

Himatsingka Seide
ANNUAL REPORT

2010-11

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Management Discussion and Analysis

Himatsingka Seide Limited

Industry Structure and Developments

We are a leading home textile manufacturer having a global distribution network and a portfolio of premium international brands. Our principal business is producing an extensive range of home furnishing fabrics for curtains and upholstery, silk apparel fabrics for bridal wear and women's wear, and bed linen products.

The Textile industry is among the largest industries in India. It occupies an important place in the economy of the country because of its contribution to the industrial output, employment generation and foreign exchange earnings. During 2010-11, the global environment for home textiles has been relatively buoyant in the American markets while it has been under continuing stress in the European markets.

The international home textiles market has been marked by increasing product complexity, higher service standards required from manufacturers and shorter delivery cycles. In addition very tight control on cost of sourcing from the retailers end has resulted in an inability to pass on higher input prices in entirety within a defined time frame. There has also been a marked trend of brands addressing various pricing formats. Private label distributors, Big Box retailers and brand distributors have consciously cultivated the mid-market segment to manage the difficult economic environment.

High input costs, competition, cost competitiveness, low productivity levels and the rupee volatility are some of the key challenges faced by the industry.

India being the second largest producer of cotton, it enjoys a competitive edge in low cost cotton sourcing compared to other countries. However, the last year saw a continuous upward spiral of cotton prices (consequently impacting cotton yarn prices) in India and globally.

The Indian home textile market includes products such as bed linen, curtains, towels, blankets, upholstery, rugs and carpets etc. The market is estimated at Rs. 155.7 billion (US\$ 3.5 billion) in 2009 and expected to reach Rs. 400 billion (US\$ 9 billion) by 2020 growing @ 9% CAGR. (Source: Technopak Indian Textile and Apparel Compendium, September 2010). This is expected to happen due to the growing affluence levels of the Indian consumers, increased urban household population and corporatization.

Bed Linens, curtains and upholstery contributed 64.8% or Rs.101 billion to the total Indian home textile market in 2009 and this is expected to increase Rs. 175 billion by 2015(E) (Source: Technopak Indian Textile and Apparel Compendium, September 2010).

Design and fashion capabilities are the differentiators required to build relationships with global retailers and score over competition from China and other countries. To address these challenges the Company continuously invests in new technology, and strives to shorten delivery cycles to meet customer demands. Expanding product breadth and strengthening design focus, both in India and overseas, have been an integral part of the Himatsingka strategy.

Opportunities

The continuation of Technology Upgradation Fund (TUF) scheme by the Central Government in the 11th plan period indicates the opportunities the industry has going forward. A gradual shifting of textile manufacturing facilities from the developed economies to developing economies is making countries like India and China play an increasingly important role.

With the Hassan Bed Linen facility and distribution and brand synergies with Giuseppe Bellora SpA, Divatex Home Fashions Inc. and DWI Holdings Inc., the Company has created a strong presence in the home textiles segment. We supply products to 6 out of the top 10 retailing giants in the North America.

We operate a luxury home furnishing brand 'atmosphere' – through a retail chain of 14 showrooms of which 12 are located in India and one each in Dubai and Singapore. This gives us strong retail network to capitalize on the rising consumer demand for luxury home furnishing products in India, South East Asia and the Middle East. Our reputation as a leading exporter of silk and blended fabric will enable us to take advantage of future growth in the domestic home furnishing market.

Threats

We are dependent on China for quality raw materials for our silk business.

China is also the largest producer of silk fabric in the world, hitherto focusing on mass production. Though the Company continues to be the market leader in this space, growing competition from China and other players in India can potentially be a threat to the market share which the Company commands.

The Company's silk business addresses a high end clientele. Given the impact on brands as a result of the global recession, it is likely that the silk business may be impacted.

In the Bed Linen business, the Company is competing with other large players in India, Pakistan and China, with similar or larger capacities. Given the tough macro economic environment, the industry has been witnessing a highly competitive environment with regard to the pricing of products. The challenge will be to garner market share profitably while competing with other large players.

There has been an upward spiral in prices of both the cotton yarn and silk yarn. Cost escalations have been passed on in large measure to the customers. However complete mitigation of price increase has not been possible due to the steep escalation in prices of raw material and the short time frame.

Strengthening of the Indian rupee vis-à-vis other currencies may erode our margins as well as our competitive advantage.

Strengths

Our core strength is product design and development capabilities, state-of-the-art and flexible manufacturing facilities and efficient marketing and distribution channels. Our in-house design studio is considered amongst the best in the world for its design capabilities. It is equipped with state-of-the-art infrastructure and related facilities to be able to churn out more than 1500 new products annually.

We provide our design team adequate facilities to enable them to anticipate market trends and create products that are cutting edge, novel and highly creative.

To successfully manufacture products that are differentiated and unique, we constantly upgrade our manufacturing facilities. The array of intelligently balanced machines on our shop floor represents the best that technology has to offer. We are able to manufacture a large number of exclusive products, in small quantities, at just-in-time deliveries. This has increased our credibility and enabled us to reinforce long-term relationships with our global clientele.

Our IT infrastructure is seamlessly integrated, from design to manufacture. We continuously invest in capacity up-gradation and consistently work towards improving our productivity standards. We are in the process of implementing an enterprise resource planning package to improve efficiencies.

In the silk business, we have a growing clientele that is 150-strong. We sell to reputed international brands in the home textiles and apparel space. Our customer's global retail network maximizes our product visibility and provides us with avenues for market penetration through new product introductions.

Our enduring relationships with clients are testimony to our effective and highly successful business model. The high percentage of repeat business we generate is a measure of the confidence our customers have in us.

With a portfolio of distribution companies in the Bed Linen business, the Company today occupies a strategic foothold in the home textiles space of United States of America and Italy.

Giuseppe Bellora S.p.A, Italy, has a significant share in the luxury market in Italy and gives us a platform to expand our business in the other markets of Europe and other geographies.

Divatex Home Fashions Inc., USA, is the third largest distributor of Bed Linen products in the USA and gives the Company deep inroads into the private label market. Divatex also has the license to market important brands such as Esprit and Waverly in certain stores in United States.

DWI Holdings Inc., USA, which possesses licenses of luxury home textile brands such as Calvin Klein Home and Barbara Barry Home, gives us access to the high end and branded segment of the bedding market in the USA.

Internal control systems and their adequacy

The Company's internal control system ensures proper safeguarding of assets, maintaining proper accounting records and reliable financial information.

An external independent firm carries out the internal audit of the Company's operations and reports its findings to the Audit Committee on a regular basis. Internal Audit also evaluates the functioning and quality of internal controls and provides assurance of its adequacy and effectiveness through periodic reporting.

The combination of policies and process addresses the various risks associated with the Company's business. The Company periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

Risks and Concerns

The Company's risks and concerns have been discussed comprehensively under the segment, Risk Management, later in this section.

Financial Performance (Standalone)

Product-wise performance

Parameter	Quantity		Value (Rs. in lakhs)	
	2010-11	2009-10	2010-11	2009-10
Silk / blended fabrics (quantity in meters)	942,320	913,756	9,358.30	8,967.90
Spun silk / blended yarn (quantity in kgs)	82,570	39,050	1,717.28	660.63
Bed Linen fabric (quantity in meters)	2,189,758	611,321	2,405.57	1,126.72
Bed Linen sets (quantity in numbers)	2,860,748	3,034,395	33,539.33	34,627.92
Traded sets (quantity in numbers)	172,473	34,342	1,695.01	241.61

Sales realization for silk/blended fabric increased from Rs. 981 per meter in the previous year to Rs. 993 per meter in spite of 3.2% appreciation of the rupee during the year, due to increase in product prices.

Sales of Spun silk / blended yarn increased by 22.9% as volumes rebounded from a lower sales of 39,050 kgs in the previous year to 82,570 kgs reflecting a recovery in market conditions. The realization per kg also improved from Rs. 1692 per kg to Rs. 2080 per kg.

Sales realization for Bed Linen increased from Rs. 225 per meter in the previous year to Rs. 246 per meter in the current year in spite of 3.2% appreciation of the rupee, due to a better product mix and increase in product prices.

Revenue break-up

	Mix %		Value (Rs. in lakhs)	
	2010-11	2009-10	2010-11	2009-10
Sales	93.63	95.86	48,715.49	45,624.77
Other operating income	4.01	1.86	2,086.12	885.91
Other income	2.36	2.27	1,226.35	1,082.13
Total income	100.00	100.00	52,027.96	47,592.81

Other operating income increased from Rs. 885.91 lakhs to Rs. 2,086.12 lakhs mainly due to sale of surplus power from the captive co-generation power plant.

Expenditure analysis

The major heads of expenses are given below as a percentage of total income.

	Percentage of total income		Value (Rs. in lakhs)	
	2010-11	2009-10	2010-11	2009-10
Material cost	65.07	57.01	33,852.20	27,133.49
Manufacturing expenses	12.47	11.80	6,487.91	5,616.99
Employee cost	10.69	10.12	5,561.86	4,818.20
Other expenses	5.33	6.38	2,774.09	3,038.15
EBITDA before exceptional items	6.44	14.68	3,351.90	6,985.98
Interest	5.38	5.40	2,800.86	2,572.15
Exceptional items	-	(1.79)	-	(853.18)
EBDT	1.06	11.07	551.04	5,267.01
Depreciation	9.17	9.36	4,769.41	4,456.04
Profit / (loss) before tax	(8.11)	1.70	(4,218.37)	810.97
Tax	-	(0.02)	-	(9.57)
Profit / (loss) after tax	(8.11)	1.72	(4,218.37)	820.54

Material costs

Material cost as a percentage of sales has increased significantly on account of higher input costs in both the Bed Linen and the Silk business. The increase in material cost in the current year over a stable pricing scenario year is estimated to be Rs. 9,000 lakhs. The increase in material costs were mitigated in part through various initiatives taken by the Company in cotton yarn and cotton fabric sourcing.

Manufacturing and Other Expenses

Manufacturing expenses include power and fuel, stores and spares, repairs, design and product development expenses.

The EBITDA margin (before exceptional item) decreased from 14.68% in 2009-10 to 6.44% in 2010-11 on account of higher input costs. The increase in input costs have been partly mitigated due to various cost optimization measures adopted during the year.

Interest expense is higher at Rs.2,800.86 lakhs (Rs.2,572.15 lakhs in 2009-10) due to higher working capital utilized during the year as well as the impact of the interest on the Technology Up-gradation Fund loan taken for the captive cogeneration power plant – the second boiler of the Captive Power Plant commenced operation during the year.

Tax provision

The Company has made a provision for current taxation amounting to Rs.337.82 lakhs in view of the book profits for one of its division during the current year, and has recognized a minimum alternate tax credit of the same amount in view of reasonable estimates of future taxable profits in the carry forward period.

Share capital

The Company's share capital consists only of equity shares. As on 31st March, 2011, the share capital was Rs.4,922.86 lakhs consisting of 98,457,160 equity shares. The face value of each equity share is Rs. 5/-.

Reserves and surplus

The Company's reserves and surplus at the end of 2009-10 was Rs.51,727.03 lakhs .

Loss of Rs.4,218.37 lakhs for the year resulted in decrease in profit and loss balance.

The Company's reserves and surplus at the end of 2010-11 is Rs.47,508.66 lakhs.

The Company's entire reserve is fully distributable to shareholders. The Company did not have any revaluation reserves as on March 31, 2011.

Loans

The Company has availed a term loan of Rs. 30,000.00 lakhs from Export Import Bank of India and Canara Bank, under the Technology Upgradation Fund (TUF) scheme, for its Bed Linen project. An interest subsidy of 5% is available under this scheme. The loan is repayable in quarterly installments over the next 6 years.

As part of the Bed Linen project, the company has set up a 12.5 MW captive co-generation power plant. The Company has availed a term loan of Rs. 6000.00 lakhs from Canara Bank to set up this facility. The loan is repayable in quarterly installments over the next 8 years.

Total term loans outstanding as at the end of 2010-11 are Rs.32,045.14 lakhs.

The Company has also availed Rs.14,589.02 lakhs as working capital borrowings from its bankers, as on March 31, 2011 as compared to Rs 16,114.74 lakhs as on March 31, 2010.

Fixed Assets

	Value (Rs. in lakhs)	
	2010-11	2009-10
Buildings	13,675.76	13,536.89
Plant and machinery	58,292.86	56,474.53
Others	3,647.50	3,554.31
Gross block	75,616.12	73,565.73
Less: Accumulated depreciation	27,720.62	23,953.90
Net block	47,895.50	49,611.83
Add: Capital work-in-progress	989.23	2,756.47
Net fixed assets	48,884.73	52,368.30
Depreciation as a % of Total income	9.17	9.36
Accumulated depreciation as % of Gross block	36.66	32.56

Investments

As on March 31, 2011, the Company has invested Rs.674.93 lakhs in various schemes of mutual funds.

The mutual fund investments generated a return of 5.58 % in 2010-11, as compared to 5.40% in 2009-10.

On a composite basis (including investments sold and investments held as on March 31, 2011), the return works out to 6.21% as against 5.33 % in the previous year.

As on 31st March, 2011, break up of investments is as follows.

	Value (Rs. in lakhs)	
	2010-11	2009-10
Investments in subsidiaries		
Himatsingka Wovens Private Limited	1,164.12	1,164.12
Himatsingka America Inc.	17,344.63	16,362.04
Twill & Oxford LLC	37.35	37.35
Giuseppe Bellora S.p.A.	6,875.50	6,875.50
Share application money	3,413.05	2,809.65
Other investments		
Investments in mutual funds	674.93	459.43
Total investments	29,509.58	27,708.09

Sundry debtors

The total debtors of the Company decreased from Rs.5,325.99 lakhs in 2009-10 (including Rs 4,077.74 lakhs from subsidiaries) to Rs. 4,981.13 lakhs (including Rs.3,450.11 lakhs from subsidiaries) in 2010-11.

The debtors' turnover (days) has reduced from 43 days in 2009-10 to 37 days in 2010-11.

The Company has an excellent track record on the realization of receivables and does not foresee any bad debts. Accordingly, no provision is considered necessary.

Inventories

The Company's inventories – raw materials, stores and spares, work-in-process and finished goods – decreased from Rs.19,682.91 lakhs in 2009-10, to Rs.16,622.29 lakhs in 2010-11. The focus on effective inventory management has helped to reduce inventory in spite of increase in prices of all key inputs and increased inventory requirements of co-generation captive power plant.

Cash and cash equivalents

Cash and cash equivalents decreased from Rs.843.98 lakhs to Rs.290.47 lakhs during 2010-11.

Derivative contracts

The Company is exposed to currency fluctuations on foreign currency assets and cash flows denominated in foreign currency. The Company follows a policy of covering the risks arising out of foreign exchange fluctuations through a combination of forward contracts and options.

The only remaining foreign exchange derivative contract has a duration of 60 months, to sell US Dollars on a monthly basis at fixed rate subject to certain conditions. The contract also obligates the Company to pay a notional amount of Swiss Franc and receive notional amount of Rupees based on the Swiss Franc to US Dollar exchange rates during a specified monitoring period in the year 2012. There is significant uncertainty regarding the exchange rates that may be prevalent at that time and consequently the liability, if any, under the contract. Due to this uncertainty, as in the previous year, no provision has been made in the financial statements as at 31 March 2011.

The marked to market valuation, as indicated by the bank, is a loss of Rs 1,957.34 lakhs (previous year Rs.1,136.68 lakhs) as on March 31, 2011.

Financial Performance (Consolidated)

Sales by geographical area:

Country/Region	Mix %		Value (Rs. in lakhs)	
	2010-11	2009-10	2010-11	2009-10
North America	78.97	77.61	95,330.78	82,161.73
Western Europe	14.76	16.57	17,818.53	17,538.87
India	4.45	2.70	5,375.44	2,857.75
Others	1.81	3.13	2,189.76	3,313.10

Expenditure analysis

The major heads of expenses are given below as a percentage of total income.

	Percentage of total income		Value (Rs. in lakhs)	
	2010-11	2009-10	2010-11	2009-10
Material cost	63.97	57.29	79,368.30	62,057.26
Manufacturing expenses	6.56	6.27	8,135.59	6,790.23
Employee cost	11.83	13.80	14,678.19	14,947.54
Other expenses	9.99	12.78	12,392.02	13,849.89
EBITDA before exceptional items	7.65	9.86	9,493.41	10,685.48
Interest	4.23	4.54	5,245.28	4,921.74
Exceptional items	-	(0.79)	-	(853.18)
EBDT	3.42	6.11	4,248.13	6,616.92
Depreciation	4.55	5.05	5,646.17	5,470.70
Profit / (loss) before tax	(1.13)	1.06	(1,398.04)	1,146.22
Tax	0.15	0.16	179.92	174.28
Minority interest	0.06	(0.19)	79.62	(202.27)
Profit / (loss) after tax	(1.34)	1.09	(1,657.58)	1,179.21

Manufacturing and Other Expenses

Manufacturing expenses include power and fuel, stores and spares, repairs, design and product development expenses.

EBIDTA margin (before exceptional item) decreased from 9.86% in 2009-10 to 7.65 % in 2010-11 on account of higher input prices partly mitigated by various cost optimization measures taken by the Company.

Interest expense increased on account of higher working capital requirements and the commencement of the second boiler of the captive cogeneration power plant at Hassan.

Tax provision is as follows.

(Rs. in lakhs)

Current tax	494.59
Less: MAT credit availed	(340.82)
Deferred Tax liability	101.74
Reversal of excess provision of earlier years	(75.59)
Total Tax Provision	179.92

Share capital

The Company's share capital consists of only equity shares. As at year end, the share capital was Rs. 4922.86 lakhs consisting of 98,457,160 equity shares. The face value of each equity share is Rs. 5/-.

Reserves and surplus

The Group's reserves and surplus at the end of 2009-10 was Rs.49,227.35 lakhs .

Loss of Rs.1,657.58 lakhs for the year resulted in decreased profit and loss balance.

Legal reserve increased by Rs.0.27 lakhs on account of exchange fluctuation.

Foreign currency translation reserve has decreased by Rs.195.59 lakhs on account of difference in exchange rates arising on translation of financials from foreign currency to reporting currency.

The Group's reserves and surplus at the end of 2010-11 is Rs.47,374.85 lakhs .

The Group did not have any revaluation reserves as on March 31, 2011.

Secured Loans:

Secured loans decreased from 71,784.53 lakhs in 2009-10 to Rs.66,020.65 lakhs at the end of 2010-11.

Unsecured Loans:

Unsecured loans have increased to Rs.8,436.02 lakhs from Rs. 7,648.53 lakhs in the previous year.

Goodwill on consolidation:

The excess of cost to the Group of its investments in the subsidiary companies over its share of the equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies were made, is recognized as goodwill, being an asset in the consolidated financial statements.

Goodwill has increased by Rs.258.48 lakhs due to foreign exchange fluctuation.

Fixed Assets

	Value (Rs. in lakhs)	
	2010-11	2009-10
Buildings	19,731.43	19,736.51
Plant and machinery	60,708.90	58,856.79
Others	10,539.80	10,720.60
Gross block	90,980.13	89,313.90
Less: Accumulated depreciation	36,169.27	32,342.33
Net block	54,810.86	56,971.57
Add: Capital work-in-progress	1,004.78	2,863.44
Net fixed assets	55,815.64	59,835.01
Depreciation as a % of Total income	4.55	5.05
Accumulated depreciation as % of Gross block	39.76	36.21

Investments

As on 31st March, 2011, break up of investments is as follows:

	Value (Rs. in lakhs)	
	2010-11	2009-10
Long term investments		
Milano Confezioni S.r.L.	1.24	1.19
BP Venture S.r.L.	893.70	858.36
Industriae Universita S.r.L.	13.67	13.08
ConsorzioTutela Lino	0.87	0.87
Less: Provision for diminution in value of investments	580.16	556.71
Other investments		
Investments in mutual funds	674.93	459.43
Total investments	1,004.25	776.22

Sundry debtors

The total debtors of the Group decreased from Rs.9,238.31 lakhs in 2009-10 to Rs.7,037.52 lakhs in 2010-11.

The debtors' turnover (days) has reduced from 31 days in 2009-10 to 21 days in 2010-11.

The Group has created a provision of Rs.220.66 lakhs in 2010-11 towards the receivables in the books of overseas subsidiary.

Inventories

The Group's inventories – raw materials, stores and spares, work-in-process and finished goods – decreased from Rs. 39,170.87 lakhs in 2009-10, to Rs.38,394.73 lakhs in 2010-11. The break-up of inventories is as follows:

	Mix%		Value (Rs. in lakhs)	
	2010-11	2009-10	2010-11	2009-10
Raw material	12.93	17.21	4,966.12	6,743.04
Stores and spares	3.26	5.16	1,253.07	2,020.55
Work in progress	30.10	29.13	11,557.72	11,409.30
Finished goods	53.70	48.50	20,617.82	18,997.98
Total	100.00	100.00	38,394.73	39,170.87

Cash and cash equivalents

Cash and cash equivalents decreased from Rs 1,784.79 lakhs to Rs.999.30 lakhs during 2010-11.

Material developments in Human Resources

Our people are our key asset. We have been able to create a work environment that encourages pro-activeness and responsibility. The Company employed 3499 people as on March 31, 2011.

A people oriented work environment combined with a market-driven compensation and benefit package has ensured that we have a moderate attrition rate.

Outlook

With our investments in Bed Linen manufacturing, retailing and overseas acquisitions, we believe we are positioned to embrace the various opportunities available to us in these segments to significantly enhance our revenues and market share.

Risk Management

Himatsingka Seide Limited

Risk is an essential part of any business or industrial undertaking. Risk management objectives of your Company are set to achieve an optimal balance between growth, value creation and related risks and efficient and effective deployment of the Company's resources. Hence, risk management is not just about minimizing the downside to risk but also increasing the potential upside within prudential limits.

As a result of globalization and rapidly changing business environment, the risks have become more complex. The following factors are not an exhaustive list of risks associated with our business. Additional risks not currently known to us or that we currently deem not to be significant also may adversely affect our business, financial condition or results of operations in future periods.

Business concentration risk

The Company's business is predominantly export oriented and 79% of consolidated revenue is earned in the North America. The high degree of concentration in select markets could potentially impact results, especially when consumption pattern in these markets is affected by political or economic events specific to them.

Manufacturing risk

The Company has two manufacturing facilities which supply a significant part of the Group requirements. A disruption at our manufacturing sites would significantly affect our production capabilities, consequently impacting product deliveries.

Information security risk

The Company is in the process of implementing an Enterprise Resource Planning system across the business. The Company faces an operational risk resulting from an inadequate implementation by way of lower efficiencies. If our information technology systems suffer damage, disruption or shutdown and our business continuity plans do not resolve the resulting issues in a timely manner, we may lose revenue as a result of our inability to timely manufacture, distribute, invoice and collect payments, and could experience delays in reporting our financial results.

Intellectual capital risk

The Company's intellectual capital resides largely in its designs and there could be a potential risk of losing competitive advantage should there be an inadequacy in the protection of data.

To ensure design security, we have evolved designs from the physical to the virtual networked environment with high security features. In addition, selective access to designs minimises the loss of sensitive information.

Human resources risk

The Company's business is dependent upon existing and future product designs. The Company's capability to meet product development requirements could be affected by high attrition of designers.

The Company has continually expanded its design team in India and overseas and its related infrastructure to ensure that design and product development requirements are adequately addressed.

The Company's manufacturing operation is dependent upon attracting and retaining quality employees and ensuring adequate training. Given the historically high rates of attrition, the non-availability of labour and appropriate training could potentially affect the Company's ability to meet its requirements.

Commodity risk

The volatility in the cost of raw materials, disruption of supply or shortage in the domestic and international markets could impact results given that these costs are very significant. The Company continues to evaluate various alternative sourcing options both domestic and international so as to address requirements optimally. Significant increases in costs of our raw materials that cannot be passed on through increased prices of finished goods could reduce our margins.

Foreign exchange risk

The Company earns revenues, pays expenses, owns assets and incurs liabilities in countries using currencies other than the Indian Rupee. Consolidated financial statements are presented in the Indian Rupee and hence the Company must translate revenue, income and expenses, as well as assets and liabilities, into the Indian Rupees at exchange rates in effect during or at the end of each reporting period. Therefore, increases or decreases in the value of the Indian Rupee against other currencies will affect our revenues, income and the value of balance sheet items denominated in foreign currencies.

The Company has a Risk Management Policy covering Foreign Exchange Risks and is directed and monitored by a Risk Management Committee (RMC) nominated by the Board of the Company. The RMC is headed by an independent director of the

Board. The risks arising out of foreign exchange fluctuations are covered through a combination of forward contracts and 'vanilla' options as per the policy.

Interest rate risks

We maintain levels of debt that we consider prudent based on our cash flows, interest coverage and capital. We use debt financing to lower our cost of capital, which increases return on shareholders' equity. This exposes us to adverse changes in interest rates.

Funding risk

Changes in the debt and capital markets, including market disruptions and limited liquidity could restrict the Company's access to potential source of future liquidity.

Competition risk

Competition in the home textiles industry from producers in India, China and other developing countries may adversely affect our performance. With strengths in design and product development capabilities coupled with strong marketing and distribution network, we strive to stay ahead of competition.

Regulatory risks

Our business is subject to various laws and regulations in the countries in which we do business, including laws and regulations relating to the protection of environment, employment, labour practices and product safety.

Changes in applicable laws or regulations, including increasing government regulations may increase the compliance costs and capital expenditure, which could affect our profitability. In addition, failure to comply with environmental, health or safety requirements could result in imposition of penalties, suspension of production, changes to equipments, etc, which could affect our profitability.

The Company has set up effluent treatment plant and other facilities to meet pollution control and other regulatory norms.

Corporate Governance

Himatsingka Seide Limited

1. Company's Governance Philosophy

The Corporate Governance Code was introduced by the Securities and Exchange Board of India (SEBI) through the incorporation of new clause in the Listing Agreement of the Stock Exchanges and also through applicable provisions of the Companies (Amendment) Act, 2000. Corporate Governance refers to a combination of laws, regulations, procedures, implicit rules and good corporate practices which ensure that a Company meets obligations to optimize shareholders value and fulfill its responsibilities to the community, customers, employees, Government and other segments of society. Some of the important best practices of corporate governance framework are timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the company.

Over the years, your Company has complied with the principles of Corporate Governance emphasizing on transparency, empowerment, accountability and integrity. These have helped the company enhance its stakeholder values.

Your Company will continue to focus its resources, strengths and strategies for creation and safeguarding of shareholders' wealth and at the same time protect the interests of all its shareholders while upholding the core values of excellence, integrity, responsibility, unity and understanding which are imperative to the Himatsingka Group.

2. Board of Directors (Board)

As on 31st March, 2011 the Board of the Company comprised of ten Directors. The Company has a Non-Executive Chairman. The number of Non-Executive Directors is six, all of them being independent directors. The composition of the Board is in accordance with the Clause 49 of the Listing Agreement and exceeds the percentages stipulated in the subject clause.

The Non-Executive Directors are eminent industrialists and professionals with rich experience in management, finance, law and banking.

None of the Directors on the Board is a Member on more than 10 Committees and 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. All the directors have made the necessary disclosures regarding their Committee positions in other companies as on March 31, 2011.

The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships and Committee Memberships held by them in other companies are given below:

Name of Director & Designation	Category	No. of Board meetings attended	Attendance at last AGM	No. of other Directorships held @	No. of Membership of other Companies statutory committees *
Dilip J Thakkar, Chairman	Non-Executive Independent	7	Yes	13	9 (including 4 chairmanships)
A K Himatsingka, Vice Chairman	Promoter, Executive	6	Yes	4	Nil
Dr. K R S Murthy	Non-Executive Independent	8	Yes	3	5 (including 2 chairmanship)
Berjis M. Desai #	Non-Executive Independent	2	N.A.	8	10 (including 2 chairmanship)
A K Dasgupta	Non-Executive Independent	4	Yes	2	1 (including 1 chairmanship)
Rajiv Khaitan	Non-Executive Independent	8	Yes	2	Nil
D K Himatsingka, Managing Director	Promoter, Executive	8	Yes	1	Nil
Aditya Himatsingka, Executive Director	Executive	6	Yes	4	Nil
Shrikant Himatsingka, Executive Director	Executive	7	Yes	2	Nil
David Rasquinha, Nominee Director (Representative of Export-Import Bank of India, as lender)	Non-Executive Independent	5	No	3	1

Note :

@ For the purpose of considering the limit of directorship, foreign companies, private companies and companies under Section 25 of the Companies Act, 1956 have been excluded.

* For the purpose of considering limit of committee membership, private limited companies, foreign companies and companies under section 25 of the companies act, 1956 have been excluded. Chairmanship of only Audit Committee and Shareholders Grievance Committee is considered.

Berjis M. Desai was appointed as an Additional Director w.e.f. September 8, 2010

During the year 2010-11, the Board of Directors met eight times on the following dates: 30th May, 2010, 3rd July, 2010, 30th July, 2010, 8th September, 2010, 31st October, 2010, 11th November, 2010, 8th December, 2010 & 12th February, 2011.

The Company has adopted the Code of Conduct for the Board of Directors and Senior Management Personnel of the Company. The Company has received confirmations from the Directors as well as Senior Management Personnel regarding compliance of the Code during the year under review. Both the Codes are posted on the website of the Company.

The following represent the details of pecuniary transactions between the non-executive Directors and the company:-

(Rs. in lakhs)

Name of the Director	Purpose	Amount paid
Mr. Rajiv Khaitan	Legal/Professional Fees paid to M/s. Khaitan & Co.	27.18
Dr. K R S Murthy	Listing fees paid to National Stock Exchange of India Ltd.	0.88

Apart from the above, none of the other non-executive directors have any pecuniary relationship or transaction with the company, its promoters, its management or its subsidiaries.

During the year information as required under Annexure IA to Clause 49 of the Listing Agreement has been placed to the Board for its consideration.

3. Audit Committee

An independent Audit Committee in line with the Clause 49 of the listing agreement and Section 292A of the Companies Act, 1956 was set up on 13th January 2001.

The terms of reference of the Audit Committee includes:

- a. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending the appointment and removal of the Statutory Auditor, the fixation of the audit fee and also the approval for payment for any other services.
- c. Discussion with internal auditors any significant findings and follow up thereon.
- d. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- e. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- f. Reviewing with the management, performance of statutory and internal auditors, adequacy of internal control systems.
- g. Reviewing with the management the annual financial statements before submission to the Board for approval, with particular reference to
 - i. Matters required to be included in the Director's Responsibility statement to be included in the Board's report in terms of clause 2AA of Section 217 of the Companies Act, 1956.
 - ii. Changes, if any, in accounting policies and practices and reasons for the same.
 - iii. Major accounting entries involving estimates based on the exercise of judgment by management.
 - iv. Significant adjustments made in the financial statements arising out of audit findings.
 - v. Compliance with listing and other legal requirements relating to financial statements.
 - vi. Disclosure of any related party transactions.
 - vii. Qualifications in the draft audit report.
- h. Review of Management letters/ letters of internal control weaknesses issued by the statutory auditors.
 - i. Reviewing the company's financial and risk management policies.
 - j. Discussion with external auditors before audit commences, nature and scope of audit as well as, have post-audit discussion to ascertain any area of concern.
 - k. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
 - l. Review the Management Discussion and analysis of financial conditions and results of operations.
 - m. Review of statements of significant related party transactions.
 - n. Reviewing with the management, the quarterly financial statements before submission to the Board for approval.
 - o. Review the financial statements of unlisted subsidiary companies, in particular the investments made by them.

- p. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate
- q. Such additional functions as may be prescribed by the listing agreement or the Companies Act from time to time.

The minutes of the Audit Committee meetings are placed before the Board of Directors in the subsequent Board meeting.

During the year 2010-11, the Audit Committee met on five occasions i.e. 30th May, 2010, 3rd July, 2010, 30th July, 2010, 31st October, 2010 and 12th February, 2011.

The Constitution of Audit Committee and attendance of the Members for the year 2010-11 is as under:

Name of Director	Category	No. of Audit Committee meetings attended
Mr. Dilip J Thakkar	Chairman, Non-Executive, Independent	5
Mr. Rajiv Khaitan	Non-Executive, Independent	5
Dr. K.R.S. Murthy	Non-Executive, Independent	5
Mr. David Rasquinha	Non-Executive, Independent	5

The Chairman of the Audit Committee was present at the last Annual General Meeting.

The Statutory Auditor, Internal Auditor, Cost Auditor and the Chief Financial Officer are invited to attend and participate at meetings of the Committee.

The Company Secretary acts as the secretary to the Committee.

4. Remuneration Committee

The Remuneration Committee of the Board comprises of three Independent Directors. During the year 2010-11, the Remuneration Committee met on two occasions i.e. 30th May, 2010 and 31st October, 2010.

The committee considers the performance of the Company as well as general industry trends while fixing the remuneration of executive Directors.

Remuneration Committee is responsible for recommending / reviewing remuneration of the Managing Director, and Whole Time / Executive Directors of the Company. Payment of remuneration to the Managing Director and Executive Director is governed by the respective agreements executed between them and the company and are governed by the Board and shareholders resolution.

The following Directors are the members of the Remuneration Committee:

Name of Director	Category
Mr. Rajiv Khaitan	Chairman, Non-Executive, Independent
Dr. K.R.S. Murthy	Non-Executive, Independent
Mr. A.K.Dasgupta	Non-Executive, Independent

The Company Secretary acts as the secretary to the Committee.

Reappointment of directors

In accordance with the provisions of the Companies Act, 1956, and Articles of Association of the Company, Mr. Shrikant Himatsingka and Mr. Aditya Himatsingka retire by rotation and being eligible, offer themselves for re-appointment. Their reappointments will be placed as one of the agenda in the ensuing Annual General Meeting.

Mr. Berjis M Desai was appointed as additional Director with effect from 8th September, 2010. Notice together with necessary deposit u/s 257 of the Companies Act, 1956 has been received from a member proposing the candidature of Mr. Berjis M Desai as a Director. His appointment will be placed before the forthcoming Annual General Meeting.

5. Remuneration of Directors

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to Managing Director and Whole-time / Executive Directors. Salary is paid within the limits approved by the Shareholders. Annual increments each year are approved by the Board based on the recommendation of the Audit Committee. Commission is calculated with reference to net profits of the Company in a particular financial year and is determined by the Board of Directors at the end of the financial year, subject to overall ceiling stipulated in Sections 198 and 309 of the Companies Act, 1956. The remuneration is closely linked to the performance of the Company.

Given below are the details of relationship of directors, their business interest and actual payments made during the financial year 2010-11 to the Directors of the Company.

(Rs. in lakhs)

Director	Relationship with other Directors	Business Relationship with the Company, if any	Sitting fees for Board & Committee Meetings	Salaries & perquisites	Commission	Total
Dilip J Thakkar	None	None	0.60	Nil	Nil	0.60
A K Himatsingka	Related to Sri. D K Himatsingka and Sri. Aditya Himatsingka	None	Nil	37.73	Nil	37.73
A K Dasgupta	None	None	0.30	Nil	Nil	0.30
Rajiv Khaitan (paid to Khaitan & Co.,)	None	Partner Khaitan & Co.,	0.75	Nil	Nil	0.75
Dr. K R S Murthy	None	None	0.85	Nil	Nil	0.85
Berjis M Desai	None	None	0.10	Nil	Nil	0.10
David Rasquinha (paid to Export Import Bank of India)	None	Nominee Director of Export-Import Bank of India, a lender of the Company	0.50	Nil	Nil	0.50
D K Himatsingka	Related to Sri. A K Himatsingka and Sri. Shrikant Himatsingka	None	Nil	52.75	Nil	52.75
Aditya Himatsingka	Related to Sri A K Himatsingka	None	Nil	37.40	Nil	37.40
Shrikant Himatsingka	Related to Sri D K Himatsingka	None	Nil	36.68	Nil	36.68

The Contract tenures of the Wholtime Directors are as follows

A.K. Himatsingka	: From 1st April, 2009 to 31st March, 2014,
D.K.Himatsingka	: From 1st April, 2009 to 31st March, 2014,
Aditya Himatsingka	: From 2nd June, 2009 to 1st June, 2014,
Shrikant Himatsingka	: From 3rd June, 2008 to 2nd June, 2013.

Criteria for making payments to non-executive Directors:

The Non-Executive Directors (NEDs) are paid remuneration by way of Commission and Sitting Fees. In terms of the shareholders' approval obtained at the AGM held on 23rd September, 2009, the Commission is paid at a rate not exceeding 1% per annum of the profits of the Company (computed in accordance with Section 309(5) of the Companies Act, 1956). The distribution of Commission amongst the NEDs is placed before the Board. The Commission is distributed on the basis of their attendance and contribution at the Board and certain Committee Meetings as well as time spent on operational matters other than at the meetings.

A sitting fee of Rs. 5,000/- for attendance at each meeting of the Board and/or Committee thereof is paid to the Non Executive Directors.

The Company also reimburses out-of-pocket expenses to NEDs for attending meetings.

Shareholding of Directors

Shareholding of Directors as on 31st March, 2011 is as under:

Name	No. of shares held
Dilip J Thakkar	Nil
A K Himatsingka	38,38,635
A K Dasgupta	Nil
Berjis M Desai	Nil
Rajiv Khaitan	4,200
Dr. K R S Murthy	1000
David Rasquinha	1500
D K Himatsingka	1,35,70,044
Aditya Himatsingka	29,78,200
Shrikant Himatsingka	38,55,964

6. Share Transfer Committee

The Company has a Share Transfer Committee. This comprises three directors. The Committee deals with various matters relating to share transfer, share transmission, issue of duplicate share certificates, the approval of split and consolidation requests, the de-materialisation and re-materialisation of shares as well as other matters that relate to the transfer and registration of shares.

The members of this committee are Sri. D.K. Himatsingka, Sri. A.K. Himatsingka & Sri. Aditya Himatsingka.

7. Shareholder/Investors Grievance Committee

The Board of Directors of the Company has set up a Shareholder/ Investors Grievance Committee on 13th January, 2001. This comprises of three directors and the chairman is an independent, non executive director. The Committee looks into redressing of shareholder and investors complaints like transfer of shares, non receipt of balance sheet, non receipt of declared dividend and related matters.

Four meetings of the committee were held during the year – on 30th May, 2010, 30th July, 2010, 31st October, 2010 & 12th February, 2011. The Chairman of the Committee was present in all the meetings.

The minutes of the Shareholder/ Investors Grievance Committee meetings are placed before the Board of Directors in the subsequent Board meeting.

Constitution of Shareholder/ Investors Grievance Committee as on 31st March, 2011 and related information:

Name of the Director	Category	No. of Meetings Attended
Mr Rajiv Khaitan	Chairman, Non-Executive, Independent	4
Mr A K Himatsingka	Promoter Executive	4
Mr A K Dasgupta	Non-Executive, Independent	3

The Company Secretary acts as the secretary to the Committee.

Number of complaints received during the financial year ended 31st March, 2011	64
Number of complaints that were resolved to the satisfaction of shareholders during the financial year ended 31st March, 2011	64
Number of pending share transfers as on 31st March, 2011	Nil

8. Risk Management Committee

The Board constituted a Risk Management Committee on 28th July, 2009. The Committee looks into matters concerning the risks arising out of foreign exchange exposures of the Company.

During the year two meeting of the committee was held on 29th May, 2010 & 1st July, 2010.

The minutes of the Risk Management Committee meetings are placed before the Board of Directors in the subsequent Board meeting.

Constitution of Risk Management Committee as on 31st March, 2011 and related information:

Name of the Director	Category	No. of Meetings Attended
Dr K R S Murthy	Chairman, Non-Executive, Independent	2
Mr Aditya Himatsingka	Executive	Nil
Mr Shrikant Himatsingka	Executive	1

The Chief Financial Officer, Head of Marketing, Head of Treasury and Executive of finance department are permanent invitees to the Committee.

9. General Body Meetings

The last three Annual General Meetings of the Company were held on the following dates, time and venue.

Date	Year	Type	Time	Venue	No. of special Resolutions passed
8th September, 2010	2009-10	Annual General Meeting	3.30 p.m.	The LaLiT Ashok Bangalore, Kumarakrupa Road, High Grounds, Bangalore – 560 001	Nil
23rd September, 2009	2008-09	Annual General Meeting	3.30 p.m.	Hotel the Grand Ashok, Kumarakrupa Road, High Grounds, Bangalore – 560 001	1
23rd September, 2008	2007-08	Annual General Meeting	3.30 p.m.	Hotel the Grand Ashok, Kumarakrupa Road, High Grounds, Bangalore – 560 001	Nil

None of the special resolution was put through postal ballot during the previous year. No special resolution requiring a postal ballot is being proposed for the ensuing Annual General Meeting.

During the year, an Extraordinary General Meeting of the Company was held on the following date, time and venue :

Date	Year	Type	Time	Venue	No. of special Resolutions passed
8th December, 2010	2010-11	Extraordinary General Meeting	3.30 p.m.	The Capitol No. 3, Rajbhavan Road, Bangalore – 560 001	5

10. Means of Communication

- The relevant information relating to the Directors who would be appointed/ re-appointed at the ensuing Annual General Meeting is given in the Notice convening the Annual General Meeting.
- The Quarterly and Annual Financial Results of the Company are forwarded to the Stock Exchanges and were published in Business Standard – English Newspaper (all editions) and Times of India – Kannada Newspaper/Sanjevani/Vartha Bharati – Kannada newspaper, Bangalore.
- The financial results and official news releases were also displayed on our website www.himatsingka.com. In the website, the Company also displays the Investor Updates and presentations made to the institutional investors and analysts from time to time.
- Reminders for unclaimed dividend are sent to the shareholders, as per records, every year.
- The Company has designated investors@himatsingka.com as the Designated Exclusive email-id, for redressal of investors grievances.

11. Code for Prevention of Insider Trading

The Company has adopted a code of conduct for Prevention of Insider Trading in the shares of the Company. The code, *inter-alia*, prohibits purchase/sale of shares of the Company by employees while in possession of unpublished price sensitive information in relation to the Company.

12. CEO/CFO Certification

The CEO and CFO give quarterly and annual certification of the financial statements to the Board, as required under clause 49.

13. Reconciliation of Share Capital Audit

A qualified practicing Company Secretary carries out quarterly Reconciliation of Share Capital audits 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 confirms that the total issued/paid up capital is in agreement with the aggregate of total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

14. Compliance

The certificate regarding compliance of the conditions of corporate governance obtained from our statutory auditors M/s. Deloitte Haskins & Sells is given elsewhere in this Annual Report.

15. Compliance Officer

The name and designation of the Compliance Officer of the Company is Mr. Amit Jain, Associate Vice President – Treasury, Taxation & Company Secretary. His contact details are –

Telephone : 080-22378000, Fax No. 080-4147 9384

e-mail ID : investors@himatsingka.com

16. Disclosures

- Subsidiary Companies:
 - None of the Company's Indian Subsidiary companies fall under the definition of "material non listed Indian subsidiary"
 - The Audit Committee of the Company reviews the financial statements and in particular the investments made by unlisted subsidiary companies of the Company.
 - The minutes of the board meetings of unlisted subsidiary companies are periodically placed before the Board of the company. The Board is periodically informed about all significant transactions and arrangements entered into by the unlisted subsidiary companies of the company.
- Related party transactions

The statutory disclosure requirements relating to related party transactions have been complied with in the Annual Accounts (Note 25 of Schedule 19)

There were no material transactions during the year 2010-2011 that are prejudicial to the interest of the Company.

c. Disclosure of Accounting Treatment

There is no deviation in following the treatments prescribed in any Accounting Standard in preparation of financial statements for the year 2010-11.

d. Board Disclosures- Risk Management

The risk assessment and minimization procedures are in place and the Board is regularly informed about the business risks and the steps taken to mitigate the same. A report on Risk Management is included elsewhere in this Annual Report.

e. The Management Discussion and Analysis report is included elsewhere in this Annual Report.

17. Statutory Compliance, Penalties and Strictures

The Company complied with all the requirements of the Stock Exchanges/ SEBI/ and other statutory authorities on all matters related to the capital markets during the last three years. There were no penalties or strictures imposed on the Company by the Stock Exchanges, the SEBI or any statutory authority on matters relating to capital markets.

18. General Shareholders' information

Registered Office: 10/24, Kumarakrupa Road, High Grounds, Bangalore 560 001

Annual General Meeting

Date and Time : 23rd August, 2011 at 3.30 pm

Venue : The LaLIT Ashok Bangalore,
Kumarakrupa Road, High Grounds, Bangalore – 560 001

Financial year : 1st April to 31st March

Financial Calendar :

Financial report for the period ending	During
June 30, 2011	July/ August, 2011
September 30, 2011	October/November,2011
December 31, 2011	January/ February, 2012
March 31, 2012	April/ May, 2012

Date of Book Closure : 10th August, 2011 to 23rd August, 2011 (both days inclusive)

Incorporation : Himatsingka Seide Limited was incorporated at Bangalore, in the State of Karnataka, on 23rd January, 1985. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L17112KA1985PLC006647.

Listing on Stock Exchanges : The Company's Equity shares are listed on the following Stock Exchanges in India:-

Bangalore Stock Exchange Ltd
Stock Exchange Towers, No. 51, 1st Cross,
J C Road, Bangalore 560 027

Bombay Stock Exchange Ltd,
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai 400 001

National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor, Plot No. C/1, G Block
Bandra-Kurla Complex, Bandra (E), Mumbai 400 051

Listing Fees : Paid for 2010-2011 and 2011-2012 for all the above stock exchanges

Custodial Fees : Paid to Central Depository Services (India) Ltd for 2010-11 & 2011-12. The Company has paid one time fees to National Securities Depository Limited.

	Stock Exchange Code	Reuters Code
Mumbai Stock Exchange	514043	HMSD.BO
National Stock Exchange	HIMATSEIDE	HMSD.NS
Bangalore Stock Exchange	HIMATSEIDE	
Demat ISIN in NSDL and CDSL for Equity shares	INE049A01027	

The monthly high and low of closing quotations and volume of shares traded at Bombay and National Stock Exchanges during the year were as follows:

Month	Bombay Stock Exchange			National Stock Exchange		
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Volume (Nos.)
April 2010	44.15	41.45	1554931	44.25	41.45	2247614
May 2010	41.90	36.35	610150	42.00	36.15	1311235
June 2010	39.25	34.20	748310	39.25	34.20	1435614
July 2010	41.30	37.45	1222104	41.25	37.50	1970002
August 2010	42.60	37.70	2481496	42.60	37.80	3740541
September 2010	45.50	42.00	2383899	45.95	42.75	3304343
October 2010	45.80	43.85	1362274	46.45	44.05	2356364
November 2010	60.00	44.50	6947619	62.60	46.00	10462091
December 2010	55.50	46.00	934313	57.25	46.70	886143
January 2011	49.00	43.05	265721	49.40	43.55	346911
February 2011	44.50	35.80	582877	45.05	35.85	466597
March 2011	37.00	30.40	502826	37.50	31.05	1096205
Total			19596520			29623660

Stock Split 1 equity share of Rs. 10/- each split into 2 equity shares of Rs.5/- each in October 2005

Bonus History 1994 1999 2005
1:2 1:1 1:1

Share Transfers and other communication regarding share certificates, dividends, and change of address, etc., may be addressed to
Kavy Computershare Private Limited
Plot No.17 to 24, Near Image Hospital
Vittalrao Nagar, Madhapur
Hyderabad – 500 081
Phone : (040) 23420815 to 18 & 2311 4074
Fax : (040) 2342 0814
E-mail : madhusudhan@kavy.com

Share Transfer System

Share transfers are registered and returned within a period of 10/15 days from the date of receipt if the documents are in order. The Company obtains from a Company Secretary in Practice half-yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement with Stock Exchanges and files a copy of the certificate with the Stock Exchanges.

Transfer period in days	2010-2011	
	No. of shares	Percentage
1 – 10	15560	89
11 – 20	404	2
21 – 30	1600	9
Total	17564	100

Investors services

Complaints received during the year

Nature of complaints	Received	Cleared
1. Non-receipt of share certificates	10	10
2. Non-receipt of dividend warrants	52	52
3. Non-receipt of Annual Report	2	2

The company attended to most of the investors' grievances/ correspondence within seven days from the date of receipt of the same during the year 2010-11.

Distribution of shareholding as on 31st March 2011

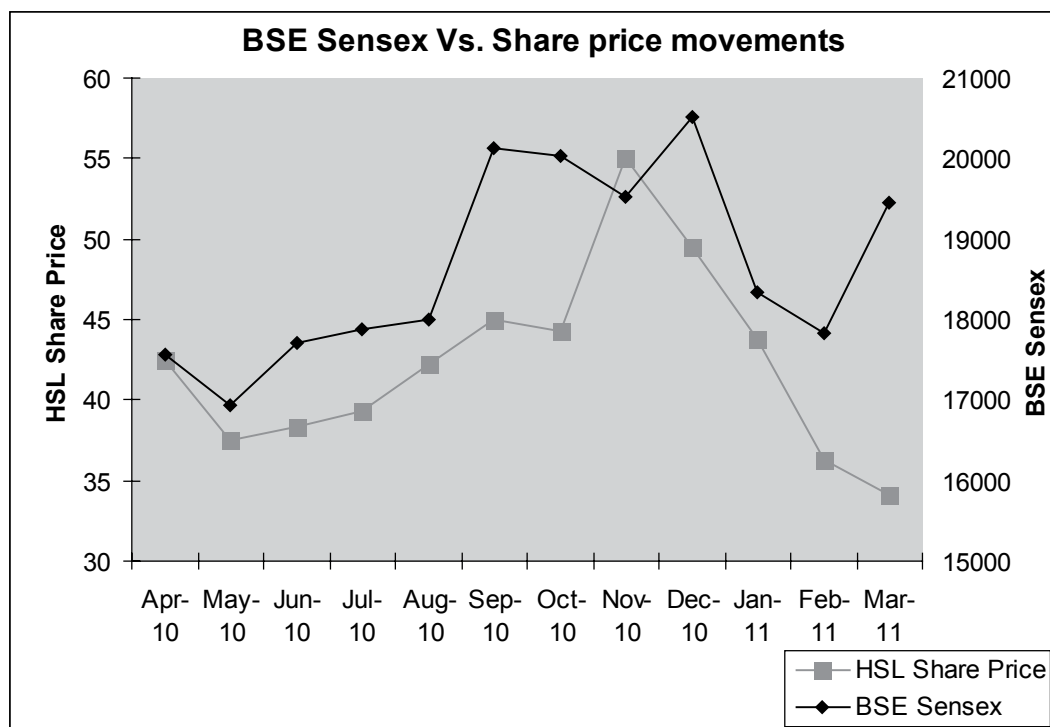
No. of equity shares	No. of share holders	% of share holders	No. of shares held	% of shareholding
1 – 5000	16191	81.99	4179741	4.25
5001 – 10000	1650	8.36	2584315	2.62
10001 – 20000	870	4.41	2591633	2.63
20001 – 30000	342	1.73	1753036	1.78
30001 – 40000	154	0.78	1104058	1.12
40001 – 50000	129	0.65	1208064	1.23
50001- 100000	224	1.13	3234750	3.29
100001 and above	188	0.95	81801563	83.08
Total	19748	100.00	98457160	100.00

Shareholding Pattern as on 31st March 2011

Category of Shareholder	No. of Shareholders	No. of Equity shares	As a percentage of (A+B+C)
Shareholding of Promoter and Promoter Group Indian			
Individuals/Hindu Undivided Family	14	32862663	33.38
Bodies Corporate	7	18739109	19.03
Sub Total (A)(1)	21	51601772	52.41
Foreign			
Individual (Non-Resident Individual/Foreign Individual)	2	1237800	1.26
Sub Total (A)(2)	2	1237800	1.26
Total Shareholding of Promoter and Promoter Group (A)(1)+(A)(2)	23	52839572	53.67
Public Shareholding Institutions			
Mutual Funds/UTI	10	8747597	8.88
Financial Institutions/ Banks	8	37080	0.04
Insurance Companies	2	924886	0.94
Foreign Institutional Investors	5	1631801	1.66
Sub-Total (B)(1)	25	11341364	11.52
Non-Institutions			
Bodies Corporate & Trusts	675	7896008	8.02
Individuals			
i. Individual Shareholders holding nominal share capital up to Rs. 1 lakh	18527	14362343	14.59
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	114	10616690	10.78
Any other (specify)			
- NRI/OCB	349	1361242	1.38
- Clearing Member	35	39941	0.04
Sub-Total (B)(2)	19700	34276224	34.81
Total Public Shareholding (B)(1)+(B)(2)	19725	45617588	46.33
Total (A)+(B)	19748	98457160	100.00
Shares held by Custodians and against which Depository Receipts have been issued (C)	Nil	Nil	Nil
Grand Total (A+B+C)	19748	98457160	100.00

Note: Promoter Group has not pledged any of their shares as on 31.03.2011.

Share price movements



Dematerialisation of shares and liquidity

The equity shares of the company are available for dematerialisation with National Securities Depository Limited (NSDL) and Central Depository Services of India Limited (CDSL). The equity shares of the company have been notified by SEBI for settlement only in the demat form for all investors from 21st March 2000.

As on 31st March 2011, 98.16% of the company's share capital is dematerialized and the rest is in Physical form. The company's shares were regularly traded on the National Stock Exchange and Mumbai Stock Exchange.

Shares held in demat and physical mode as on March 31, 2011

Category	Number of		% to total equity
	Shareholders	Shares	
Demat Mode			
NSDL	13899	86990661	88.35
CDSL	4809	9662033	9.81
Total	18708	96652694	98.16
Physical Mode			
	1040	1804466	1.84
Grand Total	19748	98457160	100.00

Outstanding GDR/ADR/Warrants

None

Unclaimed Dividends

Pursuant to Section 205C of the Companies Act, 1956, dividends that are unpaid/ unclaimed for a period of seven years from the date they became due for payment are required to be transferred by the Company to the Investor Education and Protection Fund (IEPF) administered by the Central Government. Given below are the dates of declaration of dividend and corresponding dates when unpaid/unclaimed dividends are due for transfer to IEPF:

Year	Type of dividend	Dividend per share (Rs.)	Date of declaration of dividend	Due date for transfer to IEPF
2004	Final	6.00	July 31, 2004	September 6, 2011
2005	Interim	5.00	October 29, 2004	December 5, 2011
2005	Final	5.00	August 27, 2005	October 3, 2012
2006	Interim	1.25	January 21, 2006	February 27, 2013
2006	Final	1.25	July 28, 2006	September 3, 2013
2007	1st Interim	1.25	October 28, 2006	December 4, 2013
2007	2nd Interim	1.25	March 12, 2007	April 18, 2014
2010	Dividend	0.25	September 8, 2010	October 15, 2017

Members who have so far not encashed their dividend warrants are requested to write to the Company/Registrar to claim the same, to avoid transfer to IEPF. Members are advised that no claims shall lie against the said Fund or the Company for the amounts of dividend so transferred to the said Fund.

Service of documents through electronic mode:

As a part of Green initiatives, the members who wish to receive documents like the Notice convening the general meetings, Financial Statements, Director's Report, Auditors Report etc., through e-mail, may kindly intimate their e-mail address to Company/Registrars (for shares held in physical form) and Depository Participants (for shares held in dematerialized form).

Other useful information to shareholders

- Equity shares of the Company are under compulsory demat trading by all investors, with effect from 21st March 2000. Considering the advantages of scripless trading, shareholders are requested in their own interest to consider de-matualisation of their shareholding so as to avoid inconvenience in future.
- Shareholders/Beneficial Owners are requested to quote their Registered Folio No./DP & Client ID Nos. as the case may be, in all correspondence with the RTA/ Company. Company has also designated an exclusive E-mail ID: investors@himatsingka.com for effective investors' services where they can complaint/ query and request for speedy and prompt redressal.
- Shareholders holding shares in physical form are requested to notify to the RTA/ Company, change in their address/ Pin Code number with proof of address and Bank Account details promptly by written request under the signatures of sole/ first joint holder. Shareholders may note that for transfer of shares held in physical form, as per recent circular issued by SEBI, the transferee is required to furnish copy of their PAN card to the Company/RTAs for registration of transfer of shares.
- Beneficial Owners of shares in demat form are requested to send their instructions regarding change of name, bank details, nomination, power of attorney, etc., directly to their Depository Participants only.
- Non-resident members are requested to immediately notify the following to the Company in respect of shares held in physical form and to their Depository Participants in respect of shares held in dematerialized form:
 - Indian address for sending all communications, if not provided so far;
 - Change in their residential status on return to India for permanent settlement;
 - Particulars of the Bank Account maintained with a bank in India, if not furnished earlier; and
 - E-mail ID and Fax No(s), if any.
- In case of loss/ misplacement of shares, investors should immediately lodge FIR/Complaint with the Police and inform to the Company along with original or certified copy of FIR/ Acknowledged copy of the Police complaint.
- For expeditious transfer of shares, shareholders should fill in complete and correct particulars in the transfer deed. Wherever applicable, registration number of Power of Attorney should also be quoted in the transfer deed at the appropriate place.
- Shareholders are requested to keep record of their specimen signature before lodgement of shares with the Company to obviate the possibility of difference in signature at a later date.
- Shareholders of the Company, who have multiple accounts in identical names(s) or holding more than one Share Certificate in the same name under different Ledger Folio(s), are requested to apply for consolidation of such Folio(s) and send the relevant Share Certificates to the Company.
- Section 109A of the Companies Act, 1956 extends nomination facility to individuals holding shares in physical form in Companies. Shareholders, in particular those holding shares in single name, may avail of the above facility by furnishing the particulars of their nominations in the prescribed Nomination Form.
- Shareholders are requested to give their valuable suggestions for improvement of the Company's investor services.

-
- Plant locations
1. 23A KIADB Industrial Area
Veerapura Village
Doddaballapur Taluk
Bangalore District
 2. Plot No. 1, SEZ, Textile Specific
KIADB Industrial Area
Gorur Road
Hanumanthapura PO
Hassan - 573 201

Investors' correspondence may be addressed to Mr. Amit Jain, Associate Vice President – Treasury, Taxation & Company Secretary, Himatsingka Seide Limited, 10/24, Kumarakrupa Road, High Grounds, Bangalore 560 001. Phone (080) 2237 8000 Fax (080) 4147 9384, e-mail: investors@himatsingka.com

Mandatory/Non Mandatory Requirements

The Company has complied with all the mandatory requirements of clause 49 of the Listing agreement relating to Corporate Governance. At present, the Company has not adopted the non-mandatory requirements of clause 49 except constitution of the remuneration committee.

DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, all Board members and Senior Management Personnel have affirmed compliance with Himatsingka Seide Limited Code of Business Conduct and Ethics for the year ended March 31, 2011.

Bangalore
May 19, 2011

Dinesh Himatsingka
Managing Director

Corporate Information

Himatsingka Seide Limited

Board of Directors

Dilip J. Thakkar
Chairman

A.K. Himatsingka
Vice Chairman

Dr. K.R.S. Murthy

Berjis M. Desai

A.K. Dasgupta

Rajiv Khaitan

David Rasquinha - upto 29-04-2011
Nominee Director of
Export-Import Bank of India

Samuel Joseph Jebaraj - w.e.f. 29-04-2011
Nominee Director of
Export-Import Bank of India

D.K. Himatsingka
Managing Director

Aditya Himatsingka
Executive Director

Shrikant Himatsingka
Executive Director

Audit Committee

Dilip J. Thakkar
Chairman

Rajiv Khaitan
Member

Dr. K.R.S. Murthy
Member

David Rasquinha - upto 29-04-2011
Member

Samuel Joseph Jebaraj - w.e.f. 19-05-2011
Member

Shareholders/ Investors

Grievance Committee

Rajiv Khaitan
Chairman

A.K. Himatsingka
Member

A.K. Dasgupta
Member

Investment Committee

D.K. Himatsingka
Member

A.K. Himatsingka
Member

Rajiv Khaitan
Member

Share Transfer Committee

A.K. Himatsingka
Member

D.K. Himatsingka
Member

Aditya Himatsingka
Member

Remuneration Committee

Rajiv Khaitan
Chairman

Dr. K.R.S. Murthy
Member

A.K. Dasgupta
Member

Risk Management Committee

Dr. K.R.S. Murthy
Chairman

Aditya Himatsingka
Member

Shrikant Himatsingka
Member

Pradeep Mukherjee

K.P. Pradeep

Amit Jain

Ashutosh Halbe

QIP Committee

Dr. K.R.S. Murthy
Member

D.K. Himatsingka
Member

Aditya Himatsingka
Member

Shrikant Himatsingka
Member

Senior Executives

G. Ravichandran
President (Group Operations)

Pradeep Mukherjee
President (Global Sales & Marketing)

Jayshree Poddar
Head of Design

K.P. Pradeep
Chief Financial Officer

Ratnakar Nemani
Chief Information Officer

Y. R. Wilson Maria Doss
Vice President (HR)

Bharat Ram
Vice President (Retail)
(Himatsingka Wovens Pvt. Ltd)

S Shanmuga Sundram
Vice President (Bed Linen Operations)

Company Secretary

Amit Jain

Bankers

Canara Bank

Export Import Bank of India

The Hongkong & Shanghai
Banking Corporation Ltd.

Auditors

Messrs Deloitte Haskins & Sells

Registered Office

10/24, Kumarakrupa Road
High Grounds
Bangalore - 560 001

Directors' Report

Himatsingka Seide Limited

Your Directors are pleased to present the Twenty - Sixth Annual Report on the operations and performance of your Company, together with audited financial statements and auditors' report for the year ended 31st March, 2011.

Year in retrospect

The world economy in 2010 ended without the 'double-dip' recession that many economists had predicted. The quantitative easing combined with the tax cut package in the US, provided some stimulus to the US economy. The European Union Sovereign debt concerns resulted in a slow-down in economies in the region. The consumers in overseas markets have cut back on discretionary and big-ticket spending reflected in higher savings rates in some geographies.

The year 2010-11 was a year of consolidation for the various businesses of the Company. The distribution businesses in North America reported a growth of 18.00%, while the European, India and Asia distribution business continued to be steady. The Curtain and Upholstery exports business reported a sales growth of 5.52% during the year.

For 2010-11, standalone revenue from operations grew by 9.23% to Rs.50,801.61 lakhs, as compared to Rs. 46,510.68 lakhs in 2009-10. Other income for the year was Rs.1,226.35 lakhs as against Rs.1,082.13 lakhs in the previous year.

The significant area of concern was an unprecedented increase in the cost of raw materials coupled with the weakening dollar. The increase in material cost in the current year over a normative pricing scenario is estimated to be approximately Rs. 9,000 lakhs, while the Indian Rupee strengthened against the dollar by 3.20%.

Your Company had increased realizations of products sold, introduced product mix changes and changes in their pattern of sourcing during the year. However, these changes did not completely mitigate the increase in input costs. Consequently there was a significant contraction in the margin of the manufacturing business. The greatest impact was felt in the Bed Linen division, which reported a loss of Rs.5,913.35 lakhs, as compared to a loss of Rs. 1,787.01 lakhs in the previous year.

For the year under review, the Company reported a loss of Rs.4,218.37 lakhs as against a profit of Rs.820.54 lakhs in the previous year.

(Rs. in lakhs)

	2010-11	2009-10
Sales	48,715.49	45,624.77
Other operating income	2,086.12	885.91
Revenue from operations	50,801.61	46,510.68
Other income	1,226.35	1,082.13
Total income	52,027.96	47,592.81
Profit before depreciation, interest, exceptional items and tax	3,351.90	6,985.98
Profit / (loss) before tax	(4,218.37)	810.97
Provision for tax	-	(9.57)
Profit / (loss) after tax	(4,218.37)	820.54
Profit brought forward from previous year	6,692.72	6,159.20
Profit available for appropriation	2,474.35	6,979.74
Appropriations		
Proposed dividend	-	246.14
Tax on distributed profits	-	40.88
Profit carried to Balance Sheet	2,474.35	6,692.72

Consolidated Financial Results

The Company's consolidated total income increased by 14.5% to Rs.124,067.51 lakhs as compared to Rs.108,330.39 lakhs in the previous year. As mentioned earlier, on account of steep increase in cost of raw materials, the Bed Linen division reported a loss of Rs.5,913.35 lakhs as compared to a loss of Rs. 1,787.01 lakhs in the previous year. However the loss in the Bed-linen division was partially offset by good performance in the North American markets thereby resulting in a lower consolidated loss as against the standalone performance for the year.

The consolidated loss for the year was Rs.1,657.58 lakhs as compared to profit of Rs.1,179.22 lakhs in the previous year.

Prospects

USA and Europe are the key markets for the Company's products. The North American markets in particular have shown a growth of 16.03%. While the economic data disclosed from these two markets shows cautious optimism, we anticipate a stable situation for the future.

Growth initiatives during the year

The Company has invested significant time and resources in addressing changing requirements in a complex market. Initiatives in the regard include product re-engineering, addressing requirements of price sensitive markets, new product launches, addition of new customers and launching new distribution channels.

The Company is planning to enhance the retail presence of its luxury brand "atmosphere" through opening of additional retail outlets in the Middle East, South East Asia and India. The company also plans to introduce a new brand in home furnishings which will cater to the mid-market segment.

Performance of subsidiary companies

Himatsingka Wovens Private Limited (HWPL)

The retail stores "ATMOSPHERE" are managed by HWPL, a wholly owned subsidiary. HWPL reported a marginal decline in sales by 3.65% to Rs.3,837.57 lakhs in the current year on account of the stressful market conditions. During the year, the made-ups facility at Apparel Park – Dodaballapur contributed Rs.484.92 lakhs to total income. For the year EBITDA was Rs.877.85 lakhs as compared to Rs. 837.00 lakhs in the previous year. Profit before tax was lower at Rs.210.28 lakhs as compared to Rs.253.72 lakhs in the previous year.

Himatsingka America Inc. (HimA)

HimA is a wholly-owned subsidiary which markets products of our Silk division in the USA. HimA is also the holding Company for Divatex Home Fashions Inc. and DWI Holdings Inc.

For the year ended 31st March, 2011, HIMA recorded sales of USD 3.32 Million (Rs.1,510.38 lakhs) as compared to USD 3.55 Million (Rs.1,686.74 lakhs) in the previous year. It recorded a profit before tax of USD 1.97 Million (Rs.884.88 lakhs) as compared to the loss of USD 2.14 Million (Rs.1,023.33 lakhs) for the previous year. The Company received a dividend of USD 5.23 million in current year as compared to USD 0.88 million in the previous year, from its subsidiaries.

Divatex Home Fashions Inc.

For the year ended 31st March, 2011, Divatex Home Fashions Inc. recorded Net sales of USD 140.98 Million (Rs.64,238.69 lakhs) compared to USD 118.89 Million (Rs.56,041.86 lakhs) in the previous year and profit before tax of USD 6.99 Million (Rs.3,197.64 lakhs) compared to USD 3.29 Million (Rs.1,540.37 lakhs) for the previous year. The improved profitability has resulted from an increase in sales of 18.6% aided by new product launches, addition of new customers and significant cost optimization initiatives.

DWI Holdings Inc.

For the year ended 31st March, 2011, DWI Holdings Inc. recorded sales of USD 58.34 Million (Rs.26,603.47 lakhs) compared to USD 49.96 Million (Rs.23,709.93 lakhs) in the previous year and profit before tax of USD 2.43 Million (Rs.1,114.63 lakhs) compared to USD 0.32 Million (Rs.162.28 lakhs) for the previous year. The Company's strategy of distributing brands in various pricing formats resulted in a 16.8% growth in sales. In addition, significant cost optimization initiatives have resulted in a better performance as against the previous year.

Giuseppe Bellora SpA

For the year ended March 31, 2011, Giuseppe Bellora SpA recorded sales of Euro 19.33 Million (Rs.11,658.68 lakhs) compared to Euro 19.19 Million (Rs.12,822.38 lakhs) in the previous year and a loss before tax of Euro 1.14 Million (Rs.687.40 lakhs) compared to a loss before tax of Euro 1.32 Million (Rs.886.94 lakhs) for the previous year. The results have been impacted by the continuing recessionary conditions in the European markets. The cost optimisation measures initiated in the last year have helped to reduce the overall loss for the year.

Twill & Oxford LLC

Twill & Oxford LLC is a subsidiary of the Company, which operates the ATMOSPHERE store at Dubai. For the year ended March 31, 2011, the Company recorded sales of AED 5.92 Million (Rs.732.97 lakhs) as compared to AED 8.67 Million (Rs. 1,132.61 lakhs) and made a profit of AED 0.43 Million (Rs.54.25 lakhs) as compared to loss of AED 0.46 Million (Rs.110.58 lakhs) for the previous year.

Himatsingka Singapore Pte Limited (HSPL)

HSPL is a wholly owned subsidiary of HWPL and operates a store at Singapore, retailing the ATMOSPHERE brand. For the year ended March 31, 2011, the Company recorded sales of SGD 0.86 Million (Rs.293.88 lakhs) as compared to SGD 1.1 Million (Rs.367.34 lakhs) in the previous year and incurred a loss before tax of SGD 0.46 Million (Rs.220.67 lakhs) as compared to SGD 0.93 Million (Rs.262.39 lakhs) for the previous year.

Annual Accounts of the Subsidiaries

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies and are also available on the Company's website i.e. www.himatsingka.com. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies. Further, a statement containing the particulars prescribed under the terms of the said exemption for each of the Company's subsidiaries, is also forming part of the Consolidated financial statements.

Finance

The Company's surplus funds continue to be invested prudently. As on March 31, 2011, the Company had invested Rs.674.93 lakhs in various schemes of mutual funds.

In accordance with the provisions of the Investor Education and Protection Fund (awareness and protection of investor) Rules, 2001, unpaid and unclaimed dividend (final dividend 2002-03 and interim dividend 2003-04) amounting to Rs.9.71 lakhs was transferred to the Investor Education and Protection Fund.

Personnel

Industrial relations were cordial throughout the year. We continue to train and motivate our workforce, to increase their contribution to the growth of the Company.

Research and Development

Research and development continues to provide valuable support to our exports and has helped us to keep pace with a dynamically changing market. We continue to give in-house research and innovation the highest priority.

Awards

The Company received the "Best EOU (Other than MSME)" under EPCES Export Awards for 2008-09 from the Export Promotion council for EOUs & SEZs.

Environment, Safety, Energy Conservation and Technology Absorption

Safety and environmental protection remain a key area of focus for the Company. Investments are continuously made in projects that reduce/treat waste and increase energy efficiencies.

We regularly upgrade our effluent treatment and water recycling plants to keep abreast with technological advancements. By avoiding carcinogenic azoclass dyes, we ensure eco-friendly production and worker safety. Our endeavor has been to maximize the efficient use of energy and ensure the safe and responsible discharge of residual wastes, while minimizing any adverse environmental impact and waste generation.

Information under section 217(1)(e) read with Companies (Disclosure of particulars in the report of Directors) Rules, 1988 are given in the Annexure, forming part of this report.

Corporate Governance

We comply with the corporate governance code as prescribed by the stock exchanges and SEBI. You will find a detailed report on corporate governance as part of this annual report. The auditor's certificate on compliance with the mandatory recommendations on corporate governance is annexed to this report.

Auditors' Report

The auditors in their report for the year ended 31st March, 2011, has drawn attention to Note 18 (3) of Schedule 19 to the accounts. In this regard, Directors submit as under:

The Company being predominantly in exports is exposed to foreign currency fluctuations on foreign currency assets and forecasted cash flows denominated in foreign currency. The company has a Risk Management Policy and manages the foreign exchange risks under the supervision and guidance of the Risk Management Committee of the Board. As on 31st March, 2011, apart from forward contracts, the Company has one outstanding foreign exchange derivative contract on which attention has been drawn

by the auditors. The determination of the liability on this contract is dependent on the occurrence of a future uncertain event and accordingly, no provision has been made in the accounts for the above contract. The Company will continue to closely monitor the contract through its duration.

Insurance

The Company's assets are prone to risks/ peril. The major risks/ peril are adequately insured.

Directors' Responsibility Statement

As required by the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors' Responsibility Statement is attached as Annexure, forming part of this report.

Foreign Exchange Earnings and Outgoings

(Rs. in lakhs)

Earnings		
Export (FOB Value)		44,702.29
Interest		360.60
Outgo		
Import of Raw Material and other Inputs	16,016.82	
Other Expenses	948.80	16,965.62
Net Foreign Exchange Earnings from Operations		28,097.27
Import of Capital Goods		60.08

Directors

In accordance with the provisions of the Companies Act, 1956, and Articles of Association of the Company, Mr. Aditya Himatsingka and Mr. Shrikant Himatsingka retire by rotation and being eligible, offer themselves for re-appointment. Their reappointments is being placed as one of the agenda item in the ensuing Annual General Meeting.

Mr. Berjis M. Desai who was appointed as an Additional Director w.e.f. 8.9.2010 holds office till the date of the ensuing Annual General Meeting. A notice has been received from a member proposing his candidature to the office of a Director. His appointment as a Director is being placed as an agenda item in the ensuing Annual General Meeting.

Group :

The names of the Promoters and entities comprising "group" as defined under the Monopolies and Restrictive Trade Practices ("MRTP") Act, 1969 read with Section 3(1)(e)(i) of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 are disclosed below:

- | | |
|-------------------------------|--------------------------------|
| 1. Nathmal Himatsingka | 14. Vikram Himatsingka (minor) |
| 2. A.K. Himatsingka | 15. Arjun Himatsingka (minor) |
| 3. Leela Devi Himatsingka | 16. Varun Himatsingka (minor) |
| 4. D.K. Himatsingka | 17. Orient Silk Pvt Ltd |
| 5. Rajshree Himatsingka | 18. Aditya Resources Ltd |
| 6. Aditya Himatsingka | 19. Priya Resources Ltd |
| 7. Ranjana Himatsingka | 20. Bihar Mercantile Union Ltd |
| 8. Amitabh Himatsingka | 21. Awdhan Trading Co. Ltd |
| 9. Supriya Himatsingka | 22. Bihar Agents Ltd |
| 10. Priyadarshini Himatsingka | 23. Credit Himatsingka Pvt Ltd |
| 11. Shrikant Himatsingka | 24. Himatsingka Wovens Pvt Ltd |
| 12. Akanksha Himatsingka | 25. Himatsingka Foundation |
| 13. Anuradha Himatsingka | |

Note: Shareholdings of HUFs, are held in the names of the respective individuals in the capacity of Karta. Hence, HUFs are not separately listed hereinabove.

Particulars of Employees

In terms of provisions of section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended by Companies (Particulars of Employees) Amendment Rules, 2011, there are no employees in the Company receiving a remuneration of not less than Rs.60,00,000 p.a. if employed throughout the financial year and remuneration of not less than Rs.500,000 per month if employed for part of the financial year.

Public Deposits

The Company has not accepted any deposits from the public during the year within the meaning of Section 58A of the Companies Act, 1956.

Auditors

Messers Deloitte Haskins & Sells. (Firm Registration No 008072S) Chartered Accountants, the Company's Auditors, retire at the ensuing Annual General Meeting and are eligible for re-appointment. Members are requested to appoint the auditors and fix their remuneration for the current year.

Cost Auditors

Pursuant to the directives of the Central Government under the provisions of Section 233B of the Companies Act, 1956, in respect of the audit of Cost Records of the Company, M/s. Rao, Murthy & Associates, Cost Accountants, have been appointed as the Cost Auditor for the financial year 2011 - 12. The cost audit report for the financial year 2009-10, which was due to be filed with the Ministry of Corporate Affairs by September 30, 2010, was filed on September 25, 2010.

Acknowledgement

Your Directors wish to place on record their appreciation of the unstinting efforts made by all employees in ensuring excellent all-round operational performance. We also wish to thank our Customers, Vendors, Shareholders and Bankers for their continued support. Your Directors would like to express their grateful appreciation to the Central Government and Government of Karnataka for their continued co-operation and assistance.

For and on behalf of the Board

Place : Bangalore
Date : May 19, 2011

Dilip J Thakkar
Chairman

Annexures to the Directors' Report

Himatsingka Seide Limited

Directors' Responsibility Statement

We, the Directors of Himatsingka Seide Limited, confirm the following:

That in the preparation of the Annual Accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;

That the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

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;

That the Directors had prepared the annual accounts on a going concern basis.

For and on behalf of the Board

Place : Bangalore
Date : May 19, 2011

Dilip J Thakkar
Chairman

Additional Information as required under Section 217(1)(e) of The Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988:

Conservation of Energy:

(A) Power & Fuel Consumption:		Current Year	Previous Year
1. a) Electricity Purchased	Units	10,270,040	33,918,297
Total Amount	Rs	57,490,719	161,641,962
Rate/Unit	Rs	5.60	4.77
b) Own Generation			
i) Through Diesel Generator	Units	66,724	136,824
Units/Ltr. Of Diesel Oil	Units	3.09	3.30
Cost/Unit	Rs	10.45	8.22
ii) Through Steam Turbine/Generator	Units	65,091,070	11,470,373
Cost/Unit	Rs.	4.49	4.78
2. Coal			
Quantity	Tons	75,140	14,251
Total Amount	Rs.	292,074,366	54,859,390
Average Rate per Ton	Rs.	3,887	3,850
3. Furnace Oil			
Quantity	KL	1,468	5,816
Total Amount	Rs	41,950,776	142,440,079
Average Rate per KL	Rs	28,577	24,493
4. Other/Internal Generation			
a. Liquefied Petroleum Gas			
Quantity	Kg	229,047	250,212
Total Amount	Rs	9,492,759	9,458,446
Average Rate per kg	Rs	41	38
(B) Consumption:			
Product –(a) Natural Silk/Blended Fabrics (per meter)			
Electricity	Unit	9.10	7.30
Furnace Oil	Litre	1.02	0.89
Coal/Others		NIL	NIL
Reasons for variation: Due to changes in product-mix.			
- (b) Spun Silk/ Blended Yarns (per Kg)			
Electricity	Units/Kg	17.54	24.72
Furnace Oil		NIL	NIL
Liquefied Petroleum Gas	Rs /Kg	23.85	32.11
Coal/Others		NIL	NIL
Reasons for variation: Due to changes in product-mix.			
- (c) Cotton/ Bed linen			
Electricity	Unit/set	12.59	9.43
Furnace Oil	Litre/set	0.15	1.82
Liquefied Petroleum Gas	Rs./set	2.51	2.79
Coal / others	Rs./set	111.43	60.08

C. 1) Energy Conservation Measures taken:

- i. Regular preventive maintenance of electric motors
 - ii. Installation of additional capacitor banks to improve power factor to 0.99
 - iii. Frequency of steam trap checking has been increased and faulty traps were replaced
 - iv. Installation of sky lighting and turbo ventilators to reduce the lighting loads.
 - v. Installation of heat recovery system in boiler thermic fluid heater and process machines to recover the heat.
 - vi. Light fitting were fixed on loom sphere duct to increase the lux level and there by reducing number of light fittings in weaving.
 - vii. Higher system efficiency of boiler due to steam is generated at high pressure and used at lower pressure.
 - viii. Timers were installed for streetlights.
 - ix. Installation of soft starter to reduce the energy in higher torque application.
 - x. Electronic ballast were installed in lighting system.
 - xi. Solar street lights installed for new locations wherever required.
 - xii. LED Light fittings installed in general area lighting.
 - xiii. Modification of motor circuit and lowering the capacity (HP) of twisting machines
 - xiv. Modification of Compressed air lines, inter linking & Grid of compressed lines
 - xv. Optimizing/ adjusting the humidity plant fans blade angle.
- 2) Impact of the measures taken for reduction of energy consumption and consequent impact on the cost of production:
- i. Improvement in productivity
 - ii. Improvement in the life of electrical equipments
 - iii. Improved efficiency and product quality
 - iv. Reduction in electrical energy consumption and better illumination
 - v. Better power factor, better utilization of power plant and lower demand in KVA
 - vi. Optimization of compressor utilization.
 - vii. Reduction in power requirement & Better utilization of the plants.
 - viii. Improved efficiency of boilers.

Research & Development (R&D)

a) Specific areas in which the Company carried out R&D:

- i. Improvement in the quality of current products
- ii. Innovation of new products and processes
- iii. Development and appraisal of alternative raw materials
- iv. Indigenous substitutes for imported inputs

b) Benefits derived as a result of the above R&D:

- Improvement in the product quality and development of intricate fabric designs and weaves

c) Future plan of action

- Progression of R&D efforts towards quality enhancement, evolution of new designs and reduction in operational costs

d) Expenditure on R&D

- For the year 2010-11, the company incurred Rs.241.94 lakhs towards recurring expenditure on R&D. The total R&D expenditure as a percentage of turnover is 0.50%.

Technology Absorption :

a) Efforts in brief made towards technology absorption, adoption and innovations:

- i. Continuous interaction with R&D divisions of overseas designers and buyers
- ii. Adaptation of sophisticated technologies in developing new products and designs
- iii. Installation of Quantum Clearers in winding machines to eliminate foreign fibre contamination in spun yarn

b) Benefits derived as a result of the above efforts:

- i. Quality improvement
- ii. Reduced costs and increased productivity

c) Information regarding imported technology:

Not Applicable

Certificate
Himatsingka Seide Limited

TO THE MEMBERS OF HIMATSINGKA SEIDE LIMITED

We have examined the compliance of conditions of Corporate Governance by **Himatsingka Seide Limited** ("the company"), for the year ended on March 31, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 the above-mentioned listing agreement.

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

For DELOITTE HASKINS & SELLS
Chartered Accountants
Registration No. 008072S

Place : Bangalore
Date : May 19, 2011

S. Sundaresan
Partner
Membership No. : 25776

Auditors' Report

Himatsingka Seide Limited

TO THE MEMBERS OF HIMATSINGKA SEIDE LIMITED

1. We have audited the attached Balance Sheet of **HIMATSINGKA SEIDE LIMITED** ("the Company") as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both 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 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We draw attention to Note 18 (3) of Schedule 19 to the accounts. As explained, the liability, if any, that may arise under the referenced contract with a Bank is dependent on the exchange rate between two currencies during a specified period in the future. Because of this significant uncertainty the Company has not provided for any liability that may arise of this contract in the financial statements.
4. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in the Annexure referred to in paragraph 4 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 it appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) 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 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:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31 2011;
 - (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.
6. On the basis of the written representations received from the Directors as on March 31, 2011 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For DELOITTE HASKINS & SELLS
Chartered Accountants
Registration No. 008072S

S. Sundaresan
Partner
Membership No.25776

Place : Bangalore
Date : May 19, 2011

Annexure to the Auditors' Report
(Referred to in paragraph 4 of our report of even date)

Himatsingka Seide Limited

- i. Having regard to the nature of the Company's business/activities, clauses vi, xii, xiii, xiv, xix, xx of CARO are not applicable.
- ii. In respect of its fixed assets:
- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
- (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- iii. In respect of its inventory:
- (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
- (b) In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iv. In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
- (a) The Company has granted loans aggregating Rs. 453.05 lakhs to one subsidiary during the year. At the year-end, the outstanding balances of such loans aggregated to Rs.7,418.49 lakhs (from three subsidiaries) and the maximum amount involved during the year was Rs. 7,798.99 lakhs (from three subsidiaries).
- (b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie*, not prejudicial to the interests of the Company.
- (c) The receipts of principal amounts and interest have been as per stipulations.
- (d) There is no overdue amount in respect of loans granted to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956.
- In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
- (a) The Company has taken loans aggregating Rs.1,570.00 lakhs from one party during the year. At the year-end, the outstanding balance of such loans taken aggregated Rs.3,222.30 lakhs and the maximum amount involved during the year was Rs. 3,222.30 Lakhs.
- (b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie*, not prejudicial to the interests of the Company.
- (c) The payments of principal amounts and interest in respect of such loans are as per stipulations.
- v. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- vi. In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
- (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.

(b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are, *prima facie*, reasonable having regard to the prevailing market prices at the relevant time except in respect of certain purchases for which comparable quotations are not available and in respect of which we are unable to comment.

vii. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.

viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of textile and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.

ix. In our opinion and according to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed 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 applicable to it with the appropriate authorities.

(b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2011 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on March 31, 2011 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. in lakhs)
Income Tax Act	Income tax	Commissioner of Income Tax (Appeals)	FY 2002-03 to 2004-05 and 2006-07	4,474.03
Excise Duty	Excise Duty	Commissioner of Commercial Taxes	FY 2003-04 to 2008-09	265.40

x. The Company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses in the financial year and in the immediately preceding financial year.

xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions.

xii. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are not, *prima facie*, prejudicial to the interests of the Company.

xiii. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.

xiv. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have not been used during the year for long-term investment.

xv. In our opinion and according to the information and explanations given to us, the Company has not made any allotment of shares during the year.

xvi. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS
Chartered Accountants
Registration No. 008072S

S. Sundaresan
Partner
Membership No.25776

Place : Bangalore
Date : May 19, 2011

Balance Sheet

Himatsingka Seide Limited As at March 31, 2011

	Sch No	As at 31.03.2011 Rs. in lakhs	As at 31.03.2010 Rs. in lakhs
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	4,922.86	4,922.86
Reserves and surplus	2	47,508.66	51,727.03
		52,431.52	56,649.89
Loan Funds			
Secured loans	3	46,634.16	49,418.02
Unsecured loans [Due within one year - Rs.832.00 lakhs (Previous year: Rs. Nil)]		3,222.30	2,390.30
		49,856.46	51,808.32
TOTAL		102,287.98	108,458.21
APPLICATION OF FUNDS			
Fixed assets			
Gross block	4	75,616.12	73,565.73
Less : Accumulated depreciation		27,720.62	23,953.90
Net block		47,895.50	49,611.83
Capital work in progress [includes capital advances of Rs. 350.37 lakhs (Previous year: Rs.631.70 lakhs)]		989.23	2,756.47
		48,884.73	52,368.30
Investments	5	29,509.58	27,708.09
Current assets, Loans and advances			
Inventories	6	16,622.29	19,682.91
Sundry debtors	7	4,981.13	5,325.99
Cash and bank balances	8	290.47	843.98
Loans and advances	9	17,095.74	16,588.27
		38,989.63	42,441.15
Less: Current liabilities and provisions	10		
Current liabilities		12,864.61	11,871.43
Provisions		2,231.35	2,187.90
Net current assets		23,893.67	28,381.82
TOTAL		102,287.98	108,458.21
Notes forming part of accounts	19		
Significant accounting policies	20		

The schedules referred to above and the notes thereon form an integral part of the Balance Sheet.

In terms of report attached
for **Deloitte Haskins & Sells**
Chartered Accountants

for and on behalf of the Board of Directors

Dilip J. Thakkar
Chairman

A.K.Himatsingka
Vice-Chairman

D. K. Himatsingka
Managing Director

S.Sundaresan
Partner
Bangalore, May 19, 2011

Pradeep K.P.
Chief Financial Officer
Bangalore, May 19,2011

Amit Jain
Company Secretary

Profit And Loss Account	
Himatsingka Seide Limited	For the year ended March 31, 2011

	Sch No	For the year ended 31.03.2011 Rs. in lakhs	For the year ended 31.03.2010 Rs. in lakhs
INCOME			
Export sales	I	45,030.82	43,741.36
Local sales		4,039.92	2,156.87
Less: Excise duty		355.25	273.46
Net Sales	II (I+II)	3,684.67	1,883.41
Other operating income	11	2,086.12	885.91
Revenue from operations		50,801.61	46,510.68
Other income	12	1,226.35	1,082.13
		52,027.96	47,592.81
EXPENDITURE			
Materials consumed	13	32,165.44	30,251.85
Purchase of traded goods		1,469.92	226.97
Decrease / (increase) in work in process and finished goods	14	216.84	(3,345.33)
Manufacturing expenses	15	6,487.91	5,616.99
Personnel expenses	16	5,561.86	4,818.20
Other expenses	17	2,774.09	3,038.15
		48,676.06	40,606.83
Profit before depreciation, interest, exceptional items and tax		3,351.90	6,985.98
Interest (Net) and finance charges	18	2,800.86	2,572.15
Depreciation		4,769.41	4,456.04
Exceptional gain		-	(853.18)
Profit/(loss) before tax		(4,218.37)	810.97
Provision for taxation			
Current tax		337.82	369.72
Minimum alternate tax credit entitlement		(337.82)	(369.72)
Reversal of excess provision of earlier years		-	(9.57)
Profit/ (loss) after tax		(4,218.37)	820.54
Balance brought forward		6,692.72	6,159.20
Profit available for appropriation		2,474.35	6,979.74
Proposed dividend		-	246.14
Tax on distributed profits		-	40.88
Balance carried to Balance Sheet		2,474.35	6,692.72
Weighted average number of equity shares (Numbers)		98,457,160	98,457,160
Basic and diluted earnings per equity share (Rs) (Face value of Rs. 5 per share)		(4.28)	0.83
Notes forming part of accounts	19		
Significant accounting policies	20		

The schedules referred to above and the notes thereon form an integral part of the Profit and loss account.

In terms of report attached
for Deloitte Haskins & Sells
Chartered Accountants

for and on behalf of the Board of Directors

Dilip J. Thakkar
Chairman

A.K.Himatsingka
Vice-Chairman

D. K. Himatsingka
Managing Director

S.Sundaresan
Partner
Bangalore, May 19, 2011

Pradeep K.P.
Chief Financial Officer
Bangalore, May 19,2011

Amit Jain
Company Secretary

Statement of Cash Flows

Himatsingka Seide Limited For the year ended March 31, 2011

	Sch No	For the year ended 31.03.2011 Rs. in lakhs	For the year ended 31.03.2010 Rs. in lakhs
A. CASH FLOW FROM OPERATING ACTIVITIES:			
Profit / (loss) before tax		(4,218.37)	810.97
Profit on sale of assets		(119.73)	(47.60)
Profit on sale of investments		(34.13)	(83.32)
Depreciation		4,769.41	4,456.04
Diminution in value of investments		-	(1.95)
Exchange loss / (gain)		115.07	(148.26)
Interest income		(628.01)	(847.15)
Interest expense, net of subsidy [Net of interest capitalised Rs.3.50 lakhs (Previous year: Rs.277.19 lakhs)]		2,800.86	2,572.15
Operating profit before working capital changes		2,685.10	6,710.88
Decrease / (increase) in sundry debtors		418.57	(156.55)
Decrease / (increase) in inventories		3,060.62	(7,614.04)
Decrease in loans and advances		516.49	60.14
Increase / (decrease) in current liabilities and provisions		1,458.96	(1,666.85)
Cash generated from operations		8,139.74	(2,666.42)
Income tax paid (net of refunds received)		(220.60)	(471.82)
Net cash from operations		7,919.14	(3,138.24)
B. CASH FLOW FROM INVESTING ACTIVITIES:			
Investment in wholly owned subsidiary		(982.59)	(5,376.83)
Purchase of investments		(3,182.40)	(5,020.00)
Sale of investments		3,001.04	7,558.39
Loans (given to) / repaid by subsidiaries (Net)		(180.05)	5,892.19
Share application money given		(603.41)	(727.93)
Purchase of fixed assets		(1,740.32)	(3,954.28)
Sale proceeds of fixed assets		120.64	65.24
Interest received		248.37	347.39
Net cash from investing activities		(3,318.72)	(1,215.83)
C. CASH FLOW FROM FINANCING ACTIVITIES:			
Interest paid (Refer Note 22 (d) of Schedule 19)		(4,454.26)	(4,503.21)
Subsidy / subvention received		1,449.66	1,534.39
Proceeds of long term borrowings		1,612.38	2,434.67
Repayment of long term borrowings		(2,870.51)	(1,778.46)
Proposed share issue expenses		(76.32)	-
(Repayment) / proceeds of short term borrowings (Net)		(520.40)	7,186.52
Dividend paid		(254.77)	(4.03)
Tax on distributed profits		(41.00)	-
Net cash from financing activities		(5,155.22)	4,869.88
Total (decrease) / increase in cash and cash equivalents		(554.80)	515.81
Effect of exchange differences on restatement of foreign currency cash and cash equivalents		1.29	-
Cash and cash equivalents at the beginning of the period		843.98	328.17
Cash and cash equivalents at the end of the year (Refer Note 22 (b) & (c) of Schedule 19)		290.47	843.98
Notes forming part of accounts	19		
Significant accounting policies	20		

The schedules referred to above and the notes thereon form an integral part of the Cash flow statement

In terms of report attached
for **Deloitte Haskins & Sells**
Chartered Accountants

for and on behalf of the Board of Directors

Dilip J. Thakkar
Chairman

A.K.Himatsingka
Vice-Chairman

D. K. Himatsingka
Managing Director

S.Sundaresan
Partner
Bangalore, May 19, 2011

Pradeep K.P.
Chief Financial Officer
Bangalore, May 19,2011

Amit Jain
Company Secretary

Schedules To Balance Sheet

Himatsingka Seide Limited As at March 31, 2011

	As at 31.03.2011 Rs. in lakhs	As at 31.03.2010 Rs. in lakhs
Schedules to Accounts		
Schedule 1		
SHARE CAPITAL		
Authorised		
134,000,000 equity shares of Rs. 5 each (Previous year: 104,000,000 equity shares of Rs.5 each)	6,700.00	5,200.00
Issued		
98,496,160 equity shares of Rs. 5 each fully called up (Previous year: 98,496,160 equity shares of Rs. 5 each)	4,924.81	4,924.81
Subscribed and Paid up		
98,457,160 equity shares of Rs. 5 each fully paid up (Previous year: 98,457,160 equity shares of Rs.5 each)	4,922.86	4,922.86
(Out of the above 63,723,800 shares of Rs.5 each have been issued as Bonus shares by capitalisation of Reserves)		
	4,922.86	4,922.86
Schedule 2		
RESERVES AND SURPLUS		
Share premium account	27,675.71	27,675.71
General Reserve	16,737.72	16,737.72
Capital Reserve (Refer Note 23 of Schedule 19)	620.88	620.88
Profit and loss account	2,474.35	6,692.72
	47,508.66	51,727.03
Schedule 3		
SECURED LOANS		
Term loans from financial institution (Secured by charge over moveable and certain immovable fixed assets, both present and future) [Repayable within one year - Rs.2002.56 lakhs (Previous year: Rs. 1548.01 lakhs)]	13,502.64	13,830.33
Term loans from bank (Secured by charge over moveable and certain immovable fixed assets, both present and future) [Repayable within one year - Rs.1885.00 lakhs (Previous year: Rs.1283.00 lakhs)]	18,542.50	19,472.95
Working capital loan from banks (Working capital limits other than Buyer's credit secured against present and future stock and book debts on pari-passu basis. Buyer's credit secured by equitable mortgage on land and building situated at Midford Gardens, M.G. Road , Bangalore)	14,589.02	16,114.74
	46,634.16	49,418.02

Schedule 4
FIXED ASSETS

(Rs. in lakhs)

Particulars	Gross block			Depreciation			Net block			
	As at 01.04.2010	Additions (Deletions)	Other adjustments **	As at 31.03.2011	Up to 31.03.2010	For the year	On deletions	Adjustments**	As at 31.03.2011	As at 31.03.2010
Land*	747.38	-	-	747.38	-	-	-	-	747.38	747.38
Leasehold land	1,149.31	11.60	-	1,160.91	35.31	19.29	-	-	1,106.31	1,114.00
Buildings	13,536.89	142.62	(3.75)	13,675.76	1,692.42	447.16	-	-	11,536.18	11,844.47
Plant and machinery	56,474.53	2,849.86 (990.70)	(40.83)	58,292.86	21,289.37	4,086.16	(989.79)	-	33,907.12	35,185.16
Furniture and fixtures	592.13	6.41	(6.95)	591.59	239.50	55.99	-	-	296.10	352.63
Leasehold improvements	92.13	-	-	92.13	69.18	18.43	-	-	4.52	22.95
Office equipments	828.62	95.03	-	923.65	579.15	121.91	-	-	222.59	249.47
Vehicles	144.74	-	-	131.84	48.97	20.47	(12.90)	-	75.30	95.77
Total	73,565.73	2,101.92	(51.53)	75,616.12	23,953.90	4,769.41	(1,002.69)	-	47,895.50	49,611.83
Capital work in progress										
Previous Year	66,022.45	7,555.28	(12.00)	73,565.73	19,584.14	4,456.04	(76.67)	(9.61)	49,611.83	46,438.31
									989.23	2,756.47
									48,884.73	52,366.30

* Land includes Rs.17.91 lakhs (Previous year Rs. 17.91 lakhs) being the share in land jointly owned with others.

** Other adjustments include reduction / discounts in the liability to vendors against assets capitalised in prior years.

	As at 31.03.2011		As at 31.03.2010	
	Numbers	Rs. in lakhs	Numbers	Rs. in lakhs
Schedule 5				
INVESTMENTS (Refer note 17 of schedule 19)				
Long term, trade, unquoted				
In subsidiary companies				
Himatsingka Wovens Private Limited Equity shares of Rs. 100 each fully paid up	1,250,000	1,164.12	1,250,000	1,164.12
Himatsingka America Inc. Equity shares of USD 10,000 each fully paid up	4,010	17,344.63	3,800	16,362.04
Twill & Oxford LLC Equity shares of AED 100 each fully paid up	1,470	37.35	1,470	37.35
Giuseppe Bellora S.p.A. Equity shares of Euro 1 each fully paid up	7,515,501	6,875.50	7,515,501	6,875.50
Share application money (Giuseppe Bellora S.p.A.)		3,413.05		2,809.65
Current, non-trade, unquoted				
(Units of mutual funds)				
Birla Sunlife Savings Fund - Institutional Plan - (Growth Option)	680,917	123.63	795,042	136.80
HDFC Cash Management Fund Treasury Advantage Plan Whole Sale - (Growth Option)	540,734	113.39	655,128	130.25
Tata Floater Fund - (Growth Option)	794,844	113.47	640,211	86.52
UTI Treasury Advantage Fund Institutional Plan - (Growth Option)	8,066	103.76	8,689	105.86
Canara Robeco Liquid Fund - (Growth Option)	573,587	100.33	-	-
DSP Blackrock Liquidity Fund - (Growth Option)	8,789	120.35	-	-
		<u>29,509.58</u>		<u>27,708.09</u>
Total unquoted		29,509.58		27,708.09

Movement of current, non-trade, unquoted investments
(Previous year numbers are shown in brackets)

Units of mutual funds - numbers	Opening	Purchases	Sales	Closing
Birla Sunlife Savings Fund - Institutional Plan - (Growth Option)	795,042	4,313,132	4,427,257	680,917
	(609,853)	(6,773,994)	(6,588,805)	(795,042)
HDFC Cash Management Fund Treasury Advantage Plan Whole Sale - (Growth Option)	655,128	3,249,681	3,364,074	540,734
	(2,900,567)	(3,451,839)	(5,697,278)	(655,128)
Tata Floater Fund - Weekly Dividend Payout	640,211	5,035,668	4,881,035	794,844
	(4,262,676)	(5,828,966)	(9,451,431)	(640,211)
UTI Treasury Advantage Fund Institutional Plan - (Growth Option)	8,689	57,497	58,120	8,066
	(47,354)	(62,234)	(100,899)	(8,689)
Canara Robeco Liquid Fund - (Growth Option)	-	862,107	288,520	573,587
	-	-	-	-
DSP Blackrock Liquidity Fund - (Growth Option)	-	12,449	3,660	8,789
	-	-	-	-

	As at 31.03.2011 Rs. in lakhs	As at 31.03.2010 Rs. in lakhs
Schedule 6		
INVENTORIES		
Raw materials	3,439.08	5,517.50
Stores and spares	1,200.24	1,965.60
Work-in-process	10,886.16	10,772.59
Finished goods	1,096.81	1,427.22
	16,622.29	19,682.91
Schedule 7		
SUNDRY DEBTORS (UNSECURED CONSIDERED GOOD)*		
Outstanding for more than six months	2,293.53	1,798.33
Other debts	2,687.60	3,527.66
	4,981.13	5,325.99
*Sundry debtors include dues from subsidiaries:		
Himatsingka Wovens Private Limited	335.74	231.40
Himatsingka America Inc. [includes outstanding for more than 6 months Rs. 135.23 lakhs (Previous year Rs. 249.33 lakhs)]	569.27	717.19
Giuseppe Bellora S.p.A. [includes outstanding for more than 6 months Rs. 1920.78 lakhs (Previous year Rs.1492.19 lakhs)]	2,542.12	2,102.38
Himatsingka Singapore Pte Ltd	2.98	-
Divatex Home Fashions, Inc. [includes outstanding for more than 6 months Rs. Nil (Previous year Rs.0.27 lakhs)]	-	956.64
DWI Holdings, Inc.	-	70.13
	3,450.11	4,077.74
Schedule 8		
CASH AND BANK BALANCES		
Cash and stamps in hand	10.93	16.01
With scheduled banks		
In current accounts	277.04	825.47
In deposit account [includes security against ECGC premium Rs.2.50 lakhs (Previous year: Rs.2.50 lakhs)]	2.50	2.50
	290.47	843.98
Schedule 9		
LOANS AND ADVANCES		
(Unsecured considered good)		
Advance taxes	2,506.95	2,314.95
Minimum alternate tax credit entitlement	897.57	559.75
Loans to subsidiaries		
Himatsingka America Inc. [Maximum amount outstanding during the year Rs. 4581.79 lakhs (Previous year: Rs.10144.00 lakhs)]	4,481.30	4,062.55
Himatsingka Wovens Private Limited [Maximum amount outstanding during the year Rs.3089.00 lakhs (Previous year: Rs.3545.00 lakhs)]	2,816.00	3,089.00
Twill & Oxford LLC [Maximum amount outstanding during the year Rs.128.20 lakhs (Previous year: Rs.289.51 lakhs)]	121.20	121.90
Interest accrued on loans to subsidiaries		
Himatsingka America Inc. [Maximum amount outstanding during the year Rs.1579.29 lakhs (Previous year: Rs.1236.65 lakhs)]	1,579.29	1,236.65
Himatsingka Wovens Private Limited [Maximum amount outstanding during the year Rs.273.34 lakhs (Previous year: Rs.328.21 lakhs)]	273.34	230.15
Giuseppe Bellora S.p.A. [Maximum amount outstanding during the year Rs.41.53 lakhs (Previous year: Rs.39.85 lakhs)]	41.53	39.85
Twill & Oxford LLC [Maximum amount outstanding during the year Rs.17.58 lakhs (Previous year: Rs.25.59 lakhs)]	0.82	14.51

	As at 31.03.2011 Rs. in lakhs	As at 31.03.2010 Rs. in lakhs
Advances to subsidiaries		
Himatsingka America Inc. [Maximum amount outstanding during the year Rs. 739.02 lakhs (Previous year: Rs.393.76 lakhs)]	739.02	393.76
Himatsingka Wovens Private Limited [Maximum amount outstanding during the year Rs.35.30 lakhs (Previous year: Rs.35.30 lakhs)]	5.93	35.30
Giuseppe Bellora S.p.A. [Maximum amount outstanding during the year Rs.27.78 lakhs (Previous year: Rs.26.33 lakhs)]	27.78	26.33
Divatex Home Fashions, Inc. [Maximum amount outstanding during the year Rs.865.64 lakhs (Previous year: Rs.Nil)]	8.92	-
DWI Holdings Inc. [Maximum amount outstanding during the year Rs.6.21 lakhs (Previous year: Rs.Nil)]	6.21	-
Receivable from Directors [Maximum outstanding during the year Rs.113.99 lakhs (Previous year: Rs.113.99 lakhs)]	2.77	113.99
Subsidy receivable under Technology upgradation fund scheme (TUFS)	1,562.27	1,348.73
Advances recoverable in cash or in kind or for value to be received	1,659.57	2,386.02
Deposits	365.27	614.83
	17,095.74	16,588.27
Schedule 10		
CURRENT LIABILITIES AND PROVISIONS		
Current liabilities		
Sundry creditors		
Micro and Small Enterprises (Refer note 9 of Schedule 19)	149.38	316.91
Others *	10,762.18	10,942.88
Advances received	1,551.22	221.30
Interest accrued but not due on loans	251.28	237.98
Other liabilities	108.07	101.26
Unpaid dividend	42.48	51.10
A	12,864.61	11,871.43
* Sundry creditors include dues to subsidiaries		
Himatsingka Wovens Private Limited	297.29	132.39
Himatsingka America Inc.	87.95	28.61
Provisions		
Gratuity	68.29	66.15
Compensated absences	269.13	250.01
Dividend	-	246.14
Tax	1,893.93	1,584.72
Tax on distributed profits	-	40.88
B	2,231.35	2,187.90
TOTAL (A + B)	15,095.96	14,059.33

Schedules To Profit and Loss Account

Himatsingka Seide Limited

For the year ended March 31, 2011

	For the year ended 31.03.2011 Rs. in lakhs	For the year ended 31.03.2010 Rs. in lakhs
Schedule 11		
OTHER OPERATING INCOME		
Sale of surplus power	1,242.25	-
Sale of waste / scrap	843.87	885.91
	2,086.12	885.91
Schedule 12		
OTHER INCOME		
Exchange fluctuation (net)	429.02	88.78
Interest from banks [TDS Rs.Nil (Previous year: Rs.0.30 lakhs)]	-	1.02
Interest from loans to subsidiaries [TDS Rs.26.24 lakhs (Previous year: Rs.46.00 lakhs)]	623.14	804.03
Interest on refund of income tax	0.39	31.52
Interest from others [TDS Rs.Nil (Previous year: Rs.1.00 lakh)]	4.48	10.58
Profit on sale of assets	119.73	47.60
Profit on sale of current investments	34.13	83.32
Miscellaneous income	15.46	13.33
Provision towards diminution in value of investments written back	-	1.95
	1,226.35	1,082.13
Schedule 13		
MATERIALS CONSUMED		
Raw materials		
Opening stock	5,517.50	2,303.43
Add: Purchases	25,409.92	28,804.77
Total	30,927.42	31,108.20
Less: Closing stock	3,439.08	5,517.50
Raw materials consumed	27,488.34	25,590.70
Dyes, chemicals and accessories consumed	4,677.10	4,661.15
	32,165.44	30,251.85
Schedule 14		
INCREASE IN WORK IN PROCESS AND FINISHED GOODS		
Opening stock		
Work in process	10,772.59	7,800.50
Finished goods	1,427.22	1,053.98
	12,199.81	8,854.48
Closing stock		
Work in process	10,886.16	10,772.59
Finished goods	1,096.81	1,427.22
	11,982.97	12,199.81
	216.84	(3,345.33)
Schedule 15		
MANUFACTURING EXPENSES		
Power and fuel	4,173.84	3,888.79
Stores and spares consumed	639.07	566.78
Repairs and maintenance - Buildings	83.62	74.43
Repairs and maintenance - Machinery	230.08	233.69
Other manufacturing expenses	1,361.30	1,096.54
Less: Expenses capitalised (Refer Note 7 of Schedule 19)	-	(243.24)
	6,487.91	5,616.99

	For the year ended 31.03.2011 Rs. in lakhs	For the year ended 31.03.2010 Rs. in lakhs
Schedule 16		
PERSONNEL EXPENSES		
Wages, salaries and other allowances	4,728.25	4,068.95
Contribution to Provident and other funds	364.02	362.98
Workmen and staff welfare expenses	520.69	502.46
Less: Expenses capitalised (Refer Note 7 of Schedule 19)	(51.10)	(116.19)
	5,561.86	4,818.20
Schedule 17		
OTHER EXPENSES		
Rent	276.10	262.67
Travelling and conveyance	661.39	557.22
Communication expenses	91.43	81.77
Printing and stationery	47.22	52.91
Insurance	115.47	96.58
Rates and taxes	48.44	51.75
Professional and service charges [Refer Note 5 of Schedule 19]	313.72	526.24
Bank charges	57.63	38.24
Contribution and donation	1.12	3.15
Freight outward, net of reimbursement	433.96	941.84
Commission on sales	410.81	201.89
Other selling expenses	101.91	236.22
Other expenses	227.91	168.81
Less: Expenses capitalised (Refer Note 7 of Schedule 19)	(13.02)	(181.14)
	2,774.09	3,038.15
Schedule 18		
INTEREST AND FINANCE CHARGES		
Fixed loans [net of subsidy under TUFs Rs.1663.20 lakhs (Previous year Rs.1677.03 lakhs)]	1,364.23	1,138.27
Others [net of interest subvention Rs.78.84 lakhs (Previous year Rs.62.23 lakhs)]	1,303.97	1,577.24
Finance charges	136.16	133.83
Less: Expenses capitalised (Refer Note 7 of Schedule 19)	(3.50)	(277.19)
	2,800.86	2,572.15

Schedule 19**NOTES ON ACCOUNTS**

	31.03.2011 Rs. in lakhs	31.03.2010 Rs. in lakhs
1 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)*	29.31	130.89
* Does not include value of materials to be supplied to the ongoing civil work.		
2 Contingent liabilities		
i) Contingent liabilities not provided for:		
Income tax	4,918.81	1,938.99
Entry tax	-	10.00
Excise duty	265.40	275.12
Customs duty	-	20.15
Value added tax	140.20	140.20
Claims against the company not acknowledged as debts	27.96	-
ii) Corporate guarantee given towards credit facilities on behalf of subsidiaries		
Financial institutions	848.48	909.09
Banks	20,868.02	22,925.02
Others	142.88	143.84
iii) Bills discounted	509.83	1,514.05
3 CIF value of imports		
Capital goods	60.08	766.66
Components, spares and others*	240.97	236.99
Raw materials and chemicals*	15,775.85	15,818.36
* Does not include goods-in-transit as at the date of Balance sheet.		
4 Foreign currency earnings and expenditure		
i) Earnings		
Exports on FOB basis - net of returns (includes deemed export sales)	44,702.29	43,063.88
Interest	360.60	527.88
ii) Expenditure		
Foreign travel	96.25	114.67
Commission on export sales	407.73	201.48
Professional and other service charges	4.28	33.98
Interest	279.93	14.70
Others	160.61	46.85
5 Auditors' remuneration		
i) Statutory auditor		
Audit fees	40.00	38.00
Tax audit fees	3.00	3.00
Taxation matters	13.96	24.70
Other services *	21.78	2.00
Service tax	7.72	6.43
Out of pocket expenses	-	1.39
	86.46	75.52
ii) Cost auditor		
Audit fees	1.90	1.97
Service tax	0.21	0.20
	2.11	2.17
*Includes payments made towards the proposed share issue not charged to the Profit and Loss Account: Rs.20.00 lakhs (Previous year: Rs.Nil).		
6 Leases		
The Company's significant leasing agreements are mainly in respect of the office premises, accomodation and vehicles provided to employees and guest houses.		
i) Future minimum lease payments under non-cancellable operating leases due		
not later than one year	57.08	70.53
later than one year and not later than five years	84.15	109.99
later than five years	-	-
ii) lease payments recognised in the statement of profit and loss for the year (includes expenses capitalised: Rs.0.72 lakhs (Previous year: Rs.4.26 lakhs).	276.10	262.67

Schedule 19**NOTES ON ACCOUNTS**

	31.03.2011 Rs. in lakhs	31.03.2010 Rs. in lakhs
7 The following expenses are capitalised.		
Power and fuel	-	217.15
Other manufacturing expenses	-	26.09
Manufacturing expenses capitalised	-	243.24
Salary, wages and other allowances	46.98	106.25
Workmen and staff welfare expenses	1.78	0.13
PF contribution	2.34	9.81
Personnel expenses capitalised	51.10	116.19
Rent	0.72	4.26
Travelling and conveyance	6.09	17.39
Communication expenses	0.14	0.66
Rates and taxes	-	4.71
Bank charges	4.22	0.63
Insurance	-	5.18
Printing and stationery	-	0.04
Professional and other service charges	-	136.27
Other expenses	1.85	12.00
Other expenses capitalised	13.02	181.14
Interest (net of subsidy under TUFS: Rs.3.13 lakhs (Previous year: Rs.19.18 lakhs))	3.50	277.19
Interest capitalised	3.50	277.19
Total expenses capitalised	67.62	817.76
Note: The Company had in the previous year set up a captive power plant at Hassan, Karnataka and in the current year is in the process of implementing an ERP system.		
8 (a) Computation of net profit in accordance with section 349 of the Companies Act, 1956 and commission payable to directors		
Profit/(loss) before taxation	(4,218.37)	810.97
Add:		
Managerial remuneration	167.66	44.87
Diminution in value of investments	-	(1.95)
	(4,050.71)	853.89
Less:		
Profit on sale of assets/investments	153.86	130.92
Net profit	(4,204.57)	722.97
Remuneration to whole time directors:		
Eligible under Section 309	-	72.30
Eligible under Schedule XIII of Companies Act (including PF @ 12% of Basic)	164.56	39.07
Remuneration to non whole time directors:		
Eligible under section 309	-	7.23
Restricted to commission payable	-	3.50
(b) Managerial remuneration		
(i) to whole time directors*		
Salary and allowances	147.78	18.00
Perquisites	1.19	7.51
Contribution to provident fund	12.59	10.56
Contribution to superannuation fund	3.00	3.00
	164.56	39.07
(ii) to non whole time directors		
Sitting fees	3.10	2.30
Commission	-	3.50
	167.66	44.87

*Excluding provision for gratuity (which is based on actuarial valuation done on overall company basis).

Schedule 19

NOTES ON ACCOUNTS

	31.03.2011 Rs. in lakhs	31.03.2010 Rs. in lakhs
9 The information related to Micro, Small and Medium Enterprises (MSME)		
i) a) Principal amount remaining unpaid to suppliers at the end of accounting year	124.79	314.68
b) Interest due on above	24.59	2.23
Total of (a) and (b)	149.38	316.91
ii) Interest paid by the Company in terms of section 16 of the Act	-	-
iii) Interest accrued and remaining unpaid at the end of the financial year	24.59	14.61
iv) The amount of further interest remaining due and payable	18.66	1.00
<p>The above information and that given in Schedule 10 - "Current liabilities and provisions" regarding MSME has been determined to the extent such parties have been identified on the basis of information collected by the Management . This has been relied upon by the auditors.</p>		
10 Deferred tax		
Deferred tax liability		
Depreciation	(3,634.67)	(2,255.97)
Deferred tax asset		
Unabsorbed depreciation (restricted to the extent of deferred tax liability on depreciation on account of virtual certainty)	3,634.67	2,255.97
Net deferred tax	-	-
11 Design and development expenditure of revenue nature accounted in the respective heads of the Profit and Loss Account.	241.94	250.80
	Quantity	Quantity
12 Production data		
i) Installed capacity*		
a) Silk		
Fabrics - meters	2,117,906	2,218,770
Yarn - kgs	250,000	250,000
b) Bed linen		
Fabrics		
Weaving - meters	15,660,000	15,660,000
Processing - meters	20,880,000	20,880,000
Made ups - numbers	3,979,200	2,958,000
c) Captive power plant - mega watts	94,500	47,250
<p>* As certified by management based on the current product mix and relied on by the auditors, being a technical matter.</p>		
ii) Production		
a) Silk		
Fabrics - meters	922,287	928,631
Yarn - kgs **	92,722	56,647
b) Bed linen		
Fabrics		
Weaving - meters	11,701,480	12,790,692
Processing - meters	14,126,119	16,938,681
Made ups - numbers @	3,132,985	3,289,315
c) Captive power plant - mega watts ^	65,091	8,753
** includes internal consumption (Kgs)	16,019	23,260
@Includes: Production by job workers	93,715	335,675
^ Commercial production started from 15.01.2010		

Schedule 19

NOTES ON ACCOUNTS

	31.03.2011		31.03.2010	
	Quantity	Rs. in lakhs	Quantity	Rs. in lakhs
13 A) Raw materials and chemicals consumed				
i) Silk yarn - kgs	148,127	2,685.64	156,066	1,984.49
ii) Silk waste/ tops - kgs	111,688	1,170.92	47,752	412.64
iii) Cotton fabric - meters	3,740,442	6,762.22	4,895,959	8,441.32
iv) Cotton yarn - kgs	4,810,715	16,502.66	5,573,133	14,578.88
v) Others	-	5,044.00	-	4,834.52
		32,165.44		30,251.85
B) Traded goods purchased - Bed linen	172,473	1,469.92	34,342	226.97
14 Turnover, opening and closing stocks				
i) Turnover				
a) Silk				
Fabrics - meters	942,320	9,358.30	913,756	8,967.90
Yarn - kgs	82,570	1,717.28	39,050	660.63
b) Bed linen				
Fabrics - meters	2,189,758	2,405.57	611,321	1,126.71
Sheet sets - numbers	2,860,748	33,539.33	3,034,395	34,627.92
Traded - numbers	172,473	1,695.01	34,342	241.61
		48,715.49		45,624.77
ii) Opening stock - finished goods				
a) Silk				
Fabrics - meters	111,638	682.10	100,428	522.47
Yarn - kgs	13,614	176.58	19,277	258.33
b) Bed linen				-
Sheet sets - numbers	53,175	568.54	21,558	273.18
		1,427.22		1,053.98
ii) Closing stock - finished goods				
a) Silk				
Fabrics - meters	86,628	518.66	111,638	682.10
Yarn - kgs	7,747	106.30	13,614	176.58
b) Bed linen				
Sheet sets - numbers	39,039	471.85	53,175	568.54
		1,096.81		1,427.22
	%	Rs in lakhs	%	Rs in lakhs
15 Value of imported and indigenous raw materials and chemicals consumed and percentage of each to the total consumption				
Imported	57%	18,319.72	47%	14,364.77
Indigenous	43%	13,845.72	53%	15,887.08
Total	100%	32,165.44	100%	30,251.85
16 Value of imported and indigenous stores and spares consumed and percentage of each to the total consumption				
Imported	37%	235.90	47%	264.00
Indigenous	63%	403.17	53%	302.78
Total	100%	639.07	100%	566.78
17 Details of investments bought and sold during the year	Units	Rs. in lakhs	Units	Rs. in lakhs
Birla Sunlife Liquid Plus - IP (G)	3,632,216	643.52	5,978,952	1,008.20
Tata Floater Fund (G)	4,240,824	590.28	5,188,756	690.48
HDFC Cash Management Fund Treasury Advantage Plan WS - (G)	2,708,946	554.36	2,796,712	546.75
ICICI Prudential Institutional Liquid Plan Super Institutional (G)	-	-	2,445,685	867.00
Templeton India TMA Super Institutional Plan - (G)	-	-	60,605	807.00
UTI Treasury Advantage Fund Institutional Plan - (G)	49,431	619.99	53,545	641.14
Canara Robeco Liquid Fund Institutional Plan - (G)	288,520	49.67	-	-
DSP BlackRock Liquidity Fund Institutional Plan - (G)	3,660	49.65	-	-
		2,507.47		4,560.57

Schedule 19

NOTES ON ACCOUNTS

18 Details of Forward covers, Options and Derivative transactions

1) a. The following forward exchange contracts entered outstanding

Currency	As on 31.03.2011		As on 31.03.2010		
	Amount	Rs. in lakhs	Amount	Rs. in lakhs	
Export of goods					
USD * INR	Sell	30,607,891	14,340.46	40,828,639	19,062.30
EURO * INR	Sell	2,553,019	1,584.98	3,000,000	2,055.61
GBP * INR	Sell	2,040,000	1,494.49	2,080,000	1,586.42
Import of goods					
USD * INR	Buy	3,603,077	1,646.24	11,099,908	5,093.00
JPY * INR	Buy	3,797,475	21.11	-	-

b. Currency swaps (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate
To sell USD 250,000 every month if USD * INR spot at every monthly expiry < 44.10, else to sell USD 500,000 @ 44.10 till July 2012
(Previous year: To sell USD 250,000 every month if USD * INR spot at every monthly expiry < 44.10, else to sell USD 500,000 @ 44.10 till July 2012)

Currency option	Number of contracts	As on 31.03.2011	As on 31.03.2010
		Amount	Amount
CHF put	One (Previous year: One)	14,759,723	14,759,723
INR call	One (Previous year: One)	500,000,000	500,000,000
Equivalent USD		12,385,435	12,385,435
USD put	Nil (Previous year: One)	-	130,000
INR call	Nil (Previous year: One)	-	6,012,500

2) The foreign currency exposures at the year end that have not been hedged by a derivative instrument or otherwise are given below.

Particulars	Foreign currency	31.03.2011		31.03.2010	
		Amount	Rs. in lakhs	Amount	Rs. in lakhs
a. Amounts receivable in foreign currency on account of					
Inter corporate loan	AED	1,000,000	121.20	1,000,000	121.90
	EURO	-	-	1,000,000	605.30
	USD	10,050,000	4,481.30	9,050,000	4,062.55
Interest receivable on Inter corporate loan	AED	6,795	0.82	119,036	14.51
	EURO	65,834	41.53	65,834	39.85
	USD	3,541,799	1,579.29	2,754,850	1,236.65
Receivables	EURO	1,831,709	1,155.44	1,100,653	666.23
	USD	1,704,969	754.15	-	-
	SGD	8,431	2.98	-	-
	CHF	-	-	5,091	2.16
Bank balance	USD	9,140	4.08	33,592	15.14
	EURO	100	0.06	100	0.07
b. Amounts payable in foreign currency on account of					
Import of goods and services	USD	305,607	136.27	-	-
	EURO	80,006	50.47	31,659	19.16
	JPY	4,565	0.02	-	-
	PND	51,715	36.91	22,821	15.52
Import of capital goods	USD	-	-	145,130	65.15
	PND	56,775	40.73	-	-
	EURO	10,908	6.92	-	-

Schedule 19

NOTES ON ACCOUNTS

3) Derivative contracts

The Company is exposed to currency fluctuations on foreign currency assets and cash flows denominated in foreign currency. The Company follows a policy of covering the risks arising out of foreign exchange fluctuations through a combination of forward contracts and options.

One of the foreign exchange derivative contract has a duration of 60 months, to sell US Dollars on a monthly basis at fixed rate subject to certain conditions. The contract also obligates the Company to pay a notional amount of Swiss Franc and receive notional amount of Rupees based on the Swiss Franc to US Dollar exchange rates during a specified monitoring period in the year 2012. There is significant uncertainty regarding the exchange rates that may be prevalent at that time and consequently the liability, if any, under the contract. Due to this uncertainty, as in the previous year, no provision has been made in the financial statements as at 31 March 2011.

The marked to market valuation, as indicated by the bank, is a loss of Rs.1957.34 lakhs (Previous year: Rs.1136.68 lakhs) as on March 31, 2011.

19 1) Defined benefit plans:

In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan (Gratuity Plan). The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the Company. The Company provides the gratuity benefit through annual contributions to a fund managed by the Insurer (ICICI Prudential Life Insurance). Under this plan, the settlement obligation remains with the Company, although the Employees Gratuity Trust administers the plan and determines the contribution premium required to be paid by the Company.

	31.03.2011 Rs. in lakhs	31.03.2010 Rs. in lakhs
Change in the benefit obligation		
Projected Benefit Obligation (PBO) at the beginning of the year	617.94	511.10
Service cost	68.28	60.70
Interest cost	47.76	37.57
Benefits paid	(47.57)	(22.84)
Actuarial loss/(gain)	(65.46)	31.41
PBO at the end of the year	620.95	617.94
Change in plan assets		
Fair value of plan assets at the beginning of the year	551.80	469.41
Expected return on plan assets	40.63	34.37
Employer contributions	13.00	16.00
Benefits paid	(47.57)	(22.84)
Actuarial gain/(loss)	(5.20)	54.85
Fair value of plan assets at the end of the year	552.66	551.79
Amount to be recognised in balance sheet		
Present value of funded obligation	620.95	617.94
Fair value of plan assets	(552.66)	(551.79)
Present value of unfunded obligations	-	-
Unrecognised past service cost	-	-
Amount not recognised as on asset	-	-
Net liability	68.29	66.15
Net gratuity cost for the year ended is as follows		
Service cost	68.28	60.70
Interest cost	47.76	37.57
Expected return on plan assets	(40.63)	(34.37)
Actuarial loss/(gain)	(60.26)	(23.44)
Net gratuity cost	15.15	40.46
Financial assumptions at the valuation date:		
a) Discount Rate (p.a.)	8.15%	7.40%
b) Expected Rate of Return on Assets (p.a.)	7.50%	7.50%
c) Salary Escalation Rate	6.00%	6.00%
d) Retirement Age	58yrs	58yrs
e) Mortality: Published rates under the LIC (1994-96) mortality tables has been used.		
f) Rates of leaving service are as shown below:		
Category		
Seide Staff	10.00%	10.00%
Seide Workmen	2.00%	2.00%
Linens Staff	13.00%	13.00%
Linens Workmen	25.00%	25.00%

Note:

- Salary escalation considered takes into account the inflation, seniority, promotion and other relevant factors
- The information on composition of the plan assets held by the funds managed by the insurer is not provided since the same is not available.

Schedule 19**NOTES ON ACCOUNTS**

	Rs. in lakhs				
Experience adjustments	31.03.2011	31.03.2010	31.03.2009	31.03.2008	31.03.2007
Defined benefit obligation	620.95	617.94	511.10	559.55	455.08
Plan assets	552.66	551.79	469.41	479.90	424.01
Surplus / (deficit)	(68.29)	(66.15)	(41.69)	(79.65)	(31.07)
Experience adjustment on plan liabilities	(25.18)	53.31	(93.54)	99.09	-
Experience adjustment on plan assets	(8.90)	39.64	(18.36)	24.97	-

2) Defined contribution plans:	31.03.2011	31.03.2010
	Rs. in lakhs	Rs. in lakhs
i) Provident Fund	320.50	284.18
ii) Superannuation Fund	27.03	28.53

20 During 2003-04, the Khata in respect of one of the Company's properties was merged with those of other adjacent properties to facilitate better utilisation of the property by joint construction and entitlement of proportionate undivided share of the amalgamated property.

21 There is no amount due and outstanding as at Balance sheet date to be credited to the Investor Education and Protection Fund.

22 Notes relating to cash flow statement

(a) The cash flow statement has been prepared under the "Indirect Method" as set out in the Companies (Accounting Standards) Rules, 2006.

(b) Cash and cash equivalents include balances with scheduled banks on dividend account not available for use by the Company: Rs.42.48 lakhs (Previous year: Rs.51.10 lakhs).

(c) Cash and cash equivalents include restricted cash being security deposit with bank against ECGC premium: Rs.2.50 lakhs (Previous year: Rs.2.50 lakhs).

(d) Interest paid is inclusive of and purchase of fixed assets excludes, interest capitalised: Rs.3.50 lakhs (Previous year: Rs.277.19 lakhs).

23 Pursuant to shareholders' approval in the Annual General Meeting held on September 26, 2007, the Company has on October 9, 2007, allotted 5,800,000 warrants to promoters/ promoter group, at an issue price of Rs.130/- convertible into equity shares at the same price within 18 months from the date of issue. The Company has allotted 256,000 equity shares each on November 28, 2007, January 2, January 31 and March 7, 2008 on conversion of equivalent number of warrants out of the above.

The promoters / promoter group, have not exercised by April 08, 2009 as required in accordance with the terms of the issue, the option to convert the remaining 4,776,000 warrants issued on a preferential basis, into equivalent number of equity shares. The validity of the said warrants, therefore, has lapsed and the application money of Rs.620.88 lakhs paid on 4,776,000 lapsed warrants has been forfeited and transferred to capital reserve.

24 The Company is primarily in the business of 'Home Textiles', consequently no segmental disclosures have been made.

25 Related party disclosures

Relationship	Names of the related parties	
Wholly owned subsidiaries	Himatsingka Wovens Private Limited Himatsingka America Inc.	DWI Holdings, Inc.
Other subsidiaries	Himatsingka Singapore pte ltd Twill & Oxford LLC Divatex Home Fashions, Inc.	Giuseppe Bellora S.p.A. GBT Srl
Key management personnel (Referred as "KMP")	A.K. Himatsingka - Vice Chairman D.K. Himatsingka - Managing Director Aditya Himatsingka - Executive Director Shrikant Himatsingka - Executive Director	
Relatives of KMP (Referred as "Relatives")	Amitabh Himatsingka Rajshree Himatsingka Ranjana Himatsingka	Supriya Himatsingka Priyadarshini Himatsingka Akanksha Himatsingka
Enterprises owned or significantly influenced by KMP, Directors or their relatives (Referred as "Relative enterprises")	Bihar Mercantile Union Limited Satin Reed (America) Inc Khaitan & Co	D.K. Himatsingka HUF Credit Himatsingka Private Limited

Schedule 19**NOTES ON ACCOUNTS**

Related party disclosure	Relationship	31.03.2011 Rs. in lakhs	31.03.2010 Rs. in lakhs
Sale of goods (net)			
DWI Holdings, Inc.	Wholly owned subsidiary	6,408.38	6,121.30
Divatex Home Fashions, Inc.	Other subsidiary	25,952.90	27,562.76
Others		3,873.31	4,430.93
Total		36,234.59	38,114.99
Job work charges			
Himatsingka Wovens Private Limited	Wholly owned subsidiary	332.02	535.93
Purchase of goods			
Himatsingka Wovens Private Limited	Wholly owned subsidiary	94.72	110.89
Sales commission			
Himatsingka America Inc.	Wholly owned subsidiary	134.76	115.94
Divatex Home Fashions, Inc.	Other subsidiary	111.36	-
Total		246.12	115.94
Claims			
DWI Holdings, Inc.	Wholly owned subsidiary	-	20.17
Divatex Home Fashions, Inc.	Other subsidiary	-	16.04
Total		-	36.21
Lease rent paid			
D K Himatsingka	KMP	1.94	2.59
Aditya Himatsingka	KMP	1.46	1.94
Shrikant Himatsingka	KMP	2.40	3.20
Amitabh Himatsingka	Relatives	1.46	1.94
Others		6.84	8.35
Total		14.10	18.02
Remuneration			
A K Himatsingka	KMP	37.73	7.79
D K Himatsingka	KMP	52.75	14.73
Aditya Himatsingka	KMP	37.40	6.96
Shrikant Himatsingka	KMP	36.68	9.59
Total		164.56	39.07
Reimbursement of expenses incurred on behalf of			
Himatsingka America Inc.	Wholly owned subsidiary	360.75	393.76
Divatex Home Fashions, Inc.	Other subsidiary	865.64	-
Others		16.52	46.19
Total		1,242.91	439.95
Reimbursement of expenses incurred by			
Divatex Home Fashions, Inc.	Other subsidiary	44.59	64.22
Others		-	0.10
Total		44.59	64.32
Professional fees			
Khaitan & Co	Relative enterprises	27.18	4.38
Interest income on Inter Corporate Loan			
Himatsingka Wovens Private Limited	Wholly owned subsidiary	262.44	276.15
Himatsingka America Inc.	Wholly owned subsidiary	350.90	473.52
Others		9.80	54.36
Total		623.14	804.03
Interest expense on Inter Corporate Loan			
Credit Himatsingka Pvt Ltd	Relative enterprises	238.47	261.89
Rent received			
Himatsingka Wovens Private Limited	Wholly owned subsidiary	3.00	3.00

Schedule 19

NOTES ON ACCOUNTS

Related party disclosure	Relationship	31.03.2011 Rs. in lakhs	31.03.2010 Rs. in lakhs
Purchase of fixed assets			
Himatsingka Wovens Private Limited	Wholly owned subsidiary	3.65	9.08
Sale of fixed assets			
Himatsingka Wovens Private Limited	Wholly owned subsidiary	-	1.52
Inter Corporate Loans given during the year			
Himatsingka America Inc.	Wholly owned subsidiary	453.05	-
Giuseppe Bellora S.p.A.	Other subsidiary	-	676.27
		453.05	676.27
Inter Corporate Loans recovered during the year			
Himatsingka Wovens Private Limited	Wholly owned subsidiary	273.00	456.00
Himatsingka America Inc.	Wholly owned subsidiary	-	5,293.78
Others		-	146.65
		273.00	5,896.43
Investments made during the year			
Himatsingka America Inc.	Wholly owned subsidiary	982.59	5,376.83
Share application money given			
Giuseppe Bellora S.p.A.	Other subsidiary	603.41	727.93
Inter Corporate Loans received during the year			
Credit Himatsingka Pvt Ltd	Relative enterprises	1,570.00	1,625.00
Inter Corporate Loans repaid during the year			
Credit Himatsingka Pvt Ltd	Relative enterprises	738.00	1,625.00
Lease deposit refund received during the year			
Bihar Mercantile Union Limited	Relative enterprises	-	3.60
Guarantee given			
Giuseppe Bellora S.p.A.	Other subsidiary	1,166.98	-
Himatsingka America Inc.	Wholly owned subsidiary	-	10,989.27
Total		1,166.98	10,989.27

Outstanding as at year end (Previous year's figures are in brackets)

	Rs. in lakhs				
	Wholly owned subsidiaries	Other subsidiaries	KMP / Relatives	Relative enterprises	Total
Amounts receivable	907.99	2,543.30	-	-	3,451.28
	(1,018.72)	(3,059.02)	-	(27.11)	(4,104.85)
Amounts payable	385.25	155.95	-	-	541.20
	(161.00)	-	-	(3.19)	(164.19)
Advances recoverable	753.48	36.70	2.77	-	792.95
	(429.06)	(26.33)	(113.99)	-	(569.38)
Inter Corporate Loans receivable	7,297.30	121.20	-	-	7,418.50
	(7,151.55)	(121.90)	-	-	(7,273.45)
Interest receivable on Inter Corporate Loans	1,852.63	42.35	-	-	1,894.98
	(1,466.80)	(54.36)	-	-	(1,521.16)
Inter Corporate Loan payable	-	-	-	3,222.30	3,222.30
	-	-	-	(2,390.30)	(2,390.30)
Interest payable on Inter Corporate Loans	-	-	-	214.92	214.92
	-	-	-	(45.58)	(45.58)
Share application money	-	3,413.05	-	-	3,413.05
	-	(2,809.65)	-	-	(2,809.65)
Advance from customers	73.10	1,172.43	-	-	1,245.53
	-	-	-	-	-
Dues towards bills discounted with banks	-	-	-	-	-
	-	(1,458.18)	-	-	(1,458.18)

26 Previous year figures have been regrouped/recast, wherever necessary.

Significant Accounting Policies

Himatsingka Seide Limited

Schedule 20 SIGNIFICANT ACCOUNTING POLICIES

1. System of accounting

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention and on accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India.

2. Use of estimates

The preparation of the financials statements in conformity with GAAP requires, the Management to make estimates and assumptions that affect the reported balances of assets and liabilities, disclosures relating to contingent liabilities as at the date of the financial statement and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision is recognised prospectively in current and future periods.

3. Fixed assets

Fixed assets and intangibles are stated at cost less accumulated depreciation. Cost includes all costs relating to acquisition and installation of fixed assets including any incidental costs of bringing the assets to their working condition for their intended use.

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

Expenditure during construction period in respect of new projects is included under capital work-in-progress and the same is allocated to the fixed assets on the commissioning of the respective projects.

4. Depreciation

4.1 Depreciation is provided on straight line method in accordance with schedule XIV of the Companies Act, 1956, except in respect of assets referred in Para 4.2, 4.3, 4.4, 4.5 and 4.6 below, based on technical estimates that indicate that the useful lives would be comparable with or higher than those arrived at using these rates.

Pursuant to revision dated 16.12.1993 in Schedule XIV of the Companies Act, 1956, the Company has been providing depreciation as per the revised rates in respect of assets acquired on or after that date and all other assets have been depreciated at the old rates.

4.2 In respect of leasehold building and improvements to leasehold premises, depreciation has been provided over the unexpired portion of the primary lease period.

4.3 Leasehold land is amortised over the period of lease.

4.4 In the following cases, where the useful lives are estimated to be lower than those considered in determining the rates specified in Schedule XIV of the Companies Act, 1956, the Company has considered higher rates of depreciation:

EDP and Electronic office equipments	-	25%
Other office equipments	-	15%
Furniture and fixtures	-	10%
Vehicles	-	15%

4.5 In respect of assets for which impairment loss has been recognised, the depreciation charge has been adjusted to allocate the revised carrying amount, on a systematic basis over its remaining useful life.

4.6 In case of assets purchased during the year, individually costing less than Rs.5,000 have been depreciated 100% in the year of purchase.

5. Impairment of assets

At each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account.

Impairment losses recognised in prior years, if any, are reversed when there is an indication that the recognised impairment losses for the asset, no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

Schedule 20
SIGNIFICANT ACCOUNTING POLICIES

6. Investments

Long term investments are stated at cost less provision for other than temporary diminution in value, if any.

Current investments, comprising investments in mutual funds, are stated at lower of cost and fair value, determined on a portfolio basis.

7. Inventories

Inventories of raw materials, stores and spares, work-in-process and finished goods are valued at lower of cost and estimated net realisable value. Cost is ascertained on weighted average basis. Cost of finished goods and work-in-process includes an appropriate proportion of conversion cost.

8. Government grants

Government grants are accounted on accrual basis in accordance with the terms of the grant.

9. Revenue recognition

Revenue from sale of goods is recognised on the transfer of title in the goods which generally coincides with dispatch and is stated net of discounts and sales tax but inclusive of excise duty.

Excise duty on turnover is reduced from turnover.

Dividend income is recognised when the right to receive the dividend is established.

Interest on investments is booked on a time-proportion basis taking into account the amounts invested and the rate of interest.

10. Employee benefits

a. Post-employment benefit plans :

Payments to defined contribution plans, such as provident fund are charged as an expense as they fall due.

For defined benefit plans, such as gratuity, the cost of providing benefits is determined based on actuarial valuation made by an independent actuary using projected unit credit method, as at each balance sheet date. The actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur. Past service cost is recognised immediately in the profit and loss account.

The benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

b. Short term employee benefits :

The undiscounted portion of short-term employee benefits expected to be paid in exchange for the services rendered by the employees is recognised during the period when the employee renders service. These benefits include compensated absences such as paid annual leave.

11. Derivative Contracts

The Company is exposed to currency fluctuations on foreign currency assets and cash flows denominated in foreign currency. The Company follows a policy of covering the risks arising out of foreign exchange fluctuations through a combination of forward contracts, options and other derivative instruments.

The outstanding derivative instruments at the end of the year are evaluated individually and any mark to market losses, that are possible to be reasonably ascertained, are recognised in the profit and loss account. Gains, if any, are ignored.

12. Foreign currency

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency are restated at the rate prevailing on the date of balance sheet. The exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities are recognised as income or expense in the profit and loss account.

Premium or discount on forward contract is amortised over the life of such contract and is recognised as an expense or income. Any profit or loss arising on cancellation, renewal or restatement of forward contract is recognised in the profit and loss account.

The marked to market loss, if any, on a forward exchange contracts entered in respect of highly probable forecasted transactions and firm commitments is recognised in the statement of profit and loss for the period.

Schedule 20
SIGNIFICANT ACCOUNTING POLICIES

13. Earnings per share

Basic earnings per share is computed by dividing net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding for the period. The weighted average numbers of shares outstanding during the period are adjusted for events of bonus issue and share split.

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

14. Income tax

Income tax comprises the current tax, fringe benefit tax and the net change in the deferred tax asset or liability during the year.

Current tax and fringe benefit tax are determined in accordance with the provisions of the Income Tax Act, 1961 after considering tax allowances and exemptions.

Minimum alternate tax (M.A.T) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

Deferred tax assets and liabilities are recognised for the estimated future tax consequences of temporary differences between the carrying values of the assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applicable on the balance sheet date. Deferred tax assets are recognised and carried forward to the extent that there is a reasonable / virtual certainty (as applicable) that sufficient future taxable income will be available against which such deferred tax asset can be realised. The effect on deferred tax assets and liabilities resulting from change in tax rates is recognized in the income statement in the period of enactment of the change.

Advance tax and provision for tax are presented in the financial statements at gross amounts and are set off on completion of the assessment

15. Provisions and contingencies

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised but are disclosed in the notes to the financial statement. A contingent asset is neither recognised nor disclosed.

Balance Sheet Abstract and Company's General Business Profile

Himatsingka Seide Limited

1 Registration Details

Registration No.	6647
State Code	08
Balance Sheet Date	31.03.2011

2 Capital raised during the year

(Rs. Thousands)

Public Issue	-
Rights Issue	-
Bonus Issue	-
GDS Issue	-
Private placement	-

3 Position of Mobilisation and Deployment of Funds

(Rs. Thousands)

Total Liabilities	10,228,798	Total Assets	10,228,798
Sources of Funds		Application of Funds	
Paid up Capital	492,286	Net Fixed Assets	4,888,473
Reserves & Surplus	4,750,866	Investments	2,950,958
Secured Loans	4,663,416	Net Current Assets	2,389,367
Unsecured Loans	322,030		

4 Performance of Company

(Rs Thousands)

Turnover (Including other income)	5,202,796
Total Expenditure	5,624,633
Profit/(Loss) Before Tax	(421,837)
Profit/(Loss) After Tax	(421,837)
Earnings Per Share (Rs.)	(4.28)
Dividend Rate (%)	-

5 Generic Name of Three Principal Product of the Company (as per monetary terms)

Item Code No (ITC Code)	Product Description
5007	Woven fabrics of silk or silk waste
5005	Spun silk yarn
6302	Bed linen, table linen, toilet linen and kitchen linen

Disclosure under clause 32 of the listing agreement:

Loans and advances in the nature of loans given to subsidiaries and associates etc:

A) Loans and advances in the nature of loans

Name of the Company	Rate of Interest p.a.	As at 31.03.2011	(Rs Thousands) Maximum Balance During the year
Himatsingka Wovens Private Limited	8.50%	281,600	308,900
Twill & Oxford LLC	8.00%	12,120	12,820
Himatsingka America Inc.	8.50%	448,130	458,179

Notes: Loans to employees as per Company's policy are not considered.

B) Investment by the loanee in the shares of the Company

The above loanee has not made investments in the shares of the Company.

Dilip J. Thakkar
Chairman

A.K.Himatsingka
Vice-Chairman

D. K. Himatsingka
Managing Director

Pradeep K.P.
Chief Financial Officer

Amit Jain
Company Secretary

Bangalore,
Date : May 19, 2011

Auditors' Report on Consolidated Financial Statements

Himatsingka Seide Limited

TO THE BOARD OF DIRECTORS OF HIMATSINGKA SEIDE LIMITED

1. We have audited the attached Consolidated Balance Sheet of HIMATSINGKA SEIDE LIMITED ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at March 31, 2011, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. 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 financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets (net) of Rs.12,087.88 Lakhs as at March 31, 2011, total revenues of Rs. 14,195.19 Lakhs and net cash inflows amounting to Rs. 147.06 Lakhs for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of the other auditors.
4. We draw attention to Note 8 (3) of Schedule 19 to the accounts. As explained, the liability, if any, that may arise under the referenced contract with a Bank is dependent on the exchange rate between two currencies during a specified period in the future. Because of this significant uncertainty the Company has not provided for any liability that may arise of this contract in the financial statements.
5. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
6. Based on our audit and on consideration of the separate audit reports on individual financial statements and on other financial information of the components of the Company and its aforesaid subsidiaries and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2011;
 - ii) in the case of the Consolidated Profit and Loss Account, of the loss of the Group for the year ended on that date and
 - iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For DELOITTE HASKINS & SELLS
Chartered Accountants
Registration No. 008072S

S. Sundaresan
Partner
Membership No.25776

Place : Bangalore
Date : May 19, 2011

Consolidated Balance Sheet

Himatsingka Seide Limited As at March 31, 2011

	Schedule	As at 31.03.2011 Rs. in lakhs	As at 31.03.2010 Rs. in lakhs
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	4,922.86	4,922.86
Reserves and surplus	2	47,374.85	49,227.35
		52,297.71	54,150.21
Loan funds			
Secured loans	3	66,020.65	71,784.53
Unsecured loans	4	8,436.02	7,648.53
		74,456.67	79,433.06
Deferred tax liability (net)		233.47	130.34
Minority interest		63.85	504.92
TOTAL		127,051.70	134,218.53
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	90,980.13	89,313.90
Less: Accumulated depreciation		36,169.27	32,342.33
Net block		54,810.86	56,971.57
Capital work in progress (including capital advances)		1,004.78	2,863.44
		55,815.64	59,835.01
Goodwill (on consolidation)		38,447.64	38,189.16
Investments	6	1,004.25	776.22
Current assets, Loans and advances			
Inventories	7	38,394.73	39,170.87
Sundry debtors	8	7,037.52	9,238.31
Cash and bank balances	9	999.30	1,784.79
Loans and advances	10	9,269.00	9,821.74
		55,700.55	60,015.71
Less: Current liabilities and provisions	11		
Current liabilities		21,192.19	21,660.59
Provisions		2,724.19	2,936.98
		23,916.38	24,597.57
Net current assets		31,784.17	35,418.14
TOTAL		127,051.70	134,218.53
Notes forming part of accounts	19		
Significant accounting policies	20		

The schedules referred to above and the notes thereon form an integral part of the Balance Sheet.

In terms of our report attached

for and on behalf of the Board of Directors

for Deloitte Haskins & Sells
Chartered Accountants

Dilip J. Thakkar
Chairman

A. K. Himatsingka
Vice-Chairman

D.K.Himatsingka
Managing Director

S. Sundaresan
Partner

Pradeep K. P.
Chief Financial Officer

Amit Jain
Company Secretary

Place : Bangalore
Date : May 19, 2011

Place : Bangalore
Date : May 19, 2011

Consolidated Profit and Loss Account

Himatsingka Seide Limited As at March 31, 2011

	Schedule	For the year ended 31.03.2011 Rs. in lakhs	For the year ended 31.03.2010 Rs. in lakhs
INCOME			
Sales (Gross)		120,751.21	105,898.26
Less: Excise duty		36.70	26.81
Net sales		120,714.51	105,871.45
Other operating income	12	2,551.64	1,662.56
Revenue from operations		123,266.15	107,534.01
Other income	13	801.36	796.39
TOTAL		124,067.51	108,330.40
EXPENDITURE			
Cost of materials	14	79,368.30	62,057.26
Manufacturing expenses	15	8,135.59	6,790.23
Personnel expenses	16	14,678.19	14,947.54
Other expenses	17	12,392.02	13,849.89
TOTAL		114,574.10	97,644.92
Profit before interest, depreciation, exceptional item and tax		9,493.41	10,685.48
Interest and finance charges	18	5,245.28	4,921.74
Depreciation and amortisation		5,646.17	5,470.70
Exceptional gain		-	(853.18)
Profit/(loss) before tax		(1,398.04)	1,146.22
Provision for taxation			
- Current tax		494.59	509.42
- Deferred tax		101.74	44.15
- Minimum alternate tax credit availed		(340.82)	(369.72)
- Reversal of provision of earlier years		(75.59)	(9.57)
Profit/(loss) after tax before share of minority interest		(1,577.96)	971.94
Less: Share of profit of minority interest (net), including dividend payouts		79.62	(207.27)
Profit/(loss) after minority interest		(1,657.58)	1,179.21
Balance brought forward		2,363.29	1,471.10
Profit available for appropriation		705.71	2,650.31
Appropriation:			
Proposed dividend		-	246.14
Tax on distributed profits		-	40.88
Balance carried to Balance Sheet		705.71	2,363.29
Weighted average number of equity shares		98,457,160	98,457,160
Basic and diluted earnings per equity share (Rs.) (Face value of Rs.5 per share)		(1.68)	1.20
Notes forming part of accounts	19		
Significant accounting policies	20		

The schedules referred to above and the notes thereon form an integral part of the Profit and loss account.

In terms of our report attached

for and on behalf of the Board of Directors

for Deloitte Haskins & Sells
Chartered Accountants

Dilip J. Thakkar
Chairman

A. K. Himatsingka
Vice-Chairman

D.K.Himatsingka
Managing Director

S. Sundaresan
Partner

Pradeep K. P.
Chief Financial Officer

Amit Jain
Company Secretary

Place : Bangalore
Date : May 19, 2011

Place : Bangalore
Date : May 19, 2011

Consolidated Statement of Cash Flows

Himatsingka Seide Limited As at March 31, 2011

	Schedule	For the year ended 31.03.2011 Rs. in lakhs	For the year ended 31.03.2010 Rs. in lakhs
A. CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before tax		(1,398.04)	1,146.22
Profit on sale of assets		(120.75)	(230.97)
Profit on sale of investments		(34.13)	(83.32)
Depreciation and amortisation		5,646.17	5,470.70
Unrealised exchange loss/(gain)		54.10	(111.54)
Diminution in value of investments		-	(1.95)
Interest income		(49.10)	(65.91)
Dividend income		-	(0.06)
Interest expense, net of subsidy [net of interest capitalised Rs. 3.50 lakhs (Previous year Rs. 277.19 lakhs)]		5,245.28	4,921.74
Operating profit before working capital changes		9,343.53	11,044.91
Decrease / (increase) in sundry debtors		2,485.19	(1,801.59)
Decrease / (increase) in inventories		797.39	(6,179.90)
Decrease in loans and advances		1,223.14	272.73
Decrease in current liabilities and provisions		(836.54)	(13,374.29)
Cash generated from operations		13,012.71	(10,038.14)
Income tax paid (net of refunds received)		(147.35)	(421.46)
Net cash from operations		12,865.36	(10,459.60)
B. CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of investments		(3,180.75)	(5,020.87)
Sale of investments		3,001.83	7,558.39
Purchase of fixed assets		(2,313.72)	(4,652.14)
Sale proceeds of fixed assets		410.27	724.00
Interest received		49.10	140.34
Dividend received		-	0.06
Net cash from investing activities		(2,033.27)	(1,250.22)
C. CASH FLOW FROM FINANCING ACTIVITIES:			
Interest and finance charges		(6,938.81)	(6,740.94)
Subsidy / subvention received		1,449.66	1,534.39
Proceeds of long term borrowings		1,612.38	11,893.69
Repayment of long term borrowings		(6,528.68)	(3,264.97)
(Repayments) / proceeds of short term borrowings (net)		(123.39)	8,076.25
Proposed share issue expenses		(76.32)	-
Dividend paid		(254.77)	(4.03)
Dividend paid to minority share holders of the subsidiary		(464.78)	-
Tax on distributed profits		(40.88)	-
Net cash from financing activities		(11,365.59)	11,494.39
Total decrease in cash and cash equivalents		(533.50)	(215.43)
Effect of exchange rates changes		(251.99)	(229.40)
Cash and cash equivalents at the beginning of the period		1,784.79	2,229.62
Cash and cash equivalents at the end of the year (Refer Note 12 of Schedule 19)		999.30	1,784.79
Notes forming part of accounts	19		
Significant accounting policies	20		

In terms of our report attached

for and on behalf of the Board of Directors

for Deloitte Haskins & Sells
Chartered Accountants

Dilip J. Thakkar
Chairman

A. K. Himatsingka
Vice-Chairman

D.K.Himatsingka
Managing Director

S. Sundaresan
Partner

Pradeep K. P.
Chief Financial Officer

Amit Jain
Company Secretary

Place : Bangalore
Date : May 19, 2011

Place : Bangalore
Date : May 19, 2011

Schedules To Consolidated Balance Sheet

Himatsingka Seide Limited As at March 31, 2011

Schedule	As at 31.03.2011 Rs. in lakhs	As at 31.03.2010 Rs. in lakhs
Schedule 1		
SHARE CAPITAL		
Authorised: 134,000,000 equity shares of Rs. 5 each (Previous year: 104,000,000 equity shares of Rs. 5 each)	6,700.00	5,200.00
Issued: 98,496,160 equity shares of Rs. 5 each fully called up	4,924.81	4,924.81
Subscribed and paid up: 98,457,160 equity shares of Rs. 5 each fully paid up (Out of the above 63,723,800 shares of Rs. 5 each have been issued as Bonus shares by capitalisation of Reserves)	4,922.86	4,922.86
	4,922.86	4,922.86
Schedule 2		
RESERVES AND SURPLUS		
Capital reserve on consolidation	66.74	66.74
Capital reserve	620.88	620.88
Share premium account	27,675.71	27,675.71
General reserve	16,737.72	16,737.32
Legal reserve		
As per last balance sheet	6.46	7.20
Add: Movement in foreign exchange	0.27	(0.74)
	6.73	6.46
Foreign currency translation reserve (on consolidation)		
As per last balance sheet	1,756.95	3,936.25
Add: Movement during the year	(195.59)	(2,179.30)
	1,561.36	1,756.95
Profit and loss account	705.71	2,363.29
	47,374.85	49,227.35
Schedule 3		
SECURED LOANS		
Loans		
a. From financial institutions	14,351.13	14,739.42
b. From banks	51,669.52	57,045.11
(Loans are secured against certain moveable and immovable assets of the parent company or concerned subsidiary)		
	66,020.65	71,784.53
Schedule 4		
UNSECURED LOANS		
Loans		
a. From banks	5,213.72	5,256.57
b. From others	3,222.30	2,391.96
	8,436.02	7,648.53

**Schedule 5
FIXED ASSETS**

(Rs. in lakhs)

Particulars	Gross block						Depreciation			Net block	
	As at 01/04/2010	Additions	(Deletions)	Other Adjustments	As at 31/03/2011	As at 01/04/2010	For the year	On deletions	On other adjustments	As at 31/03/2011	As at 31/03/2010
Tangible assets											
Land (Note 1)	1,063.15	-	-	(0.27)	1,062.88	-	-	-	-	1,062.88	1,063.15
Leasehold land	1,149.31	11.60	-	-	1,160.91	35.31	19.29	-	-	1,106.31	1,114.00
Buildings (Note 2)	17,904.21	166.84	(283.98)	112.06	17,899.13	3,354.11	579.14	(81.48)	56.58	3,908.35	14,550.10
Leasehold buildings	492.33	-	(453.00)	(3.29)	36.64	492.88	0.05	(453.00)	(3.29)	36.64	0.05
Plant and machinery	58,541.88	2,862.40	(991.29)	(19.00)	60,393.79	22,838.25	4,192.54	(989.36)	21.31	26,062.74	35,703.43
Furniture and fixtures	1,730.96	212.91	(129.56)	22.86	1,837.17	769.01	168.34	(125.90)	25.63	837.08	961.95
Leasehold improvements	1,670.20	43.91	(48.26)	5.72	1,671.57	1,250.00	167.03	(80.11)	4.44	1,391.36	420.20
Office equipments	3,705.26	230.47	(278.85)	50.81	3,707.69	2,983.01	363.50	(275.36)	43.60	3,114.75	722.25
Vehicles	288.25	6.48	(13.87)	2.53	283.39	150.47	31.92	(12.90)	1.90	171.39	137.78
Intangible assets											
Goodwill and other intangibles	459.51	25.12	(85.32)	19.36	418.67	272.05	37.27	(10.56)	9.27	308.03	187.46
Asset held for Sale											
Land - Freehold	135.46	199.85	-	-	335.31	-	-	-	-	335.31	135.46
Buildings	1,832.30	-	-	-	1,832.30	139.92	61.20	-	-	201.12	1,692.38
Plant and machinery	315.11	-	-	-	315.11	43.72	19.87	-	-	63.59	271.39
Furniture and fixtures	0.80	-	-	-	0.80	0.18	0.08	-	-	0.26	0.62
Office equipments	24.77	-	-	-	24.77	13.42	5.94	-	-	19.36	11.35
Total	89,313.90	3,759.58	(2,284.13)	190.78	90,990.13	32,342.33	5,646.17	(1,978.67)	159.44	36,169.27	56,971.57
Capital work in progress including capital advances										1,004.78	2,863.44
Previous Year	83,350.99	8,034.28	(748.15)	(1,323.22)	89,313.90	28,184.47	5,470.70	(451.24)	(861.60)	32,342.33	55,166.52

Note:

1. Land includes Rs. 17.91 lakhs (Previous year Rs. 17.91 lakhs) being the share in land jointly owned with others.
2. Buildings include Rs. 849.04 lakhs (Previous year Rs. 1,005.28 lakhs) representing the net realisable value of the fixed assets held for disposal.
3. Other adjustments include exchange fluctuation arising on account of conversion of fixed assets from foreign currency to reporting currency.

Schedule	As at 31.03.2011 Rs. in lakhs	As at 31.03.2010 Rs. in lakhs
Schedule 6		
INVESTMENTS		
Long term investments		
Trade, unquoted		
Milano Confezioni S.r.l.	1.24	1.19
BP Venture S.r.l.	893.70	858.36
Industria e Universita S.r.l.	13.67	13.08
Consorzio Tutela Lino	0.87	0.87
	909.48	873.50
Less: Provision for diminution in value of investments	580.16	556.71
A	329.32	316.79
Current investments		
Non-trade, Unquoted		
Investments in units of mutual funds	674.93	459.43
Total Short term investments	674.93	459.43
B		
Total	1,004.25	776.22
Schedule 7		
INVENTORIES		
Raw materials	4,966.12	6,743.04
Stores and spares	1,253.07	2,020.55
Work in process	11,557.72	11,409.30
Finished goods	20,617.82	18,997.98
	38,394.73	39,170.87
Schedule 8		
SUNDRY DEBTORS		
Unsecured considered good	7,037.52	9,238.31
Unsecured considered doubtful	220.66	216.56
	7,258.18	9,454.87
Less: Provision for doubtful debts	220.66	216.56
	7,037.52	9,238.31
Schedule 9		
CASH AND BANK BALANCES		
Cash and stamps on hand	58.79	53.85
Cheques in hand	-	7.16
With banks		
in current account	912.02	1,695.49
in deposit account [includes security against bank guarantee and ECGC premium Rs. 28.49 lakhs (Previous year: Rs.28.29 lakhs)]	28.49	28.29
	999.30	1,784.79
Schedule 10		
LOANS AND ADVANCES		
(Unsecured considered good)		
Advance taxes (Inclusive of Minimum Alternate Tax credit entitlement)	3,785.55	3,495.09
Advances recoverable in cash or in kind or for value to be received	4,624.31	5,159.82
Deposits	859.14	1,166.83
	9,269.00	9,821.74

Schedule 11

CURRENT LIABILITIES AND PROVISIONS

Current liabilities:

	As at 31.03.2011 Rs. in lakhs	As at 31.03.2010 Rs. in lakhs
Sundry creditors	17,409.63	18,690.80
Advances received	1,752.79	328.83
Interest accrued but not due on loans	371.25	412.11
Other liabilities	1,616.04	2,177.75
Unpaid dividend	42.48	51.10

A **21,192.19** **21,660.59**

Provisions:

Gratuity	114.81	104.01
Compensated absences	292.92	442.20
Tax	2,282.96	2,062.76
Dividend	-	246.14
Tax on distributed profits	-	40.88
Other provisions	33.50	40.99

B **2,724.19** **2,936.98**

TOTAL (A + B) **23,916.38** **24,597.57**

Schedules to Consolidated Profit and Loss Account

Himatsingka Seide Limited For the year ended March 31, 2011

	For the year ended 31.03.2011 Rs. in lakhs	For the year ended 31.03.2010 Rs. in lakhs
Schedule 12		
OTHER OPERATING INCOME		
Commission income	443.55	615.09
Sale of surplus power	1,242.25	-
Miscellaneous income	865.84	1,047.47
	2,551.64	1,662.56
Schedule 13		
OTHER INCOME		
Interest	49.10	65.91
Dividend	-	0.06
Profit on sale of assets (net)	120.75	230.97
Profit on sale of investments (net)	34.13	83.32
Miscellaneous income	163.29	326.39
Exchange fluctuation gain (net)	434.09	89.74
	801.36	796.39
Schedule 14		
COST OF MATERIALS		
Opening stock:		
Raw materials	6,743.04	3,888.54
Work in process	11,409.30	8,542.85
Finished goods	18,997.98	21,323.96
	37,150.32	33,755.35
Add: Purchases	76,830.46	62,928.65
Dyes and chemicals consumed	2,529.18	2,523.58
Total	116,509.96	99,207.58
Less: Closing stock		
Raw materials	4,966.12	6,743.04
Work in process	11,557.72	11,409.30
Finished goods	20,617.82	18,997.98
	37,141.66	37,150.32
	79,368.30	62,057.26
Schedule 15		
MANUFACTURING EXPENSES		
Power and fuel	4,197.48	3,488.85
Stores and spares consumed	645.85	574.13
Repairs and maintenance - Building	86.11	79.61
Repairs and maintenance - Machinery	242.70	260.15
Other manufacturing expenses	2,963.45	2,630.73
Less: Expenses capitalised (Refer Note 4 of Schedule 19)	-	(243.24)
	8,135.59	6,790.23
Schedule 16		
PERSONNEL EXPENSES		
Wages, salaries and other allowances	13,008.33	13,171.14
Contribution to provident and other funds	957.62	1,115.38
Workmen and staff welfare expenses	763.34	777.21
Less: Expenses capitalised (Refer Note 4 of Schedule 19)	(51.10)	(116.19)
	14,678.19	14,947.54

	For the year ended 31.03.2011 Rs. in lakhs	For the year ended 31.03.2010 Rs. in lakhs
Schedule 17		
OTHER EXPENSES		
Rent	2,308.72	2,576.77
Travelling and conveyance	1,258.37	1,222.31
Communication expenses	330.26	339.16
Printing and stationery	110.49	115.29
Insurance	353.07	380.74
Rates and taxes	421.18	471.68
Professional and other service charges	1,802.75	2,269.36
Bank charges	166.65	162.79
Contribution and donation	8.55	11.52
Freight outward	718.47	1,241.76
Commission on sales	861.57	1,000.00
Other selling expenses	608.12	815.02
Repairs and maintenance - Buildings and others	228.07	235.57
Power and fuel	202.27	227.84
Advertisement and publicity	739.30	798.93
Other expenses	586.47	527.13
Royalty	1,700.73	1,574.90
Provision for doubtful debts	-	60.26
Less: Expenses capitalised (Refer Note 4 of Schedule 19)	(13.02)	(181.14)
	12,392.02	13,849.89
Schedule 18		
INTEREST AND FINANCE CHARGES		
Interest charges [net of subsidy under TUFS Rs 1,705.64 lakhs (Previous year Rs. 1,723.96 lakhs) and net of interest subvention Rs.78.84 lakhs (Previous year Rs.62.23 lakhs)]	4,245.88	4,106.51
Finance charges	1,002.90	1,092.42
Less: Expenses capitalised (Refer Note 4 of Schedule 19)	(3.50)	(277.19)
	5,245.28	4,921.74

Schedule 19**NOTES ON ACCOUNTS**

A) a) Information on subsidiary companies

i. The list of subsidiary companies included in the consolidated financial statements is as under:

Name of the entity	Country of incorporation	% ownership held either directly or through subsidiaries	
		as at March 31, 2011	as at March 31, 2010
Himatsingka Wovens Private Limited	India	100%	100%
Himatsingka America Inc.	United States of America	100%	100%
Giuseppe Bellora S.p.A.	Italy	70%	70%
Twill & Oxford LLC	United Arab Emirates	49%	49%
Divatex Home Fashions, Inc.	United States of America	80%	80%
DWI Holdings, Inc.	United States of America	100%	100%
Himatsingka Singapore Private Limited	Singapore	100%	100%

- i) In terms of the Memorandum and Articles of Association, the composition of the Board of Directors of Twill & Oxford LLC is controlled by the Company and hence it has been considered as subsidiary for the purpose of consolidation.
- ii) In respect of Divatex Home Fashions, Inc. and DWI Holdings Inc., ownership is held through Himatsingka America Inc.
- iii) In respect of Himatsingka Singapore Private Limited, ownership is held through Himatsingka Wovens Private Limited
- iv) GBT S.r.L. (a subsidiary of Giuseppe Bellora S.p.A.) is under liquidation and therefore has not been considered for consolidation. Provisions for losses of GBT S.r.L. has been made in the financial statements.

b) Figures pertaining to the subsidiary companies have been regrouped / reclassified wherever necessary to bring them in line with the Company's financial statements.

B) Notes forming part of accounts:	31.03.2011 Rs. in lakhs	31.03.2010 Rs. in lakhs
1 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)*	29.31	130.89
* Does not include value of materials to be supplied to the ongoing civil work.		
2 Contingent liabilities		
i) Contingent liabilities not provided for :		
Income tax	4918.81	1,938.99
Entry tax	-	10.00
Excise duty	265.4	9.72
Customs duty	-	20.15
Value added tax	140.20	140.20
Claims against the Company not acknowledged as debts	27.96	-
ii) Corporate guarantee given	166.11	147.91
iii) Bills Discounted	509.83	1514.05
3 Professional and other services charges include payments (excluding service tax) made to the statutory auditors of the respective companies :		
i) Statutory Auditor		
Audit fees	66.30	44.00
Tax audit fees	4.00	4.00
Taxation matters	18.96	25.45
Other services*	28.53	4.50
Service tax	9.65	7.51
Out of pocket expenses	0.37	1.49
	127.81	86.95

* Includes payments made towards the proposed share issue not charged to the Profit and loss account: Rs.20.00 lakhs (Previous year: Rs.Nil).

Schedule 19**NOTES ON ACCOUNTS**

	31.03.2011 Rs. in lakhs	31.03.2010 Rs. in lakhs
ii) Remuneration to other auditors for the subsidiaries		
Audit fees	73.35	140.69
Tax audit fees	-	0.76
Taxation matters	3.15	-
Other services	11.77	6.01
Service tax	-	-
Out of pocket expenses	1.55	0.20
	89.82	147.66
4 The following expenses are capitalised		
Power and Fuel	-	217.15
Other manufacturing expenses	-	26.09
Manufacturing expenses capitalised	-	243.24
Salary, wages and other allowances	46.98	106.25
Workmen and staff welfare expenses	1.78	0.13
PF contribution	2.34	9.81
Personnel expenses capitalised	51.10	116.19
Rent	0.72	4.26
Travelling and conveyance	6.09	17.39
Communication expenses	0.14	0.66
Rates and taxes	-	4.71
Bank charges	4.22	0.63
Insurance	-	5.18
Printing and stationery	-	0.04
Professional and other service charges	-	136.27
Other expenses	1.85	12.00
Other expenses capitalised	13.02	181.14
Interest (net of subsidy under TUFS Rs.3.13 lakhs (previous year Rs.19.18 lakhs))	3.50	277.19
Interest capitalised	3.50	277.19
Total expenses capitalised	67.62	817.76

Note: The Group had in the previous year set up a captive power plant in Hassan, Karnataka and in the current year is in the process of implementing an ERP system.

5 Leases:

The Group's significant leasing agreement is mainly in respect of the showrooms, office premises, accomodation and vehicles provided to employees and guest houses.

i) Future minimum lease payments under non-cancellable operating leases due:		
not later than one year	635.96	750.75
later than one year and not later than five years	1326.31	2,087.04
later than five years	1000.27	NIL
ii) lease payments recognised in the statement of profit and loss for the year ((includes expenses capitalised Rs.0.72 lakhs (Previous year Rs.4.26 lakhs).	2308.72	2576.77

Schedule 19**NOTES ON ACCOUNTS**

		31.03.2011	31.03.2010
		Rs. in lakhs	Rs. in lakhs
6	Deferred tax		
	Deferred tax liability		
	Depreciation	(6532.82)	(2,255.97)
	Deferred tax asset		
	Unabsorbed depreciation (restricted to the extent of deferred tax liability on depreciation on account of virtual certainty)	5356.78	2109.38
	Other timing differences	942.57	16.25
	Net deferred tax liability	(233.47)	(130.34)
7	Segment reporting		
	a) Primary segment : Business segment		
	The Group is mainly engaged in the business of manufacturing, marketing and distribution of textiles consisting of fabric and yarn. Considering the nature of business and financial reporting of the Group, the Group has only one business segment viz; Home textile as primary reportable segment.		
	b) Information about secondary segment		
	Geographic segment		
	Distribution of the Group's consolidated sales by geographic location:		
	India	5,375.44	2,857.75
	North America	95,330.78	82,161.73
	Europe Continent	17,818.53	17,538.87
	Others	2,189.76	3,313.10
		120,714.51	105,871.45
	Carrying amount of segment assets based on their location:		
	India	88,401.42	95,948.99
	North America	46,922.59	47,872.16
	Europe Continent	11,429.41	11,235.71
	Others	429.11	264.16
		147,182.53	155,321.01
	Additions to fixed assets:		
	India	3,310.82	7,713.58
	North America	282.88	185.94
	Europe Continent	135.56	134.76
	Others	30.32	-
		3,759.58	8,034.28

8 Details of Forward covers, Options and Derivative transactions:

1) a. The following Forward Exchange Contracts entered outstanding

Currency		As on 31.03.2011		As on 31.03.2010	
		Amount	Rs. in lakhs	Amount	Rs. in lakhs
Export of goods					
USD * INR	Sell	30,607,891	14,340.46	40,828,639	19,062.30
EURO * INR	Sell	2,553,019	1,584.98	3,000,000	2,055.61
GBP * INR	Sell	2,040,000	1,494.49	2,080,000	1,586.42
Import of goods					
USD * INR	Buy	3,603,077	1,646.24	11,099,908	5,093.00
JPY * INR	Buy	3,797,475	21.11	-	-

Schedule 19
NOTES ON ACCOUNTS

- b. Currency Swaps (other than forward exchange contracts stated above) to hedge against fluctuations in changes in exchange rate

To sell USD 250,000 every month if USD * INR spot at every monthly expiry < 44.10, else to sell USD 500,000 @ 44.10 till July 2012 (Previous year: To sell USD 250,000 every month if USD * INR spot at every monthly expiry < 44.10, else to sell USD 500,000 @ 44.10 till July 2012)

Currency option	Number of contracts	As on 31.03.2011	As on 31.03.2010
		Amount	Amount
CHF put	One (Previous year: One)	14,759,723	14,759,723
INR call	One (Previous year: One)	500,000,000	500,000,000
Equivalent USD		12,385,435	12,385,435
USD put	Nil (Previous year: One)	-	130,000
INR call	Nil (Previous year: One)	-	6,012,500

- 2) The foreign currency exposures at the year end that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	Foreign currency	31.03.2011		31.03.2010	
		Amount	Rs. in lakhs	Amount	Rs. in lakhs
a. Amounts receivable in foreign currency on account of					
Inter corporate loan	AED	1,000,000	121.20	1,000,000	121.90
	EURO	-	-	1,000,000	605.30
	SGD	-	-	1,665,000	532.97
	USD	10,050,000	4,481.30	9,050,000	4,062.55
Interest receivable on Inter corporate loan	AED	6,795	0.82	119,036	14.51
	EURO	65,834	41.53	65,834	39.85
	SGD	336,695	109.15	153,270	49.06
	USD	3,541,799	1,579.27	2,754,850	1,236.65
Receivables	EURO	1,831,709	1,155.44	1,100,653	666.23
	CHF	-	-	5,091	2.16
	USD	2,457,097	1,089.55	729,226	327.35
	SGD	325,401	114.97	234,969	75.21
Bank balance	USD	9,140	4.08	33,592	15.14
	EURO	100	0.06	100	0.07
b. Amounts payable in foreign currency on account of					
Import of goods and services	USD	305,607	136.27	-	-
	EURO	99,893	63.01	45,326	27.44
	JPY	4,565	0.02	-	-
	PND	51,715	36.91	22,821	15.52
Import of capital goods	USD	-	-	145,130	65.15
	PND	56,775	40.73	-	-
	EURO	10,908	6.92	-	-

- 3) Derivative instruments

The Group is exposed to currency fluctuations on foreign currency assets and cash flows denominated in foreign currency. The Group follows a policy of covering the risks arising out of foreign exchange fluctuations through a combination of forward contracts and options.

The only existing foreign exchange derivative contract has a duration of 60 months, to sell US Dollars on a monthly basis at fixed rate subject to certain conditions. The contract also obligates the Company to pay a notional amount of Swiss Franc and receive notional amount of Rupees based on the Swiss Franc to US Dollar exchange rates during a specified monitoring period in the year 2012. There is significant uncertainty regarding the exchange rates that may be prevalent at that time and consequently the liability, if any, under the contract. Due to this uncertainty, as in the previous year, no provision has been made in the financial statements as at 31 March 2011.

The marked to market valuation, as indicated by the bank, is a loss of Rs. 1957.34 lakhs (Previous year: Rs.1136.68 lakhs) as on March 31, 2011.

Schedule 19**NOTES ON ACCOUNTS**

- 9 a) Employee benefits pertaining to overseas subsidiaries have been accrued based on their respective local labour laws.

1) **Defined benefit plans :**

In accordance with applicable Indian laws, the Company provides for gratuity, a defined benefit retirement plan (Gratuity Plan). The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the Company. The Company provides the gratuity benefit through annual contributions to a fund managed by the Insurer (ICICI Prudential Life Insurance). Under this plan, the settlement obligation remains with the Company, although the Employees Gratuity Trust administers the plan and determines the contribution premium required to be paid by the Company.

	31.03.2011	31.03.2010
	Rs. in lakhs	Rs. in lakhs
Change in the benefit obligation		
Projected Benefit Obligation (PBO) at the beginning of the year	641.82	528.73
Service cost	73.78	66.13
Interest cost	49.83	39.11
Benefits paid	(47.84)	(23.32)
Actuarial loss/(gain)	(72.63)	31.19
Past Service Cost	1.39	-
PBO at the end of the year	646.35	641.84
Change in plan assets		
Fair value of plan assets at the beginning of the year	551.80	469.42
Expected return on plan assets	40.63	34.37
Employer contributions	13.00	16.00
Benefits paid	(47.57)	(22.84)
Actuarial gain/(loss)	(5.20)	54.85
Fair value of plan assets at the end of the year	552.66	551.80
Amount to be recognised in balance sheet		
Present value of funded obligation	646.35	641.84
Fair value of plan assets	(552.66)	(551.80)
Present value of unfunded obligation	-	-
Unrecognised past service cost	-	-
Amount not recognised as on asset	-	-
Net liability	93.69	90.04
Net gratuity cost for the year ended is as follows:		
Service cost	75.17	66.13
Interest cost	49.83	39.11
Expected return on plan assets	(40.63)	(34.37)
Actuarial loss/(gain)	(67.43)	(23.66)
Net gratuity cost	16.94	47.21

Financial assumptions at the valuation date:

	31.03.2011	31.03.2010
a) Discount rate (p.a.)	8.15%	7.40%
b) Expected rate of return on assets (p.a.)	7.50%	7.50%
c) Salary escalation rate	6.00%	6.00%
d) Retirement age	58 years	58 years
e) Mortality : Published rates under the LIC (1994-96) mortality tables have been used.		

Schedule 19
NOTES ON ACCOUNTS

f) Rates of leaving service are as shown below:

Category	31.03.2011	31.03.2010
Seide Staff	10.00%	10.00%
Seide Workmen	2.00%	2.00%
Linens Staff	13.00%	13.00%
Linens Workmen	25.00%	25.00%
Subsidiary Staff	15.00%	15.00%
Subsidiary Workmen	40.00%	40.00%

Note:

- Salary escalation considered takes into account the inflation, seniority, promotion and other relevant factors
- The information on composition of the plan assets held by the funds managed by the insurer is not provided since the same is not available

	Rs in lakhs				
	31.03.2011	31.03.2010	31.03.2009	31.03.2008	31.03.2007
Experience adjustments					
Defined benefit obligation	646.35	641.84	528.72	574.57	455.08
Plan assets	552.66	551.80	469.41	479.90	424.01
Surplus / (deficit)	(93.69)	(90.04)	(59.31)	(94.67)	(31.07)
Experience adjustment on plan liabilities	(31.37)	53.63	(94.62)	102.89	-
Experience adjustment on plan assets	(8.90)	39.64	(18.36)	24.97	-

2) Defined contribution plans

	Rs. in lakhs 31.03.2011	Rs. in lakhs 31.03.2010
i) Provident fund*	343.13	316.28
ii) Superannuation fund*	29.03	30.53
iii) Others^	568.48	718.29

* Parent and Indian subsidiary

^ includes defined contribution obligations of companies incorporated outside India

ii) As per the applicable law the overseas subsidiary provides for end of service benefit, which is in the nature of defined benefit plan and is accrued based on the indemnity as on balance sheet date.

Opening balance	13.98	12.97
Exchange fluctuation	(0.27)	(1.69)
Provision during the year	7.41	2.69
Closing balance	21.12	13.97

10 During 2003-04, the Khata in respect of one of the Company's properties was merged with those of other adjacent properties to facilitate better utilisation of the property by joint construction and entitlement of proportionate undivided share of the amalgamated property.

11 There is no amount due and outstanding as at Balance sheet date to be credited to the Investor Education and Protection Fund.

12 Notes relating to cash flow statement

The cash flow statement has been prepared under the "Indirect Method" as set out in the Companies (Accounting Standards) Rules, 2006.

Cash and cash equivalents include balances with scheduled banks on dividend account not available for use by the Group Rs. 42.48 lakhs (Previous year: Rs. 51.10 lakhs).

Cash and cash equivalents include restricted cash being security deposit with bank against bank guarantee and ECGC premium Rs. 28.49 lakhs (Previous year: Rs.28.29 lakhs).

Interest paid is inclusive of and purchase of fixed assets excludes, interest capitalised: Rs.3.50 lakhs (Previous year: Rs.277.19 lakhs).

13 Pursuant to shareholders' approval in the Annual General Meeting held on September 26, 2007, the Company has on October 9,2007, allotted 5,800,000 warrants to promoters/ promoter group, at an issue price of Rs.130/- convertible into equity shares at the same price within 18 months from the date of issue. The Company has allotted 256,000 equity shares each on November 28, 2007, January 2, January 31 and March 7, 2008 on conversion of equivalent number of warrants out of the above.

Schedule 19

NOTES ON ACCOUNTS

The promoters / promoter group, have not exercised by April 08, 2009 as required in accordance with the terms of the issue, the option to convert the remaining 4,776,000 warrants issued on a preferential basis, into equivalent number of equity shares. The validity of the said warrants, therefore, has lapsed and the application money of Rs.620.88 lakhs paid on 4,776,000 lapsed warrants has been forfeited and transferred to capital reserve.

14 Related party disclosures

Related party relationship is as identified by the Company on the basis of information available with them and accepted by the auditors.

No amount is / has been written back during the year in respect of debts due / from / to a related party.

Relationship	Names of the related parties	
Key management personnel (Referred as "KMP")	A.K. Himatsingka - Vice Chairman	
	D.K. Himatsingka - Managing Director	
	Aditya Himatsingka - Executive Director	
	Shrikant Himatsingka - Executive Director	
Relatives of KMP (Referred as "Relatives")	Amitabh Himatsingka	Supriya Himatsingka
	Rajshree Himatsingka	Priyadarshini Himatsingka
	Ranjana Himatsingka	Akanksha Himatsingka
Enterprises owned or significantly influenced by KMP, Directors or their relatives (Referred as "Relative enterprises")	Bihar Mercantile Union Limited	D.K. Himatsingka HUF
	Satin Reed (America) Inc	Credit Himatsingka Private Limited
	Khaitan & Co	BMU International

Related party disclosure	Relationship	31.03.2011 Rs. in lakhs	31.03.2010 Rs. in lakhs
Sale of goods (net)			
Satin Reed (America) Inc	Relative enterprise	-	131.56
Purchase of goods			
Bihar Mercantile Union Limited	Relative enterprise	26.12	15.92
BMU International	Relative enterprise	26.10	23.05
Satin Reed (America) Inc	Relative enterprise	27.01	97.72
Lease rent paid			
D K Himatsingka	KMP	1.94	2.59
Aditya Himatsingka	KMP	1.46	1.94
Shrikant Himatsingka	KMP	2.40	3.20
Amitabh Himatsingka	Relatives	1.46	1.94
Others		6.84	8.35
Total		14.10	18.03
Remuneration			
A K Himatsingka	KMP	37.73	7.79
D K Himatsingka	KMP	52.75	14.73
Aditya Himatsingka	KMP	37.40	6.96
Shrikant Himatsingka	KMP	36.68	9.59
Total		164.56	39.07
Payment towards services			
Khaitan & Co	Relative enterprise	27.18	4.38
Others		2.66	1.46
Interest expense on Inter Corporate Loan			
Credit Himatsingka Pvt Ltd	Relative enterprise	238.47	261.89
Others		0.38	-
Inter Corporate loans given during the year			
Satin Reed (America) Inc	Relative enterprise	24.52	-
Inter Corporate loans recovered during the year			
Satin Reed (America) Inc	Relative enterprise	24.52	-
Inter Corporate loans received during the year			
Credit Himatsingka Pvt Ltd	Relative enterprise	1,570.00	1,625.00
Others		33.44	-

Related party disclosure	Relationship	31.03.2011 Rs. in lakhs	31.03.2010 Rs. in lakhs
Inter Corporate loans repaid during the year			
Credit Himatsingka Pvt Ltd	Relative enterprise	738.00	1,625.00
Others		33.44	-
Lease deposit refund received during the year			
Bihar Mercantile Union Limited	Relative enterprise	-	3.60
Outstanding as at year end (Previous year's figures are in brackets)			
Amounts receivable	Relative enterprise	-	27.11
Amounts payable	Relative enterprise	2.72	62.75
Advances recoverable	KMP	2.77	113.99
Inter Corporate Loan payable	Relative enterprise	3,222.30	2,390.30
Interest payable on Inter Corporate Loans	Relative enterprise	215.30	45.58

15 Statement regarding subsidiary companies as of March 31, 2011

								Rs. in lakhs
Name of the Subsidiary	Himatsingka Wovens Private Limited	Twill & Oxford LLC (Refer Note i)	Himatsingka Singapore Pte Ltd. (Refer Note i)	DWI Holdings Inc. (Refer Note ii)	Himatsingka America Inc. (Refer Note i)	Divatex Home Fashions Inc. (Refer Note ii)	Guisepp Bellora SpA (Refer Note i)	
1 Capital (including preference capital and share application money)	1,250.00	37.35	1,082.77	0.00004	17,880.59	0.22	10,836.15	
2 Reserves	639.65	(268.00)	(1,140.81)	7,889.12	(1,964.14)	7,120.17	(14,563.78)	
3 Total Assets (Gross)	8,158.25	141.76	292.18	9,201.68	38,197.01	12,068.14	11,319.64	
4 Total Liabilities (excluding Capital and Reserves and including current liabilities and provisions)	6,268.60	372.41	350.22	1,312.56	22,280.56	4,947.75	15,047.27	
5 Investments (Other than in subsidiaries)	-	-	-	-	-	-	-	329.33
6 Turnover (net of discounts and taxes)	3,837.57	732.97	293.88	26,603.47	1,510.38	64,238.69	11,658.69	
7 Profit/(Loss) Before Tax	210.28	54.25	(220.67)	1,114.63	884.88	3,197.64	(687.40)	
8 Provision for Taxation	69.00	-	-	8.09	697.13	312.79	92.88	
9 Profit/(Loss) After Tax	141.28	54.25	(220.67)	1,106.54	187.75	2,884.85	(780.28)	
10 Proposed Dividend	-	-	-	-	-	-	-	
11 Closing exchange rate	-	Rs. 12.12/ AED	Rs.35.33/ Singapore dollar	Rs. 44.59/ USD	Rs. 44.59/ USD	Rs. 44.59/ USD	Rs. 63.08/ Euro	
12 Average exchange rate	-	Rs. 12.39/ AED	Rs.34.06/ Singapore dollar	Rs. 45.60/ USD	Rs. 45.55/ USD	Rs. 45.57/ USD	Rs. 60.31/ Euro	

Note :

- (i) The above information has been extracted from the individual financial statements as audited by other auditors under the respective country accounting principles, as adjusted to Indian Accounting Principles and restated to Indian Rupees
- (ii) The said information has been extracted from the financial summary considered in the consolidated financial statements, which have been subjected to audit solely for the purpose of the inclusion of these balances in the consolidated financial statements.

16 Previous year figures have been regrouped/recast, wherever necessary to conform the current year classification.

Significant Accounting Policies

Himatsingka Seide Limited

Schedule 20

1. System of accounting

The consolidated financial statements of Himatsingka Seide Limited ('the Company') and its subsidiary companies, collectively referred to as 'the Group' are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis of accounting. GAAP comprises the mandatory Accounting Standards ('AS') issued under the Companies (Accounting Standards) Rules, 2006 ("the Rules").

The financial statements of the entities in the Group used in the consolidation are drawn up to the same reporting date as of the Company i.e. March 31, 2011.

2. Principles of consolidation

- The consolidated financial statements have been prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under AS 21 – Consolidated Financial Statements prescribed under the Rules. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group.
- The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses after eliminating intra-group balances, intra-group transactions and unrealised profits or losses. The amount shown in respect of reserves comprises the amount of the relevant reserves as per the balance sheet of the Company and its share in the post-acquisition change in the relevant reserve of subsidiaries.
- Minority interest represents the amount of equity attributable to the minority shareholders at the dates on which investment in a subsidiary is made by the Company and its share of movements in the equity subsequent to the dates of investments as stated above.
- The excess of cost to the Company of its investments in the subsidiary companies over its share of the equity of the subsidiary companies, at the dates on which the investments in the subsidiary companies were made, is recognised as goodwill, being an asset in the consolidated financial statements. Where the share of the equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Company, it is recognized as capital reserve and shown under the head Reserves and surplus.
- Investments in Associate Companies have been accounted under the equity method as per AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements issued under the Rules.

3. Use of estimates

The preparation of the financials statements in conformity with GAAP requires, the Management to make estimates and assumptions that affect the reported balances of assets and liabilities, disclosure of contingent liabilities as at the date of the financial statement and reported amounts of revenues and expenses for the year. Actual results could differ from these estimates. Any revision is recognised prospectively in current and future periods.

4. Fixed assets

Fixed assets and intangibles are stated at cost less accumulated depreciation. Cost includes all costs relating to acquisition and installation of fixed assets including incidental costs of bringing the assets to their working condition for their intended use. 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 capitalised.

Expenditure during construction period in respect of new projects is included under capital work-in-progress and the same is allocated to the fixed assets on the commissioning of the respective projects.

5. Depreciation

- 5.1 Fixed assets are depreciated over the estimated useful lives as determined by the Management or over the lives determined based on rates of depreciation specified under various applicable statutes, whichever is shorter, on a straight line method.
- 5.2 In respect of leasehold building and improvements to leasehold premises, depreciation has been provided over the unexpired portion of the primary lease period.
- 5.3 Leasehold land is amortised over the period of lease.
- 5.4 Purchased goodwill is amortised over a period of ten years.
- 5.5 Depreciation rates used for various classes of assets are:

Buildings	–	1.63% to 7.07%
Plant and machinery	–	4.75% to 25.00%
Furniture and fixtures	–	10.00% to 20.00%
Office equipment	–	12.00% to 15.00%
EDP and electronic office equipments	–	20.00% to 25.00%
Software	–	20.00% to 25.00%
Motor vehicles	–	15.00% to 25.00%

Schedule 20
SIGNIFICANT ACCOUNTING POLICIES

5.6 In respect of assets for which impairment loss has been recognised, the depreciation charge has been adjusted to allocate the revised carrying amount, on a systematic basis over its remaining useful life.

6. Impairment of assets

At each balance sheet date, the Group assesses whether there is any indication that an asset suffered may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account.

Impairment losses recognized in prior years, if any, are reversed when there is an indication that the recognised impairment losses for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years.

7. Investments

Long term investments are stated at cost less provision for permanent diminution in value, if any.

Current investments are carried at lower of cost and fair value.

8. Inventories

Inventories of raw materials, stores and spares, work-in-process and finished goods are valued at lower of cost and estimated net realisable value. Cost is ascertained on weighted average basis. Cost of finished goods and work-in-process includes an appropriate proportion of conversion cost based on normal operating capacity.

9. Government grants

Government grants are accounted on accrual basis in accordance with the terms of the grant.

10. Revenue recognition

Revenue from sale of goods is recognised on the transfer of title in the goods which generally coincides with dispatch and is stated net of discounts and sales tax but inclusive of excise duty.

Excise duty on turnover is reduced from turnover.

Dividend income is recognised when the right to receive the dividend is established.

Interest on investments is booked on a time-proportion basis taking into account the amounts invested and the rate of interest.

11. Retirement benefits**a. Post-employment benefit plans :**

Payments to defined contribution plans, such as provident fund are charged as an expense as they fall due.

For defined benefit plans, the cost of providing benefits is determined based on actuarial valuation made by an independent actuary using projected unit credit method, as at each balance sheet date. The actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur. Past service cost is recognised immediately in the profit and loss account.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

b. Short term employee benefits :

The undiscounted portion of short-term employee benefits expected to be paid in exchange for the services rendered by the employees is recognised during the period when the employee renders service. These benefits include compensated absences such as paid annual leave.

12. Derivative Contracts

The Company is exposed to currency fluctuations on foreign currency assets and cash flows denominated in foreign currency. The Company follows a policy of covering the risks arising out of foreign exchange fluctuations through a combination of forward contracts, options and other derivative instruments.

The outstanding derivative instruments at the end of the year are evaluated individually and any mark to market losses, that are possible to be reasonably ascertained, are recognised in the profit and loss account. Gains, if any, are ignored.

Schedule 20
SIGNIFICANT ACCOUNTING POLICIES**13. Foreign currency**

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the rate prevailing on the date of balance sheet. The exchange differences arising on settlement / restatement of foreign currency monetary assets and liabilities are recognised as income or expense in the profit and loss account.

Premium or discount on forward contract is amortised over the life of such contract and is recognised as income or expense. Any profit or loss arising on cancellation, renewal or restatement of forward contract is recognised in the profit and loss account.

The mark to market loss, if any, on a forward exchange contracts entered in respect of highly probable forecasted transactions and firm commitments is recognised in the statement of profit and loss for the period.

The financial statements of the foreign subsidiaries being integral operations are translated into Indian rupees as follows:

- Assets and liabilities other than non-monetary items are translated at the exchange rate prevailing on the balance sheet date. Non-monetary items are carried at historical cost.
- Revenue and expenses are translated at average exchange rates prevailing during the year.
- The resulting exchange differences are recognised as income or expense in the profit and loss account.

The financial statements of the foreign subsidiaries being non-integral operations are translated into Indian rupees as follows:

- Assets and liabilities, both monetary and non-monetary are translated at the exchange rate prevailing on the balance sheet date.
- Revenue and expenses are translated at average exchange rates prevailing during the year.
- The resulting exchange differences are accumulated in a foreign currency translation reserve which is reflected under Reserves and Surplus.

14. Earnings per share

Basic earnings per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period. Diluted earnings per share has not been computed as the Group has not issued any dilutive potential equity shares.

15. Income tax

Income tax comprises the current tax, the net change in the deferred tax asset or liability in the year and the fringe benefit tax.

Current tax and fringe benefit tax for the Indian entities are determined in accordance with the provisions of the Income Tax Act, 1961 after considering tax allowances and exemptions. Current tax for the foreign subsidiaries is based on the relevant tax regulations prevalent in the respective countries.

Minimum alternate tax (MAT) paid in accordance to the tax laws, which gives rise to future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax. Accordingly, MAT is recognised as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the Group and the asset can be measured reliably.

Deferred tax assets and liabilities are recognised for the estimated future tax consequences of temporary differences between the carrying values of the assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applicable on the balance sheet date. Deferred tax assets are recognised and carried forward to the extent that there is a reasonable / virtual certainty (as applicable) that sufficient future taxable income will be available against which such deferred tax asset can be realised. The effect on deferred tax assets and liabilities resulting from change in tax rates is recognized in the income statement in the period of enactment of the change.

Advance tax and provision for tax are presented in the financial statements at gross amounts and are set off on completion of the assessment

16. Provisions and contingencies

A provision is recognised when the Group has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised but are disclosed in the notes to the financial statement. A contingent asset is neither recognised nor disclosed.

Financial Highlights - Consolidated

Himatsingka Seide Limited

(Rs. in lakhs)

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Revenue Account										
Total Income	12948.28	12946.32	14596.56	15580.32	17715.53	24458.17	89147.08	103959.73	108330.40	124067.51
EBIDTA before exceptional item	5563.51	5725.12	6614.35	6251.89	6785.66	8665.47	6932.82	6703.01	10685.48	9493.41
Interest	32.80	16.75	13.13	119.58	114.99	96.41	2943.99	4247.82	4921.74	5245.28
Depreciation	1291.22	1396.91	1499.78	1344.51	1502.33	1570.09	3587.71	5987.54	5470.70	5646.17
Exceptional Item (Gain)/ loss	-	-	-	-	-	-	2565.25	4255.81	(853.18)	-
Profit Before Tax	4239.49	4311.46	5101.44	4869.85	5168.34	6998.96	(2164.13)	(7788.16)	1146.22	(1398.04)
Taxes	430.00	301.25	400.00	323.78	305.83	687.53	539.45	75.38	174.28	179.92
Minority interest - share of profit / (loss)	-	-	-	-	-	168.43	(304.87)	(421.72)	(207.27)	79.62
Net Profit after minority interest	3809.49	4010.21	4701.44	4546.07	4862.52	6143.00	(2398.71)	(7441.82)	1179.21	(1657.58)
Dividends	1147.03	1338.20	1911.72	1911.72	2435.83	2435.83	-	-	246.14	-
Capital Account										
Share Capital	1911.72	1911.72	1911.72	1911.72	4871.66	4871.66	4922.86	4922.86	4922.86	4922.86
Money received against share warrant	-	-	-	-	-	-	620.88	620.88	-	-
Reserves	20471.52	23038.81	25583.60	26425.42	52142.84	54585.75	54024.97	49894.32	49227.35	47374.85
Secured Loans	-	-	1376.55	5850.00	3975.00	26756.19	51256.35	52560.88	71784.53	66020.65
Unsecured Loans	-	-	-	-	-	5127.57	8379.84	12750.07	7648.53	8436.02
Average capital employed	21174.76	23666.89	26911.20	31529.51	47588.32	73601.55	98519.33	109412.00	116966.84	122126.55
Gross block	19226.82	20340.35	21346.08	21105.48	22720.64	33990.39	77450.86	83350.99	89313.90	90980.13
Net block	12381.94	12116.92	11684.84	10193.24	10341.18	14859.69	53611.02	55166.52	56971.57	54810.86
EPS (Annualised) - Rs	19.93	20.98	24.59	23.78	5.91	6.30	(2.46)	(7.56)	1.20	(1.68)
Face Value per share (Rs.)	10.00	10.00	10.00	10.00	5.00	5.00	5.00	5.00	5.00	5.00
Dividend per share - Rs	6.00	7.00	10.00	10.00	2.50	2.50	-	-	0.25	-
Net worth per share - Rs	117.08	130.51	143.83	148.23	58.52	61.02	60.50	56.31	55.00	53.12
Employee Cost	1197.58	1391.40	1552.05	1737.77	2122.60	3352.47	12319.12	15545.32	14947.54	14678.19

Notes :

1. The figures for the year 2001-02 are on Standalone basis since there was no Subsidiary

Forward looking statements contained in this Annual Report should be read in conjunction with the following cautionary statements.

Certain expectations and projections regarding future performance of the company referenced in this Annual Report are forward-looking statements. These expectations and projections are based on currently available information along with the company's operating plans and are subject to certain future events and uncertainties, that could cause actual results to differ materially from those that may be indicated by such statements.

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