

AUDITORS' REPORT

TO THE MEMBERS OF RISHIKESH APPARELS PRIVATE LIMITED

We have audited the attached Balance Sheet of RISHIKESH APPARELS PRIVATE LIMITED as on 31st March 2012 & Statement of Profit and Loss and cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Further, we report that,

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

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 the books.

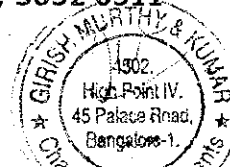
The said Balance Sheet and Statement of Profit and Loss and the Cash flow statement dealt by this report are in agreement with books of account.

In our opinion, the Balance Sheet and the Statement of profit and Loss and cash flow statement dealt with by this report complies with the mandatory Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956, and

On the basis of written representations received from the directors as at 31st March 2012 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the companies act, 1956, as on that date.

In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, together with and subject to notes annexed thereto, give the information required, and give a true and fair view:

- a. In the case of balance sheet of the state of affairs of the Company as at 31st March, 2012,
- b. In the case of Statement of Profit and Loss, of the profit of the Company for the year ended on that date, and

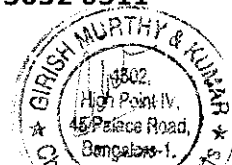


**GIRISH
MURTHY & KUMAR
Chartered Accountants**

c. in the case of Cash flow statement, of the cash flows of the Company for the year ended on that date.

As required by the Companies (Auditors report) order, 2003 as amended by the companies (auditors report) (amended) 2004 issued by the Company law board, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of our audit, We report that:-

- i) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets, *but the location details are in process of being updated for certain fixed assets.*
- ii) The fixed assets have been physically verified by the management at reasonable intervals. The reconciliation between the physical and book balance is in the process of reconciliation.
- iii) There was no disposal of substantial part of Fixed Assets during the year.
- iv) The company has not purchased nor sold any raw material or finished goods during the year. Further the Company is not holding any stock of inventory at the year end. Hence the physical verification of inventories and maintenance of inventory records are not applicable to the company.
- v) The company has not maintained the records for inventory, as the company has not purchased nor sold any raw material or finished goods during the year. Further the Company is not holding any stock of inventory at the year end.
- vi) The Company had taken an unsecured loan of Rs.14,500,000, during the previous year, from a fellow subsidiary company covered in the register maintained under section 301 of the companies Act 1956. The maximum balance outstanding during the year was Rs.14,500,000. The same has been repaid during the year. The rate of interest and other terms and conditions are prima facie not prejudicial to the interest of the Company.
- vii) The Company has not granted any loans, secured or unsecured to the companies, firms or other parties listed in the register maintained under section 301 of the Companies' Act 1956.
- viii) In our opinion and according to the information and explanations given to us, there are adequate internal control system commensurate with the size of the Company and nature of its business for the purchase fixed Assets, inventory and with regard to sale of goods and services. During the course of audit We have not noticed any evidence of continuing failures to correct major weaknesses in internal control.
- ix) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act. 1956 have been entered in the register required to be maintained under the act.



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- x) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the companies Act 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- xi) The Company has not accepted deposits from the public during the year to which the provisions of section 58A and 58AA or any relevant provisions of the companies Act, 1956.
- xii) In our opinion, the Company's present Internal Audit system is commensurate with the size and nature of its business.
- xiii) The central government has not prescribed the maintenance of cost records by the companies under section 209(i)(d) of the companies act, 1956.
- xiv) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees state insurance, Income tax, service tax, sales tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- xv) According to the information and explanations given to us, no undisputed amounts payable in respect of Employees State Insurance, income tax, wealth tax, sales tax, custom duty, excise duty, service tax and cess were in arrears as at 31.03.2012 for a period of more than six months from the date they became payable.
- xvi) According to the records of the company, the dues outstanding of Provident fund on account of dispute is as follows:

Nature of statue	Nature of dues	Amount	Period to which the amount relates	Forum where dispute is pending
The employees Provident funds and Misc provision act , 1952	PF dues	6,87,860	April 2005-2008	High court of New Delhi

- xvii) The Company is not having any accumulated losses nor the Company has incurred any cash loss for this year and in the immediately preceding financial year.
- xviii) The Company has not taken any loan from financial institutions and from banks and as such question of default in repayment does not arise. The Company has not issued any debentures at any point of time.
- xix) The Company has not granted any loans/advances on the basis of security by way of shares, debenture etc. As such no records and documents have been maintained.
- xx) The Company is not covered under special statutory provisions applicable to the chit fund, nidhi or mutual benefit societies.



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- xxi) In our opinion, the Company is not dealing or trading in shares, debentures and other investments and as such no records have been maintained. During the year Company has not made any investments.
- xxii) We have been informed by the Company that it has not given any guarantee for any loans taken by the others from banks and financial institutions.
- xxiii) The Company has not taken any term loans during this year and as such question of its application for the purpose for which it is taken does not arise.
- xxiv) According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, We report that the Company has not used any funds raised on short term basis for long term investment.
- xxv) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the registers maintained under section 301 of the act.
- xxvi) According to the information and explanations given to us, during the year covered by our report, the Company has not issued any debentures and therefore no securities or charges have been created.
- xxvii) The Company has not raised any money by public issue and as such disclosure on the end use of money does not arise.
- xxviii) Based upon the audit procedures performed for the purpose of reporting the true & fair view of financial statements and as per the information & explanation given by the management we report that no fraud on or by the company has been noticed or reported during the course of our audit.


PLACE : BANGALORE

DATED : May 7th, 2012

FOR GIRISH MURTHY & KUMAR

Firm Regn. No. 000934S

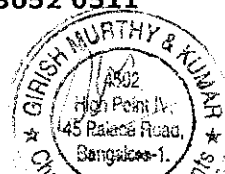
Chartered Accountants



GIRISH RAO .B

Partner

(Membership No. 85745)



RISHIKESH APPARELS PRIVATE LIMITED**Balance Sheet as at 31 March 2012***All amounts in Indian Rupees, except stated otherwise*

	Notes	31 March 2012	31 March 2011
<u>EQUITY AND LIABILITIES</u>			
Shareholder's funds			
Share Capital	3	200,000	200,000
Reserves and Surplus	4	8,028,732	7,667,466
		8,228,732	7,867,466
Non- current liabilities			
Long-term borrowings		-	-
Long-term Provisions	5	8,285,443	8,911,421
Deferred Tax Liability		-	172,323
		8,285,443	9,083,744
Current Liabilities			
Short term borrowings	6	-	14,500,000
Trade payables	7	1,341,319	1,591,914
Other current liabilities	7	46,354,707	59,258,034
Short term provisions	5	465,040	1,039,142
		48,161,066	76,389,090
TOTAL		64,675,241	93,340,299
<u>ASSETS</u>			
Non-current assets			
Fixed assets	8		
Tangible assets		20,852,840	28,661,245
Intangible assets		-	-
Capital work-in-progress		-	-
		20,852,840	28,661,245
Non-current investments	9	400	400
Long-term loans and advances	10	19,916,775	19,410,418
Other non-current assets		-	-
		40,770,015	48,072,063
Current assets			
Current investments		-	-
Inventories		-	-
Trade receivables	11	154,916	15,843,728
Cash and Cash equivalents	12	1,316,955	1,372,732
Short-term loans and advances	10	22,433,355	28,051,776
Other current assets		-	-
		23,905,226	45,268,236
TOTAL		64,675,241	93,340,299

Summary of significant accounting policies 2

The accompanying notes are integral part of the financial statements.

As per our report of even date

For GIRISH MURTHY & KUMAR

Firm Regn. No: 000934S

Chartered Accountants

GIRISH RAO.B

Partner.

M.No. 85745

Place : Bangalore

Date : 07th May, 2012

For and on behalf of the Board

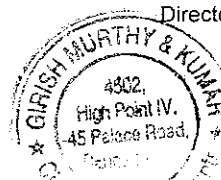
For: RISHIKESH APPARELS PRIVATE LIMITED

Gautam Chakravarti

Director

Sumit Keshan

Director



RISHIKESH APPARELS PRIVATE LIMITED**Statement of profit and loss for the year ended 31 March 2012***All amounts in Indian Rupees, except stated otherwise*

	Notes	31 March 2012	31 March 2011
Revenue from operations (Gross)	13	280,596,582	385,937,864
Less: Excise duty			
Revenue from operations (Net)		280,596,582	385,937,864
Other income	14	527,081	184,496
Total Revenue		281,123,663	386,122,360
Expenses			
Cost of materials consumed			
(Increase) / decrease in inventories			
Employee benefits expense	15	206,750,050	294,190,432
Other expenses	16	63,974,973	87,370,991
Depreciation and amortisation expense	17	4,375,798	4,827,514
Finance costs	18	1,451,146	34,569
Total Expenses		276,551,967	386,423,506
Profit / (Loss) before extraordinary items and tax		4,571,696	(301,146)
Exceptional Items		-	-
Extraordinary items		-	-
Profit / (Loss) before tax		4,571,696	(301,146)
Tax expense:			
Current tax		3,812,289	8,128
Tax of earlier years (net)		570,464	1,089,435
Deferred tax charge / (credit)		(172,323)	(132,432)
		4,210,430	965,131
Profit / (Loss) for the period		361,266	(1,266,276)
Earnings per equity share - (Nominal value per share - Rs. 10) :			
Basic		18.06	(63.31)
Diluted		18.06	(63.31)

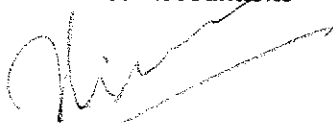
Summary of significant accounting policies 2

The accompanying notes are integral part of the financial statements.

As per our report of even date**For GIRISH MURTHY & KUMAR**

Firm Regn. No: 000934S

Chartered Accountants


GIRISH RAO.B

Partner.

M.No. 85745

Place : Bangalore

Date : 07th May, 2012

For and on behalf of the Board**For RISHIKESH APPARELS PRIVATE LIMITED**

Gautam Chakravarti

Director


Sumit Keshan

Director



RISHIKESH APPARELS PRIVATE LIMITED**Notes to financial statements for the year ended 31 March 2012***All amounts in Indian Rupees, except stated otherwise***3 Share Capital**Authorised shares

20,000 (2011:20,000) Equity Shares of Rs. 10 each

31 March 2012 31 March 2011

200,000

200,000

200,000**200,000**Issued, subscribed and fully paid-up

20,000 (2011:20,000) Equity Shares of Rs. 10 each fully paid-up

200,000

200,000

200,000**200,000****(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period**

Equity shares	31 March 2012		31 March 2011	
	No.	Amount	No.	Amount
At the beginning of the period	20,000	200,000	20,000	200,000
Issued during the period	-	-	-	-
Outstanding at the end of the period	20,000	200,000	20,000	200,000

b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having a par value of Rs.10/- per share. Each holder of equity is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholder in ensuing Annual General meeting.

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

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

Equity shares of Rs.10 each fully paid	31 March 2012 Amount	31 March 2011 Amount
Holding Company : Gokaldas Exports Ltd.,	200,000	200,000

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

Equity shares	31 March 2012		31 March 2011	
	No.	shareholding %	No.	shareholding %
Equity shares of Rs.10 each fully paid Gokaldas Exports Ltd.,	20,000	100.00%	20,000	100.00%

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



4 Reserves and Surplus**Capital Reserves**

Balance as per last account

31 March 2012 **31 March 2011**

5,398

5,398

Securities Premium Reserve

Balance as per last account

6,583,000

6,583,000

Surplus / (deficit) in the statement of profit and loss

Balance as per last financial statements

1,079,068

2,345,344

Profit / (loss) for the year

361,266

(1,266,276)

Net surplus / (deficit) in the statement of profit and loss

1,440,334

1,079,068

Total Reserves and Surplus**8,028,732****7,667,466****5 Provisions**

Long Term

Short term

31 March 2012

31 March 2011

31 March 2012

31 March 2011

Provision for employee benefits

Provision for gratuity

5,128,736

5,128,749

120,895

543219

Provision for leave benefits

3,156,707

3,782,672

344,145

495923

8,285,443**8,911,421****465,040****1,039,142****6 Short-term borrowings :unsecured****31 March 2012****31 March 2011**

Loan from fellow subsidiary

SNS Clothing Private Limited.,

-

14,500,000

-

14,500,000**7 Trade payables and Other Current Liabilities****31 March 2012****31 March 2011****Trade Payables**

to Micro and Small Enterprises

to Others

1,341,319

1,591,914

1,341,319**1,591,914****Other current liabilities**

Employees benefit payable

25,497,984

33,775,621

Other expenses payable

4,829,788

17,663,188

Book Overdraft

279,365

1,829,886

Due to Holding Company

12,762,239

-

Due to fellow subsidiaries

386,382

28,603

ESI payable

693,597

1,150,493

Provident fund payable

1,817,379

2,621,172

TDS payable

53,623

1,479,021

Professional tax payable

24,980

30,250

VAT & CST payable

9,370

-

Service tax payable

-

679,800

46,354,707**59,258,034****Total Trade payables and other current liabilities****47,696,026****60,849,948****9 Non-current investments****31 March 2012****31 March 2011****Non Trade investments [valued at cost unless stated otherwise]**

Investment in Government Securities (unquoted)

Indira Vikas Patra

400

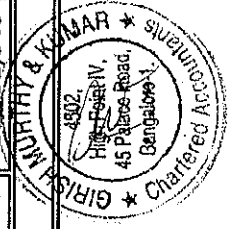
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400**400**

RISHIKESH APPARELS PRIVATE LIMITED
NOTES TO ACCOUNTS FOR THE YEAR ENDED MARCH, 31, 2012

8 Tangible assets

	Building	Improvement on lease hold rights	Electrical Equipments	Office Equipments	Furniture & Fixtures	Plant & Machinery	Vehicle	Total
<i>Cost or valuation</i>								
At 1 April 2010	4,450,274	793,143	23,335,978	136,704	7,313,246	24,810,844	43	60,840,232
Additions					213,396	1,170,933		1,384,329
Other adjustments								
(A)	4,450,274	793,143	23,335,978	136,704	7,526,642	25,981,777	43	62,224,561
(B)								
At 31 March 2011 (A)-(B)	4,450,274	793,143	23,335,978	136,704	7,526,642	25,981,777	43	62,224,561
Additions						115,766		115,766
Other adjustments								
(C)	4,450,274	793,143	23,335,978	136,704	7,526,642	26,097,543	43	62,340,327
(D)	320,000	221,297	4,958,420		1,372,159	2,079,741		8,951,617
At 31 March 2012 (C)-(D)	4,130,274	571,846	18,377,558	136,704	6,154,483	24,017,802	43	53,388,710
Depreciation								
At 1 April 2010	1,793,649	256,499	10,968,156	83,147	3,978,694	11,655,613	35	28,735,803
Charge for the year	265,662	268,323	1,714,910	12,902	678,563	1,887,151	2	4,827,513
Disposals								
At 31 March 2011	2,059,311	524,822	12,683,076	96,049	4,657,257	13,542,764	37	33,563,316
Charge for the year	917,031	182,391	1,238,854	9,018	437,511	1,590,992	1	4,375,798
Disposals	141,279	135,367	2,938,247		954,501	1,233,850		5,403,244
At 31 March 2012	2,835,063	571,846	10,983,683	105,067	4,140,267	13,899,906	38	32,535,870
Net Block								
At 31 March 2011	2,390,963	268,321	10,652,902	40,655	2,869,385	12,439,013	6	28,661,245
At 31 March 2012	1,295,211	(0)	7,393,875	31,637	2,014,216	10,117,896	5	20,852,840



10 Loans and advances

(unsecured, considered good)

	Non-current		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Security deposits (net of provisions)	19,916,775	19,410,418	255,959	4,875,500
Advances recoverable in cash / kind			18,384	356,575
Advance Tax net of provisions			21,567,043	21,732,580
Prepaid expenses			420,257	217,714
Loans and advances to employees			171,712	869,407
	19,916,775	19,410,418	22,433,355	28,051,776

11 Trade Receivables

(unsecured, considered good)

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

	Non-current		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
- Outstanding for a period exceeding six months from the date they are due for payment	-	-	-	-
- Other receivables			154,916	743,116
Due from Holding Company			-	15,100,612
	-	-	154,916	15,843,728

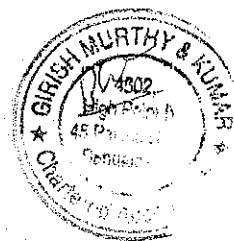
12 Cash and bank balancesCash and cash equivalents

Balance with banks :

-- in Current accounts

Cash on hand

	Non-current		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
-- in Current accounts			834,425	406,767
Cash on hand			482,530	965,965
	-	-	1,316,955	1,372,732



RISHIKESH APPARELS PRIVATE LIMITED**Notes to financial statements for the year ended 31 March 2012***All amounts in Indian Rupees, except stated otherwise*

	<u>31 March 2012</u>	<u>31 March 2011</u>
13 Revenue from operations		
Contract Receipts	280,596,582	385,937,864
	280,596,582	385,937,864
14 Other Income		
Other non-operating income	527,081	184,496
	527,081	184,496
15 Employee benefits expense		
Salaries, wages and bonus	177,147,071	254,857,978
Contribution to provident fund and other fund	19,588,470	28,304,218
Gratuity expense	5,330,093	5,031,735
Staff welfare expenses	4,684,416	5,996,501
	206,750,050	294,190,432
16 Other expenses		
Consumption of consumables, stores and spares	8,543	1,169,169
Power and fuel	13,349,284	17,714,897
Job work charges	505,221	2,280,283
Manufacturing Expenses - Water Expenses	6,169,420	8,761,822
Other manufacturing expenses	396,783	2,244,274
Security Expenses	3,093,106	2,919,638
Repairs and maintenance		
- Plant and machinery	2,516,855	4,067,393
- Buildings	1,267,616	5,809,424
- Others	1,558,807	4,947,403
Rent	25,275,969	34,949,132
Rates and taxes	309,596	278,842
Payment to auditors	53,933	52,944
Provision for doubtful deposits and advances	4,619,541	-
Other Miscellaneous expenses	1,301,929	2,175,770
Assets written off	3,548,371	-
	63,974,973	87,370,991
Payment to auditor		
As Auditor		
Audit fees	40,450	39,708
Taxation matters	13,483	13,236
	53,933	52,944
17 Depreciation and amortisation expense		
Depreciation on tangible assets	4,375,798	4,827,514
	4,375,798	4,827,514
18 Finance costs		
Bank charges	9,091	2,788
Interest on others	1,442,055	31,781
	1,451,146	34,569



RISHIKESH APPARELS PRIVATE LIMITED

Cash-flow statement for the year ended 31 March 2012
All amounts in Indian Rupees, except stated otherwise

PARTICULARS	2012	2011
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Profit before tax from continuing operations	4,571,696	(301,146)
Loss before tax	4,571,696	(301,146)
Non-cash adjustment to reconcile profit before tax to net cash flow		
Depreciation/amortization on continuing operations	4,375,798	4,827,514
Assets Written off	3,548,371	
Interest expense	(1,442,055)	(31,781)
Interest earned	(18,509)	(11,000)
Operating Profit before working capital changes	11,035,302	4,483,587
Movements in Working Capital :		
(Increase)/Decrease in trade receivables	15,688,812	(15,842,415)
(Increase)/Decrease in non current loans and advances	(506,355)	4,925,499
(Increase)/Decrease in current loans and advances	5,452,884	(3,774,221)
Increase/(Decrease) in trade payables	(250,595)	(1,600,714)
Increase/(Decrease) in other current liabilities	(12,903,326)	(9,548,545)
Increase/(Decrease) in long term provisions	(625,978)	5,144,748
Increase/(Decrease) in short term provisions	(574,102)	38,405
Cash Generated from / (used in) Operations	17,316,641	(16,173,656)
Direct taxes paid (net of refunds)	(4,217,215)	(2,999,237)
Net Cash Flow from Operating Activities	13,099,426	(19,172,893)
Net Cash Flow from / (used in) Operating Activities after Extraordinary item	13,099,426	(19,172,893)
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Interest received	18,509	11,000
Purchase of Fixed Assets	(115,766)	(1,384,329)
Net Cash Flow from / (used in) Investing Activities	(97,257)	(1,373,329)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from / (repayment of short term borrowings)	(14,500,000)	14,500,000
Interest paid	1,442,055	31,781
Net Cash Flow from / (used in) Financing Activities	(13,057,945)	14,531,781
D. Net Increase / (Decrease) in Cash & Cash Equivalents (A+B+C)	(55,776)	(6,014,441)
E. Opening Balance of Cash & Cash Equivalents	1,372,732	7,387,173
F. Closing Balance of Cash & Cash Equivalents	1,316,955	1,372,732
Components of Cash and Cash Equivalents		
Cash on hand	482,530	965,965
Bank Balances with Scheduled Banks:		
-- in Current Accounts	834,425	406,767
	1,316,955	1,372,732
	1,316,955	1,372,732

For and on behalf of the Board
For RISHIKESH APPARELS PRIVATE LIMITED

Gautam Chakravarti Sumit Keshan
Director Director
Place Bangalore
Date 07th May, 2012

As per our report of even date
For GIRISH MURTHY & KUMAR
Firm Regn. No: 000934S
Chartered Accountants

GIRISH RAO.B
Partner
M.No. 85745



RISHIKESH APPARELS PRIVATE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2012

1. Corporate Information:

Rishikesh Apparels Private Limited (herein after referred to as "the Company") was incorporated on 15th April 2004. The Company took over all the assets and liabilities of M/s Global Garmentss as a going concern on 1st July 2004. The Company became a subsidiary of Gokaldas Exports Limited (formerly known as Gokaldas India Private Limited) on 1st December 2004.

2. Basis of preparation of financial statements

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

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

2.1 Summary of Significant accounting policies

a) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in outcomes requiring material adjustment to the carrying amounts of assets and liabilities in future periods.

b) Revenue recognition

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

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

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

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

Dividend income on investments is accounted when the right to receive the dividend is established as at reporting date.



Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable. Insurance / other claims are recognized on acceptance basis.

c) Fixed assets and depreciation/ amortization (tangible and intangible)

Fixed assets are stated at cost of acquisition/construction less accumulated depreciation and impairment losses if any, net of grants received, where applicable and subsequent improvements thereto including taxes, duties, freight, and other incidental expenses related to acquisition/construction. Any trade discounts and rebates are deducted in arriving at the purchase price.

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

	<u>Rate of depreciation (WDV)</u>
Buildings	10.00%
Plant & Machinery	13.91%
Electrical Equipments	13.91%
Office Equipments	13.91%
Furniture & Fixtures	18.10%
Computers	40.00%
Vehicles	25.89%
Computer Software (Intangibles)	40.00%

Assets individually costing Rs. 5,000 or less are fully depreciated in the year of addition. Leasehold improvements are depreciated over the primary lease period or useful life, whichever is lower.

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

d) Borrowing Costs

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

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

e) Impairment of tangible and intangible assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized in the statement of profit and loss to the extent the carrying amount exceeds the recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

f) Inventories

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



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

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

g) Foreign currency transactions

(i) Initial Recognition

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

(ii) Conversion

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

(iii) Exchange Differences

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

h) Government Grants and subsidies

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

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

i) Investments

Investments that are readily realizable and intended to be held for not more than a year from the date on which such investments are made, are classified as current investments. All other Investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged / credited to statement of profit and loss.

j) Retirement and Other Employee Benefits

(i) Defined Contribution Plans:

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



(ii) **Defined Benefit Plans:**

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

(iii) **Compensated absences:**

Accumulated leave, which is expected to be utilised within the next twelve months, is treated as short-term employee benefit. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Compensated absences are provided for, on the basis of an actuarial valuation on projected unit credit method at the end of each financial year. Actuarial gains or losses are immediately taken to statement of profit and loss and are not deferred.

k) Taxation

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, deferred tax asset is recognised only to the extent that it has timing differences the reversal of which will result in sufficient income or there is other convincing evidence that sufficient taxable income will be available against which such deferred tax assets can be realised.

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

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

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

l) Accounting for leases

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



m) Provisions

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

n) Segment Reporting Policies

(i) Identification of segments:

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

(ii) Basis of allocation:

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

(iii) Segment Policies:

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

o) Earnings Per Share

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

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

p) Contingent Liability

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

q) Cash and Cash equivalents

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



Notes to Accounts

19. Contingent liabilities

(Amount in Rs.)

Particulars	2012	2011
Claims against the Company not acknowledged as debts	687,860	552,633
Guarantees given by banks	Nil	Nil
Outstanding letters of credit	Nil	Nil
Export Bills discounted with banks	Nil	Nil
Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances)	Nil	Nil

20. Gratuity

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

The following tables summarise the components of net benefit expense recognized in the profit and loss account and the funded status and amounts recognized in the balance sheet for the respective plans.

Net employee benefit expense (in Profit and Loss Account)

(Amount in Rs)

	2012	2011
Current Service Cost	4,190,426	4,152,530
Interest cost on benefit obligation	360,725	225,255
Expected Return on Plan Assets	(115,845)	(148,174)
Actuarial gain/(loss)	894,788	803,698
Net benefit expense	5,330,093	5,033,310

Details of Provision for gratuity (in Balance Sheet)

(Amount in Rs)

	2012	2011
Defined benefit obligation	7,114,918	6,845,778
Fair value of plan asset	1,865,288	1,173,811
Liability recognized in the balance sheet	(5,249,629)	(5,671,967)

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

(Amount in Rs)

	2012	2011
Opening defined benefit obligation - Current	543,129	318,946
Opening defined benefit obligation - Non current	6,302,649	3,701,158
Opening defined benefit obligation Total	6,845,778	4,020,104
Current Service Cost	4,190,426	4,152,530
Interest Cost	360,725	225,255
Benefits Paid	(5,203,917)	(2,408,826)
Actuarial (gain)/loss	921,906	856,715
Closing defined benefit obligation Total	7,114,918	6,845,778
Closing defined benefit obligation	120,895	543,129
Closing defined benefit obligation	6,994,023	6,302,649



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

	(Amount in Rs)	
	2012	2011
Opening fair value of plan asset	1,173,811	2,731,724
Expected return	115,845	148,174
Actuarial gain/(loss)	27,118	53,017
Contributions (less risk premium, service tax)	3,489,288	0
Benefits Paid	(2,940,774)	(1,759,104)
Contribution for Benefits settled directly by company	2,263,143	649,722
Benefits settled directly by company	(2,263,143)	(649,722)
Closing fair value of plan asset	1,865,288	1,173,811

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

Interest Rate	8.50%	8%
Discount Factor	8.50%	8%
Estimated Rate of return on Plan Assets	8.00%	8%
Attrition Rate	25%	35%
Rate of escalation in Salary per annum	5%	5%
Retirement Age	58	58

The Company expects to contribute Rs. 5,250,000 to gratuity in 2012-13.

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

	%	
	2012	2011
Investments with insurer	100	100

Notes:

- The estimate of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

21. Segment information

a) Primary business segment

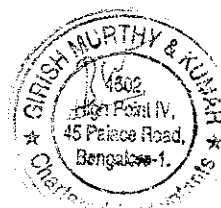
The Company is engaged in a single business segment of sale of garment, and hence, no additional disclosures are required, other than those already given in the financial statements.

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

(Amount in Rs)		
Geographical Segment	Revenues	Carrying amount of segment assets (Debtors)
In India	280,596,582 (385,937,864)	154,916 (15,843,728)
Outside India		
Total	280,596,582 (385,937,864)	154,916 (15,843,728)

Note:

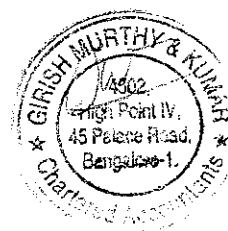
- Figures in brackets relate to previous year.
- All fixed assets are located in India,



22. Related party disclosures

A. 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	Gokaldas Exports Limited
(ii)	Fellow Subsidiaries	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 All colour Garments 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)	Director	Mr.Gautam Chakravarti (appointed on 24.01.2011)
(ii)	Director	Mr. Sumit Keshan (appointed on 31.03.2011)
(iii)	Director	Mr.Madanlal J Hinduja (resigned on 15.01.2011)
(iv)	Director	Mr.Rajendra J Hinduja (resigned on 31.03.2011)
(v)	Director	Mr.Dinesh J Hinduja (resigned on 31.03.2011)
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)	Private Limited Companies	NIL
(ii)	Partnership firms	NIL



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

(Amount in Rs)

Nature of transactions	Holding Company	Fellow Subsidiaries	Others	Total
	A(a)	A(b)	A©	
Income				
Job work charges	278,171,429 (385,179,582)			278,171,429 (385,179,582)
Scrap sales	187,400 (0)			187,400 (0)
Expenses				
Rent expense			Nil (16,519,800)	Nil (16,519,800)
Interest on unsecured loan		1,442,055 (31,781)		1,442,055 (31,781)
Liability				
Unsecured loan received		Nil (14,500,000)		Nil (14,500,000)
Asset				
Rent Deposit			0 (15,840,000)	0 (15,840,000)
Balances outstanding as at March 31, 2012				
-- Credit balances	12,762,239 0	386,382 (28,603)		13,148,621 (28,603)
-- Debit balances	0 (15,100,612)		0 (15,840,000)	0 (30,940,612)

Figures in brackets relate to previous year.

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

(Amount in Rs)

	2012	2011
Rent Expense		
Avis Industrial Estate	-	876,050
Hinduja Trading Company	-	15,643,750
Interest Paid		
SNS Clothing Private Limited	1,442,055	31,781
Unsecured Loan		
SNS Clothing Private Limited	-	14,500,000
Credit Balances		
SNS Clothing Private Limited	314,630	28,603
Reflexion Trading Private Limited	71,752	
Rent Deposit		
Avis Industrial Estate	0	840,000
Hinduja Trading Company	0	15,000,000



23. Leasing Arrangements:

The Company's leasing arrangements in respect of its office, factory and residential premises are in the nature of operating leases. These leasing arrangements are usually cancellable at the option of the lessee any time.

24. Earnings per share

Particulars	(Amount in Rs)	
	2012	2011
Net profit for the year as per profit and loss account before exceptional items	361,266	(1,266,276)
Net profit for the year as per profit and loss account after exceptional items	361,266	(1,266,276)
Weighted average number of equity shares (Nos.)	20,000	20,000
Nominal value per share	10	10
Earnings per share – Basic and diluted		
Before exceptional items	18.06	(63.31)
After exceptional items		

25. Deferred taxes – Components Assets / (Liability)

Particulars	(Amount in Rs)		
	As at March 31, 2011	Current year charge/(credit)	As at March 31, 2012
Difference between book and tax base of fixed assets	(172,323)	172,323	-
Retirement benefits allowed on payment basis accrued in books	0		
Total	(172,323)	172,323	-

26. Remuneration to directors

Particulars	(Amount in Rs)	
	2012	2011
Salaries	Nil	Nil

27. CIF value of imports

Current Year : Nil Previous Period : Nil

28. Expenditure in foreign currency on accrual basis

Current Year : Nil Previous Period : Nil



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

Particulars	2012		2011	
	Amount (Rs)	%	Amount (Rs)	%
<i>Raw Materials</i>				
Imported	Not Applicable		Not Applicable	
Indigenous				
<i>Consumables, Stores and Spares</i>				
Imported	Not Applicable		Not Applicable	
Indigenous				

30. Earnings in foreign currency

Current Year : Nil Previous Period : Nil

31. Based on the information available with the company, there are no suppliers who are registered as micro, small or medium enterprises under the Micro, Small or Medium Enterprises Development Act 2006.

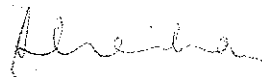
32. Previous year's figures have been regrouped/rearranged/reclassified, wherever necessary to conform to the current year's presentation.

Signatures to schedules I to XXXII

For and on behalf of the Board



Gautam Chakravarti
Director



Sumit Keshan
Director

Bangalore:
Dated: May 07, 2012

As per our report of even date

For Girish Murthy & Kumar
Firm Regn. No.0009348
Chartered Accountants



Girish Rao.B
(Partner)
(Membership No.85745)

