,082,344)	(4,946.24)	(21,247,441)	(10,902.06)
Trade payables – USD	(2,795,840)	(1,522.61)	(2,983,892)	(1,531.03)
Trade payables – EUR	(1,279)	(0.89)	(907)	(0.62)
Advances received from customers – USD	(1,89,858)	(103.38)	(46,257)	(23.73)
Advances received from customers – EUR	(1,136)	(0.79)	(1,37,820)	(94.39)

\* net of export bills discounted

37. The Group is in process of taking necessary steps to comply with the Transfer Pricing requirements relating to the preparation and maintenance of the Transfer Pricing documentation with respect to the specified domestic transactions entered into by the Group during financial year ended March 31, 2013. The Management is of the opinion that the specified domestic transactions are at arm's length and hence the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

38. The Company has filed petition with the Company Law Board for compounding of offence u/s. 297 of the Companies Act, 1956 for the transactions entered with CMS Info Systems Private Limited between July 2009 to October 2011 and as at date, the petition is pending with the Company Law Board.

For periods subsequent to October 2011, the Company has filed an application with Central Government, Ministry of Corporate Affairs, seeking its approval u/s. 297(1) of the Companies Act, 1956 for entering into contract with CMS Info Systems Private Limited which is pending approval.

**39. Previous year comparatives**

Previous year figures have been regrouped/re-arranged/reclassified, wherever necessary to conform to the current year's presentation.

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As per our report of even date		<b>For and on behalf of Board of Directors</b>
<b>For Girish Murthy &amp; Kumar</b> ICAI Firm Registration No: 000934S Chartered Accountants	<b>For S.R. Batliboi &amp; Co. LLP</b> ICAI Firm Registration No: 301003E Chartered Accountants	<b>Richard B Saldanha</b> Chairman
<b>per A.V. Satish Kumar</b> Partner Membership No. F-26526 Place: Bengaluru Date: May 20, 2013	<b>per Navin Agrawal</b> Partner Membership No: 56102 Place: Bengaluru Date: May 20, 2013	<b>Gautam Chakravarti</b> Director & Chief Executive Officer
		<b>Sumit Keshan</b> Chief Financial Officer
		<b>Naveen Chandra Prakash</b> Company Secretary Place: Bengaluru Date: May 20, 2013

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# Culture building through behavioural change

## 1. Team Work

1. Support each other
2. Interactive decision making
3. Effective Inter-functional meeting

## 2. Trust one another

1. Empowerment
2. Direct & open communication

## 3. Challenge one another

1. Raising the bar
2. Going the extra mile

## 4. Honour our commitment

1. Do whatever it takes
2. Play to win

## 5. Goal Oriented

1. Focus on KPI'S



Have I demonstrated the behaviors ?

Have I communicated these to our team member ??

Have I challenged others to demonstrate these behaviors ???



## **gokaldas exports ltd.**

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