

# SATISH & RAVI ASSOCIATES

Chartered Accountants

## AUDITORS' REPORT

To the members of **Seven Hills Clothing Private Limited,**

We have audited the attached Balance Sheet as at 31st March 2012 of **SEVEN HILLS CLOTHING PRIVATE LIMITED**, Bangalore and the Statement of Profit and Loss 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 have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors Report) 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

1. Further to our comments in Annexure referred to in Paragraph 1 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 the Books of Company.
  - c) The Balance Sheet, Statement of Profit and Loss & Cash Flow dealt with by this report are in agreement with the Books of Account of the Company.



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- d) In our opinion, the Statement of Profit and Loss and Balance Sheet referred above comply with the mandatory Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
- e) On basis of written representations received from the directors as on 31st March 2012, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on the date of Balance Sheet from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the notes and the accounting policies thereon, give the information required by the Companies Act, 1956 in the manner so required, subject to: **NIL**

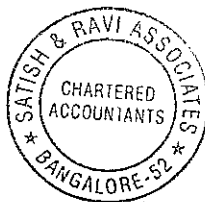
Give a true and fair view:

- (i) In the case of the Balance Sheet, of the State of affairs of the Company as at 31st March 2012;
- (ii) In case of the statement of Profit and Loss, of the profit for the year ended on that date.
- and
- (iii) In case of the Cash Flow Statement, of the Cash Flows for the year ended on that date

For Satish & Ravi Associates,  
Firm Regn. No.007214S  
Chartered Accountants,

*Satish Makhiya*  
(SATISH MAKHIYA)  
Partner.

Membership No : 204258

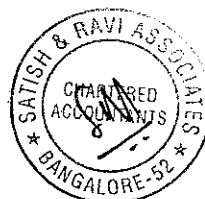


Place: Bangalore  
Date: 7th May 2012

## ANNEXURE TO AUDITORS' REPORT

Statement referred to in Paragraph 1 of our Report of even date to the Members of **Seven Hills Clothing Private Limited** on the accounts for the year ended 31<sup>st</sup> March 2012.

1. (a) 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.*  
(b) 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.  
(c) The Company has not disposed off substantial part of fixed assets during the year, and therefore do not affect the going concern assumption.
2. (a) The Company does not carry any inventory. Overheads allocated for Job Work in Progress pertaining to outsiders amounts to Rs.3,763,530 is recognized as work in process.  
(b) & (c) Not Applicable.
3. The Company had taken an unsecured loan of Rs.15,500,000, during the previous year, from a fellow subsidiary company covered in the register maintained under section 301 of the Act. The maximum balance outstanding during the year was Rs.15,500,000. The same has been repaid during the year.  
(b) The rate of interest and other terms and conditions are prima facie not prejudicial to the interest of the Company.  
(c) The Company is regular in the payment of Interest and principal.  
(d) There are no loans on which Rs. 1.00 lacs or more is overdue.
4. In our opinion and according to information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of consumables and fixed assets and for contract receipts. There were no major weaknesses in internal control.



5. (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register in pursuance of section 301 of the Act, have been entered in such register.
- (b) In our opinion, and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted deposits from the public, hence the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA of the Act and the rules framed there under, are not applicable to the Company. No order has been passed by The Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have been informed that maintenance of cost records prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Act are presently not applicable to the Company.
9. (a) The Company is regular in depositing undisputed statutory dues including Income-tax, Value Added Tax, Custom Duty, Excise Duty, Service Tax, cess and any other statutory dues with the appropriate authorities and as per information and explanations given to us there were no arrears of outstanding statutory dues as at the last day of the said year concerned for a period of more than six months from the date they became payable.
- (b) According to the records of the company, the dues outstanding of Provident fund on account of dispute is as follows:

Nature of statute	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	9,40,918	April 2005-2008	High court of New Delhi

- (c) As per information and explanation given to us, there was no dispute in case dues of value added tax/income tax/custom tax/excise duty/service tax/cess.



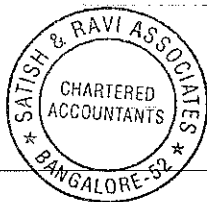
10. The Company is not having any accumulated losses nor the Company has incurred any cash loss for this year and in the immediately preceding financial year.
11. The Company does not owe any debt to banks or financial institutions nor has it issued debentures.
12. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debenture and other securities.
13. The Company is not a chit fund, nidhi /mutual benefit fund or a society.
14. The Company is neither dealing nor trading in shares, securities, debentures and other investments and thus the provisions of this clause are not applicable.
15. The Company has not given guarantee for loans taken by others from bank or financial institutions.
16. The Company has not taken any term loans during the year under review.
17. 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 or vice-versa.
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.
19. The Company has not issued any debentures, during the year. Hence the question of creation of security or charge does not arise.
20. The Company has not raised any monies during the year by way of public issues.
21. As per information and explanation given to us there was no fraud on or by the Company have been noticed or reported during the year.

**For Satish & Ravi Associates,  
Firm Regn. No.007214S  
Chartered Accountants,**

*Satish Makhiya*  
**(SATISH MAKHIYA)**

**Partner.**

Membership No : 204258



Place: Bangalore  
Date: 7<sup>th</sup> May 2012

## SEVEN HILLS CLOTHING PRIVATE LIMITED

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

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#### 1. Corporate Information:

**Seven Hills Clothing Private Limited** (herein after referred to as "the Company") was incorporated on 18th June 2004. The Company took over all the assets and liabilities of M/s Euro Clothing Company and M/s Triangle Apparels 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 Account

### 21. Contingent liabilities

(Amount in Rs.)		
Particulars	2012	2011
Claims against the Company not acknowledged as debts	940,918	1,773,883
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 cap accounts and not provided for (net of advances)	Nil	Nil

### 22. 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 recognised in the profit and loss account and the funded status and amounts recognised 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	8,402,096	6,034,275
Interest cost on benefit obligation	575,430	236,570
Expected Return on Plan Assets	(242,954)	(213,653)
Actuarial gain/(loss)	(168,887)	788,861
<b>Net benefit expense</b>	<b>8,565,685</b>	<b>6,846,053</b>

Details of Provision for gratuity (in Balance Sheet)

(Amount in Rs)		
	2012	2011
Defined benefit obligation	13,894,644	8,484,451
Fair value of plan asset	4,169,720	2,178,018
<b>Liability recognized in the balance sheet</b>	<b>(9,724,924)</b>	<b>(6,306,433)</b>

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

(Amount in Rs)		
	2012	2011
Opening defined benefit obligation – Current	689,238	366,450
Opening defined benefit obligation	7,795,213	4,144,510
Current Service Cost	8,402,096	6,034,275
Interest Cost	575,430	236,570
Benefits Paid	(3,429,370)	(3,107,674)
Actuarial (gain)/loss	(137,963)	810,320
<b>Closing defined benefit obligation</b>	<b>13,894,644</b>	<b>8,484,451</b>
Closing defined benefit obligation – Current	172,962	689,238
Closing defined benefit obligation – Non current	13,721,682	7,795,213

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

(Amount in Rs)

	2012	2011
Opening fair value of plan asset	2,178,018	3,398,427
Expected return	242,954	213,653
Actuarial gain/(loss)	30,924	21,459
Contributions (less risk premium, service tax)	2,967,432	0
Benefits Paid	(1,249,608)	(1,455,521)
Contribution for Benefits settled directly by company	2,179,762	1,652,153
Benefits settled directly by company	(2,179,762)	(1,652,153)
<b>Closing fair value of plan asset</b>	<b>4,169,720</b>	<b>2,178,018</b>

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%	8%
Attrition Rate	25%	35%
Rate of escalation in Salary per annum	5%	5%
Retirement Age	58	58

The Company expects to contribute Rs. 97,25,000 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		

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.

## 23. 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	594,228,736 (554,277,450)	8,011,822 (5,466,607)
Outside India		
<b>Total</b>	<b>594,227,736 (554,277,450)</b>	<b>8,011,822 (5,466,607)</b>

Note:

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

## 24. 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
		Rishikesh Apparels Private Limited
		Robot Systems Private Limited
		All Colour Garments 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)
	Director	Mr. Madanlal J Hinduja (resigned on 15.01.2011)
	Director	Mr. Rajendra J Hinduja (resigned on 31.03.2011)
	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

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)

Figures in brackets relate to previous year.

Nature of transactions	Holding Company	Fellow Subsidiaries	Others	Total
	A(a)	A(a)	A(c)	
<b>Income</b>				
Job work charges	540,873,715 (554,277,450)			540,873,715 (554,277,450)
Scrap sales	197,500 (0)			197,500 (0)
<b>Expenses</b>				
Rent Paid			Nil (21,275,500)	Nil (21,275,500)
Interest on unsecured loan		1,541,507 (33,973)		1,541,507 (33,973)
<b>Liability</b>				
Unsecured Loan		Nil (15,500,000)		Nil (15,500,000)
<b>Balances outstanding as at March 31, 2012</b>				
-- Credit balances		336,328 (30,576)		336,328 (30,576)
-- Debit balances	7,452,762 (5,466,607)	70,000 (105,397)	Nil (19,140,000)	7,522,762 (24,712,004)

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

(Amount in Rs)

	2012	2011
<b>Expenses</b>		
<b>Rent paid</b>		
JVN Exports Private Limited	-	13,391,050
VAG Exports Private Limited	-	7,884,450
<b>Interest paid</b>		
SNS clothing Private Limited	1,541,507	33,973
<b>Rent Deposit</b>		
JVN Exports Private Limited	-	12,840,000
VAG Exports Private Limited	-	6,300,000
<b>Unsecured Loan</b>		
SNS clothing Private Limited	-	15,500,000
<b>Credit Balances in Fellow Subsidiaries</b>		
SNS clothing Private Limited	336,328	30,576
<b>Debit Balances in Fellow Subsidiaries</b>		
Reflexion Trading Private Limited	70,000	105,000
Rajdin Apparels Private Limited	-	397

**25. 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.

**26. Earnings per share**

Particulars	(Amount in Rs)	
	2012	2011
Net profit for the year as per profit and loss account before exceptional items	334,848	(809,324)
Net profit for the year as per profit and loss account after exceptional items	334,848	(809,324)
Weighted average number of equity shares (Nos.)	20,000	20,000
Nominal value per share	10	10
Earnings per share – Basic and diluted	16.74	(40.47)
Before exceptional items		
After exceptional items		

**27. 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	(325,061)	325,061	-
Retirement benefits allowed on payment basis accrued in books			
Total	(325,061)	325,061	-

**28. Remuneration to directors**

Particulars	(Amount in Rs)	
	2012	2011
Salaries	Nil	Nil

**29. CIF value of imports**

Current Year : Nil Previous Period : Nil

**30. Expenditure in foreign currency on accrual basis**

Current Year : Nil Previous Period : Nil

**31. Imported and indigenous raw materials, stores and spare parts consumed**

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

**32. Earnings in foreign currency**

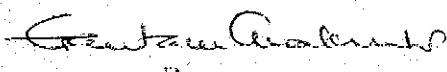
Current Year : Nil Previous Period : Nil

**33.** 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.

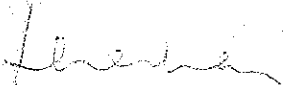
**34.** Previous year's figures have been regrouped/rearranged/reclassified, wherever necessary to conform to the current year's presentation.

**Signatures to schedules I to XXXIV**

**For and on behalf of the Board**



**Gautam Chakravarti**  
**Director**



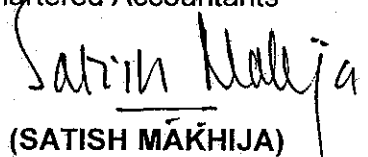
**Sumit Keshan**  
**Director**

Place: Bangalore  
Dated: May 07, 2012

**For Satish & Ravi Associates**

**Firm Regn. No.007214S**

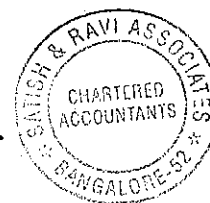
**Chartered Accountants**



**(SATISH MĀKHĪJA)**

**(Partner)**

**M.N.204258**





**SEVEN HILLS CLOTHING PRIVATE****Balance Sheet as at 31 March 2012***All amounts in Indian Rupees, except stated otherwise*

	Notes	31 March 2012	31 March 2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's funds</b>			
Share Capital	3	200,000	200,000
Reserves and Surplus	4	31,297,094	30,962,246
		<b>31,497,094</b>	<b>31,162,246</b>
<b>Non-current liabilities</b>			
Long-term borrowings			
Long-term Provisions	5	17,484,528	11,080,890
Deferred tax liability		-	325,061
		<b>17,484,528</b>	<b>11,405,951</b>
<b>Current Liabilities</b>			
Short term borrowings	6	-	15,500,000
Trade payables	7	3,594,307	448,928
Other current liabilities	7	76,926,257	69,238,777
Short term provisions	5	596,290	1,484,474
		<b>81,116,854</b>	<b>86,672,179</b>
<b>TOTAL</b>		<b>130,098,476</b>	<b>129,240,376</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	8		
Tangible assets		48,295,553	58,243,911
Intangible assets		-	-
Capital work-in-progress		-	2,700,000
		<b>48,295,553</b>	<b>60,943,911</b>
Non-current investments	9	200	200
Long-term loans and advances	10	29,485,672	32,017,559
Other non-current assets		-	-
		<b>77,781,425</b>	<b>92,961,670</b>
<b>Current assets</b>			
Current investments		-	-
Inventories	11	3,763,530	-
Trade receivables	12	8,011,822	5,466,607
Cash and Cash equivalents	13	10,041,103	5,181,205
Short-term loans and advances	10	30,500,596	25,630,894
Other current assets		-	-
		<b>52,317,051</b>	<b>36,278,706</b>
<b>TOTAL</b>		<b>130,098,476</b>	<b>129,240,376</b>

Summary of significant accounting policies 2

The accompanying notes are integral part of the financial statements.

Vide our report of even date,

For Satish &amp; Ravi Associates

Firm Regn. No.007214S

Chartered Accountants,

*Satish Makhiya*

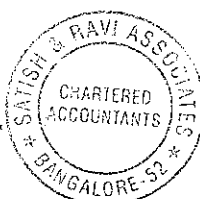
(SATISH MAKHIYA)

Partner

M No. 204258

Place : Bangalore

Date : 7th May 2012

For and on behalf of the Board  
For Seven Hills Clothing Private Limited*Gautam Chakravarti*Gautam Chakravarti  
Director*Sumit Keshan*  
Sumit Keshan  
Director

**SEVEN HILLS CLOTHING PRIVATE****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)	14	594,228,736	554,277,450
Less: Excise duty			
Revenue from operations (Net)		594,228,736	554,277,450
Other income	15	544,906	1,171,847
<b>Total Revenue</b>		<b>594,773,642</b>	<b>555,449,297</b>
<b>Expenses</b>			
Cost of materials consumed		-	-
(Increase) / decrease in inventories	16	(3,763,530)	-
Employee benefits expense	17	491,218,963	474,748,373
Other expenses	18	92,032,830	71,578,643
Depreciation and amortisation expense	19	10,703,204	9,131,343
Finance costs	20	1,572,769	61,440
<b>Total Expenses</b>		<b>591,764,236</b>	<b>555,519,799</b>
Profit \ (Loss) before extraordinary items and tax		3,009,406	(70,502)
Exceptional Items		-	-
Extraordinary items		-	-
Profit \ (Loss) before tax		3,009,406	(70,502)
<b>Tax expense:</b>			
Current tax		2,933,798	6,080
Tax of earlier years (net)		65,821	1,436,541
Deferred tax charge / (credit)		(325,061)	(703,799)
		2,674,558	738,822
<b>Profit \ (Loss) for the period</b>		<b>334,848</b>	<b>(809,324)</b>
Earnings per equity share - (Nominal value per share - Rs. 10) :			
Basic		16.74	(40.47)
Diluted		16.74	(40.47)

Summary of significant accounting policies 2

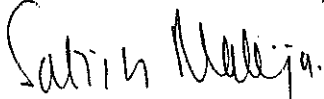
The accompanying notes are integral part of the financial statements.

Vide our report of even date,

For Satish &amp; Ravi Associates

Firm Regn. No.007214S

Chartered Accountants,



(SATISH MAKHIJA)

Partner

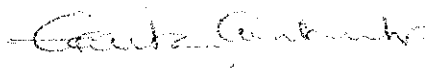
M No. 204258

Place : Bangalore

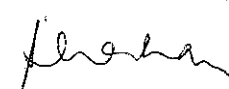
Date : May 7, 2012



For and on behalf of the Board  
For Seven Hills Clothing Private Limited



Gautam Chakravarti  
Director



Sumit Keshan  
Director

**SEVEN HILLS CLOTHING 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	<b>20,000</b>	<b>200,000</b>	<b>20,000</b>	<b>200,000</b>

**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**

	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.

<b>4 Reserves and Surplus</b>	<b>31 March 2012</b>	<b>31 March 2011</b>
<b>Securities Premium Reserve</b>		
Balance as per last account	30,590,000	30,590,000
<b>Surplus / (deficit) in the statement of profit and loss</b>		
Balance as per last financial statements	372,246	1,181,570
Profit / (loss) for the year	334,848	(809,324)
Net surplus / (deficit) in the statement of profit and loss	707,094	372,246
<b>Total Reserves and Surplus</b>	<b>31,297,094</b>	<b>30,962,246</b>

<b>5 Provisions</b>	<b>Long Term</b>		<b>Short term</b>	
	<b>31 March 2012</b>	<b>31 March 2011</b>	<b>31 March 2012</b>	<b>31 March 2011</b>
Provision for employee benefits				
Provision for gratuity	9,551,962	5,617,195	172,962	689,238
Provision for leave benefits	7,932,566	5,463,695	423,328	795,236
	<b>17,484,528</b>	<b>11,080,890</b>	<b>596,290</b>	<b>1,484,474</b>

<b>6 Short-term borrowings</b>	<b>31 March 2012</b>	<b>31 March 2011</b>
<b>Loans repayable on demand from Fellow Subsidiary</b>		
SNS Clothing Private Limited	-	15,500,000
	<b>-</b>	<b>15,500,000</b>

<b>7 Trade payables and Other Current Liabilities</b>	<b>31 March 2012</b>	<b>31 March 2011</b>
<b>Trade Payables</b>		
to Micro and Small Enterprises		
to Others	3,594,307	448,928
	<b>3,594,307</b>	<b>448,928</b>
<b>Other current liabilities</b>		
Employees benefit payable	60,242,712	50,470,621
Other expenses payable	8,276,140	9,143,666
Book Overdraft	1,038,799	1,273,772
Due to fellow subsidiaries	336,328	30,576
ESI payable	1,728,515	1,743,109
Provident fund payable	5,073,818	5,739,364
TDS payable	178,170	780,069
Professional tax payable	41,900	57,600
VAT & CST payable	9,875	-
	<b>76,926,257</b>	<b>69,238,777</b>
	<b>80,520,564</b>	<b>69,687,705</b>

<b>9 Non-current investments</b>	<b>31 March 2012</b>	<b>31 March 2011</b>
<b>Non Trade investments [valued at cost unless stated otherwise]</b>		
Investment in Government Securities (unquoted)		
National Savings Certificate	200	200
<b>Total Non-current investments</b>	<b>200</b>	<b>200</b>
Aggregate amount of unquoted investments	200	200

# SEVEN HILLS CLOTHING 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	Factory Equipments	Plant & Machinery	Computers	Vehicle	Total
<b>Cost or valuation</b>										
At 1 April 2010	19,053,686	11,811,091	35,775,996	1,639,413	23,072,285	6,132,283	18,441,338	84,494	121,373	116,131,959
Additions		2,625,000	2,685,300	86,442	742,776	360,677	207,427			6,707,622
Other adjustments										
(A)	19,053,686	14,436,091	38,461,296	1,725,855	23,815,061	6,492,960	18,648,765	84,494	121,373	122,839,581
(B)										
At 31 March 2011 (A)-(B)	19,053,686	14,436,091	38,461,296	1,725,855	23,815,061	6,492,960	18,648,765	84,494	121,373	122,839,581
Additions		4,333,568	248,813		119,492	10,215				4,712,088
Other adjustments										
(C)	19,053,686	18,769,659	38,710,109	1,725,855	23,934,553	6,503,175	18,648,765	84,494	121,373	127,551,669
(D)	813,795		7,631,895		1,941,435					10,387,125
At 31 March 2012 (C)-(D)	18,239,891	18,769,659	31,078,214	1,725,855	21,993,118		18,648,765	84,494	121,373	117,164,544
<b>Depreciation</b>										
At 1 April 2010	12,297,866	3,889,176	16,083,042	652,934	11,591,213	2,481,977	8,292,627	75,979	99,513	55,464,327
Charge for the year	675,582	792,911	2,805,929	146,654	2,629,289	653,675	1,418,237	3,406	5,660	9,131,343
Disposals										
At 31 March 2011	12,973,448	4,682,087	18,888,971	799,588	14,220,502	3,135,652	9,710,864	79,385	105,173	64,595,670
Charge for the year	608,024	3,768,702	2,740,119	128,844	1,733,093	446,867	1,271,317	2,044	4,194	10,703,204
Disposals	403,482		4,721,918		1,304,484					6,429,884
At 31 March 2012	13,177,990	8,450,789	16,907,172	928,432	14,649,111		10,982,181	81,429	109,367	68,868,990
<b>Net Block</b>										
At 31 March 2011	6,080,238	9,754,004	19,572,325	926,267	9,594,559		8,937,901	5,109	16,200	58,243,911
At 31 March 2012	5,061,901	10,318,870	14,171,042	797,423	7,344,007		7,666,584	3,065	12,006	48,295,553

**10 Loans and advances**

(unsecured, considered good)

Security deposits

Others

Fellow subsidiaries

Advances recoverable in cash / kind

Advance Tax

Prepaid expenses

Loans and advances to employees

Non-current

Current

	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Others	29,485,672	32,017,559		
Fellow subsidiaries			70,000	105,397
Advances recoverable in cash / kind			-	22,170
Advance Tax			29,299,857	23,616,531
Prepaid expenses			738,156	419,517
Loans and advances to employees			392,583	1,467,279
	<b>29,485,672</b>	<b>32,017,559</b>	<b>30,500,596</b>	<b>25,630,894</b>

**11 Inventories**

Work-in-progress

**31 March 2012**      **31 March 2011**

3,763,530      -

**3,763,530**      **-****12 Trade Receivables**

(unsecured, considered good)

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			559,060	-
Due from Holding Company		-	7,452,762	5,466,607
	<b>-</b>	<b>-</b>	<b>8,011,822</b>	<b>5,466,607</b>

**13 Cash and bank balances**Cash 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			9,226,066	2,360,987
Cash on hand			815,037	2,820,218
	-	-	10,041,103	5,181,205
	<b>-</b>	<b>-</b>	<b>10,041,103</b>	<b>5,181,205</b>

**SEVEN HILLS CLOTHING 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>
<b>14 Revenue from operations</b>		
Job work income	594,228,736	554,277,450
	<u>594,228,736</u>	<u>554,277,450</u>

	<u>31 March 2012</u>	<u>31 March 2011</u>
<b>15 Other Income</b>		
Net gain on sale of fixed assets	110,000	-
Other non-operating income	434,906	1,171,847
	<u>544,906</u>	<u>1,171,847</u>

<b>16 (Increase) / decrease in inventories</b>	<u>31 March 2012</u>	<u>31 March 2011</u>	<u>(increase)/ decrease</u>
Inventories at the end of the year			
Finished goods			-
Work-in-progress	3,763,530		(3,763,530)
	<u>3,763,530</u>	-	<u>(3,763,530)</u>
Inventories at the beginning of the year			
Finished goods	-		-
Work-in-progress	-		-
	<u>-</u>	-	<u>-</u>
	(3,763,530)	-	

	<u>31 March 2012</u>	<u>31 March 2011</u>
<b>17 Employee benefits expense</b>		
Salaries, wages and bonus	419,624,539	407,275,641
Contribution to provident fund and other fund	48,099,402	50,484,749
Gratuity expense	8,565,685	6,851,760
Staff welfare expenses	14,929,337	10,136,223
	<u>491,218,963</u>	<u>474,748,373</u>

	<u>31 March 2012</u>	<u>31 March 2011</u>
<b>18 Other expenses</b>		
Consumption of consumables, stores and spares	3,066	10,971
Power and fuel	17,383,575	17,665,259
Job work charges	1,222,408	154,516
Other manufacturing expenses	459,544	252,376
Repairs and maintenance		
- Plant and machinery	1,309,750	1,621,274
- Buildings	1,666,263	1,504,036
- Others	2,188,211	4,467,807
Rent	53,531,525	34,500,145
Insurance	211,507	129,575
Rates and taxes	356,270	462,649
Legal and professional charges	1,023,865	1,436,632
Printing and stationery	75,570	207,530
Communication costs	205,671	357,842
Travelling and conveyance	1,568,515	1,040,254
Payment to auditors	82,000	82,000
Other Miscellaneous expenses	10,745,090	7,685,777
	<b>92,032,830</b>	<b>71,578,643</b>

	<u>31 March 2012</u>	<u>31 March 2011</u>
<u>Payment to auditor</u>		
As Auditor		
Audit fees	82,000	82,000
	<b>82,000</b>	<b>82,000</b>

	<u>31 March 2012</u>	<u>31 March 2011</u>
<b>19 Depreciation and amortisation expense</b>		
Depreciation on tangible assets	10,703,204	9,131,343
	<b>10,703,204</b>	<b>9,131,343</b>

	<u>31 March 2012</u>	<u>31 March 2011</u>
<b>20 Finance costs</b>		
Bank charges	31,262	27,467
Interest on others	1,541,507	33,973
	<b>1,572,769</b>	<b>61,440</b>



**SEVEN HILLS CLOTHING PRIVATE LIMITED**

Cash-flow statement for the year ended 31 March 2012

All amounts in Indian Rupees, except stated otherwise

PARTICULARS	2012	2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Profit before tax from continuing operations	3,009,406	(70,502)
Profit before tax	3,009,406	(70,502)
Non-cash adjustment to reconcile profit before tax to net cash flow		
Depreciation/amortization on continuing operations	10,703,204	9,131,343
Assets Written off	3,957,243	-
Interest expense	(1,541,507)	-
Interest earned	(124,901)	-
<b>Operating Profit before working capital changes</b>	<b>16,003,446</b>	<b>9,060,841</b>
Movements in Working Capital :		
(Increase)/Decrease in inventories	(3,763,530)	-
(Increase)/Decrease in trade receivables	(2,545,215)	(5,466,607)
(Increase)/Decrease in non current loans and advances	2,531,887	6,025,000
(Increase)/Decrease in current loans and advances	813,622	554,671
Increase/(Decrease) in trade payables	3,145,380	(340,743)
Increase/(Decrease) in other current liabilities	7,687,480	(29,977,507)
Increase/(Decrease) in long term provisions	6,403,638	6,343,605
Increase/(Decrease) in short term provisions	(888,184)	183,012
<b>Cash Generated from /(used in) Operations</b>	<b>29,388,523</b>	<b>(13,617,728)</b>
Direct taxes paid (net of refunds)	(8,682,945)	(3,981,535)
<b>Net Cash Flow from Operating Activities</b>	<b>20,705,578</b>	<b>(17,599,263)</b>
<b>Net Cash Flow from/(used in) Operating Activities after Extraordinary item</b>	<b>20,705,578</b>	<b>(17,599,263)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Interest received	124,901	-
Purchase of Fixed Assets	(2,012,088)	(9,407,622)
<b>Net Cash Flow from / (used in) Investing Activities</b>	<b>(1,887,187)</b>	<b>(9,407,622)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from/ (repayment of short term borrowings)	(15,500,000)	15,500,000
Interest paid	1,541,507	-
<b>Net Cash Flow from / (used in) Financing Activities</b>	<b>(13,958,493)</b>	<b>15,500,000</b>
<b>D. Net Increase / (Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>4,859,899</b>	<b>(11,506,885)</b>
<b>E. Opening Balance of Cash &amp; Cash Equivalents</b>	<b>5,181,205</b>	<b>16,688,090</b>
<b>F. Closing Balance of Cash &amp; Cash Equivalents</b>	<b>10,041,104</b>	<b>5,181,205</b>
Components of Cash and Cash Equivalents		
Cash on hand	815,037	2,820,218
Bank Balances with Scheduled Banks:		
— in Current Accounts	9,226,066	2,360,987
	<b>10,041,103</b>	<b>5,181,205</b>
	<b>10,041,103</b>	<b>5,181,205</b>

For Satish &amp; Ravi Associates

Firm Regn. No.007214S

Chartered Accountants,

Satish Makhiya

(SATISH MAKHIYA)

Partner

M No. 204258

Place : Bangalore

Date : May 7, 2012

For and on behalf of the Board  
For Seven Hills Clothing Private Limited

Gautam Chakravarti

Director

Sumit Keshan

Director