

# **Seven Hills Clothing Private Limited**

**Annual Report  
2010-11**

**Board of Directors**

Mr Gautam Chakravarti, Director  
Mr Sumit Keshan, Director

**Registered Office:**

70, Mission Road  
Bangalore-560027.

**Auditors**

M/s Satish & Ravi Associates  
Chartered Accountants  
G-10, Naveen Apts., 13<sup>th</sup> Main  
Vasanthnagar  
Bangalore-560052.

**Bankers**

Canara Bank  
"Avenue Plaza"  
Avenue Road Branch  
Bangalore - 560002

## **NOTICE TO SHAREHOLDERS**

NOTICE is hereby given that the Seventh Annual General Meeting of the members of the company will be held at the registered office of the Company at No.70, Mission Road, Bangalore -560 027 September 5, 2011 at 2:30 PM to transact the following business:

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Balance Sheet as at March 31, 2011 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and the Auditors thereon.
2. To appoint M/s Satish & Ravi Associates, Chartered Accountants as Statutory Auditor of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### **SPECIAL BUSINESS:**

3. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

**“RESOLVED THAT** Mr. Gautam Chakravarti, whose term of office as an Additional Director, pursuant to section 260 of the Companies Act, 1956, expires on the date of this Annual General Meeting and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, whose period of office shall be liable for retirement by rotation.”

4. To consider and, if thought fit, to pass, with or without modification, the following resolution as an ordinary resolution:

**“RESOLVED THAT** Mr. Sumit keshan, whose term of office as an Additional Director, pursuant to section 260 of the Companies Act, 1956, expires on the date of this Annual General Meeting and in respect of whom the Company has received a notice under section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, whose period of office shall be liable for retirement by rotation.”

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

Bangalore  
May 23, 2011

Sd/-  
**Gautam Chakravarti**  
**Director**

**Notes:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy must be a member of the Company. Proxies in order to be effective must be received at the company's registered office not later than forth-eight hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the company will remain closed from September 2, 2011 to September 5, 2011 (both days inclusive) for the purpose of Annual General Meeting.

## **DIRECTORS' REPORT**

Your Directors take great pleasure in presenting the Seventh Annual Report of your Company together with the audited accounts for the period ended 31<sup>st</sup> March 2011.

### **1. Financial Results:**

The company primarily derives its income from the holding company, viz., Gokaldas Exports Limited by way of Job Work charges, etc and the financial results for the period ended 31<sup>st</sup> March 2011 are given below:

(Rupees)		
Particulars	31.03.2011	31.03.2010
Total Income	55,54,49,297	50,65,86,305
Expenditure	55,55,19,799	50,49,34,256
Profit Before Tax	(70,502)	16,52,049
Taxation	7,38,822	16,19,543
Profit After Tax	(8,09,324)	32,506
Balance Carried Forward	3,72,245	11,81,569

### **2. Performance:**

During the year the company posted a turnover of Rs 55.54 crores and loss before tax and after tax of Rs 0.70 lakhs and 8.09 lakhs respectively.

### **3. Auditors :**

M/s. Sathish Ravi & Associates, Chartered Accountants, will retire at the ensuing Annual General Meeting. However, being eligible, they offer themselves for re-appointment.

### **4. Directors :**

Mr Madanlal J Hinduja stepped down for the Board wef January 15, 2011. Mr Rajendra J Hinduja and Mr Dinesh J Hinduja stepped down from the Board wef March 31, 2011.

Mr Gautam Chakravarti was appointed as Director wef January 24, 2011 and Mr Sumit Keshan was appointed as Director wef March 31, 2011.

### **5. Conservation of energy, foreign exchange earnings and outgo:**

Not applicable.

## **6. Particulars of Employees:**

The human capital has been recognized as a vital factor in achieving the goals and objectives of the organization. Emphasis is placed to build a network of dedicated and experienced professionals who would strive for organizational growth by maximizing the effectiveness while the policies and practices would foster employees' satisfaction, retention and productivity.

There are no employees whose details are required to be mentioned under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975.

## **7. Statement of Directors Responsibilities :**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of directors report that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- accounting policies have been selected and applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a "going concern" basis.

## **8. ACKNOWLEDGEMENTS:**

Your Directors express their thanks to Gokaldas Exports Ltd, the holding company, its bankers and employees for their support and look forward to their continued co-operation in the ensuing year.

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

Bangalore  
May 23, 2011

Sd/-  
**Gautam Chakravarti**  
**Director**

# 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 2011 of **SEVEN HILLS CLOTHING PRIVATE LIMITED**, Bangalore and the Profit and Loss Account 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, Profit and Loss account & 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 Profit and Loss account 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 2011, 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 2011;
- (ii) In case of the Profit and Loss Account, of the loss 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: 23rd May 2011



## 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 2011.

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management at reasonable intervals. No material discrepancies were noticed on such verification.
- (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.
- (b) & (c) Not Applicable.
- (a) The Company has taken unsecured loan of Rs.15,500,000 from a fellow subsidiary company covered in the register maintained under section 301 of the Act. The maximum balance outstanding during the year is Rs.15,500,000.
- (b) The rate of interest and other terms and conditions are prima facie not prejudicial to the interest of the Company.
- (c) Interest and principal amount has not yet become due.
- (d) There are no loans on which Rs. 1.00 lacs or more is overdue.
3. 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.



4. (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.
5. 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.
6. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
7. 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.
8. (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) 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.
9. 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.
10. The Company does not owe any debt to banks or financial institutions nor has it issued debentures.
11. The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debenture and other securities.

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12. The Company is not a chit fund, nidhi /mutual benefit fund or a society.
13. The Company is neither dealing nor trading in shares, securities, debentures and other investments and thus the provisions of this clause are not applicable.
14. The Company has not given guarantee for loans taken by others from bank or financial institutions.
15. The Company has not taken any term loans during the year under review.
16. 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.
17. 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.
18. The Company has not issued any debentures, during the year. Hence the question of creation of security or charge does not arise.
19. The Company has not raised any monies during the year by way of public issues.
20. 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: 23rd May 2011

# SEVEN HILLS CLOTHING PRIVATE LIMITED

BALANCE SHEET AS AT MARCH 31, 2011

	Schedule:	31-03-2011	31-03-2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	I	200,000	200,000
Reserves and Surplus	II	30,962,245	31,771,569
<b>Loan Funds</b>	III		
Secured Loans		-	-
Unsecured Loans		15,500,000	-
<b>Deferred Tax Liability (net)</b>		325,061	1,028,860
[Refer Note C-7 of Schedule XV]			
<b>Total</b>		<b>46,987,306</b>	<b>33,000,429</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>	IV		
Gross Block		122,839,581	116,131,959
Less: Accumulated Depreciation		64,595,671	55,464,328
Net Block		58,243,910	60,667,631
Capital work-in-progress including capital advances		2,700,000	-
		<b>60,943,910</b>	<b>60,667,631</b>
<b>Investments</b>	V	200	200
<b>Current Assets, Loans and Advances</b>	VI		
Inventories		-	-
Sundry Debtors		5,466,607	18,000
Cash and Bank Balances		5,181,205	16,688,090
Other Current Assets		-	-
Loans and Advances		57,677,734	63,073,230
		<b>68,325,546</b>	<b>79,779,320</b>
<b>Less: Current Liabilities and Provisions</b>	VII		
Current Liabilities		69,716,986	101,407,974
Provisions		12,565,364	6,038,748
		<b>82,282,350</b>	<b>107,446,722</b>
<b>Net Current Assets</b>		<b>(13,956,804)</b>	<b>(27,667,402)</b>
<b>Total</b>		<b>46,987,306</b>	<b>33,000,429</b>

## Notes to Accounts

XV

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

Vide our report of even date,

For Satish & Ravi Associates

Firm Regn. No.007214S

Chartered Accountants,

*Satish Makhiya*

(SATISH MAKHIYA)

Partner

M No. 204258

Place : Bangalore

Date : 23rd May 2011



For Seven Hills Clothing Private Limited

*Gautam Chakravarti*

Gautam Chakravarti  
Director

*Sumit Keshan*

Sumit Keshan  
Director

# **SEVEN HILLS CLOTHING PRIVATE LIMITED**

## **PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2011**

	Schedule	31-03-2011	31-03-2010
<b><u>INCOME</u></b>			
Contract Receipts	VIII	554,277,450	504,764,785
Other Income	IX	1,171,847	1,821,520
		<b>555,449,297</b>	<b>506,586,305</b>
<b><u>EXPENDITURE</u></b>			
Raw Materials Consumed	X	-	-
Other Manufacturing and Operating Expenses	XI	19,976,811	20,739,125
Personnel Costs	XII	474,748,373	437,761,577
Selling and Administrative Expenses	XIII	51,601,833	28,665,484
Finance Charges	XIV	61,440	90,323
Depreciation	IV	9,131,342	17,677,747
		<b>555,519,799</b>	<b>504,934,256</b>
<b>Profit Before Exceptional items</b>		<b>(70,502)</b>	<b>1,652,049</b>
Add/(Less): Exceptional items		-	-
<b>Profit / (Loss) Before Tax</b>		<b>(70,502)</b>	<b>1,652,049</b>
Provision for Taxation			
-- Current Tax		6,080	838,406
-- Deferred Tax charge / (credit)		(703,799)	(280,484)
-- Income tax of Earlier years		1,436,541	1,061,621
<b>Net Profit / (Loss) for the Year</b>		<b>(809,324)</b>	<b>32,506</b>
Profit Brought Forward from Previous Year		1,181,569	1149063
<b>Balance carried to Balance Sheet</b>		<b>372,245</b>	<b>1,181,569</b>

### **Notes to Accounts**

XV

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

Vide our report of even date,  
For Satish & Ravi Associates  
Firm Regn. No.007214S  
Chartered Accountants,

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

M No. 204258

Place : Bangalore

Date : 23rd May 2011



For Seven Hills Clothing Private Limited

*Gautam Chakravarti*  
**Gautam Chakravarti**  
Director

*Sumit Keshan*  
**Sumit Keshan**  
Director

**SEVEN HILLS CLOTHING PRIVATE LIMITED****SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS  
FOR THE PERIOD ENDED MARCH 31, 2011**

	31-03-2011	31-03-2010
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**SCHEDULE I - SHARE CAPITAL**

<b>Authorized</b>	200,000	200,000
20,000 (2010:20,000) Equity Shares of Rs. 10 each -		
<b>Issued, Subscribed and Paid-up</b>		
20,000 (2010:20,000) Equity Shares of Rs. 10 each fullu paid up	200,000	200,000
	<b>200,000</b>	<b>200,000</b>

**SCHEDULE II - RESERVES AND SURPLUS**

<b>Securities Premium Account</b>		
Balance as per last account	30,590,000	30,590,000
<b>Profit and Loss Account</b>	372,245	1,181,569
	<b>30,962,245</b>	<b>31,771,569</b>

**SCHEDULE III - LOAN FUNDS**

<b>Secured Loans</b>	-	-
<b>Unsecured Loans</b>	15,500,000	-
	<b>15,500,000</b>	<b>-</b>

**SCHEDULE V - INVESTMENTS****A. Long-term Investments [at cost] [unquoted]****In Government Securities [Non-trade]**

National Savings Certificate	200	200
	<b>200</b>	<b>200</b>
	<b>200</b>	<b>200</b>

**SCHEDULE VI - CURRENT ASSETS, LOANS AND ADVANCES****Sundry Debtors**

[Unsecured, considered good]

Debts outstanding for a period exceeding six months

Due from Holding company

	-	18,000
5,466,607		
<b>5,466,607</b>		<b>18,000</b>



Schedule 'IV': FIXED ASSETS: AS AT 31.03.2011

PARTICULAR	GROSS BLOCK			DEPRECIATION			Net Block	
	As at 01/04/2010	Additions	Deletions/ Adjustments	As at 31/03/2011	As at 01/04/2010	For the Year	As at 31/03/2011	As at 31/03/2010
BUILDING	19,053,686			19,053,686	12,297,866	675,582	12,973,448	6,755,819
LEASEHOLD IMPROVEMENTS	11,811,091	2,625,000		14,436,091	3,889,176	792,911	4,682,087	7,921,915
COMPUTERS	84,494			84,494	75,979	3,406	79,385	8,515
ELECTRICAL EQUIPMENTS	35,775,996	2,685,300		38,461,296	16,083,042	2,805,929	18,888,971	19,692,954
FACTORY EQUIPMENTS	6,132,283	360,677		6,492,960	2,481,977	653,675	3,135,652	3,650,305
FURNITURE & FIXTURE	23,072,285	742,776		23,815,061	11,591,213	2,629,289	14,220,503	11,481,072
OFFICE EQUIPMENTS	1,639,413	86,442		1,725,855	652,934	146,654	799,588	986,479
PLANT & MACHINERY	18,441,338	207,427		18,648,765	8,292,627	1,418,237	9,710,864	10,148,711
VEHICLES	121,373			121,373	99,513	5,660	105,172	21,860
	<b>116,131,959</b>	<b>6,707,622</b>	<b>-</b>	<b>122,839,581</b>	<b>55,464,328</b>	<b>9,131,343</b>	<b>64,595,671</b>	<b>60,667,631</b>

Previous Year Figures

116,756,154	206,344	730,539	116,131,959	38,448,251	17,677,747	661,670	55,464,328	60,667,631	78,307,903
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**SEVEN HILLS CLOTHING PRIVATE LIMITED****SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS  
FOR THE PERIOD ENDED MARCH 31, 2011**

	31-03-2011	31-03-2010
<b>Cash and Bank Balances</b>		
Cash on hand	2,820,219	6,451,169
Bank Balances with Scheduled Banks: -- in Current Accounts	2,360,986	10,236,921
	<b>5,181,205</b>	<b>16,688,090</b>

**Loans and Advances**

[Unsecured, considered good]

Advances recoverable in cash or kind or for value to be received

-- for Supplies and Services

-- to Staff

Due from Fellow Subsidiaries

Security &amp; other deposits

Advance Tax (net of provision)

441,687	9,382,521
1,467,277	1,769,556
105,397	35,000
32,017,559	30,779,254
23,645,813	21,106,899
<b>57,677,734</b>	<b>63,073,230</b>

<b>68,325,546</b>	<b>79,779,320</b>
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**SCHEDULE VII - CURRENT LIABILITIES AND PROVISIONS****Current Liabilities**

Sundry Creditors

-- Dues to Micro and Small Enterprises [Refer Note C-11 to Schedule XV]

-- Others

Due to Holding company

Due to Fellow Subsidiaries

Book Overdraft

Other Liabilities

-	-
55,961,644	52,560,357
-	38,550,758
30,576	-
1,273,772	281,845
12,450,994	10,015,014
<b>69,716,986</b>	<b>101,407,974</b>

**Provisions**

Gratuity

Leave Benefits

6,306,433	1,112,533
6,258,931	4,926,215
<b>12,565,364</b>	<b>6,038,748</b>

<b>82,282,350</b>	<b>107,446,722</b>
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**SEVEN HILLS CLOTHING PRIVATE LIMITED****SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS  
FOR THE PERIOD ENDED MARCH 31, 2011**

	<b>31-03-2011</b>	<b>31-03-2010</b>
<b>SCHEDULE VIII - CONTRACT RECEIPTS</b>		
Job Work Income	554,277,450	504,764,785
	<b>554,277,450</b>	<b>504,764,785</b>
<b>SCHEDULE IX - OTHER INCOME</b>		
Interest on Income Tax refunds	-	1,671,014
Miscellaneous Income	1,171,847	150,506
	<b>1,171,847</b>	<b>1,821,520</b>
<b>SCHEDULE X - RAW MATERIAL CONSUMED</b>		
	-	-
<b>SCHEDULE XI - OTHER MANUFACTURING AND OPERATING EXPENSES</b>		
Consumption of Consumables, Stores and Spares	27,883	27,890
Job Work Charges	154,516	-
Power and Fuel	17,665,259	16,707,916
Repairs and Maintenance - Plant and Machinery	1,621,274	2,797,501
Other Manufacturing Expenses	507,879	1,205,818
	<b>19,976,811</b>	<b>20,739,125</b>
<b>SCHEDULE XII - PERSONNEL COSTS</b>		
Salaries, Wages and Bonus	407,275,641	383,575,589
Contribution to Provident Fund and other Funds	50,444,597	44,569,378
Gratuity expense	6,851,760	1,674,683
Welfare Expenses	10,176,375	7,941,927
	<b>474,748,373</b>	<b>437,761,577</b>



**SEVEN HILLS CLOTHING PRIVATE LIMITED****SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS  
FOR THE PERIOD ENDED MARCH 31, 2011**

	31-03-2011	31-03-2010
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**SCHEDULE XIII - SELLING AND ADMINISTRATIVE EXPENSES**

Rent	34,500,145	12,216,284
Repairs and Maintenance		
-- Buildings	1,504,036	2,144,741
--Others	4,450,896	4,210,227
Insurance	129,575	664,704
Rates and Taxes	462,649	619,022
Legal and Professional Charges	4,176,582	3,593,676
Printing and Stationery	207,530	168,016
Communication Costs	357,842	431,887
Travelling and Conveyance	1,040,254	898,676
Auditors' Remuneration [Refer Note C- 9 to Schedule XV]	82,000	83,166
Loss on Sale of Fixed Assets (net)	-	41,968
Charity and Donation	2,500	-
Miscellaneous Expenses	4,687,824	3,593,117
	<b>51,601,833</b>	<b>28,665,484</b>

**SCHEDULE XIV - FINANCE CHARGES**

Bank Charges	27,467	90,323
Others	33,973	-
	<b>61,440</b>	<b>90,323</b>



# SEVEN HILLS CLOTHING PRIVATE LIMITED

## Cash Flow Statement for the year ended 31st March 2011

Cash flow from Operating Activities	31.03.2011	31.03.2010
Net profit before taxation & Extraordinary items	(70,502)	1,652,049
Adjustment for:		
Depreciation	9,131,342	17,677,747
Profit on sale of Assets	-	(41,968)
Operating profit before working Capital changes	9,060,840	19,287,829
Adjustment for:		
(Increase)/Decrease in sundry debtor	(5,448,607)	-
(Increase)/Decrease in Advances	9,172,716	(4,315,391)
(Increase)/Decrease in Security and other deposits	(1,238,305)	13,390,995
Increase/(Decrease) in current liabilities	(31,690,988)	(20,277,385)
Increase/(Decrease) in Provisions	6,526,616	(1,643,540)
<b>Cash generated from operations</b>	<b>(13,617,728)</b>	<b>6,442,507</b>
Taxes Paid :		
Current tax	(2,544,994)	7,998,723
Income tax of earlier years	(1,436,541)	(1,061,621)
Fringe benefit tax paid		
<b>Net Cash Flow fromm Operating Activities</b>	<b>A (17,599,262)</b>	<b>13,379,609</b>
<b>Cash flow from Investing Activities</b>		
Purchase of fixed assets	(9,407,622)	4,493
<b>Net Cash Flow from Investing Activities</b>	<b>B (9,407,622)</b>	<b>4,493</b>
<b>Cash flow from Financing Activities</b>		
Borrowings of unsecured loans	15,500,000	-
Net Cash flow from Financing Activities	C 15,500,000	-
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>A + B + C (11,506,885)</b>	<b>13,384,103</b>
<b>Increase / (Decrease) in Cash And Cash Equivalents</b>		
Cash and Cash Equivalents as at the commencement of the year (Opening Balance)	16,688,090	3,303,987
Cash and Cash Equivalents as at the end of the year (Closing Balance)	5,181,205	16,688,090

Vide our report of even date,  
For Satish & Ravi Associates  
Firm Regn. No.007214S  
Chartered Accountants,

*Satish Makhiya*  
(SATISH MAKHIYA)  
Partner

M No. 204258

Place : Bangalore

Date : 23rd May 2011



For Seven Hills Clothing Private Limited

*Gautam Chakravarti*

Gautam Chakravarti  
Director

*Sumit Keshan*

Sumit Keshan  
Director

**SEVEN HILLS CLOTHING PRIVATE LIMITED**

**SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR  
ENDED MARCH 31, 2011**

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**SCHEDULE XV - NOTES TO ACCOUNTS**

**A. Background**

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

**B. Significant accounting policies**

**a) Basis of preparation of financial statements**

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

**b) Use of estimates**

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

**c) Revenue recognition**

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

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

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

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

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

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

Insurance / other claims are recognized on acceptance basis.



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

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

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

	<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 (including software)	40.00%
Vehicles	25.89%

Assets individually costing Rs. 5,000 or less are fully depreciated in the year of addition. Leasehold improvements are depreciated over the primary lease period or useful life, whichever is lower. Process improvement costs capitalized as intangible assets are amortized over three years.

**e) Borrowing Costs**

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

**f) Impairment of assets**

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

**g) Inventories**

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

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

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



## **h) Foreign currency transactions**

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

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

### **(ii) Conversion**

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

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

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

## **i) Government Grants**

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

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

## **j) Investments**

Investments that are readily realizable and intended to be held for not more than a year 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.

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

### **Defined Contribution Plans:**

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

### **Defined Benefit Plans:**

Gratuity liability is accrued in the books based on actuarial valuation on projected unit credit method as at Balance Sheet date. Actuarial gains or losses are immediately taken to Profit and Loss Account and are not deferred.

### **Other Employee Benefits:**

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



## **l) Taxation**

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

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

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

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

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

## **m) Accounting for leases**

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

## **n) Provisions**

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

## **o) Segment Reporting Policies**

### **Identification of segments:**

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





**Basis of allocation:**

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

**Segment Policies:**

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

**p) Earnings Per Share**

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

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

**q) Cash and Cash equivalents**

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

**C. Notes to Account****1. Contingent liabilities**

(Amount in Rs.)

Particulars	2011	2010
Claims against the Company not acknowledged as debts	1,773,883	461,558
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

**2. 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)

	2011	2010
Current Service Cost	6,034,275	2,640,317
Interest cost on benefit obligation	236,570	236,128
Expected Return on Plan Assets	(213,653)	(225,088)
Actuarial gain/(loss)	788,861	(109,340)
<b>Net benefit expense</b>	<b>6,846,053</b>	<b>2,542,017</b>

Details of Provision for gratuity (in Balance Sheet)

(Amount in Rs)

	2011	2010
Defined benefit obligation	8,484,451	4,510,960
Fair value of plan asset	2,178,018	3,398,427
<b>Plan liability</b>	<b>(6,306,433)</b>	<b>(1,112,533)</b>

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

(Amount in Rs)

	2011	2010
Opening defined benefit obligation	4,510,960	4,190,655
Current Service Cost	6,034,275	2,640,317
Interest Cost	236,570	236,128
Benefits Paid	(3,107,674)	(2,478,122)
Actuarial (gain)/loss	810,320	(78,018)
<b>Closing defined benefit obligation</b>	<b>8,484,451</b>	<b>4,510,960</b>

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

(Amount in Rs)

	2011	2010
Opening fair value of plan asset	3,398,427	2,485,177
Expected return	213,653	225,088
Actuarial gain/(loss)	21,459	31,322
Contributions by employer	0	3,134,962
Benefits Paid	(1,455,521)	(2,478,122)
Contribution for Benefits settled directly by company	1,652,153	0
Benefits settled directly by company	(1,652,153)	0
<b>Closing fair value of plan asset</b>	<b>2,178,018</b>	<b>3,398,427</b>

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

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

The Company expects to contribute Rs. 6,307,000 to gratuity in 2011-12.

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

	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.



### 3. Segment information

#### a) Primary business segment

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

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

Geographical Segment	Revenues	(Amount in Rs)
		Carrying amount of segment assets (Debtors)
In India	554,277,450 (504,764,785)	5,466,607 (18,000)
Outside India		
<b>Total</b>	<b>554,277,450 (504,764,785)</b>	<b>5,466,607 (18,000)</b>

Note:

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

### 4. 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
(iii)	Wholly Owned 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. Madanlal J Hinduja (resigned on 15.01.2011)
(ii)	Director	Mr. Rajendra J Hinduja (resigned on 31.03.2011)
(iii)	Director	Mr. Dinesh J Hinduja (resigned on 31.03.2011)
(iv)	Director	Mr. Gautam Chakravarti (appointed on 24.01.2011)
(v)	Director	Mr. Sumit Keshan (appointed 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	JVN Exports Private Limited VAG Exports Private Limited
(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(a)	A(c)	
<b>Income</b>				
Job work charges	554,277,450 (504,764,785)			554,277,450 (504,764,785)
<b>Expenses</b>				
Rent Paid			21,275,500 (1,998,968)	21,275,500 (1,998,968)
Interest on unsecured loan		33,973 (Nil)		33,973 (Nil)
<b>Liability</b>				
Unsecured Loan		15,500,000 (Nil)		15,500,000 (Nil)
<b>Balances outstanding as at March 31, 2011</b>				
-- Credit balances	NIL (38,550,759)	30,576 ( Nil)		30,576 (38,550,759)
-- Debit balances	5,466,607 (Nil)	105,397 (35,000)	19,140,000 (19,140,000)	24,712,004 (19,175,000)

Figures in brackets relate to previous year.

Disclosure for transactions that exceed 10% of total value of each class of transactions:  
(Amount in Rs)

	2011	2010
<b>Expenses</b>		
<b>Rent paid</b>		
JVN Exports Private Limited	13,391,050	1,290,848
VAG Exports Private Limited	7,884,450	708,120
<b>Interest paid</b>		
SNS clothing Private Limited	33,973	
<b>Rent Deposit</b>		
JVN Exports Private Limited	12,840,000	12,840,000
VAG Exports Private Limited	6,300,000	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	30,576	-
<b>Debit Balances in Fellow Subsidiaries</b>		
Reflexion Trading Private Limited	105,000	35,000
Rajdin Apparels Private Limited	397	-

#### 5. 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.



## 6. Earnings per share

(Amount in Rs)

Particulars	2011	2010
Net profit for the year as per profit and loss account before exceptional items	(809,324)	32,506
Net profit for the year as per profit and loss account after exceptional items	(809,324)	32,506
Weighted average number of equity shares (Nos.)	20,000	20,000
Nominal value per share	10	10
Earnings per share – Basic and diluted	(40.47)	1.63
Before exceptional items		
After exceptional items		

## 7. Deferred taxes – Components Assets / (Liability)

(Amount in Rs)

Particulars	As at March 31, 2010	Current year charge/(credit)	As at March 31, 2011
Difference between book and tax base of fixed assets	(1,028,860)	703,799	(325,061)
Retirement benefits allowed on payment basis accrued in books	0		
<b>Total</b>	<b>(1,028,860)</b>	<b>703,799</b>	<b>(325,061)</b>

## 8. Remuneration to directors

(Amount in Rs)

Particulars	2011	2010
Salaries	Nil	Nil

## 9. Auditors' remuneration\*

(Amount in Rs)

Particulars	2011	2010
Audit fees	68,000	68,000
Taxation matters	7,400	7,400
	75,400	75,400

\* Excluding service tax

## 10. a) Licensed, installed capacities and production

Particulars	Unit	2011	2010
<i>Licensed capacity</i>			
Readymade garments	Pcs	Not Applicable	Not Applicable
<i>Installed capacity</i>			
Readymade garments		Refer note below	
<i>Production</i>			
Readymade garments		Not Applicable	Not Applicable
- Own production	Pcs		
- Through Job workers			

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



**b) CIF value of imports**

Current Year : Nil Previous Period : Nil

**c) Expenditure in foreign currency on accrual basis**

Current Year : Nil Previous Period : Nil

**d) Imported and indigenous raw materials, stores and spare parts consumed**

Particulars	2011		2010	
	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				

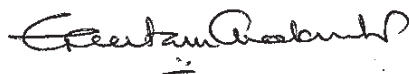
**e) Earnings in foreign currency**

Current Year : Nil Previous Period : Nil

11. 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.
12. Previous year's figures have been regrouped/rearranged/reclassified, wherever necessary to conform to the current year's presentation.

**Signatures to schedules I to XV**

**For and on behalf of the Board**



**Gautam Chakravarti**  
**Director**



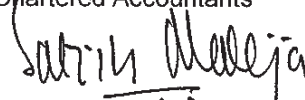
**Sumit Keshan**  
**Director**

Place: Bangalore  
Dated: May 23, 2011

**For Satish & Ravi Associates**

**Firm Regn. No.007214S**

**Chartered Accountants**



**(SATISH MAKHIJA)**

**(Partner)**

**M.N.204258**



**Statement Pursuant to Part IV of Schedule VI to the Companies Act, 1956**

[illegible]

4. Performance of the Company (Amount in Rs. Thousands)

Turnover (Total income)										Total Expenditure									
				5	5	5	4	4	9					5	5	5	5	2	0
+ -		Profit/(Loss) Before Tax								+ -		Profit/(Loss) After Tax							
	✓							7	1		✓					8	0	9	

(Please tick Appropriate box + for profit, - for loss)

Earnings per Share (Rs)  
(on profit after taxes)

		(4	0	.	4	7)
--	--	----	---	---	---	----

Dividend Rate %

N	I	L
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5. Generic Names of Three Principal Products / Services of Company  
(as per monetary terms)  
Item Code No. (ITC Code)

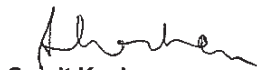
Product Description


NOT APPLICABLE

For and on behalf of the Board



**Gautam Chakravarti**  
Director



**Sumit Keshan**  
Director

Bangalore: May 23rd, 2011