

**Seven Hills Clothing Private  
Limited**

**Annual Report  
2009-10**

**Board of Directors**

Shri Madanlal J Hinduja, Chairman  
Shri Rajendra J Hinduja, Director  
Shri Dinesh J Hinduja, 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

## 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 2010.

### 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 2010 are given below:

Particulars	(Rupees)	
	31.03.2010	31.03.2009
Total Income	50,65,86,305	64,43,68,272
Expenditure	50,49,34,256	63,21,25,066
Profit Before Tax	16,52,049	(2,32,126)
Taxation	16,19,543	(7,51,153)
Profit After Tax	32,506	5,19,027
Balance Carried Forward	11,81,569	11,48,311

### 2. Performance:

During the year the company posted a turnover of Rs 50.66 crores and profit before tax and after tax of Rs 16.52 lakhs and 0.32 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 :

Shri Rajendra J Hinduja, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for reappointment.

### 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 24, 2010

Sd/-  
**MADANLAL J HINDUJA**  
**CHAIRMAN**

## **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 August 30, 2010 at 2:30 PM to transact the following business:

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Balance Sheet as at March 31, 2010 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 a Director in place of Shri Rajendra J Hinduja, Director, who retires by rotation and being eligible offers himself for re-appointment.
3. 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.

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

**Place: Bangalore**  
**Date: May 24, 2010**

Sd/-  
**Madanlal J Hinduja**  
**Chairman**

### **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 August 25, 2010 to August 30, 2010 (both days inclusive) for the purpose of Annual General Meeting.

# 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 2010 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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G-10, Naveen Apts., 13th Main, Vasanthnagar,  
(Off Palace Road), Bangalore - 560 052.

☎: 30529137 / 38 / 39. E-mail: sra\_ca@vsnl.net

- 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 2010, 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 2010;
- (ii) In case of the Profit and Loss Account, of the profits for the year ended on that date.

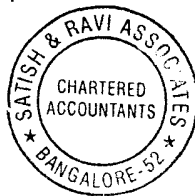
And

- (iii) In case of the Cash Flow Statement, of the Cash Flows for the year ended on that date

For Satish & Ravi Associates,  
Chartered Accountants,

*Satish Makhiya*  
(SATISH MAKHIJA)  
Partner.

Membership No : 204258  
FRN No: 007214S



Place: Bangalore  
Date: 24<sup>TH</sup> May 2010

## 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 2010.

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.
3. (a) The Company has not granted any loans to companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (b) and (c) are not applicable
- (d) There are no loans on which Rs. 1.00 lacs or more is overdue.
- (e) the Company has not taken loans secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act.
- (f) and (g) are not applicable
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.



- 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 2010, 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 2010;
- (ii) In case of the Profit and Loss Account, of the profits for the year ended on that date.

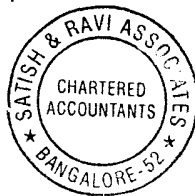
And

- (iii) In case of the Cash Flow Statement, of the Cash Flows for the year ended on that date

For Satish & Ravi Associates,  
Chartered Accountants,

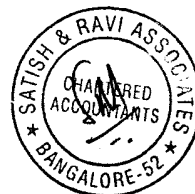
*Satish Makhiya*  
(SATISH MAKHIJA)  
Partner.

Membership No : 204258  
FRN No: 007214S



Place: Bangalore  
Date: 24<sup>TH</sup> May 2010

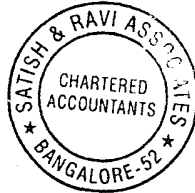
5. (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register in pursuance of section 301 of the Act, have been entered in such register.
- (b) In our opinion, and according to the information 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) 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,  
Chartered Accountants,**

  
**(SATISH MAKHIJA)  
Partner.**



Membership No : 204258  
**FRN No: 007214S**

Place: Bangalore  
Date: 24<sup>th</sup> May 2010

**SEVEN HILLS CLOTHING PRIVATE LIMITED**  
**BALANCE SHEET AS AT MARCH 31, 2010**

	Schedules	31-03-2010	31-03-2009
		Rs.	Rs.
<b><u>SOURCES OF FUNDS</u></b>			
<b>Shareholders' Funds</b>			
Share Capital	I	200,000	200,000
Reserves and Surplus	II	31,771,569	31,738,311
<b>Loan Funds</b>			
Secured Loans	III	-	-
<b>Deferred Tax Liability (net)</b> [Refer Note C-10 of Schedule XV]		1,028,860	1,309,344
<b>Total</b>		<b>33,000,429</b>	<b>33,247,655</b>
<b><u>APPLICATION OF FUNDS</u></b>			
<b>Fixed Assets</b>			
Gross Block	IV	116,131,959	116,756,157
Less: Accumulated Depreciation		55,464,328	38,448,837
Net Block		60,667,631	78,307,320
Capital work-in-progress including capital advances		-	-
		<b>60,667,631</b>	<b>78,307,320</b>
<b>Investments</b>	V	<b>200</b>	<b>200</b>
<b>Current Assets, Loans and Advances</b>			
Sundry Debtors	VI	18,000	18,000
Cash and Bank Balances		16,688,090	3,303,987
Other Current Assets		-	-
Loans and Advances		63,073,229	80,985,794
		<b>79,779,319</b>	<b>84,307,781</b>
<b>Less: Current Liabilities and Provisions</b>	VII		
Current Liabilities		101,407,974	121,685,359
Provisions		6,038,747	7,682,287
		<b>107,446,721</b>	<b>129,367,646</b>
<b>Net Current Assets</b>		<b>(27,667,402)</b>	<b>(45,059,865)</b>
<b>Total</b>		<b>33,000,429</b>	<b>33,247,655</b>

**Notes to Accounts**

XIV

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

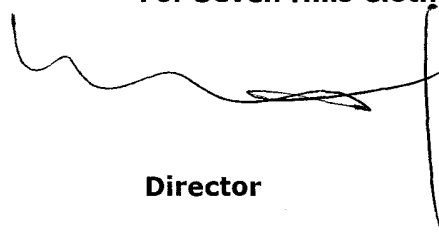
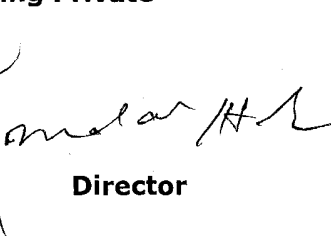
**Vide our report of even date,  
For Satish & Ravi Associates  
Firm Regn. No - 007214S  
Chartered Accountants,**

**(SATISH MAKHĪJA)  
Partner**

M No. 204258  
Place : Bangalore  
Date : 24th May 2010



**For Seven Hills Clothing Private**

**Director**

**Director**

## SEVEN HILLS CLOTHING PRIVATE LIMITED

### PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2010

	Schedules	31-03-2010	31-03-2009
		Rs.	Rs.
<b><u>INCOME</u></b>			
Contract Receipts	VIII	504,764,785	644,267,711
Other Income	IX	1,821,520	103,200
		<b>506,586,305</b>	<b>644,370,911</b>
<b><u>EXPENDITURE</u></b>			
Other Manufacturing and Operating Expenses	X	20,739,125	25,293,695
Personnel Costs	XI	437,761,578	549,121,547
Selling and Administrative Expenses	XII	28,665,483	57,437,539
Finance Charges	XIII	90,323	274,925
Depreciation	IV	17,677,747	12,475,332
		<b>504,934,256</b>	<b>644,603,038</b>
<b>Profit Before Exceptional items</b>		<b>1,652,049</b>	<b>(232,127)</b>
Add/(Less): Exceptional items			
<b>Profit Before Tax</b>		<b>1,652,049</b>	<b>(232,127)</b>
Provision for Taxation			
-- Current Tax		838,406	636,648
Less : Minimum Alternate Tax Credit Entitlement		-	
-- Income tax of Earlier years		1,061,621	(1,187,239)
-- Deferred Tax charge / (credit)		(280,484)	(315,062)
-- Fringe Benefit Tax		-	114,500
		<b>32,506</b>	<b>519,026</b>
<b>Net Profit for the Year</b>		<b>1,149,063</b>	<b>629,284</b>
Profit Brought Forward from Previous Year			
<b>Amount available for Appropriation</b>		<b>1,149,063</b>	<b>629,284</b>
		<b>1,181,569</b>	<b>1,148,310</b>
<b>Balance carried to Balance Sheet</b>		<b>1,181,569</b>	<b>1,148,310</b>

#### Notes to Accounts

XIV

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

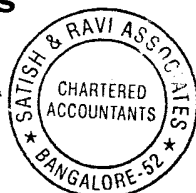
**Vide our report of even date,  
For Satish & Ravi Associates  
Firm Regn. No - 007214S  
Chartered Accountants,**

**(SATISH MAKHIJA)  
Partner**

M No. 204258

Place : Bangalore

Date : 24th May 2010



**For Seven Hills Clothing Private Limited**

Director

Director

**SEVEN HILLS CLOTHING PRIVATE LIMITED****SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS  
FOR THE PERIOD ENDED MARCH 31, 2010**

	<b>31.03.2010</b>	<b>31.03.2009</b>
<b>SCHEDULE I - SHARE CAPITAL</b>		
<b>Authorized</b>		
20,000 (2009:20,000) Equity Shares of Rs. 10 each -	200,000	200,000
<b>Issued, Subscribed and Paid-up</b>		
20,000 (2009:20,000) Equity Shares of Rs. 10 each fullu paid up	200,000	200,000
	<b>200,000</b>	<b>200,000</b>
<b>SCHEDULE II - RESERVES AND SURPLUS</b>		
<b>Securities Premium Account</b>		
Balance as per last account	30,590,000	30,590,000
<b>General Reserve</b>		
Balance as per last account	-	-
<b>Profit and Loss Account</b>	1,181,569	1,148,311
	<b>31,771,569</b>	<b>31,738,311</b>
<b>SCHEDULE III - SECURED LOANS</b>		
	-	-
	-	-
<b>SCHEDULE V - INVESTMENTS</b>		
<b>A. Long-term Investments [at cost] [unquoted]</b>		
<b>In Government Securities [Non-trade]</b>		
National Savings Certificate	200	200
	<b>200</b>	<b>200</b>
<b>SCHEDULE VI - CURRENT ASSETS, LOANS AND ADVANCES</b>		
<b>Sundry Debtors</b>		
[Unsecured, considered good]		
Debts outstanding for a period exceeding six months	18,000	18,000
--Others	-	-
	<b>18,000</b>	<b>18,000</b>

**Cash and Bank Balances**

Cash on hand	6,451,169	1,549,334
Bank Balances with Scheduled Banks:	-	-
-- in Current Accounts	10,236,921	1,754,653
	<b>16,688,090</b>	<b>3,303,987</b>

**Other Current Assets**

	-	-
	-	-

**Loans and Advances**

[Unsecured, considered good]

Advances recoverable in cash or kind or for value to be received		
-- for Supplies and Services	9,382,521	6,067,171
-- to Staff	1,769,555	804,346
--- others	35,000	
Security & other deposits	30,779,254	44,170,249
Advance Tax (net of provision)	21,106,899	29,944,028
	<b>63,073,229</b>	<b>80,985,794</b>

**SCHEDULE VII - CURRENT LIABILITIES AND PROVISIONS****Current Liabilities**

Sundry Creditors		
-- Dues to Small Scale Industrial Undertakings	-	-
-- Dues to Micro and Small Enterprises [Refer Note C-14 to Schedule XIV]	-	-
---- Others	61,935,334	57,481,630
Due to Holding company	38,550,759	63,358,441
Due to Subsidiaries	-	150,000
Book Overdraft	281,845	-
Other Liabilities	640,037	695,288
	<b>101,407,974</b>	<b>121,685,359</b>

**Provisions**

Gratuity	1,112,533	1,705,478
Leave Benefits	4,926,214	5,976,809
	<b>6,038,747</b>	<b>7,682,287</b>
	<b>107,446,721</b>	<b>129,367,646</b>

**SCHEDULE VIII - CONTRACT RECEIPTS**

Job Work Income	504,764,785	644,267,711
	<b>504,764,785</b>	<b>644,267,711</b>

**SCHEDULE IX - OTHER INCOME**

Interest on Income Tax refund	1,671,014	-
Miscellaneous Income	150,506	103,200
	<b>1,821,520</b>	<b>103,200</b>

**SCHEDULE IV FIXED ASSETS**

	GROSS BLOCK				DEPRECIATION BLOCK				Net Block			
	As at 01/04/2009	Additions	Deletions/ Adjustments	TOTAL 31.03.2010	As at 01/04/2009	For the Year 31.03.2010	Deletions/ Adjustments	As at 31.12.2010	As at 31.03.2010	As at 31.3.2009	As at 31.3.2009	
<b>PARTICULARS</b>												
Building	19,053,686	-	-	19,053,686	4,728,538	7,569,329	-	12,297,866	6,755,819	14,325,148		
Leasehold Improvements	11,811,091	-	-	11,811,091	3,008,964	880,213	-	3,889,176	7,921,915	8,802,127		
Computers	84,494	-	-	84,494	72,199	3,779	-	75,979	8,515	12,295		
Electrical Equipments	35,775,996	-	-	35,775,996	12,017,488	4,065,554	-	16,083,042	19,692,954	23,758,508		
Factory Equipments	6,132,283	-	-	6,132,283	1,892,179	589,798	-	2,481,977	3,650,305	4,240,104		
Furniture & Fixtures	23,072,285	-	-	23,072,285	8,952,806	2,638,407	-	11,591,213	11,481,072	14,119,479		
Office Equipments	1,603,653	35,760	-	1,639,413	498,451	154,483	-	652,934	986,479	1,105,202		
Plant & Machinery	18,270,754	170,584	-	18,441,338	6,564,895	1,727,732	-	8,292,627	10,148,711	11,705,859		
Vehicles	951,912	-	830,539	121,373	712,731	48,452	661,670	99,513	21,860	239,181		
<b>TOTAL</b>	<b>116,756,154</b>	<b>206,344</b>	<b>830,539</b>	<b>116,131,959</b>	<b>38,448,251</b>	<b>17,677,747</b>	<b>661,670</b>	<b>55,464,328</b>	<b>60,667,631</b>	<b>78,307,903</b>		
<b>Previous Year Figures</b>	<b>111,019,617</b>	<b>5,736,541</b>	<b>-</b>	<b>116,756,157</b>	<b>25,973,504</b>	<b>12,475,332</b>	<b>-</b>	<b>38,448,837</b>	<b>78,307,320</b>	<b>85,046,112</b>		

**SCHEDULE X - OTHER MANUFACTURING AND OPERATING EXPENSES**

Consumption of Consumables, Stores and Spares	27,890	196,691
Job Work Charges	-	512,003
Power and Fuel	16,707,916	22,319,780
Repairs and Maintenance - Plant and Machinery	2,797,501	1,348,836
Other Manufacturing Expenses	1,205,818	916,385
	<b>20,739,125</b>	<b>25,293,695</b>

**SCHEDULE XI - PERSONNEL COSTS**

Salaries, Wages and Bonus	383,575,589	476,084,476
Contribution to Provident Fund and other Funds	44,569,378	59,173,553
Gratuity expense	1,674,683	1,025,039
Welfare Expenses	7,941,928	12,838,479
	<b>437,761,578</b>	<b>549,121,547</b>

**SCHEDULE XII - SELLING AND ADMINISTRATIVE EXPENSES**

Rent	12,216,284	37,211,595
Repairs and Maintenance		
-- Buildings	2,144,741	5,363,684
-- Others	4,210,227	4,349,809
Insurance	664,704	555,247
Rates and Taxes	619,022	431,446
Legal and Professional Charges	3,593,676	3,599,618
Printing and Stationery	168,017	139,502
Communication Costs	431,887	516,401
Travelling and Conveyance	898,676	946,569
Auditors' Remuneration [Refer Note C- 12 to Schedule XIV]	83,166	83,427
Loss on Sale of Fixed Assets (net)	41,968	-
Prior Period Expenses	-	460,446
Miscellaneous Expenses	3,593,116	3,779,795
	<b>28,665,483</b>	<b>57,437,539</b>

**SCHEDULE XIII - FINANCE CHARGES**

Bank Charges	90,323	274,925
	<b>90,323</b>	<b>274,925</b>

**SEVEN HILLS CLOTHING PRIVATE LIMITED**

**Cash Flow Statement for the year ended 31st March 2010**

<b>Cash flow from Operating Activities</b>	<u>31.03.2010</u>	<u>31.03.2009</u>
Net profit before taxation & Extraordinary items	1,652,049	(232,126)
Adjustment for:		
Depreciation	17,677,747	12,475,332
Preliminary Expenses W/O	-	4,680
Profit on sale of Assets	(41,968)	-
Prior period Items	-	-
Operating profit before working Capital changes	<u>19,287,829</u>	<u>12,247,886</u>
Adjustment for:		
(Increase)/Decrease in sundry debtor	-	36,754
(Increase)/Decrease in Advances	(4,315,391)	(10,159,260)
(Increase)/Decrease in Security and other deposits	13,390,995	-
Increase/(Decrease) in current liabilities	(20,277,385)	(2,655,340)
Increase/(Decrease) in Provisions	(1,643,540)	-
<b>Cash generated from operations</b>	<b>6,442,507</b>	<b>(529,960)</b>
Taxes Paid :		
Current tax	7,998,723	1,072,731
Income tax of earlier years	(1,061,621)	(1,187,239)
Fringe benefit tax paid		
<b>Net Cash Flow from Operating Activities</b>	<b>A</b>	<b>(644,468)</b>
<b>Cash flow from Investing Activities</b>		
Purchase of fixed assets	4,493	(5,736,541)
Purchase of Investments	-	-
<b>Net Cash Flow from Investing Activities</b>	<b>B</b>	<b>(5,736,541)</b>
<b>Cash flow from Financing Activities</b>		
Proceeds from issue of Shares	-	-
Share Premium received	-	-
Capital Reserve on Business	-	-
(Repayment) or borrowings of unsecured loans	-	-
Preliminary & Preoperative expenses	-	-
<b>Net Cash flow from Financing Activities</b>	<b>C</b>	<b>-</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>A + B + C</b>	<b>(6,381,009)</b>
<b>Increase / (Decrease) in Cash And Cash Equivalents</b>		
Cash and Cash Equivalents as at the commencement of the year (Opening Balance)	3,303,987	9,684,996
Cash and Cash Equivalents as at the end of the year (Closing Balance)	16,688,090	3,303,987

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 : 24th May 2010



For Seven Hills Clothing Private Limited

*[Signature]*

Director

Director

**SEVEN HILLS CLOTHING PRIVATE LIMITED**

**SCHEDULES ANNEXED TO AND FORMING PART OF ACCOUNTS FOR THE YEAR  
ENDED MARCH 31, 2010**

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**SCHEDULE XIV - 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 except for the changes in accounting policy discussed more fully below, 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**

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

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

Leasehold improvements are depreciated over the primary lease period or useful life, whichever is lower.

**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. 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.

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 except those arising from investments in non-integral operations.

**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) 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 recognized immediately in the Profit and Loss Account.

**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 loss / gain are immediately taken to profit and loss account and are not deferred.

## **l) Taxation**

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax are 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 if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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 are 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	2010	2009
Claims against the Company not acknowledged as debts	461,558	Nil
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

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

## 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)

	2010	2009
Current Service Cost	2,640,317	1,363,673
Interest cost on benefit obligation	236,128	246,180
Expected Return on Plan Assets	(225,088)	(105,577)
Actuarial gain/(loss)	(109,340)	(479,236)
<b>Net benefit expense</b>	<b>2,542,017</b>	<b>1,025,039</b>
Actual return on plan asset		

Details of Provision for gratuity (in Balance Sheet)

(Amount in Rs)

	2010	2009
Defined benefit obligation	4,510,960	4,190,655
Fair value of plan asset	3,398,427	2,485,177
<b>Plan liability</b>	<b>(1,112,533)</b>	<b>1,705,478</b>

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

(Amount in Rs)

	2010	2009
Opening defined benefit obligation	4,190,655	3,922,191
Current Service Cost	2,640,317	1,363,673
Interest Cost	236,128	246,180
Benefits Paid	(2,478,122)	(810,679)
Actuarial (gain)/loss	(78,018)	(530,709)
<b>Closing defined benefit obligation</b>	<b>4,510,960</b>	<b>4,190,655</b>

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

(Amount in Rs)

	2010	2009
Opening fair value of plan asset	2,485,177	208,356
Expected return	225,088	105,577
Actuarial gain/(loss)	31,322	(51,473)
Contributions by employer	3,134,962	2,222,717
Benefits Paid	(2,478,122)	-
<b>Closing fair value of plan asset</b>	<b>3,398,427</b>	<b>2,485,177</b>

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

Interest Rate	8%	7%
Discount Factor	8%	7%
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. 1,115,000 to gratuity in 2010-11.  
The major categories of plan asset as a percentage of the fair value of total plan asset are as follows:

	%	
	2010	2009
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): (Amount in Rs)

Geographical Segment	Revenues	Carrying amount of segment assets (Debtors)
In India	504,764,785 (644,267,711)	18,000 (18,000)
Outside India	Nil	Nil
<b>Total</b>	<b>504,764,785</b> <b>(644,267,711)</b>	<b>18,000</b> <b>(18,000)</b>

Note:

- All fixed assets are located in India.
- 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
		All colour Garments Private Limited
		Rajdin Apparels Private Limited
		Reflexion Trading Private Limited
		Rishikesh Apparels Private Limited
		Robot Systems Private Limited
		Rafter Trading Private Limited
		SNS Clothing Private Limited
		Vignesh Apparels Private Limited

b.	<i>Key management personnel:</i>	
(i)	Director	Mr. Madanlal J Hinduja
(ii)	Director	Mr. Rajendra J Hinduja
(iii)	Director	Mr. Dinesh J Hinduja
c.	<i>Enterprises over which key management personnel and their relatives exercise significant influence with whom transactions have taken place during the year:</i>	
(i)	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(b)	A(c)	
<b>Income</b>				
Job work charges	504,764,785 (644,267,711)			<b>504,764,785</b> <b>(644,267,711)</b>
Rent Paid			1,998,968 (13,050,990)	<b>1,998,968</b> <b>(13,050,990)</b>
Rent Deposit paid			Nil (5,700,000)	<b>Nil</b> <b>(5,700,000)</b>
Rent Deposit received back			Nil (2,060,000)	<b>Nil</b> <b>(2,060,000)</b>
<b>Balances outstanding as at March 31, 2010</b>				
-- Credit balances	38,550,759 (63,358,441)	Nil (150,000)		<b>38,550,759</b> <b>(63,508,441)</b>
-- Debit balances	(Nil)	(Nil)	19,140,000 (19,140,000)	<b>19,140,000</b> <b>(19,140,000)</b>

Figures in brackets relate to previous year.

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

	2010	2009
<b>Expenses</b>		
<b>Reni paid</b>		
JVN Exports Private Limited	1,290,848	7,147,386
VAG Exports Private Limited	708,120	5,903,604
<b>Rent deposit paid</b>		
VAG Exports Private Limited	-	<b>5,700,000</b>
<b>Deposit recovered</b>		
JVN Exports Private Limited	-	<b>2,060,000</b>
<b>Debit balances to fellow subsidiaries</b>		
Reflexion Trading Private Limited		-
<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>Credit balances to fellow subsidiaries</b>		
Magenta Trading Private Limited	-	150,000

**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	2010	2009
Net profit for the year as per profit and loss account before exceptional items	32,506	519,027
Net profit for the year as per profit and loss account after exceptional items	32,506	519,027
Weighted average number of equity shares (Nos.)	20,000	20,000
Nominal value per share	10	10
Earnings per share – Basic and diluted	<b>1.63</b>	<b>25.95</b>
Before exceptional items		
After exceptional items		

**7. Deferred taxes - Components**

(Amount in Rs)

Particulars	As at March 31, 2009	Current year charge/(credit)	As at March 31, 2010
Difference between book and tax base of fixed assets	(1,858,816)	829,956	(1,028,860)
Retirement benefits allowed on payment basis accrued in books	549,471	(549,471)	0
<b>Total</b>	<b>(1,309,345)</b>	<b>280,484</b>	<b>(1,028,860)</b>

**8. Remuneration to directors**

(Amount in Rs)

Particulars	2010	2009
Salaries	Nil	Nil

**9. Auditors' remuneration\***

(Amount in Rs)

Particulars	2010	2009
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	2010	2009
<i>Licensed capacity</i>			
Readymade garments	Pcs	Not Applicable	Not Applicable
<i>Installed capacity</i>			
Readymade garments		Refer note below	
<i>Production</i>			
Readymade garments - Own production - Through Job workers	Pcs		

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	2010		2009	
	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

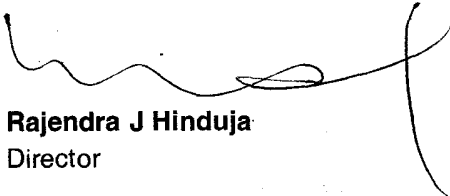
11. Based on the information available with the company, there are no suppliers who are registered as micro, small or medium enterprises under the Micro, Small or Medium Enterprises Development Act 2006.
12. Previous year's figures have been regrouped/rearranged/reclassified, wherever necessary to conform to the current year's presentation.

**Signatures to schedules I to XIV**

**For and on behalf of the Board**



**Madanlal J Hinduja**  
Director



**Rajendra J Hinduja**  
Director

Place : Bangalore  
Dated: May 24, 2010

**For Satish & Ravi Associates**

Firm Regn No – 007214S

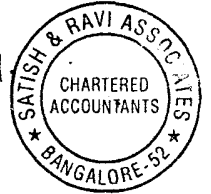
Chartered Accountants



**(SATISH MAKHIJA)**

(Partner)

M.N.204258





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

Turnover (Total income)								Total Expenditure													
				5	0	6	5	8	6					5	0	4	9	3	4		
+ - Profit/(Loss) Before Tax								+ - Profit/(Loss) After Tax													
<input checked="" type="checkbox"/>								1	6	5	2	<input checked="" type="checkbox"/>								3	3

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

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

			1	.	6	3
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Dividend Rate %

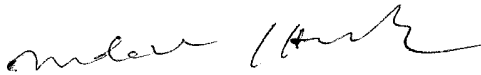
N	I	L
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5. Generic Names of Three Principal Products / Services of Company  
(as per monetary terms)  
Item Code No. (ITC Code)

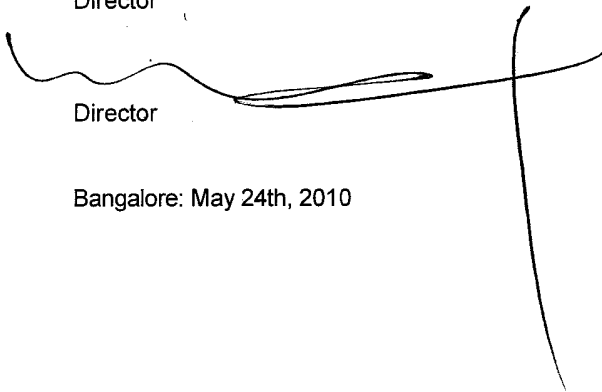
Product Description


NOT APPLICABLE

For and on behalf of the Board



Director



Director

Bangalore: May 24th, 2010