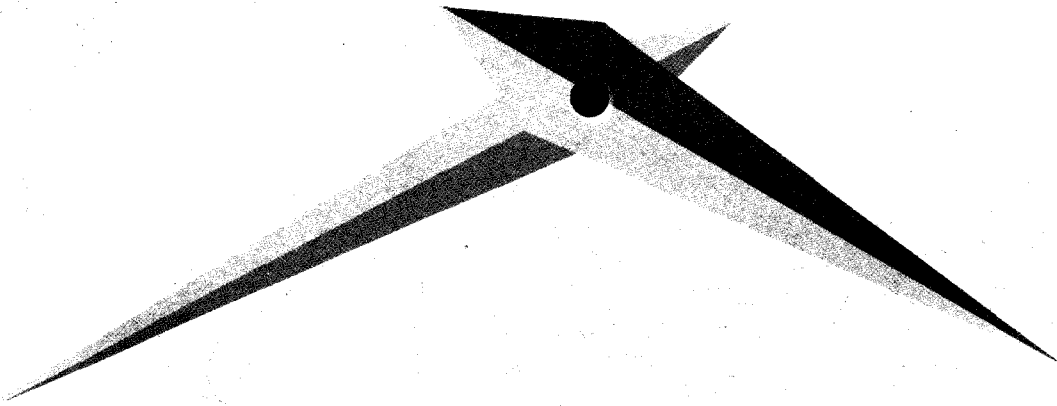




KDDL Limited
(Formerly Kamla Dials and Devices Limited)

ANNUAL REPORT 2009 - 2010



KDDL LIMITED

BANKERS

Industrial Development Bank of India
Standard Chartered Bank
Bank of India

CHIEF FINANCIAL OFFICER

Mr. Sameer Madan

COMPANY SECRETARY

Ms. Priya Manoj Jaswani

AUDITORS

Messrs Walker, Chandiook & Co.
Chartered Accountants
L-41, Connaught Circus,
New Delhi-110 001

CORPORATE OFFICE

Kamla Centre, S.C.O. 88-89,
Sector 8-C, Madhya Marg,
Chandigarh-160 009

REGISTERED OFFICE & DIALS UNIT-I

Plot No. 3, Sector III,
Parwanoo-173 220 (H.P.)

UNIT-II

Haibatpur Road, Saddomajra,
Derabassi-140 507 (Punjab)

HANDS

Plot No. 296-297,
5th Main, IV Phase,
Peenya Industrial Area,
Bangalore-560 058 (Karnataka)

EIGEN (TOOL ROOM)

408, 4th Main, 11th Cross,
Peenya Industrial Area,
Bangalore-560 058 (Karnataka)

ASSEMBLY UNITS

UNIT-I

Windsmoor Complex, Plot No. 2,
Sector 2, Parwanoo (H.P.)

UNIT-II

Village Dhana, Bagbania, P.O. Manpura,
Tehsil Baddi, Distt. Solan (H.P.)

PACKAGING UNITS

Plot No. 25/1, Industrial Area,
Phase-II, Chandigarh-160 002

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NOTICE

NOTICE is hereby given that the 30th Annual General Meeting of the Company will be held on Thursday, the 30th day of September, 2010 at 12.30 p.m. at Hotel Timber Trail Resorts, Parwanoo-173 220 (H.P.) to transact the following businesses :

Ordinary Business :

1. To receive, consider and adopt the audited accounts of the Company for the financial year ended 31st March, 2010 and the reports of the Directors' and Auditors' thereon.
2. To appoint a Director in place of Mr. Chandra Mohan, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Dr. T N Kapoor, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s. Walker Chandiook & Co., Chartered Accountants, as Statutory Auditors of the Company and to authorize the Board to fix their remuneration for the financial year ending 31st March, 2011.

Special Business :

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :
"RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII and all other applicable provisions of the aforesaid Act and subject to the approval of the Central Government and the Financial Institutions, if necessary, the consent of the Company, be and is hereby, accorded to the re-appointment of Mr. R K Saboo as the Chairman of the Company, w.e.f., 1st December, 2009, for a further period of one year, i.e., upto 30th November, 2010, upon terms and conditions as set out in the Explanatory Statement appended herewith, with a liberty to the Board to alter and vary any of the terms and conditions of the said appointment and/or agreement, if any, entered into with Mr. R K Saboo so as not to exceed the limit specified in Schedule XIII of the Companies Act, 1956, or any amendment thereto."
6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :
"RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII and all other applicable provisions of the aforesaid Act and subject to the approval of the Central Government and the Financial Institutions, if necessary, the consent of the Company, be and is hereby, accorded to the re-appointment of Mr. Yashovardhan Saboo as the Managing Director with functional designation of Chief Executive Officer of the Company, w.e.f., 1st April, 2010, for a further period of one year, i.e.,

upto 31st March, 2011, upon terms and conditions as set out in the Explanatory Statement appended herewith, with a liberty to the Board to alter and vary any of the terms and conditions of the said appointment and/or agreement, if any, entered into with Mr. Yashovardhan Saboo so as not to exceed the limit specified in Schedule XIII of the Companies Act, 1956, or any amendment thereto."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :
"RESOLVED THAT pursuant to the provisions of Sections 198, 309, 310 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII and all other applicable provisions of the aforesaid Act and subject to the approval of the Central Government and the Financial Institutions, if necessary, the consent of the Company, be and is hereby, accorded to the re-appointment of Mr. Dinesh Agrawal as Whole Time Director with functional designation of Chief Operating Officer (WCO) of the Company, w.e.f., 1st April, 2010, for a further period of three years, i.e., upto 31st March, 2013, upon terms and conditions as set out in the Explanatory Statement appended herewith, with a liberty to the Board to alter and vary any of the terms and conditions of the said appointment and/or agreement, if any, entered into with Mr. Dinesh Agrawal so as not to exceed the limit specified in Schedule XIII of the Companies Act, 1956, or any amendment thereto."
8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :
"RESOLVED THAT pursuant to the provisions of Section 314(1)(b) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company, be and is hereby, accorded to the appointment of Mr. Pranav Shankar Saboo as Business Head, Packaging Division with effect from 1st February, 2010 on a remuneration of Rs. 582,088/- per annum.
RESOLVED FURTHER THAT during his tenure, he will be governed by the rules and regulations of the Company as may be applicable to the employees of the Company from time to time including change in designation and responsibilities.
RESOLVED FURTHER THAT the Board, be and is hereby, authorised to do all such acts, deeds and things as may be necessary to give effect to the resolution and to settle any question, difficulty or doubt that may arise in this regard.

By Order of the Board

Date : 30.08.2010
Place : Chandigarh

Priya Manoj Jaswani
Company Secretary

NOTES

1. A member entitled to attend and vote can appoint proxy to attend and vote on his/her behalf. The proxy need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company atleast 48 hours before the commencement of the meeting.
3. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the special business of the Notice, set out above, is annexed hereto.
4. Members are requested to bring their copy of the Annual Report to the Meeting.
5. Members/proxies should fill the attendance slip for attending the meeting.
6. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID nos. and those who hold the shares in physical form are requested to write their Folio nos. in the Attendance Slip for attending the Meeting.
7. All documents referred to in the accompanying Notice and Explanatory Statement are open for inspection at Registered Office of the Company on all working days from Monday to Friday between 11 am to 2 pm upto the date of Meeting.
8. The amount of unclaimed dividend for the financial year ended 31st March, 2002 has already been transferred to the "Investor Education and Protection Fund" of the Central Government in terms of Section 205A of the Companies Act, 1956.
Members who have not encashed the dividend warrants so far for the financial year ended 31st March, 2003 or any subsequent years are requested to make their claims to the Company immediately.
9. The Secretarial Department at the Corporate Office of the Company is open for public dealings between 10.00 a.m. and 1.00 p.m. from Monday to Friday except holidays.
10. The Register of Members and Share Transfer books of the Company will remain closed from 23.09.2010 to 30.09.2010 (both days inclusive).
11. Members having any queries relating to this Annual Report are requested to send their questions to the Registered Office of the Company atleast seven days before the date of the Annual General Meeting.
12. The equity shares of the Company have been dematerialized w.e.f. 24th May, 2001. The ISIN No. of the Company is INE291D01011. The Company has tied up with the National Securities Depository Limited and Central Depository Services (I) Limited. Nearly 65.63% of total equity share capital as on 31st March, 2010 is in dematerialized form with NSDL and CDSL.

ANNEXURE TO NOTICE

As required by Section 173 of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the businesses mentioned under Item Nos. 5 to 8 of the accompanying notice dated 30.08.2010

Item No. 5

The Board of Directors at its meeting held on 30th January, 2010, has re-appointed Mr. R K Saboo as Chairman of the Company, w.e.f., 1st December, 2009 for a further period of one year i.e., upto 30th November, 2010.

The particulars of general information required under Part II of Schedule XIII of the Companies Act, 1956 are annexed.

The terms and conditions relating to remuneration of Mr. R K Saboo as approved by the Remuneration Committee are given below:

I. **Salary** : Rs. 75,000/- per month

II. Perquisites:

1. Fully furnished accommodation with reimbursement of charges for water, electricity and gas expenses, or HRA @ 50% of salary, in case no accommodation is provided.
2. Medical reimbursement : Expenses incurred by him and his family, subject to the ceiling of one month's salary in a year or three month's salary over a period of three years.
3. Personal Accident Insurance and / or Medical Insurance.
4. Club Fees.

That the above salary and perquisites are subject to the maximum ceiling under Schedule XIII of the Companies Act, 1956.

III. He shall also be eligible to the following perquisites which shall, however, not be included in the computation of the ceiling on remuneration, specified in Part II of Schedule XIII :

1. Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company.
2. Gratuity payable as per the rules of the Company.
3. Earned Leave: Encashment of un-availed earned leave as per the Company's rules at the end of the tenure.

IV. Provision of Car(s) for use on Company's business and telephone(s) or mobile phone(s) at residence will not be considered as perquisites. Personal long distance calls on telephone, if any, for private purpose shall be billed by the Company and recovered through his imprest from time to time.

None of the Directors, except Mr. R.K. Saboo and Mr. Yashovardhan Saboo, is in any way, concerned or interested in the resolution.

Your Directors recommend this resolution for your approval.

Item No. 6

The Board of Directors at its meeting held on 14th May, 2010, has re-appointed Mr. Yashovardhan Saboo as Managing Director with the functional designation of Chief Executive Officer, w.e.f., 1st April, 2010 for a further period of one year i.e., upto 31st March, 2011.

The particulars of general information required under Part II of Schedule XIII of the Companies Act, 1956 are annexed.

The terms and conditions relating to remuneration of Mr. Yashovardhan Saboo as approved by the Remuneration Committee are given below:

I. **Salary** : Rs. 1,50,000/- per month

II. Perquisites:

1. Fully furnished accommodation with reimbursement of charges for water, electricity and gas expenses, subject to maximum of Rs. 7,20,000/- per annum.

2. Medical reimbursement : Expenses incurred by him and his family, subject to the ceiling of one month's salary in a year or three month's salary over a period of three years.
3. Personal Accident Insurance and / or Medical Insurance.
4. Club Fees for two clubs.
5. Annual Bonus (including any other perquisites) : Maximum Rs. 10,00,000/- based on performance as per parameters to be fixed from time to time by the Remuneration Committee or the Board of Directors.

Note: Expenditure incurred by Company on Gas, Electricity, Water, Furnishings shall be valued as per Income Tax Rules, 1962.

- III. He shall also be eligible to the following perquisites which shall, however, not be included in the computation of the ceiling on remuneration, specified in Part II of Schedule XIII:

1. Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company.
2. Gratuity payable as per the rules of the Company.
3. Earned Leave: Encashment of un-availed earned leaves as per the Company's rules at the end of the tenure.

- IV. Provision of Car(s) for use on Company's business and telephone(s) or mobile phone(s) at residence will not be considered as perquisites. Personal long distance calls on telephone, if any, for private purpose shall be billed by the Company and recovered through his imprest from time to time.

None of the Directors, except Mr. R.K. Saboo and Mr. Yashovardhan Saboo, is in any way, concerned or interested in the resolution.

Your Directors recommend this resolution for your approval.

Item No. 7

The Board of Directors at its meeting held on 14th May, 2010 has re-appointed Mr. Dinesh Agrawal as Whole Time Director with the functional designation of Chief Operating Officer (WCG) w.e.f. 1st April, 2010 for a further period of three years i.e., upto 31st March, 2013.

The particulars of general information required under Part II, of Schedule XIII of the Companies Act, 1956 are annexed.

The terms and conditions relating to remuneration of Mr. Dinesh Agrawal as approved by the Remuneration Committee are given below:

- I. **Salary** : Rs. 88,000/- per month (with annual increment of 10%)

Other Benefits

- I Perquisites/Allowances to be considered in the computation of ceilings of remuneration in Part II of Schedule XIII

- | | |
|------------------------------|--|
| i) House Rent Allowance | Rs. 52,800/- per month |
| ii) Special Allowance | Rs. 17,000/- per month |
| iii) Leave Travel Concession | For self and family, once in a year incurred in accordance with the rules of the Company, subject to maximum of one month's salary in a year or three month's salary over a period of three years. |

- | | |
|---------------------------|--|
| iv) Medical reimbursement | For self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years. |
|---------------------------|--|

- | | |
|----------------------|----------------------------------|
| v) Medical Insurance | Maximum of Rs. 5,000/- per annum |
|----------------------|----------------------------------|

- | | |
|---------------|---|
| vi) Club Fees | Annual fee with maximum of Rs. 10,000/- per annum for two clubs |
|---------------|---|

II. Performance Bonus/Ex gratia

He shall be entitled to performance related Bonus/Ex-gratia or any other allowance/perquisite as may be approved by the Board of Directors or Remuneration Committee subject to maximum of Rs. 10,00,000/-.

- III. Perquisites/Allowances which shall not be considered in the computation of ceilings of remuneration specified in Part II of Schedule XIII. All these benefits are subject to the rules of the Company.

- i) Company's contribution towards provident fund
- ii) Company's contribution towards superannuation fund
- iii) Gratuity not exceeding half month's salary for each completed year of service
- iv) Earned leave entitlement and encashment of unavailed leaves, subject to maximum amount allowed as per rules of the Company.

- IV. Provision of car for use on company's business and telephone(s) or mobile(s) at residence will not be considered as perquisites. Personal long distance calls on telephone(s), if any, for private purpose and private use of car (at perquisite value under Income Tax Act) shall be billed by the Company and, recovered through his imprest account from time to time or at the end of the year.

None of the Directors except Mr. Dinesh Agrawal, is in any way, concerned or interested in the resolution.

Your Directors recommend this resolution for your approval.

Item no. 8

The Board of Directors had vide their resolution by circulation dated 2nd March, 2010, appointed Mr. Pranav Shankar Saboo as Business Head, Packaging Division of the Company, w.e.f. 1st February, 2010, on an annual remuneration of Rs. 582,088/-.

Mr. Pranav Shankar Saboo has completed his Business Management from Singapore University and had been working with M/s Primetex Brands Private Limited for a period of 6 months. He was appointed in the Company at remuneration of Rs. 582,088/- per annum.

None of the Directors, except Mr. R.K. Saboo and Mr. Yashovardhan Saboo, are in any way, concerned or interested in the resolution.

Your Directors recommend this resolution for your approval.

By Order of the Board

**Date : 30.08.2010
Place : Chandigarh**

**Priya Manoj Jaswani
Company Secretary**

KDDL LIMITED

DETAILS OF THE DIRECTORS SEEKING RE-APPOINTMENT IN ANNUAL GENERAL MEETING TO BE HELD ON 30TH SEPTEMBER, 2010

Name of Director	Mr. Chandra Mohan	Dr. T.N. Kapoor																																							
Date of Birth	30th December, 1932	2nd June, 1932																																							
Date of first appointment	17th June, 2003	22nd September, 1997																																							
Qualification and Experience in specific functional areas	<p>He is B.A. (Hons), B.Sc. Mech. Engg. (Hons), F.I.E. (India), F.I. Prod. E (India), M.I. Mech. E (London), Memb. S.A.E., M.I. Agr. E. (India). He has vast experience and has held position as CEO in Punjab Tractors Limited besides various other managerial positions during his career.</p> <p>He has been conferred with "Padma Shri" Award in 1985, Gold Shield for Import Substitution in 1975, National Award for Invention Promotion in 1972 and other distinguished awards and recognitions.</p>	<p>He is a Post Graduate in Commerce, LL.B . and Ph.D., and has over 40 years of post graduate teaching experience in management subjects and has been the Vice-Chancellor, Panjab University, Chandigarh and has also held the position of Director with Management Development Institute, Gurgaon, President, Indian Association of Management Development, Chairman, Inter-University Council for Business Education and Research, Member, National Commission for Co-operation with UNESCO, Government of India, Member, Administrative Board, International Association of Universities, UNESCO Office, Paris, Member, Board of Governors, Indian Institute of Management, Calcutta and Member, Executive Council National Assessment and Accreditation, UGC, Government of India.</p>																																							
List of Companies in which outside Directorships held	<p>Rico Auto Industries Limited Engineering Innovations Limited Sandhar Technologies Limited Winsome Yarns Limited DCM Engineering Limited IOL Chemicals & Pharmaceuticals Limited Winsome Textiles Industries Limited Mera Explorations Pvt. Ltd. Mobisoft Telesolutions Pvt. Ltd. Nextgen Telesolutions Pvt. Ltd.</p>	<p>Modern Steels Limited Swaraj Engines Limited Omax Autos Limited Sterling Tools Limited Haryana Telecom Limited</p>																																							
Chairman/Member of the Committees of the Board of the Company	<table border="0"> <tr> <td>Remuneration Committee</td> <td>Chairman</td> </tr> <tr> <td>Audit Committee</td> <td>Member</td> </tr> <tr> <td>Consideration of Un-audited Financial Results</td> <td>Member</td> </tr> </table>	Remuneration Committee	Chairman	Audit Committee	Member	Consideration of Un-audited Financial Results	Member	<table border="0"> <tr> <td>Audit Committee</td> <td>Chairman</td> </tr> <tr> <td>Board Committee for consideration of Un-audited Financial Results</td> <td>Member</td> </tr> <tr> <td>Remuneration Committee</td> <td>Member</td> </tr> </table>	Audit Committee	Chairman	Board Committee for consideration of Un-audited Financial Results	Member	Remuneration Committee	Member																											
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Chairman/Member of the Committees of Board of other Companies in which he is a Director.	<table border="0"> <tr> <td>Winsome Yarns Limited</td> <td>Audit Committee</td> <td>Member</td> </tr> <tr> <td>DCM Engineering Ltd.</td> <td>Audit Committee</td> <td>Member</td> </tr> <tr> <td></td> <td>Remuneration Committee</td> <td>Member</td> </tr> <tr> <td>Winsome Textiles Industries Limited</td> <td>Audit Committee</td> <td>Member</td> </tr> <tr> <td></td> <td>Investor Grievance Committee</td> <td>Member</td> </tr> </table>	Winsome Yarns Limited	Audit Committee	Member	DCM Engineering Ltd.	Audit Committee	Member		Remuneration Committee	Member	Winsome Textiles Industries Limited	Audit Committee	Member		Investor Grievance Committee	Member	<table border="0"> <tr> <td>Modern Steels Limited</td> <td>Shareholders'/ Investors' Committee</td> <td>Member</td> </tr> <tr> <td></td> <td>Audit Committee</td> <td>Member</td> </tr> <tr> <td>Omax Autos Limited</td> <td>Shareholders'/ Investors' Committee</td> <td>Chairman</td> </tr> <tr> <td></td> <td>Audit Committee</td> <td>Member</td> </tr> <tr> <td>Sterling Tools Limited</td> <td>Shareholders'/ Investors' Committee</td> <td>Chairman</td> </tr> <tr> <td></td> <td>Audit Committee</td> <td>Member</td> </tr> <tr> <td>Swaraj Engines Limited</td> <td>Shareholders'/ Investors' Committee</td> <td>Chairman</td> </tr> <tr> <td></td> <td>Audit Committee</td> <td>Member</td> </tr> </table>	Modern Steels Limited	Shareholders'/ Investors' Committee	Member		Audit Committee	Member	Omax Autos Limited	Shareholders'/ Investors' Committee	Chairman		Audit Committee	Member	Sterling Tools Limited	Shareholders'/ Investors' Committee	Chairman		Audit Committee	Member	Swaraj Engines Limited	Shareholders'/ Investors' Committee	Chairman		Audit Committee	Member
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KDDL LIMITED

Statement giving information required under Part-II Section-II(B) Sub-Clause (iv) to the Schedule XIII of the Companies Act, 1956 for payment of remuneration to Mr. R. K Saboo, Chairman, Mr Yashovardhan Saboo, Chief Executive Officer and Mr. Dinesh Agrawal, Chief Operating Officer (WCG)

I. General Information	Remarks		
(1) Nature of Industry	The Company operates in light engineering industry and is engaged principally in manufacture of watch components.		
(2) Date or expected date of commencement of commercial production	Commercial production started in 1983.		
(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	N.A.		
(4) Financial performance based on given indicators	The financial performance is given in the enclosed Balance Sheet and Profit and Loss Account of the Company. The performance of the Company as on 31.03.2010 as stated in Circular No. II, File No. 12/7/2000 CL.VII, dated 27.12.2000 are given below:		
			(Rs. in Million)
			As on 31.03.2010
	Net Worth		368.16
	Turnover (gross)		546.56
	Net profit after tax		(32.68)
	Dividend declared		-
(5) Export performance and net foreign collaborations	FOB value of export and earnings in foreign exchange from other operations during the financial year ended 31.03.2010 was Rs. 197.99 million.		
(6) Foreign investments or collaborators, if any	There is no foreign technical collaboration in operation at present. Investment by financial collaborators at present is as under :		
			Shares of Rs. 10/-
	1. Radexpo AG		2,60,000
	TOTAL		<u>2,60,000</u>
II. Information about the appointee			
(1) Background details	Mr. R.K. Saboo (Chairman) He is B.Sc. and has vast experience of 51 Years. He is a promoter director and is with the Company since inception.	Mr. Dinesh Agrawal, COO (WCG) He is BE(Mech) Hons. and has vast experience of 38 years including 28 years experience in our Company.	Mr. Yashovardhan Saboo, CEO He is BA (Hons.), PGDBM (IIMA) and has vast experience of 29 years. He is a promoter director and is with the Company since inception.
(2) Past remuneration			
Salary	900000	960000	1710000
Perquisites	798056	774721	887441
Performance Bonus	-	310000	250000
Total	1698056	2044721	2847441
(3) Recognition or awards	1. Degree of Doctorate by Panjab University, Chandigarh was conferred by the President of India in 2007. 2. "Padma Shri" award was conferred by the President of India in March, 2006. 3. Degree of Doctor of Letters (Honoris Causa) was conferred by H.N. Bahuguna Garhwal University, Srinagar, Uttranchal in 2006. 4. Udyog Ratna in 2005. 5. Punjab Ratna in 2005. 6. Trustee Chairman of the Rotary Foundation 1994-1996. 7. World President, Rotary International during 1991-1992. (He is the only Indian to hold these two positions in Rotary)	NIL	He has been conferred with "Udyog Ratna" Award by PHDCCI in 2005.
(4) Job profile and his suitability	He is the Chairman of the Company and is responsible for strategic decisions and planning.	He is incharge of all the manufacturing units of the Company.	He is overall incharge of the Company as Chief Executive Officer and looks after new initiatives/ expansion projects and export growth.
(5) Remuneration proposed	Proposed remuneration is for one year starting from 1st December, 2010. Details given in the explanatory statement of the accompanying notice.	Proposed remuneration is for three years starting from 1st April, 2010. Details given in the explanatory statement of the accompanying notice.	Proposed remuneration is for one year starting from 1st April, 2010. Details given in the explanatory statement of the accompanying notice.
(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin).	Remuneration package is commensurate with his competence and responsibility in the Company and also with remuneration paid by comparable companies for similar positions.	Remuneration package is commensurate with his competence and responsibility in the Company and also with remuneration paid by comparable companies for similar positions.	Remuneration package is commensurate with his competence and responsibility in the Company and also with remuneration paid by comparable companies for similar positions.
(7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.	He is the promoter director and also father of Chief Executive Officer of the Company.	No relationship.	He is a promoter director and also son of the Chairman of the Company.
III. Other Information :			
(1) Reasons of loss or inadequate profit	Due to the worldwide slow down, especially in Europe and USA, company's sales and export orders were badly affected.		
(2) Steps taken or proposed to be taken for improvement	Reduction in manpower cost across the company and restriction on major expansion and renovation plans have contributed in keeping expenses under control.		
(3) Expected increase in productivity and profits in measurable terms.	The Company does not anticipate an immediate increase in the profits until revival of the economy which is foreseen optimistically to happen only towards the end of the financial year.		
IV. Disclosures :			
(1) The shareholders of the Company shall be informed of the remuneration package of the managerial person.	The details of remuneration packages of Mr.R.K. Saboo, Mr. Dinesh Agrawal and Mr. Yashovardhan Saboo are enclosed in the explanatory statement of the accompanying notice.		
(2) Disclosures required to be mentioned in the Board of Director's report under the heading "Corporate Governance", if any, attached to the annual report.	Necessary particulars of remuneration under required heads of all Working Directors, are given in Corporate Governance Report forming part of the Director's Report for the year 2009-10.		

DIRECTORS' REPORT

TO

THE MEMBERS

The Directors present the 30th Annual Report of the Company for the financial year 2009-10.

OPERATIONS AND PROSPECTS**Financial Results**

The summary of operating results for the year 2009-10 and appropriation of divisible profits is given below :

(Figures in Millions of Rupees)				
Particulars	2009-10		2008-09	
Gross Operating Income	546.6		720.0	
Profit before interest and depreciation	30.6		84.4	
Less : Interest	39.2		36.0	
Depreciation	38.8	78.0	42.0	78.0
Profit before tax		(47.5)		6.4
Provision for Income Tax, Deferred tax and FBT		(13.7)		4.1
Profit after tax		(33.8)		2.3
Profit/(Loss) brought forward from previous year		36.7		34.3
Net Profit/(Loss)		2.9		36.6
Appropriated as under :				
Proposed Dividend		-		-
Corporate Dividend tax		-		-
Transfer to General Reserve		-		-
Surplus carried to Balance Sheet		2.9		36.6

PERFORMANCE AND PROJECTIONS

The year saw a decline in sales in both the Domestic and Export Markets. During the financial year under review, the Company sales were Rs. 547 million against Rs. 720 million in the previous year, thereby registering a decrease of 24%. The performance in terms of net profit was substantially below expectations mainly because of decline in watch dial sales, caused by a severe crisis in the international watch market, following the global economic meltdown. Most international watch hands reported sharp fall in sales and purchases, combined with inevitable inventory corrections caused supplier orders to decline by as much as 75% in some key accounts. The market conditions stabilized after January, 2010 and performance has revived handsomely after April this year.

The Precision Stamping Division performed better than the last year by registering a growth of 36% in sales. This division is further expected to show good performance during the current financial year tapping into the growing demand for its products in the electrical, automobile, telecommunications, medical and aerospace industries.

The Hands Unit had a very marginal decrease of (2%) in

sales in the current year but in the coming year there would be tremendous growth on account of the high off take in Europe. It is expected that there would be a growth of 25%.

The Company's Swiss subsidiary, Pylania, SA in Switzerland was not able to perform well in its second full year of production due to the global meltdown which adversely affected its sales, resulting in a loss. The prospects in the coming years have improved.

Satva Jewellery and Design Ltd., the 50:50 Joint Venture with Pascal Vincent Vaucher, SA of Switzerland, specializing in jewel setting on watch cases and dials, made a loss of (Rs. 9.86 million) against a profit of Rs. 1.3 million in the previous year. The sales declined by 43%. This drop in the year was due to the sharp recession in Europe and a shift away from expensive jewellery watches. The company is now looking at the Europe and Hong Kong as the main thrust areas in the coming year. The recovery from global recession is likely to be gradual and is expected that the performance of the company will start to recover only towards the end of the current financial year.

The retail and distribution business of the group, managed through our subsidiary companies Kamla Retail Limited, Mahen Boutiques Limited and Mahen Distribution Limited continued to grow during the year, registering an aggregate increase in turnover of 49%, from Rs. 47.7 crores to Rs. 71 crores. It is expected that this rate of growth will continue in the current year and the future too.

DIVIDEND

In the absence of adequate profits, your Directors regret not to recommend any dividend for year ended 31st March, 2010.

MEMBERS OF THE BOARD/MANAGEMENT COMMITTEE

The tenure of Mr. R K Saboo, Chairman of the Company ended on 30th November, 2009, and the Board has re-appointed him for a further period of one year w.e.f 1st December, 2009. Also, the tenure of Mr. Yashovardhan Saboo as Chief Executive Officer and Mr. Dinesh Agrawal as Chief Operating Officer (WCG) ended on 31st March, 2010, and the Board has re-appointed them for a period of one year & three years, respectively, w.e.f 1st April, 2010, subject to approval of shareholders in the General Meeting and subject to such other approvals of financial institutions or other statutory authorities, as may be necessary.

During the period under review, Mr. Rabendra Singh Mathoda was appointed as an Additional Director and has since resigned for personal reasons.

During the year, Mr. C.S Liao and Mr. S.K. Mandelia have resigned from the Board of Directors of the Company during the year due to personal reasons.

Mr. Chandra Mohan and Dr. T N Kapoor retire by rotation, and being eligible, offer themselves for re-appointment.

CONSOLIDATED ACCOUNTS

In accordance with the requirements of Accounting Standard AS-21 prescribed by the Institute of Chartered Accountants of India, the Consolidated Accounts of the Company and its subsidiaries are annexed to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) That in the preparation of the accounts for the financial year ended 31st March, 2010, the applicable accounting standards have been followed alongwith proper explanation relating to material departures, as mentioned in the Notes on Accounts;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 the year under review;
- (iii) That the Directors have taken proper and sufficient care in 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;
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2010 on a 'going concern' basis.

LISTING OF SHARES

The equity shares of the Company are listed on the Bombay Stock Exchange Limited and the Company has paid the annual listing fees to the Stock Exchange for the financial year 2009-10.

SUBSIDIARIES

Pylania SA

As required under section 212 of the Companies Act, 1956, the audited statements of accounts, alongwith the Reports of the Board of Directors and Auditors thereon of M/s Pylania SA are annexed.

Himachal Fine Blank Limited

As required under section 212 of the Companies Act, 1956, the audited statements of accounts, alongwith the Reports of the

Board of Directors and Auditors thereon of M/s Himachal Fine Blank Limited are annexed.

Kamla Retail Limited

As required under section 212 of the Companies Act, 1956, the audited statements of accounts, alongwith the Reports of the Board of Directors and Auditors thereon of M/s Kamla Retail Limited are annexed.

Mahen Boutiques Limited

As required under section 212 of the Companies Act, 1956, the audited statements of accounts, alongwith the Reports of the Board of Directors and Auditors thereon of M/s Mahen Boutiques Limited are annexed.

Mahen Distribution Limited

The Company has formed a wholly owned subsidiary, M/s Mahen Distribution Limited, during the year. The subsidiary has been formed with the objective of carrying on the business of distribution of watches and other luxury products.

As required under section 212 of the Companies Act, 1956, the audited statements of accounts, alongwith the Reports of the Board of Directors and Auditors thereon of M/s Mahen Distribution Limited are annexed.

FIXED DEPOSITS

All provisions of Sections 58A and 58AA of the Companies Act, 1956 have been complied with. The unclaimed deposit due for payment at the close of the financial year is Rs. 19,37,000. The aggregate amount of fixed deposits as on 31st March, 2010 is Rs. 7,54,55,000.

INTERNAL CONTROL SYSTEM

The Company has a proper and adequate system of internal control. An extensive programme of internal audits and management reviews supplement the process of internal control. Properly documented policies, guidelines and procedures are laid down for this purpose.

The Company has an Audit Committee comprising of majority of Independent, Non Executive and professionally qualified Directors, who interact with the statutory auditors and internal auditors in dealing with matters within its terms of reference. During the year under review, the Committee met five times.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed Report on Management Discussion and Analysis, pursuant to Clause 49 of the Listing Agreement is annexed to this report.

CORPORATE GOVERNANCE

The Company has been practicing the principles of good Corporate Governance over years. The Board of Directors

supports the broad principles of Corporate Governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

The Company has been in compliance with all the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchange and a Certificate from the Auditors to this effect is enclosed as a part of the Corporate Governance Report.

However, there was one instance in which the gap between two board meetings was delayed beyond four months by four days due to the pre-occupation of Directors.

In terms of sub-clause (v) of Clause 49 of the Listing Agreement, Chief Executive Officer and Chief Financial Officer have confirmed the correctness of the financial statements, adequacy of the internal control measures and reporting of matters to the Audit Committee in terms of the said Clause.

DEPOSITORY SYSTEM

As members are aware, your Company's shares are tradable compulsorily in electronic form and the Company has established connectivity with both the depositories, i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository System, members are requested to avail the facility of dematerialization of the Company's shares on either of the Depositories as aforesaid.

AUDITORS

M/s Walker, Chandiook & Co., Chartered Accountants, Statutory Auditors of the Company, retires at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received the letter from them to the effect that their appointment, if made, would be within the prescribed limits under section 224(1-B) of the Companies Act, 1956.

The Notes on Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

TRANSFER OF UNPAID AND UNCLAIMED AMOUNTS TO INVESTOR EDUCATION AND PROTECTION FUND

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the declared dividends and interest on fixed deposits which remained unpaid or unclaimed for a period of seven years, if any, have been transferred by the

Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the said Act.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information required under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 relating to "Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo" is annexed and forms an integral part of this Report.

PARTICULARS OF EMPLOYEES

Particulars of employees as required under section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended is annexed and forms an integral part of this Report.

PERSONNEL

Your Directors place on record their appreciation for the significant contribution made by all the employees, who through their competence, hard work, solidarity and co-operation, have enabled the Company to cross new milestones.

TRADE RELATIONS

The Board desires to place on record its appreciation for the support and co-operation that the Company received from its suppliers, distributors, retailers and other associates. The Company has always looked upon them as partners in its progress and has happily shared with them rewards of growth. It will be Company's endeavor to build and nurture strong links based on mutuality, respect and co-operation with each other and consistent with customer interest.

ACKNOWLEDGEMENT

Your Directors take this opportunity to thank all investors, clients, vendors, banks, regulatory and government authorities, for their continued support.

for and on behalf of the Board

Date : 30.08.2010
Place : Chandigarh

R.K. SABOO
Chairman

KDDL LIMITED

ANNEXURE TO THE DIRECTORS' REPORT INFORMATION PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

A. CONSERVATION OF ENERGY :

- a) **Energy conservation measures taken:** The Company continues to give high priority to conservation of energy on an on-going basis. A few significant measures taken are:
 - i) Periodical and preventive maintenance of electric equipments and ensured optimum utilization of electric energy.
 - ii) Phased balancing of heating and lighting load.
 - iii) Increase in power factor by installing capacitor at the individual machines.
- b) **Additional investments and proposals:** Energy conservation is planned through replacement of and modification of inefficient equipments and by providing automatic controls to reduce idle running of equipments as an ongoing exercise.
- c) **Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on cost of production of goods:** Cost of power is negligible in total cost of production.
- d) Total energy consumption and energy consumption per unit of production as per 'Form A' not given as the Company is not covered under the list of specified industries.

B. TECHNOLOGY ABSORPTION:

1. **Research and Development (R & D):**
 - a) **Specific areas on which R & D carried on by the Company:** Research and Development has been carried out for quality improvement and development of new products.

- b) **Benefits derived as a result of the above R & D:** Increase in overall efficiency, productivity and quality of outgoing product and a wider range of watch components.
 - c) **Future plan of action:** Further improvement in production processes, to develop new products and procedures would continue.
 - d) **Expenditure on R&D:** No separate account is being maintained by the company for the expenditure incurred on R&D. However, the Company is incurring recurring expenditure towards development activities.
2. **Technology Absorption, Adaptation & Innovation:**
- Efforts, in brief, made towards technology absorption, adaptation and innovation:** The Company is constantly engaged in in-house R&D and is in constant touch with the new technologies.
- Benefits derived as a result of the above efforts:** Due to continuous developmental efforts, the Company has been able to produce much more complicated dials which were being imported until now.
3. i) **Technology imported :** None after 1995.
 - ii) **Year of import :** N.A.
 - iii) **Has technology been fully absorbed?:** N.A.
 - iv) **If not absorbed, area where this has not taken place, reasons thereof and future plans of action:** N.A.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rupees in Millions)

	2009-10
Foreign Exchange earnings	190.00
Foreign Exchange outgo	8.00

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975

Statement pursuant to section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of Directors' Report is given below :

Name	Designation	Age	Qualification	Experience	Date of appointment as Director	Gross Remuneration (Rs. in Lacs)	Last Employment
Mr. Yashovardhan Saboo	Chief Executive Officer	51	BA (Hons) P.G.D.B.M. (IIMA)	29	25.03.1981	Rs. 28.47	Groz Beckert Saboo Limited
Mr. Dinesh Aggarwal	Chief Operating Officer (WCG)	59	BE (Mech.) Hons.	38	12.02.1997	Rs. 20.44	Gwalior Ryans Limited

for and on behalf of the Board

Date : 30.08.2010
Place : Chandigarh

R.K. SABOO
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**AN OVERVIEW OF THE ECONOMY**

Over the last decade there has been a shift in the world economic order. India and China have emerged as the fastest growing economies globally. The Indian economy has displayed a remarkable resilience over the course of the downturn and according to the recent announcements made by the Government, it is expected to grow by 8% in 2010-11 and maintain similar growth in the coming years too. This together with rising aspirations, better education and health of nearly a billion Indians, represents a massive opportunity. Meanwhile the global environment is likely to remain fragile in the near future. India will need to look for new markets for its goods for exports. While remaining competitive the inflation must be brought under control through a calibrated mix of supply side and monetary policies. There are some immediate concern areas that need to be addressed proactively so as to ensure they don't trip our economic momentum. These include control on inflation, an early resolution of internal political disturbances and a swift and rigorous implementation of GST, direct tax reforms and labour law reforms.

THE WATCH INDUSTRY**Swiss Watch Industry**

The strong growth recorded previously by Swiss watch on export was interrupted in 2009. For the year as a whole, the turnover totaled CHF 13.2 billion, nearly 25% below that in 2008. The sector was hit by a general fall in demand linked to the world economic crisis and suffered on all of its markets and in all segments.

Wrist watches costing less than CHF 200 (export price) saw their value and their volumes decline by 17%, accounting for most of the total fall in volumes. The CHF 200-500 segment achieved the best result, even though it remained negative. Here the value fell by 4.7% and the number of units by 3.9%. Watches costing more than CHF 500 followed a uniform pattern and recorded the steepest rates of decline. Their value was 23.7% below that of 2008. In parallel, the number of units fell by 25.7%.

Exports of components recorded even sharper decline. The value of movements leaving Switzerland in 2009 fell by 8.4%. Bracelets (-20.1%), watch cases (-36.0%) and dials (-25.0%) fared no better.

Signals perceived on the markets indicate that 2010 is experiencing a robust turnaround for Swiss watch exports. It will however be fully determined only in the second half of the

year, when the annualised variation will be known. As at the end of June 2010, the following annualized growth rates have been recorded over 2009:

Hong Kong	+37.90%
USA	+12.50%
France	+7.50%
China	+90.60%

The good news provided by export statistics is very welcome. These overall results mark the beginning of a more favourable period for Swiss watch making industry and allow a return of confidence. There has been an inclination to raise forecasts recently and accordingly they are optimistic for the end of the year 2010.

Hong Kong Watch Industry

In 2009, Hong Kong's watches and clocks exports dropped by 21%. The EU and the US, the largest markets, together accounted for nearly 40% of the total exports. While sales to the EU fell by 23%, exports to the US decreased by 25% throughout 2009.

Indian Watch Industry

The domestic market was not untouched by the global recession. However, the impact was modest and the recovery was swifter than most other global markets. With the stock market recovering and an early advent of the festival season, the watch market returned to its buoyant state at the end of the year. Both Titan and Timex recorded a growth in the net sales of watches by 10% at the end of the financial year, which is a sure indicator of the recovery in the market.

Outlook 2010

Can the crisis that engulfed the global watch industry already be written off as just a bad memory? While it seems clear that the worst is over, not all indicators have yet turned to green.

Swiss watch exports have grown by 19.7% in the first half of 2010 over the previous year. Similar trend is seen in Hong Kong watch exports. It suggests that the industry on the whole could clock close to the sales figures of year 2007. Ofcourse some brands will be in a position to recover fully while quite a few others will still have some scars left entering into year 2011.

BUSINESS OVERVIEW

KDDL Limited is the leading company in India in the manufacture of watch components since more than 25 years. Since 2003 KDDL, through its subsidiary Kamla Retail Limited has set up India's largest retail chain in luxury Swiss watches in the organized sector. After going through a tough period since

late 2008 through 2009, there is now an extensive revival in all aspects of the watch business. We have also now stepped up the focus on our precision engineering division, Eigen, which is now becoming a preferred vendor for large manufacturing companies in diversified areas such as automobiles, telecommunications, medical equipments and electronic goods. This diversified portfolio will enhance our stability and provide a buffer against future downsides, if any, thereby increasing our financial stability.

An overview of the individual business segments are detailed below:

WATCH & PRECISION COMPONENTS

WATCH COMPONENT MANUFACTURE

2009-10 was badly hit by recession. There was a drastic reduction in the export orders, compounded by a slow down and postponement in domestic orders. Measures were taken at all the manufacturing locations to cut cost. The most important was the closure of the Bangalore dial manufacturing unit and the consolidation of its capacity with the Derabassi unit. This relocation also freed up factory space for the long pending requirement from our Hands unit which is now able to grow sharply and take advantage of the strong demand from export and domestic markets.

Domestic Market

The domestic watch sales was not left untouched by dampened economic situation. However, the impact was less than on the export market and the market recovered in second half of the year. With this recovery, KDDL managed to end the year with a 12% drop in sales in value terms.

Export Market

The Swiss market, our main export destination, fell sharply in October 2008 and went through a very difficult journey for the whole year 2009-10. Most brands curtailed spending on new products and new collections, being focused on the liquidation of inventories and resolving bulging backorders and clogged pipelines. This had a spiraling effect on watch component manufacturers.

The market in China was also impacted but it has shown a sharper and earlier recovery. KDDL has put more efforts penetrating into this market and the response has definitely been encouraging

Dials

In Dials there is a constant endeavor to offer higher quality and features than our Chinese competitors and greater value than Swiss competitors. We also launched some significant new innovations such as the Apex line series, which was an altogether different technology for making raised dials with

intricate shapes at low costs, and Ace dials, which features very high luminosity associated with sports, divers and youth watches.

Hands

In Watch Hands, consistency in meeting customers' requirements with good quality and delivery compliance has resulted in better confidence and trust in the minds of customer which has resulted in healthy order position. The space vacated by closure of Bangalore dial unit has been used to expand the hands production capacity. This additional capacity has now become operational.

PRECISION COMPONENTS - EIGEN

This division addresses the market for high precision stampings and stamping tools for products in the Electrical, Electronics, Telecommunications, Automobile, Medical equipments, Auto & Aeronautics industries.

In the last few years, after establishing its position in the high precision stamping tools and precision components in this growing billion dollars market and having gained many prestigious orders, Eigen is looking for multifold jumps in its turnover in this promising market.

The growth is targeted in two ways - first by increasing the share from the existing customers and secondly by adding new customers especially from Telecommunications, Electronics, Medical and Electrical, Auto and Aero Industries in the domestic as well as in the Global Market.

Eigen has already developed tools for many components for the Cell Phone Gadget manufacturers like Salcomp, EMS and Telecommunication companies like Flextronics, Amphenol and multinational giants like ABB, 3M, Secure meter and medical Equipment companies like Polymedical and Auto Components manufacturers like AISIN NTT (Toyota).

Also, discussions with many Global players like Continental, Erickson, Eaton, Honeywell and Saft (France) are in very advanced stages of finalization.

Also the pending clearance for the very critical part for the Medical application from Tyco, USA is received after clinical functional trial for two years. This is a very important breakthrough for Eigen and will help Eigen in increasing the share in the medical segment which is very promising.

Having identified the promising niche market segments, Eigen is confident of 30-40% annual growth rates in next several years.

STRATEGIC INITIATIVES

Keeping in view the revival in demand for watches and resultant demand in the components, the Company has now decided to go for backward integration in our Assembly unit at

the existing Parwanoo unit. During the year, the company has also set up a new assembly unit at Baddi which initially would be catering to the requirement of one of our main customers in India i.e. Timex and later on, with stabilization of the manufacturing cater to the other main customer in India i.e. Titan. This consolidation is expected to bring in savings in the coming years. The year under review will see further consolidation of manufacturing as the merger of the 100% subsidiary Himachal Fine Blank Ltd. is being looked at in order to have the cost efficiencies by doing away with a separate facility.

Others

The packaging business is largely dependant on Watch and Jewellery business in domestic market. Consequently it was not insulated from recession which hit the market badly.

KDDL has now a sharp focus on making further inroads into boxes for Jewellery and Life style products all across India. Special emphasis has been put on South India market to start with.

BUSINESS PERFORMANCE REVIEW*Revenue*

The gross operating income of the Company has decreased from Rs. 720 million to Rs. 547 million, a decrease of 24% over the previous year. The decline in the market is due to the worldwide recession as already explained.

The watch segment has shown a decline from Rs. 596 million to Rs. 393 million, a decrease of 34% whereas the "others" segment has increased by 6% from Rs. 124 million to Rs. 131 million.

Within the watch components business, export sales have decreased by 42% from Rs. 331 million to Rs. 190 million. The domestic sector increased by 39% from Rs. 256 million to Rs. 357 million.

Margins

This year the margins have gone down due to decline in sales especially in the export sales and also due to poor performance of our Dial Unit at Derabassi.

The earning before interest, depreciation and taxes (EBIDTA) decreased from Rs. 84 million to Rs. 42 million, a decrease of 50%. As a percentage to revenue, EBIDTA has decreased from 11.6% to 7.69%.

Loan Funds and Cost of Debts

Compared to 2008-09, the cost of debts as a percentage to total revenue has slightly increased from 5% to 6%. This was primarily on account of increase in the interest rate and working capital.

This is also reflected in the average weighted cost of debt increasing from 11.05% to 11.33%.

SUBSIDIARY COMPANIES AND JOINT VENTURES

Kamla Retail Limited: The chain of premium watch retail stores ETHOS has witnessed a growth of more than 31% in billings in the FY 09-10 compared to the previous year. The outlook for the next year, FY 10-11, continues to be positive. While the beginning of the FY 09-10 was subdued due to lingering concerns over recession, the demand for luxury items picked up during the latter half of the year and was evident from the store on store growth witnessed in the last quarter of the year. The Company expects that the growth in demand will continue at the same pace in the next year too. The future growth of the Company is also aided by the improvement in prospects of the real estate sector. While the Company launched three new stores in FY 09-10, it plans to open at least six more stores in the FY 10-11.

Travel Retail has emerged as the independent vertical of a considerable significance. After the Company's initial foray at the airports at Delhi and Bangalore, the Company has further opened new stores at the Duty Free area at Delhi International airport as well as at the Domestic departures of the Mumbai International Airport.

The implementation of the ERP software, initiated in the FY 08-09, has been successfully completed. The ERP has helped the Company in automating many procedures and establishing the requisite controls over a geographically spread operations. The ERP will greatly enhance the Company to scale up fast without compromising on the discipline of systems, procedures and controls.

The Company has also connected with the power of social media in communicating to a community of watch lovers. Its group on Facebook, the Platinum Club, is home to more than 12000 watch lovers where the Company is continuing to build strong bonds with its community. The Company believes the members will increase to around 20000 by the end of the next financial year. It further plans to enhance its presence by creating communities across other social media platforms. The loyalty programme, Club Echo, continues to grow by leaps and bounds and the Company now has a customer base of more than 10000 customers. More than 25% of the transactions are now from the repeat purchases from the members.

The Company has also planned to amalgamate the operations of its fellow subsidiary company, Mahen Boutiques Ltd.(MBL). MBL operates the Rolex boutique at Bangalore. The merger will help in consolidating the operations and enable higher efficiency.

KDDL LIMITED

Himachal Fine Blank Limited (HFBL) : This subsidiary specializing in the manufacture of appliqué, continued to be the primary supplier of appliqué to KDDL. During the year, due to the current macro economic scenario there has been a decline in the orders received by the Company by about 13% in terms of both quantity as well as value as compared to the previous year 2007-08. However, the Company has taken necessary steps to reduce various costs and has taken various corrective measures to ensure future financial growth and stability.

Pylania SA: Our dial factory in Switzerland saw its first full year of operations for the Company. The Company has suffered a decline in its sales due to the recession in the Swiss watch business economy. Going forward, the company is geared up for serving the higher value segment of Swiss Watch Brands which are now recovering fast. The real impact will come in the next few years.

Satva Jewellery and Design Limited (SATVA): This is the Company's 50:50 joint venture with Pascal Vaucher Holding, SA of Switzerland in the field of Jewellery setting. During the year, the manufacturing plant was relocated to Panchkula, Haryana with added capacity and new CNC machines. The Company's operations and business performed well in the first half with steady inflow of orders. However, the second half year saw a dip in the orders due to the effect of global slowdown which also affected the order position substantially. The Company is making all endeavours to improve its overall performance. However, with a universal decline in the manufacture of jewellery watches the business situation still looks difficult for the year ahead.

BOARD OF DIRECTORS

Mr. R.K. Saboo: Chairman of the Company is a Bachelor of Science from St. Xavier's College, Kolkata, past President of PHD Chamber of Commerce and Industry, Member of Managing Committee of Federation of Indian Chamber of Commerce and Industry, Founder Chairman of CII (Northern Region), Chairman of All India Manufacturers' Organisation (Delhi and Punjab Chapter), Chairman of Bhartiya Vidya Bhawan, Chandigarh, Member of Board of Governors, Punjab Engineering College, Chandigarh, Member of Board of Governors, Thapar Institute of Engineering and Technology, Patiala, Member of Chandigarh Administration, Sub Committee appointed by Governor of Punjab.

He has been conferred with Degree of Doctorate by Panjab University, Chandigarh by the President of India in 2007, "Padma Shri" award by the President of India in March, 2006, Degree of Doctor of Letters (Honoris Causa) by H.N. Bahuguna Garhwal University, Srinagar, Uttranchal in 2006, "Udyog Ratna" in 2005 and "Punjab Ratna" in 2005.

He has been the Trustee Chairman of the Rotary Foundation 1994-1996 and World President, Rotary International during 1991-1992.

Associated with the Company as co-promoter and Chairman since inception, i.e. 8.1.1981.

Mr. Yashovardhan Saboo : Chief Executive Officer of the Company, is BA (Hons.), MBA (IIM) and has vast experience of 28 years. He has been conferred with "Udyog Ratna" Award from PHDCCI in 2005, has been the Chairman of CII, Northern Region, Chandigarh in 2002-03 and is also founder member of Youth Technical Training Society, Chandigarh.

Associated with the Company as co-promoter since inception, i.e. 8.1.1981 and CEO since 25.3.1981.

Dr. T.N. Kapoor : Director of the Company, is a Post Graduate in Commerce, LL.B. and Ph.D., has over 41 years of post graduate teaching experience in management subjects and has been the Vice-Chancellor, Panjab University, Chandigarh and has also held the position of Director with Management Development Institute, Gurgaon, President, Indian Association of Management Development, Chairman, Inter-University Council for Business Education and Research, Member, National Commission for Cooperation with UNESCO, Government of India, Member, Administrative Board, International Association of Universities, UNESCO Office, Paris, Member, Board of Governors, Indian Institute of Management, Calcutta and Member, Executive Council National Assessment and Accreditation, UGC, Government of India.

Associated with the Company as Director since 22.9.1997.

Mr. Chandra Mohan : Director of the Company, BA (Hons), B.Sc. Mech. Engg., (Hons), F.I.E. (India), F.I. Prod. E (India), M.I. Mech. E (London), Memb. S.A.E., M.I. Agr. E. (India), has vast experience and has held position as CEO in Punjab Tractors Limited besides various other managerial positions during his career.

He has been conferred with "Padma Shri" Award in 1985, Gold Shield for Import Substitution in 1975, National Award for Invention Promotion in 1972 and other distinguished awards and recognitions.

Associated with the Company as Director since 17.6.2003

Mr. Jagesh Khaitan: Director of the Company, is a Graduate and has vast experience in edible oil industry. He led Amrit Banaspati Co. Ltd., a well-known company manufacturing edible oils, for almost 41 years. He had been conferred the Honour of "Legend" by Globe Oil India in recognition of his services and contribution for the betterment and upliftment of the edible oil industry. Till recently, he was Vice Chairman and Managing Director of Amrit Banaspati Co. Ltd. and currently,

KDDL LIMITED

he is Chairman and Managing Director of ABC Paper Ltd., a large agro-based Paper Mill in Punjab. He is Associated with various trade Associations and Chamber of Commerce and Industry. He had been President of Indian Vanaspati Producers' Association (IVPA). He is also on the Board of Directors of various reputed companies including Purple Entertainment Ltd.

Mr. Anil Khanna: Director of the Company, is a Bachelor of Arts (Economics, Mathematics) and Chartered Accountant-FCA DISA. He is in practice and has over 25 years of post qualification experience.

He is a Certified Arbitrator by the Institute of Chartered Accountants of India, has been certified as Business Counselor by Entrepreneur Development Institute (EDI), Ahmedabad. He has worked in SAP, Mfg Pro, JD Edworks Environment and has chaired implementation of Microsoft Navision-ERP.

He had been nominated as a member of Regional Direct Tax Advisory Committee, Government of India and is also a member of Income Tax Appellate Tribunal Bar Association, Chandigarh.

Associated with the Company as Director since 22.12.2004

Mr. Dinesh Agrawal : Chief Operating Officer (WCG) of the Company, is BE (Mech) Hons. and has vast experience of 36 years including 26 years experience in KDDL Limited.

Associated with the Company as Director since 12.2.1997

HUMAN RESOURCE MANAGEMENT

Human Resources are a valuable asset at KDDL and the Company seeks to attract and retain the best talent available. Human Resource Management incorporates a process driven approach that invests regularly in the training and development needs of employees through succession planning, job rotation, on the job training and extensive training workshops and programs.

During the year the Company held various employee engagement programs in order to bolster employee morale, inculcate a feeling of team work and camaraderie and create a mechanism to recognize individual and team contributions to the organization. Programs such as Chairman's Annual Awards and Star Performer Awards recognize and reward individual and team achievements across the Group.

The total number of employees of the Company was over 1000 during the year under review.

INTERNAL CONTROL SYSTEMS

The Company maintains Internal Control Systems designed in accordance with Companies (Audit Report) Rules, 2003 and to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's

authorization and is properly recorded, and accounting records are adequate for preparation of financial statements and other financial information. For this purpose, Internal Auditors have been appointed who carry out operations review audits to improve the processes and strengthen controls of the existing processes. Internal Audit Reports are put up before the Audit Committee Meetings to review problem areas if any, and initiate corrective actions.

In addition to the above, the Internal Auditors prepare and submit an Annual Statistical Report detailing the number and nature of repetitive non-compliances of significant consequences and an annual management guidance report detailing the various observations that required the attention of the Audit Committee during their audits and the suggestions made by the Internal Auditors to resolve such issues and to avoid repetition of the same.

RISKS AND CONCERNS

Risk means uncertainties about events and their outcomes that could have a material impact on the performance and projections of the Company. Since risk is inherent in every business, it is the Company's responsibility to minimize its incidence in order to protect and enhance shareholder value.

Our framework for combating risks recognizes that risks may be divided into two broad categories – risks that are common and relevant for most business in general, and risks that are more specifically applicable to your Company and its businesses in particular. The management of risk starts with process of assessing risks on an ongoing basis in the Company, and an effective internal control and management reporting system. The framework also covers the practices and processes to manage and mitigate risks.

RISKS OF GENERAL NATURE

Risks relating to the general macro economic environment of the Company include risks associated with political and legal changes, changes in tax structures, and commercial rules & laws. The Company keeps a proactive track to anticipate such changes and mitigate associated risks to the extent possible.

Risks related to man-made and natural disasters such as explosions, earthquakes, storms as well as civil disturbances are handled by following best practices in the design of structures and "safety first" as a guiding principle while designing technical and business processes.

The third set of general risks relates to risks from market led changes. These include risks associated with sudden fall in GDP and growth rates, overall market condition in India and abroad, or sudden changes in market preferences. The mitigation of these risks is achieved by a cost-effective and flexible working structure which would allow the Company to

scale up or scale down working in affected areas in accordance with the changes.

SPECIFIC RISKS

We have identified the following specific risks that need more detailed attention in the present circumstances and business of the Company.

Risks due to decline in overall demand for watches: While we remain confident of a steady growth in the demand of watches in India and China over the next 10-15 years, we are aware of the gradual decline of the watch as a time keeping instrument. At the same time, we foresee an increase in the watch becoming an important fashion accessory. The risk of such decline in the functional value of a watch is mitigated by positioning ourselves to better serve the watch as a fashion accessory.

Risks pertaining to over dependence on few customers: The Company has enjoyed a close and mutually beneficial association with several leaders in the watch business most notably Titan, Timex in India and the Swatch Group in Switzerland. This inevitably has led to a substantial part of the Company's business being related to these groups.

Notwithstanding the excellent standing of these companies and our Company's enduring relationship with them, we recognize that broad-basing our customer base and brand partner base is a priority to mitigate any inherent risk from over-dependence on any specific partner.

Risks related to over dependence on one business: This is mitigated by an increasing focus on developing businesses outside the watch industry, for e.g. the packaging business and the business of precision engineering components through the new division EIGEN.

Foreign Exchange Risks: More than 40% of the Company's manufacturing turnover comes from exports, denominated in

Swiss Francs and US Dollars. The fall and rise in these currencies can seriously impact the working of the Company in the short and medium term. In the current year, the fall in the value of these currencies will have a significant impact on the export earnings in Rupee terms and thereby on the profitability of the Company. This risk is mitigated with several measures which includes:

- Hedging and forward cover of currencies to the extent reasonably possible.
- Balancing of imports and exports.
- A counter acting balancing exposure in foreign currency loans to offset movements either way in the forex rates.

Risk related to Personnel: Our business is increasingly dependent on the skills and competencies of our employees and management team. The general war for talent in our growing economy has created a substantial risk related to the retention of key personnel both in manufacturing and retail sector. This risk is mitigated through effective HR policies relating to recruitment and retention and a proactive remuneration and rewards policy that is periodically reviewed at the highest management level.

CAUTIONARY STATEMENT

Statements in the "Management Discussion and Analysis" describing the Company's objectives, estimates, expectations or projections may be "forward looking statement" within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, Government Regulations, Statutes, tax laws, economic developments within India and countries in which the Company conducts business, litigations and other allied factors.

REPORT ON CORPORATE GOVERNANCE

COMPANY PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate Governance is the application of best management practices, compliance of laws, rules, regulations and adherence standards to achieve the objects of the Company, enhance shareholder value and discharge of social responsibility. The Corporate Governance structure in the Company assigns responsibility and authority to Board of Directors, its committees and executive management, senior management, employees etc.

The Company acknowledges its responsibility to its stakeholders. Even in a fiercely competitive business environment, the Management and the employees of the Company are committed to uphold the core values of transparency, integrity, honesty and accountability which are fundamental to the Kamla Group. The Company believes that Corporate Governance helps to achieve commitment and goals to enhance stakeholder value by focusing towards all stakeholders. Any good corporate governance provides an appropriate framework for the Board, its committees and the executive Management to carry out the objectives that are in the interest of the Company and the stakeholders. The Company maintains highest levels of transparency, accountability and good management practices through the adoption and monitoring of corporate strategies, goals and procedures to comply with its legal and ethical responsibilities.

BOARD OF DIRECTORS

(a) Composition

The Company supports the concept of an effective Board leading and controlling the management of its affairs. The Board provides entrepreneurial leadership of the Company within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board sets the Company's strategic aims, ensures that the necessary financial and human resources are in place for the Company to meet its objectives and review its management performance.

The Company believes in an appropriate mix of executive and independent directors to maintain the independence of the Board and to separate the Board functions of governance and management. The Board of Directors presently comprises of seven members including three Whole-Time directors, i.e., the Chairman, the Chief Executive Officer and the Chief Operating Officer. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

None of the Directors on the Board is a member of more than 10 committees, or Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement) across all the Companies in which he is a Director.

The Board meets as many times in a year as may be required to review and address a schedule of matters specifically reserved for its decision, including the overall strategy of the Group, significant contractual commitments, capital expenditure and other major financial proposals.

During the year, the necessary disclosures regarding other Directorships and Committee positions have been made by the Directors which is given below:

Name of the Director	Business Relationship	Category of Directorship	*No. of other Directorships	**No. of Committee Membership	
				Chairman	Member
Mr. R.K. Saboo	Chairman	Promoter-Executive	3	–	1
Dr. T.N. Kapoor	Director	Independent-Non Executive	6	4	5
Mr. C.S. Liao¥	Director	Independent-Non Executive	1	–	–
Mr. Jagesh Khaitan	Director	Independent-Non Executive	6	1	4
Mr. S.K. Mandelia\$	Director	Independent-Non Executive	3	–	1
Mr. R.S. Mathoda#	Director	Independent-Non Executive	1	–	–
Mr. Anil Khanna	Director	Independent-Non Executive	3	2	1
Mr. Chandra Mohan§	Director	Independent-Non Executive	8	–	5
Mr. Yashovardhan Saboo	Chief Executive Officer (CEO)	Promoter-Executive	11	–	2
Mr. Dinesh Agrawal	Chief Operating Officer (WCG)	Executive	5	–	1

* Directorship in private companies, foreign companies and associations are excluded.

** As per Clause 49 of Listing Agreement, Chairmanship/membership of the Audit Committee and the Shareholders' Grievance Committee alone have been considered.

¥ Mr. C.S. Liao, Non Executive Director resigned from the Directorship of the Company w.e.f. 26th September, 2009.

\$ Mr. S.K. Mandelia, Non Executive Director resigned from the Directorship and membership of the Board Committee for consideration of Un-audited Financial Results of the Company w.e.f. 27th August, 2009.

§ Mr. Chandra Mohan, was appointed member of the Board Committee for consideration of Un-audited Financial Results w.e.f. 27th August, 2009.

Mr. R S Mathoda, was appointed as Director of the Company w.e.f. 27th August, 2009 & resigned from the Directorship of the Company w.e.f. 5th March, 2010

Since the Chairman of the Board is an Executive Chairman, the Board of Directors comprises of more than 50% of Directors who are Independent.

Independent Director means a Non-Executive Director of the Company who:

- a) apart from receiving director's remuneration, does not have any material/pecuniary relationship or transaction with the Company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates

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which may affect independence of the director;

- b) is not related to promoters or persons occupying management positions at the Board level or at one level below the Board;
- c) has not been an executive of the Company in the immediately preceding three financial years;
- d) is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:
 - (i) the statutory audit firm or the internal audit firm that is associated with the company; and
 - (ii) the legal firm(s) and consulting firm(s) that have a material association with the Company.
- e) is not a material supplier, service provider or customer or a lessor or lessee of the Company, which may affect independence of the director;
- f) is not a substantial shareholder of the Company, i.e., owning two percent or more of the block of voting shares;
- g) is not less than 21 years of age.

(b) Number of Board Meetings, attendance at Board Meetings and at previous Annual General Meeting

4 (Four) Board Meetings were held during the financial year ended 31st March, 2010 and the gap between two meetings did not exceed four months except in one instance where there was a delay of four days from the maximum permissible gap of four months in holding consecutive board meetings. The dates on which the Board Meetings were held are as follows:

30th April, 2009	26th September, 2009
27th August, 2009	30th January, 2009

Dates for the Board Meetings are decided well in advance and communicated to the Directors. Board Meetings are held normally at the Corporate Office of the Company.

(c) Number of Board Meetings attended by the Directors

Number of Board Meetings attended by the Directors and attendance of Board of Directors at the last Annual General Meeting are given below:

Name of the Director	No. of Board Meetings attended during 2009-10	29th Annual General Meeting held on 26th September, 2009
Mr. R.K. Saboo	03	Yes
Dr. T.N. Kapoor	04	Yes
Mr. C.S. Liao	Nil	No
Mr. Jagesh Khaitan	02	No
Mr. S.K. Mandelia	Nil	No
Mr. R.S. Mathoda	02	No
Mr. Anil Khanna	04	Yes
Mr. Chandra Mohan	03	Yes
Mr. Yashovardhan Saboo	04	Yes
Mr. Dinesh Agrawal	04	Yes

(d) Information supplied to the Board

Among others, include:

- Review of annual operating plans of businesses, capital budgets and other updates;
- Quarterly results of the Company and its operating divisions or business segments;
- Minutes of meeting of Audit Committee and other Committees of the Board;
- Minutes of meetings of the subsidiary companies;
- Information on recruitment and remuneration of senior officers just below the Board level including appointment or removal of the Chief Financial Officer and Company Secretary;
- Important show cause, demand, prosecution and penalty notices which are materially important;
- Fatal or serious accidents or dangerous occurrences;
- Any materially significant effluent or pollution problems;
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company;
- Any issue which involves possible public or product liability claims of a substantial nature;
- Details of any joint venture or collaboration agreement;
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual nature;

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- Significant labour problems and their proposed solutions;
- Significant development in the human resources and industrial relations front;
- Sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business;
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement; and
- Non-compliance of any regulatory/statutory provision or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer.

The Board is regularly presented with all information under the above heads, whenever applicable and materially significant. These are submitted either as part of the agenda well in advance of the Board meetings or are tabled in the course of the Board meetings or are tabled before the appropriate Committees of the Board.

COMMITTEES OF BOARD

Currently, the Board has six committees: Audit Committee, Remuneration Committee, Board Committee for consideration of Unaudited Financial Results, Shareholders Committee, Shareholders'/Investors' Grievance Committee and Mahen Boutiques Review Committee.

1. AUDIT COMMITTEE

The scope of activities of the Audit Committee is as set out in Clause 49 of the Listing Agreement with the Stock Exchange read with Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee are broadly as follows:

- To review compliance with internal control systems;
- To review the findings of the Internal Auditors relating to various functions of the Company;
- To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Statutory Auditors/Internal Auditors;
- To review the quarterly, half yearly and annual financial results of the Company before submission to the Board;
- To make recommendations to the Board on any matter relating to the financial management of the Company, including Statutory and Internal Audit Reports;
- Recommending the appointment of Statutory Auditors and Internal Auditors and fixation of their remuneration.

The Audit Committee met five times on the following dates during the financial year ended 31st March, 2010:

30th April, 2009	27th October, 2009
30th July, 2009	30th January, 2010
27th August, 2009	

The composition of the Audit Committee and the details of meetings attended by the Directors are given below:

Name of the Director	Category	Designation	Meetings attended
Dr. T.N. Kapoor	Independent-Non Executive	Chairman	5
Mr. R.K. Saboo	Promoter-Executive	Member	4
Mr. Jagesh Khaitan	Independent-Non Executive	Member	3
Mr. Anil Khanna	Independent-Non Executive	Member	5
Mr. Chandra Mohan	Independent-Non Executive	Member	3

The Audit Committee invites such Executives as it considers appropriate to be present at its meetings. The Chief Financial Officer and the Company Secretary of the Company attended all the meetings. The Internal Auditors attend all the meetings at which Internal Audit Reports are discussed and taken note of. The Statutory Auditors are also invited to the meetings in which Annual Accounts are considered. Ms. Priya Manoj Jaswani, Company Secretary acts as the Secretary of the Committee.

2. REMUNERATION COMMITTEE

The Company constituted a Remuneration Committee on 17th June, 2003. The broad terms of reference of the Remuneration Committee are as follows:

- Recommend to the Board, remuneration including salary, perquisites and commission to be paid to the Company's Whole-Time Directors.
- Finalise the perquisites package of the Whole-Time Directors within the overall ceiling fixed by the Board.

- c) Recommend to the Board, retirement benefits to be paid to Whole-Time Directors under the Retirement Benefit Guidelines adopted by the Board.

During the financial year ended 31st March, 2010, two meetings of the Remuneration Committee were held on 30th April, 2009 and 27th October, 2009.

The composition of the Remuneration Committee is as given below:

Name of the Director	Category	Designation	Meetings Attended
Mr. Chandra Mohan	Independent-Non Executive	Chairman	2
Dr. T.N. Kapoor	Independent-Non Executive	Member	2
Mr. Anil Khanna	Independent-Non Executive	Member	2

Remuneration Policy

- **Management Staff**

Remuneration of employees largely consists of basic remuneration, allowances, perquisites and performance incentives. The components of the total remuneration vary for different grades and are governed by industry pattern, qualifications and experience of the employees, responsibilities handled by him/her and individual performance.

The Company while deciding the remuneration package of the employees/staff takes into consideration the following items:

- a) employment scenario;
- b) remuneration package of the industry; and
- c) remuneration package of the managerial talent of other industries.

For the last few years, efforts have also been made to link the annual variable pay of management staff with the performance of the Company in general and their individual performance for the relevant year measured against specific key performance areas which are aligned to the Company's objectives.

- **Non Executive Directors**

The Non-Executive Directors are paid remuneration by way of sitting fees of Rs. 10,000/- for attending the meetings of the Board of Directors and Rs. 2500/- for attending the meetings of Committees, excluding Mahen Boutiques Review Committee. The sitting fees for attending meetings of Mahen Boutiques Review Committee, is fixed at Rs.1000/- for each meeting.

During the year under review, the Non Executive Directors of the Company were paid sitting fees as under (including fees paid for Committee meetings):

Name of the Director	Sitting Fees paid (Gross) (Rs.)
Mr. Anil Khanna	67,000
Dr. T.N. Kapoor	62,500
Mr. Chandra Mohan	45,000
Mr. Jagesh Khaitan	30,000
Mr. R.S. Mathoda	20,000

- **Working Directors**

The Company pays remuneration by way of salary, perquisites, allowances and variable pay to the Whole-Time Directors. Salary is paid within the range approved by the shareholders. The ceiling on perquisites and allowances is a percentage of salary, fixed by the Board as recommended by the Remuneration Committee. Variable amount payable to such Directors is based on the performance criteria laid down by the Board which also broadly takes into account the profits earned by the Company for the year.

Details of remuneration paid to the Chairman, Chief Executive Officer and Chief Operating Officer (WCG) during the financial year ended 31st March, 2010 are as follows:

Name	Salary	Perquisites & Allowances	Bonus paid/provided in 2009-10	Total
Mr. R.K. Saboo	9,00,000	7,98,056	–	16,98,056
Mr. Yashovardhan Saboo	17,10,000	8,87,441	2,50,000	28,47,441
Mr. Dinesh Agrawal	9,60,000	7,74,721	3,10,000	20,44,721

3. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Shareholders'/Investors' Grievance Committee has been constituted to specifically look into transfer/demat/remat of shares, issue of duplicate/split/consolidation of share certificates, notices, the redressal of Investors' complaints, etc.

One meeting of the Shareholders'/Investors' Grievance Committee was held on 29th April, 2009.

The composition of the Shareholders'/Investors' Grievance Committee is as under:

Name of the Director	Category	Designation	Meetings Attended
Mr. Anil Khanna	Independent-Non Executive	Chairman	1
Mr. Yashovardan Saboo	Promoter-Executive	Member	1
Mr. Dinesh Agrawal	Executive	Member	1

4. SHAREHOLDERS COMMITTEE

The present composition of Shareholders Committee is as under:

Name	Designation
Mr. Yashovardan Saboo	Chief Executive Officer
Mr. Sameer Madan	Chief Financial Officer
Ms. Priya Manoj Jaswani	Company Secretary

This Committee meets fortnightly or as may be required. Ms. Priya Manoj Jaswani, Company Secretary of the Company is authorized to authenticate the transfers/transmissions/issue of duplicate share certificates, etc. All requests for dematerialisation of shares are processed and confirmed by M/s Karvy Computershare Private Limited, Registrars and Share Transfer Agents of the Company.

Shareholders'/Investors' complaints

Complaints pending as on 1st April, 2009	Nil
During the period from 1st April, 2009 to 31st March, 2010, complaints identified and reported under Clause 41 of the Listing Agreement	23
Complaints disposed off during the year ended 31st March, 2010	23
Complaints unresolved to the satisfaction of shareholders as on 31st March, 2010	Nil

5. BOARD COMMITTEE FOR CONSIDERATION OF UN-AUDITED FINANCIAL RESULTS

The terms of reference of the Board Committee for consideration of Un-audited Financial Results is to consider and approve un-audited financial results of the Company which is taken note of by Board of Director after every meeting of the Committee.

During the financial year ended 31st March, 2010, the committee was reconstituted on 27th August, 2009. Two meetings of Board Committee for consideration of Un-audited Financial Results were held on 30th July, 2009 and 27th October, 2009.

The composition of the Board Committee for consideration of un-audited financial results is as under:

Name of the Director	Category	Designation	Meetings attended
Mr. R.K. Saboo	Promoter-Executive	Chairman	2
Dr. T.N. Kapoor	Independent-Non Executive	Member	2
Mr. Dinesh Agrawal	Executive	Member	1
Mr. Anil Khanna	Independent-Non Executive	Member	2
Mr. Jagesh Khaitan	Independent-Non Executive	Member	1
Mr. Yashovardhan Saboo	Promoter-Executive	Member	2
Mr. Chandra Mohan	Independent-Non Executive	Member	1

6. MAHEN BOUTIQUES REVIEW COMMITTEE

The committee was constituted on 25th February, 2009 to review and advise on all financial matters including but not limited to review of the financial performance, annual budgets, funding requirements, modes of financing and commercial feasibility of the business plans of Mahen Boutiques Limited, wholly owned subsidiary company.

During the financial year ended 31st March, 2010, two meetings of Board for Mahen Boutiques Review committee were held on 30th July, 2009 and 30th January, 2010.

The composition of the Mahen Boutiques Review Committee is as given below:

Name of the Director	Category	Designation	Meetings attended
Mr. Yashovardhan Saboo	Executive	Member	2
Mr. Anil Khanna	Independent Non Executive	Member	2

CODE OF CONDUCT

The Company has formulated and implemented a Code of Conduct for all Board members and Senior Management personnel of the Company in compliance with clause 49(1)(D) of the Listing Agreement. All the Board members and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct for the financial year ended 31st March, 2010. A declaration to this effect, duly signed by the Chief Executive Officer is annexed hereto.

MANAGEMENT**a) Management Discussion and Analysis Report**

Management Discussion and Analysis Report forms an integral part of this Annual Report.

b) Disclosures by management to the Board

All details relating to financial and commercial transactions where Directors may have pecuniary interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters. In matters other than those with pecuniary interests, the Directors are considered to be interested to the extent of their shareholding in the Company and following is the status of their shareholding as on the date of this Report:

Name of the Director	No. of equity shares held
Mr. R.K. Saboo	717901
Dr. T.N. Kapoor	Nil
Mr. Jagesh Khaitan	466
Mr. Anil Khanna	850
Mr. Chandra Mohan	Nil
Mr. Yashovardhan Saboo	1397790
Mr. Dinesh Agrawal	350

Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed in the Balance Sheet and they are not in conflict with the interest of the Company at large.

SHAREHOLDERS**(a) General Body Meetings**

(i) Location, date and time where last three Annual General Meetings were held are as follows:

Financial year	Details of Location	Date	Time
2008-09	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	26th September, 2009	12.30 p.m.
2007-08	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	30th July, 2008	12.30 p.m.
2006-07	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	29th August, 2007	12.30 p.m.

(ii) No Extra Ordinary General Meeting of the shareholders of the Company was held during the year.

(iii) No postal ballot was conducted during the year. None of the resolutions proposed for the ensuing Annual General Meeting need to be passed by Postal Ballot.

(iv) Special Resolutions passed at the previous three Annual General Meetings are as follows:

Annual General Meeting held on 26th September, 2009

- Re-appointment of Mr. Yashovardhan Saboo as Managing Director of the Company with functional designation as Chief Executive Officer (CEO) w.e.f. 1st April, 2009 for a period of one year ending 31st March, 2010.
- Re-appointment of Mr. Dinesh Agrawal as Whole-Time Director of the Company with functional designation of Chief Operating Officer (COO) w.e.f. 1st April, 2009 for a period of one year ending 31st March, 2010.
- Provide corporate guarantees to various Banks for providing loan to M/s Kamla Retail limited, Subsidiary Company.

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Annual General Meeting held on 30th July, 2008

- Appointment of Ms. Satvika Saboo as HR Executive u/s 314(1)(b) of the Companies Act, 1956 with effect from 15th October, 2007 on remuneration of Rs. 25,000/- per month.

Annual General Meeting held on 29th August, 2007

- Re-appointment of Mr. R.K. Saboo as Chairmarr of the Company w.e.f. 1st December, 2006 for a period of three years ending 30th November, 2009.
- Re-appointment of Mr. P.S.S. Raghavan as Whole-Time Director of the Company with such functional designation as may be decided by the Board w.e.f. 1st April, 2007 until 31st July, 2007 being the date of his resignation from the Directorship of the Company.
- To change the name of the Company from 'Kamla Dials and Devices Limited' to 'KDDL Limited'.

(b) Disclosures

1. The Board has received disclosures from key managerial personnel relating to material, financial and commercial transactions in which they and/or their relatives have personal interest. There are no materially significant related party transactions which have potential conflict with the interest of the Company at large.
2. The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the Stock Exchange, SEBI or other statutory authorities in this regard.
3. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have certified to the Board in accordance with Clause 49 of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended 31st March, 2010.
4. The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India in the preparation of financial statements and the Company has not adopted a treatment different from that prescribed in the Accounting Standards.

(c) Secretarial Audit

A qualified Company Secretary carries out on a quarterly basis a secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit, interalia, confirms that the total listed and paid-up capital of the Company is in agreement with the total number of shares in dematerialized form (held with CDSL and NSDL) and total number of shares in physical form.

(d) Annual General Meeting

Date : Thursday, 30th September, 2010
Venue : Hotel Timber Trail Resorts, Parwanoo
Time : 12.30 p.m.

(e) Financial Calendar

Financial year : 1st April to 31st March

For the financial year ended 31st March, 2010, results were announced on :

- | | | |
|------------------------|---|--------------------|
| - 30th June, 2009 | : | 30th July, 2009 |
| - 30th September, 2009 | : | 27th October, 2009 |
| - 31st December, 2009 | : | 30th January, 2010 |
| - 31st March, 2010 | : | 14th May, 2010 |

For the financial year ending 31st March, 2010, the tentative dates for announcement of the results :

- | | | |
|------------------------|---|-------------------------------|
| - 30th June, 2010 | : | Second week of August, 2010 |
| - 30th September, 2010 | : | Second week of November, 2010 |
| - 31st December, 2010 | : | Second week of February, 2011 |
| - 31st March, 2011 | : | Second week of May, 2011 |

(f) Means of Communication

- | | | |
|--|---|--|
| Quarterly/Half yearly report sent to each shareholder's residence | : | No. The financial results are published in the newspapers as required under the Listing Agreement. |
| Newspapers in which quarterly results are published | : | Results are published in Economic Times, Nav Bharat Times, Jansatta, Financial Express and Business Standard |
| Any website where results or official news are displayed | : | Yes
: www.kddl.com |
| Whether it also displays official news releases | : | Yes |
| The presentations made to institutional investors or to the analysts | : | No |

KDDL LIMITED**(g) Statistical data on shares**

Market price Data			
Month	Quote at BSE (Amount in Rs.)		BSE Sensex
	High	Low	Close
April, 2009	13.90	10.90	11403.25
May, 2009	20.79	11.75	14625.25
June, 2009	26.00	16.20	14493.84
July, 2009	18.00	12.85	15670.31
August, 2009	17.70	14.75	15666.64
September, 2009	20.95	15.40	17126.84
October, 2009	21.25	16.75	15896.28
November, 2009	19.80	17.10	16926.22
December, 2009	25.05	17.50	17464.81
January, 2010	26.30	21.25	16357.96
February, 2010	23.40	19.25	16429.55
March, 2010	36.10	19.25	17527.77

Distribution of shareholding as on 31st March, 2010

Range of equity shares held (Amount)	No. of shareholders	%age	No. of shares held	%age
1-5000	3180	84.10	471152	6.41
5001-10000	262	6.93	207771	2.83
10001-20000	124	3.28	186379	2.53
20001-30000	54	1.43	138306	1.88
30001-40000	28	0.74	97418	1.33
40001-50000	21	0.56	97409	1.33
50001-100000	41	1.08	294348	4.00
100001 and above	71	1.88	5856437	79.69
TOTAL	3781	100.00	7349220	100.00

Categories of shareholding as on 31st March, 2010

Category	No. of shareholders	No. of shares held	% of shareholding
Banks	1	50	0.00
Clearing members	13	5067	0.07
Directors	3	1666	0.02
Directors and relatives	11	40219	0.55
Foreign collaborators	2	260000	3.54
Foreign companies	1	25000	0.34
HUF	50	103036	1.40
Bodies Corporates	103	635462	8.65
Mutual Funds	1	2900	0.04
Non resident Indians	24	67320	0.92
Overseas Corporate Bodies	3	349432	4.75
Persons acting in concert	3	111370	1.52
Promoters	21	3754580	51.08
Resident Individuals	3545	1993118	27.12
TOTAL	3781	7349220	100.00

(h) Dematerialization of shares and liquidity

48,23,351 equity shares equivalent to about 65.63% of the Company's issued equity capital is held in dematerialized form with NSDL and CDSL as on 31st March, 2010. Trading in equity shares of the Company is permitted only in dematerialized form w.e.f. 24th May, 2001 as per the notification issued by the Securities and Exchange Board of India.

KDDL LIMITED

(i) Unclaimed dividend

Pursuant to the provisions of section 205A of the Companies Act, 1956, the amount of dividend which remains unclaimed for a period of seven years from the date of transfer to unclaimed/unpaid dividend account would be transferred to the "Investor Education and Protection Fund" and the shareholders would not be able to make any claims to the amount of dividend so transferred to the Fund. The unclaimed dividend for the years till 2001-02 has already been transferred to the fund. As such, shareholders who have not yet encashed their dividend warrants are requested in their own interest to write to the Company immediately for claiming outstanding dividends declared by the Company during the years 2002-03 onwards.

The schedule for transfer of dividend for the following years remaining unclaimed for seven years from the date of declaration and which are required to be transferred by the Company to the said account is tabled below:

Year	Dividend No.	Dividend unclaimed (Rs.) as on 31st March, 2010	Date of declaration	Due date for transfer
2002-2003	11	145726.25	23.08.2003	22.09.2010
2003-2004	12	160580.00	31.08.2004	30.09.2011
2004-2005	13	157171.50	17.08.2005	16.09.2012
2005-2006	14	172887.00	23.09.2006	29.10.2013
2006-2007 (Interim)	15	155623.00	20.02.2007	26.03.2014
2006-2007 (Final)	16	102421.00	29.08.2007	04.10.2014
2007-2008	17	224115.32	30.07.2008	05.09.2015

(j) Plant/Business Locations :

Dials Unit	1. Plot No. 3, Sector III, Parwanoo (H.P.) INDIA 2. Haibatpur Road, Derabassi INDIA
Assembly Units	1. Winsmoor Complex, Plot No. 2, Sector 2, Parwanoo (H.P.) INDIA 2. Village Dhana, Bagbania, P.O. Manpura, Tehsil Baddi, Distt. Solan (H.P.) INDIA
Hands Unit	296-97, 5th Main, 11th Cross, Peenya Industrial Area, Bangalore INDIA
Precision Stamping Unit (EIGEN)	408, 4th Main, 11th Cross, Peenya Industrial Area, Bangalore INDIA
Packaging Units	1. 25/1, Industrial Area, Phase-II, Chandigarh INDIA 2. Plot No. 9, Sector V, Parwanoo (H.P.) INDIA

(k) Investor Services

(i) Name, Designation and address of Compliance Officer

Ms. Priya Manoj Jaswani
Company Secretary
KDDL Limited
Corporate Office : SCO 88-89
Sector 8-C, Chandigarh-160 009
Tel : 0172-2544378
Fax : 0172- 2548302
Email : priya.jaswani@kddl.com

(ii) Address for correspondence

All correspondence relating to the shares of the Company should be forwarded to the following address of the Registrar and Share Transfer Agents of the Company:

Karvy Computershare Private Limited
UNIT : KDDL LIMITED
Plot No. 17-24, Vittal Rao Nagar
Madhapur, Hyderabad-500 081
Ph : +91-40 23420818-828
Fax : +91-40 23420814
Website : www.karvy.com

The complaints can also be sent to the Corporate Office of the Company. To allow us to service shareholders with greater speed and efficiency, the Company strongly recommends email based correspondence on all issues which do not require signature verification for being processed.

Exclusive E-mail Id for redressal of investor complaints

In terms of Clause 47(f) of the Listing Agreement, please use the following contacts for lodging/reporting complaints relating to shares:

E-mail Id: investor.complaints@kddl.com

(iii) Website

The website of the Company is www.kddl.com

(iv) Nomination in respect of shares held in physical form

The Companies Act, 1956 provides facility for making nominations by shareholders in respect of their holding of shares and several shareholders have opted such facility. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his/her nominee without having to go through the time consuming and cumbersome process of obtaining Succession Certificate/Probate of the Will. It would therefore, be in the best interest of the shareholders holding shares in physical form as sole registered holders to make such nominations without any delay. Nominations will have to be made in the prescribed form which could be obtained from M/s Karvy Computershare Private Limited at the address mentioned above. It may be noted that for shares held in electronic form, the concerned shareholders have to register their nominations directly with their respective depository participants.

(v) Consolidation of Folios

Members are requested to consolidate their shareholdings held under multiple folios. This will not only reduce the cost of servicing the shareholders but also save them from the burden of receiving multiple communications and corporate benefits.

DECLARATION BY THE CEO UNDER CLAUSE 49 OF THE LISTING AGREEMENT REGARDING ADHERENCE TO THE CODE OF CONDUCT

In accordance with Clause 49 sub-clause 1(D) of the Listing Agreement with the Stock Exchange, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance to their respective Code of Conduct, as applicable to them for the Financial Year ended 31st March, 2010.

for KDDL Limited

Yashovardhan Saboo
Chief Executive Officer

Auditors' certificate on compliance with the conditions of corporate governance under clause 49 of the listing agreement

**To the Members of
KDDL Limited (Formerly Kamla Dials and Devices Limited)**

We have examined the compliance of conditions of corporate governance by KDDL Limited (Formerly Kamla Dials and Devices Limited), ("the Company") for the year ended on March 31, 2010, as stipulated in clause 49 of the listing agreement of the Company with the stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

The Company has not complied with the provisions of clause 49 (l)(c)(i) of the listing agreement in one instance where there was a delay of four days from the maximum permissible time gap of four months in holding consecutive meeting of the Board of Directors.

Except for the non compliance as stated above, in our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned listing agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or the effectiveness with which the management has conducted the affairs of the Company.

for **Walker, Chandio & Co.**

Chartered Accountants

Firm Registration No.: 001076N

Per **B.P. Singh**

Partner

Membership No. 70116

Place : Chandigarh

Dated : 30 August 2010

AUDITORS' REPORT

TO THE MEMBERS OF KDDL LIMITED (FORMERLY KAMLA DIALS AND DEVICES LIMITED)

1. We have audited the attached Balance Sheet of KDDL Limited (Formerly Kamla Dials and Devices Limited), (the 'Company') as at 31 March 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to 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;
 - c. The financial statements dealt with by this report are in agreement with the books of account;
 - d. On the basis of written representations received from the directors, as on 31 March 2010 and as on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
 - e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India in the case of:
 - i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2010;
 - ii) the Profit and Loss Account, of the loss for the year ended on that date; and
 - iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

For **Walker, Chandiook & Co**
Chartered Accountants
Firm Registration No. 001076

per **B.P. Singh**
Partner

Place : Chandigarh
Dated : 30 August 2010

Membership No. 7011

KDDL LIMITED

Annexure to the Auditors' Report of even date to the members of KDDL Limited (formerly Kamla Dials and Devices Limited), on the financial statements for the year ended 31 March 2010

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- (ii) (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) There is one company covered in the register maintained under section 301 of the Act to which the Company has granted unsecured loan. The maximum amount outstanding during the year was Rs.14,000,000 and the year-end balance was Rs.14,000,000.
- (b) In our opinion, the rate of interest and other terms and conditions of such loans are not, prima facie, prejudicial to the interest of the Company.
- (c) In respect of loans granted, repayment of the principal amounts is as stipulated and payment of interest has been regular.
- (d) There is no amount overdue in respect of loan granted to the company listed in the register maintained under section 301 of the Act.
- (e) The Company has taken an unsecured loan from a Company covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year was Rs 2,700,000 and the year-end balance was Rs. 2,700,000.
- (f) In our opinion, the rate of interest and other terms and conditions for such loans are not, prima facie, prejudicial to the interest of the Company.
- (g) In respect of loans taken, repayment of principal amount is as stipulated and payment of interest has been regular.
- (iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.
- (v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.
- (b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at prevailing market prices at the relevant time.
- (vi) In our opinion, the Company has complied with the provisions of sections 58A and 58AA and other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. 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.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, in respect of the Company's products. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- (ix) (a) The Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they became payable.
- (b) The dues outstanding in respect of sales-tax, income-tax, custom duty, wealth-tax, excise duty, cess etc on account of dispute, are as follows:

KDDL LIMITED

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Service Tax (including penalty)	985,582	Jan 2005-June 2006	Commissioner (Appeals), CESTAT, New Delhi
Central Excise Act, 1944	Central Excise	59,106	August 2007	Joint Secretary, Govt. of India, Ministry of Finance, Deptt. of Revenue, New Delhi
Central Excise Act	Central Excise	4,082,441	July 1997-Feb. 2003	CESTAT, New Delhi
Central Excise Act	Central Excise	45,670	July 2002-June 2004	CESTAT, New Delhi
Finance Act, 1994	Service Tax	676,317	July 2003 - December 2004	CESTAT, New Delhi
Income Tax Act, 1961	Income Tax	3,646,108	Assessment Year 2004-05	Commissioner of Income Tax (Appeals), New Delhi
Punjab Municipal Act, 1911	Municipal Tax	5,551,447	1996-97 to 2008-09	Deputy Commissioner, Mohali

- x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (xi) In our opinion, the Company has not defaulted in repayment of dues to a financial institution or a bank. The Company has no dues payable to debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a *nidhi/ mutual benefit fund/ society*. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by subsidiaries from banks or financial institutions are not, prima facie, prejudicial to the interest of the Company.
- (xvi) In our opinion, the Company has applied the term loans for the purpose for which the loans were obtained.
- (xvii) In our opinion, funds raised on short-term basis have not been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For Walker, Chandiook & Co.
Chartered Accountants
 Firm Registration No. 001076N

Place : Chandigarh
 Dated : 30 August 2010

per **B.P. Singh**
Partner
 Membership No. 70116

KDDL LIMITED**BALANCE SHEET AS AT 31ST MARCH 2010**

(Amount in Rupees)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	74,363,600	74,363,600
Reserves and surplus	2	249,816,010	283,623,149
		<u>324,179,610</u>	<u>357,986,749</u>
Loan funds			
Secured	3	261,224,749	255,231,483
Unsecured	4	82,876,704	70,669,416
		<u>344,101,453</u>	<u>325,900,899</u>
Deferred tax liability (net)		<u>31,939,182</u>	<u>45,655,021</u>
		<u>700,220,245</u>	<u>729,542,669</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	736,753,109	731,217,977
Less : Accumulated depreciation		353,905,304	333,841,674
Net block		382,847,805	397,376,303
Capital work-in-progress		8,152,213	8,599,774
		<u>391,000,018</u>	<u>405,976,077</u>
Investments	6	129,739,195	140,084,630
Current assets, loans and advances			
Inventories	7	119,717,937	130,112,888
Sundry debtors	8	115,063,069	93,397,814
Cash and bank balances	9	10,377,321	15,559,837
Interest accrued but not due on deposits		759,255	530,593
Loans and advances	10	63,697,968	107,843,225
		<u>309,615,550</u>	<u>347,444,357</u>
Less : Current liabilities and provisions			
Current liabilities	11	112,171,556	147,739,260
Provisions	12	17,962,963	16,223,135
		<u>130,134,519</u>	<u>163,962,395</u>
Net Current assets		<u>179,481,032</u>	<u>183,481,962</u>
		<u>700,220,245</u>	<u>729,542,669</u>
Significant accounting policies	17		
Notes to the financial statements	18		

The schedules referred to above form an integral part of the financial statements.

On behalf of the Board of Directors

R.K. SABOO
Chairman

Y. SABOO
Chief Executive Officer

SAMEER MADAN
Chief Financial Officer

PRIYA MANOJ JASWANI
Company Secretary

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

For **Walker, Chandio & Co.**
Chartered Accountants

Place : Chandigarh
Dated : 30 August 2010

per **B.P. Singh**
Partner

KDDL LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010**

(Amount in Rupees)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
INCOME			
Gross operating income	13	546,564,707	720,008,328
Less: Excise duty		22,397,135	40,092,031
Net operating income		524,167,572	679,916,297
Other income	14	13,029,356	8,429,316
		537,196,928	688,345,613
EXPENDITURE			
Manufacturing, administrative and selling expenses	15	506,528,058	603,865,372
Profit before interest and depreciation		30,668,871	84,480,241
Finance cost	16	39,326,783	36,014,923
(Loss)/Profit before depreciation		(8,657,913)	48,465,318
Depreciation	6	38,865,065	42,011,617
(Loss)/Profit from operations before tax		(47,522,978)	6,453,701
Provision for Tax			
- Current tax		-	427,815
- Minimum Alternate Tax (MAT) credit entitlement		-	(304,064)
- Deferred tax		(13,715,839)	1,600,413
- Fringe benefit tax		-	2,360,159
(Loss)/Profit after tax		(33,807,139)	2,369,378
Balance brought forward from previous year		36,763,821	34,394,443
Surplus carried to balance sheet		2,956,682	36,763,821
Earnings per share			
Basic		(4.60)	0.32
Diluted		(4.60)	0.32
(Refer note 10 of schedule 18)			
Significant accounting policies	17		
Notes to the financial statements	18		

The schedules referred to above form an integral part of the financial statements.

On behalf of the Board of Directors

R.K. SABOO
Chairman

Y. SABOO
Chief Executive Officer

SAMEER MADAN
Chief Financial Officer

PRIYA MANOJ JASWANI
Company Secretary

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

For **Walker, Chandio & Co.**
Chartered Accountants

Place : Chandigarh
Dated : 30 August 2010

per **B.P. Singh**
Partner

KDDL LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

(Amount in Rupees)

	Year ended 31 March 2010	Year ended 31 March 2009
A. Cash flow from operating activities:		
Net profit before tax	(47,522,978)	6,453,701
Adjustments for:		
Depreciation	39,368,269	42,011,617
Loss on sale/disposal of fixed assets (net)	1,953,066	132,762
Provision for doubtful debts	405,865	2,046,539
Provision written back	(34,888)	-
Bad debts written off	251,938	148,148
Provision for other than temporary diminution in value of investments	12,345,435	-
Dividend income	(120,000)	(421,566)
Liabilities written back	(697,979)	(38,164)
Interest expense	36,809,868	32,165,494
Interest income	(2,372,844)	(3,738,500)
Operating profit before working capital changes	40,385,752	78,760,031
Adjustments for:		
Trade and other receivables	23,035,659	3,005,961
Inventories	10,394,951	(19,245,665)
Trade and other payables	(34,446,039)	26,515,096
Income Tax Paid	(1,178,572)	(11,758,326)
Net cash generated from operating activities	38,191,751	77,277,097
B. Cash flow from investing activities:		
Purchase of fixed assets	(28,893,477)	(51,388,958)
Proceeds from sale of fixed assets	2,548,199	608,329
Movement in restricted cash	2,115,746	16,748,429
Interest received	2,144,182	4,603,100
Dividend received from associate	120,000	421,566
Investment in subsidiaries	(2,000,000)	(19,000,003)
Other investments	-	(125,000)
Net cash utilised in investing activities	(23,965,351)	(48,132,537)
C. Cash flow from financing activities:		
Proceeds from issue of capital (including premium)	-	10,260,000
Conversion of share warrants to equity shares	-	-
Movement in public deposits	20,450,000	(13,124,000)
Proceeds from long term borrowings	10,848,009	7,330,173
Repayment of long term borrowings	(6,132,378)	(22,790,334)
Movement in short term borrowings	(6,965,076)	25,581,325
Interest paid	(35,493,725)	(31,109,581)
Dividend paid	-	(7,349,220)
Tax on dividend	-	(1,249,000)
Net cash (utilised in)/generated from financing activities	(17,293,170)	(32,450,637)
Net decrease in cash and cash equivalents	(3,066,770)	(3,306,077)
Opening cash and cash equivalents	12,325,568	23,311,349
Transfer of cash and bank balances under the scheme of arrangement	-	(7,679,704)
Closing cash and cash equivalents	9,258,798	12,325,568
Note 1:		
Cash and cash equivalents include:		
Cash in hand	686,420	780,913
Balance with banks	8,572,378	11,544,655
	9,258,798	12,325,568
Excluding the following:		
- Pledged in fixed deposit accounts	-	2,000,000
- In equity dividend accounts	1,118,523	1,226,519
- Pledged post office balances	-	7,750
Balance as per books of account	10,377,321	15,559,837

Note 2: Pursuant to the scheme of arrangement with respect to de-merger of a unit ("Ethos"), adjustments have been made during previous year for movements in trade and other receivables, inventories, trade and other payables, fixed assets, long term borrowings, and short term borrowings with corresponding adjustments in investment in subsidiaries, all being non-cash in nature. Accordingly, impact of such non-cash transactions are as follows:

Net cash generated from Operating activities - Rs. Nil, Previous Year Rs. 224,620,627.

Net cash utilised from Investing activities - Rs. Nil, Previous Year Rs. 2,102,973.

Net cash utilised from Financing activities - Rs. Nil, Previous Year Rs. 230,197,358.

On behalf of the Board of Directors

R.K. SABOO
Chairman

Y. SABOO
Chief Executive Officer

SAMEER MADAN
Chief Financial Officer

PRIYA MANOJ JASWANI
Company Secretary

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

For Walker, Chandio & Co.
Chartered Accountants

Place : Chandigarh
Dated : 30 August 2010

per B.P. Singh
Partner

KDDL LIMITED**Schedules forming part of the financial statements for the year ended 31st March, 2010**

(Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009
Schedule - 1		
Share Capital		
Authorised		
12,000,000 (previous year 12,000,000) Equity shares of Rs. 10 each	120,000,000	120,000,000
Issued & subscribed		
7,523,500 (previous year 7,523,500) Equity shares of Rs. 10 each	75,235,000	75,235,000
Paid up :		
7,349,220 (previous year 7,349,220) Equity shares of Rs. 10 each fully paid	73,492,200	73,492,200
Add : Forfeited shares	871,400	871,400
	<u>74,363,600</u>	<u>74,363,600</u>
Schedule - 2		
Reserves and surplus		
Capital reserves		
Central investment subsidy	2,500,000	2,500,000
State investment subsidy	3,000,000	3,000,000
Profit on re-issue of forfeited shares	9,125	9,125
Securities premium account		
As per last balance sheet	134,336,650	124,936,650
Add: Amount received during the year	-	9,400,000
	<u>134,336,650</u>	<u>134,336,650</u>
General reserve	107,013,553	107,013,553
Surplus in Profit and Loss Account	2,956,682	36,763,821
	<u>249,816,010</u>	<u>283,623,149</u>
Schedule - 3		
Secured Loans		
Term loans from :		
- Bank of India (BOI)	64,171,789	53,323,780
- Industrial Development Bank of India (IDBI)	35,018,657	36,050,188
- Standard Chartered Bank (External commercial borrowing)	48,070,475	50,665,219
Working capital loans from :		
- Bank of India (BOI) on cash credit account	68,537,510	56,159,081
- IDBI Bank Limited (IDBI) on cash credit account	6,235,252	16,759,264
- Standard Chartered Bank (SCB) on cash credit account	37,890,951	38,467,732
Others :		
- Vehicle loans from banks	1,300,115	3,806,218
	<u>261,224,749</u>	<u>255,231,482</u>

KDDL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

Notes :

- a) Term loans from BOI is secured by first charge on the entire fixed assets of Hands Unit at Bangalore and Dials Unit at Derabassi, ranking pari passu, and second charge on current assets (save and except book debts) of the Company, subject to the first charge in favour of Company's bankers for securing the working capital limits. This is further secured by way of first pari-passu mortgage charge on land & building of Derabassi unit. These loans are also guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.
- b) Term Loan from IDBI is secured by first charge on all the Company's movable assets pertaining to its Derabassi & Hands unit of the Company (save and except book debts) including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and/or to be created in favour of the Company's bankers on the stock of raw materials, semi-finished and finished goods, consumable stores, book debts and such movables. It is also secured by way of an exclusive first charge on hypothecation of machinery/equipments, all movables pertaining to Tool Room Unit, Bangalore and pari-passu mortgage charge on land and building and other fixed assets of Derabassi unit. It is also secured by hypothecation charge of machinery/equipments installed/to be installed out of proceeds of loan from IDBI in other than above Units of the Company. This loan is also guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.
- c) External commercial borrowing from SCB is secured by:
1. Hypothecation by way of first pari passu charge over the whole of fixed assets of the Company situated at Dials unit at Derabassi, Punjab; at Hands unit, Peenya Industrial Area, Bangalore and at Eigen (Tool Room) unit, Peenya Industrial Area, Bangalore, including its plant and machinery, machinery spares, tools and accessories and other movables, both present and future (save and except assets specifically charged to other lenders) whether installed or not and whether now lying loose or in cases or which are now lying or stored in or open or shall hereafter from time to time during the continuance of security of these present be brought into and or upon or to be stored or to be in or about all the borrower's factories, premises and godowns situated at Haibatpur Road, Saddomajra, Derabassi – 140 507, Punjab; at Plot No 296-297, 5th Main, IV Phase, Peenya Industrial Area, Bangalore 560 058 and at Plot No. 81-82 A, 7 Main, Phase III, Peenya Industrial Area, Bangalore 560 058, the same will be or shall be held any party to the order or disposition of the Company or in the course of transit or on high seas or on order or delivery howsoever and wheresoever in the possession of the Company.
 2. Hypothecation by way of First Exclusive Charge over movable fixed asset of the Company, consisting of plant and machinery, equipment and other movable fixed assets more particularly described in the Schedule prescribed in the agreement, acquired by utilization of the facility in the form of External Commercial Borrower, whether installed or not and whether now lying loose or in cases which are now lying or stored in or open at the Company's Parwanoo Unit.
 3. All stock in trade both present and future consisting of Raw Material, finished goods, goods in process of manufacturing and other merchandise whatsoever and all present and future book debts, outstanding monies, receivables, claims, certain fixed deposits and bill etc shall be hypothecated to the bank by way of second charge on the pari passu basis. This loan is also guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.
- d) Working capital loans from Bank of India, IDBI Bank and Standard Chartered Bank are secured by hypothecation of stocks of stores & spares, raw materials & components, finished goods & stocks-in-process and book debts and other assets of the Company (both present and future), on pari passu basis except Packaging Unit of the Company and are further secured by a second charge on the entire fixed assets of the Company. These loans are also guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.
- e) All fixed assets of packaging unit at Chandigarh are hypothecated by first charge of HDFC Bank Ltd (erstwhile Centurion Bank of Punjab Limited) in respect of working capital sanctioned to Kamla Retail Ltd, a subsidiary of the Company. This is further secured by the first charge over land and building and all other fixed assets of the Parwanoo Dials unit of the Company excluding the assets purchased after 01 April 2005 using the ECB from Standard Chartered Bank. These limits are guaranteed by the Chief Executive Officer (CEO) of the Company.
- f) Vehicle loans from banks are secured against hypothecation of specific vehicles purchased out of the proceeds of those loans.
- g) Instalments of term loans due within one year Rs. 75,492,364 (previous year Rs. 26,555,150).

(Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009
Schedule - 4		
Unsecured Loans		
Deposits from public	65,455,000	45,005,000
Short term loan from Bank of Rajasthan (BOR)	-	19,964,416
Short term loan from others	10,000,000	-
Intercorporate Deposits	2,700,000	5,700,000
Buyers Credit Loan from Bank of India (BOI)	4,721,704	-
	<u>82,876,704</u>	<u>70,669,416</u>

- Notes:** a) Deposits from public due within one year Rs. 20,903,000 (previous year Rs. 43,593,416)
b) Short Term Loan from BOR was guaranteed by the Chairman of the Company.

KDDL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

(Amount in Rupees)

SCHEDULE - 5 Fixed Assets

	Gross Block			As at 31.03.10	Upto 31.03.09	Depreciation		Upto 31.03.10	Net Block		
	As at 01.04.09	Additions	Disposals			Charge for the year	Adjustments (Net)		As at 31.03.10	As at 31.03.09	
Tangibles											
Land											
- Leasehold	225,746	-	-	225,746	-	-	-	-	225,746	225,746	
- Freehold	8,263,231	-	-	8,263,231	-	-	-	-	8,263,231	8,263,231	
Buildings	103,509,948	1,053,361	1,363	104,561,946	24,960,139	3,175,688	1,363	28,134,464	76,427,482	78,549,809	
Leasehold improvements	88,932	-	-	88,932	5,929	-	-	5,929	83,003	83,003	
Plant & Machinery	536,357,189	23,592,643	14,736,163	545,213,669	264,218,525	29,527,767	12,586,376	281,159,916	264,053,753	272,138,664	
Furniture & Office Equipment	58,143,067	1,868,655	5,990,829	54,020,893	35,706,379	3,772,527	5,128,314	34,350,592	19,670,301	22,436,688	
Vehicles	18,796,304	505,657	3,077,551	16,224,410	6,678,263	1,612,588	1,588,586	6,702,265	9,522,145	12,118,041	
Intangibles											
Know-how	-	2,320,722	-	2,320,722	-	193,394	-	193,394	2,127,328	-	
ERP Software	5,833,560	-	-	5,833,560	2,272,439	1,086,305	-	3,358,744	2,474,816	3,561,121	
Total	731,217,977	29,341,038	23,805,906	736,753,109	333,841,674	39,368,269	19,304,639	353,905,304	382,847,805	397,376,303	
Previous Year	737,878,804	47,454,959	54,115,786	731,217,977	307,392,664	42,011,617	15,562,607	333,841,674	397,376,303	-	

Note: Depreciation during the year includes Rs. 503,204 (Previous year Rs. Nil) charged on Plant and Machinery at EIGEN unit, which was utilized for development of in-house tools. Accordingly, such amount has been capitalised under Plant and Machinery.

	As at 31 March 2010	As at 31 March 2009
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Schedule - 6

Investments

Long Term

Trade Investments

Fully paid-up shares (unquoted)

Subsidiaries

- 1,520,000 (previous year 1,520,000) equity shares of Rs. 10 each fully paid up of Himachal Fine Blank Limited	15,200,000	15,200,000
- 1,000 (previous year 1,000) equity shares of Swiss Franc (CHF) 1,000 each fully paid up of Pylania SA, Switzerland	35,783,870	35,783,870
- 5,504,085 (previous year 5,504,085) equity shares of Rs. 10 each fully paid up of Kamla Retail Limited	55,040,850	55,040,850
- 50,000 (previous year 50,000) equity shares of Rs. 10 each fully paid up of Mahen Boutiques Limited	500,000	500,000
- 2,000,000 (previous year 2,000,000) equity shares of Rs. 10 each, partly paid up Rs. 6.75 each of Mahen Boutiques Limited*	13,500,000	13,500,000
- 200,000 (previous year Nil) equity shares of Rs. 10 each, fully paid up of Mahen Distribution Limited	2,000,000	-

Others

- 51 (previous year 51) equity shares of Swiss Franc (CHF) 1,000 each fully paid up of Taratec SA, Switzerland	1,540,710	1,540,710
- 300,000 (previous year 300,000) equity shares of Rs. 10 each fully paid up of Kamla Tesio Dials Ltd.	3,000,000	3,000,000
- 1,039,420 (previous year 1,039,420) equity shares of Rs. 10 each fully paid up of Satva Jewellery and Design Limited	10,394,200	10,394,200
	136,959,630	134,959,630

Less : Provision for diminution in the value of investment, other than temporary, in Kamla Tesio Dials Ltd.	1,000,000	1,000,000
Provision for diminution in the value of investment, other than temporary in Pylania SA	12,345,435	-
Aggregate of trade investments	123,614,195	133,959,630

Non Trade Investments

Fully paid-up shares (unquoted)

10,000 (previous year 10,000) equity shares of Rs. 100 each fully paid up, of VBL Innovations Pvt. Limited	1,000,000	1,000,000
500,000 (previous year 500,000) equity shares of Rs. 10 each fully paid up of Karolview Developers Pvt Ltd.**	5,000,000	5,000,000
12,500 (previous year 12,500) equity shares of Rs. 10 each fully paid up of Shivalik Waste Management Limited	125,000	125,000
Aggregate of non trade investments	6,125,000	6,125,000

* Nominal value of each share is Rs. 10 out of which Rs. 3.25 per share is un-called money

** 490,000 (Previous year 490,000) shares are pending allotment

KDDL LIMITED**Schedules forming part of the financial statements for the year ended 31st March, 2010**

(Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009
Schedule - 7		
Inventories		
(As taken, valued and certified by the management)		
Stores and spares	14,410,851	15,419,170
Raw material and components	56,270,317	55,257,154
Stock-in-process	39,564,694	38,531,207
Finished goods	8,908,989	16,248,367
Goods in transit	325,110	4,209,990
Scrap	237,976	447,000
	<u>119,717,937</u>	<u>130,112,888</u>
Schedule - 8		
Sundry debtors		
(Unsecured)		
Debts outstanding for a period exceeding six months		
– considered good	25,246,750	6,582,341
– considered doubtful	4,149,040	3,778,063
Other debts - considered good	89,816,319	86,815,473
	<u>119,212,109</u>	<u>97,175,877</u>
Less : Provision for doubtful debts	4,149,040	3,778,063
	<u>115,063,069</u>	<u>93,397,814</u>
Notes:		
1. Amount due from Satva Jewellery & Design Limited Rs. 198,490 (Previous year Rs. Nil). Maximum amount due at any time during the year Rs. 198,490 (previous year Rs. Nil).		
2. Amount due from Pylania SA Rs. 5,921,626 (Previous year Rs. Nil). Maximum amount due at any time during the year Rs. 8,502,843 (previous year Rs. 2,179,302).		
Schedule - 9		
Cash and bank balances		
Cash in hand	686,420	780,913
Balances with scheduled banks in		
– Current accounts	2,909,274	6,656,551
– Equity dividend accounts	1,118,523	1,226,519
– Fixed deposit accounts	5,663,104	6,888,104
(Receipt for Rs. Nil (Previous Year Rs. 2,000,000) pledged with bank against term loan facility availed by the Company)		
– Post office savings account	-	7,750
(Pass book pledged with central excise authorities)		
	<u>10,377,321</u>	<u>15,559,837</u>
Schedule - 10		
Loans and advances		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	20,838,100	28,262,051
Loans and advances to subsidiaries & joint venture	15,183,452	49,584,378
Balance with central excise authorities	3,205,031	6,506,173
Minimum alternative tax entitlement	304,064	304,064
Prepaid income taxes (net of provision aggregating to Rs. 3,962,845 (Previous Year Rs. 5,087,974))	20,180,334	19,001,762
Security and other deposits	3,986,987	4,184,797
	<u>63,697,968</u>	<u>107,843,225</u>
Notes :		
1. Amount due from Kamla Retail Limited Rs. Nil (Previous Year Rs. 13,675,001). Maximum amount due at any time during the year Rs. 13,675,001 (Previous year Rs. 40,339,136).		
2. Amount due from Himachal Fine Blank Limited Rs. 14,000,000 (Previous year Rs. 14,396,160). Maximum amount due at any time during the year Rs. 14,712,333 (Previous year Rs. 14,764,008).		
3. Amount due from Mahen Boutiques Limited Rs. Nil (Previous year Rs. 19,333,914). Maximum amount due at any time during the year Rs. 33,133,914 (Previous year Rs. 32,249,605).		
4. Amount due from Satva Jewellery & Design Limited Rs. 1,183,452 (Previous year Rs. 59,860). Maximum amount due at any time during the year Rs. 1,183,452 (Previous year Rs. 1,064,644).		
5. Amount due from Pylania SA Rs. Nil (Previous Year Rs. 2,179,303). Maximum amount due at any time during the year Rs.3,090,855 (Previous Year Rs. 2,179,540).		

KDDL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

(Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009
Schedule - 11		
Current Liabilities		
Sundry creditors for goods, services and expenses		
Dues to Micro, Small & Medium Enterprises	-	-
Others	96,613,513	105,403,838
Other liabilities	4,448,764	5,039,792
Advances from customers	3,896,976	31,291,474
Interest accrued but not due on loans	6,093,780	4,777,637
Investor education and protection fund*	1,118,523	1,226,519
	<u>112,171,556</u>	<u>147,739,260</u>
* Not due for deposit		
Schedule - 12		
Provisions		
Employee benefits	12,225,334	9,619,799
Bonus	5,677,629	6,543,336
Provision for Wealth Tax	60,000	60,000
	<u>17,962,963</u>	<u>16,223,135</u>
Schedule - 13		
Gross operating income		
Sale of goods	527,932,850	705,482,817
Miscellaneous sales	8,851,877	8,558,644
Job charges	1,713,902	804,561
Tool development charges	8,066,078	5,162,306
	<u>546,564,707</u>	<u>720,008,328</u>
Schedule - 14		
Other Income		
Liabilities no longer required, written back	697,979	38,164
Provisions written back	34,888	-
Export incentives	5,440,812	4,109,694
Lease rent*	600,000	6,00,000
Dividend Income	120,000	421,566
Interest income from subsidiaries**	1,749,999	2,515,093
Foreign exchange fluctuation (net)	3,430,565	-
Miscellaneous receipts	955,113	744,799
	<u>13,029,356</u>	<u>8,429,316</u>
*Tax deducted at source	107,800	123,600
**Tax deducted at source	373,338	446,320
Schedule - 15		
Manufacturing, administrative and selling expenses		
Raw material consumed	140,142,804	202,684,754
Stores and spares consumed	47,158,931	55,672,710
Power, fuel and water charges	18,684,813	20,590,731
Tool development expenses	1,032,452	1,402,252
Salaries, wages and bonus	163,168,185	188,542,425
Contribution to provident and other funds	12,477,210	12,048,074
Staff and labour welfare expenses	7,754,630	12,093,714
Recruitment expenses	459,600	367,003

KDDL LIMITED**Schedules forming part of the financial statements for the year ended 31st March, 2010**

(Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009
Processing charges	12,080,560	17,098,702
Insurance	460,510	460,104
Rent	7,624,518	9,364,172
Rates and taxes	1,593,836	1,122,668
Repair and maintenance		
– Plant and machinery	4,911,360	7,423,283
– Buildings	2,075,357	2,958,526
– Others	4,169,866	3,762,025
Legal and professional	11,058,660	11,138,364
Payment to auditors*		
– Audit fee	300,000	300,000
– Tax audit fee	75,000	75,000
– Certification etc.	260,000	294,000
– Expenses	273,892	353,292
Directors' sitting fees	224,500	140,000
Travel and conveyance	13,702,215	16,776,453
Directors' travelling	3,215,512	3,923,454
Postage and telephone	3,579,490	4,597,861
Subscription and annual fee	661,483	774,637
Printing & Stationery	2,998,549	3,767,178
Donations	25,000	317,475
Selling & distribution expenses		
– Commission	12,326,769	13,193,753
– Discounts	1,303,800	266,701
– Other expenses	4,103,762	7,093,435
Provision for other than temporary diminution in value of investments	12,345,435	-
Provision for doubtful debts	405,865	2,046,539
Bad debts written off	251,938	148,148
Loss on sale/disposal of fixed assets (net)	1,953,066	132,762
Foreign exchange fluctuation (net)	-	12,628,550
Miscellaneous expenses	7,363,854	6,484,952
(Increase) / decrease in stocks (refer schedule 15A)	6,304,636	(16,178,325)
	506,528,058	603,865,372

*Excluding Service tax of Rs. 103,152 (previous year Rs. 100,151) being available for set off against the excise duty liability.

Schedule - 15A**(Increase) / decrease in stocks****Opening Stock**

Finished goods

– Own manufactured

16,248,367

6,675,501

– Traded

-

301,064,995

Stock-in-process

38,531,207

32,172,085

Scrap

447,000

74,694

55,226,574

339,987,275

Less : Adjustment pursuant to scheme of arrangement for de-merger

-

301,064,995

55,226,574

38,922,280

KDDL LIMITED**Schedules forming part of the financial statements for the year ended 31st March, 2010**

(Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009
Schedule - 15A		
Closing Stocks		
Finished goods		
– Own manufactured	8,908,989	16,248,367
Stock-in-process	39,564,694	38,531,207
Scrap	237,976	447,000
	<u>48,711,659</u>	<u>55,226,574</u>
	6,514,915	(16,304,294)
Less : (Increase) / decrease in excise duty on stocks	(210,279)	(125,969)
	<u>6,304,636</u>	<u>(16,178,325)</u>
Schedule - 16		
Finance Cost		
On term loans	13,857,943	12,888,593
On Fixed Deposits	6,525,942	5,668,907
On other loans from banks and others	16,425,983	13,607,994
	<u>36,809,868</u>	<u>32,165,494</u>
Less : Received from banks and other (tax deducted at source Rs. 45,626; (previous year Rs. 64,566))	622,845	1,223,407
Other bank and finance charges	3,139,760	5,072,836
	<u>39,326,783</u>	<u>36,014,923</u>

Schedule - 17**Significant accounting policies****1. Basis of preparation**

The financial statements of KDDL Limited ("the Company") have been prepared on accrual basis under the historical cost convention, in accordance with the generally accepted accounting principles in India and to comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956 ("the Act") and the Rules framed there under. The accounting policies have been consistently applied by the Company unless otherwise stated.

2. Use of estimates

In preparing the financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revisions to accounting estimates are recognised in the current and future periods.

3. Revenue recognition

- a) Revenue from sale of goods is recognised when the significant risks and rewards in respect of ownership of the goods are transferred to the customer and is stated inclusive of excise duty and net of trade discounts, sales returns and sales tax wherever applicable.
- b) Export entitlements under the Duty Entitlement Pass Book scheme are recognised in the profit and loss account when the right to receive credit as per the terms of the scheme is established in respect of the exports made.
- c) Revenue in respect of tool development and job charges is recognized as per the terms of the contract with the customers.
- d) Interest income is recognized on a time proportion basis, taking into account the amount outstanding and the rates applicable.
- e) Dividend income is recognized when the Company's right to receive the same is established.

4. Fixed assets

Fixed assets are stated at cost (gross block) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price (net of Cenvat credit availed) and any attributable cost of bringing the asset to its working condition for its intended use.

Expenditure on account of modification / alteration in plant and machinery / building, which increases the future benefit from the existing asset beyond its previous assessed standard of performance, is capitalised.

Borrowing costs directly attributable to acquisition or construction of fixed assets, which necessarily takes a substantial period of time to get ready for their intended use are capitalized.

5. Depreciation

Depreciation is provided on straight line method as per the rates specified in Schedule XIV to the Act, as applicable at the time of addition of the respective fixed assets, on pro-rata basis from the month of addition, except for the following:

- Depreciation on improvements carried out on buildings taken on lease (included under buildings) is provided over the period of the lease.
- Depreciation on a particular class of dies and tools manufactured by the Company and put to use after 01 April 2003 is provided over a period of 3 years.
- The above rates of depreciation are indicative of the useful lives of the assets.
- The cost of leasehold land is not amortised.
- Know-how is amortised over a period of four years.

6. Inventories

Inventories are valued as follows:

1. **Raw materials & components, stores and spares, finished goods and stock in process:** At lower of cost and net realisable value.
2. **Scrap:** At estimated realisable value.
3. Cost of inventories is ascertained on the following basis:
 - a) Raw materials and components and stores & spares - on moving weighted average basis.
 - b) Cost of finished goods and stock in process comprise material, labour and related estimated overheads including depreciation.

7. Investments

Investments that are readily realisable 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.

Long-term investments are stated at cost. Provision is made for diminution in the value of long-term investments to recognise decline, if any, other than temporary in nature.

8. Foreign currency transactions

Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment. Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction and monetary items

KDDL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

denominated in foreign currency are restated at the rate prevailing on the balance sheet date.

Differences arising on foreign currency translations of transactions settled during the year are recognised in the profit and loss account.

The exchange differences arising on forward contracts other than those entered into to hedge the foreign currency risk of firm commitments or highly probable forecast transactions are recognised in the year in which they arise based on the difference between i) foreign currency amount of the contract translated at the exchange rate on the reporting date and ii) the same foreign currency amount translated at the later of the date of inception of the forward exchange contract or the last reporting date.

The premium or discount arising at the inception of the forward contracts other than those entered into to hedge the foreign currency risk of firm commitments or highly probable forecast transactions is amortised as expense or income over the life of the contract.

Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or expense for the year.

9. Employee benefits

The Company's contribution to provident fund, being a defined contribution plan, is recognised in the profit and loss account.

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability determined based on actuarial valuation using the Projected Unit Credit Method at the Balance Sheet date.

Gratuity is a post employment defined benefit plan. The present value of obligation for gratuity is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service. Gratuity and superannuation funds are administered by trustees of independently constituted trusts.

In respect of superannuation, the Company makes contribution to Life Insurance Corporation of India ("LIC") of an amount payable by the trusts to LIC, which is charged to the profit and loss account.

10. Taxes on income

Tax expense comprises current tax and deferred income tax.

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

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. In respect of carry forward losses and unabsorbed depreciation, deferred tax assets are recognized only to the extent there is virtual certainty that sufficient future taxable income will be available against which such losses can be realised.

Minimum alternate tax payable under the provisions of the Income Tax Act, 1961 is recognised as an asset in the year in which credit becomes eligible and is set off in the year in which the Company becomes liable to pay income taxes at the enacted tax rates.

11. Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise the net profit or loss for the year attributable to the equity shareholders. Earnings per share are computed using the weighted average number of shares outstanding during the year.

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

12. Leases

Lease rentals in respect of assets taken under an operating lease are charged to the profit and loss account on a straight line basis over the term of the lease.

In respect of assets given on operating lease, income is being recognised on a straight line basis over the term of the lease.

13. Contingent liabilities and provisions

The Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. A disclosure is made for possible or present obligations that may but probably will not require outflow of resources or where a reliable estimate cannot be made, as a contingent liability in the financial statements.

14. Impairment of assets

The Company on an annual basis makes an assessment of any indicator that may lead to impairment of assets. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount is less than the carrying amount, then the carrying amount is reduced to its recoverable amount by treating the difference as impairment loss and is charged to the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

KDDL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

(Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009
SCHEDULE -18		
Notes to the financial statements		
1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).	2,230,500	232,007
2. Contingent liability not provided for exists in respect of :		
a) Bank guarantees outstanding.	144,400	1,035,400
b) Bonds in favour of central excise and customs authorities	5,000,000	10,125,000
c) Guarantee given to a scheduled bank in relation to overdraft facility of Rs. 305,000,000 (previous year Rs. 255,000,000) and term loan of Rs.34,000,000 (previous year 34,000,000) provided by the bank to subsidiary companies. Amount of overdraft outstanding as on 31 March 2010 is Rs. 240,494,686 (previous year Rs. 215,587,159) and term loan Rs. 15,663,761 (previous year Rs. 24,164,166) respectively.		
d) Demand raised for service tax against which appeals have been filed.	1,661,899	2,302,693
e) Demand raised by Punjab State Electricity Board for payment of penalty for usage of additional power against sanctioned load. (Amount paid under protest Rs. 372,828 (previous year Rs. 372,828)	372,828	372,828
f) Demands made by the income tax authorities against which appeals have been filed. Amount paid under protest Rs. 400,000 (previous year Rs. 2,900,000)	4,046,108	17,399,539
g) Demand made by central excise authority	4,187,217	4,187,217
h) Demand of House tax made by Municipal Commissioner - Derabassi	5,551,447	5,551,447
3. a) Amount due to a subsidiary companies	14,172,472	6,276,883
b) Amount due to entities covered under Micro, Small and Medium Enterprises as defined in the Micro, Small, Medium Enterprises Development Act, 2006, have been identified on the basis of information available with the Company. There was no amount due to any such entities which needs to be disclosed. This has been relied upon by the auditors.		
4. Managing directors /whole-time directors remuneration*:		
a) Salary	3,570,000	3,630,000
b) Contribution to provident and other funds	972,900	966,600
c) Perquisites including allowances (actual and /or evaluated under the Income -tax Rules)	2,047,318	1,570,218
d) Leave encashment paid during the year	-	55,000
	<u>6,590,218</u>	<u>6,221,818</u>
*Exclusive of provision for future liabilities in respect of retirement benefits (which are based on actuarial valuation done on an overall Company basis)		
5. Details of utilization of proceeds raised through conversion of share warrants issued on preferential basis		
Balance unutilised at the end of the previous year	-	-
Proceeds received during the year	-	10,260,000
Utilization of proceeds:		
For purchase of capital assets	-	10,260,000
6. Deferred tax liability (net)		
Major components of deferred tax asset and (liability) are as given below :		
Deferred Tax Assets -		
Effect of expenditure debited to profit and loss account but allowable for tax purposes in subsequent year (s)	4,060,950	3,269,770
Provision for doubtful debts	1,378,207	1,284,164
Carry forward loss	10,525,611	-
	<u>15,964,768</u>	<u>4,553,934</u>
Deferred tax Liabilities -		
Timing difference relating to depreciation	(47,903,950)	(50,208,955)
Net deferred tax liabilities	<u>(31,939,182)</u>	<u>(45,655,021)</u>

KDDL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

(Amount in Rupees)

7. A. Related Party disclosures

Relationships

I. Subsidiary Company

Himachal Fine Blank Ltd.
Pylania S.A.
Kamla Retail Limited
Mahen Boutiques Limited
Mahen Distribution Limited (incorporated on 28 May 2009)

II. Associates

Kamla Tesio Dials Limited
Taratec SA

III. Joint Venture

Satva Jewellery and Design Limited

IV. Entities over which significant influence is exercised by the company /key management personnel (either individually or with others)

Saboo Coatings Ltd., Krypton Outsourcing Limited, VBL Innovations Pvt. Limited, Vardhan Properties & Investments Ltd., Smt. Kamla Devi Saboo Charitable Trust, Shri M.K. Saboo Charitable Trust, Tara Chand Mahendra Kumar (HUF)

V Key Management Personnel

a. Mr. R.K. Saboo (Chairman)

Relatives **

Ms. U. Saboo (wife),
Mr. Y. Saboo (son), Mr. J. Saboo (son), Ms. P. Saboo (daughter in law), Ms. Asha Devi Saboo (brother's wife)
Mr. R.K. Saboo (father), Ms. A. Saboo (wife)
Mr. P.S. Saboo (son), Ms. S. Saboo (daughter)
Ms. Shashi Agrawal (wife)

b. Mr. Y. Saboo (Chief Executive Officer)

c. Mr. Dinesh Agrawal (Chief Operating Officer (North))

**Relatives of key management personnel with whom the Company had transactions during the year.

B. The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2010

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1.	Purchase of raw material and components						
	Himachal Fine Blank Limited	20,889,682					
	Taratec SA		632,157				
	Saboo Coatings Limited				2,272,399		
	Others	1,232,393					
2.	Sale of goods						
	Pylania S.A.	8,464,161					
	Taratec SA		6,669,771				
	Satva Jewellery & Design Limited			20,338			
	Saboo Coatings Limited				95,422		
	Others	654,273					
3.	Sale of fixed assets						
	Himachal Fine Blank Limited	213,281					
	Pylania S.A.	243,913					
	Kamla Retail Limited	78,192					
4.	Job work Charges Paid						
	Taratec SA		4,300				
	Satva Jewellery & Deign Ltd.			3,875,225			
	Himachal Fine Blank Limited	455,318					
5.	Job work Charges Recd.						
	Satva Jewellery & Design Ltd.			42,576			
	Himachal Fine Blacnk Limited	36,350					
	Taratec SA		79,116				
6.	Commission paid on sales						
	Taratec SA		12,236,177				
7.	Rent Paid						
	Himachal Fine Blank Limited	325,314					
	Kamla Tesio Dials Limited		1,200,000				
	Saboo Coatings Limited				50,000		
	Mr. R.K. Saboo					126,232	
	Mr. Y. Saboo					126,232	
	Ms. A. Saboo						126,232
	Ms. U. Saboo						593,512
8.	Salary of employees						

KDDL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

(Amount in Rupees)

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
	Satva Jewellery & Design Ltd.			57,651			
	Himachal Fine Blank Limited	1,185,919					
	Kamla Retail Limited	797,185					
	Ms. A. Saboo						107,520
	Mr. P.S. Saboo						165,158
	Others						
9.	Directors Remuneration						
	Mr. R.K. Saboo					1,698,056	
	Mr. Y. Saboo					2,847,441	
	Mr. Dinesh Agrawal					2,044,721	
10.	Interest received						
	Himachal Fine Blank Limited	1,749,999					
11.	Interest paid/Accrued						
	Taratec SA		74,252				
	Vardhan Properties and Investment Ltd.				286,866		
	Ms. Asha Devi Saboo						104,573
12.	Repayment of loans						
	Taratec SA		3,937,280				
13.	Others (including rent received)						
	Kamla Retail Limited	539,417					
	Pylania S.A.	2,564,100					
	Taratec SA		2,262,488				
	Satva Jewellery & Design Limited			83,452			
	Saboo Coatings Limited				784,603		
	Others	410,796	2,300		2,390		
14.	Discounts given						
	Pylania S.A.	364,378					
	Taratec SA		637,707				
15.	Reimbursement of Expenses by the Company						
	Taratec SA		19,528				
	Others	252,544			975		
16.	Expenses Recovered						
	Pylania SA	139,215					
	Satva Jewellery & Design Ltd.			222,289			
	Others	6,688			98,325		
17.	Investment						
	Mahen Distribution Limited	2,000,000					
18.	Dividend received						
	VBL Innovation Pvt. Ltd.				120,000		
19.	Loans disbursed/(repaid) (net)						
	Kamla Retail Limited	(10,000,000)					
20.	Balance at the end of the year						
	a. Loans						
	Himachal Fine Blank Limited	14,000,000					
	b. Other receivable/advances						
	Pylania S.A.	5,921,626					
	Taratec SA		433,181				
	Satva Jewellery & Design Limited			1,381,942			
	Saboo Coatings Limited				8,731		
	Kamla Retail Limited						
	Mahen Distribution Limited	39,931					
	c. Payables						
	Himachal Fine Blank Limited	8,837,318					
	Taratec SA		6,753,796				
	Kamla Tesio Dials Limited		2,266,080				
	Satva Jewellery & Design Limited			597,881			
	Saboo Coatings Limited				662,324		
	Kamla Retail Limited	4,915,494					
	Pylania S.A.	133,616					
	Vardan Properties and Investments Ltd.				69,904		
	d. Guarantees taken						
	Mr. R.K. Saboo					129,962,318	
	Mr. Y. Saboo					129,962,318	
	e. Guarantees provided						
	Kamla Retail Limited	223,986,688					
	Himachal Fine Blank Limited	4,845,717					
	f. Public deposit outstanding						
	Ms. Asha Devi Saboo						1,000,000
	g. Inter Corporate Deposit						
	Vardhan Properties and Investment Limited				2,700,000		

KDDL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

(Amount in Rupees)

C. The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2009

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1	Purchase of raw material and components						
	Himachal Fine Blank Limited	23,458,948					
	Taratec SA		1,790,512				
	Satva Jewellery & Design Limited			7,350			
	Saboo Coatings Limited				3,405,389		
	Others	1,382,821					
2	Sale of goods						
	Pylania S.A.	3,264,890					
	Himachal Fine Blank Limited	458,908					
	Taratec SA		108,457,669				
	Satva Jewellery & Design Limited			107,486			
	Saboo Coatings Limited				45,411		
	Others	385,881					
3	Purchase of fixed assets						
	Himachal Fine Blank Limited	959,802					
	Taratec SA		199,698				
4	Sale of fixed assets						
	Himachal Fine Blank Limited	37,525					
5	Job work Charges Paid						
	Himachal Fine Blank Limited	130,781					
	Pylania S.A.	365,242					
	Taratec SA		269,700				
	Satva Jewellery & Design Limited			7,079,020			
6	Job work Charges Received						
	Himachal Fine Blank Limited	52,610					
	Taratec SA		90,524				
7	Commission paid on sales						
	Taratec SA		13,041,656				
8	Rent paid by the Company						
	Kamla Tesio Dials Limited		1,200,000				
	Saboo Coatings Limited				50,000		
	Mr. R.K. Saboo					120,224	
	Mr. Y. Saboo					120,224	
	Ms. A. Saboo						120,224
	Ms. U. Saboo						587,504
9	Salary of employees paid						
	Himachal Fine Blank Limited	600,000					
	Kamla Retail Limited	280,473					
	Ms. A. Saboo						107,520
	Others						
10	Directors Remunerarion						
	Mr. R.K. Saboo					1,848,081	
	Mr. Y. Saboo					2,556,396	
	Mr. Dinesh Agrawal					1,817,341	
11	Interest received						
	Himachal Fine Blank Limited	1,759,586					
	Mahen Boutiques Limited	755,507					
12	Interest paid/Accrued						
	Vardhan Properties and investment Ltd.				333,769		
	Tara Chand Mahendra Kumar (HUF)				110,564		
	Ms. Asha Devi Saboo						109,971
	Others						10,771
13	Repayment of loans						
	Himachal Fine Blank Limited	26,684					
14	Others (including rent received)						
	Kamla Retail Limited	3,482,047					
	Taratec SA		1,930,815				
	Satva Jewellery & Design Limited			27,676			
	Saboo Coatings Limited				600,000		
	Others	148,827			7,200		
15	Discounts given						
	Himachal Fine Blank Limited	480,000					
	Taratec SA		10,467,159				
16	Loan/Advances given						
	Mahen Boutiques Limited	19,380,914					
	Kamla Retail Limited	10,000,000					
	Others	417,173					
17.	Reimbursement of Expenses by the Company						
	Pylania SA	331,992					
	Taratec SA		2,045,663				
	Others	49,986					
18.	Expenses Recovered						
	Himachal Fine Blank Limited	51,767					
	Taratec SA		2,658,113				
	Others	3,514					
19.	Investments made						
	Mahen Boutiques Limited	14,000,000					

KDDL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

(Amount in Rupees)

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
20.	Kamla Retail Limited	45,040,850					
	Dividend Paid						
	Tara Chand Mahendra Kumar (HUF)				77,120		
	Mr. R.K. Saboo					733,701	
	Mr. Y. Saboo					1,396,448	
	Mr. J. Saboo						709,506
	Others					350	840,991
21.	Dividend received						
	Taratec SA		421,566				
22	Balance at the end of the year						
a.	Loans						
	Himachal Fine Blank Limited	14,000,000					
	Kamla Retail Limited	10,000,000					
b.	Other receivable/advances						
	Taratec SA		17,102,622				
	Mahen Boutiques Limited	19,333,914					
	Kamla Retail Limited	3,675,001					
	Satva Jewellery & Design Limited			59,860			
	Saboo Coatings Limited					336,476	
	Others	2,575,463				7,200	
c.	Payables						
	Himachal Fine Blank Limited	6,187,063					
	Taratec SA		13,782,784				
	Kamla Tesio Dials Limited		1,596,060				
	Satva Jewellery & Design Limited			2,685,025			
	Saboo Coatings Limited						738,532
	Others	89,820					
d.	Guarantees taken						
	Mr. R.K. Saboo					125,712,633	
	Mr. Y. Saboo					125,712,633	
e.	Guarantees provided						
	Kamla Retail Limited	216,793,229					
	Others	3,624,182					
f.	Public deposit outstanding						
	Ms. Asha Devi Saboo						1,000,000
	Others					95,000	
g.	Inter Corporate Deposit						
	Vardhan Properties and Investment Limited				2,700,000		

8. Additional information pursuant to the provisions of paragraph 3 and 4 of Part II of Schedule VI of the Companies Act, 1956.
(As certified by the management and relied by the auditors, being a matter of technical nature)

	(Qty . in No. of PCs.)	
	As at 31 March 2010	As at 31 March 2009
A. Capacity		
Item : Watch dials		
Licensed	Not Applicable	Not Applicable
Installed	12,700,000	12,700,000
Item : Watch Hands		
Licensed	Not Applicable	Not Applicable
Installed	40,000,000	40,000,000
Item : Tools		
Licensed	Not Applicable	Not Applicable
Installed	300	300
Item : Ornamental Packaging		
Licensed	Not Applicable	Not Applicable
Installed	1,860,000	1,860,000
B. Production (Nos.)		
Watch dials	6,899,235	9,153,703
Watch hands	31,451,414	30,200,798
Press tools	76	100
Blank Components	98,732,633	38,919,952
Ornamental packaging boxes	1,395,206	1,517,257
Pouches	660	2,257

KDDL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

(Amount in Rupees)

C. Sales and stocks Product

Product	As at 31 March	Opening stock		Closing stock		Sales	
		Nos.	Rs.	Nos.	Rs.	Nos.	Rs.
Watch dials	2010	133,101	7,675,435	96,101	3,421,359	6,936,235	280,444,166
	2009	153,588	3,512,891	133,101	7,675,435	9,174,190	429,645,898
Watch hands	2010	-	-	-	-	31,380,668	105,423,589
	2009	-	-	-	-	29,949,315	112,954,277
Press tools	2010	-	-	-	-	76	9,192,655
	2009	-	-	-	-	100	10,919,525
Blank Components	2010	-	-	-	-	98,732,633	63,695,218
	2009	-	-	-	-	38,919,952	46,972,155
Ornamental packaging boxes	2010	234,803	8,572,932	147,786	5,487,630	1,375,770	60,971,286
	2009	78,545	3,162,610	234,803	8,572,932	1,360,999	63,969,141
Indexes	2010	290,000	-	290,000	-	375,716	8,202,862
	2009	290,000	-	290,000	-	1,339,235	41,016,125
Watches (traded)	2010	-	-	-	-	-	-
	2009	18,962	301,064,995	-	-	-	-
Pouches	2010	-	-	-	-	660	3,074
	2009	-	-	-	-	2,257	5,696

Sales include inter unit transfers reversed during the year and are inclusive of excise duty.

Difference in quantities of closing stock of watch dials, watch hands, ornamental packaging boxes, watches and indexes are on account of samples, damages, scrapped, internal consumptions etc.

D. Raw Material and components consumed

	Unit	2009-10		2008-09	
		Quantity	Rs.	Quantity	Rs.
i) Brass and Metal	Kgs	98,234	41,512,168	85,600	46,865,790
ii) Components	000 pcs	77,570	17,279,814	103,327	31,303,065
iii) Others			81,350,822		124,515,899
			140,142,804		202,684,754

E. Value of imported and indigenous raw materials & components and stores & spares consumed.

	2009-10		2008-09	
	Rupees	Percentage	Rupees	Percentage
Raw Material and components				
Imported	70,340,768	50.19%	98,032,784	48.37%
Indigenous	69,802,036	49.81%	104,651,970	51.63%
	140,142,804	100.00%	202,684,754	100.00%
Stores and Spares				
Imported	11,056,120	23.44%	10,177,565	18.28%
Indigenous	36,102,811	76.56%	45,495,145	81.72%
	47,158,931	100.00%	55,672,710	100.00%

F. Value of imports on CIF Basis

	2009-10	2008-09
a) Capital goods	2,746,397	18,381,783
b) Raw material & components	56,010,526	90,088,774
c) Stores & spares	10,362,025	12,369,381

G. Expenditure in foreign currency (on cash basis)

a) Travelling	3,525,323	3,129,284
b) Technician fee (net of tax)	2,782,683	1,038,271
c) Commission on exports	8,968,105	13,168,801
d) Others	2,428,223	3,278,866

KDDL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

(Amount in Rupees)

	Current Year	Previous Year
H. Earnings in foreign exchange		
FOB value of exports	190,166,603	341,437,796
Others	7,831,310	4,982,306
I. Dividend paid to non-resident shareholders (in Foreign currency)		
No. of Non Resident Shareholders	-	26
No. of shares	-	824,182
Amount (Rs.)	-	824,182
Year to which dividend pertains	-	2007-08

9. Employee benefits

Accounting Standard 15 (Revised) - Accounting for Employees Benefits

	For the year ended 31 March 2010	For the year ended 31 March 2009
Defined Contribution Plan: Expenditure on account of Super annuation Scheme taken by the Company with LIC of India in respect of its employee's provided in the Profit & Loss account.	720,540	688,680

Defined benefit plan/ other long term benefit plans

- Contribution to Gratuity Fund Trust
- Leave Encashment

Actuarial valuation has been done with the following assumptions.

Particulars	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Discount rate	8%	8%	7.5%	8%
Rate of increase in Compensation levels	5%	5%	5%	5%
Rate of return of plan assets	-	8%	-	8%
Expected Average remaining working lives of employees (years)	8.34	-	7.85	-

Change in the present value of obligation :

	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Present value of obligation as at beginning of the year	5,485,568	15,535,058	6,693,514	13,740,953
Adjustment pursuant to scheme of arrangement (Refer note 14 of schedule 19)			(946,036)	(270,293)
Interest Cost	438,845	1,242,805	431,061	927,847
Current Service Cost	2,621,573	1,457,168	2,724,569	1,412,493
Benefits paid/ Payable	(1,280,371)	(3,770,868)	(2,053,803)	(1,263,337)
Actuarial (gain)/loss on obligations	(1,211,046)	2,086,675	(1,363,737)	987,395
Present value of obligation as at end of the year	6,054,569	16,550,838	5,485,568	15,535,058

Change in the Fair value of Plan Assets :

	Gratuity	Gratuity
Fair value of Plan Assets at the beginning of the year	11,400,827	8,825,348
Adjustment pursuant to scheme of arrangement (refer note 14 of schedule 19)	-	(400,109)
Expected Return on Plan Assets	920,997	819,050
Contributions	1,829,117	3,419,875
Benefits paid	(3,770,868)	(1,263,337)
Fair value of Plan Assets at end of the year	10,380,073	11,400,827

KDDL LIMITED**Schedules forming part of the financial statements for the year ended 31st March, 2010**

(Amount in Rupees)

Reconciliation of present value of defined benefit obligation and the fair value of assets

	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Present value of funded obligation as at end of the year	6,054,569	16,550,838	5,485,568	15,535,058
Fair value of Plan Assets as at the end of the period funded status	-	10,380,073	-	11,400,827
Unfunded/ Funded Net Liability recognized in Balance Sheet	6,054,569	6,170,765	5,485,568	4,134,231

Expenses recognized in the Profit and Loss Account

	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Current Service Cost	2,621,573	1,457,168	2,724,569	1,412,493
Interest Cost	438,845	1,242,805	431,061	927,847
Expected Return on Plan Assets	-	920,997	-	819,050
Net actuarial (gain)/loss recognized in the period	(1,211,046)	2,086,675	(1,363,737)	987,395
Total Expenses recognized in the Profit & Loss Account	1,849,372	3,865,651	1,791,893	2,508,685

The Company made annual contributions to the LIC of India of an amount advised by the LIC. The Company was not informed by LIC of the investment made by the LIC or the break-down of plan assets by investment type.

The Company makes annual contribution to the LIC of India for gratuity benefits as amount advised by the LIC. An amount of Rs. 276,946 (excluding taxes, etc. of Rs. 96,645) paid by the Company on 30 March 2010 had not been considered by LIC as contributions received as at 31 March 2010, though, the same has been considered as contributions made above.

10. Earnings per share

Net profit attributable to equity shareholders	For the year ended 31 March 2010	For the year ended 31 March 2009
Profit after tax	(33,807,139)	2,369,378
Number of equity shares at the beginning of the year	7,349,220	7,149,220
Shares issued during the year	-	200,000
Total equity shares outstanding at the end of the year	7,349,220	7,349,220
No. of weighted average equity shares		
Basic	7,349,220	7,316,343
Effect of dilutive equity shares equivalents	-	-
Convertible equity share warrants outstanding	-	-
Diluted	7,349,220	7,316,343
Nominal value of equity share (Rs)	10	10
Including discontinuing operations		
Basic	(4.60)	0.32
Diluted	(4.60)	0.32

KDDL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

(Amount in Rupees)

11. Disclosure as per clause 32 of the listing agreement with stock exchanges

Loans and advances given to subsidiaries*:

Name of the Company	Amount outstanding as at 31 March 2010	Amount outstanding as at 31 March 2009
Himachal Fine Blanks Ltd.	14,000,000	14,396,160
Kamla Retail Limited	-	13,675,001
Mahen Boutiques Limited	-	19,333,914
Pylania SA	-	2,179,303
*Loans are re-payable on demand.		
	For the year ended 31 March 2010	For the year ended 31 March 2009

12. Dividend from investments:

Long term

Taratec SA(Associate)	-	421,566
VBL Innovations Private Ltd.	120,000	-

13. Disclosure as per Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures

	For the year ended 31 March 2010	For the year ended 31 March 2009
Total Assets	47,756,109	46,515,946
50% share of the company in Joint Venture	23,878,055	23,257,973
Total Liabilities	47,756,109	46,515,946
50% share of the company in Joint Venture	23,878,055	23,257,973
Income	5,010,666	21,147,493
50% share of the company in Joint Venture	2,505,333	10,573,747
Expenses	15,249,111	19,853,445
50% share of the company in the Joint Venture	7,624,556	9,926,723

14. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

	Amount outstanding as at 31 March 2010	Amount outstanding as at 31 March 2009
Receivables	51,860,344	43,113,549
Payables	10,170,853	31,096,976
Loans	48,070,475	76,608,913
Advances from customers	3,896,976	31,038,800

15. During the year, the Company has recognised provision for other than temporary diminution in value of investment in Pylania SA of Rs. 12,345,435 pursuant to the capital reduction approved by the shareholders of Pylania SA subsequent to the year end. The management has ascertained that there is no impairment of assets as on the balance date.

16. Previous year figures have been regrouped/recasted, wherever considered necessary to make them comparable with those of the current year.

On behalf of the Board of Directors

R.K. SABOO
Chairman

Y. SABOO
Chief Executive Officer

SAMEER MADAN
Chief Financial Officer

PRIYA MANOJ JASWANI
Company Secretary

Place : Chandigarh
Dated : 30 August, 2010

KDDL LIMITED

Additional information as required under Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	8123
State Code	06
Balance Sheet Date	31st March, 2010

II. Capital Raised during the year

Public Issue	-
Rights Issue	-
Bonus Issue	-
Private Placement	Rs. 2,000,000

III. Position of Mobilisation and Deployment of Funds

		(Rs. in thousands)	
Total Liabilities	700,221	Total Assets	520,739
Sources of Funds:		Application of Funds:	
i. Paid up Capital	74,364	i. Net Fixed Assets	391,000
ii. Reserves & Surplus	249,816	ii. Investments	129,739
iii. Secured Loans	261,225	iii. Misc Expenditure	
iv. Unsecured Loans	82,877		
v. Deferred Tax Liability (Net)	31,939		

IV. Performance of the Company

Turnover (including other income)	556,226
Total Expenditure	603,749
Profit before tax	-47,523
Profit after tax	-33,807
Earning per share	Rs. -4.50
Dividend rate	-

V. Generic Names of Three principal products of the Company (As per monetary terms)

Item Code No. (I.T.C. Code)	9114.3
Production Description	Watch Dials
Item Code No. (I.T.C. Code)	3923.9
Production Description	Ornamental Packaging
Item Code No. (I.T.C. Code)	9114.9
Production Description	Watch Hands
Item Code No. (I.T.C. Code)	8207 & 8466
Production Description	Tools

On behalf of the Board of Directors

R.K. SABOO
Chairman

Y. SABOO
Chief Executive Officer

SAMEER MADAN
Chief Financial Officer

PRIYA MANOJ JASWANI
Company Secretary

Place : Chandigarh
Dated : 30 August, 2010

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF KDDL LIMITED (formerly Kamla Dials and Devices Limited)

1. We have audited the attached consolidated balance sheet of KDDL Limited (Formerly Kamla Dials and Devices Limited) (the "Company" or "KDDL"), its subsidiaries, joint venture and associates (as per list appearing in note 1 of schedule 18) (hereinafter collectively referred to as the "Group"), as at 31 March 2010, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on the date annexed thereto (hereinafter collectively referred to as the 'consolidated financial statements'). These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As stated in note 1(d) of schedule 18, the financial statements of Taratec S.A. (an associate of KDDL) whose results of the operations for the period 01 January 2009 to 31 December 2009, in the form of share in the profits of the associate of Rs. 33,036 and investments as at 31 March 2010 of Rs. 4,513,965, have been accounted for using the equity method of accounting in the consolidated financial statements, have been examined by other auditor in accordance with the Swiss Standard on the Limited Statutory Examination.
4. The financial statements of Indian subsidiaries and a joint venture, not audited by us, reflect total assets of Rs. 678,504,821 as at 31 March 2010, total revenue of Rs. 736,893,812 and net cash flows amounting to Rs. 5,290,708 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors.
5. The financial statements of Pylania S.A., a foreign subsidiary, are examined by other auditor in accordance with Swiss Standard on the Limited Statutory Examination. These financial statements have been converted and certified by the management as per accounting principles generally accepted in India and reflects total assets of Rs. 50,449,285 as at 31 March 2010 and total revenue of Rs. 35,051,006 and net cash out flow amounting to Rs 11,512 for the year ended 31 March 2010.
6. The financial statements of an Indian associate, not audited by us, whose results of operations in the form of share in the profits of the associate of Rs.163,533 and investments as of 31 March 2010 of Rs.2,572,959, have been accounted for using equity method of accounting in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors.
7. We report that the consolidated financial statements have been prepared by Group's management in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, Accounting Standard 23 - Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India.
8. Based on our audit and consideration of reports of other auditors on separate financial statements of the entities and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India; in case of:
 - (a) the consolidated balance sheet, of the state of affairs of the Group as at 31 March 2010;
 - (b) the consolidated profit and loss account, of the loss for the year ended on that date; and
 - (c) the consolidated cash flow statement, of the cash flows for the year ended on that date.

for **Walker, Chandlok & Co**
Chartered Accountants
Firm Registration No. 001076N

per **B P Singh**
Partner

Place : Chandigarh
Dated : 30 August 2010

Membership No. 70116

KDDL LIMITED (Consolidated)**Consolidated Balance Sheet as at 31 March 2010**

(Amount in Rupees)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share Capital	1	74,363,600	74,363,600
Reserves and surplus	2	243,471,023	306,175,224
		<u>317,834,623</u>	<u>380,538,824</u>
Minority Interest		45,761,327	24,645,909
Loan funds			
Secured	3	541,187,729	497,566,609
Unsecured	4	116,827,804	92,402,016
		<u>658,015,533</u>	<u>589,968,625</u>
Deferred tax liability (net)		<u>34,717,686</u>	<u>48,818,637</u>
		<u><u>1,056,329,169</u></u>	<u><u>1,043,971,995</u></u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	929,538,670	905,023,771
Less : Accumulated Depreciation		420,164,033	379,624,419
Net block		<u>509,374,637</u>	<u>525,399,352</u>
Capital work-in-progress		9,383,788	8,627,899
		<u>518,758,425</u>	<u>534,027,251</u>
Investments	6	15,061,924	14,865,355
Current assets, loans and advances			
Inventories	7	548,670,138	533,848,407
Sundry debtors	8	121,590,888	103,150,130
Cash and bank balances	9	31,142,898	31,046,218
Interest accrued but not due on deposits		749,255	547,259
Loans and advances	10	162,995,220	139,069,905
		<u>865,158,399</u>	<u>807,661,919</u>
Less : Current liabilities and provisions			
Current liabilities	11	312,440,666	290,759,049
Provisions	12	30,208,914	21,823,481
		<u>342,649,580</u>	<u>312,582,530</u>
Net Current assets		<u>522,508,819</u>	<u>495,079,389</u>
		<u><u>1,056,329,169</u></u>	<u><u>1,043,971,995</u></u>
Significant accounting policies	17		
Notes to the consolidated financial statements	18		

The schedules referred to above form an integral part of the financial statements.

On behalf of the Board of Directors

R.K. SABOO
Chairman

Y. SABOO
Chief Executive Officer

SAMEER MADAN
Chief Financial Officer

PRIYA MANOJ JASWANI
Company Secretary

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

For **Walker, Chandio & Co.**
Chartered Accountants

Place : Chandigarh
Dated : 30 August 2010

per **B.P. Singh**
Partner

KDDL LIMITED (Consolidated)**Consolidated Profit and Loss Account for the year ended 31 March 2010**

(Amount in Rupees)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
INCOME			
Gross operating income	13	1,259,128,805	1,206,377,386
Less: Excise duty		24,216,362	40,235,263
Net Operating Income		1,234,912,443	1,166,142,123
Other income	14	32,884,924	29,181,641
		1,267,797,367	1,195,323,764
EXPENDITURE			
Goods purchased for resale		563,435,718	445,203,299
Manufacturing, administrative and selling expenses	15	664,399,595	676,693,239
		1,227,835,313	1,121,896,538
Profit before interest & depreciation		39,962,054	73,427,226
Finance Cost	16	76,644,333	62,354,465
Loss before depreciation		(36,682,279)	11,072,761
Depreciation	5	58,031,166	58,310,714
Loss from operations before tax and prior period expense		(94,713,445)	(47,237,953)
Prior period expenses (Refer note 17 of schedule 18)		7,960,465	-
Loss from operations before Tax		(102,673,910)	(47,237,953)
Provision for tax			
- Current tax		382,216	519,900
- Minimum Alternative Tax (MAT) credit entitlement		(112,310)	(304,064)
- Deferred tax		(14,100,951)	1,297,603
- Income tax for earlier years (net)		-	310,208
- Fringe benefit tax		-	2,885,991
Loss after tax		(88,842,865)	(51,947,591)
Share in (losses)/profit of associates		196,569	(17,128)
Less: Minority interest		16,250,515	434,214
Balance brought forward from previous year		(13,909,866)	32,343,418
Less: Transfer to minority interests out of reserves (refer note 13 & 14 of schedule 18)		8,530,465	5,277,221
Loss before Appropriation		(77,775,182)	(13,909,866)
Appropriations :			
Dividend on cumulative preference shares		218,668	-
Deficit carried to balance sheet		(77,993,850)	(13,909,866)
		(77,775,182)	(13,909,866)
Basic earnings per share		(9.85)	(7.01)
Diluted earnings per share		(9.85)	(7.01)
(Refer note 11 on schedule 18)			
Significant accounting policies	17		
Notes to the consolidated financial statements	18		

The schedules referred to above form an integral part of the consolidated financial statements.

On behalf of the Board of Directors

R.K. SABOO
Chairman

Y. SABOO
Chief Executive Officer

SAMEER MADAN
Chief Financial Officer

PRIYA MANOJ JASWANI
Company Secretary

This is the Consolidated Profit & Loss Account referred to in our report of even date.

For **Walker, Chandlok & Co.**
Chartered Accountants

Place : Chandigarh
Dated : 30 August 2010

per **B.P. Singh**
Partner

KDDL LIMITED (Consolidated)
Consolidated Cash Flow Statement for the year ended 31 March 2010

(Amount in Rupees)

	Year ended 31 March 2010	Year ended 31 March 2009
A. Cash flow from operating activities:		
Net profit before tax after prior period items	(102,673,910)	(47,237,953)
Adjustments for:		
Depreciation	58,534,370	58,310,714
Loss on sale/disposal of fixed assets (net)	2,031,138	132,762
Provision for doubtful debts	405,865	2,046,539
Provision written back	(34,888)	-
Bad debts written off	2,956,674	218,957
Dividend income	(120,000)	(421,566)
Interest expense	69,117,313	55,543,814
Interest income	(667,430)	(1,446,050)
Foreign exchange translation reserve arising on consolidation	71,736	2,896,512
Liabilities written back	(4,297,979)	(589,982)
Operating profit before working capital changes	25,322,889	69,453,747
Adjustments for:		
Trade and other receivables	(44,190,095)	19,161,730
Inventories	(14,821,731)	(115,066,281)
Trade and other payables	32,298,152	35,560,723
Taxes paid	(1,773,542)	(13,706,238)
Net cash generated from operating activities	(3,164,327)	(4,596,319)
B. Cash flow from investing activities:		
Purchase of fixed assets	(49,076,694)	(79,520,989)
Proceeds from sale of assets	2,708,802	723,743
Impact of translation on assets of foreign subsidiary	1,071,216	(4,943,383)
Movement in restricted cash	(1,054,420)	16,901,714
Interest received	455,434	2,293,984
Dividend received	120,000	421,566
Investments	-	(175,000)
Net cash used in investing activities	(45,775,662)	(64,298,365)
C. Cash flow from financing activities:		
Proceeds from issue of capital (including premium)	698,875	96,858,638
Proceeds from issue of Capital to Minority shareholders	46,505,570	13,401,110
(Repayment)/Proceeds of long term borrowings	(5,832,538)	(2,037,821)
Movement in public deposits	20,450,000	(41,426,984)
Increase/(decrease) in short term borrowings	53,429,446	59,360,193
Interest paid	(67,269,104)	(54,487,901)
Dividend paid	-	(8,598,220)
Net cash generated from financing activities	47,982,249	63,069,015
Net increase/(decrease) in cash and cash equivalents	(957,740)	(5,825,669)
Opening cash and cash equivalents	27,797,114	33,622,783
Closing cash and cash equivalents	26,839,374	27,797,114
Notes:		
Cash and cash equivalents include:		
Cash and cheques in hand	7,196,950	4,431,378
Balance with banks	19,642,424	23,365,736
	26,839,374	27,797,114
(excluding the following:)		
- In FD account pledged	3,185,001	2,014,835
- In equity dividend accounts	1,118,523	1,226,519
- Post office balances pledged	-	7,750
Balance as per books of account	31,142,898	31,046,218

On behalf of the Board of Directors

 R.K. SABOO
 Chairman

 Y. SABOO
 Chief Executive Officer

 SAMEER MADAN
 Chief Financial Officer

 PRIYA MANOJ JASWANI
 Company Secretary

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

 For **Walker, Chandiook & Co.**
 Chartered Accountants

 Place : Chandigarh
 Dated : 30 August 2010

 per **B.P. Singh**
 Partner

KDDL LIMITED (Consolidated)
Schedules forming part of the consolidated financial statements for the year ended 31 March 2010

(Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009
Schedule - 1		
Share Capital		
Authorised		
12,000,000 Equity shares of Rs. 10 each	120,000,000	120,000,000
Issued & subscribed		
7,523,500 (previous year 7,523,500) Equity shares of Rs.10 each	75,235,000	75,235,000
Paid up :		
7,349,220 (previous year 7,349,220) Equity shares of Rs.10 each fully paid	73,492,200	73,492,200
Add : Forfeited shares	871,400	871,400
	74,363,600	74,363,600
Schedule - 2		
Reserves and surplus		
Capital reserves		
Central investment subsidy	2,500,000	2,500,000
State investment subsidy	3,000,000	3,000,000
Profit on re-issue of forfeited shares	9,125	9,125
Securities premium account		
As per last balance sheet	203,979,054	124,936,650
Add: Amount received during the year	698,875	95,998,638
Adjustment for minority interest (refer note 13 of schedule 18)	2,785,576	16,956,234
	207,463,505	203,979,054
General reserve		
Foreign currency translation reserve	104,346,712	104,346,712
As per last balance sheet	6,250,199	3,353,687
Add: Adjustment during the year	71,736	2,896,512
Adjustments for minority interest (refer note 13 of schedule 18)	2,176,404	-
	4,154,531	6,250,199
Deficit in Profit & Loss Account	(77,993,850)	(13,909,866)
	243,471,023	306,175,224
Schedule - 3		
Secured Loans		
Term loans from :		
- HDFC Bank Ltd.	15,663,762	24,164,166
- Credit Suisse AG	8,178,435	9,103,203
- Standard Chartered Bank (SCB) , External commercial borrowing	48,070,475	50,665,219
- Bank of India (BOI)	68,967,692	59,081,911
- Industrial Development Bank of India (IDBI)	35,018,657	36,050,188
Working capital loans from :		
- Bank of India (BOI) on cash credit account	75,425,868	60,937,693
- IDBI Bank Limited	83,425,421	16,759,264
- The Federal Bank Limited	87,067,452	62,375,712
- HDFC Bank Ltd.	71,391,878	130,253,351
- Standard Chartered Bank (SCB) on cash credit account	37,890,951	38,467,732
- Credit Suisse AG	8,073,413	5,027,573
Others :		
- Tata Capital Limited	510,870	623,264
- Vehicle loans from banks	1,502,855	4,057,333
	541,187,729	497,566,609

KDDL LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2010

(Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009
Schedule - 4		
Unsecured Loans		
Short term loan from Bank of Rajasthan (BOR)	-	20,000,000
Short term loan others	43,951,100	21,697,016
Buyers credit loan from Bank of India (BOI)	4,721,704	-
Inter Corporate Deposits	2,700,000	5,700,000
Deposits from public	65,455,000	45,005,000
	116,827,804	92,402,016

- Notes :** a) Deposits from public due within one year Rs. 20,903,000 (previous year Rs. 43,629,000)
b) Short Term Loan from BOR was guaranteed by the Chairman of the parent Company.

SCHEDULE - 5 : FIXED ASSETS

Particulars	Gross Block		As at 31 March 2010	Upto 31 March 2009	Charge for the year	Depreciation Adjustments (Net)	Translation adjustment	Net Block	
	As at 01 April 2009	Additions						Disposals	Upto 31 March 2010
Tangibles									
Land									
- Leasehold	792,659	-	792,659	-	-	-	-	792,659	792,659
- Freehold	10,044,331	-	10,044,331	(200,250)	-	-	101,250	(99,000)	10,143,331
Buildings	160,271,829	6,310,407	166,580,873	37,135,534	9,843,394	1,363	1,326,138	48,303,703	118,277,170
Leasehold improvements	88,932	-	88,932	5,929	-	-	-	5,929	83,003
Plant & Machinery	597,036,867	26,193,427	608,494,134	283,127,029	34,214,566	12,376,981	2,077,412	307,042,026	301,452,109
Furniture & Office Equipments	99,532,370	12,579,026	106,120,564	48,640,691	8,352,467	5,099,036	104,648	51,998,770	54,121,794
Vehicles	20,256,043	505,657	17,684,149	6,829,331	1,743,053	1,588,586	-	6,983,798	10,700,352
Intangibles									
ERP Software	12,053,240	411,566	12,464,806	2,042,972	2,065,429	-	(2,538,238)	1,570,163	10,894,643
Goodwill	4,947,500	-	4,947,500	2,043,183	2,122,068	-	-	4,165,251	782,249
Know How	-	2,320,722	2,320,722	-	193,394	-	-	193,394	2,127,328
Total	905,023,771	48,320,805	929,538,670	379,624,419	58,534,370	19,065,966	1,071,210	420,164,033	509,374,637
Previous Year	832,036,243	75,558,865	905,023,771	327,971,916	58,310,714	1,714,830	(4,943,383)	379,624,419	525,399,352
Capital Work-in-Progress								9,383,788	8,599,774

Note: Depreciation during the year includes Rs. 503,204 (Previous year Rs. Nil) charged on Plant & Machinery at EIGEN unit which was utilized for development of in-house tools. Accordingly, such amount has been capitalized under Plant & Machinery.

Notes :

- Term loans from BOI is secured by first charge on the entire fixed assets of Hands Unit at Bangalore and Dials Unit at Derabassi, ranking pari passu, and second charge on current assets (save and except book debts) of the parent company, subject to the first charge in favour of parent company's bankers for securing the working capital limits. This is further secured by way of pari-passu mortgage charge on land and Building of Derabassi Unit. These loans are also guaranteed by the Chairman and Chief Executive Officer (CEO) of the parent company.
- Term Loan from IDBI is secured by first charge on all the parent company's movable assets pertaining to its Derabassi Unit and Hands Unit of the Company at Bangalore (save and except book debts) including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and /or to be created in favour of the parent company's bankers on the stock of raw materials, semi-finished and finished goods, consumable stores, book debts and such movables. It is also secured by way of an exclusive first charge on hypothecation of machinery/equipments, all movables pertaining to Tool Room Unit, Bangalore and mortgage charge on land and building and other fixed assets of Derabassi unit. It is also secured by hypothecation charge of machinery/equipments installed /to be installed out of proceeds of loan from IDBI in other than above units of the parent company. This loan is also guaranteed by the Chairman and Chief Executive Officer (CEO) of the parent company.
- External commercial borrowing from SCB is secured by:
 - Hypothecation by way of first pari passu charge over the whole of fixed assets of the parent company situated at Dials unit at Derabassi, Punjab; at Hands unit, Peenya Industrial Area, Bangalore and at Eigen (Tool Room) unit, Peenya Industrial Area, Bangalore, including its plant and machinery, machinery spares, tools and accessories and other movables, both present and future (save and except assets specifically charged to other lenders) whether installed or not and whether now lying loose or in cases or which are now lying or stored in or open or shall hereafter from time to time during the continuance of security of these present be brought into and or upon or to be stored or to be in or about all the borrower's factories, premises and godowns situated at Haibatpur Road, Saddomajra, Derabassi - 140 507, Punjab; at Plot No 296-297, 5th Main IV, Phase, Peenya Industrial Area Bangalore 560 058 and at Plot No. 81-82 A, 7 Main, Phase III, Peenya Industrial Area, Bangalore 560 058, the same will be or shall be held any party to the order or disposition of the Company or in the course of transit or on high seas or on order or delivery howsoever and wheresoever in the possession of the parent company. External commercial borrowing from SCB is secured by:
 - Hypothecation by way of First Exclusive Charge over movable fixed asset of the parent company, consisting of plant and machinery, equipment and other movable fixed assets more particularly described in the Schedule prescribed in the agreement, acquired by utilization of the facility in the form of External Commercial Borrower, whether installed or not and whether now lying loose or in cases which are now lying or stored in or open at the parent company Parwanoo Unit.
 - All stock in trade both present and future consisting of Raw Material, finished goods, goods in process of manufacturing and other merchandise whatsoever and all present and future book debts, outstanding monies, receivables, claims, certain fixed deposits and bill etc shall be hypothecated to the bank by way of second charge on the pari passu basis. This loan is also guaranteed by the Chairman and Chief Executive Officer (CEO) of the parent company.
- Working capital loans from Bank of India, IDBI Bank and Standard Chartered Bank are secured by hypothecation of stocks of stores & spares, raw materials & components, finished goods & stocks-in-process and book debts and other assets of the Company (both present and future), or pari passu basis except Packaging Unit of the Company and are further secured by a second charge on the entire fixed assets of the Company. These loans are also guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.
- Term Loan from HDFC Bank Limited (erstwhile Centurion Bank of Punjab Limited) taken by a subsidiary, Kamla Retail Limited (KRL) is secured by

KDDL LIMITED (Consolidated)
Schedules forming part of the consolidated financial statements for the year ended 31 March 2010

(Amount in Rupees)

- hypothecation of present and future fixed assets of that company. These loans are also guaranteed by parent company and Chief Executive Officer (CEO) of the parent company.
- f) The working capital loans from HDFC Bank Limited (erstwhile Centurion Bank of Punjab Limited (CBOP)) are secured by hypothecation of all the Stock of the Company i.e. raw material, stock in process, finished goods, consumable stores and spares, Components and receivables. These loans are further secured by first charge on fixed assets of packaging unit at Chandigarh of parent company. This is further secured by first charge on land and building and all other fixed assets of dial unit of parent company at Parwanoo (HP) excluding the assets purchased after 01.04.05.
- g) Working capital loan from The Federal Bank, is secured by pari passu charge on current assets including stock in trade of watches and receivables. These limits are guaranteed by the parent company and Chief Executive Officer (CEO) of the parent company.
- h) All fixed assets of Packaging unit at Chandigarh are hypothecated by first charge of HDFC Bank Ltd (erstwhile Centurion Bank of Punjab Limited) in respect of working capital sanctioned to Kamla Retail Ltd, a subsidiary of the parent company. This is further secured by the first charge over land and building and all other fixed assets of the Parwanoo Dials unit of the parent company excluding the assets purchased after 01 April 2005 using the ECB from Standard Chartered Bank. These limits are guaranteed by the Chief Executive Officer (CEO) of the parent company.
- l) Vehicle Loans from banks and Tata Capital Limited are secured against hypothecation of specific vehicles purchased out of the proceeds of those loans.
- j) Working capital Loans of the Subsidiary Company (HFBL) are secured by first charge on their inventories and book debts and further by Corporate Guarantee of the holding Company.
- k) Working capital Loan of the Joint Venture Company are secured by first charge on their Inventories and book debts and tangible movable properties and further Guaranteed by a Director of that Company.
- l) Term Loan from Bank of India in the Joint Venture Company are secured by first charge on their tangible properties and fixed assets of the Company and further by guarantee by Director of that Company.
- m) Loan from Credit Suisse AG is secured by land and building of the foreign subsidiary situated at Pylania S.A., Vers chez l'Ecrivain 10, 2745 Grandval, Switzerland.
- n) Installments of term loans due within one year Rs 101,662,905 (previous year Rs 35,169,064)

	As at 31 March 2010	As at 31 March 2009
Schedule - 6		
Investments		
Long Term		
Trade Investments		
Fully paid-up shares (unquoted)		
- Saboo Coatings Limited- 180,000 (previous year 180,000)	1,800,000	1,800,000
Equity shares of Rs. 10 each fully paid up		
- Taratec SA, Switzerland 51 (previous year 51)	1,540,710	
Equity share of Swiss Franc (CHF) 1,000 each fully paid up		
Add: Share in opening reserves	2,940,219	
Add: Share in current year (loss)/profit	33,036	
	<u>4,513,965</u>	<u>4,480,929</u>
- Kamla Tesio Dials Ltd. 300,000 (previous year 300,000)	3,000,000	
Equity shares of Rs. 10 each fully paid up		
Less: Share in opening reserves	(590,574)	
Add: Share in current year profit	163,533	
	<u>2,572,959</u>	<u>2,409,426</u>
Aggregate of trade investments	<u>8,886,924</u>	<u>8,690,355</u>
Non Trade Investments		
Fully paid-up shares(unquoted)		
- VBL Innovations Limited 10,000 (previous year 10,000)	1,000,000	1,000,000
equity share of Rs. 100 each fully paid up		
- Karolview Developers Pvt Ltd 500,000 (previous year 500,000)	5,000,000	5,000,000
equity shares of Rs. 10 each fully paid up*		
- Shivalik Waste Management Limited 17,500 (Previous Year 17,500)	175,000	175,000
equity shares of Rs. 10 each fully paid up		
Aggregate of non trade investments	<u>6,175,000</u>	<u>6,175,000</u>
	<u>15,061,924</u>	<u>14,865,355</u>
* 490,000 (Previous year 490,000) shares are pending allotment		

Schedule - 7
Inventories

(As taken, valued & certified by the management)

Stores and spares	17,357,037	19,259,998
Raw Materials and components	54,770,956	55,889,420
Stock-in-process	43,067,295	41,509,557
Finished goods		
- Own manufactured	9,916,080	17,117,079
- Traded	422,698,586	394,643,814
Goods in transit	330,618	4,209,989
Scrap	529,566	1,218,550
	<u>548,670,138</u>	<u>533,848,407</u>

KDDL LIMITED (Consolidated)
Schedules forming part of the consolidated financial statements for the year ended 31 March 2010

(Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009
Schedule - 8		
Sundry debtors		
(Unsecured)		
Outstanding for a period exceeding six months		
– Considered good	27,838,036	7,446,817
– Considered doubtful	4,149,040	3,778,063
Other debts - considered good	93,752,852	95,703,313
	<u>125,739,928</u>	<u>106,928,193</u>
Less : Provision for doubtful debts	4,149,040	3,778,063
	<u>121,590,888</u>	<u>103,150,130</u>
Schedule - 9		
Cash and bank balances		
Cash in hand	5,721,534	4,429,478
Cheques in hand	1,475,416	1,900
Balances with banks in		
– Current accounts	13,551,795	15,192,541
– Equity dividend accounts	1,118,523	1,226,519
– Fixed deposit accounts	9,275,630	10,188,030
(Receipts for Rs. 3,185,001 (previous year Rs. 2,014,835) pledged with banks and Sales Tax authorities)		
Post office savings account		7,750
(Pass book pledged with central excise authorities)		
	<u>31,142,898</u>	<u>31,046,218</u>
Schedule - 10		
Loans and advances		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	62,533,803	57,754,623
Balance with central excise authorities	3,211,227	6,506,173
Minimum Alternative Tax entitlement	416,374	304,064
Prepaid income taxes (net of provision aggregating to Rs. 4,086,443 (Previous Year Rs. 519,142))	22,124,808	20,733,489
Security and other deposits	74,709,008	53,771,556
	<u>162,995,220</u>	<u>139,069,905</u>
Schedule - 11		
Current Liabilities		
Sundry creditors for goods, services and expenses	261,699,876	239,530,191
Other liabilities	20,155,541	13,933,228
Advances from customers	22,840,880	31,291,474
Interest accrued but not due on loans	6,625,846	4,777,637
Investor education and protection fund*	1,118,523	1,226,519
* Not due for deposit		
	<u>312,440,666</u>	<u>290,759,049</u>
Schedule - 12		
Provisions		
Employee benefits	14,847,613	11,967,171
Bonus	6,047,842	6,934,021
Rent equalisation reserve	7,389,054	–
ECHO Club Provision	1,645,737	2,862,289
Provision for wealth tax	60,000	60,000
Dividend on cumulative preference shares (refer note 14 of schedule 18)	218,668	–
	<u>30,208,914</u>	<u>21,823,481</u>

KDDL LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2010

(Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009
Schedule - 13		
Gross operating income		
Sales of goods	1,234,690,128	1,188,551,351
Job charges	3,206,232	802,016
Miscellaneous sales	11,896,664	10,638,890
Tool development charges	8,066,078	5,162,306
Others	1,269,703	1,222,823
	<u>1,259,128,805</u>	<u>1,206,377,386</u>
Schedule - 14		
Other Income		
Liabilities no longer required, written back	4,297,979	589,982
Provisions written back	34,888	-
Export incentives	5,440,812	4,109,694
Lease rent	1,879,346	2,386,600
Dividend Income	120,000	421,566
Foreign fluctuation exchange (net)	7,216,861	-
Miscellaneous receipts	13,895,038	21,673,799
	<u>32,884,924</u>	<u>29,181,641</u>
Schedule - 15		
Manufacturing, administrative and selling expenses		
Raw material consumed	137,075,180	189,201,218
Stores and spares consumed	50,754,958	61,001,952
Power, fuel and water charges	24,843,357	25,315,100
Tool development charges	1,032,452	1,402,252
Salaries, wages and bonus	238,733,988	264,469,065
Contribution to provident and other funds	16,035,283	14,195,743
Staff and labour welfare expenses	9,271,954	14,059,540
Recruitment expenses	1,090,768	890,722
Processing charges	10,470,983	17,784,113
Insurance(net)	2,076,479	1,456,796
Rent	79,306,169	61,428,364
Rates and taxes	2,206,020	2,310,564
Repair and maintenance:		
- Plant and machinery	5,711,721	7,609,973
- Buildings	2,295,426	4,394,761
- Others	5,519,678	4,646,587
Legal and professional	16,272,196	17,955,517
Payment to auditors of Parent Company :*		
- Audit fee	300,000	300,000
- Tax audit fee	75,000	75,000
- Certification etc.	260,000	294,000
- Expenses	273,892	353,292
Fee and payment to auditors of other group companies	628,646	373,153
Directors' sitting fees	288,000	248,000
Travel and conveyance	21,777,445	23,617,973
Directors' travelling	3,489,861	3,966,571
Postage and telephone	6,812,922	7,301,304
Subscription and annual fee	698,788	828,030
Printing and stationery	4,181,633	4,764,562

KDDL LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2010

(Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009
Schedule - 15		
Donations	25,000	317,475
Selling & distribution expenses :		
- Commission	12,326,769	13,193,753
- Discounts	939,422	266,701
- Other expenses (net)	9,924,046	17,034,812
Provision for doubtful debts	405,865	2,046,539
Bad Debts written off	2,956,674	218,957
Loss on sale/disposal of fixed assets (net)	2,031,138	132,762
Foreign exchange fluctuation (net)	-	15,361,687
Miscellaneous expenses (net)	16,208,540	8,911,915
(Increase) / decrease in stocks (refer schedule 15A)	<u>(21,900,658)</u>	<u>(111,035,514)</u>
	<u>664,399,595</u>	<u>676,693,239</u>
*Excluding service tax of Rs. 103,152 (previous year Rs. 100,151) being available for set off against the excise duty liability.		
Schedule - 15A		
(Increase)/ decrease in stocks		
Opening Stocks		
Finished goods		
- Own manufactured	17,117,079	7,529,357
- Traded	394,643,814	301,064,995
Stock-in-process	41,509,557	34,710,015
Scrap	1,218,550	74,694
	<u>454,489,000</u>	<u>343,379,061</u>
Closing Stocks		
Finished goods		
- Own manufactured	9,916,080	17,117,079
- Traded	422,698,586	394,643,814
Stock-in-process	43,067,295	41,509,557
Scrap	529,566	1,218,550
	<u>476,211,527</u>	<u>454,489,000</u>
	<u>(21,722,527)</u>	<u>(111,109,939)</u>
Less: (Increase) / decrease in excise duty on stocks	178,131	(74,425)
	<u>(21,900,658)</u>	<u>(111,035,514)</u>
Schedule - 16		
Finance Cost		
On term loans	43,321,935	35,235,370
On public deposits	6,525,942	5,668,907
On other loans from banks	19,269,436	14,639,537
	<u>69,117,313</u>	<u>55,543,814</u>
Less : Received from banks and others (Gross tax deducted at source Rs. 45,626 (previous year Rs. 112,589))	667,430	1,446,050
Other Bank and Finance Charges	8,194,450	8,256,701
	<u>76,644,333</u>	<u>62,354,465</u>

Schedule 17**SIGNIFICANT ACCOUNTING POLICIES****1. Principles of Consolidation**

The consolidated financial statements include the financial statements of KDDL Limited (formerly Kamla Dials and Devices Limited) ("KDDL" or "Parent Company"), its subsidiaries associates and joint venture (collectively referred to as "Group").

The consolidated financial statements have been combined on a line by line basis by adding the book values of the like items of the assets, liabilities, income and expenses of the subsidiary companies after eliminating intra-group balances/ transactions and unrealised profits in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the post-acquisition increase in the relevant reserves of the consolidated entities.

Proportionate share of interest in Joint Venture has been accounted for by the proportionate consolidation method in accordance with Accounting Standard - 27 "Financial Reporting of Interests in Joint Ventures".

The results of the associates have been reflected in the consolidated financial statements by following the equity method of accounting.

The excess/deficit of cost to the Parent Company over its investment over its portion of net worth in the consolidated entities at the respective dates on which the investment in such entities was made is recognised in the financial statements as goodwill/ capital reserve. The Parent's Company's portion of net worth in such entities is determined on the basis of book value of assets and liabilities as per the financial statements of the entities as on the date of investment and if not available, the financial statements for the immediately preceding period adjusted for the effects of significant changes.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Parent Company for its separate financial statements.

2. Basis of preparation

The financial statements have been prepared to comply with the Accounting Standards referred to in the Companies(Accounting Standard) Rule 2006 issued by the Central Government in exercise of the power conferred under sub-section(1)(a) of Section 642 and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Group unless otherwise stated.

3. Use of estimates

In preparing the Group's financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised in the period the same is determined.

4. Revenue recognition

- a) Revenue from sale of goods is recognised when the significant risks and rewards in respect of ownership of the goods are transferred to the customer and is stated inclusive of excise duty, net of trade discounts, sales return and sales tax wherever applicable.
- b) Commission from sale of goods, received on consignment basis, is recognised upon passage of title to the customers.
- c) Export entitlements under the Duty Entitlement Pass Book scheme are recognised in the profit and loss account when the right to receive credit as per the terms of the scheme is established in respect of the exports made.
- d) Revenue in respect of tool development and job charges is recognized as per the terms of the contract with the customers.
- e) Interest income is recognized on a time proportion basis, taking into account the amount outstanding and the rates applicable.
- f) Dividend income is recognized when the Company's right to receive the same is established.

5. Fixed assets

Fixed assets are stated at cost (gross block) less accumulated depreciation and adjusted for impairment losses. Cost comprises the purchase price (net of Cenvat credit availed) and any attributable cost of bringing the asset to its working condition for its intended use.

Expenditure on account of modification / alteration in plant and machinery / building, which increases the future benefit from the existing asset beyond its previous assessed standard of performance, is capitalized.

Schedule 17

Borrowing costs directly attributable to acquisition or construction of fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalized.

6. Depreciation

Depreciation is provided on straight line method as per the rates specified in Schedule XIV to the Act, as applicable at the time of addition of the respective fixed assets, on pro-rata basis from the month of addition, except for the following:

- Depreciation on improvements carried out on buildings taken on lease (included under buildings) is provided over the period of the lease, which are being depreciated over the useful life estimated at 6-9 years.
- Depreciation on a particular class of dies and tools manufactured by the Parent Company and put to use after 01 April 2003 is provided over a period of 3 years.
- The above rates of depreciation are indicative of the useful lives of the assets.
- The cost of leasehold land is not amortized.
- Goodwill is amortised over a period of 5 years.
- For Pylania, S.A. depreciation charge is provided on straight line method based on the estimated economic useful life of the assets using the rates stated below:

Description	Rates
Buildings factory	2% to 7.5%
Plant and machinery	15%
Office equipment	12.5% to 20%
Motor vehicles	16.67%

7. Inventories

Inventories are valued as follows:

1. **Raw materials & components, stores and spares, finished goods and stock in process:** At lower of cost and net realisable value.
2. **Scrap:** At realisable value.
3. Cost of inventories is ascertained on the following basis:
 - a) Raw materials and components and stores & spares - on moving weighted average basis.
 - b) Goods purchased for re-sale moving weighted average basis.
 - c) Cost of finished goods and stock in process comprise material, labour and related estimated overheads including depreciation.

8. Investments

Long-term investments (other than those accounted for using the equity method of accounting) are stated at cost. Provision is made for diminution in the value of long-term investments to recognise decline, if any, other than temporary in nature.

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 investment.

9. Foreign currency transactions

Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment. Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at the rate prevailing on the balance sheet date. Differences arising on foreign currency translations of transactions settled during the year are recognised in the profit and loss account.

The foreign subsidiary has been identified as non-integral operations in accordance with requirement of AS 11, the (Revised 2003). In accordance with AS 11, the Financial statement of non-integral foreign operations are translated to Indian rupees as follows :

- a) All assets and liabilities, both monetary and non-monetary are translated using the closing rate.
- b) Revenue items are translated at the respective monthly average rates.
- c) The resulting net exchange difference is credited or debited to a foreign currency translation reverse.

Indian Rupee is the reporting currency of the Group. However, the local currency of the overseas associate (having operations integral to that of the Parent Company) is different from the reporting currency of the Group. The translation of the results of the overseas associate is performed as if the transactions of such associate had been those of the Parent Company itself.

The exchange differences arising on forward contracts other than those entered into to hedge the foreign currency risk of firm commitments or highly probable forecast transactions are recognised in the year in which they arise based on the difference between i) foreign currency amount of the contract translated at the exchange rate on the reporting date and ii) the same foreign currency amount translated at the later of the date of inception of the forward exchange contract or

Schedule 17

the last reporting date. The premium or discount on all such contracts arising at the inception of each contract is amortised as expense or income over the life of the contract.

The premium or discount arising at the inception of the forward contracts entered into to hedge the foreign currency risk of firm commitments or highly probable forecast transactions is amortised as expense or income over the life of the contract.

Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or expense for the year.

10. Miscellaneous expenditure

- a) Preliminary and share issue expenses incurred before 1 April 2003 are amortised over a period of ten years.
- b) Deferred revenue expenditure:
Technical know-how fee, technician's training expenses, customs duty and other expenses on collaborator's machines and start-up costs, including training expenses, salaries, rent, etc., incurred before 1 April 2003 are amortised over a period of four years from the year of commencement of commercial operations of the related project.

11. Employee benefits

Contribution to provident fund, being a defined contribution plan, is recognised in the profit and loss account.

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability determined based on actuarial valuation using the Projected Unit Credit Method at the Balance Sheet date.

Gratuity is a post employment defined benefit plan. The present value of obligation for gratuity is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service. Gratuity and superannuation funds are administered by trustees of independently constituted trusts.

In respect of superannuation, the employer makes contribution to Life Insurance Corporation of India ("LIC") of an amount payable by the trusts to LIC, which is charged to the profit and loss account.

12. Taxes on income

Tax expense comprises current tax and deferred income tax.

Current tax is determined as the amount of tax payable in respect of taxable income for the year.

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. In respect of carry forward losses and unabsorbed depreciation, deferred tax assets are recognized only to the extent there is virtual certainty that sufficient future taxable income will be available against which such losses can be realized.

Minimum alternate tax payable under the provisions of the Income Tax Act, 1961 is recognised as an asset in the year in which credit becomes eligible and is set off in the year in which the Company becomes liable to pay income taxes at the enacted tax rates.

13. Earnings per share

The earnings considered in ascertaining the Group's earnings per share comprise the net profit or loss for the year attributable to the equity shareholders. Earnings per share are computed using the weighted average number of shares outstanding during the year.

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

14. Leases

Lease rentals in respect of assets taken under an operating lease are charged to the profit and loss account on accrual basis.

In respect of assets given on operating lease, income is being recognised on a straight line basis over the lease term.

15. Contingent liabilities and provisions

The Group makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. A disclosure is made for possible or present obligations that may but probably will not require outflow of resources or where a reliable estimate cannot be made, as a contingent liability in the financial statements.

Club Echo points, accrued to the customer as a part of the loyalty programme, is provided for based on the management's past experience.

KDDL LIMITED (Consolidated)

Schedule 17

16. Impairment of assets

The Group on an annual basis makes an assessment of any indicator that may lead to impairment of assets. If any such indication exists, the Group estimates the recoverable amount of the assets. If such recoverable amount is less than the carrying amount, then the carrying amount is reduced to its recoverable amount by treating the difference between them as impairment loss and is charged to the profit and loss account.

17. Segment reporting policies

The accounting policies adopted for segment reporting are in line with those of the Group with the following additional policies for segment reporting:

- Inter segment revenues have been accounted for based on the transaction price agreed to between segments at estimated cost of the transferor segment.
- Revenues and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.
- Revenues and expenses, which relate to the group as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated corporate expenses".
- Assets and liabilities, which relate to the group as a whole and are not allocable to segments on a reasonable basis, are shown as unallocated corporate assets and liabilities respectively.

Schedule 18

Notes to the consolidated financial statements

- In compliance with Accounting Standard 21 "Consolidated Financial Statements", Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard 27 "Financial Reporting of Interests in Joint Ventures" issued by Institute of Chartered Accountants of India, KDDL Limited ('KDDL') has prepared the accompanying consolidated financial statements, which include the financial statements of KDDL, its subsidiary, joint venture and the results of operations of its associates listed below:

- Detail of the subsidiaries are as under:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
Himachal Fine Blank Limited	India	100%
Kamla Retail Limited	India	83.77%*
Mahen Boutiques Limited	India	100%
Mahen Distribution Limited	India	100%
Pylania S.A.	Switzerland	65.57%

*Include 19.77% held through Mahen Distribution Limited.

- Details of associates are as under:

<u>Name of the associates</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
1. Kamla Tesio Dials Limited	India	30 %
2. Taratec S.A.	Switzerland	34 %

- Detail of joint venture is as under:

<u>Name of the Joint Venture</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
Satva Jewellery and Design Ltd.	India	50%

- The financial statements of Taratec S.A. (an associate of KDDL) considered for consolidation has a reporting date of 31 December 2009, which is different from the reporting date of the Group. These financial statements have been reviewed in accordance with the Swiss Standard on the Limited Statutory Examination and accordingly, such results of Taratec S.A. have been considered for equity method of accounting while preparing the consolidated financial statements of the Group.
- The consolidated financial statements of the Group have been based on a line by line consolidation of profit & loss account and balance sheet of KDDL and its subsidiary. The effects of inter-company transactions between consolidated companies are eliminated on consolidation. Unrealised profit on unsold stock, if any, is eliminated while valuing inventories. These eliminations have been considered in the consolidated financial statement on the basis of figures provided and certified by the management and the auditors have relied on the same.
- In accordance with the applicable provisions of Accounting Standard - 23 on "Accounting for Investments in Associates in Consolidated Financial Statements", equity method of accounting has been followed to incorporate the results of the operations of the associates in the consolidated financial statements.
- On December 04, 2004, the Parent Company entered into a shareholders agreement with Pascal Vincent Vaucher SA to jointly control and manage the operations of Satva Jewellery and Design Limited ('Satva'). Pursuant to this agreement, the Parent Company made its contribution of 50% of the equity share capital of Satva during the year. These investments have accordingly been accounted for using proportionate consolidation in the consolidated financial statements of the Group in accordance with Accounting Standard -27. 'Financial Reporting of Interests in Joint Venture'

KDDL LIMITED (Consolidated)
Schedules forming part of the consolidated financial statements for the year ended 31 March 2010

(Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009
SCHEDULE -18		
2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).	14,791,879	232,007
3. Contingent liability not provided for exists in respect of :		
a) Bank guarantees outstanding.	15,411,650	6,270,400
b) Modvat credit disallowed by central excise authorities, for which, appeal have been filed	210,980	210,980
c) Bonds in favour of central excise and customs authorities	6,425,000	11,550,000
d) Guarantee given to a schedule bank in relation to overdraft facility of Rs. 305,000,000 (Previous Year Rs. 255,000,000) and term loan of Rs. 34,000,000 (Previous Year Rs. 34,000,000) provided by the bank to a subsidiary company. Amount of overdraft outstanding as on 31 March 2010 is Rs. 240,494,686 (Previous Year Rs. 215,587,159) and term loan Rs. 15,663,761 (Previous Year Rs. 24,164,166) respectively.		
e) Demand raised for service tax against which appeals have been filed	1,661,899	2,302,693
f) Demand raised by Punjab State Electricity Board for payment of penalty for usage of additional power against sanctioned load. (Amount paid under protest Rs. 372,828 (Previous Year Rs. 372,828))	373,828	372,828
g) Demands made by the income tax authorities against which appeals have been filed. Amount paid under protest Rs. 2,900,000 (Previous Year Rs. 400,000)	4,046,108	17,399,539
h) Demands made by Sales Tax authorities (Ludhiana) against which appeals have been filed	5,106,676	5,106,676
i) Demand made by central excise authority	4,187,217	4,187,217
j) Demand of House tax made by Municipal Commissioner - Mohali	5,551,447	5,551,447
4. Managing director's /whole-time directors remuneration of the Parent Company*:		
a) Salary	3,570,000	3,630,000
b) Contribution to provident and other funds	972,900	966,600
c) Perquisites including allowances (actual and /or evaluated under the Income -tax Rules)	2,047,318	1,570,218
d) Leave encashment paid during the year	-	55,000
	6,590,218	6,221,818
* Exclusive of provision for future liabilities in respect of retirement benefits (which are based on actuarial valuation done on an overall company basis)		
5. Details of utilization of proceeds raised through conversion of share warrants issued on preferential basis		
Balance unutilized at the end of the previous year		-
Proceeds received during the year		10,260,000
Utilization of proceeds:		
For Capital contribution in a foreign subsidiary		-
For Establishment of new Stores		-
For purchase of capital assets		10,260,000

KDDL LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2010

(Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009
SCHEDULE -18		
6. Deferred tax liability (net)		
Major components of deferred tax asset and (liability) are as given below :		
Deferred tax assets		
Effect of expenditure debited to profit and loss account but allowable for tax purposes in subsequent year (s)	4,313,789	3,604,372
Provision for doubtful debts	1,378,207	1,284,164
Carry forward business loss	10,785,742	-
Deferred tax liability	16,477,738	4,888,536
Depreciation differences	(51,195,425)	(53,707,173)
Net Deferred tax liabilities	(34,717,687)	(48,818,637)

7. Segment Information

Identification of segments:

The Group has disclosed business segment as primary segment. The Group's operations predominantly relate to manufacture of precision watch components and trading of watches and accessories. Other business segments primarily comprising of ornaments packaging is very small and reported under others category. The segments have been identified taking into account:

- the nature and use of the products,
- the differing risks and returns,
- the organisation structure, and
- the internal financing reporting systems

The secondary segments considered for disclosure are as follows:

- Sales within India include sales to customers located within India.
- Sales outside India include sales to customers located outside India.

KDDL LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2010

(Amount in Rupees)

SCHEDULE - 18**Segment information - Primary Segment (Business Segment) :**

(Figures in parentheses are for the previous year)

Particulars	Precision and watch components	Watch and accessories	Others	Total
Revenue				
Gross operating and other income*	525,810,964 (694,032,721)	704,274,061 (476,512,325)	61,181,045 (63,990,575)	1,291,266,070 (1,234,535,621)
Results				
Segment result	7,285,937 (76,936,477)	18,330,366 (-5,377,475)	(1,489,155) (5,516,472)	24,127,148 (77,075,475)
Unallocated corporate expenses (net)				(42,196,261) (61,958,963)
Operating profit				(18,069,113) (15,116,512)
Interest expenses (net)				76,644,333 (62,354,465)
Current income tax (net of tax earlier years)				269,906 (526,044)
Deferred tax				(14,100,951) (1,297,603)
Fringe benefits tax				- (2,885,991)
Prior period expense		7,960,465		7,960,465
Net Profit				(88,842,865) (51,947,591)
Other Information				
Segment assets	677,000,825 (581,639,673)	607,816,698 (499,026,697)	35,004,138 166,668,288	1,319,821,661 1,247,334,658
Unallocated corporate assets				79,157,087 (109,219,867)
Total assets				1,398,978,748 (1,356,554,525)
Segment liabilities	96,046,080 (82,917,556)	207,416,628 (145,056,912)	15,652,522 (35,409,733)	319,115,230 (263,384,201)
Unallocated corporate liabilities & loans				716,264,278 (687,985,591)
Total liabilities				1,035,379,508 (951,369,792)
Capital expenditure	19,380,065 (51,514,811)	16,837,774 (15,429,825)	12,333,137 (12,333,137)	48,550,976 (79,277,773)
Unallocated capital expenditure				525,718 (243,216)
Depreciation	45,637,815 (42,133,059)	10,109,169 (8,372,813)	801,389 (6,159,851)	56,548,373 (56,665,723)
Unallocated depreciation				1,482,793 (1,644,991)
Other non cash expenses	2,086,877 (664,586)	-	-	2,086,877 (2,065,572)
Unallocated non cash expenses			(1,400,986)	350,126 (113,729)

*Excluding unallocated corporate Income Rs. 7,47,659 (previous year Rs. 10,23,406)

KDDL LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2010

(Amount in Rupees)

SCHEDULE - 18**Segment Information - Secondary Segment (Geographical)**

The following tables present revenue and profit information regarding industry segments for the period ended 31 March 2010 and asset and liability information regarding industry segments as at 31 March 2010.

(Figures in parentheses are for the previous years)

Secondary Segment information :

Particulars	India	Outside India	Total
Segment revenue	1,032,307,745 BF (854,551,356)	258,958,325 (379,984,265)	1,291,266,070 (1,234,535,621)
Segment assets	1,154,670,056 BF (1,072,281,413)	50,449,285 (49,833,969)	1,205,119,341 (1,122,115,382)
Capital expenditure	46,451,947 BF (75,804,666)	2,099,029 (3,473,107)	48,550,976 (79,277,773)

The Segment revenue is net of discount, sales returns and price variations, gross of excise duty

9. Related party disclosures**A. Relationships****I. Associates**

Kamla Tesio Dials Limited
Taratec SA

II. Joint Venture

Satva Jewellery and Design Limited

III. Entities over which significant influence is exercised by the company / key management personnel (either individually or with others)

Saboo Coatings Limited,
VBL Innovations Pvt. Limited, Vardhan Properties and Investments Limited, Shri M.K. Saboo Charitable Trust, Smt. Kamla Devi Saboo Charitable Trust, Tara Chand Mahendra Kumar (HUF) Trust

IV. Key Management Personnel**Relatives ******a. Mr. R.K. Saboo (Chairman)**

Ms. U. Saboo (wife),
Mr. Y. Saboo (son), Mr. J. Saboo (son), Ms. P. Saboo (Daughter in law), Ms. Asha Devi Saboo (brother's wife)

b. Mr. Y. Saboo (Chief Executive Officer)

Mr. R.K. Saboo (father), Ms. A. Saboo (Wife)
Mr. P.S. Saboo (son), Ms. S. Saboo (Daughter)

c. Mr. Dinesh Agrawal (Chief Operating Officer (North))

Ms. Shashi Agrawal (Wife)

** Relatives of key management personnel with whom the Company had transactions during the year.

KDDL LIMITED (Consolidated)
Schedules forming part of the consolidated financial statements for the year ended 31 March 2010

(Amount in Rupees)

SCHEDULE -18
B. The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2010

S. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1.	Purchase of raw material and components					
	Taratec SA	632,157				
	Saboo Coatings Limited			2,468,583		
2.	Sale of goods					
	Taratec SA	6,669,771				
	Satva Jewellery & Design Limited		10,169			
	Saboo Coatings Limited			95,422		
3.	Job work Charges Paid					
	Taratec SA	4,300				
	Satva Jewellery & Deign Ltd.		1,937,613			
4.	Job work Charges Recd.					
	Satva Jewellery & Design Ltd.		21,428			
	Taratec SA	79,116				
5.	Commission paid on sales					
	Taratec SA	12,236,177				
6.	Rent Paid					
	Kamla Tesio Dials Limited	1,200,000				
	Saboo Coatings Limited			50,000		
	Kamla Retail Limited			96,000		
	Mr. R.K. Saboo				126,232	
	Mr. Y. Saboo				126,232	
	Ms. A. Saboo					126,232
	Ms. U. Saboo					593,512
7.	Salary of employees					
	Satva Jewellery & Design Ltd.		28,826			
	Ms. A. Saboo					107,520
	Mr. P.S. Saboo					165,158
8.	Directors Remunerarion					
	Mr. R.K. Saboo				1,698,056	
	Mr. Y. Saboo				2,847,441	
	Mr. Dinesh Agrawal				2,044,721	
9.	Interest paid/Accrued					
	Taratec SA	74,252				
	Vardhan Properties and investment Ltd.			286,866		
	Ms. Asha Devi Saboo					104,573
10.	Repayment of loans					
	Taratec SA	3,937,280				
11.	Others (including rent received)					
	Taratec SA	2,262,488				
	Satva Jewellery & Design Limited		41,726			
	Saboo Coatings Limited			784,603		
	Others	2,300		2,390		
12.	Discounts					
	Taratec SA	637,707				
13.	Loan/Advances taken					
	Saboo coatings Limited			200,000		
	Mr. J.V. Saboo					9,166,000
14.	Reimbursement of Expenses					
	Taratec SA	19,528				
	Kamla Retail Limited			96,000		
	Saboo Coatings Limited			975		
15.	Expenses Recovered					
	Satva Jewellery & Design Ltd.		111,145			
	Saboo Coatings Limited			98,325		
16.	Dividend received					
	VBL Innovation Pvt. Ltd.			120,000		
17.	Balance at the end of the year					
	a. Loans					
	b. Other receivable/advances					
	Taratec SA	433,181				

KDDL LIMITED (Consolidated)
Schedules forming part of the consolidated financial statements for the year ended 31 March 2010

(Amount in Rupees)

SCHEDULE -18

S. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
	Satva Jewellery & Design Limited		691,111			
	Saboo Coatings Limited			8,731		
c.	Payables					
	Taratec SA	6,753,796				
	Kamla Tesio Dials Limited	2,266,080				
	Satva Jewellery & Design Limited		298,941			
	Saboo Coatings Limited			1,048,349		
	Mr. J.V. Saboo					9,166,000
	Others			(316,121)		
d.	Guarantees taken					
	Mr. R.K. Saboo				129,962,318	
	Mr. Y. Saboo				129,962,318	
e.	Guarantees provided					
f.	Public deposit outstanding					
	Ms. Asha Devi Saboo					1,000,000
g.	Inter Corporate Deposit					
	Vardhan Properties and Investment Limited			2,700,000		

C. The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2009

S. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1	Purchase of raw material and components					
	Himachal Fine Blank Limited					
	Taratec SA	1,790,512				
	Satva Jewellery & Design Limited		7,350			
	Saboo Coatings Limited			3,793,188		
	Others					
2	Sale of goods					
	Pylania					
	Himachal Fine Blank Limited					
	Taratec SA	108,457,669				
	Satva Jewellery & Design Limited		107,486			
	Saboo Coatings Limited			45,411		
	Others					
3	Purchase of fixed assets					
	Himachal Fine Blank Limited					
	Taratec SA	199,698				
4	Sale of fixed assets					
	Himachal Fine Blank Limited					
5	Job work Charges Paid					
	Taratec SA	269,700				
	Satva Jewellery & Design Limited		7,079,020			
6	Job work Charges Received					
	Himachal Fine Blank Limited					
	Taratec SA	90,524				
7	Commission paid on sales					
	Taratec SA	13,041,656				
8	Rent paid by the Company					
	Kamla Tesio Dials Limited	1,200,000				
	Saboo Coatings Limited			50,000		
	Mr. R.K. Saboo				120,224	
	Mr. Y. Saboo				120,224	
	Ms. A. Saboo					120,224
	Ms. U. Saboo					587,504
9	Salary of employees paid					
	Himachal Fine Blank Limited					
	Kamla Retail Limited					
	Ms. A. Saboo					107,520
	Others					
10	Directors Remuneration					
	Mr. R.K. Saboo				1,848,081	
	Mr. Y. Saboo				2,556,396	
	Mr. Dinesh Agrawal				1,817,341	

KDDL LIMITED (Consolidated)
Schedules forming part of the consolidated financial statements for the year ended 31 March 2010

(Amount in Rupees)

SCHEDULE -18

S. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
11	Interest received Himachal Fine Blank Limited Mahen Boutiques Limited					
12	Interest paid/Accrued Vardhan Properties and investment Ltd. Tara Chand Mahendra Kumar (HUF) Trust Ms. Asha Devi Saboo Others			333,769 110,564		109,971 10,771
13	Repayment of loans Himachal Fine Blank Limited					
14	Others (including rent received) Kamla Retail Limited Taratec SA Satva Jewellery & Design Limited Saboo Coatings Limited Others	1,930,815	328,676	600,000 7,200		
15	Discounts given Himachal Fine Blank Limited Taratec SA	10,467,159				
16	Loan/Advances given Mahen Boutiques Limited Kamla Retail Limited Others					
17.	Reimbursement of Expenses by the Company Pylania SA Taratec SA Others	2,045,663				
18	Expenses Recovered Himachal Fine Blank Limited Taratec SA Others	2,658,113				
19.	Investments made Mahen Boutiques Limited Kamla Retail Limited					
20.	Dividend Paid Tara Chand Mahendra Kumar (HUF) Trust Mr. R.K. Saboo Mr. Y. Saboo Mr. J. Saboo Others			77,120	733,701 1,396,448	709,506 841,341
21.	Dividend received Taratec SA	421,566				
22.	Balance at the end of the year					
a.	Loans Himachal Fine Blank Limited Kamla Retail Limited					
b.	Other receivable/advances Taratec SA Mahen Boutiques Limited Kamla Retail Limited Satva Jewellery & Design Limited Saboo Coatings Limited Others	17,102,622	360,860	336,476 7,200		
c.	Payables Himachal Fine Blank Limited Taratec SA Kamla Tesio Dials Limited Satva Jewellery & Design Limited Saboo Coatings Limited Others	13,782,784 1,596,060	2,685,025	802,418		
d.	guarantees taken Mr. R.K. Saboo Mr. Y. Saboo				125,712,633 125,712,633	
e.	guarantees provided Kamla Retail Limited Others					
f.	public deposit outstanding Ms. Asha Devi Saboo Others				95,000	1,000,000
g.	Inter Corporate Deposit Vardhan Properties and Investment Limited			2,700,000		

KDDL LIMITED (Consolidated)

SCHEDULE -18

10. Employee benefits

	For the year ended 31st March, 2010		For the year ended 31st March, 2009	
Super-annuation scheme with LIC				
Defined Contribution Plan: The liability on account of Superannuation Scheme taken by the company with LIC of India in respect of its employee provided in the profit and loss account		788,670		737,280
Defined benefit plan/ other long term benefit plans				
a. Contribution to Gratuity Fund Trust				
b. Leave Encashment				
Actuarial valuation has been done with the following assumptions.				
Particulars	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Discount rate	8%	8%	8%	8%
Rate of increase in Compensation levels	5%	5%	5%	5%
Rate of return of plan assets	-	8%	-	8%
Expected Average remaining working lives of employees (years)	8%	-	8%	-
Change in the present value of obligation :	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Present value of obligation as at beginning of the year	7,209,209	17,057,686	7,024,334	14,459,611
Interest Cost	576,736	1,364,615	526,826	985,340
Current Service Cost	3,424,603	1,789,952	4,005,528	1,538,604
Settlement Cost/Credit	-	-	-	-
Benefits paid/ Payable	(1,615,214)	(3,770,868)	(2,540,153)	(1,263,337)
Actuarial (gain)/loss on obligations	(1,506,208)	1,942,344	(1,807,346)	1,337,468
Present value of obligation as at end of the year	8,089,126	18,383,729	7,209,209	17,057,686
Change in the Fair value of Plan Assets :		Gratuity		Gratuity
Fair value of Plan Assets at beginning of the year		12,449,724		9,262,335
Expected Return on Plan Assets		1,013,281		858,736
Contributions		1,653,522		3,534,337
Benefits paid		(3,768,061)		(1,205,685)
Fair value of Plan Assets at ending of the year		11,348,466		12,449,723
The fair value of the plan assets under the provident fund schemes has been determined at amounts based on their value at the time of redemption, assuming a constant rate of return to maturity.				
Reconciliation of present value of defined benefit obligation and the fair value of assets				
	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Present value of funded obligation as at end of the year	8,089,106	18,383,729	7,209,209	17,057,686
Fair value of Plan Assets as at the end of the period funded status	-	11,348,466	-	12,449,724
Unfunded/ Funded Net Liability recognized in Balance Sheet	8,089,106	7,035,263	7,209,209	4,607,962
Expenses recognised in the Profit and Loss Account	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Current Service Cost	3,424,603	1,789,952	4,005,548	1,538,604
Interest Cost	576,736	1,364,615	526,826	985,340
Expected Return on Plan Assets	-	1,013,281	-	858,736
Settlement Cost/Credit	-	-	-	-
Net actuarial (gain)/loss recognized in the period	(1,506,208)	1,939,537	(1,807,346)	1,337,468
Total Expenses recognized in the Profit & Loss Account	2,495,131	4,080,823	2,725,028	3,002,676

The Company made annual contributions to the LIC of India of an amount advised by the LIC. The Company was not informed by LIC of the investment made by the LIC or the break-down of plan assets by investment type.

Present value of obligation as at 31st March 2009 with respect to leave encashment is exclusive of Rs. 150,000, accrued by Kamla Retail Ltd., one of the subsidiary, which is in addition to what in actuary has certified such amount has been accrued with respect to employees who have left the organization pending full and final settlement.

KDDL LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2010

(Amount in Rupees)

SCHEDULE -18

	For the year ended 31st March, 2010	For the year ended 31st March, 2009
11. Earnings per Share		
Net profit attributable to equity shareholders	(72,395,781)	(51,530,505)
Number of equity shares at the beginning of the year	7,349,220	7,149,220
Shares issued during the year	-	200,000
Total equity shares outstanding at the end of the year	7,349,220	7,349,220
No. of weighted average equity shares		
Basic	7,349,220	7,349,220
Convertible equity share warrants outstanding	-	-
Diluted	7,349,220	7,349,220
Nominal value of equity share (Rs)	10	10
Earnings per Share (Rs)		
Basic	(9.85)	(7.01)
Diluted	(9.85)	(7.01)
12. Incorporation of wholly owned subsidiary		
On 28 May 2009, the Company incorporated its wholly owned subsidiary in the name of "Mahen Distribution Limited" with a share capital of Rs. 20,00,000, to operate as a separate business with the main object of carrying on distribution business including watches and its accessories.		
13. During the year, following shares were issued outside the groups:		
(a) Mahen Distribution Limited, issued 77,000, 12% Optionally Convertible Cumulative Preference Shares of Rs. 65 per share and 228,700, 12% Compulsorily Convertible Cumulative Preference Shares of Rs. 56 per share.		
(b) Pylania SA, issued 525 shares of Swiss Franc (CHF) 1,000 per share.		
(c) Kamla Retail Limited, issued 55,910 equity shares of Rs. 10 per share and 69,228 12% Optionally Convertible Cumulative Preference Shares of Rs. 65 per share.		
Accordingly adjustments have been made in Reserves and Surplus accounts to take the effect of minority interest in the consolidated financial statements.		
In terms with the provisions of Accounting Standard-21 "Consolidated Financial Statements", the parent company has computed its share of losses after adjusting for the cumulative dividends on preference share capital issued by the subsidiary companies, though, dividends have not been declared by such subsidiaries.		
15. Kamla Retail Limited, a subsidiary of the parent company, has taken showrooms under operating lease arrangements, with an option of renewal at the end of the lease term and escalation clauses in some of the cases. Lease payments charged during the year to the profit and loss account on account of non cancellable leases aggregate Rs. 28,061,039 (previous year Rs. 25,703,419). The future minimum lease payments under non-cancellable operating leases are as follows:		
Future minimum lease payments due	As at 31 March, 2010	As at 31 March, 2009
within one year	26,190,541	22,370,164
later than one year but not later than five years	81,167,777	102,685,062
more than five years	8,178,198	12,851,454
	115,536,516	137,906,680
16. Movement in provision for points accrued under the Club Echo Loyalty Programme is as under:		
	As at 31 March, 2010	As at 31 March, 2009
Opening provision	2,862,289	2,677,154
Add: provision created during the year	-	185,135
Less: provision reversed during the year	(1,216,552)	-
Closing provision	1,645,737	2,862,289
17. Prior period items comprise of:	For the year ended 31 March, 2010	For the year ended 31 March, 2009
Rent	3,045,000	-
Lease straight lining	4,915,465	-
	7,960,465	-
18. The consolidated financial statements have been prepared in compliance with clause 32 of the listing agreement with stock exchange.		
19. Previous year figures have been regrouped/recast wherever considered necessary to make them comparable with those of the current year.		

On behalf of the Board of Directors

R.K. SABOO
Chairman

Y. SABOO
Chief Executive Officer

SAMEER MADAN
Chief Financial Officer

PRIYA MANOJ JASWANI
Company Secretary

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

For **Walker, Chandiook & Co.**
Chartered Accountants

Place : Chandigarh
Dated : 30 August 2010

per **B.P. Singh**
Partner

KDDL LIMITED (Consolidated)
Statement Pursuant to Section 212 of the Companies Act, 1956 relating to companies interest in subsidiary companies

1. Name of Subsidiary Company	Himachal Fine Blank Limited	Pylania S.A.	Kamla Retail Ltd.	Mahen Boutique Ltd.	Mahen Distribution Ltd.
2. Financial/Accounting year of the subsidiary Companies	31 March, 2010	31 March, 2010	31 March, 2010	31 March, 2010	31 March, 2010
3. Date on which it became subsidiary	8 April, 1996	5 April, 2007	5 November, 2007	24 September, 2008	28 May, 2009
4. a) Number of shares held by KDDL Limited with its nominees in the subsidiaries at the end of the Financial Accounting year of the subsidiary company.	1,520,000 equity shares of the face value of Rs. 10 each fully paid.	1000 equity shares of the face value of CHF 1000 each fully paid.	55,04,085 equity shares of the face value of Rs. 10 each fully paid.	50,000 equity shares of the face value of Rs. 10 each fully paid. 20,00,000 equity shares of Rs. 6.75 each, partly paid	2,00,000 equity shares of the face value of Rs. 10 each fully paid.
b) Extent of interest of holding company at the end of the Financial/Accounting year of the subsidiary company.	100%	65.57%	64%	100%	100%
5. Net aggregate amount of Subsidiary Companies Profit/(Loss) so far as it concerns the members of the holding company.					
a) Not dealt with in the holding Company's accounts					
i) For the period ended 31 March 2010	Rs. (1.62) Millions	Rs. (36.18) Millions	Rs. (23.37) Millions	Rs. 0.83 Millions	Rs. (0.95) Millions
ii) For the previous accounting years of the Subsidiary Company since they became the holding Company's Subsidiaries	Rs. (1.06) Millions	Rs. (25.01) Millions	Rs. (27.75) Millions	Rs. (3.37) Millions	Rs. Nil
b) Dealt with in the holding Company's					
i) For the period ended 31 March, 2010	Nil				
ii) For the previous Accounting years of the Subsidiary Companies since they became the holding Company's Subsidiaries	Rs. 6.99 Million				

R.K. SABOO
Chairman

Y. SABOO
Chief Executive Officer

SAMEER MADAN
Chief Financial Officer

PRIYA MANOJ JASWANI
Company Secretary

HIMACHAL FINE BLANK LIMITED

DIRECTORS' REPORT

To the Members

Your Directors are pleased to place before you the 15th Annual Report together with Audited Statement of Accounts of the Company for the period ended 31st March, 2010 alongwith the Auditors' Report thereon.

FINANCIAL STATEMENT

Amount (In Millions of Rupees)

Particulars	Year ended 31.3.2010	Year ended 31.3.2009
Sales and other income	25.77	27.59
Gross Profit before Interest and Depreciation	2.04	2.84
Less : Interest	2.31	2.49
Depreciation	1.58	1.73
Profit/(Loss) before Tax	(1.85)	(1.38)
Provision for deferred tax liability Including MAT and FBT	0.24	0.68
Profit/(Loss) after Tax	(1.61)	(0.76)
Dividend Tax	-	-
Profit/(Loss) brought forward from previous year	0.65	1.72
Previous year adjustment	-	0.31

OPERATIONS

During the year, the overall business affected largely by decline in demand of Indices, besides, seeing the changing trend of small quantity order and short notice demand from the market, your company, has developed the capability and expertise of handling small series order and able to reduce process lead time to keep the pace with the demand. This unique strength helped the company to retain the current business. Further a separate plating line has been installed to handle mid end quality index required for Hong Kong Dial market wherein scope of future business seems to be encouraging.

DIRECTORS

Mr. Anil Khanna, Director of the Company retires at the ensuing Annual General Meeting as per the requirement of section 256 of the Companies Act, 1956 and being eligible, offers himself for re-appointment.

The Board recommends his re-appointment.

DEPOSITS

The Company has not accepted any fixed deposit from the public.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

1. that in the preparation of the annual accounts for the financial year ended 31st March, 2010, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
2. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 the year under review;
3. that the Directors had taken proper and sufficient care 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;
4. that the Directors had prepared the accounts for the financial year ended 31st March, 2010 on a 'going concern' basis.

AUDITORS

M/s Singhal Karun and Co., Chartered Accountants, the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

COMPLIANCE CERTIFICATE

Compliance Certificate pursuant to the provision to section 383A(1) of the Companies Act, 1956 read with Companies (Compliance Certificate) Rules, 2001 by a Company Secretary in whole-time practice forms integral part of this Report.

PARTICULARS OF EMPLOYEES

During the year under Report, the Company did not have any employee covered under section 217(2A) of the Companies Act, 1956.

ENERGY CONSERVATION AND TECHNOLOGY ABSORPTION

The information required under section 217(1)(e) of the Companies Act, 1956 (relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo) is annexed.

APPRECIATION

The Directors wish to place on record their deep appreciation of the assistance and co-operation given by the Banks, Suppliers and employees of the Company.

for and on behalf of the Board

Date : 30.08.2010
Place : Chandigarh

Yashovardhan Saboo Dinesh Agrawal
Director Director

HIMACHAL FINE BLANK LIMITED

INFORMATION PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

CONSERVATION OF ENERGY

A. ENERGY CONSERVATION MEASURES PLANNED TO BE TAKEN

- a) The Company has planned to give high priority to conservation of energy on an on-going basis. A few significant measures to be taken are:
 - i) Increase in power factor by installing capacitor at the individual machines.
 - ii) Periodical and preventive maintenance of electric equipments.
- b) Total energy consumption per unit of production as per Form 'A' is not given as the Company is not covered under the list of specified industries.

B. TECHNOLOGY ABSORPTION

A new plating and finishing line has been established to produce high quality appliques to support KDER for their Hong Kong and European customers, results are highly encouraging.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Our product is essentially an import substitution product and considerable amount of foreign exchange is saved by our indigenous manufacture of Watch Dial Indexes/Logos which would otherwise have to be imported. Efforts for export of our product are continuing and would result in further foreign exchange earnings.

Foreign Exchange earnings and outgo

Particulars	(Rupees in Million)	
	2009-10	2008-09
Foreign Exchange Earnings	2.28	3.19
(on account of		
Export Sales FOB value)		
Foreign Exchange Outgo	2.90	2.71

for and on behalf of the Board

Date : 30.08.2010
Place : Chandigarh

Yashovardhan Saboo Dinesh Agrawal
Director Director

HIMACHAL FINE BLANK LIMITED

AUDITORS' REPORT

The Members,

Himachal Fine Blank Limited

We have audited the attached Balance Sheet of Himachal Fine Blank Ltd as at 31st March, 2010, the Profit and Loss Account for the year ended on that date and also the Cash Flow statement for the year 2009-10 annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003 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.

Further to our comments in the Annexure referred to above, we report that:

- (i) 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;
- (ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet And Profit and Loss Account dealt with by this report are in agreement with the books of accounts;
- (iv) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow statement dealt with by this report, comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the 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 is disqualified as on 31st March, 2010 from being appointed as director in terms of section 274(1)(g) of the Companies Act, 1956.
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the Accounting Policies and Notes on Accounts as stated in Schedule 15 of the Balance Sheet, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2010; and
 - b) in the case of the Profit and Loss Account, of the Loss for the year ended on that date.
 - c) in the case of the Cash Flow statement, the movement of funds during the year 2009-10.

**For Singhal Karun & Co.
Chartered Accountants**

**(Anil K. Goyal)
Proprietor**

**Place : Chandigarh
Dated : 30.08.2010**

Membership No.: 80255-FCA

HIMACHAL FINE BLANK LIMITED

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITORS' REPORT TO THE MEMBERS OF HIMACHAL FINE BLANK LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2010

1. (a) The Company has maintained proper records showing full particulars including quantitative detail and location of Fixed Assets.
(b) The fixed assets are physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. However, the obsolete and damaged equipments have been reduced to their approximate salvage value and provided for in books of accounts.
(c) According to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.
2. (a) The inventory (excluding stock with third parties) has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
(b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of the business.
(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. No material discrepancies between the book records and the physical inventory have been noticed.
3. (a) The Company has taken unsecured loan of Rs 140 Lac from its holding company. The Company has not granted any loans, secured or unsecured to the Companies/ parties covered in the register maintained under section 301 of the Act except Loans to its staff. The repayment of such loans is as stipulated.
(b) In our opinion, the rate of interest and other terms and conditions of that loan are not prima facie prejudicial to the interest of the Company.
(c) The Company is regular in payment of interest on such loan.
(d) In respect of aforesaid loan taken, there is no overdue amount.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for sale of goods. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control procedures.
5. (a) In our opinion and according to the information and explanations given to us, the transactions that needs to be entered into register in pursuance of Section 301 of Act, have been so entered.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of Section 301 of the Act and exceeding the value of Rupees Five Lac in respect of any party during the year, have been made at the prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. The Company has adequate internal audit system commensurate with its size and nature of its business.
8. We are informed that the maintenance of cost records has not been prescribed by the Central Govt. under Section 209(1)(d) of the Companies Act, 1956, in respect of the company's product.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, excise duty and other material statutory dues as applicable with the appropriate authorities.
(b) The Company is contesting a demand of Rs 210980/- toward Cenvat credit availed by it, before the Central Excise Authorities, Chandigarh. The Company has deposited a sum of Rs 125000/- with the department against the said demand. (Refer notes no 2(ii)).
(c) The Company has also filed an appeal against the sales tax demand of Rs. 332800/-. The same has been however provided in the books of accounts in full. The Company has deposited a sum of Rs.130000/- with the department against the said demand.
10. The Company has incurred nominal cash losses of Rs. 2.64 in the financial year ended 31.3.2010. However, the Company has not incurred any cash losses in the immediately preceding financial year.
11. As per explanations and information given to us, the Company has not defaulted in repayment of dues to any financial institution or bank.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares and other securities.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
14. The Company is not a dealer or trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on short term basis which have been used for long term investments and vice versa.
18. During the year under review, the Company has not made preferential allotment of its equity shares.
19. The Company has not issued any debentures.
20. The Company has not raised any money by public issue during the year.
21. During the course of our examination of books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across, noticed or reported any instance of material fraud on or by the Company during the year, nor we have been informed of such case by the management.

**For Singhal Karun & Co.
Chartered Accountants**

**Anil K. Goyal
Proprietor**

**Place : Chandigarh
Dated : 30.08.2010**

Membership No.: FCA-80255

HIMACHAL FINE BLANK LIMITED

BALANCE SHEET AS AT 31st MARCH, 2010

(Amount in Rupees)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	15,200,000	15,200,000
Reserves & Surplus	2	-	652,346
		<u>15,200,000</u>	<u>15,852,346</u>
LOAN FUNDS			
Secured	3	4,845,187	3,624,182
Unsecured	4	14,000,000	14,000,000
		<u>18,845,187</u>	<u>17,624,182</u>
DEFERRED TAX LIABILITIES (NET)		<u>2,573,075</u>	<u>2,814,924</u>
		<u>36,618,262</u>	<u>36,291,452</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	36,979,831	35,926,378
Less : Depreciation		17,512,407	15,925,651
Net Block		<u>19,467,425</u>	<u>20,000,727</u>
INVESTMENTS	6	1,850,000	1,850,000
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	9,263,574	9,620,308
Sundry Debtors	8	9,700,948	7,500,159
Cash & Bank Balances	9	428,549	251,689
Loans & Advances	10	1,165,483	1,883,213
		<u>20,558,554</u>	<u>19,255,368</u>
LESS : CURRENT LIABILITIES & PROVISIONS			
Liabilities	11	5,433,491	3,847,422
Provisions	12	788,239	967,222
		<u>6,221,730</u>	<u>4,814,644</u>
NET CURRENT ASSETS		<u>14,336,823</u>	<u>14,440,725</u>
MISC. EXPENDITURE			
- Profit and Loss Account			
- Balance as per Last Balance Sheet		(132,346)	-
- Transfer from General Reserve		(520,000)	-
- Less loss for the year		1,616,359	-
		<u>964,013</u>	<u>-</u>
		<u>36,618,262</u>	<u>36,291,452</u>
ACCOUNTING POLICIES & NOTES ON ACCOUNTS	16		
AUDITORS' REPORT			
In terms of our attached report of even date			
For SINGHAL KARUN & CO. Chartered Accountants		For & on behalf of the Board	
Anil K. Goyal Proprietor		Y. Saboo Director	Dinesh Agrawal Director

Place : Chandigarh
Dated : 30.08.2010

HIMACHAL FINE BLANK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010

(Amount in Rupees)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
INCOME			
Gross Operating income	13	25,771,379	27,594,143
Less : Excise Duty		1,819,227	3,011,799
Net Operating Income		<u>23,952,151</u>	<u>24,582,344</u>
Other Income		396,000	466,000
Net Income		<u>24,348,151</u>	<u>25,048,344</u>
Manufacturing Admn. & Selling Expenses	14	<u>22,306,333</u>	<u>22,203,900</u>
Profit/(Loss) before Interest & Depreciation		2,041,818	2,844,443
Less: Interest	15	2,313,270	2,492,107
Profit/(Loss) before Depreciation		(271,452)	352,336
Less: Depreciation	5	1,586,756	1,727,941
Profit/(Loss) before Taxation		(1,858,208)	(1,375,604)
Provision For Deferred Tax Liability		(241,849)	(651,501)
Provision For Fringe Benefit Tax		-	32,873
Profit/(Loss) after Tax		(1,616,359)	(756,976)
Previous year adjustments		-	310,208
Profit/(Loss) Carried to Balance Sheet		<u>(1,616,359)</u>	<u>(1,067,184)</u>
Accounting Policies and Notes on Accounts	16		

AUDITORS' REPORT

In terms of our attached report of even date

For SINGHAL KARUN & CO.
Chartered Accountants

For & on behalf of the Board

Anil K. Goyal
Proprietor

Y. Saboo
Director

Dinesh Agrawal
Director

Place : Chandigarh
Dated : 30.08.2010

HIMACHAL FINE BLANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2010

(Amount in Rupees)

	Year ended 31 March 2010	Year ended 31 March 2009
A. Cash flow from operating activities:		
Net profit/(Loss) before tax	(1,858,208)	(1,375,604)
Adjustments for :		
Depreciation	1,586,756	1,727,941
Miscellaneous expenses written off	-	-
Loss/ (profit) on sale of fixed assets	-	-
Provision for bonus / leave encashment / gratuity	(146,110)	198,063
Bad debts written off	-	-
Dividend Income	-	-
Lease rent income	-	-
Interest expense	2,249,878	2,310,209
Interest income	(44,585)	(6,304)
Operating profit before working capital changes	1,787,731	2,854,304
Adjustments for:		
Trade and other receivables	(1,870,025)	935,054
Inventories	356,734	(569,066)
Trade and other payables	1,586,069	(776,630)
Income tax paid	354,092	(136,347)
Net cash generated from operating activities	2,214,602	2,307,316
B. Cash flow from investing activities:		
Purchase of fixed assets	(1,053,454)	(1,102,650)
Proceeds from sale of fixed assets	-	612,020
Movement in restricted cash	-	-
Interest received	44,585	6,304
Dividend received	-	-
Lease rents received	-	-
Advance for share application money	-	-
Investments	-	(50,000)
Deferred Revenue expenses incurred	-	-
Dividend Paid	-	-
Net cash generated from investing activities	(1,008,869)	(534,326)
C. Cash flow from financing activities:		
Proceeds from issue of capital (including premium)	-	-
Proceeds of long term borrowings (net)	-	-
Repayment of long term borrowings	-	-
Increase/(Decrease) in short term borrowings	1,221,005	(424,292)
Interest paid	(2,249,878)	(2,310,209)
Dividend Paid	-	-
Net cash generated from financing activities	(1,028,873)	(2,734,501)
Net increase/(decrease) in cash and cash equivalents	176,861	(961,511)
Opening cash and cash equivalents	251,689	1,213,200
Closing cash and cash equivalents	428,549	251,689
Notes:		
Cash and cash equivalents include:		
Cash and cheques in hand / in transit	5,222	27,304
Balance with banks	423,327	224,385
	428,549	251,689
Excluding the following:		
- Pledged in fixed deposit accounts	-	-
- In equity dividend accounts	-	-
- Pledged post office balances	-	-
Balance as per books of account	428,549	251,689

AUDITORS' REPORT

In terms of our attached report of even date

For SINGHAL KARUN & CO.
Chartered Accountants

For & on behalf of the Board

Anil K. Goyal
Proprietor

Y. Saboo
Director

Dinesh Agrawal
Director

Place : Chandigarh
Dated : 30.08.2010

HIMACHAL FINE BLANK LIMITED

SCHEDULES TO THE ACCOUNTS

(Amount in Rupees)

	31 March, 2010	31 March, 2009
1. SHARE CAPITAL		
Authorised		
20,00,000 Equity Shares of Rs.10/- each (Previous Year 20,00,000 Equity Shares of Rs. 10/- each)	<u>20,000,000</u>	<u>20,000,000</u>
Issued, Subscribed and Paid up:		
15,20,000 (Previous Year 15,20,000) Equity Shares of Rs.10/- each fully paid up (out of the above 15,19,930 shares of Rs.10/- each are held by holding company-KDDL Limited)	<u>15,200,000</u>	<u>15,200,000</u>
	<u>15,200,000</u>	<u>15,200,000</u>
2. RESERVES & SURPLUS		
- General Reserve		
As per Last Balance Sheet	520,000	1,520,000
Transfer to Profit & Loss A/c	520,000	1,000,000
	-	520,000
- Profit & Loss Account - as per last balance sheet	-	199,530
- Transfer from Profit & Loss Account	-	(1,067,184)
	-	(867,654)
- Transfer from General Reserve	-	1,000,000
	-	132,346
	-	652,346
	<u>4,845,187</u>	<u>3,624,182</u>
3. SECURED LOANS		
Cash Credit— Bank of India, Chandigarh	4,845,187	3,624,182
	<u>4,845,187</u>	<u>3,624,182</u>
4. UNSECURED LOANS		
From Holding Company	14,000,000	14,000,000
	<u>14,000,000</u>	<u>14,000,000</u>

NOTES :

Cash Credit from Bank of India is secured by hypothecation of stocks of raw materials, components, stores & spares, finished goods, stock in process and Book Debts, and is further secured by corporate guarantee of holding company.

5. FIXED ASSETS AS AT 31 MARCH 2010

	Gross Block			As at 31.03.10	Depreciation			Net Block	
	As at 01.04.09	Additions	Adjustments		Upto 31.03.09	Charge for the year	Adjustments (Net)	Upto 31.03.10	As at 31.03.10
LAND – LEASEHOLD	566,913	-	-	566,913	-	-	-	566,913	566,913
BUILDING	7,606,715	-	-	7,606,715	2,495,060	254,064	-	4,857,591	5,111,655
PLANT & MACHINERY	21,764,690	426,158	-	22,190,848	9,028,175	1,036,876	-	12,125,797	12,736,515
DIES & TOOLS	2,028,158	609,190	-	2,637,348	1,899,514	99,058	-	638,776	128,644
ELECTRICAL INSTALLATION	1,245,452	8,670	-	1,254,122	559,736	59,502	-	634,884	685,716
FIRE FIGHTING EQUIPMENT	47,931	-	-	47,931	35,691	2,277	-	9,963	12,240
FURNITURE & FIXTURE	1,485,074	1,856	-	1,486,930	940,576	94,084	-	452,270	544,498
OFFICE EQUIPMENT	219,269	-	-	219,269	130,872	10,415	-	77,982	88,397
COMPUTERS	909,361	7,580	-	916,941	804,620	25,595	-	86,726	104,741
VEHICLE	52,814	-	-	52,814	31,407	4,885	-	16,522	21,407
TOTAL	35,926,377	1,053,454	-	36,979,831	15,925,651	1,586,756	-	19,467,424	20,000,726
PREVIOUS YEAR (TOTAL)	35,647,114	1,102,649	823,385	35,926,377	14,409,075	1,727,941	211,365	20,000,727	21,238,039

HIMACHAL FINE BLANK LIMITED

SCHEDULES TO THE ACCOUNTS

(Amount in Rupees)

	31 March, 2010	31 March, 2009
6. INVESTMENTS		
Fully Paid-up Shares (Unquoted) :		
- 180,000 Equity Shares of Rs.10/- each, of M/S Saboo Coatings Ltd.	1,800,000	1,800,000
- 5,000 Equity Shares of Rs. 10/- each of M/s Shivalik Solid Waste Management Ltd.	50,000	50,000
	<u>1,850,000</u>	<u>1,850,000</u>
7. INVENTORIES		
(As taken, valued & certified by the Management)		
Raw Materials	2,562,720	2,328,781
Stores & Spares	1,894,065	2,672,915
Stock-in-Process	3,502,601	2,978,350
Material in transit	5,508	-
Finished Goods	1,007,091	868,712
Scrap (Copper & Brass)	291,590	771,550
	<u>9,263,574</u>	<u>9,620,308</u>
8. SUNDRY DEBTORS		
(Unsecured, unconfirmed but considered Good)		
Outstanding for more than six months	1,270,762	165,950
Other Debts	8,430,186	7,334,209
	<u>9,700,948</u>	<u>7,500,159</u>
9. CASH AND BANK BALANCES		
Cash in hand	5,222	27,304
Balance with Scheduled Banks		
- In Current Accounts	423,327	224,385
	<u>428,549</u>	<u>251,689</u>
10. LOANS AND ADVANCES		
(Unsecured, unconfirmed but Considered Good)		
Advances Recoverable in cash or in kind or for value to be received and/or adjusted	447,662	814,723
Advance Income Tax / Refund Recoverable	233,969	620,934
Cenvat Recoverable	147,177	120,203
Modvat Service tax	33,630	22,281
Excise Duty (PLA)	6,196	6,394
Advance Duty with Excise Deptt	125,000	125,000
Advance Tax with Sales Tax Deptt (Agt. Appeal)	130,000	130,000
Security Deposit	39,625	39,625
Vat Recoverable 2009-10-11	2,224	4,053
	<u>1,165,483</u>	<u>1,883,213</u>
11. CURRENT LIABILITIES		
Sundry Creditors for Materials & Expenses	4,854,041	3,233,684
Other Liabilities	579,450	613,738
	<u>5,433,491</u>	<u>3,847,422</u>
12. PROVISIONS :		
For Bonus	177,722	189,662
For Leave Encashment	340,104	317,126
For Gratuity (Additional)	270,413	427,561
For FBT	-	32,873
	<u>788,239</u>	<u>967,222</u>
13. GROSS OPERATING INCOME		
Sales	22,261,037	25,304,090
Miscellaneous Sales	3,044,787	2,080,246
Job Charges received	465,555	209,807
	<u>25,771,379</u>	<u>27,594,143</u>

HIMACHAL FINE BLANK LIMITED

SCHEDULES TO THE ACCOUNTS

(Amount in Rupees)

	31 March, 2010	31 March, 2009
OTHER INCOME		
Rent Received	396,000	466,000
	<u>396,000</u>	<u>466,000</u>
14. MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES		
Raw Materials Consumed	8,734,310	8,213,416
Stores & Spares Consumed	2,865,025	3,301,152
Power, Fuel and Water Charges	900,481	725,855
Salaries & Wages	6,598,062	7,335,799
Contribution to Provident & Other Funds	623,063	661,705
Staff & Labour Welfare Expenses	208,952	242,666
Job Charges	815,841	897,763
Insurance	32,638	31,970
Excise Duty consumed	-	44,103
Repair & Maintenance		
- Plant & Machinery	386,421	186,690
- Buildings	13,024	35,769
- Other Assets	54,482	27,920
- Rates, Fees & Taxes	9,000	302,369
Payment to Auditors		
- Audit Fees	70,000	70,000
- Tax Audit Fee	15,000	15,000
- Others / Certification	8,500	32,000
- For Expenses	6,981	5,315
Travelling & Conveyance	345,118	339,117
Directors Travelling	18,620	25,480
Directors Fees	24,000	30,000
Postage, Telephones & Fax	148,982	171,050
Legal & Professional Charges	104,111	81,603
Miscellaneous Expenses	347,891	435,013
Selling & Distribution Expenses	139,786	31,632
Additional Sales Tax	-	142,432
Exchange Rate Fluctuation Loss	(13,435)	25,642
Bad Debts Written Off	-	70,809
Diff.in excise duty loaded on op. & cl. Finished Goods	32,148	(51,544)
Decrease /(Increase) in Stocks (Ref. Schedule 14A)	(182,669)	(1,226,826)
	<u>22,306,333</u>	<u>22,203,900</u>
14A. INCREASE IN STOCKS		
Opening Stocks		
- Finished Goods	868,712	853,856
- Stock in process	2,978,350	2,537,930
- Scrap (Copper & Brass)	771,550	-
	<u>4,618,612</u>	<u>3,391,786</u>
Closing Stocks		
- Finished Goods	1,007,091	868,712
- Stock in process	3,502,601	2,978,350
- Scrap (Copper & Brass)	291,590	771,550
	<u>4,801,281</u>	<u>4,618,612</u>
Net Increase / (Decrease) in Stocks	182,669	1,226,826
15. INTEREST		
On Working Capital Facilities	499,879	550,622
Add: Interest to KDDL holding co.	1,749,999	1,759,587
Interest others	-	19,339
Less. Interest received & accrued	44,585	6,304
Financial / Bank Charges	107,977	168,863
	<u>2,313,270</u>	<u>2,492,107</u>

HIMACHAL FINE BLANK LIMITED

SCHEDULE 16

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

(Forming part of Balance Sheet as at 31-03-2010)

1 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The accounts of the company are prepared under the historical cost convention and in accordance with the applicable accounting standards except where otherwise stated. Mercantile system of accounting is followed except insurance and other claims receivable, which are accounted for on receipt basis on account of uncertainties.

b) Fixed Assets and Depreciation

Fixed Assets are shown at cost of acquisition / cost of construction. Depreciation is being provided on straight line method as per the rates specified in Schedule XIV of the Companies Act, 1956, as applicable at the time of addition of the respective Fixed Assets, on pro-rata basis from the month of addition, except for the following:

- Depreciation on a particular class of Dies & Tools manufactured by the Company and put to use after April-2005 is provided over a period of 3 years.
- The above rate of depreciation are indicative of the useful lives of the assets.
- Depreciation on insurance spares is being provided retrospectively from the date when the related/mother assets were put to use.

c) Valuation of Inventory

Inventories are valued as follows :

- i) **Finished Goods:-** Valued at cost or net realisable value, whichever is lower.
- ii) **Work in Process :-** Valued at cost or net realisable value, whichever is lower.
- iii) **Raw Material & Components, Stores & Spares:-** Valued at cost or net realisable value, whichever is lower.
- iv) **Scrap :-** At realisable value.
- v) Cost of Raw Material & Components, Stores & Spares is determined on Moving Weighted Average Method.
- vi) As required by Accounting Standard -2, the cost of finished goods and WIP has been determined by considering material,labour and related overheads including depreciation based on production capacity of the unit. Due to practical difficulties and to align the basis of valuation to that followed by the Holding company,the allocation of overheads as above, has been done by global costing method instead of absorption costing method as required under AS-2. Accordingly, the stock of finished goods has been valued at lower of aggregate cost or market price, whichever is less.

d) Revenue Recognition

Revenue from the sale of goods is recognised upon passage of the title to the customers which generally coincides with delivery. Revenue for other areas is recognised at the time of raising the invoice/ credit note.

e) Foreign currency transaction

Transactions arising in foreign currencies during the year are converted at the rates closely approximating those prevailing on the dates of transactions. Assets and Liabilities in foreign currency as at the date of Balance Sheet are restated at exchange rates prevailing as on that date. All exchange differences arising from conversion are adjusted with exchange gains from export realisations and the net balance is accounted for in Profit & Loss Account.

f) Custom and Excise Duty

Custom duty on material lying under bond and Excise duty on manufactured goods lying in the factory are paid on clearance but are accounted for on accrual basis. Accordingly provision for excise duty is made in the account for goods manufactured and lying in the bonded store room within the factory premises.

g) Retirement Benefit

- i) Liability for gratuity has been provided on the basis of actuarial valuation. Part of the amount is contributed to Life Insurance Corporation of India, under the Group Gratuity-cum-Life Assurance Policy taken by the Company. The balance has been created as a provision in books.
- ii) The Company has created an approved Superannuation Fund and contribution is being paid to Life Insurance Corporation of India against an insurance policy taken by the company.
- iii) Provision for Leave encashment has been made on the basis of actuarial computation.

HIMACHAL FINE BLANK LIMITED

(Amount in Rupees)

	31 March 2010	31 March 2009		
2 Contingent liabilities not provided for				
i) Bond executed in favour of Central Excise Authorities.	1,425,000	1,425,000		
ii) Cenvat credit on capital goods / inputs availed by the Company but disputed by the Central Excise Authorities, for which appeal has been preferred by the Company. (Advance duty Rs.1,25,000/- deposited against the demand with Excise Authorities)	210,980	210,980		
3 Miscellaneous exp. Includes: Charity and Donations	3,700	16,201		
4 Additional Sales Tax paid during the includes Penalties for	-	8,694		
5 (i) Sundry Debtors (Trade) includes due from Holding Company.	9,700,948	7,500,159		
(ii) Amount payable to Small Scale Industrial (SSI) undertakings The Small Scale Industrial Undertakings for which outstanding is more than 30 days : BRRC Metal Products, Chandigarh Tooling, CNC Engineering, Futuron Technologies, Essen Precision, Mechnotract Engineers, Sumen Precision, Techwel Industries, The Shiv Engineers & Traders, JBJ Machine Technologies, Synergy Metal Forming. There are no Micro, Small and Medium Enterprises, to whom the company owes dues, which are outstanding for more than 45 days at the Balance Sheet date. The Micro, Small and Medium Enterprises have been identified on the basis of information available with the Company. This has been relied upon by the auditors.	570,666	559,807		
6 In compliance with AS 15, the gratuity provision has been made on the basis of actuarial valuation. The liability amounting to Rs. 48,997/- for the year 2009-10 was not paid to LIC toward Policy but debited to Profit and Loss account.				
7 Related Party Disclosure				
i) Name of the parties:				
Holding Company	KDDL Limited			
Other Related parties	Satva Jewellery & Designs Ltd. Saboo Coatings Ltd.			
ii) Summary of transactions entered into with Related parties:				
	31.03.10	31.03.09		
	Holding Co.	Others		
	Holding Co.	Others		
Sale of goods	18,186,149	-	19,110,527	1,357
Purchase of goods	843,011	196,184	594,965	298,613
Purchase of fixed assets	194,317	-	29,152	-
Sale of fixed assets	-	-	612,020	-
Job work income	461,004	280	189,607	1,260
Job work Charges paid	11,200	-	75,155	-
Interest paid against loan	1,749,999	-	1,759,587	-
Rent Received	396,000	-	-	466,000
Balances outstanding at the end of year				
- Value of outstanding Guarantee provided	4,845,187	-	3,624,182	-
- Receivables	8,837,303	280	6,917,931	212,152
- Payables	-	258,486	-	63,886
- Unsecured Loan taken	14,000,000	-	14,000,000	-
8 The Company has adopted the provisions of accounting standard - 28 "impairment of assets" and assessed the conditions as stated in the standard for impairment. Based on such assessment and evaluation no impairment loss has been recognised and adjusted in Profit & Loss Account.				
9 a) Deferred Tax Liabilities/(Assets) of Rs (241,849/-) arising on account of temporary differences as on 31st March, 2010 have been adjusted in the Profit & Loss account.				

HIMACHAL FINE BLANK LIMITED

b) Calculation of Deferred Tax Liabilities(Net) as on 31st March, 2010 is as given below:

Deferred Tax Assets arising on account of timing differences in:	
- Accrued Expenses allowable on actual payments: Total (A) :	806,011
Deferred Tax Liabilities arising on account of timing difference in	
Depreciation (B) :	9,974,962
Balance Total (A - B) :	(9,168,951)
Deferred Tax Liability @ 30%+Edu Cess @ 3%	2,573,075
Less Deferred tax liability provided in books upto 31.03.2009	2,814,924
Deferred Tax Liability/(Assets) for the year ending on 31.03.2010	(241,849)

c) The Company on the basis of projections expects to generate sufficient taxable income in the coming year, which will enable it to utilize the carried forward accumulated expenses and unabsorbed losses/allowances.

10 Previous year's figures have been regrouped or rearranged, wherever considered necessary.

11 Schedules 1 to 16 form an integral part of the Balance Sheet and Profit and Loss Account.

12 Additional information pursuant to the provisions of paragraphs 3 and 4 of part II of Schedule VI of the Companies Act, 1956.

A CAPACITY

(QUANTITY IN LAKH PCS.)

	2009-10	2008-09
LICENSED CAPACITY	NOT APPLICABLE	NOT APPLICABLE
INSTALLED CAPACITY INDEX / LOGOS	800*	800*
*AS CERTIFIED BY MANAGEMENT FOR SINGLE SHIFT		

B PRODUCTION

	2009-10	2008-09
INDEX / LOGOS	334.90	350.38

C. SALES / STOCKS OF INDEX / LOGOS (Quantity in lakh Pcs)

Year	Opening Stock		Closing Stock		Net Sales	
	Quantity	Rupees	Quantity	Rupees	Quantity	Rupees
2009-10	99.353	868,712	98.994	1,007,091	335.26	20,441,810
2008-09	103.201	853,856	99.353	868,712	354.23	22,292,291

D. RAW MATERIAL AND COMPONENTS CONSUMED

	Unit	2009-10		2008-09	
		Quantity	Rupees	Quantity	Rupees
i) Brass	Kgs	6,122	3,390,762	6,086	3,682,464
ii) Raw Indexes / Logos	Pcs (in, 000)	12,844	667,297	12,832	983,437
iii) Plating Salt, Chemicals, other	-	-	4,676,251	-	3,547,515
Total			8,734,310		8,213,416

E. VALUE OF IMPORTED AND INDIGENOUS RAW MATERIAL AND COMPONENTS AND STORES & SPARES CONSUMED

Description	2009-10		2008-09	
	Rupees	%age	Rupees	%age
Raw Materials and Components				
- Imported	2,795,116	32.00	3,670,419	44.69
- Indigenous	5,939,194	68.00	4,542,997	55.31
Total	8,734,310	100.00	8,213,416	100.00
Stores and Spares				
- Imported	819,066	28.59	682,040	20.66
- Indigenous	2,045,959	71.41	2,619,112	79.34
Total	2,865,025	100.00	3,301,152	100.00

HIMACHAL FINE BLANK LIMITED

(Amount in Rupees)

	31 March 2010	31 March 2009
F. CIF VALUE OF IMPORTS		
Capital Goods	13,649	622,751
Raw Material and Components	2,097,761	1,392,835
Stores & Spares	790,894	698,580
Total	2,902,304	2,714,165
G. EARNING IN FOREIGN EXCHANGE		
FOB Value of Exports	2,277,893	3,188,855

13. Additional information as required under Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	15424
State Code	53
Balance Sheet Date	31st March, 2010

II. Capital Raised during the year

Public Issue	-
Rights Issue	-
Bonus issue	-

III. Position of Mobilisation and Deployment of Funds

Total Liabilities	366.18	Total Assets	366.18
Sources of Funds		Uses of Funds	
i) Paid up Capital	152.00	i) Net Fixed Assets	194.67
ii) Reserves & Surplus	-	ii) Investments	18.50
iii) Secured Loans	48.45	iii) Net Current Assets	143.37
iv) Unsecured Loans	140.00	iv) Misc. Expenditure	-
v) Deferred Tax Liability	25.73	v) Profit and Loss Account	9.64

IV. Performance of the Company :

Turnover (Including Misc. Income)	243.48
Total Expenditure	262.06
Profit before tax	-18.58
Profit after tax	-16.16
Earning per share (Rs.)	Negative
Dividend rate	0%

V. Generic Names of Three principal products of the Company

(As per monetary terms):	
Item Code No. (I.T.C. Code)	9114.9
Product Description	Appliqués, Logos and Dials

AUDITORS' REPORT

In terms of our attached report of even date

For SINGHAL KARUN & CO.
Chartered Accountants

For & on behalf of the Board

Anil K. Goyal
Proprietor

Y. Saboo
Director

Dinesh Agrawal
Director

Place : Chandigarh
Dated : 30.08.2010

KAMLA RETAIL LIMITED

DIRECTORS' REPORT

To the Members

Your Directors are pleased to place before you the Third Annual Report together with Audited Statement of Accounts of the Company for the period ended 31st March, 2010 alongwith the Auditors' Report thereupon.

FINANCIAL STATEMENT

Particulars	Amount in Rupees	
	Financial year ended 31.3.2010	Period ended 31.3.2009
Sales and other income	623,985,481	469,096,131
Total expenditure	601,017,763	466,219,365
Profit/(Loss) before interest and depreciation	22,967,718	2,876,766
Less : Interest	28,627,205	21,859,377
Less : Depreciation	97,54,536	8,308,792
Prior period items	79,60,465	-
Net Profit/(Loss)	(23,374,488)	(27,291,398)
Provision for Tax	-	458,792
Profit/(Loss) after Tax	(23,374,488)	(27,750,190)
Profit/(Loss) brought forward from previous year	(29,169,361)	(1,419,171)
Net Profit/(Loss) carried to Balance Sheet	(52,543,849)	(29,169,361)

OPERATIONS

During the course of the year, the Company showed a growth of sales of more than 30%. Three new stores were opened in the year. However, due to the closure of three other smaller stores, the total number of stores remained nineteen. The measures taken by the Company for cost control have yielded benefits as is evident from the decrease in many expense heads despite a substantial increase in the topline. The Company has made a deferred payment liability due to lease straightlining as per the Accounting Standard 19 of Rs. 73.89 lakhs including a prior period expense of Rs. 49.15 lakhs. In spite of this, the Company has shown a considerable improvement in its Profit before interest and depreciation. The like-to-like growth in store revenues continues to be healthy.

The outlook for the next year, FY 10-11, continues to be positive and upbeat. While the beginning of the FY 09-10 was subdued due to lingering concerns over recession, the demand for luxury items picked up during the latter half of the year and was evident from the store on store growth witnessed in the last quarter of the year. The Company expects that the growth in demand will continue at the same pace in the FY 10-11 too. The future growth of the Company is also aided by the improvement in prospects of the real estate sector. While the Company launched three new stores in FY 09-10, it plans to accelerate the expansion considerably in the current year.

The Company also managed to induct fresh equity to the extent of Rs. 1.83 crores in the FY 09-10. A further round of

equity induction has taken place in the FY 10-11 for an amount of Rs. 7 crores. This issue of equity to outside investors despite the poor investment sentiment in general and concerns over the retail sector in specific is an indicator of the confidence of the investors in the Company's retail model. The concerns of the retail sector are mostly confined to the food/grocery retail where many players had set up business models that demanded the infusion of large amounts of capital with low returns. The Company's business model, on the contrary, is far more profitable on account of two reasons - first, it operates in a niche category where the organized competition is practically non-existent, and secondly, the Company is pacing its growth in such a manner that growth, capital requirements and returns are well-balanced.

SCHEME OF AMALGAMATION

During the current year, FY 10-11, the Board has approved the amalgamation of the Company's fellow subsidiary, Mahen Boutiques Ltd. (MBL). MBL operates the Rolex Boutique at Bangalore. The amalgamation will lead to operational efficiencies due to easier operational control; reduction in statutory compliances and better utilization of bank credit facilities.

CAPITAL ISSUES

During the year, the paid-up capital of the Company has been increased to Rs. 9,05,00,880/- by issue of 17,55,910 equity shares of Rs. 10/- each and 69,228 12% Cumulative Optionally Convertible Preference Shares of Rs. 65/- each on preferential allotment basis.

DEPOSITS

During the financial year under Report, the Company accepted public deposits to the tune of Rs. 1,00,00,000/- after filing Statement in lieu of Advertisement with the Ministry of Corporate Affairs.

DIVIDEND

Since the Company has not made any profits during the period under review, no dividend is being recommended for the year.

DIRECTORS

During the financial year ended 31st March, 2010, Mr. Yashovardhan Saboo was re-appointed Managing Director of the Company w.e.f. 1st December, 2010 for a term of one year.

Mrs. Anuradha Saboo had resigned from the position of Alternate Director and was appointed again as an Alternate Director to Mr. Jaivardhan Saboo on 15th May, 2010.

Mr. Ashish Bagrodia, Director retires at the ensuing Annual General Meeting, as per the requirement of section 256 of the Companies Act, 1956, and being eligible, offers himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under section 217(2AA) of the Companies Act, 1956 with respect to Directors'

KAMLA RETAIL LIMITED

Responsibility Statement, it is hereby confirmed:

1. that in the preparation of the annual accounts for the financial period ended 31st March, 2010, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
2. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 the year under review;
3. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. that the Directors had prepared the accounts for the financial period ended 31st March, 2010 on a 'going concern' basis.

COMPLIANCE CERTIFICATE

Voluntary Compliance Certificate pursuant to the proviso to section 383A(1) of the Companies Act, 1956 read with Companies (Compliance Certificate) Rules, 2001 by a Company Secretary in whole-time practice forms integral part of this Report.

INTERNAL CONTROL SYSTEM

The Company has a proper and adequate system of internal control. Extensive programmes of internal audits and

management reviews supplement the process of internal control. Properly documented policies, guidelines and procedures are laid down for this purpose.

The Company has an Audit Committee comprising of majority of Independent, Non Executive and professionally qualified Directors, who interact with the statutory auditors and internal auditors in dealing with matters within its terms of reference.

PARTICULARS OF EMPLOYEES

During the year under Report, the Company did not have any employee covered under section 217(2A) of the Companies Act, 1956.

ENERGY CONSERVATION AND TECHNOLOGY ABSORPTION

The information required under section 217(1)(e) of the Companies Act, 1956, relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed.

APPRECIATION

The Directors wish to place on record their appreciation to the assistance and cooperation provided by the Company's Bankers and other Government and Non-Government Agencies.

for and on behalf of the Board

Place : Chandigarh
Date : 24.08.2010

Yashovardhan Saboo
Managing Director

Anil Khanna
Director

Information pursuant to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

A. Conservation of Energy

- (a) **Energy conservation measures planned to be taken** : The Company has planned to give high priority to conservation of energy on an on-going basis for which periodical and preventive maintenance of electric equipments is being carried out regularly.
- (b) **Total energy consumption and energy consumption** per unit of production as per 'Form A' not given as the Company is not covered under the list of specified industries.

B. Technology Absorption

The company being in retail business does not utilize any technology and hence this information is not being given.

C. Foreign Exchange Earnings and Outgo

Particulars	(Amount in Rs.)	
	2009-10	2008-09
Foreign Exchange Earnings	61,069,431	11,929,128
Foreign Exchange Outgo	68,884,660	48,035,513

for and on behalf of the Board

Place : Chandigarh
Date : 24.08.2010

Yashovardhan Saboo
Managing Director

Anil Khanna
Director

KAMLA RETAIL LIMITED

AUDITORS' REPORT

To the Members of Kamla Retail Limited

1. We have audited the attached Balance Sheet of Kamla Retail Limited ("the Company") as at 31st March 2010 and also the Profit and Loss Account and the Cash Flow Statement (together known as 'financial statements') of the Company 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, ("the Act"), we enclose as Annexure, a statement on the matters specified in the paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act, to the extent applicable;
 - (v) on the basis of the written representations received from the directors of the Company as at 31 March, 2010, and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a Director in terms of clause(g) of sub-section(1) of section of 274 of the Act;
 - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of the affairs of the Company as at 31 March 2010;
 - ii) in the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For B S R and Associates
Chartered Accountants
Firm Registration No. 128901W

Kaushal Kishore

Partner

Place: Gurgaon
Dated : 24 August, 2010

Membership No. 090075

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
 - (b) According to the information and explanation given to us, the Company has a regular programme of physical verification of its fixed assets by which all movable fixed assets are verified in a phased manner annually. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies were noticed on such verification.
 - (c) No fixed assets have been disposed off during the year.
- (ii) (a) According to the information and explanation given to us, the inventory, except goods-in-transit, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
 - (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) On the basis of our examination of the records of inventories, we are of the opinion that the Company is maintaining proper records of inventories. According to the information and explanations given to us, no discrepancies were noticed on verification between the physical stocks and the book records.
- iii (a) The company has granted interest free loans to three companies covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount outstanding during the year (considering separately for each of these companies) aggregated Rs. 38,444,500 and the year end balances aggregated Rs. 5,078,375.
 - (b) According to the information and explanations given to us, the terms and conditions of the above loans are, prima facie, not prejudicial to the interest of the Company.
 - (c) According to information and explanation given to us, the above loans, are repayable on demand and the borrowers have been regular in repaying the principal amounts as stipulated.
 - (d) There is no overdue amount of more than Rupees one lakh in respect of loans granted to any of the companies listed in the register maintained under section 301.
 - (e) The Company has taken interest free loans from one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount outstanding during the year was Rs. 16,998,351 and the year-end balance of such loans was Rs. Nil.
 - (f) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from a company listed in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the company.
 - (g) According to information and explanations given to us, the above loans, are repayable on demand and the Company has been regular in repaying the principal amounts as stipulated.
- (iv) In our opinion and according to the information and explanations given to us, purchases of inventories and certain fixed assets are for the Company's specialised requirements and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with

KAMLA RETAIL LIMITED

regard to purchase of inventories and fixed assets and with regard to the sale of goods and services. In our opinion and according to the information and explanations given to us, we have not observed any major weakness in the internal control system during the course of the audit.

- (v) (a) According to the information and explanations given to us, the particulars of contract or arrangement referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions to be made in pursuance of contract and arrangement referred to in (a) above and exceeding the value of Rs. 5 lakh with the party during the year shall be made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, Section 58AA or other relevant provisions of the Companies Act, 1956 and the rules framed thereunder/the directives issued by the Reserve Bank of India (as applicable) with regard to deposits accepted from the public. Accordingly, there have been no proceedings before the Company Law Board or National Company Law Tribunal (as applicable) or Reserve Bank of India or any Court or any other Tribunal in this matter and no order has been passed by any of the aforesaid authorities.
- (vii) In our opinion and according to the information and explanations given to us, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the activities of the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Customs duty, Cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities except for professional tax aggregating Rs. 34,625 for the months of September 2008 to April 2009, which was paid in June 2009. As explained to us, the Company did not have any dues on account of Wealth Tax, Excise duty and Investor Education and Protection Fund.
- There were no dues on account of cess under section 441A of the Companies Act, 1956, since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.
- According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Customs duty, Cess and other material statutory dues were in arrears as at 31 March 2010 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations give to us, no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Customs duty, Cess and other material statutory dues, to the extent applicable,

were in arrears as at 31 March 2010 for a period exceeding six months from the date they became payable except as follows:

Name of the Statute	Nature of dues	Amount (Rs.)	Period to which amount relates	Forum where dispute is pending/ Remarks
Purchase Value Added Tax, 2005	Sales Tax	3,830,005	2006-07	Dy. Excise & Taxation Commissioner (Appeals)

- (x) The Company was incorporated on 5 November 2007 and has been registered for a period of less than five years. Hence, the provisions of clause 4(x) of the Order are not applicable.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) According to the information and explanations given to us, the Company is not a chit fund or a nidhi/mutual benefit fund/society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
- (xvi) According to the information and explanations given to us, term loans taken by the Company have been applied for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term purposes.
- (xviii) According to the information and explanations given to us, the company has made preferential allotment of shares to a company covered in the register maintained under section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) Based on the audit procedures performed and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For **B S R and Associates**
Chartered Accountants
Firm Registration No. 128901W

Kaushal Kishore
Partner

Place: Gurgaon
Dated :24 August, 2010

Membership No. 090075

KAMLA RETAIL LIMITED

BALANCE SHEET AS AT 31st MARCH 2010

(Amount in Rupees)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share Capital	1	90,500,880	68,441,960
Reserves & Surplus	2	87,297,513	86,598,638
		<u>177,798,393</u>	<u>155,040,598</u>
Share application money		400,000	-
Loan fund			
Secured loans	3	232,117,300	217,416,492
Unsecured loans	4	10,000,000	-
		<u>242,117,300</u>	<u>217,416,492</u>
		<u>420,315,693</u>	<u>372,457,090</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	79,801,421	64,220,377
Accumulated depreciation		32,120,183	22,365,647
Net block		47,681,238	41,854,730
Capital Work-in-progress (include capital advances)		1,231,575	28,125
		<u>48,912,813</u>	<u>41,882,855</u>
Current assets, loans and advances			
Inventories	6	393,219,491	367,919,671
Sundry debtors	7	2,737,444	10,521,996
Cash and bank balances	8	15,947,942	14,157,914
Loans and advances	9	117,879,950	85,966,096
		<u>529,784,827</u>	<u>478,565,677</u>
Less: Current liabilities and provisions			
Current liabilities	10	199,686,752	172,494,807
Provisions		3,849,990	4,665,996
Deferred payment liability due to lease straightlining (Refer to note 15 of schedule 16)		7,389,054	-
		<u>210,925,796</u>	<u>177,160,803</u>
NET CURRENT ASSETS			
Profit and loss account		52,543,849	29,169,361
		<u>420,315,693</u>	<u>372,457,090</u>

Significant accounting policies and notes to the accounts 16

The Schedules referred to above form an integral part of the financial statements.

As per our report attached

For B S R and Associates
Chartered Accountants
Firm Registration No. 128901W

For and on behalf of the Board

Kaushal Kishore
Partner
Membership No. 090075

Y Saboo
Managing Director

Anil Khanna
Director

C Raja Sekhar
Vice President (Finance)

Place : Gurgaon
Dated : 24 August, 2010

Place : Chandigarh
Dated : 24 August, 2010

KAMLA RETAIL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

(Amount in Rupees)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
INCOME			
Sales		595,543,710	445,376,493
Service income		1,269,703	852,878
		<u>596,813,413</u>	<u>446,229,371</u>
Other Income	11	27,172,068	22,866,760
		<u>623,985,481</u>	<u>469,096,131</u>
EXPENDITURE			
Goods purchased for Resale		488,935,913	411,559,610
(Increase)/Decrease in finished goods for trading	12	(25,299,820)	(66,854,676)
Cost of services rendered		644,382	595,375
Personnel cost	13	34,456,773	33,833,642
Administrative and other expenses	14	97,667,060	84,254,843
Depreciation	5	9,754,536	8,308,792
Finance expenses	15	33,240,660	24,689,943
		<u>639,399,504</u>	<u>496,387,529</u>
Profit/(loss) for the year before tax and prior period expense		(15,414,023)	(27,291,398)
Prior period expenses (Rent) (refer to note 15 of schedule 16)		7,960,465	-
Profit/(loss) for the year before tax		(23,374,488)	(27,291,398)
Less: Fringe benefit tax		-	458,792
Less: Minimum alternate tax		-	-
Profit/(loss) for the year		(23,374,488)	(27,750,190)
Balance brought forward		(29,169,361)	(1,419,171)
Profit/(loss) carried forward to balance sheet		(52,543,849)	(29,169,361)
Basic earnings per share (Rs.)	16(4)	(3.41)	(5.22)
(Face Value Rs. 10)			

Significant accounting policies and notes to the accounts 16

The Schedules referred to above form an integral part of the financial statements.

As per our report attached for the balance sheet

For B S R and Associates
Chartered Accountants
Firm Registration No. 128901W

For and on behalf of the Board

Kaushal Kishore
Partner
Membership No. 090075

Y Saboo
Managing Director

Anil Khanna
Director

C Raja Sekhar
Vice President (Finance)

Place : Gurgaon
Dated : 24 August, 2010

Place : Chandigarh
Dated : 24 August, 2010

KAMLA RETAIL LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2010

(Amount in Rupees)

	For the year ended 31 March 2010	For the year ended 31 March 2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	(23,374,488)	(27,291,398)
Adjustments for:		
Depreciation	9,754,536	8,308,792
Interest expense	28,627,205	21,859,372
Interest income	(235,733)	(216,339)
Unrealised Loss/(gain) on exchange rate	(2,123,757)	1,122,206
Operating profit before working capital changes	12,647,763	3,782,633
Adjustments for:		
Increase in trade and other receivables	(2,856,584)	(20,828,789)
Increase in Inventories	(25,299,820)	(66,854,676)
Increase in Trade and other payables	27,060,425	38,551,449
Increase in deferred payment liability due to lease straightlining	7,389,054	-
Increase/(Decrease) in Club Echo Provision	(1,216,552)	185,135
Unrealised loss on exchange rate	2,123,757	(1,122,206)
Cash generated from / (used in) operating activities before taxes	19,848,043	(46,286,454)
Direct taxes paid (net of refunds)	-	(458,792)
Net cash (used in) / generated in operating activities	19,848,043	(46,745,246)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(16,784,494)	(12,379,561)
Interest received	99,694	199,674
Investment in security deposit	(21,136,679)	(10,686,403)
Net cash used in investing activities	(37,821,479)	(22,866,290)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of capital	18,257,975	104,999,751
Proceeds from Share Application Money	400,000	-
Proceeds from issue of preference capital	4,499,820	-
Proceeds of long term borrowings	(8,612,797)	8,945,489
Repayment of demand loan	-	(40,000,000)
Increase/(decrease) in short term borrowings	23,313,605	68,273,645
Increase/(decrease) in unsecured loans	10,000,000	(50,000,000)
Interest paid	(28,095,139)	(21,859,372)
Net cash (used in) / generated from financing activities	19,763,464	70,359,513
Increase in cash and cash equivalents	1,790,028	747,977
Cash and cash equivalents at the beginning of the year	14,157,914	5,604,447
Transfer of Cash & bank balances under the Scheme of Arrangement	-	7,805,490
Cash and cash equivalents at the end of the year	15,947,942	14,157,914
Notes:		
Cash and cash equivalents include:		
Cash in hand	4,990,043	3,197,374
With banks in:		
Current Accounts	7,772,898	8,102,974
Fixed deposit*	3,185,001	2,857,566
Cash and bank balances at the end of the year	15,947,942	14,157,914

*pledged Rs. 3,185,001 (previous year Rs. 2,857,566) with various banks for bank guarantees issued to different authorities

AUDITORS' REPORT

As per our report attached to the balance sheet.

For BSR AND ASSOCIATES
Chartered Accountants
Firm Registration No. 128901W

For & on behalf of the Board

Kaushal Kishore
Partner
Membership No. 090075

Y. Saboo
Managing Director

Anil Khanna
Director

C. Raja Sekhar
Chief Financial Officer

Place : Gurgaon
Dated : 24 August, 2010

Place : Chandigarh
Dated : 24 August, 2010

KAMLA RETAIL LIMITED

Schedules forming part of accounts

(Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009
1. Share Capital		
AUTHORISED:	130,500,000	150,000,000
13,050,000 (previous year 15,000,000) equity shares of Rs. 10 each		
300,000 (previous year Nil) 12% Cumulative optionally convertible preference shares of Rs. 65 each	19,500,000	-
	150,000,000	150,000,000
ISSUED, SUBSCRIBED & PAID UP:		
8,600,106 (previous year 6,844,196 equity shares of Rs. 10 each, fully paid up)	86,001,060	68,441,960
69,228 (previous year Nil), 12% Cumulative optionally convertible preference shares of Rs. 65 each, fully paid up**	4,499,820	-
	90,500,880	68,441,960
<p>*During the year the Company has allotted 29,244 equity shares of Rs. 10 each as fully paid-up, pursuant to contracts without payment being received in cash against the debts payable by the Company. **Maturity period for redemption of preference shares is five years from the date of allotment i.e. 16 December 2009 with an option to the shareholders to convert in equal number of equity shares, along with cumulative dividend, at the end of five years. Of the above: - 7,204,085 (previous year 5,504,085) equity shares of Rs. 10 each, fully paid are held by Holding Company, KDDL Ltd. along with its subsidiaries. Also refer to note 17 of schedule 16.</p>		
2. Reserves and Surplus		
Share premium account		
- Opening balance	86,598,638	-
- Added during the year	698,875	86,598,638
Closing balance	87,297,513	86,598,638
3. Secured Loans		
Loans from banks:		
Term Loans from HDFC Bank Ltd.#	15,663,762	24,164,166
Cash credit and overdraft facilities		
- HDFC Bank Ltd.*	71,391,878	130,253,351
- The IDBI Bank Ltd.**	77,190,169	-
- The Federal Bank***	67,360,621	62,375,712
Other Loans:		
- Tata Capital Ltd. (Vehicle loan)	510,870	623,263
	232,117,300	217,416,492
Notes:		
# Term Loans from HDFC Bank Ltd. are secured by hypothecation of present and future fixed assets of the company. These limits are also secured by first charge on fixed assets of Ormapac unit at Chandigarh of KDDL Ltd. This is further secured by the first and exclusive charge over land and building, plant and machinery and office equipment of the Parwanoo Dials Unit of KDDL Ltd., excluding the assets purchased after 1 April 2005. These loans are guaranteed by the Holding Company (KDDL Ltd.) and the Chief Executive Officer (CEO) of the Company. [Due within one year Rs. 8,500,404 (previous year Rs. 8,500,404)].		
* The working capital loans from HDFC Bank Ltd. are secured by hypothecation of all the stock and receivables of the Company. These limits are also secured by first charge on fixed assets of Ormapac unit at Chandigarh of KDDL Ltd. This is further secured by the first and exclusive charge over land and building, plant and machinery and office equipment of the Parwanoo Dials Unit of KDDL Ltd., excluding the assets purchased after 1 April 2005. These limits are guaranteed by the Holding Company (KDDL Ltd.) and the Chief Executive Officer (CEO) of the Company.		
** The working capital loans from IDBI Bank Ltd. are secured by first pari passu charge on the current assets, both present and future, and second pari passu charge on the fixed assets of the Company, both present and future. These limits are also secured by exclusive mortgage and charge on all the immovable assets of the tool room unit (Eigen) at Bangalore of KDDL Ltd. These limits are guaranteed by the Holding Company (KDDL Ltd.) and Chief Executive Officer (CEO) of the Company and relative of the CEO.		
*** The working capital loans from The Federal Bank Ltd. are secured by first pari passu charge on current assets of the Company including stock in trade and receivables. These limits are also secured by a Second pari passu charge on the fixed assets of the Company. These limits are guaranteed by the Holding Company (KDDL Ltd.) and the Chief Executive Officer (CEO) of the Company and relative of the CEO.		
e) Vehicle Loan from Tata Capital Ltd. is secured against hypothecation of the specified vehicle purchased from proceeds of the said loan. [Due within one year Rs. 188,400 (previous year Rs. 188,400)].		
4. Unsecured Loans		
Short Term Loan		
- From a shareholder	10,000,000	-
	10,000,000	-

5. Fixed Assets

	Gross Block			Depreciation			Net Block		
	As at 31 March 2009	Additions during the year	Disposals	As at 31 March 2010	Upto 31 March 2009	Charge for the year	Upto 31 March 2010	As at 31 March 2010	As at 31 March 2009
Tangibles									
Leasehold Investments	21,629,466	4,767,893	-	26,397,359	10,286,340	4,966,615	-	15,252,955	11,343,125
Plant & Machinery	6,321,373	845,221	-	7,166,594	1,883,912	696,971	-	2,580,883	2,886,302
Furniture & Office Equipment	29,000,427	9,556,364	-	38,556,791	8,580,000	3,024,515	-	11,604,515	22,016,918
Vehicles	1,004,100	-	-	1,004,100	55,644	87,311	-	142,955	861,145
Intangibles									
Software	6,265,011	411,566	-	6,676,577	1,559,751	979,124	-	2,538,875	4,137,702
Total	64,220,377	15,581,044	-	79,801,421	22,365,647	9,754,536	-	32,120,183	47,681,238
Previous Year (Totals only)	-	64,220,377*	-	64,220,377	-	8,308,792	14,056,855**	22,365,647	41,854,730
Capital work-in-progress (including capital advances Rs. 1,231,575 (previous year Rs. 28,125))								1,231,575	28,125
								48,912,813	41,882,855

*Include Rs. 51,840,829 (gross of accumulated depreciation amounting to Rs. 14,056,855) of additions pursuant to Scheme of Arrangement. Also refer to Note 17 of Schedule 16.

**Pursuant to Scheme of Arrangement. Also refer to note 17 of schedule 16.

KAMLA RETAIL LIMITED

Schedules forming part of accounts

(Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009
6. Inventories (at the lower of cost and net realisable value)		
Finished goods for trading	393,219,491	367,919,671
	<u>393,219,491</u>	<u>367,919,671</u>
7. Sundry Debtors (Unsecured and considered good, unless otherwise stated)		
Debts outstanding for a period exceeding six months		
- considered good*	479,932	2,002,370
Other debts, considered good	2,257,512	8,519,626
	<u>2,737,444</u>	<u>10,521,996</u>
*Refer to note 7(a) of schedule 16		
8. Cash and Bank Balances		
Cash in hand	4,990,043	3,197,374
Balances with scheduled banks:		
- Current accounts	7,772,898	8,102,974
- Fixed deposit accounts**	3,185,001	2,857,566
	<u>15,947,942</u>	<u>14,157,914</u>
**pledged with various banks for bank guarantees issued to different authorities		
9. Loans and Advances (Unsecured and considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received***	36,386,071	24,421,033
Advances paid to suppliers	11,956,783	14,089,231
Security and other deposits	67,818,905	46,682,226
Interest accrued on deposits [net of tax deducted at source Rs. 21,989 (previous year Rs. 7,598)]	152,704	16,665
Tax deducted at source	1,565,487	756,941
	<u>117,879,950</u>	<u>85,966,096</u>
**Refer to note 7(b) of schedule 16		
10. Current Liabilities and Provisions		
Current Liabilities		
Sundry creditors - others#	173,294,399	158,553,428
Interest accrued on unsecured loan	532,066	-
Advances received from customers ##	18,943,904	7,407,109
Other liabilities	6,916,383	6,534,270
	<u>199,686,752</u>	<u>172,494,807</u>
# Refer to note 13 of schedule 16		
## including Rs. 9,166,000 (previous year Rs. nil) from a director of the Company		
Provisions		
Bonus	192,491	201,022
Leave encashment	1,694,433	1,556,515
Gratuity	317,329	46,170
Club ECHO provision ###	1,645,737	2,862,289
	<u>3,849,990</u>	<u>4,665,996</u>
### Refer to note 18 of schedule 16		

KAMLA RETAIL LIMITED

Schedules forming part of accounts

(Amount in Rupees)

	For the year ended 31 March 2010	For the year ended 31 March 2009
11. Other Income		
Liabilities no longer required, written back	3,600,000	551,818
Promotion participation income	12,986,015	19,875,780
Support Services charges [gross of Tax Deducted at Source Rs. 574,257 (Previous Year Rs. 124,970)]	5,742,571	1,000,000
Commission income	918,913	1,222,823
Exchange gain (net)	3,688,836	-
Interest from bank [gross of Tax Deducted at Source Rs. 21,990 (previous year Rs. 48,023)]	235,733	216,339
	<u>27,172,068</u>	<u>22,866,760</u>
12. Increase / (Decrease) Stock		
Opening Stock		
- Finished goods for trading	367,919,671	-
Add: Received under scheme of arrangement	-	301,064,995
	<u>367,919,671</u>	<u>301,064,995</u>
Closing Stock		
- Finished goods for trading	393,219,491	367,919,671
	<u>(25,299,820)</u>	<u>(66,854,676)</u>
13. Personnel Costs		
Salaries, wages and bonus	31,237,188	30,745,582
Contribution to provident and other funds	1,581,463	1,438,964
Workmen and staff welfare	1,638,122	1,649,096
	<u>34,456,773</u>	<u>33,833,642</u>
14. Administrative and Other Expenses		
Power and fuel	3,994,859	3,685,680
Insurance	1,073,263	917,306
Rent	63,784,069	48,975,529
Lease straightlining	2,473,589	-
Rates and taxes	589,689	410,427
Repair and maintenance		
- Buildings	68,239	233,234
- Others	935,774	811,314
Auditors' remuneration	473,165	220,838
Exchange loss (net)	-	2,972,073
Traveling and conveyance	5,087,362	5,894,499
Directors sitting fees	29,000	60,000
Postage, telephones and telex	2,358,250	2,406,551
Publicity and advertisement	5,064,010	9,671,248
Recruitment expenses	631,168	519,034
Subscription and annual fees	35,800	53,393
Printing and stationery	530,381	945,762
Legal and professional	5,638,078	4,844,839
Bad Debts and advances written off	2,704,736	-
Miscellaneous expenses	2,195,628	1,632,116
	<u>97,667,060</u>	<u>84,254,843</u>
15. Finance Expenses		
Interest		
- On term loans, for fixed period	2,623,120	5,748,078
- On other loans	25,331,655	15,716,936
- Others	672,430	394,358
Bank charges	4,613,455	2,830,571
	<u>33,240,660</u>	<u>24,689,943</u>

KAMLA RETAIL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

SCHEDULE - 16 : Significant accounting policies and notes to the accounts

1. Significant accounting policies

i. Background

Kamla Retail Limited (KRL or the Company), a subsidiary of KDDL Ltd., is a limited liability Company incorporated on 5 November 2007 under the provisions of the Companies Act, 1956.

The Company's business consists of trading of watches, accessories and rendering of related after sales service.

ii. Basis of preparation

The financial statements are prepared and presented under the historical cost convention, on accrual basis of accounting in accordance with the Generally Accepted Accounting Principles ('GAAP') in India and comply with the accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006, to the extent applicable, and the presentational requirements of the Companies Act, 1956.

iii. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include employee retirement benefit plans, estimated useful life of fixed assets, etc. Differences between actual results and estimates are recognised prospectively in the year in which the actual results are known or materialised. Any revision to accounting estimates is recognised in accordance with the requirements of the respective accounting standards.

iv. Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation/amortisation. Cost is inclusive of freight, duties, taxes and any other directly attributable costs to bring the assets to their working condition for intended use.

Depreciation on tangible assets and intangible assets, other than leasehold improvements, is provided under the straight line method as per Schedule XIV of the Companies Act, 1956. Depreciation on additions is provided on a pro-rata basis from the date of acquisition/completion. Depreciation on sale/deduction from fixed assets is provided for upto the date of sale/adjustment, as the case may be.

Leasehold assets and improvements are depreciated under the Straight Line method over the period of the lease.

Assets costing upto Rs. 5,000 are fully depreciated in the year of purchase.

v. Impairment

The carrying amounts of assets are reviewed at each balance sheet date in accordance with Accounting Standard – 28 on 'Impairment of Assets', to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

vi. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories includes all costs incurred in bringing the inventories to their present location and condition.

In determining the cost, the weighted average cost method is used.

vii. Employee Benefits

The Company's obligations towards various employee benefits have been recognised as follows:

Short term benefit

All employee benefits payable/available within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages and bonus, etc. are recognised in the profit and loss account in the period in which the employee renders the related service.

Post employment benefits

Gratuity, a defined benefit plan, has been ascertained based on actuarial valuation at the year end, using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of the estimated future cash flows. Actuarial gains and losses are recognised immediately in the profit and loss account. The Company has taken group gratuity policy from Life Insurance Corporation of India.

The Company makes specified monthly contribution towards employee provident fund to Employees' Provident Fund administered by the Regional Provident Fund Commissioner. The Company's contributions to the fund are recognised in the Profit and Loss Account in the financial year to which they relate.

Other long term benefits

Benefits under the Company's leave encashment constitute other long term employee benefits, recognised as an expense in the profit and loss account for the period in which the employee has rendered services. Estimated liability on account of these benefits is actuarially determined based on the projected unit credit method, using the yield on government bonds, as on the date of the balance sheet, as the discounting rate. Actuarial gains and losses are charged to the Profit and Loss Account.

viii. Revenue recognition

Revenue from sale of goods is recognised on transfer of all significant risks and rewards of ownership to the buyer. Net sales exclude sales tax and trade discounts.

KAMLA RETAIL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

Commission from sale of goods, received on consignment basis, is recognised on an accrual basis.

Interest income is recognised on a time proportion basis.

ix. Foreign currency transactions

Foreign exchange transactions are recorded using the exchange rate prevailing on the date of the transaction. Exchange differences arising on transactions settled during the year are recognised in the profit and loss account of the year.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the exchange rates on that date and the resultant exchange differences are recognised in the profit and loss account.

x. Earnings per share

Basic earnings per share are computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share are computed using the weighted average number of equity and dilutive potential equity shares outstanding during the year, except where the results would be anti-dilutive.

xi. Leases

Lease rentals in respect of assets taken on operating lease are charged on a straight-line basis to the profit and loss account except for those where other systematic basis is available.

xii. Club Echo Points

Club Echo points, accrued to the customer as a part of the loyalty programme, is provided for based on the management's past experience.

xiii. Taxes on Income

Income tax expense comprises current tax/fringe benefit tax (that is amount of tax for the year determined in accordance with the Income-tax Act, 1961) and deferred tax charge or credit (reflecting the tax effects of timing difference between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liability or deferred tax asset is recognised using the tax rates that have been enacted or substantially enacted as at the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty of realisation. Such assets are reviewed at each balance sheet date to reassess realisation. However, where there are carried forward losses or unabsorbed depreciation under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets.

xiv. Other Provisions and Contingent Liabilities

A provision is created when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

The Company does not recognise assets which are of contingent nature until there is virtual certainty of realisability of such assets. However, if it has become virtually certain that an inflow of economic benefits will arise, asset and related income is recognised in the financial statements of the period in which the change occurs.

2. Capital Commitments

Particulars	(Amount in Rs.)	
	As at 31 March 2010	As at 31 March 2009
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	12,561,379	1,237,292

3. Contingent liability not provided for

Particulars	(Amount in Rs.)	
	2010	2009
- Guarantees given by the Company on behalf of other body corporate [Loan amount outstanding against the above Rs. 19,706,831 (previous year Rs. Nil)]	20,000,000	-
- Bank guarantee outstanding	15,267,250	5,235,000
- Claims against the Company not acknowledged as debts - Sales tax matters	5,106,676	5,106,676
- Arrears of fixed cumulative dividend on 12% cumulative optionally convertible preference shares	156,816	-

4. Earnings per equity share

The computation of basic/diluted earnings per share is set out below:

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2010	For the year ended 31 March 2009
Loss after tax as per profit and loss account	(23,374,488)	(27,750,190)
Less: Arrears of fixed cumulative preference dividend	156,816	-
Net loss attributable to equity shareholders	(23,531,304)	(27,750,190)
Total equity shares outstanding at the end of the year	8,600,106	6,844,196
Number of weighted average equity shares		
Basic	6,894,915	5,320,766
Nominal value of equity share (Rs.)	10	10
Basic earning per share	(3.41)	(5.22)

The effect of cumulative optionally convertible preference shares being anti-dilutive, dilutive EPS has not been computed.

KAMLA RETAIL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

5. Auditors Remuneration (including service tax) Particulars	(Amount in Rs.)	
	For the year ended 31 March 2010	For the year ended 31 March 2009
Statutory audit	441,200	184,311
Tax Audit	-	55,150
Out of pocket expenses	-	3,738
Total	441,200	243,199#
# Paid to previous auditors		

6. Related Parties

a. Related parties and nature of related party relationship, where control exists:

Description of Relationship	Name of the Party
Holding Company	KDDL Ltd. (KDDL)

b. Other related parties with whom transactions have taken place:

Description of relationship	Name of the Party
Fellow Subsidiaries	Mahen Boutiques Limited (MBL) Mahen Distribution Limited (MDL)
Entities over which significant influence is exercised by the Key Management Personnel	Saboo Coatings Limited (SCL)
Key Management Personnel and Relatives	Mr. Y. Saboo (Managing Director) Mr. J.V. Saboo (Relative of Managing Director) Ms. A. Saboo (Relative of Managing Director)

c. Transactions with related parties

(Amount in Rs.)

Nature of Transaction	Holding Company	Fellow Subsidiaries		Enterprises over which significant influence exists	Relative of Key Management Personnel	Total
	KDDL	MBL	MDL	SCL	Mr. J.V. Saboo	
Purchase of Goods/Services	134,010 (549,001)	- (-)	49,221 (-)	- (-)	- (-)	183,231 (549,001)
Advances/Debts taken during the year	35,600,000 (40,699,973)	14,044,268 (2,457,010)	5,000,000 (-)	200,000 (-)	9,166,000 (-)	64,010,268 (43,156,983)
Advances/Debts given during the year	56,622,399 (22,447,808)	11,010,685 (3,119,540)	5,000,500 (-)	- (-)	- (-)	72,633,584 (25,567,348)
Expenses paid by others	806,454 (838,823)	5,000 (-)	- (-)	- (-)	- (-)	811,454 (838,823)
Expenses paid during the year on behalf of others	54,261 (6,138,816)	1,281,048 (526,197)	6,050 (-)	- (-)	- (-)	1,341,359 (6,665,013)
Equity share issued	- (45,040,850)	- (-)	17,000,000 (-)	- (-)	- (-)	17,000,000 (45,040,850)
Share application money received	- (-)	- (-)	400,000 (-)	- (-)	- (-)	400,000 (-)
Guarantees given on behalf of others	- (-)	20,000,000 (-)	- (-)	- (-)	- (-)	20,000,000 (-)
Expenses for service received	506,497 (-)	- (-)	- (-)	96,000 (58,464)	- (-)	602,497 (58,464)
Personnel expenses borne	659,111 (150,000)	- (-)	- (-)	- (-)	- (-)	659,111 (150,000)
Fixed asset purchased	62,692 (-)	- (-)	- (-)	- (-)	- (-)	62,692 (-)
Support service charges received	- (-)	5,742,571 (1,000,000)	- (-)	- (-)	- (-)	5,742,571 (1,000,000)

KAMLA RETAIL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

d. Outstanding balances as at year end (Amount in Rs.)

Nature of Transaction	Holding Company	Fellow Subsidiaries		Enterprises over which significant influence	Director	Total
	KDDL	MBL	MDL	SCL	Mr. J.V. Saboo	
Payables	- (13,651,169)	- (-)	42,671 (-)	- (-)	9,166,000 (-)	9,208,671 (13,651,169)
Receivables	5,078,375 (-)	61,173,763 (2,188,727)	- (-)	127,539 (-)	- (-)	11,379,677 (2,188,727)
Share application money	- (-)	- (-)	400,000 (-)	- (-)	- (-)	400,000 (-)
Equity share capital	- (55,040,850)	- (-)	17,000,000 (-)	- (-)	- (-)	17,000,000 (55,040,850)

Note: Figures in bracket () indicate previous year figures.

7. a) Sundry debtors include the following, which are due from bodies corporate under the same management, as defined under Section 370 (1B) of the Companies Act, 1956.

Particulars	(Amount in Rs.)	
	As at 31 March 2010	As at 31 March 2009
Saboo Coatings Limited	127,539	423,539

b) Loans and advances include the following which are due from bodies corporate under the same management, as defined under Section 370 (1B) of the Companies Act, 1956.

Particulars	(Amount in Rs.)	
	As at 31 March 2010	As at 31 March 2009
Mahen Boutiques Limited [Maximum amount outstanding during the year Rs. 10,452,146 (previous year Rs. 4,013,697)]	6,173,763	2,188,727
KDDL Limited [Maximum amount outstanding during the year Rs. 25,537,986 (previous year Rs. nil)]	5,078,375	-

8. Employee benefits

The disclosures required under Accounting Standard 15 "Employee Benefits" are given below:

Defined Contribution Plan

Contributions to Defined Contribution Plan, recognised and charged off/debited to Profit and loss Account are as under:

Particulars	For the year ended	
	31 March 2010	31 March 2009
Employer's Contribution to Provident Fund	1,256,399	1,231,956

Defined Benefit Plan

The employees' gratuity fund scheme managed by Life Insurance Corporation of India is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The company made annual contributions to the LIC of India of an amount advised by the LIC. The company is not informed by LIC of the investment made by the LIC or the break-down of plan assets by investment type.

KAMLA RETAIL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

(Amount in Rs.)

Particulars	Gratuity	
	As at 31-Mar-10	As at 31-Mar-09
Changes in the present value of defined benefit obligation		
Present value of obligation at the beginning of the year	562,966	-
Current service cost	263,169	310,940
Interest cost	45,037	-
Actuarial (gain)/loss on obligations	7,104	252,026
Benefits paid/payable	-	-
Present value of obligations at the end of the year	878,276	562,966
Changes in the fair value of plan assets		
Fair value of plan assets at the beginning of the year	516,796	434,118
Expected return on plan assets	41,344	1,035
Contributions	-	81,643
Benefits paid	-	-
Actuarial gain / (loss) on Plan Assets	2,807	-
Fair value of plan assets at the end of the year	560,947	516,796
Net Asset/(Liability) recognised in the Balance Sheet		
Present value of obligation at the end of the year	878,276	562,966
Fair value of plan assets at the end of the year	560,947	516,796
Net asset/(liability) recognised in the Balance Sheet	(317,329)	(46,170)
Expense recognised in the Profit and Loss Account		
Current Service Cost	263,169	310,940
Interest cost on benefit obligation	45,037	-
Expected return on plan assets	(41,344)	(1,035)
Net actuarial (gain)/loss recognised in the year	4,297	252,026
Net expense recognised in profit and lost account	271,159	561,931
Actuarial assumptions		
Discount rate	8%	8%
Expected return on plan assets	8%	8%
Estimate Rate of Increase in compensation levels	5%	7%

The estimates of future increase in compensation levels, considered in actuarial valuation, take account of inflation, seniority, promotions and other relevant factors such as supply and demand in the employment market. Discount rate is based on market yields prevailing on government bond as at the end of year for the estimated term of obligation.

Other Long Term Benefit Plan

(Amount in Rs.)

Particulars	Leave Encashment	
	As at 31-Mar-10	As at 31-Mar-09
Actuarial assumptions		
Discount rate	8%	8%
Estimated Rate of Increase in compensation levels	5%	7%

9. The Company has taken showrooms under operating lease arrangements, with an option of renewal at the end of the lease term and escalation clauses in some of the cases. Lease payments charged during the year to the profit and loss account aggregate Rs.62,237,173 (previous year Rs. 44,797,458) [including Rs. 34,176,134 towards cancellable lease (previous year Rs. 19,094,039)]. The future minimum lease payments under non-cancellable operating leases are as follows:

Future Minimum Lease payments due

(Amount in Rs.)

Particulars	Future Minimum Lease payments due	
	As at 31 March 2010	As at 31 March 2009
Within one year	26,190,541	22,370,164
Later than one year and not later than five years	81,167,777	102,685,062
More than 5 years	8,178,198	12,851,454
Total	115,536,516	137,906,680

KAMLA RETAIL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

10. The Company is in the business of trading of watches, accessories and luxury items, which constitutes a single business segment, primarily in India. Accordingly, segment reporting as per AS-17 is not required to be disclosed.

11. Expenditure and earnings in foreign currency

a. Earnings in foreign currency (on accrual basis)

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2010	For the year ended 31 March 2009
Duty free sale at showroom in foreign currency	58,515,000	11,441,632
Promotion participation income	1,829,900	487,496
Brand Incentives	724,531	-
Total	61,069,431	11,929,128

b. Expenditures in Foreign Currency (on accrual basis)

Particulars	(Amount in Rs.)	
	For the year ended 31 March 2010	For the year ended 31 March 2009
Foreign travel	196,512	379,854
Total	196,512	379,854

12. Additional Information

(As certified by management and accepted by auditors)

a. Particulars of inventory:

Particulars	As at 31 March 2010		As at 31 March 2009	
	Quantity (Nos.)	Value (in Rs.)	Quantity (Nos.)	Value (in Rs.)
Opening Stock				
Watches	8,421	338,694,437	-	-
Others*	9,021	29,225,234	-	-
Total		367,919,671		
Received under scheme of arrangement				
Watches	-	-	7,362	278,619,342
Others*	-	-	11,572	22,445,653
Total				301,064,995
Closing Stock				
Watches	10,860	363,151,512	8,421	338,694,437
Others*	4,292	30,067,979	9,021	29,225,234
Total		393,219,491		367,919,671

*It is not practicable to furnish quantitative information in view of the considerable number of items diverse in size and nature. None of the individual items account for 10% of more in value.

b. Purchase of traded goods:

Particulars	For the year ended 31 March 2010		For the year ended 31 March 2009	
	Quantity (Nos.)	Value (in Rs.)	Quantity (Nos.)	Value (in Rs.)
Watches	20,991	443,200,636	14,251	365,605,952
Others*	3,054	45,735,277	2,995	45,953,658
Total		488,935,913		411,559,610

*It is not practicable to furnish quantitative information in view of the considerable number of items diverse in size and nature. None of the individual items account for 10% of more in value.

c. Sale of traded goods:

Particulars	For the year ended 31 March 2010		For the year ended 31 March 2009	
	Quantity (Nos.)	Value (in Rs.)	Quantity (Nos.)	Value (in Rs.)
Watches	18552@	546,160,159	13,192	404,194,457
Others*	7783#	49,383,551	5,546#	41,182,036
Total		595,543,710		445,376,493

*It is not practicable to furnish quantitative information in view of the considerable number of items diverse in size and nature. None of the individual items, account for 10% of more in value.

@ Includes 33 Nos. of watches given free of cost.

Includes 5383 Nos. (previous year 2244 nos.) of spares given free of cost.

13. Based on the information presently available with the management, there are no dues outstanding to micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006.

KAMLA RETAIL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

14. Company is in the process of employing for a whole time company secretary as per the provisions of Section 383A of companies Act 1956.

15. Prior period items are as follows:

	For the year ended 31 March 2010	For the year ended 31 March 2009
Rent	3,045,000	-
Lease straight lining	4,915,465	-
Total	7,960,465	-

16. The Company's foreign currency exposure on account of payables/receiveables not hedged is as follows:

Payables	Unit of Foreign Currency	As at 31 March 2010		As at 31 March 2009	
		(in Foreign Currency)	(in Rupees)	(In Foreign Currency)	(in Rupees)
- USD	-USD	95,076	4,305,041	144,470	7,327,521
- CHF	- CHF	855,726	36,462,484	477,274	21,014,374
- EURO	- EURO	-	-	4,984	333,828

17. During the previous year, pursuant to the scheme of arrangement as ordered by Hon'ble High Court of Himachal Pradesh at Shimla, all assets and liabilities of the retail division of KDDL Ltd. were transferred to Kamla Retail Limited on a going concern basis w.e.f. appointed date i.e. 1 April 2008.

General Nature of business under the scheme of arrangement of the Company	Retail
Effective date of scheme of arrangement for accounting purpose	1 April, 2008
Method of accounting to reflect scheme of arrangement and Particulars of scheme sanctioned under the statute	Purchase method of Accounting Scheme of arrangement filed between the Kamla Retail Limited and KDDL Limited for transfer of the Retail business of KDDL Limited to Kamla Retail Limited.
Consideration for Scheme of Arrangement and a description of the consideration paid	4,004,085 shares of Rs. 10 each
Against the above consideration, following assets and liabilities have been transferred from KDDL Limited to Kamla Retail Limited	

Particulars	(Amount in Rs.)
Fixed Assets	
Gross Block	51,752,791
Less depreciation	14,058,853
Net block	37,695,938
Add: Capital Work in Progress	116,150
Total Fixed Assets (A)	37,812,088
Net Current Assets	
Current Assets, Loans and Advances	366,773,137
Less: Current Liabilities and Provisions	134,347,017
Net Current Assets (B)	232,426,120
Total Current Assets (C=A+B)	270,238,208
Less Loan Funds (D)	230,197,358
Net Assets Value (E=C-D)	40,040,850

KAMLA RETAIL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

18. Movement in provision for points accrued under Club Echo Loyalty Programme is as under:		(Amount in Rs.)	
	Year ended 31 March 2010	Year ended 31 March 2009	
Opening provision	2,862,289	2,677,154	
Add: provision created during the year	-	185,135	
Less: provision reversed during the year	1,216,552	-	
Closing provision	1,645,737	2,862,289	

19. CIF value of imports:		(Amount in Rs.)	
Particulars	For the year ended on 31 March 2010	For the year ended on 31 March 2009	
Purchase of finished goods for trading	68,688,148	47,655,659	
Total	68,688,148	47,655,659	

20. During the current year, the Board has approved the amalgamation of the Company's fellow subsidiary, Mahen Boutiques Ltd. (MBL). MBL operates the Rolex Boutique at Bangalore. The appointed date of amalgamation shall be 1st April, 2009 since the scheme of amalgamation is pending approval at High Court, accordingly, the effect of the same has not been taken in the current year financials.

21. Figures for previous year have been regrouped/reclassified, wherever necessary to conform to the current year's classification. Previous year financial statements have been audited by another firm of chartered accountants.

For and on behalf of the Kamla Retail Limited

Y. Saboo
Managing Director

Anil Khanna
Director

C Raja Sekhar
Vice President (Finance)

Place : Chandigarh
Date : 24 August, 2010

KAMLA RETAIL LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(As per Schedule VI, Part (iv) Of The Companies Act, 1956)

I. Registration Details

Registration No.	30800	State Code	06
Balance Sheet Date	31	03	2010

II. Capital raised during the year (Amount in Rs. thousands)

Public Issue	-	Rights Issue	-
Bonus Issue	-	Private Placement	-
Share application money, pending allotment	400	Preferential Allotment	22,059

III. Position of mobilisation and deployment of funds (Amount in Rs. thousands)

Total Liabilities	420,316	Total Assets	420,316
<i>Sources of Funds:</i>			
Paid-up capital	90,501	Reserves & Surplus	87,298
Secured loans	232,117	Unsecured loans	10,000
Deferred tax asset (net)		Share application money, pending allotment	400
<i>Application of Funds:</i>			
Net fixed assets	48,913	Investments	-
Net current assets	318,859	Miscellaneous expenditure	-
Accumulated losses	52,544		

IV. Performance of the Company (Amount in Rs. thousands)

Turnover/Other income	623,985	Total expenditure	647,359
Profit before tax	(23,374)	Profit after tax	(23,374)
Basic earning per share in Rs.	(3.41)	Dividend rate %	-

V. Generic names of three principal products/services of the Company (As per monetary terms)

Item Code (I.T.C. Code)	9102	Production Description	Watches
Item Code (I.T.C. Code)	9608	Production Description	Pens
Item Code (I.T.C. Code)	9105	Production Description	Clocks

For and on behalf of the Board of Directors of Kamla Retail Limited

Y. Saboo
Managing Director

Anil Khanna
Director

C Raja Sekhar
Vice President (Finance)

Place : Chandigarh
Date : 24 August, 2010

MANAGEMENT REPORT

The Audited Statement of Accounts of the Company for the fiscal year ended 31st March, 2010 along with the Auditors' Report, is placed before the Assembly.

SUMMARY OF FINANCIAL PERFORMANCE

Particulars	Amount (in 000's of CHF)	
	Year ended 31.3.2010	Year ended 31.3.2009
Sales and other income	787	561
Gross Profit before interest and depreciation	(625)	(454)
Less : Interest	43	12
Depreciation	138 181	<u>132</u> 144
Profit/(Loss) before Tax	(806)	(598)
Provision for Tax	—	—
Profit/(Loss) after Tax	(806)	(598)
Profit/(Loss) brought forward from previous year	(672)	(74)
Net Profit/(Loss) carried to Balance Sheet	(1478)	(672)

OPERATIONS

In this, the second full year of operations for the Company, we have been badly hit by the global

economic meltdown which severely affected all businesses including the Swiss Watch Industry. It has been especially damaging to new watch component factories like ours, which have had to bear the full brunt of watch brands correcting inventories, and buying only the minimum that too only from their oldest suppliers. The Company has suffered a loss of CHF 8,06,000 despite efforts to gain business from non-watch segments to tide over the crisis.

Going forward, we foresee a positive change in the business climate and we are working on a plan to increase business considerably and ensure that the factory becomes profitable by the end of the year.

CAPITAL

The Authorized, issued and paid-up capital of the Company is 1525 shares of CHF 1000 each.

APPRECIATION

The Directors wish to place on record their appreciation of the co-operation given by the shareholders, partners, suppliers and employees of the Company with whose contribution the Company has steered through an extremely difficult year.

Date : 20 August 2010

Place : Bienne/Switzerland

Heinz Kohler

Board Member and Director

Report of the statutory auditors on the Limited Statutory Examination to the General Assembly of Pylania SA, Grandval.

Thervil-August 19, 2010

As statutory auditors, we have examined the financial statements (balance sheet, income statement and notes) of Pylania SA for the year ended March 31, 2010.

These financial statements are the responsibility of the board of directors. Our responsibility is to perform a limited statutory examination of these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance the Swiss Standard on the Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances.

However, the testing of operational processes and the internal control systems, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe the financial statements do not comply with Swiss law and the company's articles of incorporation.

As more than fifty percent of the Share Capital is lost, we explicitly refer to Art. 725 of the Swiss Code of Obligations. Taking into consideration the subordination of a loan in the amount of CHF 345'000 as of March 31, 2010 respectively CHF 485'000 as of July 31, 2010 from Shareholders as well as the Share Capital Reduction of CHF 525'000 as of August 18, 2010, the board of directors has renounced to call for an extraordinary General Assembly.

Prime Support GmbH

(Roland Lienhard)
(Licensed Auditor in Charge)

PYLANIA SA, Grandval**BALANCE SHEET AS OF MARCH 31, 2010**

	<u>03-31-2010</u> CHF	<u>03-31-2009</u> CHF
ASSETS		
Current Assets		
Liquid Funds	3'488.16	3'571.89
Petty Cash	952.40	1'776.30
Bank Accounts	2'535.76	1'795.59
Trade accounts receivable	148'626.42	41'706.19
Third parties	144'600.62	39'706.19
Inter company	4'025.80	2'000.00
Other Current Receivables	9'446.35	5'435.43
Third parties	9'446.35	5'435.43
Inventory	36'114.00	18'060.00
Prepaid expenses	33'922.65	15'585.00
Total Current Assets	231'597.58	84'358.51
FIXED ASSETS		
Tangible Fixed Assets	886'900.00	935'000.00
Land	45'000.00	45'000.00
Building and Surrounding Infrastructure and Facilities	390'400.00	398'700.00
Machines, Equipment, Furniture	203'200.00	211'500.00
EDP Hard- und Software	220'800.00	256'600.00
	27'500.00	23'200.00
Intangible Fixed Assets	89'000.00	131'900.00
Incorporation and organization costs	39'000.00	56'900.00
Goodwill	50'000.00	75'000.00
Total Fixed Assets	975'900.00	1'066'900.00
TOTAL ASSETS	<u>1'207'497.58</u>	<u>1'151'258.51</u>

PYLANIA SA, Grandval**BALANCE SHEET AS OF MARCH 31, 2010**

	<u>03-31-2010</u> CHF	<u>03-31-2009</u> CHF
LIABILITIES AND EQUITY		
Liabilities		
Trade Accounts Payables	175'284.96	40'447.83
Third Parties	30'525.24	0.00
Inter Company	144'759.72	40'447.83
Short Term Bank Liability	193'236.32	114'185.16
Other current liabilities	93'324.97	111'980.94
Other Liabilities	93'324.97	41'980.94
Short term Loan	0.00	70'000.00
Accrued expenses	8'410.75	0.00
Long Term Liabilities	690'750.00	556'750.00
Mortgage	195'750.00	206'750.00
Loan from Third Party	150'000.00	150'000.00
Subordinated Loan from Shareholders	345'000.00	0.00
Subordinated Loan from intercompany	0.00	200'000.00
Total Liabilities	1'161'007.00	823'363.93
Equity		
Share Capital	1'525'000.00	1'000'000.00
Balance Loss	-1'478'509.42	-672'105.42
Loss brought forward	-672'105.42	-73'657.31
Loss of the period	-806'404.00	-598'448.11
Total Equity	46'490.58	327'894.58
TOTAL LIABILITIES AND EQUITY	1'207'497.58	1'151'258.51

PYLANIA SA, Grandval**STATEMENT OF INCOME AS OF MARCH 31, 2010**

	2009/10 (04.01.2009 to 03-31-2010) CHF	2008/09 (04.01.2008 to 03-31-2009) CHF
INCOME		
Net sales	760'048.59	528'809.76
Financial income	0.00	969.61
Other income	27'381.65	31'333.00
TOTAL INCOME	787'430.24	561'112.37
EXPENSES		
Cost of Goods Sold	-297'569.64	-136'127.68
Personnel Expenses	-810'675.25	-656'821.57
Repair, Maintenance, Energy	-33'405.58	-27'694.14
Administrative Expenses	-264'989.76	-192'648.07
Depreciation	-138'043.43	-132'405.62
Financial Expenses	-42'879.78	-11'678.55
Other Expenses	-371.50	-371.50
Tax Expenses	-5'899.30	-1'813.35
TOTAL EXPENSES	-1'593'834.24	-1'159'560.48
LOSS OF THE PERIOD	-806'404.00	-598'448.11

PYLANIA SA, Grandval

NOTES TO THE FINANCIAL STATEMENT AS OF MARCH 31, 2010

	2009/10 (04.01.2009 to 03-31-2010) CHF	2008/09 (04.01.2008 to 03-31-2009) CHF
Total Book Value of Assets Pledged	435'400.00	443'700.00
Land	45'000.00	45'000.00
Building and Surrounding	390'400.00	398'700.00
Fire Insurance Value of Fixed Assets	2'126'400.00	2'066'400.00
Real Estate	1'316'400.00	1'316'400.00
Inventory and Equipment	810'000.00	750,000
Financial Leasing Liabilities	34'985.95	14'615.55
Car Leasing	34'985.95	14'615.55

Evaluation of Risks

Management has evaluated from time to time the risk the Company runs and taken - if necessary - appropriate measures.

MAHEN BOUTIQUES LIMITED

DIRECTORS' REPORT

To the Members

Your Directors are pleased to place before you the Second Annual Report together with Audited Statement of Accounts of the Company for the period ended 31st March, 2010 alongwith the Auditors' Report thereupon.

FINANCIAL STATEMENT

Particulars	Amount in Rupees	
	Period ended 31.3.2010	Period ended 31.3.2009
Sales and other income	85,997,639	8,030,290
Total expenditure	84,463,689	10,528,708
Profit/(Loss) before interest and depreciation	1,533,950	(2,498,418)
Less : Interest	388,368	755,507
Less : Depreciation	354,633	64,021
Net Profit/(Loss)	790,949	(3,317,946)
Provision for Tax	(37,171)	48,459
Profit/(Loss) after Tax	828,120	(3,366,405)
Profit/(Loss) brought forward from previous year	(3,366,405)	-
Net Profit/(Loss) carried to Balance Sheet	(2,538,285)	(3,366,405)

OPERATIONS

This was the first full year of the operations of the company for the Rolex Boutique that was opened at the prestigious UB City Mall in Bangalore. The initial response has been very good and we foresee considerable growth in the subsequent years.

SCHEME OF AMALGAMATION

During the current year, FY 10-11, the Board has approved the amalgamation of the Company with a fellow subsidiary, Kamla Retail Ltd. (KRL). KRL operates the largest chain of watch boutiques across the nation. The amalgamation will lead to operational efficiencies due to better operational control, statutory compliances and better utilization of bank credit facilities.

HOLDING COMPANY

The Company is a wholly owned subsidiary of M/s. KDDL Limited.

DEPOSITS

The company has not accepted any fixed deposit from public.

DIVIDEND

The Company has not made any profits during the period under review, therefore, no dividend is being recommended.

DIRECTORS

Mrs. Anuradha Saboo, Director of the Company, retire at the ensuing Annual General Meeting, as per the requirement of section 256 of the Companies Act, 1956, and being eligible, offer herself for re-appointment.

The Board recommends their re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- that in the preparation of the annual accounts for the financial period ended 31st March, 2010, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 the year under review;

- that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- that the Directors had prepared the accounts for the financial period ended 31st March, 2010 on a 'going concern' basis.

AUDITORS

M/s Narottam Chitranjan & Co., Chartered Accountants, the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

During the year under Report, the Company did not have any employee covered under section 217(2A) of the Companies Act, 1956.

ENERGY CONSERVATION AND TECHNOLOGY ABSORPTION

The information required under section 217(1)(e) of the Companies Act, 1956, relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed.

APPRECIATION

The Directors wish to place on record their appreciation to the assistance and cooperation provided by the Company's Bankers and other Government and non-government agencies.

for and on behalf of the Board

Date : 19 August, 2010
Place : Chandigarh

Yashovardhan Saboo
Director

Anuradha Saboo
Director

Information pursuant to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

A. Conservation of Energy

(a) **Energy conservation measures planned to be taken** : The Company has planned to give high priority to conservation of energy on an on-going basis for which periodical and preventive maintenance of electric equipments is being carried out regularly.

(b) Total energy consumption and energy consumption per unit of production as per 'Form A' not given as the Company is not covered under the list of specified industries.

B. Technology Absorption

The company being in retail business does not utilize any technology and hence this information is not being given.

C. Foreign Exchange Earnings and Outgo

Particulars	Amount in Rs.	
	2009-10	2008-09
Foreign Exchange Earnings	-	-
Foreign Exchange Outgo	58,568,967	25,287,072

for and on behalf of the Board

Date : 19 August, 2010
Place : Chandigarh

Yashovardhan Saboo
Director

Anuradha Saboo
Director

MAHEN BOUTIQUES LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Mahen Boutiques Limited (*hereinafter referred to as the "Company"*) as at 31st March 2010 the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred to as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Further to our comments in the Annexure referred above, we report that:

- 1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- 2 In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- 3 The financial statements dealt with by this report are in agreement with the books of account;
- 4 In our opinion, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- 5 On the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2010 from being appointed as a Director in terms of clause(g) of sub-section(1) of section of 274 of the Companies Act, 1956;
- 6 In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with other Notes thereon and attached thereto, give the prescribed information

required by the Companies Act, 1956, a true and fair view in the case of:

- (i) the Balance Sheet of the state of affairs of the Company as at 31st March 2010.
- (ii) the Profit and Loss Account, of the loss for the year ended on that date.
- (iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

FOR NAROTTAM CHITRANJAN & CO.
Chartered Accountants
(Firm Regd. No. 011251N)

CHITRANJAN AGARWAL
Partner
M.No. 89242

Place: Chandigarh
Dated : 19.08.2010

ANNEXURE TO THE AUDITORS' REPORT

- i (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) Fixed Assets have been physically verified by the management periodically in a phased manner and no material discrepancies have been noticed on physical verification as confirmed by the management.
- (c) No substantial part of Fixed Asset has been disposed off during the year, which has bearing on the going concern assumption.
- ii (a) Physical verification of Inventory (except stocks lying with third parties, confirmation for which has been obtained and in transit) have been conducted at reasonable intervals during the year by the management.
- (b) In our opinion, the procedures of physical verification of Inventory followed by management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) The Company has maintained proper records of inventory. No material discrepancies were noticed on physical verification.
- iii (a) The company has not taken/ granted any loans, secured or unsecured to the companies/ parties covered in the register maintained under section 301 of the Act. Accordingly, Clauses 4 (iii) (b, c, d, e, f & g) of the Order are not applicable to the company.
- iv. On the basis of checks carried out during the course of audit and as per explanations given to us, we are of the opinion that there is adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed asset and for the sale of goods and services.

MAHEN BOUTIQUES LIMITED

- During the course of our audit, no major weakness has been noticed in the internal controls.
- v. (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into register in pursuance of Section 301 of the Act, have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of Section 301 of the Act and exceeding the value of rupees Five Lakhs in respect of any party during the year, have been made at the prices which are reasonable having regard to the prevailing market prices at the reasonable time.
- vi The company has not accepted any deposits from the public. Accordingly, Clause 4(vi) of the Order is not applicable.
- vii. In our opinion and according to the information and explanations given to us, the company has an internal audit system commensurate with the size and nature of business of the Company.
- viii In our opinion and according to the information and explanations given to us, the maintenance of the cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Act in respect of the company's products. Accordingly, Clause 4(viii) of the Order is not applicable.
- ix (a) According to the information and explanations given to us and on the basis of our examination of the books of accounts, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise duty, Cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and on the basis of our examination of the books of accounts, no amount is due on account of dispute in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise duty and Cess.
- x. The accumulated losses of the Company are less than fifty percent of its net worth.
- xi As per information and explanations given to us, the Company has not defaulted in repayment of dues to Financial Institutions or Banks.
- xii According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of Shares, Debentures and other Securities.
- xiii The Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, Clause 4(xiii) of the Order is not applicable.
- xiv The company is not a dealer or trader in shares, securities, debentures and other investments. Accordingly, Clause 4(xiv) of the Order is not applicable.
- xv In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- xvii On the basis of overall examination of the Balance Sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on the short-term basis which have been used for long term investments.
- xviii During the year under Audit, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xxix On the basis of records made available to us, the Company has not issued any debentures.
- xx The Company has not raised any money by way of Public Issue during the year.
- xxi Based upon the audit procedures performed and on the basis of information and explanations provided by the management, we report that no fraud, on or by the Company has been noticed or reported during the year.

FOR NAROTTAM CHITRANJAN & CO.
Chartered Accountants
(Firm Regd. No. 011251N)

CHITRANJAN AGARWAL
Partner
M.No. 89242

Place: Chandigarh
Dated : 19.08.2010

MAHEN BOUTIQUES LIMITED**BALANCE SHEET AS AT 31ST MARCH 2010**

(Amount in Rupees)

	Schedule	As at 31 March 2010	As at 31 March 2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1	14,000,000	14,000,000
		<u>14,000,000</u>	<u>14,000,000</u>
LOAN FUNDS			
Secured	2	19,706,831	-
Unsecured	3	-	19,333,914
		<u>19,706,831</u>	<u>19,333,914</u>
DEFERRED TAX LIABILITIES		-	48,459
		<u>33,706,831</u>	<u>33,382,373</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	3,103,544	3,050,264
Less : Accumulated Depreciation		418,654	64,021
Net Block		<u>2,684,890</u>	<u>2,986,243</u>
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	5	29,442,387	26,724,143
Sundry Debtors	6	363,950	-
Cash & Bank Balances	7	2,218,022	416,904
Loans & Advances	8	4,455,320	2,956,128
		<u>36,479,679</u>	<u>30,097,175</u>
Less: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	9	7,872,426	3,067,450
Provisions	10	123,598	-
		<u>7,996,024</u>	<u>3,067,450</u>
NET CURRENT ASSETS		<u>28,483,655</u>	<u>27,029,725</u>
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)			
Profit and Loss Account	11	2,538,285	3,366,405
		<u>33,706,831</u>	<u>33,382,373</u>
ACCOUNTING POLICIES & NOTES ON ACCOUNTS	16		

AUDITORS' REPORT

As per our report of even date annexed

For NAROTTAM CHITRANJAN & CO.
 CHARTERED ACCOUNTANTS
 Firm Registration No.: 011251N

FOR AND ON BEHALF OF THE BOARD

CHITRANJAN AGARWAL
 Partner
 Membership No. 89242

Y. SABOO
 Director

S. NAGARAJAN
 Director

Place : Chandigarh
 Dated : 19.08.2010

MAHEN BOUTIQUES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

(Amount in Rupees)

	Schedule	For the year ended 31 March 2010	For the year ended 31 March 2009
INCOME			
Income from Operations	12	84,870,694	7,632,533
Add : Other Income	13	1,126,945	397,757
		<u>85,997,639</u>	<u>8,030,290</u>
Less : Expenditure			
Goods purchased for Resale		74,421,426	33,048,314
Administrative & Operating Expenses	14	9,765,322	(22,522,364)
Profit/(Loss) before interest and depreciation		<u>1,810,892</u>	<u>(2,495,660)</u>
Less : Interest	15	665,310	758,265
Profit / (Loss) before depreciation		<u>1,145,582</u>	<u>(3,253,925)</u>
Less : Depreciation	4	354,633	64,021
Profit / (Loss) before Tax		<u>790,949</u>	<u>(3,317,946)</u>
Provision for Taxation			
- Current Tax		11,288	-
- Deferred Tax		(48,459)	48,459
Profit / (Loss) available for appropriation		<u>828,120</u>	<u>(3,366,405)</u>
Appropriations :			
Surplus / (Loss) carried to Balance Sheet		<u>828,120</u>	<u>(3,366,405)</u>
		<u>828,120</u>	<u>(3,366,405)</u>
Basic earnings per share (Rs.)		0.59	(7.63)
Equity shares (Nos.)			
Fully paid shares - 50,000 @ Rs. 10/- each, fully paid up		50,000	50,000
Partly paid shares - 2,000,000 @ Rs. 6.75 per share paid up		1,350,000	1,350,000
Weighted Average Equity Shares (Nos.)		1,400,000	441,061
ACCOUNTING POLICES & NOTES ON ACCOUNTS	16		

AUDITORS' REPORT

As per our report of even date annexed

For NAROTTAM CHITRANJAN & CO.
CHARTERED ACCOUNTANTS
Firm Registration No.: 011251N

CHITRANJAN AGARWAL
Partner
Membership No. 89242

Place : Chandigarh
Dated : 19.08.2010

FOR AND ON BEHALF OF THE BOARD

Y. SABOO
Director

S. NAGARAJAN
Director

MAHEN BOUTIQUES LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010**

(Amount in Rupees)

	Year ended 31 March 2010	Year ended 31 March 2009
A. Cash flow from operating activities:		
Net profit before tax	828,120	(3,366,405)
Adjustments for:		
Depreciation	354,633	64,021
Deferred Tax	(48,459)	48,459
Interest expense	665,310	758,265
Operating profit before working capital changes	1,799,604	(2,495,660)
Adjustments for:		
Trade and other receivables	(1,863,142)	(2,956,128)
Inventories	(2,718,244)	(26,724,143)
Trade and other payables	4,928,574	3,067,450
Net cash from generated operating activities	2,146,791	(29,108,481)
B. Cash flow from investing activities:		
Purchase of fixed assets	(53,280)	(3,050,264)
Net cash used in investing activities	(53,280)	(3,050,264)
C. Cash flow from financing activities:		
Proceeds from issue of capital	-	14,000,000
Increase/(decrease) in short term borrowings	327,917	19,333,914
Interest paid	(665,310)	(758,265)
Dividend paid	-	-
Net cash used in financing activities	(292,393)	32,575,649
Net increase/(decrease) in cash and cash equivalents	1,801,118	416,904
Opening cash and cash equivalents	416,904	-
Closing cash and cash equivalents	2,218,022	416,904
Notes:		
Cash and cash equivalents include:	1,359,584	345,000
Cash and cheques in hand/ in transit	858,438	71,904
Balance with banks	2,218,022	416,904

For NAROTTAM CHITRANJAN & CO.
CHARTERED ACCOUNTANTS
Firm Registration No.: 011251N

CHITRANJAN AGARWAL
Partner
Membership No. 89242

Place : Chandigarh
Dated : 19.08.2010

FOR AND ON BEHALF OF THE BOARD

Y. SABOO
Director

S. NAGARAJAN
Director

MAHEN BOUTIQUES LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010 (Amount in Rupees)

	As at 31 March 2010	As at 31 March 2009								
Schedule - 1										
Capital										
AUTHORISED:	50,000,000	50,000,000								
5,000,000 (previous year 5,000,000) Equity Shares of Rs. 10 each	50,000,000	50,000,000								
ISSUED, SUBSCRIBED & PAID UP:										
(50,000 (previous year 50,000) Equity Shares of Rs. 10 each, fully paid up and 2,000,000 (previous year 2,000,000) Equity Shares of Rs. 10 each, Rs. 6.75 per share paid up, no calls in arrear thereon)	14,000,000	14,000,000								
(Out of the above 2,499,994 (previous year 2,049,994) shares of Rs. 10 each are held by the holding company - KDDL Ltd.)										
TOTAL	14,000,000	14,000,000								
Schedule - 2										
Secured Loan										
Working Capital loans from:										
- Federal Bank	19,706,831	-								
	19,706,831	-								
a) The working capital loans from The Federal Bank Ltd. are secured by a first charge on the current assets and fixed assets of the Company. These limits are guaranteed by Kamla Retail Limited, KDDL Limited (Holding Company) and a director of the Company.										
Schedule - 3										
Unsecured Loan										
(Unsecured Loan from holding company (KDDL Ltd.))	-	19,333,914								
	-	19,333,914								
Schedule - 4										
Fixed Assets										
	As at 01.04.09	Gross Block Additions	Disposals	As at 31.03.10	Upto 31.03.09	Charge for the year	Depreciation Adjustments (Net)	Upto 31.03.10	As at 31.03.10	Net Block As at 31.03.09
Tangibles										
Buildings	1,431,000	26,816	-	1,457,816	51,997	244,330	-	296,327	1,161,489	1,379,003
Furniture & Office Equipment	1,619,264	26,464	-	1,645,728	12,024	110,303	-	122,327	1,523,401	1,607,240
Total	3,050,264	53,280	-	3,103,544	64,021	354,633	-	418,654	2,684,890	2,986,243
Previous Year (Totals Only)	-	3,050,264	-	3,050,264	-	64,021	-	64,021	2,986,243	-
Schedule - 5										
Inventories										
(As taken, valued and certified by the management)										
- Stock in Trade		29,442,387	26,724,143							
		29,442,387	26,724,143							
Schedule - 6										
Sundry Debtors										
Debts Outstanding for a period exceeding six months										
- considered good		-	-							
- considered doubtful		-	-							
Other Debts - considered good		363,950	-							
		363,950	-							
Schedule - 7										
Cash and Bank Balances										
Cash/Cheques in hand		1,359,584	345,000							
Balance with scheduled banks in Current Accounts		858,438	71,904							
		2,218,022	416,904							
Schedule - 8										
Loans and Advances										
(Unsecured, considered good)										
Advances Recoverable in cash or in kind or for value to be received		1,850,850	463,968							
MAT Credit entitlement		112,310	-							
Security and other deposits		2,492,160	2,492,160							
		4,455,320	2,956,128							

MAHEN BOUTIQUES LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010 (Amount in Rupees) [₹]

	As at 31 March 2010	As at 31 March 2009
Schedule - 9		
Current Liabilities		
Sundry Creditors for goods, services and expenses	6,002,690	2,317,588
Other Liabilities	1,869,736	749,862
	<u>7,872,426</u>	<u>3,067,450</u>
Schedule - 10		
Provisions		
Provision for Tax	123,598	-
	<u>123,598</u>	<u>-</u>
Schedule - 11		
Profit and Loss Account		
Opening	3,366,405	-
Loss/(Profit) for the year	(828,120)	3,366,405
	<u>2,538,285</u>	<u>3,366,405</u>
Schedule - 12		
Gross Operating Income		
Sales of goods	84,870,694	7,632,533
	<u>84,870,694</u>	<u>7,632,533</u>
Schedule - 13		
Other Income		
Miscellaneous Income	974,537	-
Exchange Rate Gain	152,408	397,757
	<u>1,126,945</u>	<u>397,757</u>
Schedule - 14		
Administrative and Operating Expenses		
Power, Fuel and Water	240,939	77,517
Salaries, Wages and Gratuity	1,195,245	519,191
Staff and Labour Welfare Expenses	58,806	8,203
Insurance	161,015	23,358
Rent	3,691,868	1,793,808
Rates and Taxes	7,730	436,338
Repair and Maintenance	224,042	3,688
Payment to Auditors		
- Audit Fees	20,000	10,000
- Tax Audit Fees	10,000	5,000
Directors' Sitting Fees	6,000	-
Travelling and Conveyance	244,745	3,115
Postage and Telephone	116,591	20,038
Selling and Distribution Expenses	234,972	230,337
Miscellaneous Expenses	384,058	10,758
Printing and Stationery	37,094	13,878
Legal and Professional	5,850,461	1,046,550
	<u>12,483,566</u>	<u>4,201,779</u>
(Increase)/Decrease in Stocks (Refer Schedule 14A)	(2,718,244)	(26,724,143)
SUB-TOTAL	<u>9,765,322</u>	<u>(22,522,364)</u>
Schedule - 14A		
Opening Stocks		
- Stock in Trade	26,724,143	-
	<u>26,724,143</u>	<u>-</u>
Closing Stocks		
- Stock in Trade	29,442,387	26,724,143
	<u>29,442,387</u>	<u>26,724,143</u>
(Increase)/Decrease in Stocks	<u>(2,718,244)</u>	<u>(26,724,143)</u>
Schedule - 15		
Interest		
Finance Cost		
On other loans from banks	388,368	755,507
Others	-	-
	<u>388,368</u>	<u>755,507</u>
Financial Bank Charges	276,942	2,758
	<u>665,310</u>	<u>758,265</u>

MAHEN BOUTIQUES LIMITED

SCHEDULE - 16

I. Significant accounting policies

1. Basis of preparation

The financial statements of Mahen Boutiques Limited ("the Company") have been prepared on accrual basis under the historical cost convention, in accordance with the generally accepted accounting principles in India and to comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956("the Act") and the Rules framed here under. The accounting policies have been consistently applied by the Company unless otherwise stated.

2. Use of estimates

In preparing Company's financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revisions to accounting estimates are recognised accordingly in current and/or future periods.

3. Revenue recognition

Revenue from sale of goods is recognised when the significant risks and rewards in respect of ownership of the goods are transferred to the customer and is stated inclusive of excise duty and net of trade discounts, sales return and sales tax wherever applicable.

4. Fixed assets

Fixed assets are stated at cost (gross block) less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Expenditure on account of modification / alteration in plant and machinery / building, which increases the future benefit from the existing asset beyond its previous assessed standard of performance, is capitalised.

5. Depreciation

Depreciation is provided on straight line method as per the rates specified in Schedule XIV to the Act, as applicable at the time of addition of the respective fixed assets, on pro-rata basis from the month of addition, except for the following:

- Depreciation on improvements carried out on buildings taken on lease (included under buildings) is provided over the period of the lease.
- The above rates of depreciation are indicative of the useful lives of the assets.

6. Inventories

Finished goods Inventories are valued at Weighted Average Method .

7. Foreign currency transactions

Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction; monetary items denominated in foreign currency are restated at the rate prevailing on the balance sheet date.

Differences arising on foreign currency translations of transactions settled during the year are recognised in the profit and loss account.

8. Taxes on income

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 virtual certainty, depending on the nature of the timing differences, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

(Amount in Rs.)

Particulars	Deferred tax liabilities at beginning of the year	Deferred tax assets created during the year	Deferred tax liabilities at the end of the year
Depreciation	(48459)	48459	0.00

9. Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise the net profit or loss for the year attributable to the equity shareholders. Earnings per share are computed using the weighted average number of shares outstanding during the year. Partly paid up shares have been counted as fraction of equity in the ratio of amount paid up to total face value as they are allowed dividend participation on proportionate basis.

MAHEN BOUTIQUES LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010 (Amount in Rupees)

As at
31 March 2010 31 March 2009

SCHEDULE -16

ii. Notes to the financial statements

1 Related Party disclosures

A. Relationships

i. Holding Company

KDDL LIMITED

ii. Fellow Subsidiary

Kamla Retail Limited

iii. Key Management Personnel

Relatives**

Mr. Y. Saboo

Mr. R.K. Saboo (Father), Ms. U. Saboo (Mother)

Ms. A. Saboo (Wife), Mr. P.S. Saboo (Son)

B. The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2010

	Holding Companies	Fellow Subsidiary	Key Management Personnel
Legal and Professional Payables	-	5,742,571	-
	-	6,173,763	-

The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2009

	Holding Companies	Fellow Subsidiary	Key Management Personnel
Investment	13,999,940	-	60
Loan Account	19,333,914	-	-
Payables	-	2,188,727	-

2. A. Purchases for resale

Watches

- Quantity (Nos.)

201

115

- Value (Rs.)

74,421,425

33,048,314

B. Sales and stocks

Product

Watches (traded)

2010

2,009

Opening Stock

Nos.	Rs. (Lacs)
93	26,724,143

Closing Stock

Nos.	Rs. (Lacs)
85	74,421,425
93	26,724,143

Sales

Nos.	Rs. (Lacs)
209	84,850,496
22	7,632,533

C. CIF Value of Imports

a) Traded goods

2009-10

58,458,467

2008-09

25,287,072

D. Expenditure in foreign currency

a) Travelling

110,500

Year ended

31 March, 2010

Year ended

31 March, 2009

3. Earnings per Share

Net profit attributable to equity shareholders

828,120

(3,366,405)

Profit/(Loss) after Tax

828,120

(3,366,405)

Net profit attributable to equity shareholders

828,120

(3,366,405)

Net Profit available

828,120

(3,366,405)

Calculation of Basic / Diluted EPS

Number of equity shares at the beginning of the year

2,050,000

-

Shares issued during the year

-

2,050,000

Total equity shares outstanding at the end of the year

2,050,000

2,050,000

Fully paid shares - 50,000 @ Rs. 10/- each

50,000

50,000

Partly paid shares - 2,000,000 @ Rs. 6.75/- each

1,350,000

1,350,000

Weighted Average Equity Shares (nos.)

1,400,000

441,061

Nominal value of equity share (Rs.)

10

10

including discontinuing operations

Basic

0.59

(7.63)

4. The management has ascertained that there is no impairment of fixed assets as on the balance date.

5. Segment reporting is not required to be disclosed since, by applying the definitions of business segment and geographical segment contained in AS 17, there is neither more than one business segment nor more than one geographical segment.

6. Based on the information presently available with the management, there are no dues outstanding to micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006 as at 31 March 2010 (previous year Rs. Nil).

7. As per the provisions of AS-22, there arises Net Deferred Tax Asset since deferred tax assets are recognised only to the extent there is a virtual certainty realisation, no deferred tax asset is being created. This shall be recognised as and when there are sufficient taxable profits.

8. Previous year figures have been regrouped/rearranged wherever necessary.

9. Schedules 1 to 16 form an integral part of the Balance Sheet and Profit and Loss Account.

For NAROTTAM CHITRANJAN & CO.
CHARTERED ACCOUNTANTS
Firm Registration No. 011251N

FOR AND ON BEHALF OF THE BOARD

CHITRANJAN AGARWAL
Partner
Membership No. 89242

Y. SABOO
Director

S. NAGARAJAN
Director

Place : Chandigarh
Dated : 19.08.2010

MAHEN BOUTIQUES LIMITED

Additional information as required under Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	183646
State Code	55
Balance Sheet Date	31st March, 2010

II. Capital Raised during the year

Issue of Shares	—
Rights Issue	—
Bonus Issue	—
Private Placement	—
Preferential Allotment	—

III. Position of Mobilisation and Deployment of Funds

Total Liabilities	33,707
Sources of Funds:	
i. Paid up Capital	14,000
ii. Secured Loans	19,707
iii. Deferred Tax Liability	0

Total Assets	(Rs. in thousands) 33,707
Application of Funds:	
i. Net Fixed Assets	2,685
ii. Net Current Assets	28,484
iii. Profit & Loss Account	2,538

IV. Performance of the Company

Turnover (including other income)	85,998
Total Expenditure	85,207
Profit before tax	791
Profit after tax	839
Earning per share (Rs.)	0.59
Dividend Rate	—

(Rs. in thousands)

V. Generic Names of Three principal products of the Company (As per monetary terms)

Item Code (I.T.C. Code)	9102
Production Description	Watches

ON BEHALF OF THE BOARD OF DIRECTORS

Place : Chandigarh
Dated : 19.08.2010

Y. SABOO
Director

S. NAGARAJAN
Director

MAHEN DISTRIBUTION LIMITED

DIRECTORS' REPORT

To the Members

Your Directors are pleased to place before you the First Annual Report together with Audited Statement of Accounts of the Company for the period ended 31st March, 2010 alongwith the Auditors' Report thereupon.

FINANCIAL STATEMENT

Particulars	Amount in Rupees
	Period ended 31.3.2010
Sales and other income	43,752
Total expenditure	998,648
Profit/(Loss) before interest and depreciation	(954,896)
Less : Interest	-
Depreciation	-
Net Profit/(Loss)	(954,896)
Provision for Tax	-
Profit/(Loss) after Tax	(954,896)
Profit/(Loss) brought forward from previous year	-
Net Profit/(Loss) carried to Balance Sheet	(954,896)

OPERATIONS

This is the first year of operations for the company. The Company is in the process of establishing relationship with the various watch brands to carry out their distribution in India. The response from various watch and accessory brands has been encouraging and we see good prospects in the future.

HOLDING COMPANY

The Company is a wholly owned subsidiary of KDDL Limited.

DEPOSITS

The company has not accepted any fixed deposit from public.

DIVIDEND

The Company has not made any profits during the period under review, therefore, no dividend is being recommended.

DIRECTORS

Mr. Yashovardhan Saboo Mr. Dinesh Agarwal and Mr. Siddharth Kumar Somani, first Directors of the Company, were appointed by the Articles of Association of the Company.

Nominations under section 257 of the Companies Act, 1956 alongwith a deposit of Rs. 500/- each, have been received from members of the Company to appoint Mr. Yashovardhan Saboo Mr. Dinesh Agarwal and Mr. Siddharth Kumar Somani as the Directors of the Company, liable to retirement by rotation, if approved at the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- that in the preparation of the annual accounts for the financial period ended 31st March, 2010, the applicable accounting standards have been followed alongwith proper explanation relating to material departures;
- that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were 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 the year under review;
- that the Directors had taken proper and sufficient care for

the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

- that the Directors had prepared the accounts for the financial period ended 31st March, 2010 on a 'going concern' basis.

AUDITORS

M/s Narottam Chitranjan & Co., Chartered Accountants, the Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

During the year under Report, the Company did not have any employee covered under section 217(2A) of the Companies Act, 1956.

ENERGY CONSERVATION AND TECHNOLOGY ABSORPTION

The information required under section 217(1)(e) of the Companies Act, 1956, relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is annexed.

APPRECIATION

The Directors wish to place on record their appreciation to the assistance and cooperation provided by the Company's Bankers and other Government and non-government agencies.

for and on behalf of the Board

Date : 19 August, 2010
Place : Chandigarh

Yashovardhan Saboo
Director

Dinesh Agarwal
Director

Information pursuant to the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988

A. Conservation of Energy

- Energy conservation measures planned to be taken :** The Company has planned to give high priority to conservation of energy on an on-going basis for which periodical and preventive maintenance of electric equipments is being carried out regularly.
- Total energy consumption and energy consumption per unit of production as per 'Form A' not given as the Company is not covered under the list of specified industries.

B. Technology Absorption

The company being in distribution business does not utilize any technology and hence this information is not being given.

C. Foreign Exchange Earnings and Outgo

Particulars	Amount in Rs.
	2009-10
Foreign Exchange Earnings	-
Foreign Exchange Outgo	44000

for and on behalf of the Board

Date : 19 August, 2010
Place : Chandigarh

Yashovardhan Saboo
Director

Dinesh Agarwal
Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of Mahen Distribution Limited (*hereinafter referred to as the "Company"*) as at 31st March 2010 the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred to as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Further to our comments in the Annexure referred above, we report that:

- 1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- 2 In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- 3 The financial statements dealt with by this report are in agreement with the books of account;
- 4 In our opinion, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- 5 On the basis of the written representations received from the directors and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2010 from being appointed as a Director in terms of clause(g) of sub-section(1) of section of 274 of the Companies Act, 1956;
- 6 In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with other Notes thereon and attached thereto, give the prescribed information

required by the Companies Act, 1956, a true and fair view in the case of:

- (i) the Balance Sheet of the state of affairs of the Company as at 31st March 2010.
- (ii) the Profit and Loss Account, of the loss for the year ended on that date.
- (iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

FOR NAROTTAM CHITRANJAN & CO.
Chartered Accountants
(Firm Regd. No. 011251N)

CHITRANJAN AGARWAL
Partner
M.No. 89242

Place: Chandigarh
Dated : 19.08.2010

ANNEXURE TO THE AUDITORS' REPORT

- i (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) Fixed Assets have been physically verified by the management periodically in a phased manner and no material discrepancies have been noticed on physical verification as confirmed by the management.
- (c) No substantial part of Fixed Asset has been disposed off during the year, which has bearing on the going concern assumption.
- ii (a) Physical verification of Inventory (except stocks lying with third parties, confirmation for which has been obtained and in transit) have been conducted at reasonable intervals during the year by the management.
- (b) In our opinion, the procedures of physical verification of Inventory followed by management are reasonable and adequate in relation to the size of the company and nature of its business.
- (c) The Company has maintained proper records of inventory. No material discrepancies were noticed on physical verification.
- iii (a) The company has not taken/ granted any loans, secured or unsecured to the companies/ parties covered in the register maintained under section 301 of the Act. Accordingly, Clauses 4 (iii) (b, c, d, e, f & g) of the Order are not applicable to the company.
- iv. On the basis of checks carried out during the course of audit and as per explanations given to us, we are of the opinion that there is adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed asset and for the sale of goods and services.

During the course of our audit, no major weakness has been noticed in the internal controls.

- v. (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into register in pursuance of Section 301 of the Act, have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of Section 301 of the Act and exceeding the value of rupees Five Lakhs in respect of any party during the year, have been made at the prices which are reasonable having regard to the prevailing market prices at the reasonable time.
- vi The company has not accepted any deposits from the public. Accordingly, Clause 4(vi) of the Order is not applicable.
- vii. In our opinion and according to the information and explanations given to us, the company has an internal audit system commensurate with the size and nature of business of the Company.
- viii In our opinion and according to the information and explanations given to us, the maintenance of the cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Act in respect of the company's products. Accordingly, Clause 4(viii) of the Order is not applicable.
- ix (a) According to the information and explanations given to us and on the basis of our examination of the books of accounts, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise duty, Cess and other material statutory dues as applicable with the appropriate authorities.
- (b) According to the information and explanations given to us and on the basis of our examination of the books of accounts, no amount is due on account of dispute in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom duty, Excise duty and Cess.
- x. The accumulated losses of the Company are less than fifty percent of its net worth and the Company has incurred cash losses in the current financial year.
- xi As per information and explanations given to us, the Company has not defaulted in repayment of dues to Financial Institutions or Banks.
- xii According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of Shares, Debentures and other Securities.
- xiii The Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, Clause 4(xiii) of the Order is not applicable.
- xiv The company is not a dealer or trader in shares, securities, debentures and other investments. Accordingly, Clause 4(xiv) of the Order is not applicable.
- xv In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- xvii On the basis of overall examination of the Balance Sheet of the company, in our opinion and according to the information and explanations given to us, there are no funds raised on the short-term basis which have been used for long term investments.
- xviii During the year under Audit, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix On the basis of records made available to us, the Company has not issued any debentures.
- xx The Company has not raised any money by way of Public Issue during the year.
- xxi Based upon the audit procedures performed and on the basis of information and explanations provided by the management, we report that no fraud, on or by the Company has been noticed or reported during the year.

FOR NAROTTAM CHITRANJAN & CO.
Chartered Accountants
(Firm Regd. No. 011251N)

CHITRANJAN AGARWAL
Partner
M.No. 89242

Place: Chandigarh
Dated : 19.08.2010

MAHEN DISTRIBUTION LIMITED

BALANCE SHEET AS AT 31ST MARCH 2010

(Amount in Rupees)

	Schedule	As at 31 March 2010
SOURCES OF FUNDS		
<u>SHAREHOLDERS' FUNDS</u>		
Capital	1	19,812,200
Total		<u>19,812,200</u>
APPLICATION OF FUNDS		
		<u>19,812,200</u>
INVESTMENTS		
	2	17,000,000
<u>CURRENT ASSETS, LOANS & ADVANCES</u>		
Inventories	3	36,708
Cash & Bank Balances	4	1,574,444
Loans & Advances	5	442,671
		<u>2,053,823</u>
<u>Less: CURRENT LIABILITIES & PROVISIONS</u>		
Liabilities	6	196,519
		<u>196,519</u>
NET CURRENT ASSETS		
		<u>1,857,304</u>
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
Profit and Loss Account	7	954,896
Total		<u>19,812,200</u>
<u>ACCOUNTING POLICIES & NOTES ON ACCOUNTS</u>		
	10	

AUDITORS' REPORT

As per our report of even date annexed

For NAROTTAM CHITRANJAN & CO.
CHARTERED ACCOUNTANTS
Firm Registration No.: 011251N

CHITRANJAN AGARWAL
Partner
Membership No. 89242

Place : Chandigarh
Dated : 19.08.2010

FOR AND ON BEHALF OF THE BOARD

Y. SABOO
Director

D. AGRAWAL
Director

MAHEN DISTRIBUTION LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

(Amount in Rupees)

	Schedule	For the year ended 31 March 2010
INCOME		
Income from Operations	8	43,752
		<u>43,752</u>
Less : Expenditure		
Goods purchased for resale		78,379
Administrative & operating expenses	9	920,269
		<u>(954,896)</u>
Profit/(Loss) before interest and depreciation		(954,896)
Less : Interest		-
Profit / (Loss) before depreciation		(954,896)
Less : Depreciation		-
Profit / (Loss) before Tax		(954,896)
Provision for Taxation		-
		<u>(954,896)</u>
Profit / (Loss) available for appropriation		(954,896)
		<u>(954,896)</u>
Appropriations :		
Surplus / (Loss) Carried to Balance Sheet		(954,896)
		<u>(954,896)</u>
Basic earnings per share (Rs.)		
Equity Shares (nos.)		200,000
Weighted Average Equity Shares (nos.)		103,390

ACCOUNTING POLICES & NOTES ON ACCOUNTS

10

AUDITORS' REPORT

As per our report of even date annexed

For NAROTTAM CHITRANJAN & CO.
CHARTERED ACCOUNTANTS
Firm Registration No.: 011251N

FOR AND ON BEHALF OF THE BOARD

CHITRANJAN AGARWAL
Partner
Membership No. 89242

Y. SABOO
Director

D. AGRAWAL
Director

Place : Chandigarh
Dated : 19.08.2010

MAHEN DISTRIBUTION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

(Amount in Rupees)

	Year ended 31 March 2010
A. Cash flow from operating activities:	
Net profit before tax	(954,896)
Operating profit before working capital changes	(954,896)
Adjustments for:	
Trade and other receivables	(441,671)
Inventories	(36,708)
Trade and other payables	196,519
Net cash from generated operating activities	(1,237,756)
B. Cash flow from investing activities:	
Investments	(17,000,000)
Net cash used in investing activities	(17,000,000)
C. Cash flow from financing activities:	
Proceeds from issue of capital	19,812,200
Net cash used in financing activities	19,812,200
Net increase/(decrease) in cash and cash equivalents	1,574,444
Opening cash and cash equivalents	
Closing cash and cash equivalents	1,574,444
Notes:	
Cash and cash equivalents include:	-
Cash and cheques in hand/ in transit	1,574,444
Balance with banks	1,574,444

For NAROTTAM CHITRANJAN & CO.
CHARTERED ACCOUNTANTS
Firm Registration No.: 011251N

CHITRANJAN AGARWAL
Partner
Membership No. 89242

Place : Chandigarh
Dated : 19.08.2010

FOR AND ON BEHALF OF THE BOARD

Y. SABOO
Director

D. AGRAWAL
Director

MAHEN DISTRIBUTION LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

(Amount in Rupees)

**As at
31 March 2010**

Schedule - 1	
Capital	
AUTHORISED:	
(350,000 Equity Shares of Rs. 10 each)	3,500,000
(230,000 Cumulative Preference Shares of Rs. 56/- each)	12,880,000
(100,000 Cumulative Preference Shares of Rs. 65/- each)	6,500,000
	<u>22,880,000</u>
ISSUED, SUBSCRIBED & PAID UP:	
200,000 Equity Shares of Rs. 10 each, fully paid up (out of the above 200,000 shares of Rs. 10 each are held by the holding company - KDDL Ltd.)	2,000,000
77,000 Cumulative Preference Shares of Rs. 65/-each, fully paid up*	5,005,000
228,700 Cumulative Preference Shares of Rs. 56/- each, fully paid up**	12,807,200
	<u>19,812,200</u>
*Optionally convertible preference shares with the face value of Rs. 65/- with a term of 5 years from the date of issue.	
**Compulsorily convertible preference shares with the face value of Rs. 56/- with a term of 5 years from the date of issue.	
Schedule - 2	
Investment	
Long Term	
Unquoted	
1,700,000 Equity Shares Capital of Kamla Retail Ltd. Rs. 10/- each, fully paid up, at cost	17,000,000
	<u>17,000,000</u>
Schedule - 3	
Inventories	
(As taken, valued and certified by the management)	
Stock in Trade	36,708
	<u>36,708</u>
Schedule - 4	
Cash and Bank Balances	
Balance with scheduled banks in Current Accounts	1,574,444
	<u>1,574,444</u>
Schedule - 5	
Loans and Advances	
(Unsecured, considered good)	
Advances Recoverable in cash or in kind or for value to be received	442,671
	<u>442,671</u>
Schedule - 6	
Current Liabilities	
Sundry Creditors for goods, services and expenses	196,519
	<u>196,519</u>
Schedule - 7	
Profit and Loss Account	
Opening Loss for the year	954,896
	<u>954,896</u>

MAHEN DISTRIBUTION LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010

(Amount in Rupees)

As at
31 March 2010

Schedule - 8	
Gross Operating Income	
Sale of goods	43,752
	<u>43,752</u>
Schedule - 9	
Administrative and Operating Expenses	
Rent	50,000
Travelling and Conveyance	92,460
Audit Fees	10,000
Travelling Directors	255,729
Miscellaneous Expenses	158,556
Legal and Professional	390,232
	<u>956,977</u>
(Increase)/Decrease in Stocks (Refer Schedule 9A)	<u>(36,708)</u>
SUB-TOTAL	<u>920,269</u>
Schedule - 9A	
Opening Stocks	
- Stock in Trade	-
	<u>-</u>
Closing Stocks	
- Stock in Trade	36,708
	<u>36,708</u>
(Increase)/Decrease in Stocks	<u>36,708</u>

MAHEN DISTRBUTION LIMITED

SCHEDULE - 10

1. Significant accounting policies

1. Basis of preparation

The financial statements of Mahen Boutiques Limited ("the Company") have been prepared on accrual basis under the historical cost convention, in accordance with the generally accepted accounting principles in India and to comply with the Accounting Standards referred to in sub section (3C) of section 211 of the Companies Act, 1956("the Act") and the Rules framed here under. The accounting policies have been consistently applied by the Company unless otherwise stated.

2. Use of estimates

In preparing Company's financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revisions to accounting estimates are recognised accordingly in current and/or future periods.

3. Revenue recognition

Revenue from sale of goods is recognised when the significant risks and rewards in respect of ownership of the goods are transferred to the customer and is stated inclusive of excise duty and net of trade discounts, sales return and sales tax wherever applicable.

4. Inventories

Finished goods Inventories are valued at Weighted Average Method .

5. Taxes on income

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 virtual certainty, depending on the nature of the timing differences, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

6. Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise the net profit or loss for the year attributable to the equity shareholders. Earnings per share are computed using the weighted average number of shares outstanding during the year.

MAHEN DISTRIBUTION LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2010 (Amount in Rupees)

As at
31 March 2010

SCHEDULE -10

ii. Notes to the financial statements

1 Related Party disclosures

A. Relationships

I. Holding Company

II. Fellow Subsidiary

III. Key Management Personnel

Mr. Y. Saboo

KDDL LIMITED

Kamla Retail Limited

Relatives**

Mr. R.K. Saboo (Father), Ms. U. Saboo (Mother)

Ms. A. Saboo (Wife), Mr. P.S. Saboo (Son), Ms. S. Saboo (Daughter),

Mr. D. Agrawal

B. The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2010

	Holding Companies	Fellow Subsidiary	Key Management Personnel
Investment by holding company	1,99,940	-	60
Sales	-	49,221	-
Receivables	-	42,671	-
2. A. Purchases for resale			
Watches			
- Quantity (Nos.)			11
- Value (Rs.)			78,379
B. Sales and stocks			
Product	Opening Stock	Closing Stock	Sales
	Nos. Rs.	Nos. Rs.	Nos. Rs.
Watches (traded) 2010		6 36,708	5 49,221
C. Expenditure in foreign currency			
a) Travelling			44,000

Year ended
31 March, 2010

3. Earnings per Share

Net profit attributable to equity shareholders

(954,896)

Profit/(Loss) after Tax

(954,896)

Net profit attributable to equity shareholders

(954,896)

Net Profit/(Loss) available

(954,896)

Calculation of Basic/Diluted EPS

Number of equity shares at the beginning of the year

0

Shares issued during the year

200,000

Total equity shares outstanding at the end of the year

200,000

Fully paid shares - 200000 @ Rs. 10/- each

200,000

Weighted Average Equity Shares (nos.)

103,390

Nominal value of equity share (Rs.)

10.00

including discontinuing operations

Basic

(9.24)

- The management has ascertained that there is no impairment of fixed assets as on the balance date.
- Segment reporting is not required to be disclosed since, by applying the definitions of business segment and geographical segment contained in AS 17, there is neither more than one business segment nor more than one geographical segment.
- Based on the information presently available with the management, there are no dues outstanding to micro and small enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006 as at 31 March 2010 (previous year Rs. Nil).
- Previous year figures are not reported as this is the first accounting period of the company.
- Schedules 1 to 10 form an integral part of the Balance Sheet and Profit and Loss Account.

AUDITORS' REPORT

As per our report of even date annexed

For NAROTTAM CHITRANJAN & CO.
CHARTERED ACCOUNTANTS
Firm Registration No.: 011251N

FOR AND ON BEHALF OF THE BOARD

CHITRANJAN AGARWAL
Partner
Membership No. 89242

Y. SABOO
Director

D. AGRAWAL
Director

Place : Chandigarh
Dated : 19.08.2010

MAHEN DISTRIBUTION LIMITED

Additional information as required under Part IV of Schedule VI to the Companies Act, 1956.

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No.	031625
State Code	53
Balance Sheet Date	31st March, 2010

II. Capital Raised during the year

Issue of Shares	-	2,000,000
Rights Issue	-	17,812,200
Bonus Issue	-	
Private Placement	-	
Preferential Allotment	-	

III. Position of Mobilisation and Deployment of Funds

Total Liabilities	19,812
Sources of Funds:	
i. Paid up Capital	19,812

Total Assets	(Rs. in thousands)	19,812
Application of Funds:		
i. Investments		17,000
ii. Net Current Assets		1,857
iii. Profit & Loss Account		955

IV. Performance of the Company

Turnover (including other income)	44
Total Expenditure	999
Profit before tax	-955
Profit after tax	-955
Earning per share (Rs.)	9.24
Dividend Rate	-

(Rs. in thousands)

V. Generic Names of principal products of the Company (As per monetary terms)

Item Code (I.T.C. Code)	9102
Production Description	Watches

ON BEHALF OF THE BOARD OF DIRECTORS

Place : Chandigarh
Dated : 19.08.2010

Y. SABOO
Director

D. AGRAWAL
Director

KDDL LIMITED

(Formerly Kamla Dials and Devices Limited)
Registered Office : Plot No. 3, Sector - III,
Parwanoo, Distt. Solan (H.P.)

PROXY

DPID/Client ID No

Folio No.....

I/We

of

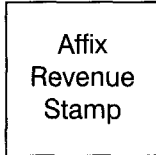
being a member(s) of the above named Company, hereby appoint

.....of

.....or failing him

.....of

as my/our proxy to attend and vote for me/us on my/our behalf at the 30th ANNUAL GENERAL MEETING of the Company to be held at Hotel Timber Trail Resorts, Parwanoo, Distt. Solan (H.P.) on Thursday, the 30th September, 2010 at 12.30 p.m.



Dated the day of September, 2010

Signature

KDDL LIMITED

(Formerly Kamla Dials and Devices Limited)
Registered Office : Plot No. 3, Sector - III
Parwanoo, Distt. Solan (H.P.)

ADMISSION CARD

Name of the attending Member
(in Block Letters)

Member's Folio Number/.....No. of Shares.....
DPID/Client ID No:

Name of the Proxy
(in Block Letters to be filled in if the Proxy attends instead of the Member(s))

I, hereby, record my presence at the 30th ANNUAL GENERAL MEETING at Hotel Timber Trail Resorts, Parwanoo, Distt. Solan (H.P.) at 12.30 p.m. on Thursday, the 30th September, 2010.

* To be signed at the time of handing over this slip.

Member's/Proxy Signature*

If undelivered, please return to :

KDDL LIMITED

Kamla Centre

S.C.O. 88-89, Sector 8-C,

Madhya Marg,

Chandigarh-160 009