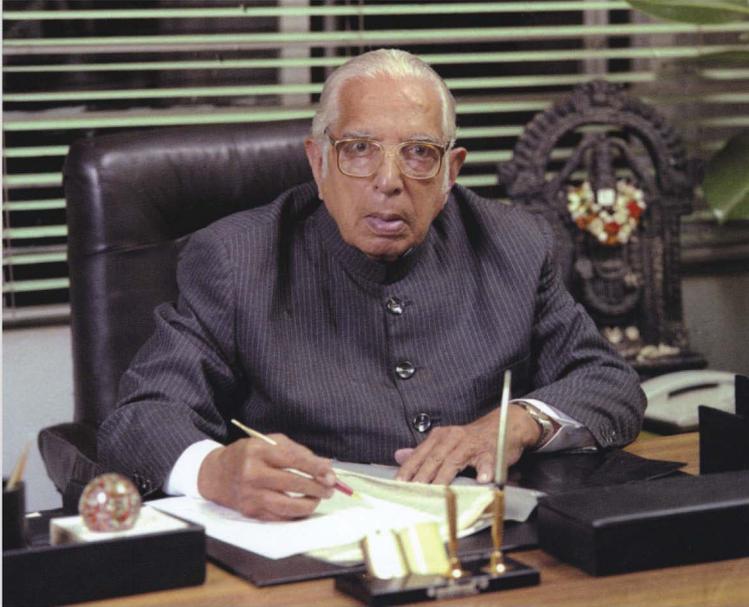


5 T H A N N U A L R E P O R T 2 0 0 7 - 2 0 0 8



The Founder



The late Shri Jhamandas H. Hinduja

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

OUR VISION

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

Jhamandas H. Hinduja

OUR MISSION

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



Leadership Award

Gokaldas Exports accolades

GOKALDAS EXPORTS has won the highest number of awards in Asia! Since 1980, the company has also won all the top export awards amongst all Indian garment manufacturers.

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

A signal recognition indeed!



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Registered Office

No. 70, Mission Road
Bangalore - 560 027, India

Company Secretary

K. B. Shyam Kumar

Statutory Auditors

M/s Price Waterhouse
Chartered Accountants
5th Floor, Tower D
The Millenia
1 & 2 Murphy Road
Ulsoor
Bangalore - 560 008

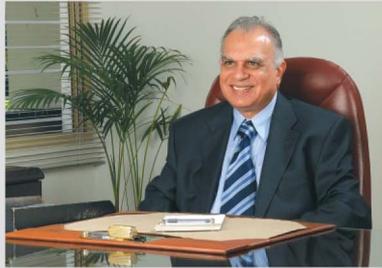
M/s Girish Murthy & Kumar
Chartered Accountants
4502, High Point IV
45, Palace Road
Bangalore - 560 001

Bankers

Canara Bank
Citi Bank



Board of Directors



Shri Madanlal J. Hinduja
Chairman



Shri Rajendra J. Hinduja
Managing Director



Shri Dinesh J. Hinduja
Executive Director



Shri Akhilesh Krishna Gupta
Director



Shri Richard B Saldanha
Director

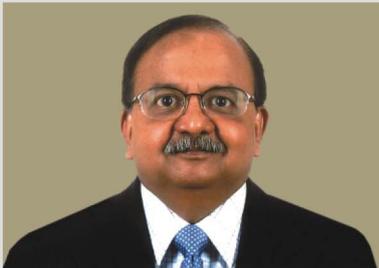




Shri Mathew Cyriac
Director



Shri H S Nagraj
Independent Director



Shri Prince Asirvatham
Independent Director



Shri K P Kumar
Independent Director

▼ The Gokaldas Exports
Corporate Office in Bangalore





Chairman's Statement

I have great pleasure in sharing with you the highlights of another eventful year.

The year 2007-08 has just passed and the values which we have long sustained have in turn sustained us to face testing circumstances. It was an eventful year marked by several reverses in global economic scene. The worst ever hit to the exporting community and more so to the textile industry was the appreciation of the Indian Rupee by 14% in a span of 12 months.

Never in the history of Indian exports, the Rupee has climbed to this value. Besides this, of course, the general appreciation of costs, the subprime crisis and the looming US recession have resulted in the markets becoming extremely cautious and competitive. We are in the midst of very turbulent times. Economists are predicting various scenarios for the future.

We all have our own opinions. However, it is action that must be taken, to face these problems. In spite of the

steep Rupee appreciation, we have managed to maintain the top line. If the Dollar/Rupee equation had been the same as last year, this probably would have been one of our best years, with the bottom line of about Rs.85 Crores and top line of about Rs. 1100 Crores.

Volume-wise we did manufacture 47 lakhs units more and with 2 new factories than last year, but in spite of this, with the low realisation of the Dollar, we just managed to cross last year's revenue.

The adverse impact of the steep Rupee appreciation has reduced the profitability of the business and covered the underlying strong performance supported by robust volume growth. However, in spite of this, we also believe in a strong future for our business and our investment into new business had been maintained. Our capex investment was to the tune of Rs. 70 Crores and two new plants, one at Mysore and the other at Tumkur have been commissioned.



Shri Madanlal J. Hinduja
Chairman



The Indian Apparel Industry is going to grow and has a bright future, and your company plays a significant role supporting the apparel industry worldwide. Besides, we are committed to good governance, sharing of information with shareholders and enhancing shareholder value.

In the coming years we intend to enlarge the range of products. The Indian domestic market has opened a new and exciting segment for us. We saw an opportunity and promise in this segment earlier and we, in the past year, were able to redesign and cater and make products required by this segment.

We are now able to offer products across various segments, for premium or medium priced brands. The medium price segment will surely see strong competition and we must continue our efforts through innovations and cost reductions to stay ahead.

I also wish to highlight that this year we had the world's largest private equity fund, M/s. Blackstone, joining hands with us. We welcome on our Board the new Directors of M/s. Blackstone, namely Shri Akhil Gupta, Shri Richard Saldanha and Shri Mathew Cyriac. We are sure, with their expertise and foresight our company will grow to greater heights.

I also wish to welcome our new Director, Shri Prince Asirvatham, who joined our Board in place of Shri Pradeep Shah who had resigned earlier. Shri Prince Asirvatham is heading the Audit Committee.

Behind the company's success has always been our people and manpower, and this has been our strength. This strength and dedication has been recognized and we are the proud recipients of the Dun & Bradstreet Award for Export Excellence for the year 2007-08.

At the end I would like to thank our Board of Directors for their support, and look forward to their inspired leadership and constant help to face the challenges which we have ahead. I am most grateful to all our customers, suppliers, bankers and our workforce who have given their constant support.

Madanlal J. Hinduja

Chairman





Director's Report

▼ *The ultra modern design studio*



▼ *New Hyderabad Factory*

Your Directors are pleased to present their Fifth Annual Report on the business and operations of your Company for the year ended 31st March, 2008.

Financial Results

(Rs. In lakhs)

Particulars	Year ended 31 st March 2008	Year ended 31 st March 2007
Profit Before Tax	5,121.65	7,799.11
Less: Provision for Tax	360.79	770.84
Profit after Tax	4,760.86	7,028.27
Balance brought forward from last Year	13,868.49	8,354.58
Amount available for appropriation	18,629.35	15,382.85
Appropriations:		
Proposed dividend	343.76	687.52
Corporate dividend tax	58.42	116.84
General Reserve	476.09	710.00
Balance carried forward	17,751.08	13,864.49



The company reported revenue of Rs.109271.36 lakhs (stand alone) for the year ended 31st March, 2008 and profit after tax at Rs.4,760.86 lakhs. The Company added new customers and existing buyers have increased their offtake resulting in higher turnover.

Dividend

Your directors recommend a dividend of Rs.1/- per share (20%) for the year ended 31st March 2008, subject to the approval of the shareholders at the ensuing Annual General Meeting. Shareholders whose names stand registered on the register of members at the close of market hours on August 27, 2008 would be entitled for the dividend.

Operations Review

The year 2007-08 was an eventful year, marked by several reversals in the global economy. The Rupee appreciated, costs

increased, a subprime crisis occurred, there is a U.S. recession looming over the entire world and the apparel markets have been extremely wary and cautious.

Headquartered in Bangalore, Gokaldas Exports operates out of over 50 factories located in and around Bangalore, Chennai, Hyderabad, Mysore and Tumkur. The factories are dedicated both buyer wise and product wise, specialising in creating Outerwear, Blazers and Pants (Formal and Casuals), Shorts, Shirts, Blouses, Denim Wear, Swim Wear, Active and Sports Wear. Keeping pace with the requirements of famous labels in 39 countries.

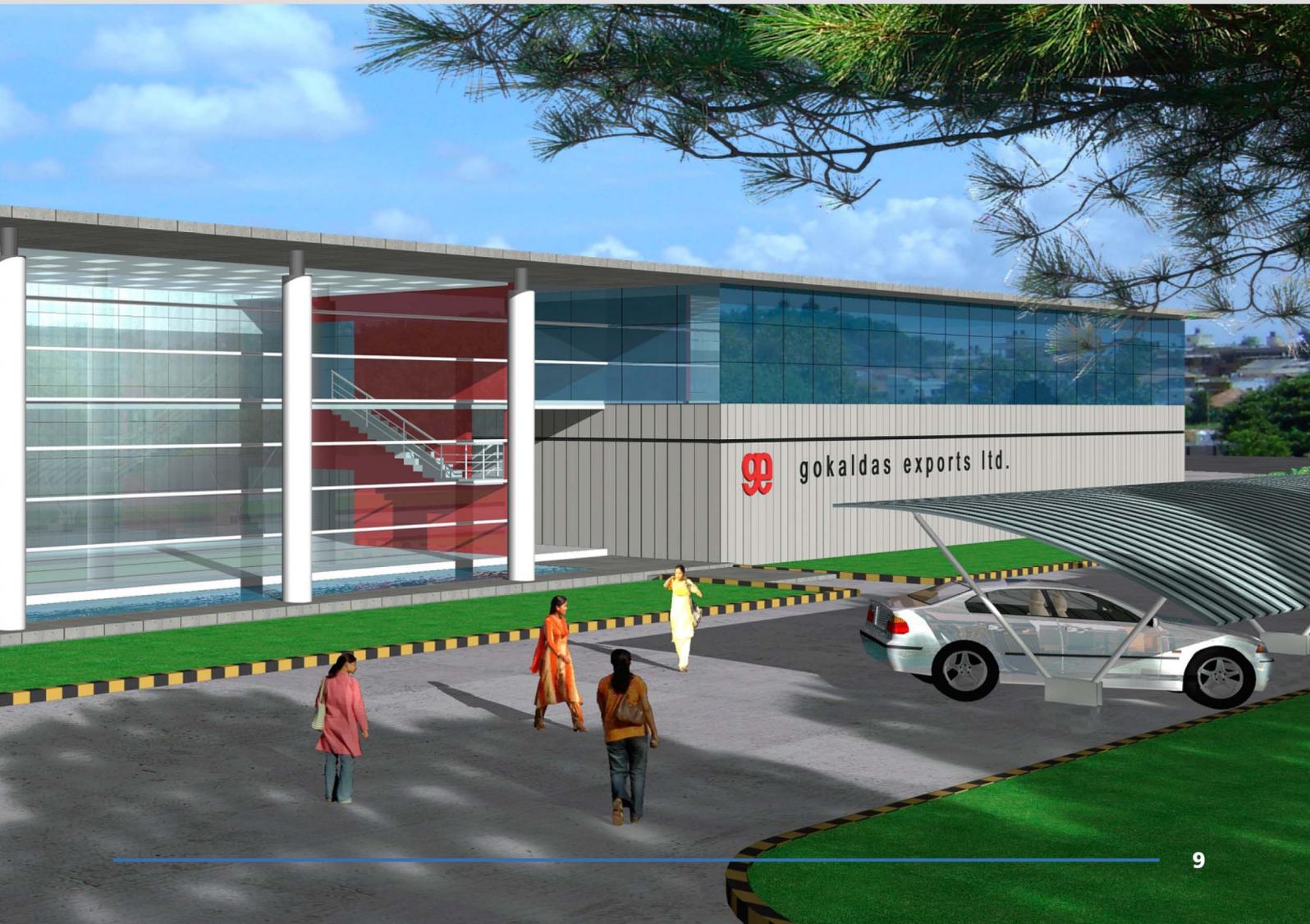
Apparel exports from India in the year 2007-08 have shown a 'Nil' growth and India has managed to be in line with 2006-07 figures. Competition from our neighbouring countries,

Especially Vietnam, Bangladesh and Cambodia have been very much on the higher side and added to this the U.S. slowdown has made matters worse for the entire industry.

If the Rupee had been at the level of last year (approx. Rs. 44 per USD) our performance would have been far better and this year would have been among the best years. Our EBIDTA would have been Rs.155 Crores and the net profit would have been Rs.85 Crores.

This year we have added 2 new factories, one at Tumkur and the other at Mysore.

In the last 4 weeks the Rupee has depreciated 6% and the currency markets are very volatile. However, this depreciation of the Rupee would not reflect immediate additional profits because of the forward cover hedging we have made upto September/October, '2008.





▼ *Global Garments - 3*



▲ *Venkateshwara Clothing Company*

▼ *New Mysore Factory - Atlantic Apparels - 2*

As regards China is concerned, India has some good news, China is also facing difficult time because of the following reasons.

- The Chinese currency has appreciated by 7%.
- Wages in China have gone up by 28%.
- Chinese government subsidies to the industry has been reduced by 3%.

Added to these, they are facing a lot of pressure due to the Olympic Games, and the Chinese inflation seems to be very high.

The general forecast for the Textile market is that in the last quarter of this year a lot of business will come to India's way and things will improve for the Indian apparel Industry substantially.

Investment by Blackstone FP Capital Partners (Mauritius) V-B Subsidiary Limited.

During the year, the promoters of your company sold 50.1% of paid-up share capital of the company to Blackstone FP Capital Partners (Mauritius) V-B Subsidiary Limited ('Blackstone) vide the Agreement dated August 20, 2007. Consequently, Blackstone made an Open Offer to acquire 20% of paid-up share capital in the company. The Offer opened on January 05, 2008 & closed on January 28, 2008. The Open Offer was successful as Blackstone acquired 62,48,004 shares which is equivalent to 18.17% of paid-up share capital of the company.

Subsidiary Companies

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

Subsidiaries, which were acquired by the Company on 1st December 2004. The Company has received approval from the Ministry of Company Affairs, Delhi vide order dated 29th July, 2008 exempting the Company from attaching the annual accounts of the subsidiary Companies as required under section 212 of the Companies Act 1956. Accordingly, this annual report does not contain the annual accounts and other information of the following subsidiary companies:

Name of the Subsidiary

- i. All Colour Garments Private Limited
- ii. DeeJay Trading Private Limited
- iii. Glamourwear Apparels Private Limited
- iv. Madhin Trading Private Limited
- v. Magenta Trading Private Limited
- vi. Rafter Trading Private Limited

- vii. Rajdin Apparels Private Limited
- viii. Reflexion Trading Private Limited
- ix. Rishikesh Apparels Private Limited
- x. Seven Hills Clothing Private Limited
- xi. SNS Clothing Private Limited
- Xii. Vignesh Apparels Private Limited
- xiii. Robot Systems Private Limited

Any shareholder desires to obtain a copy of accounts and other information pertaining to any/all subsidiaries may write to the Company Secretary at the registered office of the Company and the same will be sent by post.

Corporate Governance

As per the revised clause 49 of the Listing Agreement with the Stock Exchanges, which became effective from 1st January 2006, a detailed note on Corporate Governance is given separately. The company has complied with the requirements and disclosures

That have to be made in this regard. The Auditors' Certificate confirming the compliance of the Corporate Governance requirements by the company is attached to the Report on Corporate Governance.

Management's Discussion and Analysis

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

Listing

The equity shares of the Company are listed on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India (NSE). The company has paid the listing fees to the respective stock exchanges upto date. The Company's shares are tradable compulsorily in the dematerialized form





And the Company has entered into an agreement with National Securities Depository Limited (NSDL) and Central Depository Services India Limited (CDSL) for trading in electronic form.

Directors

During the year 2007-08, Shri Pradip P Shah has resigned from the Board with Effect from August 21, 2007. The Directors of your company wish to place on record their appreciation for the services rendered and contribution made by Shri Pradip P Shah during his tenure as Director and as Chairman of Audit Committee.

Shri Akhilesh Krishna Gupta, Shri Richard B Saldanha and Shri Mathew Cyriac were appointed as Additional Directors on the Board w.e.f. February 21, 2008 pursuant to the Shareholders'



▲ Dress Master Suit

▼ Suit line-up

Agreement and Share Purchase Agreement entered by the company, Promoters and Blackstone FP Capital Partners (Mauritius) V-B Subsidiary Limited (Blackstone group).

Shri Akhilesh Krishna Gupta holds a Bachelor Degree in Chemical Engineering with distinction from the Indian Institute of Technology, Delhi in 1973 and an MBA from the Graduate School of Business, Stanford University in 1981.

Shri Gupta is a Senior Managing Director and Chairman of Blackstone India and is based in Mumbai.

Shri Gupta started his career with Hindustan Lever. From 1981 to 1992 he worked in the US, first in consulting with Strategic Planning Associates and ICF in Washington D.C., then as Senior Vice President and Chief Financial Officer of Krausets Sofa and after that as Chief Financial Officer and Chief Operating Officer of Stylus Inc.

Shri Gupta before joining Blackstone, served as CEO Corporate Development for Reliance Industries Limited and Reliance Infocomm Limited. During Shri Gupta's tenure, the Reliance group was India's largest private sector business house with diversified interests in Petrochemicals, energy, power, telecom

And financial services. Shri Gupta's efforts at Reliance were focused on developing Reliance's oil & gas, refining and telecom business.

Further, Shri. Richard B Saldanha holds Bachelor Degree in Mechanical Engineering from Pune University. He has gained wide international experience as a Founding member of the National Board of Advt Self Regulation (Peru); a Founding member of the National Board for e-commerce (Peru); President of the International School in Valencia, Venezuela; and a member of the Dutch-Peru and UK-Peru Chambers of Commerce.

Shri. Richard B Saldanha is an Executive Director in the Corporate Private Equity group based in Mumbai. Prior to joining Blackstone, Shri Saldanha was Executive Director and a Member of the Board of The Times of India Group.

He has forty-plus years of corporate experience in wide range of functions ranging from manufacturing and planning to corporate development and general management have given him an ideal background for restructuring and reorganizing companies and as well as for managing strategic alliances and Partnerships in the international arena.



Further, Shri Mathew Cyriac holds a Bachelor Degree in Engineering and an MBA from the Indian Institute of Management, Bangalore. He was awarded the IIMB Gold Medal for graduating at the top of his MBA class.

Shri Mathew Cyriac is a Principal in the Corporate Private Equity Group of Blackstone India based in Mumbai.

He has rich experience in the Investment Banking Division of Bank of America in India and in the Engineering Division of Tata Motors. He also served as Head Corporate Development Strategy of iGate Global Solutions Limited.

Further, Shri Rajendra J Hinduja and Shri Dinesh J Hinduja, Directors retire by rotation in accordance with the provisions of the Companies Act, 1956 and being eligible, offer themselves for re-appointment.

Shri Rajendra J Hinduja holds a Bachelor Degree in Engineering from the Bangalore University. He has been involved in the business since the company's inception.

He has been the Senior vice Chairman of the Apparel Export Promotion Council (AEPC) in 2003 and has been on their Executive Committee for the past two decades. He has also served various committees formed by the Ministry of Textiles, Government of India on export/development projects. He is also on the High power committee of Government of Karnataka since 2003

He looks after finance, logistics, imports and exports, human resources/personnel and legal matters for the organization. He is also responsible for new projects and initiatives of the company.

Shri Dinesh J Hinduja holds a Bachelor Degree in Science from Bangalore University and involved in the business of the company since its inception.

He has been the recipient of award for excellence in the year 1994 from Association of Young India. He was on the state level management committee of NIFT in the year 1998 and on the advisory board World Fashion Exchange Inc., USA..

He overseas entire marketing function including designing, sampling,

customer interaction and service. He is also responsible for our manufacturing function and production planning, operations of our factories and support units.

None of the Directors of the company are disqualified for being appointed as Directors as specified in Section 274 of the Companies Act, 1956.

The required resolutions for appointment/re-appointment of the aforesaid directors have been included in the notice convening the forthcoming annual general meeting.

Names of the Companies* / firms in which Directors of the Company hold / held office as Director / Partner are given below:

Shri Madanlal J Hinduja

- ❖ Vag Exports Private Ltd.
- ❖ JVN Exports Private Ltd.
- ❖ Poly Products Private Ltd.
- ❖ Maze Trading Private Ltd.
- ❖ Rafter Trading Private Ltd.
- ❖ Reflexion Trading Private Ltd.
- ❖ Madhin Trading Private Ltd.
- ❖ Magenta Trading Private Ltd.
- ❖ DeeJay Trading Private Ltd.
- ❖ Dazzle Trading Private Ltd.
- ❖ Rishikesh Apparels Private Ltd.
- ❖ All Colour Garments Private Ltd.
- ❖ Vignesh Apparels Private Ltd.
- ❖ Glamourwear Apparels Private Ltd.
- ❖ Seven Hills Clothing Private Ltd.
- ❖ Rajdin Apparels Private Ltd.
- ❖ SNS Clothing Private Ltd.
- ❖ Robot Systems Private Ltd.
- ❖ Gokaldas Exports Apparel & Textile Park Private Ltd.
- ❖ DMR Enterprises (Partner)
- ❖ AVIS Industrial Estate (Partner)

Shri Rajendra J Hinduja

- ❖ Vag Exports Private Ltd.
- ❖ JVN Exports Private Ltd.
- ❖ Poly Products Private Ltd.
- ❖ Rapple Trading Private Ltd.
- ❖ Rafter Trading Private Ltd.
- ❖ Reflexion Trading Private Ltd.
- ❖ Madhin Trading Private Ltd.
- ❖ Magenta Trading Private Ltd.

- ❖ DeeJay Trading Private Ltd.
- ❖ Dazzle Trading Private Ltd.
- ❖ Rishikesh Apparels Private Ltd.
- ❖ All Colour Garments Private Ltd.
- ❖ Vignesh Apparels Private Ltd.
- ❖ Glamourwear Apparels Private Ltd.
- ❖ Seven Hills Clothing Private Ltd.
- ❖ Rajdin Apparels Private Ltd.
- ❖ SNS Clothing Private Ltd.
- ❖ Robot Systems Private Ltd.
- ❖ Gokaldas Exports Apparel & Textile Park Private Ltd.
- ❖ DMR Enterprises (Partner)
- ❖ AVIS Industrial Estate (Partner)
- ❖ Apparel Export Promotional Council, New Delhi
- ❖ Federation of Karnataka Chambers of Commerce & Industry

Shri Dinesh J Hinduja

- ❖ Vag Exports Private Ltd.
 - ❖ JVN Exports Private Ltd.
 - ❖ Poly Products Private Ltd.
 - ❖ Dice Trading Private Ltd.
 - ❖ Rafter Trading Private Ltd.
 - ❖ Reflexion Trading Private Ltd.
 - ❖ Madhin Trading Private Ltd.
 - ❖ Magenta Trading Private Ltd.
 - ❖ DeeJay Trading Private Ltd.
 - ❖ Dazzle Trading Private Ltd.
 - ❖ Rishikesh Apparels Private Ltd.
 - ❖ All Colour Garments Private Ltd.
 - ❖ Vignesh Apparels Private Ltd.
 - ❖ Glamourwear Apparels Private Ltd.
 - ❖ Rajdin Apparels Private Ltd.
 - ❖ SNS Clothing Private Ltd.
 - ❖ Robot Systems Private Ltd.
 - ❖ Gokaldas Exports Apparel & Textile Park Private Ltd.
 - ❖ DMR Enterprises (Partner)
 - ❖ AVIS Industrial Estate (Partner)
- * Includes Private Companies and Foreign Companies

Shri K P Kumar

- ❖ The Karur Vysya Bank Ltd

Shri H S Nagaraj

- ❖ Aviation Travels Private Ltd.
- ❖ Swiss World Cargo India Private Ltd.
- ❖ Airline Marketing Services Private Ltd.



Shri Akhilesh Krishna Gupta

- ❖ Blackstone Advisors India Private Limited
- ❖ Blackstone Fund Services Private Limited
- ❖ Emcure Pharmaceuticals Limited
- ❖ Intelenet Global Services Private Limited
- ❖ SKR BPO Services Private Limited
- ❖ Nagarjuna Construction Company Limited
- ❖ MTAR Technologies Private Limited
- ❖ Allcargo Global Logistics Limited

Shri Richard B Saldanha

- ❖ MTAR Technologies Private Limited
- ❖ Bennett Coleman and Company Limited

Shri Mathew Cyriac

- ❖ MTAR Technologies Private Limited
- ❖ All Cargo Global Logistics Limited

Shri Prince Asirvatham

- ❖ Guardian Risk Advisors Private Limited

Audit Committee

The Company has set up an Audit Committee in 2005 with three independent directors viz. Shri Pradip P Shah as Chairman and Shri K P Kumar and Shri H S Nagaraj as members. Shri Pradip P Shah resigned w.e.f. August 21, 2008. The Committee has met four times during the year ended 31st March 2008 and the scope of activities of the Committee is in compliance with the revised clause 49 of the Listing Agreement with the Stock Exchanges.

The Powers and role of the Audit Committee is set out as part of the Report on Corporate Governance.

Auditors' Report

The Auditors have pointed out in the Annexure to the Auditors' Report that the Internal Audit System needs to be strengthened to make it commensurate with the size and nature of its business.

As the company is a listed company, the Meetings of Audit Committee are being convened on a quarterly basis. The Internal Auditors present their report for discussion at those Meetings. The Management takes the suitable

measures to strengthen internal control systems as and when required and as advised by the Internal Auditors. This is a continuous and on-going process which the company is adopting to strengthen the Internal Audit Process.

Directors' Responsibility Statement

Pursuant to section 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- a) In the preparation of annual accounts the applicable accounting standards have been followed by the Company.
- b) Appropriate accounting policies have been selected and applied consistently and such judgments and estimates have been made that are reasonable so as to give a true and fair view of the state of affairs of the Company as at 31st March 2008 and of the Profit of the Company for the year ended on that date.
- c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d) The annual accounts have been prepared on a "going concern" basis.

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

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

- A. Conservation of Energy
The operations of the Company are not energy intensive. However, wherever possible the Company strives to curtail the

consumption of energy on continued basis.

- B. Technology absorption, adaptations and innovation
Not Applicable
- C. Foreign Exchange Earnings and Outgo

Foreign Exchange earned :

Rs. 94,757.04 lakhs

Out go : Rs. 25,015.66 lakhs

Particulars of Employees

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

Acknowledgements

You Directors thank the Company's business associates/customers, vendors and bankers for their continued support. Your Directors place on record their appreciation for the significant contribution made by the employees, who have been instrumental in enabling your company to achieve good progress during the year.

For and on behalf of the Board of Directors

Bangalore
June 09, 2008

Madanlal J Hinduja
Chairman

CORPORATE GOVERNANCE REPORT

In compliance with the Corporate Governance reporting requirements as per the format prescribed by the Securities Exchange Board of India and incorporated in Clause 49 of the Listing Agreements with the Stock Exchanges, the Company's policies on Corporate Governance and compliance thereof, for the year ended March 31, 2008 is enumerated below for information of the shareholders and investors of the Company.

(A) Corporate Governance Philosophy

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

(B) Board of Directors

The Composition of the Board of Directors of the Company is governed by the provisions of the Companies Act 1956, the Articles of Association of the Company and clause 49 of Listing Agreement with the Stock Exchanges. As of March 31, 2008, the Board had a strength of eight directors with a combination of executive and non-executive directors. Shri Madanlal J Hinduja is Chairman of the Company and Shri K P Kumar and Shri H S Nagaraj are non-executive Independent directors.

During the year 2007-08, Shri. Pradip P Shah, independent director resigned in August, 2007. The Promoters of the Company entered into Shareholders Agreement and Share Purchase Agreement with M/s Blackstone FP Capital Partners (Mauritus) V-B Subsidiary Limited (Blackstone group) on August 21, 2007. M/s Blackstone group has purchased 50.1% of paid up share capital from the Promoters @ Rs.275/- per share and made Open Offer to the Public to buy 20% of paid up share capital of the Company. The Offer closed on January 28, 2008 and M/s Blackstone group has acquired 62,48,004 shares @ Rs.275/- per share. Pursuant to the agreement, Mr. Akhilesh Krishna Gupta, Mr. Richard Saldanha and Mr. Mathew Cyriac were inducted as Additional Directors on the Board w.e.f. February 21, 2008 representing the Blackstone group.

As a consequence to the above changes, the Composition of Board of Directors as of March 31, 2008 is slightly deviated from the compliance of Clause 49 of the Listing Agreement on Corporate Governance. One Independent Director was required to be appointed on the Board to comply with the conditions of the Listing Agreement. However, the same was complied by inducting Shri Prince Asirvatham as Independent Director in May 2008.

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

(i) Current Composition of the Board of Directors:

Sl. No.	Name of Director	Executive/ Non-Executive	No. of other Directorships*	Committee* Memberships	Committee* Chairmanships
1)	Shri Madanlal J Hinduja Chairman (CM D upto 20.02.2008)	Promoter /Executive	0	0	Nil
2)	Shri Rajendra J Hinduja Managing Director (M D w.e.f. 21.02.2008)	Promoter/Executive	0	0	Nil
3)	Shri Dinesh J Hinduja Executive Director – Production & Marketing	Promoter/Executive	0	0	Nil
4)	Shri H.S. Nagaraj	Non-Executive & Independent	0	0	Nil
5)	Shri K.P. Kumar	Non-Executive & Independent	1	1	1
6)	Shri Akhilesh Krishna Gupta#	Non-Executive/Promoter	3	1	Nil
7)	Shri Richard B Saldanha#	Non-Executive/ Promoter	1	0	Nil
8)	Shri Mathew Cyriac#	Non-Executive/Promoter	1	1	Nil
9)	Shri Prince Asirvatham\$	Non-Executive/Independent	0	0	NIL

* excluding private, foreign and Section 25 companies.

Shri Akhilesh Krishna Gupta, Shri Richard B Saldanha and Shri Mathew Cyriac were appointed as Additional Directors on February 21, 2008.

\$ Shri Prince Asirvatham was appointed as Additional Director on May 27, 2008

None of the non-executive independent Directors have any pecuniary relationship or transactions with Company or its Group nor hold any shares in the Company.

CORPORATE GOVERNANCE REPORT

(ii) (a) Board Meetings

The Board meets at least once a quarter and six meetings were held during the financial year 2007-08 on May 24, 2007, July 30, 2007, August 20, 2007, October 27, 2007, January 28, 2008 and February 21, 2008.

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

Sl. No.	Name of Director	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
1)	Shri Madanlal J Hinduja Chairman	6	5	Present
2)	Shri Rajendra J Hinduja Managing Director	6	6	Present
3)	Shri Dinesh J Hinduja Executive Director – Production & Marketing	6	6	Present
4)	Shri Pradip P Shah#	6	0	Absent
5)	Shri H.S. Nagaraj	6	6	Present
6)	Shri K.P. Kumar	6	6	Present
7)	Shri Akhilesh Krishna Gupta*	6	1	Not Applicable
8)	Shri Richard B Saldanha*	6	1	Not Applicable
9)	Shri Mathew Cyriac*	6	1	Not Applicable
10)	Shri Prince Asirvatham\$	6	0	Not Applicable

Shri Pradip P Shah resigned on August 21, 2007.

* Shri Akhilesh Krishna Gupta, Shri Richard B Saldanha and Shri Mathew Cyriac were appointed as Additional Directors on February 21, 2008.

\$ Shri Prince Asirvatham was appointed as Additional Director on May 27, 2008.

(b) Availability of Information to the Members of the Board

The Board has complete access to any information within the Company and to any of our employees. The information supplied to the Board meetings include:

- Minutes of Audit and shareholders grievances redressal committees, as well as abstracts of circular resolutions passed.
- General Notice of interest of directors
- Annual/quarterly budgets, capital budgets and updates
- Quarterly/ half yearly/ annual financial results
- Dividend data
- Materially important litigations, show cause notices, demand, prosecution and penalty notices
- Details of any joint venture, acquisitions of companies or collaboration agreements
- Utilization of IPO proceeds
- Details of foreign exchange exposure and the steps taken by the management to limit the risks of adverse exchange rate movement
- Non compliance of any regulatory, statutory or listing requirements as well as shareholder services such as non payment of dividend or delays
- Information on recruitment of senior officers just below the Board level including appointment or removal of General Managers and Company Secretary

(c) Materially significant related party transactions

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its directors, management, subsidiaries or relatives of directors, except for those disclosed in the financial statements for the year ended March 31, 2008.

CORPORATE GOVERNANCE REPORT

(d) Annual disclosure of directors' interest as required under section 299 of the Companies Act 1956

Directors have furnished Notice of Disclosure of interest as required under section 299(1) of the Companies Act, 1956 for the year 2008-09. Any changes in their directorships / interest during the year would be disclosed to the Board as and when such change occurs. The Company maintains Register of Contracts, Companies and Firms in which Directors are interested as provided under section 301(1) of the Companies Act, 1956.

(e) Directors Remuneration

Figures in Rs.

Name of the Director	Fixed Salary			Commission	Total	Tenure
	Basic Salary	Perqui-sites / Allow-ances	Total fixed salary			
Madanlal J Hinduja	42,89,656	-	42,89,656	-	42,89,656	Upto December 31, 2009
Rajendra J Hinduja	48,00,000	-	48,00,000	-	48,00,000	Upto December 31, 2009
Dinesh J Hinduja	48,00,000	-	48,00,000	-	48,00,000	Upto December 31, 2009

The terms and conditions of the executive directors' appointment and remuneration are governed by the resolutions passed by the shareholders for their respective appointment. The perquisites to directors comprise of providing motor car, residential telephones etc., which were valued at 'Zero' as per Income Tax Act, 1961. The company has not entered into separate agreements for the contract of service with the executive directors.

(f) Independent Directors' remuneration

Independent Directors are entitled to sitting fee only and are not entitled to any other remuneration. During the financial year 2007-08, the company paid sitting fee as follows:

Figures in Rs.

Name of the Director	Board Meeting	Audit Committee Meeting	Shareholders' Grievances Redressal Committee Meeting	Total
K P Kumar	60,000	40,000	20,000	1,20,000
H S Nagaraj	60,000	40,000	20,000	1,20,000
Total				2,40,000

(C) Board Committees

Presently, the Board has two committees: the Audit Committee and the Shareholders Grievances Redressal Committee. The Audit Committee consists of entirely of independent directors whereas Shareholders Grievances Redressal Committee consists of three executive directors and two non-executive independent directors. Normally, the Audit Committees meet four times in a year, once in each quarter and Shareholders Grievances Redressal Committee meet twice in a year. The minutes of these committees' meetings are submitted to the Board for approval/confirmation.

(i) Audit Committee

The Audit Committee currently comprises solely of 3 independent directors, namely:

Shri Prince Asirvatham

Shri K.P. Kumar

Shri H.S. Nagaraj

Shri Pradip P Shah, who was the Chairman of the Audit Committee resigned w.e.f. August 21, 2007. His position was not filled up and therefore the compliance with the composition requirement of the Audit Committee was not in line with Clause 49 of the Listing Agreement. The Managing Director, the Statutory Auditors and the Internal Auditors are invitees to the meetings. The Company Secretary is the Secretary to the Audit Committee. Shri Pradip P Shah, Chairman of the Audit Committee has not attended the last Annual General Meeting held on August 17, 2007. However, Shri. K P Kumar who presided the Meeting of the Audit Committee held on May 24, 2007 whereat the Annual Accounts of the company were adopted, was present and available to answer the shareholders' queries at the Annual General Meeting held on August 17, 2007.

CORPORATE GOVERNANCE REPORT

The Composition of the Audit Committee is slightly deviated from the compliance of Clause 49 of the Listing Agreement on Corporate Governance as on March 31, 2008. One Independent Director is required to be appointed in the Audit Committee to comply with the conditions of the Listing Agreement. However, the Company has since appointed Shri Prince Asirvatham as the Chairman of the Audit Committee w.e.f. May 27, 2008.

The primary objective of the Audit Committee is to monitor and provide supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting. The Committee oversees the work carried out in the financial reporting process by the management, the internal auditors and the statutory auditors and notes the process and safeguards employed by them.

The principal functions of the committee are:

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

Audit Committee attendance:

Four Audit Committee meetings were held during the financial year 2007-08. These were held on May 24, 2007, July 30, 2007, October 27, 2007 and January 28, 2008.

Name	No. of Meetings Held	Attended
Shri Pradip P Shah*	4	0
Shri K P Kumar	4	4
Shri H S Nagaraj	4	4

* Shri Pradip P Shah resigned on August 21, 2007

CORPORATE GOVERNANCE REPORT

Shri Pradip P Shah was the Chairman of the Audit Committee until his resignation from the Board in August 2007. Shri K P Kumar had chaired the subsequent meetings of the Committee and was also present at the Annual General Meeting held on August 17, 2007.

(ii) Shareholders Grievances Redressal Committee:

The Shareholders Grievances Redressal Committee is headed by an independent director and consists of the following directors:

Sl No.	Name of Director	Designation
1.	Shri K.P. Kumar	Chairman
2.	Shri H.S. Nagaraj	Member
3.	Shri Madanlal J Hinduja	Member
4.	Shri Rajendra J Hinduja	Member
5.	Shri Dinesh J Hinduja	Member

Shri. K B Shyam Kumar, Company Secretary is the Compliance Officer for the Company.

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

Two Shareholder's Grievances Redressal Committee meetings were held during the financial year 2007-08 on July 30, 2007 and January 28, 2008.

Name	No. of Meetings Held	Attended
Shri K P Kumar	2	2
Shri H S Nagaraj	2	2
Shri Madanlal J Hinduja	2	1
Shri Rajendra J Hinduja	2	2
Shri Dinesh J Hinduja	2	2

The following table shows the nature of complaints / correspondence received from the shareholders / investors during the financial year 2007-08 all of which have been resolved and at the end of year, there were no complaints pending unresolved/ unattended as on March 31, 2008:

Nature of Complaint/correspondence	Received	Resolved	Pending
Non-receipt of dividend warrants	13	13	0
Non-receipt of Annual Report	0	0	0
Non-receipt of refund orders	1	1	0
Non-credit of securities/electronic credit of shares	0	0	0
TOTAL	14	14	0

(iii) Remuneration Committee:

The company has not constituted a remuneration committee. The Board of Directors discharges the responsibilities in relation to the determination of Directors' remuneration etc.

(D) Annual General Meetings

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

Financial Year	Day, date & Time	Location
2004-05	Wednesday, August 10, 2005 10.30 A.M.	Hotel Grand Ashok, Kumara Krupa Road, High Grounds, Bangalore – 560 001
2005-06	Thursday, August 17, 2006 10.30 A.M	Hotel Grand Ashok, Kumara Krupa Road, High Grounds, Bangalore – 560 001
2006-07	Friday, August 17, 2007 10.30 A.M	Hotel Grand Ashok, Kumara Krupa Road, High Grounds, Bangalore – 560 001

CORPORATE GOVERNANCE REPORT

The following special resolutions were passed by the members during the above Annual General Meetings:

Annual General Meeting held on August 10, 2005:

- ❖ Payment of remuneration to Chairman & Managing Director, Shri Madanlal J Hinduja
- ❖ Payment of remuneration to Executive Director – Finance & Administration, Shri Rajendra J Hinduja
- ❖ Payment of remuneration to Executive Director- Production & Marketing, Shri Dinesh J Hinduja
- ❖ Amendment of articles by addition / substitution of new articles
- ❖ Keeping the register of members, index of members, returns and copies of certificates and documents in the office of Karvy Computershare Private Limited, the Company's Registrars & Share Transfer Agents

Annual General Meeting held on August 17, 2006:

- ❖ Increase of borrowing powers to the Board
- ❖ Appointment of Shri. Gaurav D Hinduja as Chief Operating Officer – Marketing of the company

Annual General Meeting held on August 17, 2007:

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

(E) Postal Ballots

During the previous three financial years, the company had no subjects requiring shareholders' approval through a postal ballot.

The following resolutions are proposed to be passed before the ensuing Annual General Meeting:

- (1) Alteration of Articles of Association of the Company,
- (2) Appointment of Shri. Rajendra J Hinduja as Managing Director of the company,
- (3) Appointment of Shri. Madanlal J Hinduja as Executive Chairman,
- (4) Reappointment of Shri. Dinesh J Hinduja, Executive Director (Production & Marketing)
- (5) Increase of remuneration to Shri. Vivek M Hinduja, Chief Operating Officer,
- (6) Increase of remuneration to Shri. Ashwin R Hinduja, Chief Operating Officer, &
- (7) Reappointment of Shri. Gaurav D Hinduja as Chief Operating Officer

(F) Auditors' Certificate of Corporate Governance

As required under clause 49 of the Listing Agreement, the Auditors' certificate is given as an annexure to the Directors' Report.

(G) CEO/CFD Certification

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

(H) Disclosures

(i) Disclosures on materially significant related party transactions

The related party transactions during the year ended March 31, 2008 have been listed in the notes to the accounts. Shareholders may please refer the same. However, these are not in conflict with the interests of the company at large. There are no material individual transactions which are not in the normal course of business.

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

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

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

The Company has complied with all mandatory requirements of the Clause 49 of the Listing Agreement.

(iv) Compliance with Non-mandatory requirements of Clause 49 of the Listing Agreement

Clause 49 of the Listing Agreement requires the Company to obtain a certificate from either the Auditors or Practicing Company Secretary regarding compliance of conditions of Corporate Governance as stipulated in the Clause and attach the certificate with the Directors' Report. We have obtained a certificate to this effect and the same is given in this Annual Report

The Clause further states that the non-mandatory requirements may be implemented as per the Company's discretion. However, the disclosure of compliance of mandatory requirements and non-compliance of non-mandatory requirements shall be made in the section on *Corporate Governance* in the Annual Report. We comply with the following non-mandatory requirement of Corporate Governance:

(v) Shareholders Rights

The Clause states that a half yearly declaration of financial performance including summary of significant events in the last six months, may be sent to each shareholder.

The Company communicates with investors through email, video/ audio conference etc., atleast once in a quarter after our audited / un-audited results are announced / published. We also post the financial results, performance review etc., on our website www.gokaldasexports.com, the fact of which is communicated through emails to the investors.

(vi) Non-compliance with Non-mandatory requirements of clause 49 of the Listing Agreement

The company has not complied with the following non-mandatory requirements of Clause 49 of the Listing Agreement:

- ❖ The Board
- ❖ Remuneration Committee
- ❖ Audit qualifications
- ❖ Training of Board Members
- ❖ Mechanism for evaluating non-executive Board Members
- ❖ Whistle Blower Policy

(I) Means of Communication

The annual audited financial results, the quarterly / half yearly unaudited financial results are generally published in *The Economic Times, Business Line and Samyukta Karnataka* (a regional daily published from Bangalore). These results are also posted on the Company's website at www.gokaldasexports.com.

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

The Company has not made any presentations to analysts.

(J) 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 Shareholders' Information*.

(K) Disclosure regarding appointment / reappointment of directors

According to the Articles of Association, one third of the directors retire by rotation and, if eligible, offer themselves for re-appointment at the Annual General Meeting of shareholders. Accordingly, Shri Rajendra J Hinduja and Shri Dinesh J Hinduja will retire at the ensuing Annual General Meeting. The Board has recommended the re-appointment of all the retiring directors. Further, Shri. Akhilesh Krishna Gupta, Shri. Richard B Saldanha, Shri. Mathew Cyriac and Shri. Prince Asirvatham who were appointed as Additional Directors will also be appointed as Directors as the necessary notice has been received from the shareholders of the Company.

CORPORATE GOVERNANCE REPORT

The detailed resumes of the above six retiring directors are provided in the section on *General Shareholders' Information*.

(L) Management Discussion & Analysis

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

General Shareholders' Information

(i) Annual General Meeting

Day, date and time	: Thursday, September 4, 2008 at 10.30 AM
Venue	: The Atria Hotel No.1, Palace Road, Bangalore - 560 001

Agenda:

- 1) Adoption of Audited Accounts, Director's & Auditor's Report thereon for the year ended March 31, 2008.
- 2) Declaration of Dividend
- 3) Re-appointment of Shri Rajendra J Hinduja, Director
- 4) Re-appointment of Shri Dinesh J Hinduja, Director
- 5) Re-appointment of M/s. Girish, Murthy & Kumar, Chartered Accountants as Joint Statutory Auditors
- 6) Appointment of M/s. S.R. Batliboi, chartered Accountant as Joint Statutory Auditors
- 7) Appointment of Shri Akhilesh Krishna Gupta as Director
- 8) Appointment of Shri Richard B Saldanha as Director
- 9) Appointment of Shri Mathew Cyriac as Director
- 10) Appointment of Shri Prince Asirvatham as Director

(ii) The profile of Directors seeking appointment /re-appointment

(a) Shri Rajendra J Hinduja

Shri Rajendra J Hinduja holds a Bachelor Degree in Engineering from the Bangalore University. He has been involved in the business since the Company's inception.

He has been the Senior vice Chairman of the Apparel Export Promotion Council (AEPC) in 2003 and has been on their Executive Committee for the past two decades. He has also served various committees formed by the Ministry of Textiles, Government of India on export/development projects. He is also on the High power committee of Government of Karnataka since 2003.

He looks after finance, logistics, imports and exports, human resources/personnel and legal matters for the organization. He is also responsible for new projects and initiatives of the Company.

Shri Rajendra J Hinduja holds directorship in the following companies:

- ❖ Apparel Export Promotion Council, Delhi
- ❖ Federation of Karnataka Chambers of Commerce & Industry
- ❖ Vag Exports Private Ltd.
- ❖ JVN Exports Private Ltd.
- ❖ Poly Products Private Ltd.
- ❖ Rapple Trading Private Ltd.
- ❖ Rafter Trading Private Ltd.
- ❖ Reflexion Trading Private Ltd.
- ❖ Madhin Trading Private Ltd.
- ❖ Magenta Trading Private Ltd.
- ❖ Deejay Trading Private Ltd.

CORPORATE GOVERNANCE REPORT

- ❖ Dazzle Trading Private Ltd.
- ❖ Rishikesh Apparels Private Ltd.
- ❖ All Colour Garments Private Ltd.
- ❖ Vignesh Apparels Private Ltd.
- ❖ Glamourwear Apparels Private Ltd.
- ❖ Seven Hills Clothing Private Ltd.
- ❖ Rajdin Apparels Private Ltd.
- ❖ SNS Clothing Private Ltd.
- ❖ Robot Systems Private Ltd.
- ❖ Gokaldas Exports Apparel & Textile Park Private Ltd.

(b) Shri Dinesh J Hinduja

Shri Dinesh J Hinduja holds a Bachelor Degree in Science from Bangalore University and is involved in the business of the Company since its inception.

Shri Dinesh J Hinduja has been the recipient of award for excellence in the year 1994 from Association of Young India. He was on the state level management committee of National Institute of Fashion Technology (NIFT) in the year 1998 and on the advisory board World Fashion Exchange Inc., USA.

Shri Dinesh J Hinduja oversees entire marketing function including designing, sampling, customer interaction and service. He is also responsible for manufacturing function and oversees production planning, operations of our factories and support units.

Shri Dinesh J Hinduja holds directorship in the following companies:

- ❖ Vag Exports Private Ltd.
- ❖ JVN Exports Private Ltd.
- ❖ Poly Products Private Ltd.
- ❖ Dice Trading Private Ltd.
- ❖ Rafter Trading Private Ltd.
- ❖ Reflexion Trading Private Ltd.
- ❖ Madhin Trading Private Ltd.
- ❖ Magenta Trading Private Ltd.
- ❖ Deejay Trading Private Ltd.
- ❖ Dazzle Trading Private Ltd.
- ❖ Rishikesh Apparels Private Ltd.
- ❖ All Colour Garments Private Ltd.
- ❖ Vignesh Apparels Private Ltd.
- ❖ Glamourwear Apparels Private Ltd.
- ❖ Seven Hills Clothing Private Ltd.
- ❖ Rajdin Apparels Private Ltd.
- ❖ SNS Clothing Private Ltd.
- ❖ Robot Systems Private Ltd.
- ❖ Gokaldas Exports Apparel & Textile Park Private Ltd.

(c) Shri Akhilesh Krishna Gupta

Shri Akhilesh Krishna Gupta holds a Bachelor Degree in Chemical Engineering with distinction from the Indian Institute of Technology, Delhi in 1973 and an MBA from the Graduate School of Business, Stanford University in 1981.

Shri Gupta is the Senior Managing Director and Chairman of Blackstone India and is based in Mumbai.

CORPORATE GOVERNANCE REPORT

Shri Gupta started his career with Hindustan Lever. From 1981 to 1992 he worked in the US, first in consulting with Strategic Planning Associates and ICF in Washington D.C., then as Senior Vice President and Chief Financial Officer of Krauses Sofa and after that as Chief Financial Officer and Chief Operating Officer of Stylus Inc.

Shri Gupta before joining Blackstone, served as CEO – Corporate Development for Reliance Industries Limited and Reliance Infocomm Limited. During Shri Gupta's tenure, the Reliance group was India's largest private sector business house with diversified interests in petrochemicals, energy, power, telecom and financial services. Shri Gupta's efforts at Reliance were focused on developing Reliance's oil & gas, refining and telecom business.

Shri Gupta also holds directorship in the following companies:

1. Blackstone Advisors India Private Limited
2. Blackstone Fund Services Private Limited
3. Emcure Pharmaceuticals Limited
4. Intelenet Global Services Private Limited
5. SKR BPO Services Private Limited
6. Nagarjuna Construction Company Limited
7. MTAR Technologies Private Limited
8. Allcargo Global Logistics Limited

Shri Gupta is also a member of Audit Committee of Emcure Pharmaceuticals Limited.

Shri Gupta does not hold any shares in the Company.

(d) Shri Richard B Saldanha

Shri. Richard B Saldanha holds Bachelor Degree in Mechanical Engineering from Pune University. He has gained wide international experience as a Founding member of the National Board of Advt Self Regulation (Peru); a Founding member of the National Board for e-commerce (Peru); President of the International School in Valencia, Venezuela; and a member of the Dutch-Peru and UK-Peru Chambers of Commerce.

Shri. Richard B Saldanha is an Executive Director in the Corporate Private Equity group based in Mumbai. Prior to joining Blackstone, Shri Saldanha was Executive Director and a Member of the Board of The Times of India Group.

He has forty-plus years of corporate experience in wide range of areas ranging from manufacturing and planning to corporate development and general management has given him an ideal background for restructuring and reorganizing companies and as well as for managing strategic alliances and partnerships in the international arena.

He also holds directorships in MTAR Technologies Private Limited and M/s Bennett Coleman and Company Limited.

He does not hold any shares in the Company.

(e) Shri. Mathew Cyriac

Shri Mathew Cyriac holds a Bachelor Degree in Engineering and an MBA from the Indian Institute of Management, Bangalore. He was awarded the IIMB Gold Medal for graduating at the top of his MBA class.

Shri Mathew Cyriac is a Principal in the Corporate Private Equity Group of Blackstone India based in Mumbai.

He has rich experience in the Investment Banking Division of Bank of America in India and in the Engineering Division of Tata Motors. He also served as Head – Corporate Development Strategy of iGate Global Solutions Limited.

He also holds directorships in MTAR Technologies Private Limited and All Cargo Global Logistics Limited. He is a member of Audit Committee of MTAR Technologies Private Limited.

He does not hold any shares in the Company.

(f) Shri. Prince Asirvatham

Shri Prince Asirvatham is a Fellow of the Institute of Chartered Accountants of India. He is a former Group Treasurer & Head of Mergers & Acquisitions of Hindustan Lever Limited. In his 28 year employment with Hindustan Lever Limited and Unilever Plc, he set up a world class treasury operations managing over Rs.3000 crores in cash operations and Rs2000 crores in foreign currencies.

Shri Prince Asirvatham has worked in London in the Corporate Centre covering the UL group of companies in Africa and Asia and later in Brazil. He was actively involved in over 25 acquisitions and disposals which include India's first commercial privatisation.

CORPORATE GOVERNANCE REPORT

Shri Prince Asirvatham has presented several papers and also a coach in business finance and risk management.

Shri Prince Asirvatham is a Promoter-Director of Guardian Risk Advisors (p) Ltd., a business engaged in promoting aspirational management of personal financial assets.

He does not hold any shares in the Company.

(iii) Financial Calendar

Indicative calendar of events for the financial year 2008-09 excluding Extraordinary General Meetings, if any, is as under:

First Quarter Financial Results (June 2008)	July, 2008
Annual General Meeting	September 4, 2008
Second Quarter Financial Results (September 2008)	October, 2008
Third Quarter Financial Results (December 2008)	January 2009
Fourth Quarter / Audited Financial Results (March 2009)	May/June 2009

(iv) Book Closure

The Company's Register of Members and Share Transfer Books will remain closed for the purpose of payment of dividend from August 28, 2008 to September 4, 2008 (both days inclusive).

(v) Dividend

The dividend recommended by Directors, on approval by the members at the ensuing Annual General Meeting, will be paid to those shareholders whose names appear on the Company's Register of Members as at the end of the day of August 27, 2008, by September last week.

(vi) Listing on Stock Exchanges

The Company's equity shares are listed at the following Stock Exchanges located at :	Addresses of the Stock Exchanges
Bombay Stock Exchange Limited (BSE)	Bombay Stock Exchange Ltd Phiroze Jeejeebhoy Towers, Dalal Street MUMBAI - 400 001, Maharashtra Phones: 91- 22 – 22721233 / 22721234 Fax: 91- 22 – 22723677 / 22722082
National Stock Exchange of India Limited (NSE)	National Stock Exchange of India Ltd (NSE), Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E) MUMBAI – 400 051, Maharashtra Phones: 91 – 22 – 26538100/56418100 Fax: 91 – 22 – 26598237 / 38, 26598120
The Stock Code of the Company is	BSE – 532630 NSE – GOKEX
The ISIN No for the Company's Equity Shares in Demat form	INE 887G01019
Depository Connectivity	NSDL and CDSL

(vii) Listing Fee

Paid for all the above exchanges for the year 2008-09

(viii) Registered Office

No. 70, Mission Road, Bangalore – 560027
Karnataka, India
Phones: 91 – 80 – 22223600 / 1 / 2 / 41272200
Fax: 91 – 80 – 22274869 / 22277497
Email: gokex@vsnl.com
investorcare@gokaldasexports.com

(ix) Corporate Identification Number

L18101KA2004PLC033475

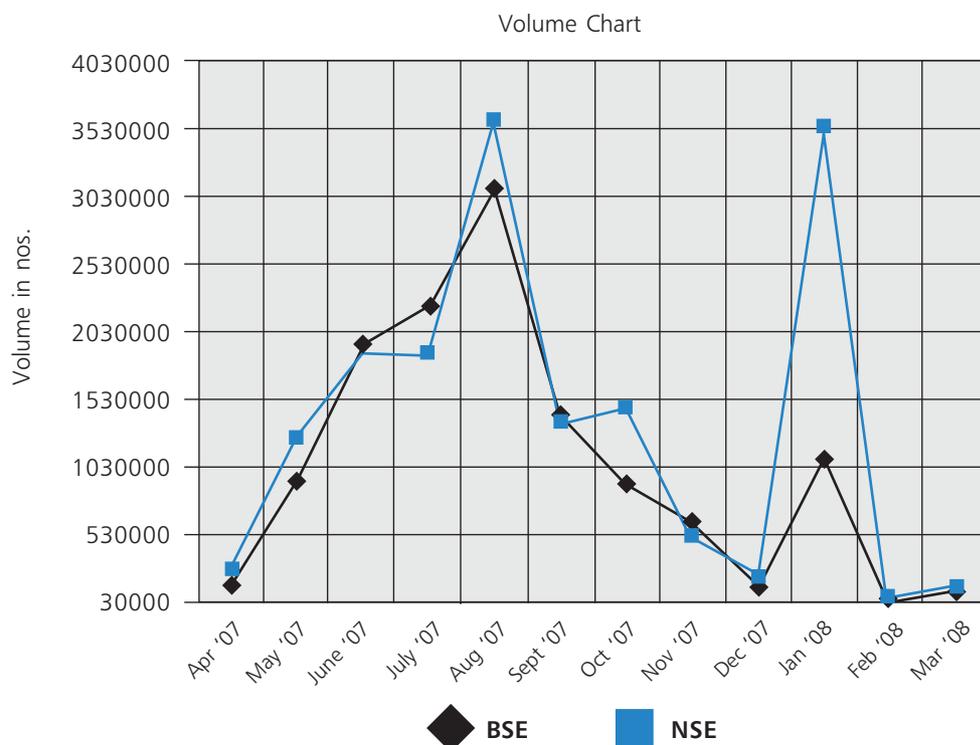
CORPORATE GOVERNANCE REPORT

(x) Stock Market Data

(a) Monthly high and low quotations along with volume of shares traded at BSE and NSE for 2007-08 are:

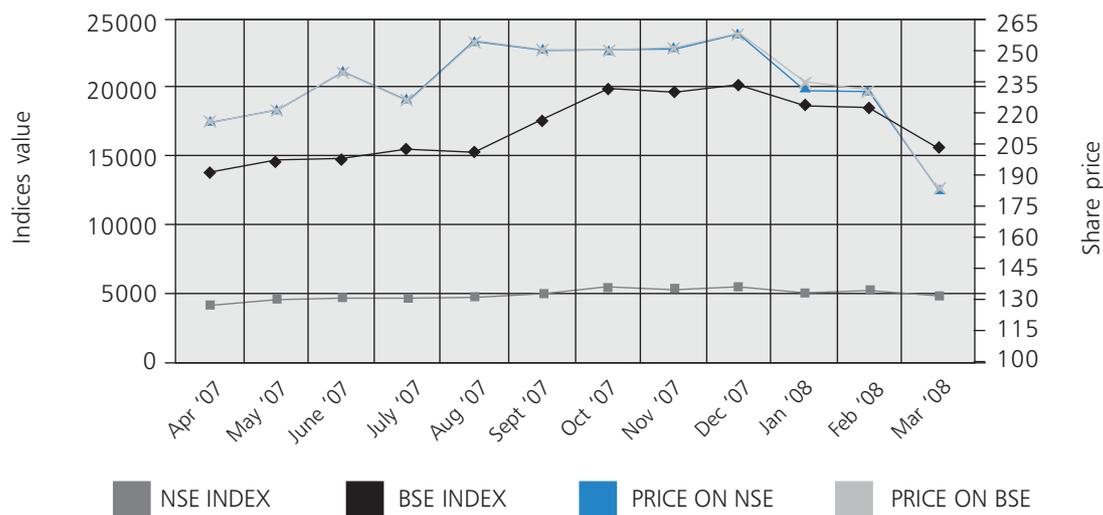
Month	BSE			NSE		
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Volume (Nos.)
April 2007	236.00	207.00	163,915	235.00	208.20	299,349
May 2007	235.45	186.05	943,380	234.00	186.05	1,244,634
June 2007	250.80	201.00	1,940,688	251.85	199.00	1,868,790
July 2007	265.00	211.00	2,235,520	265.00	212.00	1,850,228
August 2007	274.40	215.00	3,092,999	264.00	215.00	3,603,167
September 2007	259.90	237.65	1,413,987	266.00	235.50	1,345,326
October 2007	255.00	235.00	915,957	259.00	240.05	1,458,027
November 2007	260.00	235.55	631,609	254.95	225.70	523,332
December 2007	265.00	240.05	161,772	260.00	240.05	243,096
January 2008	299.00	231.00	1,086,476	274.75	222.00	3,541,890
February 2008	260.00	190.00	31,344	268.00	185.05	65,413
March 2008	234.50	160.10	127,376	239.85	152.65	130,175
Total			12,745,023			16,173,426

(b) Graphical representation of volume of shares traded during April 2007 – March 2008



CORPORATE GOVERNANCE REPORT

(c) Comparison of broad based indices with share price of Gokaldas Exports Limited



(d) Market Capitalization

The market capitalization of the company as on March 31, 2008 is Rs.61945.55 lakhs on Bombay Stock Exchange (BSE) and Rs.61189.28 lakhs on National Stock Exchange (NSE).

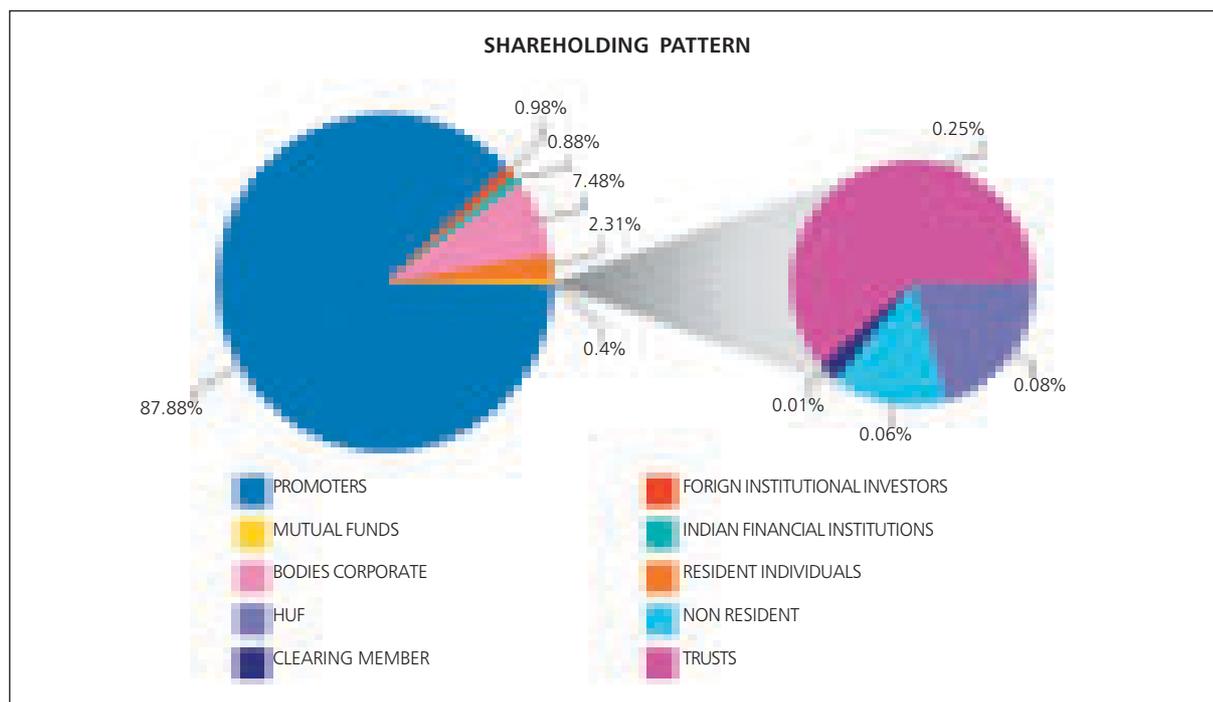
(xi) Shareholding Pattern

Equity Shares of Rs. 5/- each

Shareholders	As on 31.03.2008		As on 31.03.2007	
	No. of Shares	%	No. of Shares	%
Promoters	30,209,444	87.88	24,096,440	70.10
Resident Individuals	795,027	2.31	1,038,528	3.02
Mutual Funds	25,720	0.08	3,324,791	9.67
Bodies Corporate	2,570,925	7.48	1,531,591	4.46
Foreign Institutional Investors	336,769	0.98	3,730,495	10.85
Indian Financial Institutions	299,484	0.87	320,800	0.93
HUF	28,425	0.08	293,275	0.85
Non resident Indians	21,069	0.06	26,748	0.08
Clearing Members	4,122	0.01	12,958	0.04
Trusts	85,015	0.25	374	0.00
Total	34,376,000	100.00	34,376,000	100.00

CORPORATE GOVERNANCE REPORT

Shareholding pattern – Graphical representation



(xii) Distribution of Shareholding:

Category (Amount)	As on 31.03.2008			As on 31.03.2007		
	No. of shareholders	% of shareholders	No. of shares	No. of shareholders	% of shareholders	No. of shares
1 - 5000	12,171	99.21	716,175	15,355	98.94	922,721
5001 – 10,000	48	0.39	69,825	78	0.50	111,751
10,001 – 20,000	20	0.16	61,191	24	0.15	70,703
20,001 – 30,000	5	0.04	25,301	11	0.07	59,033
30,001 – 40,000	2	0.02	14,886	0	0.00	0
40,001 – 50,000	1	0.01	10,000	3	0.02	28,738
50,001 – 1,00,000	4	0.03	53,899	2	0.01	29,724
1,00,001 – and above	17	0.14	33,424,723	46	0.03	33,153,330
TOTAL	12,268	100.00	34,376,000	15,519	100.00	34,376,000

(xi) Share Transfer Process

The Company's shares being in compulsory demat form are transferable through the depository system. The shares in physical form are processed by the Registrar and Transfer Agents and approved by the Shareholders' Grievances Redressal Committee.

(xii) GDR/ADR/Stock Option

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

CORPORATE GOVERNANCE REPORT

(xiii) Dematerialization of Shares

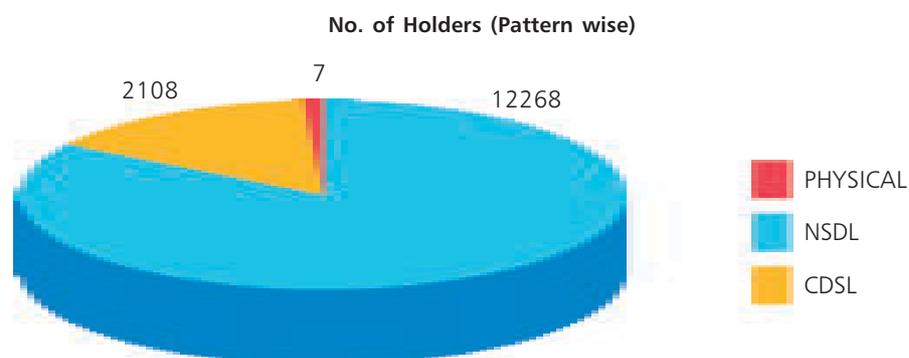
The equity shares of the company are available under dematerialized form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Trading of the Company's shares for all investors is compulsorily carried out in Dematerialized form.

Shares dematerialized as on March 31, 2008 are:

No. of Shares	% of shares	No. of shareholders	% of shareholders
34375920	99.99	12261	99.94

Consolidated Shareholding Pattern as on March 31, 2008:

S. No.	Category	No. of Shareholders	Total Shares	% to Equity
1.	Physical	7	80	0.00
2.	NSDL	10,153	3,42,03,115	99.50
3.	CDSL	2,460	1,72,805	0.50
TOTAL		12,268	3,43,76,000	100.00



(xiv) Unclaimed dividend

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

CORPORATE GOVERNANCE REPORT

(xv) ECS Mandate

To service the Investors better, the Company requests all shareholders who hold shares in dematerialized form to update their bank particulars with their respective depositories immediately. Shareholders holding shares in the physical form may kindly forward the bank particulars to our Registrar to the address mentioned in point xvi:

(xvi) Plant locations

Sl. No.	Address	Sl. No.	Address
1.	Hinduja Sports Wear I, No. 73/19/5, Industrial Suburb Yeshwanthpur, Bangalore – 560 022	20.	Luckytex III, No.19/A, Industrial Suburb 3 rd Main Road, II Stage, Goruguntapalya, Tumkur Road, Bangalore – 560 022
2.	Hinduja Sports Wear II, No. 72/73, Industrial Suburb Yeshwanthpur, Bangalore – 560 022	21.	Euro Clothing Company II, Plot No.38-A, Phase II, Peenya Industrial Area, Chokkasandra Village Yeshwanthpur Hobli, Bangalore – 560 058
3.	Hinduja Processing & Finishing Unit No.3, 5 th Cross, Mysore Road, Bangalore – 560 026	22.	Triangle Apparels I, No.804/75, 7 th Ward Jayapura Road, Tumkur – 572 101
4.	Hinduja Fashions No.76, Industrial Suburb Yeshwanthpur, Bangalore – 560 022	23.	Triangle Apparels II, No.106/5-9, Arabic College Post, Bangalore – 560 045
5.	International Clothing Company II, No.113, Hongasandra Village, Begur Hobli, Bangalore – 560 068	24.	Triangle Apparels III, No. 664, 665, 1001 & 290/A Nagavara Village, Kasaba Hobli, Bangalore
6.	International Clothing Company III, No.113, Hongasandra Village Begur Hobli, Bangalore – 560 068	25.	Triangle Apparels V, No.3117A, 5 th Main, Industrial Suburb, Yeshwanthpur, Bangalore
7.	International Clothing Company IV, No.12, 'A' Block, 7 th Mile Near Bhandary Factory, Hosur Road, Bangalore	26.	Wearwel I, No.6, Okalipuram, Bangalore
8.	International Clothing Company IV, No.180/1, Yellakunte, Begur Hobli Hosur Road, Bangalore	28.	Wearwel III, No.4, Bangalore Co-Op Industrial Estate, Okalipuram, Bangalore
9.	JD Clothing Company I, No.9, Industrial Suburb Rajaji Nagar, Bangalore – 560 010	27.	Wearwel II, No.5, Bangalore Co-Op Industrial Estate, Okalipuram, Bangalore
10.	JD Clothing Company II & III, No.9, Industrial Suburb Rajaji Nagar, Bangalore – 560 010	29.	Wear Craft Apparels - III, No.17/A-39/5-2, Industrial Area Yeshwanthpur, Bangalore
12.	Intex V, No.4, 1 st A Cross, Kamakshipalya Magadi Road, Bangalore – 560 079	30.	Global Garments II, No. 46/3-B, Garvebhavi Palya 8 th Mile, Hosur Road, Bangalore
11.	Intex I, No.31, Magadi Road, Bangalore – 560 079	31.	The Unique Creations No.28, Industrial Suburb, II, Stage Tumkur Main Road, Bangalore
13.	Intex V, No.1, 1 st A Cross, Kamakshipalya Magadi Road, Bangalore – 560 079	32.	Atlantic Apparels I, No. 46/3-B, Garvebhavi Palya 8 th Mile, Hosur Road, Bangalore
14.	Asiatic Exports No.55,56,63 & 64, BDA Main Road, Bommanahalli, Bangalore – 560 068	33.	Chennai SEZ Division No.6/1, II, Phase, MEPZ, Tambaram, Chennai
15.	New Generation Apparels - I, No.28E, Peenya, II Phase, Yeshwanthpur, Bangalore	34.	Gokaldas Exports R&D I, No.78, Mission Road, Bangalore – 560 027
16.	New Generation Apparels - I, No. 251-A2, Bommasandra Industrial Area, Bangalore	35.	Gokaldas Exports R&D II, No.10, Mission Road, Bangalore – 560 027
17.	Carnival Clothing I, No.35, II Main Road Shrirampuram, Bangalore – 560 021	36.	Gokaldas Exports R&D III, No.76/1, Kalinga Rao Road, Bangalore
18.	Carnival Clothing II & III Govindapuram Main Road, Bangalore – 560 045	37.	Gokaldas Exports R&D IV, No.39/2, II Main Road, CKC Garden, Bangalore
19.	Luckytex 1 7/A-39/5-1, Industrial Area, Yeshwanthpur, Bangalore	38.	Venkateswara Clothing Company I, No.29, Yelahanka Industrial Estate Yelahanka, Bangalore – 560 064
		39.	Euro Clothing I & III, No.122/1, Doddabidarukallu Village, Yeshwanthpur Hobli, Bangalore – 560 077

CORPORATE GOVERNANCE REPORT

Sl. No.	Address	Sl. No.	Address
40.	Intex II, III & IV, No.25 & 26, 3rd Main, 2nd cross, Industrial Suburb, Yeshwantpur, Bangalore – 560 022	47.	Triangle Apparels VI, No.25 & 26, 3rd Main, 2nd cross, Industrial Suburb, Yeshwantpur, Bangalore – 560 022
41.	Global Garments I, No.17/1-38/4, Industrial Suburb, Yeshwantpur, Bangalore – 560 022	48.	Dress Master Suits No.77, 3rd stage Peenya Industrial Area, Bangalore
42.	International Clothing Company I, No. 20/1, Byatarayanapura village, Yelahanka hobli, Bangalore	49.	Global Garments III, Annexe No.40/2,2-1 & 2-3, 1st main, Industrial Suburb, Yeshwantpur, Bangalore – 560 022
43.	Wearcraft Apparels I & II, No. 17/A, Industrial Suburb Yeshwantpur, Bangalore	50.	Indigo Blues No.2, KIADB, Bashetti halli, Doddaballapur
44.	Venkateswara Clothing Company I, No.10, KHB Colony, New Satellite Town, Yelahanka, Bangalore – 560 064	51.	Gokaldas India 218-8/218-C, 2nd phase, Peenya Industrial Area, Bangalore
45.	Sri Krishna Industries No.25 & 26, 3rd Main, 2nd cross, Industrial Suburb, Yeshwantpur, Bangalore – 560 022	52.	Balaji Finishing House I & II, No.60, II stage, Indl Suburb Yeshwantpur, Bangalore – 560 022
46.	Global Garments III, No.40/1, 1st main, Industrial Suburb, Yeshwantpur, Bangalore – 560 022	53.	Triangle Apparels I, No.44, II Stage, Yeshwantpur, Bangalore – 560 022
		54.	Atlantic Apparels II, Plot No.28 D & E Belawadi Industrial Area, Mysore – 570 018

(xvii) The Company and Registrar and Transfer Agent's Address for Correspondence

Company:

For all shares / dividend related queries:

Company Secretary
Gokaldas Exports Limited
No.70, Mission Road
Bangalore – 560027
Phones: 91-80-22223600 / 1 / 2 / 41272200
Fax : 91-80- 22274869 / 22277497
Email: shyamkumar@gokaldasexports.com; investorcare@gokaldasexports.com
Website: www.gokaldasexports.com

For queries relating to financials:

General Manager – Finance
Gokaldas Exports Limited
No.70, Mission Road
Bangalore – 560027
Phones: 91-80-22223600 / 1 / 2 / 41272264
Fax : 91-80- 22274869 / 22277497
Email: snr@gokaldasexports.com
Website: www.gokaldasexports.com

Registrar and Transfer Agent:

Shri K Sreedharamurthy, Senior Manager
Karvy Computershare Private Limited
(Unit: Gokaldas Exports Limited)
"Karvy House", 46, Avenue 4
Street No. 1, Banjara Hills
Hyderabad - 500 034
Phones: 91-40-23312454 / 23320751 / 752
Fax: 91-40-23311968
E mail: sreedharamurthy@karvy.com

CORPORATE GOVERNANCE REPORT

CEO'S CERTIFICATION

The Board of Gokaldas Exports Limited has laid down a code of conduct for all the Board members and the senior management. The Code of Conduct has been posted in Uniform Resource Locator (URL) namely, www.gokaldasexports.com. All the Board members and the Senior Management personnel have affirmed compliance of the Code.

Place : Bangalore
Date: July 29, 2008

Madanlal J Hinduja
Chairman

CEO AND CFO CERTIFICATION

We, Madanlal J Hinduja, Chairman and Rajendra J Hinduja, Managing Director of Gokaldas Exports Limited, to the best of knowledge and belief, certify that:

- a. We have reviewed Balance Sheet and Profit and Loss Account (consolidated and stand-alone), and all the schedules and notes on accounts, as well as the cash flow statements, and the directors' report;
- b. Based on our knowledge and information, these statements :
 - i. do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- c. Based on our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- d. We are responsible for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps we have taken or propose to take to rectify these deficiencies.
- e. We have indicated to the auditors and the Audit committee
 - i. significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we are aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Bangalore
July 29, 2008

Madanlal J Hinduja
Chairman

Rajendra J Hinduja
Managing Director

CORPORATE GOVERNANCE REPORT

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, 2008, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with Stock Exchange(s) in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note in Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and the representations made by the Directors and the management, subject to our observation in the following paragraphs.

- (i) *The Company was not in compliance of clauses I (A) (i) and (ii) as stipulated in Clause 49 of the Listing Agreement read with paragraph B of the Corporate Governance Report in respect to the composition of the Board in respect of non executive directors (which was complied in February 2008 on induction of additional directors) and independent director arising out of absence / resignation of a non-executive independent director.*
- (ii) *The Company was not in compliance of clauses II (A) and (i) and (ii) as stipulated in Clause 49 of the Listing Agreement read with paragraph C (i) of the Corporate Governance Report in respect to the constitution of the Audit Committee having minimum three directors as members and having at least one member having accounting and financial management expertise, arising out of absence/resignation of an independent director with financial management expertise in the audit committee meetings.*

we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement(s).

We 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.

Dibyendu Majumder
Partner
Membership No: 57687

A V Satish Kumar
Partner
Membership No: F - 26526

For and on behalf of
Price Waterhouse
Chartered Accountants

For and on behalf of
Girish Murthy & Kumar
Chartered Accountants

Place : Bangalore
Date : July 29, 2008

Place : Bangalore
Date : July 29, 2008

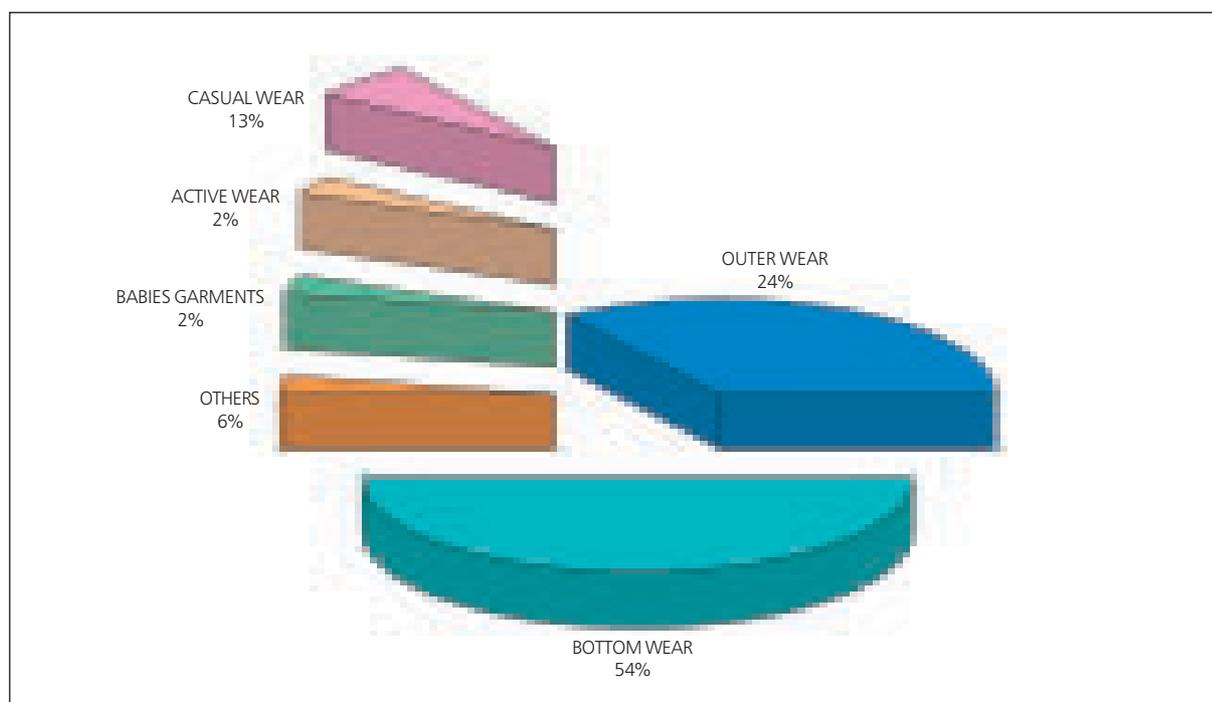
MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

Gokaldas Exports Limited (GEL) is the largest and one of the leading exporter of apparel in India having worldwide presence with established manufacturing, marketing and research capabilities and is a ISO 9001:2002 certified company. GEL is vertically integrated with a presence across the apparel and textile products. GEL has more than 46 factories spreading in 45 locations in Bangalore and Chennai, manufacturing more than 2.5 million garments per month.

The principal products that GEL produces are outer wear and bottom wear. Outerwear includes both sports wear and winter wear and bottom wear include casual pants, chinos, linen trousers, denim jeans etc. The following pie graph depicts the product mix for the year 2007-08:

Graphical representation of product mix



More than 93% of revenues come from export activity. GEL has big plans to enhance the production capacity to 3 million garments per month by the end of current fiscal. Towards this objective, we are investing more than Rs. 1000 million in the next two years, which would make us to further consolidate lead in the apparel and textile industry.

Industry Structure and Developments

The Textile and Clothing Sector has witnessed unprecedented investment trend in the last few years, so much so that for the last 5 years the CAGR of investment has been around 100%. It is more encouraging to see that weak sectors like processing have drawn significant investment in the last 2 years.

The growth figures of the last few years have made the entire textile industry brim with unprecedented confidence and optimism. These growth targets envisaged a fundamental shift in the textile scenario and have taken a trajectory of a very rapid growth. There has been a boost in the Indian Domestic Textile Sector. The increasing GDP per capita has led to greater disposable income with the Indian people. There have been more working female population, leading to increasing purchases and a major portion of the purchases is among the textile and clothing items.

The growth penetration of organized retail (the percentage is expected to increase from the present 3% to 10% by 2010) will increase the availability and hence the purchase of textile and clothing by the Indian consumer.

In the export sector, removal of MFA has given a boost to the Indian textile entrepreneurs, a trend which has only been augmented by the progressive dismantling of spinning and weaving from the developed world. Added to this, the quota limitations to China till 2008 are another incentive to the Indian industry to strengthen itself in the meantime.

MANAGEMENT DISCUSSION AND ANALYSIS

The Indian textile industry plays a vital role in the Indian economy by contributing to GDP, generating employment and earning foreign exchange. An estimated 38 million people are directly employed in the textile industry in India and contributes to 4% of GDP and 20% of total export earnings. India currently exports more than one hundred garment product categories and out of this, cotton apparel exports dominate, contributing nearly 76% by value and synthetic constitutes 12%. Indian textile exports is expected to grow from the current levels to US\$ 50 billion by 2010, consequent to quota removal, apparel being US\$25 billion.

Opportunities and Threats

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

In spite of above advantages that India has, there would be pricing pressures in view of dismantling of quotas as new small and medium manufacturers would crop in not only within India but also from other countries where similar quotas were imposed earlier. Also India has geographical disadvantage which take little longer time to reach its products to the key markets. It seems the price has been, more or less, stabilized and the buyers are looking for quality manufactures, even it costs little more. Appreciation of Rupee is also a major concern for the growth of the industry.

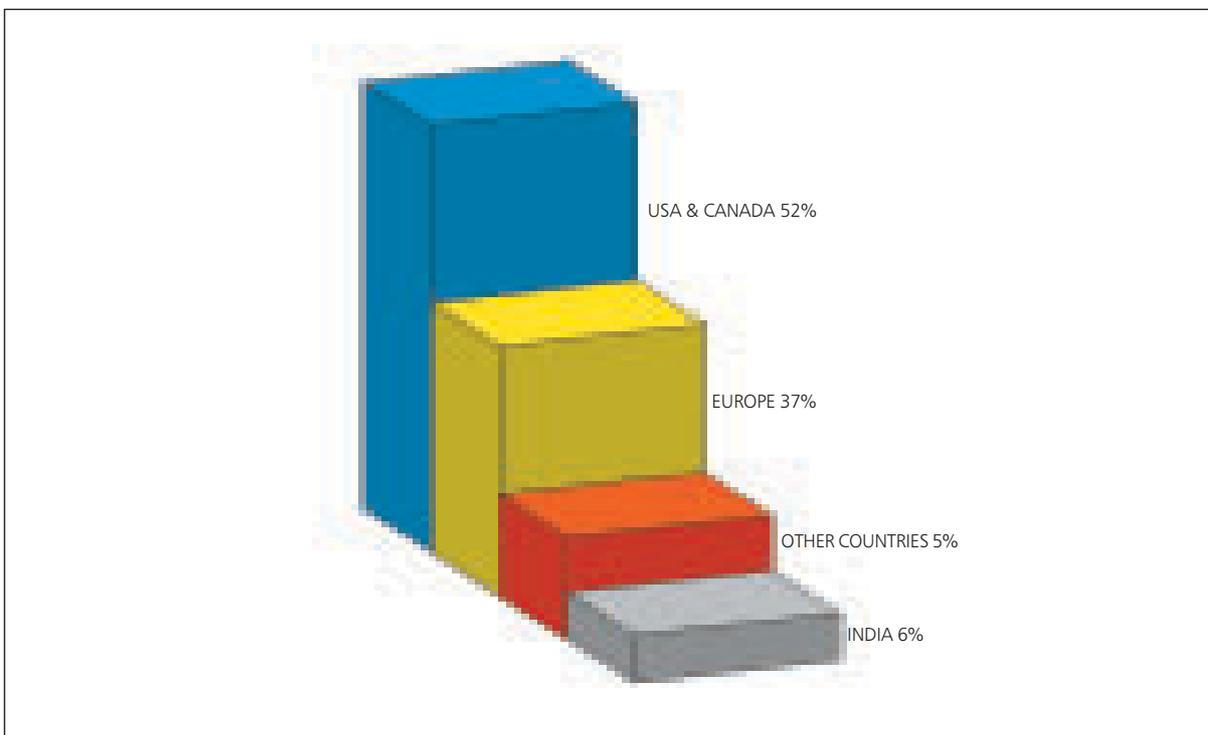
Operating Results / Financial Highlights

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and generally accepted accounting principles (GAAP) in India. The management accepts the responsibility for the integrity and objectivity of these financial statements and the basis for the various estimates and judgments used in preparing the financial statements.

During the year, the Company has achieved a net turnover of Rs.100,581.72 lakhs, out of which 93.34% is in the form of foreign exchange. The Company posted a strong top line performance due to good order book. Profit before tax was at Rs 5,121.65 lakhs and net profit after tax stood at Rs.4,760.86 lakhs.

The higher net profit margin is due to our most of sales are to the foreign buyers, which enjoys higher margins. During 2007-08, USA & Canada dominated with a share of 52% of total turnover and Europe stood in the second with 37%.

Graphical representation of revenues from various geographical locations / countries:



MANAGEMENT DISCUSSION AND ANALYSIS

Some of the key performance indications are given below:

Particulars	(Rs. in lakhs)	
	2008	2007
Gross revenue	109,271.36	103,950.64
Profit before tax (PBT)	5,121.65	7,799.11
Ratio of PBT to Gross revenue (%)	4.68%	7.50%
Profit After Tax (PAT)	4,760.86	7,028.27
Ratio of PAT to Gross revenue	4.35%	6.76%
Earnings Per Share (EPS) (Rs.)	13.85	20.45

Risks and Concerns

We are exposed to foreign currency risk. The company is an export oriented apparel manufacturer and approx. 93% of its revenue comes as foreign currency. Since the buyers compare our products with that of competitors in USD denominated rate, appreciation of Indian rupee vis-à-vis USD would weaken our competitive position and similarly, our profits would depend on the Indian rupee appreciation/depreciation. Since the Company is Bangalore based and most of the factories/units are located in and around Bangalore, if there is any localized social unrest, break down of services and utilities, it may affect the business and consequently its revenues. To minimize the locational risks, the Company set up factories / units in Chennai, Mysore and Tumkur.

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

However, the Company has put in place a Risk Management Document which has the objective to create awareness about various risks associated with the business of the Company. It defines the risk policies, lays out the risk strategies and methodology to decide on the risk taking ability of the Company. The risk management process involves risk identification, risk measurement, risk prioritization, risk monitoring, risk escalation and risk mitigation. The Audit Committee and Board have approved this risk management document during last fiscal.

Internal Control Systems and their adequacy

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Human Resources / Industrial Relations

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

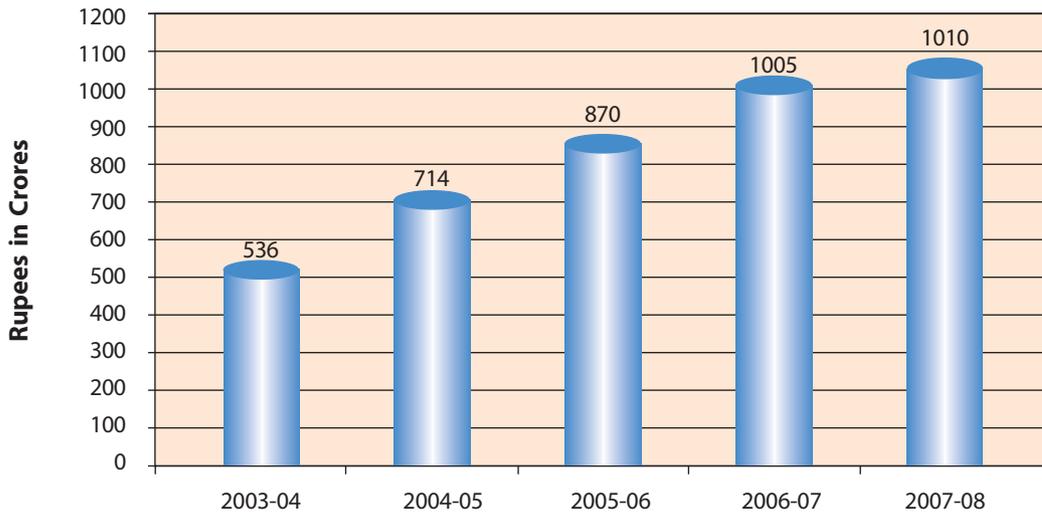
As in the past, the industrial relations continued to remain cordial at all factories / units of the Company. The Company has about 45,000 employees as on March 31, 2008 as against 52,000 employees as on March 31, 2007.

Caution Statement

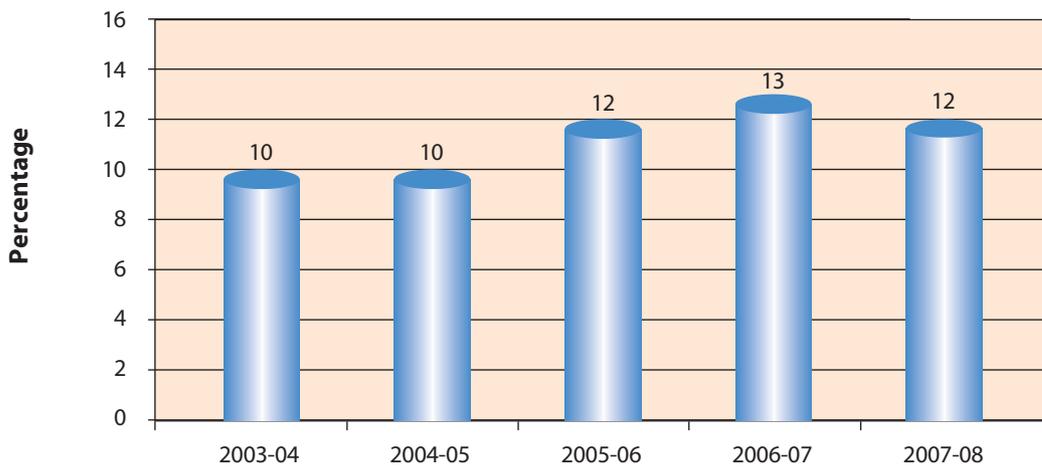
Investors are cautioned that this discussion contains statements that involve risks and uncertainties. Words like anticipate, believe, estimate, intend, will, expect and other similar expressions are intended to identify such forward looking statements. The Company assumes no responsibility to amend,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

FINANCIAL HIGHLIGHTS

SALES



EBIDTA



FINANCIAL STATEMENTS

For the year ended March 31, 2008

GOKALDAS EXPORTS LTD

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AUDITORS' REPORT

Auditors' Report to the members of Gokaldas Exports Limited

1. We have audited the attached Balance Sheet of **Gokaldas Exports Limited** as at March 31, 2008 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, (together the 'Order'), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. *We draw attention to Note C.26 of Schedule XVII regarding payments made to relatives of Directors holding office or place of profit as per provisions of section 314(B) of the Companies Act, 1956, aggregating Rs.34.06 lakhs for which a waiver application has been made with the Central Government and is pending approval from concerned authorities with consequential impact on the profit of the year and the networth of the company.*
5. Further to our comments in the Annexure referred to in paragraphs 3 and 4 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on March 31, 2008, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, together with the notes thereon and attached thereto, *subject to our observations in paragraph 4 above*, give in the prescribed manner, the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Dibyendu Majumder
Partner
Membership No: 57687

For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Bangalore
Date: June 09, 2008

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

For and on behalf of
Girish Murthy & Kumar
Chartered Accountants

Place: Bangalore
Date: June 09, 2008

Annexure to Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the members of **Gokaldas Exports Limited** on the financial statements for the year ended March 31, 2008]

1. (a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
(b) The fixed assets are physically verified by the management according to a phased programme designed to cover all the items over a period of two years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. *Pursuant to the programme, plant and machinery and computers were physically verified by the management during the year. The company is in the process of reconciling the differences observed on physical verification with the fixed asset records which is yet to be completed and in the opinion of the management the impact of which is not expected to be material.*
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
(c) On the basis of our examination of the inventory records, in our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) 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 Act and accordingly, sub-clauses (b),(c) and (d) of clause (iii) of paragraph 4 of the Order are not applicable.
(b) The company has taken interest free unsecured loans, from three companies covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year aggregates to Rs.3,588.15 lakhs. The loan has been repaid during the year.
(c) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the company.
(d) According to the information and explanations given to us and having regard to the explanation that the loans availed were on call basis and that during the year the company made repayments as and when called upon to do so, in our opinion, the company was regular in repayment of the loans.
4. 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, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion and according to the information and explanations given to us and having regard to our comments in paragraph 4 above, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the company has an internal audit system which needs to be further strengthened to make it commensurate with its size and nature of its business.
8. The Central Government of India has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act for any of the products of the company.
9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing the undisputed statutory dues including provident fund, 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 as applicable with the appropriate authorities.

- (b) According to the information and explanations given to us and the records of the company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31, 2008 which have not been deposited on account of a dispute, are as follows

Name of the statute	Amount Rs (in lakhs)	Period to which the amount relates Assessment Year	Forum where the dispute is pending
Income Tax Act, 1961	12.94	1994-1995	High Court
	21.07 *	1995-1996	
	22.23 *	1996-1997	Income Tax Appellate Tribunal
	21.51 *	1997-1998	
	12.98 *	1998-1999	
6.61 *	1999-2000		

* Amounts paid in June 2008

10. The company has no accumulated losses as at March 31, 2008 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the company examined by us and the information and explanation given to us, the company has not defaulted in repayment of dues to any financial institutions or banks or debenture holders as at the balance sheet date.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the company.
14. In our opinion, the company is not a dealer or trader in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The company has not issued any debentures during the year.
20. The company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.

Dibyendu Majumder
Partner
Membership No: 57687

For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Bangalore
Date: June 09, 2008

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

For and on behalf of
Girish Murthy & Kumar
Chartered Accountants

Place: Bangalore
Date: June 09, 2008

BALANCE SHEET AS AT MARCH 31, 2008

Rupees in Lakhs

	Schedule	As at March 31, 2008	As at March 31, 2007
SOURCES OF FUNDS			
Shareholders' Fund			
Share Capital	I	1,718.80	1,718.80
Reserves and Surplus	II	43,415.67	39,056.99
Loan Funds			
Secured Loans	III	34,438.67	26,683.06
Unsecured Loans	IV	-	3,588.15
Deferred Tax (net)		737.37	999.46
[Refer Note C-12 of Schedule XVII]			
Total		80,310.51	72,046.46
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	V	35,903.00	28,871.09
Less: Depreciation		11,276.96	8,088.79
Net Block		24,626.04	20,782.30
Capital work-in-progress (including capital advances)		1,684.73	3,432.09
		26,310.77	24,214.39
Investments			
	VI	5,472.28	7,123.77
Current Assets, Loans and Advances			
	VII		
Inventories		40,690.06	33,603.31
Sundry Debtors		8,510.40	7,897.29
Cash and Bank Balances		459.43	651.79
Other Current Assets		2,576.24	1,424.18
Loans and Advances		6,945.91	5,208.35
		59,182.04	48,784.92
Less: Current Liabilities and Provisions			
	VIII		
Current Liabilities		8,852.75	6,519.41
Provisions		1,801.83	1,561.18
		10,654.58	8,080.59
Net Current Assets			
		48,527.46	40,704.33
Miscellaneous Expenditure			
(to the extent not written off or adjusted)	IX	-	3.97
Total		80,310.51	72,046.46
Significant Accounting Policies and			
Notes to Account	XVII		

Schedules referred to above and notes thereon form an integral part of the financial statements

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

for Girish Murthy & Kumar
Chartered Accountants

for Price Waterhouse
Chartered Accountants

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

Dibyendu Majumdar
Partner
Membership No. 57687

Place : Bangalore
Dated : June 09, 2008

Place : Bangalore
Dated : June 09, 2008

For and on behalf of the Board

Madanlal J Hinduja
Chairman

Rajendra J Hinduja
Managing Director

K.B. Shyam Kumar
Company Secretary

Place : Bangalore
Dated : June 09, 2008

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Lakhs

	Schedule	For the year ended March 31, 2008	For the year ended March 31, 2007
INCOME			
Sales	X	100,581.72	99,981.33
Other Income	XI	8,689.64	3,969.31
		109,271.36	103,950.64
EXPENDITURE			
Raw Material Consumed	XII	54,169.25	53,375.45
Other Manufacturing and Operating Expenses	XIII	30,529.13	27,944.49
Personnel Costs	XIV	7,286.58	5,568.96
Sales and Administrative Expenses	XV	5,071.55	4,569.17
Finance Charges	XVI	3,052.10	2,196.88
Depreciation	V	3,212.47	2,496.58
		103,321.08	96,151.53
Profit Before Exceptional items		5,950.28	7,799.11
Add/(Less): Exceptional Item [Refer Note C-28(i) of Schedule XVII]		(828.63)	-
Profit Before Tax		5,121.65	7,799.11
Provision for Taxation			
— Current Tax		597.64	285.05
— Deferred Tax		(262.09)	467.13
— Fringe Benefit Tax		23.97	27.71
— Taxes of earlier years (net)		1.27	(9.05)
Net Profit for the Year		4,760.86	7,028.27
Profit Brought Forward from Previous Year		13,868.49	8,354.58
Amount available for Appropriation		18,629.35	15,382.85
Appropriations			
Proposed Dividend		343.76	687.52
Tax on Dividend		58.42	116.84
Transfer to General Reserve		476.09	710.00
		878.27	1,514.36
Balance carried to Balance Sheet		17,751.08	13,868.49
Basic / Diluted Earnings Per Share, face value of Rs.5			
[Amount in Rs.] [Refer Note C-10 of Schedule XVII]			
- Before exceptional items		16.26	20.45
- After exceptional items		13.85	20.45
Significant Accounting Policies and Notes to Account	XVII		

Schedules referred to above and notes thereon form an integral part of the financial statements

For and on behalf of the Board

This is the Profit and Loss Account referred to in our report of even date

for Girish Murthy & Kumar
Chartered Accountants

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

Place : Bangalore
Dated : June 09, 2008

for Price Waterhouse
Chartered Accountants

Dibyendu Majumdar
Partner
Membership No. 57687

Place : Bangalore
Dated : June 09, 2008

Madanlal J Hinduja
Chairman

Rajendra J Hinduja
Managing Director

K.B. Shyam Kumar
Company Secretary

Place : Bangalore
Dated : June 09, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Lakhs

PARTICULARS	For the year ended March 31, 2008	For the year ended March 31, 2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax and exceptional items	5,950.28	7,799.11
Adjusted for:		
Depreciation	3,212.47	2,496.58
Interest expenses	3,052.10	2,196.88
Interest earned	(13.13)	(82.83)
(Profit)/Loss on sale of assets (net)	(0.77)	18.33
(Profit)/Loss on sale of investments	(27.52)	(60.06)
Dividend on investments	(208.34)	(295.28)
(Profit)/Loss on forward contract	(1,887.26)	10.47
Preliminary expenses amortised	3.97	0.66
Operating Profit / (Loss) before working capital changes	10,081.80	12,083.86
Adjustments for:		
(Increase)/Decrease in Trade and Other Receivables	(3,049.39)	(4,443.85)
(Increase)/Decrease in Inventories	(7,086.76)	(6,855.43)
Increase/(Decrease) in Trade Payables & Other Liabilities	1,427.16	1,956.25
Cash Generated from Operations	1,372.81	2,740.83
Taxes (paid)/refund received (net)	(507.12)	19.60
Net Cash Flow from Operating Activities	865.69	2,760.43
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received (without interest on IT refund)	13.16	22.11
Purchase of Fixed Assets	(5,335.56)	(10,744.57)
Proceeds from Sale of Fixed Assets	27.48	40.09
Dividends received	208.34	295.28
Purchase of Investments	(6,180.27)	(9,257.55)
Proceeds from sale of Investments	7,859.28	11,512.30
Net Cash Flow from Investing Activities	(3,407.57)	(8,132.34)
C. Cash Flow from Financing Activities		
Proceeds from Packing Credit (net)	6,909.02	6,013.88
Proceeds from Term Loans	1,750.00	5,550.00
Repayment of Term Loans	(903.41)	(358.40)
Proceeds from Unsecured Loans	-	3,519.85
Repayment of Unsecured Loans	(3,588.15)	(6,355.18)
Profit / (Loss) on forward contracts	1,887.26	(10.47)
Dividend Payouts (including Dividend Tax)	(803.91)	(587.74)
Interest paid	(3,052.10)	(2,196.88)
Net Cash Flow from Financing Activities	2,198.71	5,575.06

CASH FLOW STATEMENT CONTD.

Rupees in Lakhs

PARTICULARS	For the year ended March 31, 2008	For the year ended March 31, 2007
D. Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)	(343.17)	203.15
E. Opening Balance of Cash & Cash Equivalents	366.15	163.00
F. Closing Balance of Cash & Cash Equivalents	<u>22.98</u>	<u>366.15</u>

Note:

- i. Figures in brackets represent outflow.
- ii. The Cash Flow Statement has been prepared under indirect method as notified under Section 211(3C) of the Companies Act.
- iii. The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2008 and the related Profit and Loss Account for the year ended March 31, 2008.
- iv. Cash and Cash equivalents includes unpaid dividend bank balances amounting to Rs. 0.94 lakhs (2007: Rs. 0.49 lakhs)
- v. Previous year's figures have re-grouped wherever necessary.

This is the Casflow Statement referred to in our report of even date

for Girish Murthy & Kumar
Chartered Accountants

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

Place : Bangalore
Dated : June 09, 2008

for Price Waterhouse
Chartered Accountants

Dibyendu Majumder
Partner
Membership No. 57687

Place : Bangalore
Dated : June 09, 2008

For and on behalf of the Board

Madanlal J Hinduja
Chairman

Rajendra J Hinduja
Managing Director

K.B. Shyam Kumar
Company Secretary

Place : Bangalore
Dated : June 09, 2008

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Lakhs

	As at March 31, 2008	As at March 31, 2007
SCHEDULE I - SHARE CAPITAL		
Authorized		
40,000,000 (2007: 40,000,000) Equity Shares of Rs. 5 each	2,000.00	2,000.00
Issued, Subscribed and Paid-up		
34,376,000 (2007: 34,376,000) Equity Shares of Rs.5 each fully paid-up	1,718.80	1,718.80
	1,718.80	1,718.80
Notes: i. Of the above equity shares 23,334,242 shares of Rs.5 each are held by Blackstone FP Capital Partners (Mauritus) V-B Subsidiary Limited, the Holding Company and 135,000 shares are held in Escrow Account.		
ii. Out of the above shares, 7,126,000 shares (2007: 7,126,000) of Rs. 5 each have been allotted as fully paid-up pursuant to a scheme of amalgamation without payment being received in cash.		
SCHEDULE II - RESERVES AND SURPLUS		
Capital Reserve (on amalgamation) as per last balance sheet	9,751.19	9,751.19
Securities Premium Account		
Balance as per last balance sheet	13,721.31	13,721.31
General Reserve		
Balance as per last balance sheet	1,716.00	1,006.00
Add: Transferred from Profit and Loss Account	476.09	710.00
	2,192.09	1,716.00
Surplus in Profit and Loss Account	17,751.08	13,868.49
	43,415.67	39,056.99
SCHEDULE III - SECURED LOANS		
Packing Credit Loans from Banks [Secured by hypothecation of raw materials, finished goods & book debts]	27,134.51	20,225.48
Term Loan from Banks (Under Technology Upgradation Fund Scheme) [Secured by hypothecation of specific fixed assets purchased under term loans]	7,304.16	6,457.58
	34,438.67	26,683.06
SCHEDULE IV - UNSECURED LOANS		
Inter Corporate Deposits	-	3,588.15
	-	3,588.15

SCHEDULE - V - FIXED ASSETS [refer Note B(c) of Schedules XVII]

Rupees in Lakhs

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As at March 31, 2007	Additions during the year	Sale/Adjustment during the year	As at March 31, 2008	As at March 31, 2007	for the Year	Adjustment for Sale	As at March 31, 2008	As at March 31, 2007
Freehold land	1,330.10	-	-	1,330.10	-	-	-	1,330.10	1,330.10
Buildings	2,810.28	2,277.12	-	5,087.40	590.41	366.32	-	4,130.67	2,219.87
Leasehold Improvements	121.38	77.17	-	198.55	21.79	14.91	-	161.85	99.59
Plant & machinery	22,351.45	3,524.27	42.45	25,833.27	6,441.13	2,446.43	4.36	16,950.07	15,910.32
Electrical Equipments	390.74	284.10	-	674.84	80.81	67.43	-	526.60	309.93
Office Equipments	221.91	73.32	-	295.23	89.42	24.60	-	181.21	132.49
Furnitures & Fixtures	553.48	685.91	-	1,239.39	202.96	122.09	-	914.34	350.52
Computers	638.60	106.40	-	745.00	426.18	101.07	-	217.75	212.42
Vehicles	453.15	69.94	23.87	499.22	236.09	69.62	19.94	213.45	217.06
TOTAL	28,871.09	7,098.23	66.32	35,903.00	8,088.79	3,212.47	24.30	24,626.04	20,782.30
2007	20,355.97	8,683.50	168.38	28,871.09	5,702.16	2,496.58	109.95	20,782.30	14,653.81

Note : The Buildings and Plant & Machinery are hypothecated to certain Banks to the extent of Rs.8,882.14 (2007: Rs.7,132.14)

Rupees in Lakhs

	As at March 31, 2008	As at March 31, 2007
SCHEDULE VI - INVESTMENTS		
A. Long-term Investments		
[at cost] [Non-trade]		
In Government Securities [unquoted]		
National Savings Certificate	0.43	0.43
	0.43	0.43
In Bonds [unquoted]		
2,700 (2007: 2,700) US 64 Bonds of Rs. 100 each, fully paid-up	5.16	5.16
	5.16	5.16
In Subsidiary Companies [unquoted] [Trade]		
All Colour Garments Private Limited	333.98	333.98
20,000 (2007: 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Deejay Trading Private Limited	81.96	81.96
20,000 (2007: 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Glamourwear Apparels Private Limited	101.46	101.46
20,000 (2007: 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Madhin Trading Private Limited	65.86	65.86
20,000 (2007: 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Magenta Trading Private Limited	69.08	69.08
20,000 (2007: 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Rafter Trading Private Limited	36.72	36.72
20,000 (2007: 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Rajdin Apparels Private Limited	170.90	170.90
20,000 (2007: 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Reflexion Trading Private Limited	1.00	1.00
10,000 (2007: 10,000) Equity Shares of Rs. 10 each, fully paid-up		
Rishikesh Trading Private Limited	67.83	67.83
20,000 (2007: 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Robot Systems Private Limited	327.81	327.81
12,000 (2007: 12,000) Equity Shares of Rs. 10 each, fully paid-up		
Seven Hills Clothing Private Limited	307.90	307.90
20,000 (2007: 20,000) Equity Shares of Rs. 10 each, fully paid-up		
SNS Clothing Private Limited	1,776.00	1,776.00
20,000 (2007: 20,000) Equity Shares of Rs. 10 each, fully paid-up		
Vignesh Apparels Private Limited	80.89	80.89
20,000 (2007: 20,000) Equity Shares of Rs. 10 each, fully paid-up		
	3,421.39	3,421.39
B. Current Investments [unquoted, at lower of cost and fair value]		
In Mutual Funds		
HDFC Multiple Yield Fund - Dividend Plan	-	285.83
NIL (2007: 2,852,781 units of Rs. 10 each)		
Sold during the year 2,852,781 units of Rs. 10 each		
Reliance Short Term Fund - Dividend Plan	-	565.96
NIL (2007: 5,412,840 units of Rs. 10 each)		
Reinvested during the year 164,941 units of Rs. 10 each		
Sold during the year 5,577,782 units of Rs. 10 each		
Standard Chartered Fixed Maturity Plan - Series 5 Dividend Plan	-	1,000.00
NIL (2007: 10,000,000 units of Rs. 10 each in)		
Sold during the year 10,000,000 units of Rs. 10 each		
Templeton Floating Rate Income Fund	1,518.72	-
14,983,817 (2007: NIL) units of Rs. 10 each		
Reinvested during the year 186,983 units of Rs. 10 each		

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Lakhs

	As at March 31, 2008	As at March 31, 2007
Grindlays Floating Rate Fund-LT Daily Dividend 5,247,114 (2007: NIL) units of Rs. 10 each Reinvested during the year 15,852 units of Rs. 10 each	526.58	-
Birla FTP - Series 11 - Dividend Plan NIL (2007: 10,000,000) units of Rs. 10 each Sold during the year 10,000,000 units of Rs. 10 each	-	1,000.00
Birla FTP - Series 7 - Dividend Plan (sold during the year) NIL (2007: 8,450,000) units of Rs. 10 each Sold during the year 8,450,000 units of Rs. 10 each	-	845.00
	2,045.30	3,696.79
	5,472.28	7,123.77
Aggregate cost of unquoted investments - units of mutual funds	2,045.30	3,696.80
Aggregate market value of unquoted investments - units of mutual funds	2,045.30	3,708.33
Aggregate cost of unquoted investments - others	3,426.97	3,426.97
SCHEDULE VII - CURRENT ASSETS, LOANS AND ADVANCES		
Inventories		
[Refer Note No. B(d) in Schedule XVII for mode of valuation of inventories]		
Raw Materials and Packing Materials [includes Material in Transit Rs. 752.08 (2007: Nil)]	29,599.98	23,961.81
Consumable Stores and Spare Parts [includes Material in Transit Rs. 24.62 (2007: Nil)]	399.95	617.04
Finished Goods	4,727.58	3,810.12
WIP	5,962.55	5,214.34
	40,690.06	33,603.31
Sundry Debtors		
[Unsecured, considered good]		
Debts outstanding for a period exceeding six months	475.57	242.33
Others	8,034.83	7,654.96
	8,510.40	7,897.29
Cash and Bank Balances		
Cash on hand	20.31	27.07
Bank Balances with Scheduled Banks:		
— in Current Accounts	288.18	448.27
— Deposit Account	150.00	175.00
— Margin for Bank Guarantees	-	0.96
— Unpaid dividend	0.94	0.49
	459.43	651.79
Other Current Assets		
Interest accrued on bank deposits	-	0.03
Balances with customs, excise and other authorities	2,576.24	1,424.15
	2,576.24	1,424.18
Loans and Advances		
[Unsecured, considered good]		
Advances to Subsidiaries	2,158.82	1,726.62
Advances recoverable in cash or for value to be received		
— for Supplies and Services	1,413.12	868.22
— to Staff	43.87	44.96
— others	1,084.25	723.19
Deposits	1,365.32	1,418.22
Advance Tax	856.92	374.68
Taxes paid in Advance - Fringe Benefit Tax	23.61	52.46
	6,945.91	5,208.35

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Lakhs

	As at March 31, 2008	As at March 31, 2007
SCHEDULE VIII - CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors (other than subsidiaries)		
— Dues to Small Scale Industrial Undertakings	-	129.05
— Dues to Small and Micro Enterprises [Refer Note No. C-25 to Schedule XVII]	8.22	-
— Others	3,570.15	4,027.67
Due to Subsidiaries	1,716.84	1,604.54
Advances from Customers	161.41	74.03
Other Liabilities	2,958.74	397.98
Unclaimed Dividends (not due to Investor Education and Protection Fund)	0.94	0.49
Book Overdraft	436.45	285.65
	<u>8,852.75</u>	<u>6,519.41</u>
Provisions		
Taxation	1,088.58	490.95
Fringe Benefit Tax	23.97	52.46
Proposed Dividend	343.76	687.52
Tax on Proposed Dividend	58.42	116.84
Gratuity	170.69	97.96
Leave Benefits	116.41	115.45
	<u>1,801.83</u>	<u>1,561.18</u>
SCHEDULE IX - MISCELLANEOUS EXPENDITURE		
[to the extent not written off or adjusted]		
Preliminary Expenses - as per last balance sheet	3.97	4.63
Less: Amortised / Charged off during the year	3.97	0.66
	<u>-</u>	<u>3.97</u>

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Lakhs

	For the year ended March 31, 2008	For the year ended March 31, 2007
SCHEDULE X - SALES		
Sale of Finished Goods		
— Export	93,884.12	97,865.17
— Domestic	6,078.70	2,030.11
Job work Receipts	199.79	-
Other items	419.11	86.05
	100,581.72	99,981.33
SCHEDULE XI - OTHER INCOME		
Export Incentives	5,063.15	2,550.99
Other Operating Income	1,476.30	910.52
Bank Interest [gross]	13.13	17.19
[Tax Deducted at Source Rs.2.38 (2007: Rs.2.93)]		
Interest on Income Tax refund	-	65.64
Dividend on current investments	208.34	295.28
Profit on sale of current investments	27.52	60.06
Profit on sale of fixed assets - net	0.77	-
Surplus on Forward Contracts and Exchange Diff. (net)	1,887.26	-
Prior Period Income	12.86	-
Sundry Credit Balances written back	-	17.09
Miscellaneous Income	0.31	52.54
	8,689.64	3,969.31
SCHEDULE XII - RAW MATERIAL CONSUMED		
Consumption of Raw and Packing Materials	55,834.92	55,258.09
Opening Stock		
Finished Goods	3,810.12	2,543.26
Work-in-progress	5,214.34	4,598.56
	9,024.46	7,141.82
Closing Stock		
Finished Goods	4,727.58	3,810.12
Work-in-progress	5,962.55	5,214.34
	10,690.13	9,024.46
	54,169.25	53,375.45
SCHEDULE XIII - OTHER MANUFACTURING AND OPERATING EXPENSES		
Consumption of Consumables, Stores and Spares	1,737.80	1,282.18
Job Work Charges	26,456.46	24,668.32
Power and Fuel	1,110.7	1,067.74
Repairs and Maintainance - Plant and Machinery	415.27	205.50
Other Manufacturing Expenses	808.84	720.75
	30,529.13	27,944.49
SCHEDULE XIV - PERSONNEL COSTS		
Salaries, Wages and Bonus	6,607.14	5,010.02
Contribution to Provident Fund and other Funds	551.01	488.06
Welfare Expenses	128.43	70.88
	7,286.58	5,568.96

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Lakhs

	For the year ended March 31, 2008	For the year ended March 31, 2007
SCHEDULE XV - SALES AND ADMINISTRATION EXPENSES		
Rent	577.01	333.74
Repairs and Maintenance		
— Buildings	14.72	10.65
— Others	499.95	395.83
Insurance	92.70	106.82
Rates and Taxes	29.13	96.86
Legal and Professional Charges	348.57	208.59
Printing and Stationery	220.93	214.80
Communication Costs	411.33	356.46
Travelling and Conveyance	228.93	231.19
Preliminary Expenses amortized	3.97	0.66
Auditors' Remuneration	25.00	18.50
Membership and Subscription	37.59	36.94
Commission, Discounts and Brokerges	917.98	724.20
Clearing, Forwarding and Freight	955.92	468.19
Export Claims	307.63	257.25
Customs Duty	10.40	29.53
Charity and Donation	9.20	65.36
Directors' Remuneration	138.90	144.00
Loss on Forward Contracts	-	10.47
Loss on Sale of Fixed Assets - (net)	-	18.33
Advertisement, Publicity and Business Promotion	94.01	76.98
Exchange Difference - (net)	-	646.86
Bad Debts written off	48.41	-
Miscellaneous Expenses	99.27	116.96
	5,071.55	4,569.17
SCHEDULE XVI - FINANCE CHARGES		
Bank Interest		
— On Fixed Loans*	451.25	209.20
— Others	2,283.05	1,677.28
Bank Charges	317.80	310.40
	3,052.10	2,196.88

* Interest on Fixed Loans are net of interest subsidy received under Technology Upgradation Fund (TUF) Scheme Rs. 325.09 (2007: Rs.215.70)

SCHEDULE XVII - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT

A. Background

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

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

B. Significant accounting policies

a) Basis of preparation of financial statements

The Financial Statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standards notified under section 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

b) Revenue recognition

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory / warehouse.

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

Revenue in respect of insurance / other claims, interest etc, is recognized only when it is reasonably certain that the ultimate collection will be made.

c) Fixed assets and depreciation

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

Pre-operative factory expenses and cost on trial production have been capitalized and have been proportionately apportioned to fixed assets.

Depreciation on fixed assets is provided from the end of the month of capitalization, on the written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

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

Cost of leasehold improvements is amortized over the primary period of lease. However, in cases where the company as a lessee has the right of renewal of lease alternatively it has intentions to renew for further periods, then the cost of such leasehold improvements is amortized over such extended period, not exceeding ten years.

d) Inventories

Raw materials, packing materials, stores, spares and consumables are valued at weighted average cost.

Finished goods and work in progress are valued at lower of cost and net realisable value after providing cost of obsolescence and other anticipated loss, wherever considered necessary. Finished goods and work in progress includes cost of conversion and other production overheads. Duty liability, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

e) Export incentives

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

f) Foreign currency transactions

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of the transaction. At the year end, all the monetary assets and liabilities denominated in foreign currency are restated at the closing exchange rate. Exchange differences resulting from the settlement of such transactions and from the translation of such monetary assets and liabilities are recognized in the Profit and Loss Account.

In respect of transactions covered by forward exchange contracts, the difference between the forward rate and the exchange rate at the date of transaction is recognized as income or expense over the life of the contract.

g) Government Grants

Government grants are recognized where it is reasonably certain that the ultimate collection will be made. Revenue grant are accounted by adding the income in case of export incentives and adjusting the interest expenses in case of interest subsidy, under Technology Upgradation Fund (TUF) Scheme. Capital grants were not received during the year.

h) Investments

Long term investments are valued at cost. Cost includes incidental charges incurred towards acquisition of such investments. Provision for diminution, if any, in the value of long term investments is made to recognise a decline, other than temporary.

Current investments are valued at cost or market value, whichever is lower.

i) Employee benefits

Defined Contribution Plans:

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

Defined Benefit Plans:

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

Other Long Term Employee Benefits:

Leave Encashment liability is accrued in the books based on actuarial valuation as at Balance Sheet date. Actuarial gains or losses are recognized immediately in the Profit and Loss Account.

Short Term:

Liability of compensated absences, performance incentives etc are recognized during the period when the employee renders the services.

j) Borrowing Costs

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

k) Taxation

Current Tax:

Tax on income for the year is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on expected outcome of assessments / appeals.

Deferred Tax:

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of the assets and liabilities and their respective tax base. Deferred tax assets are recognized subject to management's judgment that realization is reasonably certain that such deferred tax assets can be realized against future taxable income.

Deferred tax assets and liabilities are measured using substantively enacted tax rates applicable on the Balance Sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of enactment of the change.

Fringe Benefit Tax:

Fringe Benefit Tax has been determined at current applicable rates on expenses falling within the ambit of "Fringe Benefit" as defined under the Income Tax Act, 1961.

l) Accounting for leases

Finance lease:

Fixed assets acquired under finance lease are stated at lower of fair market value or present value of minimum lease payments or guaranteed residual value.

Finance lease payments are apportioned between finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as an expense in the Profit & Loss account.

Operating lease:

Lease rentals on assets under operating lease are charged off to the Profit and Loss account for the year.

m) Provisions and contingencies

Provisions are recognized when the Company has a present obligation as a result of past obligating events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed regularly

and are adjusted where necessary to reflect the current estimates of the obligation. When the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset, only when such reimbursement is virtually certain.

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty is treated as contingent and to the extent not provided for are disclosed by way of notes on the accounts.

n) Impairment of assets

At each Balance Sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the Profit and Loss Account to the extent the carrying amount exceeds the recoverable amount.

C. Notes to Account

1. Contingent liabilities

Rupees in Lakhs

Particulars	2008	2007
Claims against the Company not acknowledged as debts	68.29	15.02
Guarantees given by banks	29.71	29.71
Outstanding letters of credit	2,058.64	1,849.81
Bills discounted with banks	15,432.47	12,110.45
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	797.61	1,235.39

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

2. Export Promotion Capital Goods Scheme

During the year, the Company has imported capital goods without payment of duty under the Export Promotion Capital Goods Scheme. Under the scheme, the Company has export obligations of Rs.1,320.77 lakhs (2007: Rs.4,392.51 lakhs) to be fulfilled before May 14, 2015.

3. Utilization of funds raised through public issue

The Company had raised Rs.13,281.25 lakhs through a public issue of shares during the year 2005-2006. As at March 31, 2007, the Company has fully utilized the proceeds.

4. In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the balance sheet, if realized in the ordinary course of the business.

5. Employee Benefit

(a) During the financial year ended March 31, 2008, the Company has adopted Accounting Standard 15 (Revised 2005)-Employee Benefits (AS15). Pursuant to the adoption, the company has determined the liability for compensated absences and gratuity in accordance with the revised AS 15.

Disclosures as envisaged in revised AS 15 in respect of Defined Benefit Obligation (Gratuity) are given below:

Reconciliation showing the movements during the year in the net liability of Defined Benefit Obligation (Gratuity) recognised in the Balance Sheet:

Rupees in Lakhs

1. Reconciliation of opening and closing balances of the present value of the defined benefit obligation:	2008
Obligations at April 1, 2007	97.96
Service Cost	75.23
Interest Cost	7.84
Benefits Settled	-
Actuarial (gain)/loss	(8.18)
Past Service Cost	-
Obligations at March 31, 2008	172.85

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

2. Change in Plan Assets	2008
Plan Assets at April 1, 2007 at Fair Value	1.99
Expected Return on Plan Assets	0.16
Actuarial gain/(loss)	0.01
Contributions	-
Benefits Settled	-
Plan Assets at March 31, 2008 at Fair Value	2.16
3. Reconciliation of present value of the obligation and the fair value of the plan assets	
Present value of obligation at March 31, 2008	172.85
Plan Assets at March 31, 2008	(2.16)
Amount recognized in Balance Sheet	170.69
4. Expenses recognized in Profit and Loss Account	
Service Cost	75.23
Interest Cost	7.84
Expected Return on Plan Assets	(0.16)
Actuarial gain/(loss)	(8.19)
Net Gratuity Cost	74.72
5. Assumptions	
Interest Rate	8%
Discount Factor (Note 2)	8%
Estimated Rate of return on Plan Assets (Note 3)	8%
Attrition Rate	35%
Rate of escalation in Salary per annum (Note 1)	5%
Retirement Age	58

Notes:

1. The estimate of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
 2. The discount rate is based on the prevailing market yield on Government Securities as at the Balance Sheet date for the estimated term of obligations.
 3. The estimated return on plan assets is determined considering several applicable factors mainly the composition of plan asset held, assessed risks of asset management, historical results of the return on plan assets and the Company's policy for plan asset management.
 4. This being the first year of adoption of Accounting Standard 15, comparative figures for the previous year are not available.
- (b) The Company has recognized an amount of Rs.551.02 lakhs as expenses under the defined contribution plans in the Profit and Loss account for the year ended March 31, 2008.

1. Segment information

- a) Primary business segment
The Company's activities of manufacture and sale of garments constitutes its single business segment.
- b) Secondary business segment (by geographical area based on location of customers):

Rupees in Lakhs

Region	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
In India	6,697.60 (2,116.16)	90,965.09 (80,123.07)	7,098.24 (8,683.50)
Outside India	93,884.12 (97,865.17)	-	-
Total	100,581.72 (99,981.33)	90,965.09 (80,123.07)	7,098.24 (8,683.50)

Figures in brackets are for previous year.

7. Related party disclosures

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

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

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

- b. The above information regarding related parties have been determined to the extent such parties have been identified on the basis of information available with Company.
- c. 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:

Rupees in Lakhs

Nature of Transactions	Enterprises where control exist	Key Management Personnel	Enterprises over which key management personnel and their relatives exercise significant influence	Total
	A(a)	A(b)	A(c)	
Sales				
Sale of garments	622.83	-	-	622.83
	(116.62)	(-)	(-)	(116.62)
Sale of Materials	3.01	-	-	3.01
	(21.19)	(-)	(-)	(21.19)
Other Income				
Rent income	0.25	-	-	0.25
	(8.88)	(-)	(-)	(8.88)
Expenses				
Job work charges	26,240.22	-	-	26,240.22
	(24,230.02)	(-)	(-)	(24,230.02)
Material purchases	500.85	-	-	500.85
	(120.86)	(-)	(-)	(120.86)
Rent expense	-	-	18.51	18.51
	(-)	(-)	(17.97)	(17.97)
Remuneration	-	210.90	-	210.90
	(-)	(216.00)	(-)	(216.00)
Recovery of Expenses	-	-	0.60	0.60
			(1.20)	(1.20)
Loans				
Loans availed	-	-	-	-
	(-)	(-)	(3,519.85)	(3,519.85)
Loans repaid	-	-	3,588.15	3,588.15
	(-)	(6,355.18)	(-)	(6,355.18)
Advances received	-	308.76	-	308.76
	(-)	(-)	(-)	(-)
Balances outstanding as at March 31, 2008				
— Credit balances	1,716.84	13.95	13.16	1,743.95
	(1,604.54)	(18.00)	(129.49)	(1,752.02)
— Debit balances	2,158.14	-	624.90	2,783.04
	(1,726.62)	(-)	(622.00)	(2,348.62)

Figures in brackets relate to previous year.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

Disclosure in respect of transactions that exceed 10% of the total value of transactions of the same type with related parties during the year:

	<i>Rupees in Lakhs</i>	
Job work Charges	2008	2007
Seven Hills Clothing Private Limited	6,448.92	5,709.29
Magenta Trading Private Limited	3,319.45	2,916.49
Glamourwear Apparels Private Limited	3,286.11	3,043.25
Rishikesh Apparels Private Limited	2,954.75	2,937.39
Material Purchase		
Reflexion Trading Private Limited	79.93	58.98
SNS Clothing Private Limited	352.83	-
Rajdin Apparels Private Limited	68.10	61.87
Rent Income		
All Colour Garments Private Limited	0.25	3.00
Seven Hills Clothing Private Limited	-	1.08
SNS Clothing Private Limited	-	4.80
Rent Expense		
Hinduja Trading Company	4.36	5.40
VAG Exports Private Limited	13.03	12.57
Sale of Garments		
SNS Clothing Private Limited	622.83	116.62
Sale of Materials		
SNS Clothing Private Limited	1.49	21.19
Reflexion Trading Private Limited	1.52	-
Recovery of Expenses		
Parichay Investments Limited	0.60	1.20
Remuneration to Key Management Personnel		
Madanlal J Hinduja	42.90	48.00
Rajendra J Hinduja	48.00	48.00
Dinesh J Hinduja	48.00	48.00
Vivek M Hinduja	24.00	24.00
Ashwin R Hinduja	24.00	24.00
Gaurav D Hinduja	24.00	24.00
Advances received		
Madanlal J Hinduja	102.92	-
Rajendra J Hinduja	102.92	-
Dinesh J Hinduja	102.92	-
Loans Availed		
Dice Trading Private Limited	-	1,170.85
Maze Trading Private Limited	-	1,175.00
Rapple Trading Private Limited	-	1,174.00
Loans Repaid		
Dice Trading Private Limited	1,193.61	-
Maze Trading Pvt. Ltd.	1,197.77	-
Rapple Trading Pvt. Ltd.	1,196.77	-

8. Leasing Arrangements:

The Company's leasing arrangements in respect of its office and residential premises are in the nature of operating leases. These leasing arrangements, which are cancellable after a period of eleven months to six years at the option of the lessee, are for a total period ranging from eleven months to six years and are usually renewable after eleven months to three years respectively by mutual consent of the parties involved on mutually agreed terms. The charge on account of lease rental is debited to Profit and Loss Account.

The charge on account of lease rentals for the year is Rs.577.01 Lakhs (2007: Rs.333.74 Lakhs).

Future obligations of lease rentals applicable to the leased assets aggregate to Rs.361.28 Lakhs (2007: Rs.494.25 Lakhs)

<i>Rupees in Lakhs</i>		
Period	2008	2007
Not later than one year	127.63	132.98
Later than one year and not later than five years	206.31	294.88
Later than five years	27.34	66.39
	361.28	494.25

9. Companies under the same management

Balances with companies under the same management under section 370(1B) of the Companies Act, 1956 included in Loans and Advances:

<i>Rupees in Lakhs</i>				
Name of the company	2008		2007	
	Maximum balance outstanding during the year	Closing balance	Maximum balance outstanding during the year	Closing balance
Magenta Trading Private Limited	452.72	206.17	387.31	102.67
Rishkesh Apparels Private Limited	1,012.98	729.90	1065.96	685.04
Rajdin Apparels Private Limited	443.32	301.96	432.25	323.55
Glamourwear Apparels Private Limited	500.45	207.64	427.65	132.54
Reflexion Trading Private Limited	288.93	121.13	325.83	180.51
Seven Hills Clothing Private Limited	919.49	541.70	853.67	271.61
Robot Systems Private Limited	1.20	1.20	11.01	1.10
Madhin Trading Private Limited	51.62	-	100.36	-
Rafter Trading Private Limited	239.47	48.43	267.61	29.60
Deejay Trading Private limited	247.41	-	177.34	-
Vignesh Apparels Private Limited	87.49	-	160.09	-
Vag Exports Private Limited	319.00	319.00	319.00	319.00

10. Earnings per share

<i>Rupees in Lakhs</i>		
Particulars	2008	2007
Net profit for the year as per profit and loss accounts before exceptional items	5,589.50	7,028.27
Net profit for the year as per profit and loss accounts after exceptional items	4,760.87	7,028.27
Weighted average number of equity shares	343.76	343.76
Nominal value per share - Rs.	5.00	5.00
Earnings per share – Basic and diluted		
Before exceptional items - Rs.	16.26	20.45
After exceptional items - Rs.	13.85	20.45

Note: With effect from December 15, 2006, the Company sub-divided its Equity Shares from Rs 10 per share to Rs 5 per share.

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

11. The following is the detail of investments in units of mutual funds purchased and sold during the year:

Units in Lakhs

Fund	Scheme	Purchase Units	Reinvestment Units	Sale Units	Nominal Value of the Unit
Birla Mutual Funds	Birla Cash Plus- Daily dividend Reinvestment	184.14	4.86	189.00	10
Standard Chartered Mutual Fund	Grindlays Floating Rate Fund- LT	101.18	4.52	105.70	10
Lotus India Mutual Fund	Lotus India Arbitrage fund- Dividend	30.11	1.36	31.46	10
Birla Sun Life Mutual Fund	Birla FTP- Quarterly series 16 - Dividend-Payout	84.50	-	84.50	10
		399.93	10.74	410.66	

12. **Deferred taxes**

The deferred tax assets/(liabilities) arising out of timing differences comprise of the following major components:

Rupees in Lakhs

Particulars	2007	Current year (charge)/ credit	2008
Difference between carrying amount of Fixed Assets in Financial Statements and Income Tax returns	(1,129.88)	21.41	(1108.47)
Expenditure charged in the financial statements but allowable as expenses in future years under the Income Tax Act, 1961 towards retirement benefits.	14.07	285.69	299.76
Share issue expenses	116.35	(45.01)	71.34
	(999.46)	262.09	(737.37)

Share issue expenses, net of taxes, have been adjusted to the securities premium account.

Note:

- The tax impact for the above purpose has been arrived by applying tax rate of 33.99%, being the prevailing tax rate for Indian Companies under the Income Tax Act, 1962.
- No deferred tax asset / liability has been accounted in the books in respect of certain timing differences, which are expected to reverse within the tax holiday period based on accounting standard interpretation ASI 5 as notified under Section 211(3C) of the Companies Act, 1956 and relevant provisions of the Companies Act.

13. Other operating Income includes an amount of Rs.Nil (2007: Rs.214.35 Lakhs) being the claims relating to earlier years.

14. **Remuneration to directors**

Rupees in Lakhs

Particulars	2008	2007
Salaries	138.90	144.00
	138.90	144.00

Note: No retirement benefits and perquisites have been provided as the same have not been exercised.

15. **Auditors' remuneration***

Rupees in Lakhs

Particulars	2008	2007
Audit fees	24.00	17.50
Taxation matters	1.00	1.00
Out of pocket expenses	-	-
	25.00	18.50

* Excluding service tax

16. Licensed and installed capacities and production

Particulars	Unit	2008	2007
<i>Licensed capacity</i>			
Readymade garments	Pcs	Not Applicable	Not Applicable
<i>Installed capacity</i>			
Readymade garments		Refer note below	
<i>Production</i>			
Readymade garments			
- Own production	Pcs	3,218,885	3,572,916
- Through Job workers		26,148,815	20,952,502

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

17. Sales by class of goods

Rupees in Lakhs

Products	Unit	2008		2007	
		Quantity	Amount	Quantity	Amount
Readymade garments					
- Manufactured	Pcs	29,034,874	99,962.82	24,226,261	99,895.27
- Others			419.11		86.05
		29,034,874	100,381.93	24,226,261	99,981.32

18. Stock of finished goods

Rupees in Lakhs

Products	Unit	2008		2007	
		Quantity	Amount	Quantity	Amount
Manufactured					
- Readymade garments	Pcs	1,402,003	4,727.58	1,069,177	3,810.12
		1,402,003	4,727.58	1,069,177	3,810.12

19. Raw materials consumed

Rupees in Lakhs

Products	Unit	2008		2007	
		Quantity	Amount	Quantity	Amount
Cloth	Mtr	46,700,399	36,784.48	41,265,797	38,885.80
Fusible interlining	Mtr	3,310,659	576.80	4,142,500	529.16
Polywadding	Mtr	1,191,017	383.03	1,265,540	349.95
Accessories			13,974.26		14,247.45
Others			4,116.35		1,245.73
			55,834.92		55,258.09

Notes:

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

20. CIF value of imports

Rupees in Lakhs

Particulars	2008	2007
Capital goods	1,133.85	3,613.09
Raw materials and accessories	23,313.84	32,711.47
Stores and spares	58.30	94.02
	24,505.99	36,418.58

21. Expenditure in foreign currency on accrual basis

Rupees in Lakhs

Particulars	2008	2007
Travel expenses	39.72	44.13
Brokerage and commission	85.51	40.21
Export claims	307.63	257.25
Salaries	14.00	10.34
Consultancy	20.01	4.69
Interest	-	90.46
Others	42.80	33.71
	509.67	480.79

22. Value and percentage of imported and indigenous raw materials, spare parts and components consumed

Rupees in Lakhs

Particulars	2008		2007	
	Amount	%	Amount	%
<i>Raw Materials</i>				
Imported	19,882.82	35.61	28,993.92	52.47
Indigenous	35,952.10	64.39	26,264.17	47.53
	55,834.92	100.00	55,258.09	100.00
<i>Consumables, Stores and Spares</i>				
Imported	1.26	0.07	125.04	9.75
Indigenous	1,736.54	99.93	1,157.14	90.25
	1,737.80	100.00	1,282.18	100.00

23. Earnings in foreign currency

Rupees in Lakhs

Particulars	2008	2007
FOB value of exports	93,884.12	97,865.17
Freight and insurance recoveries	872.92	1,814.35
	94,757.04	99,679.52

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

Rupees in Lakhs

Particulars	2008	2007
Number of non-resident shareholders on record date	183	134
Number of shares held by such shareholders on such record date	33,899	8,542
Amount remitted during the year as dividend in respect of such holding (gross basis)	0.68	0.26
Financial year to which the dividend relates	2006-07	2005-06

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

Rupees in Lakhs

		2008
(i)	The principal amount due thereon remaining unpaid on March 31, 2008	8.12
	Interest amount due and remaining unpaid on March 31, 2008	0.10
(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.	4.69
(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, 2008 in respect of principal amount settled during the year	0.10
(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.	0.10

26. The Company has made payments to relatives of Directors holding office or place of profit as per provisions of section 314(IB) of the Companies Act, 1956, aggregating Rs.34.06 lakhs for which a waiver application has been made with the Central Government and is pending approval from concerned authorities.

27. The net worth of a subsidiary Company Robot Systems Private Limited has substantially eroded. In the opinion of the management the decline in carrying value of investment is temporary as the market value of some of the immovable property would realize a value higher than the cost of investments.

28. Derivative Instruments

The Company uses forward exchange contracts to hedge against its foreign currency exposure relating to the underlying transactions and firm commitments. The Company does not enter into any derivative instruments for trading or speculative purposes.

The forward exchange contracts outstanding as at March 31, 2008 are as under:

		<i>Rupees in Lakhs</i>	
		USD / INR	EURO / INR
a.	Currency exchange		
b.	Number of 'sell' contracts	17	26
		(23)	(-)
c.	Aggregate amount	25,526.40	15,752.50
		(10,032.60)	(-)
d.	Number of 'buy' contracts	3	-
		(-)	(-)
e.	Aggregate amount	239.31	-
		(-)	(-)

Note:

- (i) Based on the announcement made by the Institute of Chartered Accountants of India on March 29, 2008, the Company has marked to market certain forward covers falling under the definition of derivatives based on valuation certificates obtained from the banks, as a result of which a loss of Rs.828.63 Lakhs has been recorded as an exceptional item in the books of account.
- (ii) Figures in brackets relate to previous year.

- 29.** Consequent to the notification on December 7, 2006 of Companies (Accounting Standard) Rules, 2006, exchange differences arising on translation of foreign currency liabilities for acquisition of fixed assets from a country outside India, which were hitherto adjusted to the cost of the relevant fixed assets, are now being adjusted to Profit and Loss Account in line with the requirement of the revised Accounting Standard 11(AS11) - "The Effects of Changes in Foreign Exchange Rates". This change in the accounting policy, however, does not have a material impact on the financial statements for the current year.
- 30.** Previous year's figures have been regrouped/rearranged/reclassified, wherever necessary to conform to the current year's presentation.

Signatures to schedules I to XVII

For and on behalf of the Board

Madanlal J Hinduja
Chairman

Rajendra J Hinduja
Managing Director

K. B. Shyam Kumar
Company Secretary

Place: Bangalore:

Date: June 09, 2008

ANNEXURE TO DIRECTORS' REPORT

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT 1956

Rs. in Lakhs

Name of the Company	All Colour Garments Pvt. Ltd	Deejay Trading Pvt. Ltd	Glamourwear Apparels Pvt. Ltd.	Madhin Trading Pvt. Ltd	Magenta Trading Pvt. Ltd	Rafter Trading Pvt. Ltd	Rajdin 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
Financial Year ending	March 31, 2008												
Share of the subsidiary held by the Company on the above date													
a) Number of shares and Face value	20000 Eq. shares of Rs.10/- each	10000 Eq. shares of Rs.10/- each	20000 Eq. shares of Rs.10/- each	12000 Eq. shares of Rs. 100/- each									
b) Extent of holding	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Net aggregate amount of profit/(loss) of subsidiary for the above financial year so far as they concern members of the Company													
a) dealt within the accounts of the company for the year ended 31 st March 2008	-	-	-	-	-	-	-	-	-	-	-	-	-
b) not dealt within the accounts of the company for the year ended 31 st March 2008	1,90	2.69	2.23	3.02	(0.53)	2.11	2.17	0.45	4.51	3.10	(0.77)	2.02	(1.55)
Net aggregate amount of profit/loss for previous financial years of the subsidiary, since it became subsidiary so far as they concern members of the Company													
a) dealt within the accounts of the company for the year ended 31 st March 2008	-	-	-	-	-	-	-	-	-	-	-	-	-
b) not dealt within the accounts of the company for the year ended 31 st March 2008	4.01	9.73	11.74	6.04	5.20	4.61	7.05	2.75	7.62	6.29	1.28	10.05	(3.71)

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

Rs. in Lakhs

Subsidiary	Issued & subscribed share capital	Reserves	Loans	Total Assets	Total Liabilities	Investments	Turnover	Profit/loss before taxation	Provision for taxation	Profit/Loss after taxation	Proposed dividend
All Colour Garments Private Limited	2.00	337.90	-	339.90	339.90	-	1,196.75	15.00	13.10	1.90	-
Deejay Trading Private Limited	2.00	89.92	-	92.61	92.61	-	1,134.82	3.15	0.46	2.69	-
Glamourwear Apparels Private Limited	2.00	113.73	-	115.73	115.73	-	3,297.57	9.15	6.91	2.23	-
Madhin Trading Private Limited	2.00	73.03	-	75.03	75.03	-	1,017.47	5.98	2.96	3.02	-
Magenta Trading Private Limited	2.00	72.62	-	74.62	74.62	-	3,327.49	3.32	(3.85)	(0.53)	-
Rafter Trading Private Limited	2.00	39.33	-	49.35	49.35	-	1,902.53	1.19	(0.92)	2.11	-
Rajdin Apparels Private Limited	2.00	175.95	-	177.95	177.95	-	1,722.41	9.96	7.79	2.17	-
Reflexion Trading Private Limited	1.00	2.75	-	3.75	3.75	-	1,204.09	6.63	6.18	0.45	-
Rishikesh Apparels Private Limited	2.00	73.50	-	75.50	75.50	-	2,964.69	18.53	14.02	4.51	-
Seven Hills Clothing Private Limited	2.00	312.19	-	330.44	330.44	-	6,473.13	22.41	19.31	3.10	-
SMS Clothing Private Limited	2.00	1,777.50	-	1,779.50	1,779.50	-	1,795.28	0.12	0.90	(0.77)	-
Vignesh Apparels Private Limited	2.00	88.94	-	90.94	90.94	-	1,689.49	1.12	(0.91)	2.02	-
Robot Systems Private Limited	12.00	25.65	-	37.65	37.65	-	-	(1.55)	-	(1.55)	-

For and on behalf of the Board

Bangalore
June 9, 2008

Madanlal J Hinduja
Chairman

Rajendra J Hinduja
Managing Director

K B Shyam Kumar
Company Secretary

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2008

GOKALDAS EXPORTS LTD

AUDITORS' REPORT

Auditors' report to the Board of Directors of Gokaldas Exports Limited

1. We have audited the attached Consolidated Balance Sheet of Gokaldas Exports Limited (the 'Company') and its subsidiaries (together 'the Group') as at March 31, 2008, the Consolidated Profit and Loss account for the year ended on that date annexed thereto, and the Consolidated Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements prepared, are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 4,846.30 lakhs as at March 31, 2008 and total revenues of Rs. 20,046.52 lakhs and net cash flows of Rs.1.25 lakhs for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on the consideration of reports of other auditors on separate financial statements and on other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at March 31, 2008;
 - (b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Group for the year ended on that date; and
 - (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

Dibyendu Majumder

Partner

Membership No: 57687

For and on behalf of

Price Waterhouse

Chartered Accountants

Place: Bangalore

Date: June 09, 2008

A.V. Satish Kumar

Partner

Membership No: F - 26526

For and on behalf of

Girish Murthy & Kumar

Chartered Accountants

Place: Bangalore

Date: June 09, 2008

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

Rupees in Lakhs

	Schedule	As at March 31, 2008	As at March 31, 2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	I	1,718.80	1,718.80
Reserves and Surplus	II	43,498.53	39,118.71
Loan Funds			
Secured Loans	III	34,438.67	26,683.06
Unsecured Loans	IV	-	3,588.15
Deferred tax liability (net)		728.68	1,001.39
[Refer Note C-10 of Schedule XVII]			
Total		80,384.68	72,110.11
APPLICATION OF FUNDS			
Fixed Assets			
	V		
Gross Block		40,417.24	32,890.00
Less : Depreciation		12,525.59	8,911.41
Net Block		27,891.65	23,978.59
Capital Work-in-process (including capital advances)		1,684.73	3,456.05
		29,576.38	27,434.64
Investments	VI	2,051.50	3,703.00
Current Assets, Loans and Advances			
	VII		
Inventories		40,932.72	34,264.01
Sundry Debtors		8,668.49	7,984.52
Cash & Bank Balances		1,100.47	1,269.84
Other Current Assets		2,801.82	1,928.89
Loans & Advances		7,921.75	5,729.64
		61,425.25	51,176.90
Less: Current Liabilities and Provisions	VIII		
Current Liabilities		10,342.22	8,212.21
Provisions		2,326.23	1,996.85
		12,668.45	10,209.06
Net Current Assets		48,756.80	40,967.84
Miscellaneous Expenditure	IX	-	4.63
(to the extent not written off or adjusted)			
Total		80,384.68	72,110.11
Significant Accounting Policies and Notes to Accounts			
	XVII		

Schedules referred to above and notes thereon form an integral part of the financial statements

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

For and on behalf of the Board

As per our report of even date

for Girish Murthy & Kumar
Chartered Accountants

for Price Waterhouse
Chartered Accountants

Madanlal J Hinduja
Chairman

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

Dibyendu Majumdar
Partner
Membership No. 57687

Rajendra J Hinduja
Managing Director

Place : Bangalore
Dated : June 09, 2008

Place : Bangalore
Dated : June 09, 2008

K.B. Shyam Kumar
Company Secretary

Place : Bangalore
Dated : June 09, 2008

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Lakhs

	Schedule	For the year ended March 31, 2008	For the year ended March 31, 2007
INCOME			
Sales	X	100,982.55	100,507.50
Other Income	XI	8,790.84	3,988.51
		109,773.39	104,496.01
EXPENDITURE			
Purchase of Finished Goods		31.56	-
Raw Material Consumed	XII	54,060.92	53,510.72
Other Manufacturing and Operating Expenses	XIII	6,051.79	5,362.55
Personnel Costs	XIV	29,794.00	26,157.58
Sales & Administrative Expenditure	XV	7,060.26	6,491.42
Finance Charges	XVI	3,069.40	2,210.00
Depreciation	V	3,660.37	2,878.90
		103,728.30	96,611.17
Profit Before Exceptional Items		6,045.09	7,884.84
Add/(Less): Exceptional Items [Refer Note C-14 of Schedule XVII]		(828.63)	4.35
Profit Before Tax		5,216.46	7,889.19
Provision for Taxation			
— Current Tax		676.97	336.77
— Deferred Tax		(272.71)	475.49
— Fringe Benefit Tax		29.04	34.29
— Taxes of Earlier Years [Net]		1.16	(10.46)
Net profit for the year		4,782.00	7,053.10
Balance Brought Forward from Previous Year		13,912.28	8,373.54
Amount available for appropriation		18,694.28	15,426.64
Appropriations			
Proposed Dividend		343.76	687.52
Tax on Dividends		58.42	116.84
Transfer to General Reserve		476.09	710.00
		878.27	1,514.36
Balance carried to Balance Sheet		17,816.01	13,912.28
Basic / Diluted Earnings Per Share, face value of Rs.5			
[Refer Note C-9 of Schedule XVII]			
- Before exceptional items		16.32	20.50
- After exceptional items		13.91	20.52
Significant Accounting Policies and Notes to Accounts	XVII		

Schedules referred to above and notes thereon form an integral part of the financial statements

For and on behalf of the Board

As per our report of even date

for Girish Murthy & Kumar
Chartered Accountants

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

Place : Bangalore
Dated : June 09, 2008

for Price Waterhouse
Chartered Accountants

Dibyendu Majumdar
Partner
Membership No. 57687

Place : Bangalore
Dated : June 09, 2008

Madanlal J Hinduja
Chairman

Rajendra J Hinduja
Managing Director

K.B. Shyam Kumar
Company Secretary

Place : Bangalore
Dated : June 09, 2008

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Lakhs

PARTICULARS	For the year ended March 31, 2008	For the year ended March 31, 2007
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax and exceptional items	6,045.09	7,884.84
Adjusted for:		
Depreciation	3,660.37	2,878.90
Interest expense	3,069.40	2,210.00
Interest Earned	(31.75)	(99.38)
(Profit)/Loss on sale of assets (net)	0.77	17.83
(Profit)/loss on sale of investments	(27.52)	(60.06)
Dividend on investments	(208.34)	(295.29)
(Profit)/Loss on forward contracts	(1,887.26)	10.47
Extraordinary Items	-	4.35
Preliminary expenses amortised	4.63	0.75
Operating Profit/(Loss) before Working Capital Changes	10,625.39	12,552.41
Adjustments for:		
(Increase)/Decrease in Trade and Other Receivables	(2,869.77)	(4,035.15)
(Increase)/Decrease in Inventories	(6,668.71)	(6,688.32)
(Decrease)/Increase in Trade Payables and Other Liabilities	1,232.22	2,568.10
Cash Generated from Operations	2,319.13	4,397.04
Taxes (Paid) / Refund received (Net)	(977.60)	(230.17)
Net Cash Flow from Operating Activities	1,341.53	4,166.87
CASH FLOW FROM INVESTING ACTIVITIES		
Interest Received (without interest on IT refund)	14.77	38.66
Purchase of Fixed Assets	(5,890.33)	(11,663.92)
Proceeds on sale of assets	87.19	55.48
Dividends received	208.34	295.29
Purchase of Investments	(6,180.28)	(9,257.71)
Proceeds from sale of investments	7,859.28	11,514.46
Net Cash Flow from Investing Activities	(3,901.03)	(9,017.74)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital (Including Share Prem)	-	
Proceeds from Term Loans	1,750.00	5,550.00
Repayment of Term Loans	(903.41)	(358.40)
Proceeds from Packing Credit (Net)	6,909.03	6,013.87
Repayment from Unsecured Loans (net)	(3,588.15)	(3,202.27)
Profit/(Loss) on forward contracts	1,887.26	(10.47)
Dividends payout (including dividend Tax)	(803.91)	(587.73)
Interest Paid	(3,069.40)	(2,210.00)
Net Cash Flow from Investing Activities	2,181.42	5,195.00

CASH FLOW STATEMENT CONTD.

Rupees in Lakhs

PARTICULARS	For the year ended March 31, 2008	For the year ended March 31, 2007
Net Increase/(Decrease) in Cash and Cash Equivalents	(378.08)	344.13
Opening Balance of Cash and Cash Equivalents	840.42	496.29
Closing Balance of Cash and Cash Equivalents	462.34	840.42

Note:

- i. Figures in brackets represent outflow.
- ii. The Cash Flow Statement has been prepared under indirect method as notified under Section 211(3C) of the Companies Act.
- iii. The above Cash Flow Statement has been compiled from and is based on the Balance Sheet as at March 31, 2008 and the related Profit and Loss Account for the year ended March 31, 2008.
- iv. Cash and Cash equivalents includes unpaid dividend bank balances amounting to Rs. 0.94 lakhs (2007:Rs.0.49 lakhs).
- v. Previous year's figures have re-grouped wherever necessary.

This is the Cash Flow Statement referred to in our report of even date

for Girish Murthy & Kumar
Chartered Accountants

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

Place : Bangalore
Dated : June 09, 2008

for Price Waterhouse
Chartered Accountants

Dibyendu Majumder
Partner
Membership No. 57687

Place : Bangalore
Dated : June 09, 2008

For and on behalf of the Board

Madanlal J Hinduja
Chairman

Rajendra J Hinduja
Managing Director

K.B. Shyam Kumar
Company Secretary

Place : Bangalore
Dated : June 09, 2008

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Lakhs

	As at March 31, 2008	As at March 31, 2007
SCHEDULE - I - SHARE CAPITAL		
Authorised		
40,000,000 (2007: 40,000,000) Equity Shares of Rs.5 each	<u>2,000.00</u>	<u>2,000.00</u>
Issued, Subscribed and Paid Up		
34,376,000 (2007: 34,376,000) Equity Shares of Rs.5 each fully paid-up	1,718.80	1,718.80
Note: i. Of the above equity shares 23,334,242 shares of Rs.5 each are held by Blackstone FP Capital Partners (Mauritus) V-B Subsidiary Limited and 135,000 shares of Rs.5 each are held in Escrow Account.		
ii. Of the above shares 7,126,000 (2007: 7,126,000) of Rs. 5 each have been allotted as fully paid-up pursuant to a scheme of amalgamation without payment being received in cash		
SCHEDULE - II - RESERVES & SURPLUS		
Capital Reserve as per Last Balance Sheet	9,769.12	9,769.12
Securities Premium Account		
Balance as per last balance sheet	13,721.31	13,721.31
General Reserve		
Balance as per last balance sheet	1,716.00	1,006.00
Add: Transferred from Profit and Loss Account	<u>476.09</u>	<u>710.00</u>
	2,192.09	1,716.00
Surplus in Profit & Loss Account	<u>17,816.01</u>	<u>13,912.28</u>
	<u>43,498.53</u>	<u>39,118.71</u>
SCHEDULE III - SECURED LOANS		
Packing Credit Loans from Banks (Secured by hypothecation of raw materials, finished goods & book debts)	27,134.51	20,225.48
Term Loan from Banks (Under Technology Upgradation Fund Scheme) (Secured by hypothecation of specific fixed Assets purchased under term loan)	7,304.16	6,457.58
	<u>34,438.67</u>	<u>26,683.06</u>
SCHEDULE IV - UNSECURED LOANS		
Inter Corporate Deposits	-	3,588.15
	-	<u>3,588.15</u>

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

SCHEDULE - V - Fixed Assets [Refer Note B(c) of Schedule XVII]

Rupees in lakhs

Particulars	Gross Block			Depreciation			Net Block		
	As At April 1, 2007	Additions During the year	Sale/Adjustment during the Year	As At March 31, 2008	As At April 1, 2007	For The Year	Adjustment for Sale	As At March 31, 2008	As At March 31, 2007
Goodwill on consolidation	314.79	-	-	314.79	-	-	-	314.79	314.79
Freehold land	1,331.07	-	-	1,331.07	-	-	-	1,331.07	1,331.07
Buildings	3,485.23	2,408.56	41.47	5,852.32	708.86	429.72	11.35	4,725.09	2,776.37
Leasehold Improvements	176.88	99.68	-	276.56	30.61	21.25	-	224.70	146.27
Plant & machinery	23,497.80	3,660.14	62.56	27,095.38	6,707.86	2,580.05	12.14	17,819.61	16,789.94
Electrical Equipments	1,470.39	393.96	2.63	1,861.72	284.36	200.04	1.07	1,378.39	1,186.03
Office Equipments	280.48	76.54	0.98	356.04	100.00	31.42	0.42	225.04	180.48
Furnitures & Fixtures	1,208.61	845.96	2.62	2,051.95	398.87	223.94	1.27	1,430.41	809.74
Computers	642.92	106.60	-	749.52	429.28	101.64	-	218.60	213.64
Vehicles	481.83	69.95	23.89	527.89	251.57	72.31	19.94	223.95	230.26
TOTAL	32,890.00	7,661.39	134.15	40,417.24	8,911.41	3,660.37	46.19	27,891.65	23,978.59
2007	23,455.44	9,622.77	188.21	32,890.00	6,147.41	2,878.90	114.90	23,978.59	17,308.03

Note : The Buildings and Plant & Machinery are hypothecated to certain Banks to the extent of Rs.8,882.14 (2007: Rs.7,132.14)

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Lakhs

	As at March 31, 2008	As at March 31, 2007
SCHEDULE VI - INVESTMENTS		
A. Long-term Investments [at cost] [Non-trade]		
In Government Securities [unquoted]		
National Savings Certificate	0.85	0.85
Indira Vikas Pathra	0.19	0.19
In Bonds [unquoted]		
2,700 (2007: 2,700) US 64 Bonds of Rs 100 each, fully paid up	5.16	5.16
B. Current Investments [unquoted, at lower of cost and fair value]		
In Mutual Funds		
HDFC Multiple Yield Fund - Dividend Plan NIL (2007: 2,852,781 units of Rs. 10 each Sold during the year 2,852,781 units of Rs. 10 each	-	285.83
Reliance Short Term Fund - Dividend Plan NIL (2007: 5,412,840 units of Rs. 10 each Reinvested during the year 164,941 units of Rs. 10 each Sold during the year 5,577,782 units of Rs. 10 each	-	565.97
Standard Chartered Fixed Maturity Plan - Series 5 Dividend Plan NIL (2007: 10,000,000 units of Rs. 10 each in) Sold during the year 10,000,000 units of Rs. 10 each	-	1,000.00
Templeton Floating Rate Income Fund 14,983,817 (2007: NIL) units of Rs. 10 each Reinvested during the year 186,983 units of Rs. 10 each	1,518.72	-
Grindlays Floating Rate Fund-LT Daily Dividend 5,247,114 (2007: NIL) units of Rs. 10 each Reinvested during the year 15,852 units of Rs. 10 each	526.58	-
Birla FTP - Series 11 - Dividend Plan NIL (2007: 10,000,000) units of Rs. 10 each Sold during the year 10,000,000 units of Rs. 10 each	-	1,000.00
Birla FTP - Series 7 - Dividend Plan (sold during the year) NIL (2007: 8,450,000) units of Rs. 10 each in Sold during the year 8,450,000 units of Rs. 10 each	-	845.00
	<u>2,051.50</u>	<u>3,703.00</u>
Aggregate cost of unquoted investments - units of mutual funds	2,045.30	3,696.80
Aggregate market value of unquoted investments - units of mutual funds	2,045.30	3,708.33
Aggregate cost of unquoted investments - others	6.20	6.20

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Lakhs

	As at March 31, 2008	As at March 31, 2007
SCHEDULE VII - CURRENT ASSETS, LOANS AND ADVANCES		
Inventories		
(Refer Note No. B(d) to schedule XVII for mode of valuation of inventories)		
Raw Materials and Packing Materials [includes Material in transit Rs. 752.07(2007:NIL)]	29,668.74	24,173.30
Consumable Stores and Spare parts [includes Material in transit Rs. 24.62 (2007:NIL)]	426.24	776.83
Work-in-Progress	5,962.55	5,214.34
Finished Goods	4,875.19	4,099.54
	<u>40,932.72</u>	<u>34,264.01</u>
Sundry Debtors		
(Unsecured, considered good)		
Debts outstanding for a period exceeding six months	508.90	296.42
Others	8,159.59	7,688.10
	<u>8,668.49</u>	<u>7,984.52</u>
Cash and Bank Balances		
Cash on Hand	139.67	250.60
Bank Balances with Scheduled Banks		
— in Current Accounts	809.86	842.79
— Fixed Deposit Account	150.00	175.00
— Margin against Bank Guarantees	-	0.96
— Unpaid Dividend Accounts	0.94	0.49
	<u>1,100.47</u>	<u>1,269.84</u>
Other Current Assets		
Interest accrued on bank deposits	-	0.03
Balances with customs, excise and other authorities	2,576.24	1,424.14
Others	225.58	504.72
	<u>2,801.82</u>	<u>1,928.89</u>
LOANS AND ADVANCES		
(Unsecured, Considered Good)		
Advances recoverable in cash or for value to be received		
— for Supplies and Services	1,490.80	982.30
— from Staff	136.16	195.19
— Others	1,148.40	326.38
Deposits	3,381.13	3,339.78
Taxes paid in advance - Fringe Benefit Tax	-	52.46
Advance Tax	1,765.26	833.53
	<u>7,921.75</u>	<u>5,729.64</u>

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Lakhs

	As at March 31, 2008	As at March 31, 2007
SCHEDULE VIII - CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors		
- Due to Small Scale Industrial Undertakings	-	129.05
- Due to Small and Micro Enterprises	8.22	-
- Due to Others	3,772.64	4,235.46
Advance received from customers	164.53	80.62
Other Liabilities	5,757.76	3,337.17
Unclaimed Dividend (not due to Investors Education and Protection Fund)	0.94	0.49
Book Overdraft	638.13	429.42
	10,342.22	8,212.21
Provisions:		
Taxation	1,265.12	621.09
Fringe Benefit Tax	1.22	53.41
Proposed Dividend	343.76	687.52
Tax on Proposed Dividends	58.42	116.84
Gratuity	363.39	247.01
Leave Encashment	294.32	270.98
	2,326.23	1,996.85
SCHEDULE IX - MISCELLANEOUS EXPENSES		
(to the extent not written off or adjusted)		
Preliminary Expenses - as per last balance sheet	4.63	5.38
Less : Amortised / charged off during the year	4.63	0.75
	-	4.63
SCHEDULE X - SALES		
Sale of Finished Goods		
— Export Sales	93,884.12	97,865.17
— Domestic Sales	6,349.79	2,494.38
Contract Receipts	313.04	57.24
Sale of other items	435.60	90.71
	100,982.55	100,507.50

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Lakhs

	For the year ended March 31, 2008	For the year ended March 31, 2007
SCHEDULE XI - OTHER INCOME		
Export Incentives	5,063.15	2,550.99
Other Operating Income	1,476.31	911.74
Bank Interest [Tax Deducted at source Rs.2.39 (2007: 2.93)]	14.73	33.74
Interest on Income Tax refund	17.01	65.64
Dividends on current investments	208.34	295.29
Profit on sale of current investments	27.52	60.06
Profit on sale of fixed assets	0.77	0.50
Surplus on Forward Contracts & Exchange difference (net)	1,887.26	-
Credit Balances Written Back	-	17.55
Prior Period Income	81.92	0.09
Miscellaneous Income	13.83	52.91
	8,790.84	3,988.51
SCHEDULE XII - RAW MATERIAL CONSUMED		
Consumption of Raw Materials and Packing Materials	55,584.78	55,168.98
Opening Stock		
Finished Goods	4,099.54	3,057.06
Work-in-progress	5,214.34	4,598.56
	<u>9,313.88</u>	<u>7,655.62</u>
Closing Stock		
Finished Goods	4,875.19	4,099.54
Work-in-progress	5,962.55	5,214.34
	<u>10,837.74</u>	<u>9,313.88</u>
	54,060.92	53,510.72
SCHEDULES XIII - OTHER MANUFACTURING AND OPERATING EXPENSES		
Consumption of Consumables, stores and spares	1,877.95	1,289.87
Job Work Charges	222.46	497.42
Power & Fuel	2,111.05	2,053.17
Repairs & Maintenance - plant and machinery	646.41	394.69
Other Manufacturing Expenses	1,193.92	1,127.40
	<u>6,051.79</u>	<u>5,362.55</u>
SCHEDULES XIV - PERSONNEL COSTS		
Salaries, Wages & Bonus	26,270.18	22,885.67
Contribution to Provident Fund & Other Funds	3,170.04	3,011.26
Welfare Expenses	353.78	260.65
	<u>29,794.00</u>	<u>26,157.58</u>

SCHEDULES TO CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

Rupees in Lakhs

	For the year ended March 31, 2008	For the year ended March 31, 2007
SCHEDULE XV - SALES & ADMINISTRATION EXPENSES		
Rent	1,549.24	1,335.92
Repairs & Maintenance		
— Building	75.25	46.62
— Others	767.56	624.46
Insurance	140.57	163.67
Rates and Taxes	63.33	118.98
Legal & Professional Charges	618.23	419.01
Printing & Stationery	233.86	248.95
Communication Costs	427.90	380.67
Travelling & Conveyance	277.51	287.31
Preliminary Expenses amortized	4.63	0.75
Auditors' Remuneration	30.53	23.80
Membership & Subscription	37.59	36.98
Commission Discount & Brokerage	925.72	735.80
Clearing, Forwarding and Freight	956.53	469.06
Export Claims	307.63	257.25
Customs Duty	10.40	29.82
Charity & Donation	9.37	65.42
Director's Remuneration	138.90	144.00
Loss on Forward Contracts	-	10.47
Loss on sale of fixed assets	-	18.33
Advertisement, Publicity & Business Promotion	142.64	113.50
Exchange Difference(net)	-	646.86
Security Transaction Tax	-	3.09
Security Expenses	159.39	-
Bad Debts	48.41	-
Water Charges	23.17	-
Miscellaneous Expenses	111.90	310.70
	7,060.26	6,491.42
SCHEDULE XVI - FINANCE CHARGES		
Bank Interest		
— On Fixed Loans*	451.25	209.19
— On Others	2,283.05	1,677.28
Bank Charges	335.10	323.53
	3,069.40	2,210.00
* Interest on Fixed Loans are net of interest subsidy received under Technology Upgradation Fund (TUF) Scheme Rs. 325.09 (2007: Rs.215.70)		

NOTES TO ACCOUNTS

SCHEDULES ANNEXED TO AND FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2008

SCHEDULE XVII - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNT

A. Principles of Consolidation

1. The Consolidated Financial Statements relate to the Company [Gokaldas Exports Limited] and its subsidiaries [Together, hereinafter, referred to as 'The Group']. The Consolidated Financial Statements have been prepared on the following basis:

The Financial Statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21 – “Consolidated Financial Statements” notified under section 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

- i. The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company’s separate Financial Statements except as otherwise stated in the Notes to Account.
 - ii. The difference between the costs of investment in the subsidiaries over the net assets as on the date of acquisition of shares in the subsidiaries is recognized in the Financial Statements as Goodwill (if investment exceeds net assets) or Capital Reserve (if net assets exceeds cost of investment) as the case may be.
 - iii. Minority Interest’s share of Net Profit/Loss of Consolidated Subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the Net Income attributable to the shareholders of the Group.
 - iv. Minority Interest’s share of Net Assets of the Group is identified and presented in the Consolidated Balance Sheet separately from liabilities and the equity of the Group’s shareholders.
2. Investments other than in subsidiaries have been accounted for as per Accounting Standard (AS) – 13 on “Accounting for Investments” notified under section 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

B) Significant accounting policies

a) Basis of preparation of Consolidated financial statements

The Consolidated Financial Statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standards notified under section 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956.

b) Revenue recognition

Revenue from sale of goods is recognized when significant risks and rewards of ownership of the goods are transferred to the customer, which is generally on dispatch of goods from factory / warehouse.

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

Revenue in respect of insurance / other claims, interest etc, is recognized only when it is reasonably certain that the ultimate collection will be made.

c) Fixed assets and depreciation

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

Pre-operative factory expenses and cost on trail production have been capitalized and have been proportionately apportioned to fixed assets.

The group evaluates the carrying value of its Goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired for diminution, other than temporary. The group has currently reassessed the circumstances that could indicate the carrying amount of Goodwill may be impaired. As a consequence of such reassessment, the management believes that the expected revenues and earnings of the acquired entities are sustainable in the foreseeable future, and hence goodwill is not impaired.

NOTES TO ACCOUNTS

Depreciation on fixed assets is provided from the end of the month of capitalization, on the written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

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

Cost of leasehold improvements is amortized over the primary period of lease. However, in cases where the company as a lessee has the right of renewal of lease and it is entered to renew for further periods, then the cost of such leasehold improvements is amortized over such extended period, not exceeding ten years.

d) Inventories

Raw materials, packing materials, stores, spares and consumables are valued at weighted average cost.

Finished goods and work in progress are valued at lower of cost and net realisable value after providing cost of obsolescence and other anticipated loss, wherever considered necessary. Finished goods and work in progress includes cost of conversion and other production overheads. Duty liability, if any, in respect of uncleared finished goods are provided for and included in the carrying value of inventories.

e) Export Incentives

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

f) Foreign currency transactions

Foreign currency transactions are recorded at the rate of exchange prevailing on the date of the transaction. At the year end, all the monetary assets and liabilities denominated in foreign currency are restated at the closing exchange rate. Exchange differences resulting from the settlement of such transactions and from the translation of such monetary assets and liabilities are recognized in the Profit and Loss Account.

In respect of transactions covered by forward exchange contracts, the difference between the forward rate and the exchange rate at the date of transaction is recognized as income or expense over the life of the contract.

g) Government Grants

Government grants are recognized where it is reasonably certain that the ultimate collection will be made. During the year the group has accounted for revenue grants by adding the income in case of export incentives and adjusting the interest expenses in case of interest subsidy, under Technology Upgradation Fund (TUF) Scheme.

h) Investments

Long term investments are valued at cost. Cost includes incidental charges incurred towards acquisition of such investments. Provision for diminution, if any, in the value of long term investments is made to recognise a decline, other than temporary.

Current investments are valued at cost or market value, whichever is lower.

i) Employee benefits

Defined Contribution Plans:

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

Defined Benefit Plans:

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

Other Long Term Employee Benefits:

Leave Encashment liability is accrued in the books based on actuarial valuation as at Balance Sheet date. Actuarial gains or losses are recognized immediately in the Profit and Loss Account.

Short Term:

Liability of earned leave, compensated absences, performance incentives etc are recognized during the period when the employee renders the services.

NOTES TO ACCOUNTS

j) Borrowing Costs

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

k) Taxation

Current Tax:

Tax on income for the year is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on expected outcome of assessments / appeals.

Deferred Tax:

Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying values of the assets and liabilities and their respective tax base. Deferred tax assets are recognized subject to management's judgment that realization is virtually certain that such deferred tax assets can be realized against future taxable income.

Deferred tax assets and liabilities are measured using enacted tax rates applicable on the Balance Sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the income statement in the period of enactment of the change.

Fringe Benefit Tax:

Fringe Benefit Tax has been determined at current applicable rates on expenses falling within the ambit of "Fringe Benefit" as defined under the Income Tax Act, 1961.

l) Accounting for leases

Finance lease:

Fixed assets acquired under finance lease are stated at lower of fair market value or present value of minimum lease payments or guaranteed residual value.

Finance lease payments are apportioned between finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as an expense in the Profit & Loss account.

Operating lease:

Lease rentals on assets under operating lease are charged off to the Profit and Loss account for the year.

m) Provisions and contingencies

Provisions are recognized when the Group has a present obligation as a result of past obligating events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed regularly and are adjusted where necessary to reflect the current estimates of the obligation. When the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset, only when such reimbursement is virtually certain.

Liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty is treated as contingent and to the extent not provided for are disclosed by way of notes on the accounts.

n) Impairment of assets

At each Balance Sheet date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the Profit and Loss Account to the extent the carrying amount exceeds the recoverable amount.

C. Notes to Account

The Consolidated Financial Statements relate to the Group comprising Gokaldas Exports Ltd and all its subsidiary companies. These Consolidated Financial Statements are prepared in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements" notified under section 211 (3C) of the Companies Act, 1956 and the relevant provisions of the Companies Act, 1956 and are prepared based on the audited financial statements of the following subsidiary companies for the year ended March 31, 2008:

NOTES TO ACCOUNTS

Name of the Subsidiary	Ownership Percentage	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

1. Contingent liabilities Rupees in Lakhs

Particulars	As at March 31, 2008	As at March 31, 2007
Claims against the Company not acknowledged as debts	70.13	15.02
Outstanding letter of credit	2,058.64	1,849.31
Guarantees given by banks	29.71	29.71
Bills discounted with banks	15,432.47	12,110.45

* Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances) 797.61 1,235.37

Guarantee for working capital facility yet to be availed by the holding company Rs.2,000.00 Lakhs.

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

- During the year, the Group has imported capital goods without payment of duty under the Export Promotion Capital Goods Scheme. Under the scheme the Group has export obligations of Rs.1,320.77 Lakhs (2007: Rs.4,392.51 Lakhs) to be fulfilled on or before May 14, 2015.
- Goodwill of Rs.314.79 Lakhs (2007: Rs.314.79 Lakhs) represents goodwill arising on consolidation of subsidiary company acquired in an earlier year. Capital reserve includes Rs. 7.40 Lakhs (2007: Rs.7.40 Lakhs) that arose on acquisition in an earlier year of subsidiary companies.
- In the opinion of the Board, current assets, loans and advances have a value of at least equal to the amounts shown in the Balance Sheet, if realised in the ordinary course of the business.
- 5. Employee Benefits**

During the financial year ended March 31, 2008, the Group has adopted Accounting Standard 15 (Revised 2005)-Employee Benefits (AS15). Pursuant to the adoption, the group has determined the liability for compensated absences and gratuity in accordance with the revised AS 15.

Disclosures as envisaged in revised AS 15 in respect of Defined Benefit Obligation (Gratuity) are given below:

a. Reconciliation showing the movements during the year in the net liability of Defined Benefit Obligation (Gratuity) recognised in the Balance Sheet:

NOTES TO ACCOUNTS

(Rupees in Lakhs)

1. Reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Obligations at April 1, 2007	257.66
Service Cost	135.35
Interest Cost	20.03
Benefits Settled	-
Actuarial (gain)/loss	(38.10)
Past Service Cost	38%
Obligations at March 31, 2008	374.94

2. Change in Plan Asset

Plan Assets at April 1, 2007 at Fair Value	10.65
Expected Return on Plan Assets	0.85
Actuarial gain/(loss)	0.05
Contributions	-
Benefits Settled	-
Plan Assets at March 31, 2008 at Fair Value	11.55

3. Reconciliation of present value of the obligation and the fair value of the plan assets

Present value of obligation at March 31, 2008	374.94
Plan Assets at March 31, 2008	(11.55)
Amount recognized in Balance Sheet	363.39

4. Expenses recognized in Profit and Loss Account

Service Cost	135.35
Interest Cost	20.03
Expected Return on Plan Assets	(0.85)
Actuarial gain/(loss)	(38.15)
Net Gratuity Cost	116.38

5. Assumptions

Interest Rate	8%
Discount Factor	8%
Estimated Rate of return on Plan Assets	8%
Attrition Rate	35%
Rate of escalation in Salary per annum (Note 1)	5%
Retirement Age	58

Notes:

1. The estimate of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
2. The discount rate is based on the prevailing market yield on Government Securities as at the Balance Sheet date for the estimated term of obligations.

NOTES TO ACCOUNTS

3. The estimated return on plan assets is determined considering several applicable factors mainly the composition of plan asset held, assessed risks of asset management, historical results of the return on plan assets and the Group's policy for plan asset management.
4. These being the first year of adoption of Accounting Standard 15, comparative figures for the previous year are not available.
5. The Group has recognized an amount of Rs.3,170.04 Lakhs as expenses under the defined contribution plans in the Profit and Loss account for the year ended March 31, 2008.

6. Segment information

- a) Primary business segment

The Group's activities of manufacture and sale of garments constitutes its single business segment.

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

Rupees in Lakhs

Particulars	Revenue by geographical market	Carrying amount of segment assets	Additions to tangible and intangible fixed assets
India	7,098.43 (2,642.33)	93,053.14 (82,314.02)	7,661.38 (9,622.77)
Outside India	93,884.12 (97,865.17)	- -	- -
	100,982.55 (100,507.50)	93,053.14 (82,314.02)	7,661.38 (9,622.77)

7. Related party disclosure

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

Ref	Description of Relationship	Names of related parties
a.	Parties where control exists:	
(i)	Immediate Holding Company	Blackstone FP Capital Partners (Mauritius) V-B Subsidiary Limited
(ii)	Ultimate Holding Company	Blackstone FP Capital Partners (Mauritius) V-B Limited
b.	Key management personnel:	
(i)	Chairman	Mr. Madanlal J Hinduja
(ii)	Managing Director	Mr. Rajendra J Hinduja
(iii)	Executive Director	Mr. Dinesh J Hinduja
(iv)	Chief Operating Officer – Production	Mr. Ashwin R Hinduja
(v)	Chief Operating Officer – Marketing	Mr. Vivek M Hinduja
(vi)	Chief Operating Officer – Marketing	Mr. Gaurav D Hinduja
c.	Enterprises over which key management personnel and their relatives exercise significant influence with whom transactions have taken place during the year	
(i)	Partnership Firm	Hinduja Trading Company
(ii)	Private Limited Companies	Dice Trading Private Limited Rapple Trading Private Limited Vag Exports Private Limited Maze Trading Private Limited
(iii)	Public Limited Company	Parichay Investments Limited

- B. The above information regarding related parties have been determined to the extent such parties have been identified on the basis of information available with Group.

NOTES TO ACCOUNTS

- C. 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:

Rupees in Lakhs

Transactions	Key Management Personnel	Enterprises over which key management personnel and their relatives exercise significant influence	Total
	A(b)	A(c)	
Expenses			
Rent Expense	- (-)	43.02 (71.35)	43.02 (71.35)
Remuneration	210.90 (216.00)	- (-)	210.90 (216.00)
Recovery of Expenses	- (-)	0.60 (1.20)	0.60 (1.20)
Loans			
Loans repaid	- (6,355.18)	3,588.15 (-)	3,588.15 (6,355.18)
Loans availed	- (-)	- (3,519.85)	- (3,519.85)
Advances received	308.76 (-)	- (-)	308.76 (-)
Balances outstanding as on March 31, 2008			
— Credit balances	13.95 (18.00)	13.16 (177.00)	27.11 (195.00)
— Debit balances	- (-)	624.90 (640.83)	624.90 (640.83)

Figures in brackets relate to previous year.

Disclosure in respect of transactions that exceed 10% of total value of transactions of the same type with related parties during the year:

Rupees in Lakhs

Rent Expense	2008	2007
Dazzle Trading Private Limited	7.20	7.20
Hinduja Trading Company	5.48	6.48
J.V.N. Exports Private Limited	6.00	5.50
Polyproducts Private Limited	3.60	3.60
Vag Exports Private Limited	14.22	48.57
Avis Industrial Estate	6.52	-
Remuneration to key management personnel	2008	2007
Madanlal J Hinduja	42.90	48.00
Rajendra J Hinduja	48.00	48.00
Dinesh J Hinduja	48.00	48.00
Vivek M Hinduja	24.00	24.00
Ashwin R Hinduja	24.00	24.00
Gaurav D Hinduja	24.00	24.00
Recovery of Expenses	2008	2007
Parichay Investments Limited	0.60	1.20

NOTES TO ACCOUNTS

Advances received	2008	2007
Madanlal J Hinduja	102.92	-
Rajendra J Hinduja	102.92	-
Dinesh J Hinduja	102.92	-
Loans Availed	2008	2007
Dice Trading Private Limited	-	1,170.84
Maze Trading Pvt. Ltd.	-	1,175.00
Rapple Trading Private Limited	-	1,174.00
Loans Repaid	2008	2007
Dice Trading Private Limited	1,193.61	-
Maze Trading Pvt. Ltd.	1,197.77	-
Rapple Trading Private Limited	1,196.77	-

8. Leasing Arrangements

The Group's leasing arrangements in respect of its office and residential premises are in the nature of operating leases. These leasing arrangements, which are cancellable after a period of eleven months to six years at the option of the lessee, are for a total period ranging from eleven months to six years and are usually renewable after eleven months to three years respectively by mutual consent of the parties involved on mutually agreed terms. The charge on account of lease rental is debited to Profit and Loss Account.

The charge on account of lease rentals for the year is Rs 1,549.24 Lakhs (2007: Rs.1,335.92 Lakhs).

Future obligations of lease rentals applicable to the leased assets aggregate to Rs.361.28 Lakhs (2007: Rs.494.25 Lakhs)

Rupees in Lakhs

Period	2008	2007
Not later than one year	127.63	132.98
Later than one year and not later than five years	206.31	294.88
Later than five years	27.34	66.39
	361.28	494.25

9. Earnings per share

Rupees in Lakhs except EPS

Particulars	2008	2007
Net profit for the year as per profit and loss accounts before exceptional items	5,610.63	7,048.75
Net profit for the year as per profit and loss accounts after exceptional items	4,782.00	7,053.10
Weighted average number of equity shares	343.76	343.76
Nominal value per share - Rs.	5.00	5.00
Earnings per share – Basic and diluted		
Before exceptional items - Rs.	16.32	20.50
After exceptional items - Rs.	13.91	20.52

Note: With effect from December 15, 2006 the group sub-divided its Equity Shares from Rs.10 per share to Rs.5 per share.

NOTES TO ACCOUNTS

10. Deferred Taxes

The deferred tax assets / (liabilities) arising out of timing differences comprise of the following major components:

Rupees in Lakhs

Particulars	2007	Current year (charge)/ credit	2008
Difference between carrying amount of Fixed Assets in Financial Statements and Income Tax Returns	(1,178.38)	25.66	(1,152.72)
Expenditure charged in the financial statements but allowable as expenses in future years under the Income Tax Act, 1961 towards retirement benefits.	60.64	292.06	352.70
Share issue expenses	116.35	(45.01)	71.34
	(1,001.39)	272.71	(728.68)

Share issue expenses, net of taxes, have been adjusted to the securities premium account.

Note:

- The tax impact for the above purpose has been arrived by applying tax rate of 33.99%, being the prevailing tax rate for Indian Companies under the Income Tax Act, 1962.
- No deferred tax asset / liability has been accounted in the books in respect of certain timing differences, which are expected to reverse within the tax holiday period based on accounting standard interpretation ASI 5 as notified under Section 211(3C) of the Companies Act, 1956 and relevant provisions of the Companies Act.

11. Other operating Income includes an amount of Rs.Nil (2007: Rs.214.35 Lakhs) being the claims relating to earlier years.

12. Remuneration to directors

Rupees in Lakhs

Particulars	2008	2007
Salaries	138.90	144.00
	138.90	144.00

Note: No retirement benefits and perquisites have been provided as the same have not been exercised.

13. Auditors Remuneration

Rupees in Lakhs

Particulars	2008	2007
Audit fees*	29.53	22.80
Taxation matters	1.00	1.00
Out of pocket expenses	-	-
	30.53	23.80

*Excluding Service Tax

14. Derivative Instruments

The Group uses forward exchange contracts to hedge against its foreign currency exposure relating to the underlying transactions and firm commitments. The Group does not enter into any derivative instruments for trading or speculative purposes.

NOTES TO ACCOUNTS

The forward exchange contracts outstanding as at March 31, 2008 are as under:

		Rupees in Lakhs
Currency exchange	USD / INR	EURO / INR
a. Number of 'sell' contracts	17 (23)	26 (-)
b. Aggregate amount	25,526.40 (10,032.60)	15,752.50 (-)
c. Number of 'buy' contracts	3 (-)	- (-)
d. Aggregate amount	239.31 (-)	- (-)

Note:

- (i) Based on the announcement made by the Institute of Chartered Accountants of India on March 29, 2008, the group has marked to market certain forward covers falling under the definition of derivatives based on valuation certificates obtained from the banks, as a result of which a loss of Rs.828.63 Lakhs has been recorded as an exceptional item in the books of account.
 - (ii) Figures in brackets relate to previous year.
15. Goodwill arising on consolidation of one of the subsidiaries, Robot Systems Private Limited, is carried in the books of accounts, which has been tested for impairment. In the opinion of the management the subsidiary has certain immovable properties that would realize an amount higher than the cost of goodwill.
 16. Consequent to the notification on December 7, 2006 of Companies (Accounting Standard) Rules, 2006, exchange differences arising on translation of foreign currency liabilities for acquisition of fixed assets from a country outside India, which were hitherto adjusted to the cost of the relevant fixed assets, are now being adjusted to Profit and Loss Account in line with the requirement of the revised Accounting Standard 11(AS11) - "The Effects of Changes in Foreign Exchange Rates". This change in the accounting policy, however, does not have a material impact on the financial statements for the current year.
 17. Previous year's figures have been regrouped/rearranged/reclassified, wherever necessary to conform to the current year's presentation.

Signatures to schedules I to XVII

For and on behalf of the Board

Madanlal J Hinduja
Chairman

Rajendra J Hinduja
Managing Director

K B Shyam Kumar
Company Secretary

Place: Bangalore:
Date: June 09, 2008



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