



**KDDL Limited**  
(Formerly Kamla Dials and Devices Limited)

**A N N U A L R E P O R T**  
**2 0 1 0 - 2 0 1 1**

# KDDL LIMITED

---

## **BANKERSk**

IDBI Bank Limited  
Bank of India  
Standard Chartered Bank

## **CHIEF FINANCIAL OFFICER**

Mr. Sanjeev Kumar Masown

## **COMPANY SECRETARY**

Mr. Pawan Kumar Goyal

## **AUDITORS**

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

## **CORPORATE OFFICE**

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

## **REGISTERED OFFICE & DIALS UNIT-I**

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

## **UNIT-II**

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

## **HANDS UNIT**

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

## **ASSEMBLY UNITS**

### **UNIT-I**

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

### **UNIT-II**

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

## **PACKAGING UNIT**

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

## **PRECISION STAMPING UNIT (EIGEN)**

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

## **BOARD OF DIRECTORS:**

Mr. Rajendra Kumar Saboo - Chairman

Mr. Yashovardhan Saboo - Chief Executive Officer  
Mr. Dinesh Agrawal - Chief Operating Officer

Mr. Anil Khanna  
Mr. Chandra Mohan  
Mr. Jagesh Khaitan  
Dr. T. N. Kapoor

## **CONTENTS**

Notice .....	1
Directors' Report.....	11
Management Discussion & Analysis Report .....	13
Corporate Governance Report .....	18
Auditors' Report.....	28
Balance Sheet .....	31
Profit & Loss Account.....	32
Cash Flow Statement.....	33
Consolidated Account.....	54
Information regarding subsidiary companies.....	76
Proxy Form and Admission card .....	77

**NOTICE**

NOTICE is hereby given that the 31<sup>st</sup> Annual General Meeting of the Company will be held on **Thursday, the 15th day of September, 2011 at 12.30 p.m.** at **Hotel Timber Trail Resorts, Parwanoo 173 220 (H.P.)** to transact the following businesses:

**Ordinary Business:**

1. To receive, consider and adopt the audited accounts of the Company for the financial year ended 31st March, 2011 and the reports of the Directors' and Auditors' thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Anil Khanna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Jagesh Khaitan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. Walker Chandio & Co., Chartered Accountants, as Statutory Auditors of the Company and to authorize the Board to fix their remuneration.

**Special Business:**

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution** :

**"RESOLVED THAT** in accordance with the provisions of section 372A and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company, be and is hereby, accorded to the Board of Directors of the Company for having provided guarantee to the following in respect of loans advanced by the Bank/Financial Institution to the company's subsidiary Company, M/s Kamla Retail Limited in addition to the corporate guarantee of Rs. 2100.00 lacs provided earlier, notwithstanding that the aggregate amount of all investments/loans/securities/guarantees together with the below mentioned guarantee exceeds 60% of the aggregate of paid up capital and free reserves or 100% of the free reserves, whichever is higher, of the Company:-

S.No.	Name of the Bank / Financial Institution	Amount of Corporate Guarantee given (Rs. in Lacs)
1.	Jammu and Kashmir Bank Limited	1900.00
2.	India Infoline Investment Services Limited	300.00

**RESOLVED FURTHER THAT** all acts, deeds and things as may have been done by the Board of Directors of the Company, be and are hereby, ratified

and confirmed and shall be binding on the Company in all respects."

7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as "SEBI Guidelines") and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include a Committee of Directors constituted in this respect), to create, offer and grant from time to time, upto 1,10,000 (One lac ten thousand) stock options in aggregate, to eligible employees, including any Director of the Company, whether whole time or otherwise(except to the promoter director and their relatives), under "KDDL Employee Stock Option Plan-2011" hereinafter referred to as the "ESOP 2011"; each option would be exercisable for one Equity share of a face value of Rs. 10 (ten) each fully paid-up on payment of the exercise price to the Company in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or SEBI guidelines or any directions issued by the other regulatory authorities.

**RESOLVED FURTHER THAT** the Board, be and is hereby authorised to issue and allot Equity shares to the eligible employees and Directors of the Company upon exercise of options from time to time in accordance with 'ESOP 2011' and such Equity shares shall rank pari passu in all respects with the then existing shares of the Company.

**RESOLVED FURTHER THAT** in case of any corporate action(s) such as rights issues, bonus issues and others, if any, additional Equity shares are issued by the Company to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of 1,10,000 Equity shares shall be deemed to be adjusted in a manner such that the Total value of the ESOP remains the same after the corporate action.

**RESOLVED FURTHER THAT** in case the Equity shares of the Company are either sub-divided or

consolidated, then the number of shares to be allotted and the price of acquisition payable by the option grantees under the 'ESOP 2011' shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 10 per Equity share bears to the revised face value of the Equity shares of the Company after such subdivision or consolidation, without affecting any other rights or obligations of the said allottees.

**RESOLVED FURTHER THAT** the Board, be and is hereby authorised to take necessary steps for listing of the shares allotted under the 'ESOP 2011' on the Stock Exchange, where the shares of the Company are listed and to do all such acts, deeds and things and to execute all such deeds, documents, instruments and writings as it may in its sole and absolute discretion deem necessary or expedient and to settle any questions, difficulty or doubt that may arise in regard thereto.

**RESOLVED FURTHER THAT** the Board, be and is hereby authorised to make modifications, changes, variations, alterations or revisions or re-pricing of the exercise price which should not be detrimental to the interest of the employees in the said 'ESOP 2011' as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws without seeking any further approval from the members of the Company in this regard."

8. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

**"RESOLVED THAT** the benefits of the 'ESOP 2011' proposed under resolution number 7 of this notice and as approved by the members, be extended to such present and future permanent employees including any Director whether whole time or otherwise (except to the promoter director and their relatives), of such subsidiary companies of the Company, as may be decided by the Board."

9. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

**"RESOLVED THAT** Consent of the Company, be and is hereby accorded for the number of options proposed under resolution number 7 of this notice that may be granted to eligible employees, including any Director of the Company, whether whole time or otherwise (except to the promoter director and their relatives) in any financial year under the 'ESOP 2011' and in aggregate, shall exceed 1% of the issued

capital (excluding outstanding warrants and conversions) of the Company at the time of the grant of options."

10. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII and all other applicable provisions of the aforesaid Act and subject to the necessary approval from the Statutory authorities and the Financial Institutions, if necessary, the consent of the Company, be and is hereby, accorded to the re-appointment of Mr. R K Saboo as the Chairman of the Company, w. e. f. 1st December, 2010, for a further period of three years, i.e., upto 30th November, 2013, upon terms and conditions as set out in the Explanatory Statement appended herewith, with a liberty to the Board to alter and vary any of the terms and conditions of the said appointment and/or agreement, if any, entered into with Mr. R K Saboo so as not to exceed the limit specified in Schedule XIII of the Companies Act, 1956, or any amendment thereto."

11. To consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII and subject to the approval of the Central Government and such other statutory authorities, if any, as may be required, the consent of the Company, be and is hereby, accorded to the re-appointment of Mr. Yashovardhan Saboo as the Managing Director with functional designation of Chief Executive Officer of the Company, w. e. f. 1st April, 2011, for a further period of three years, i.e., up to 31st March, 2014, upon terms and conditions as set out in the Explanatory Statement appended herewith, with a liberty to the Board to alter and vary any of the terms and conditions of the said appointment and/or agreement, if any, entered into with Mr. Yashovardhan Saboo, after incorporating changes prescribed by the Central Government and acceptable to Mr. Yashovardhan Saboo and the Board."

**By Order of the Board  
For KDDL Limited**

**Place: Chandigarh  
Date: 17.08.2011**

**P.K. Goyal  
Company Secretary**

### NOTES

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll only to vote on his/her behalf. Such proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Registered Office of the Company at least 48 hours before the commencement of the meeting.**
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the special businesses of the Notice, as set out above, is annexed hereto.
3. Members are requested to bring their copy of the Annual Report to the meeting and Members/proxies should fill the attendance slip for attending the meeting. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID nos. and those who hold the shares in physical form are requested to write their Folio nos. in the Attendance Slips for attending the Meeting.
4. KDDL Limited is not including the financial statements and other details of its subsidiaries viz. Kamla Retail Limited, Himachal Fine Blank Limited, Mahen Distribution Limited and Pylania S A, in its financial statements in terms of exemption granted by the Ministry of Corporate Affairs under General Circular 2/2011 dated February 8, 2011. However, annual accounts of the subsidiary companies and the related detailed information will be made available to the investors of KDDL Limited or its subsidiary companies seeking such information on specific request in writing to the Company. The Annual Accounts of the subsidiary companies are open for inspection at the Registered Office of KDDL Limited and the registered offices of the respective subsidiary companies on all working days from Monday to Friday between 11 a.m. to 2 p.m. upto the date of Annual General Meeting.
5. During the current financial year 2011, the Company will be required to transfer to "Investor Education and Protection Fund", the unpaid/unclaimed Dividend for the year ended March 31, 2004 under section 205A of the Companies Act, 1956.  
Those members who have not encashed their dividend warrants so far for the financial year ended 31st March, 2004 or any subsequent years are requested to immediately return the outdated warrants to the Company to enable the Company to issue Demand Drafts in lieu thereof. Otherwise no claim shall lie against the Company or the said fund in respect of individual amounts which remained unclaimed or unpaid for a period of seven years from the date of payment and no payment shall be made in respect of any such claims.
6. The Securities and Exchange Board of India (SEBI) has made it mandatory for all companies to use the bank account details furnished by the depositories for depositing dividend. Dividend will be credited to the member's bank account wherever complete core banking details are available with the Company. In cases where the core banking details are not available, dividend warrants will be issued to the members with bank details printed thereon as available in the Company's records.  
In order to prevent fraudulent encashment of the dividend warrants, the members of the Company holding shares in physical form are requested to inform their complete bank account details alongwith a Xerox copy of the cheque to the share department of the Company.
7. The Register of Members and Share Transfer books of the Company will remain closed from 8.9.2011 to 15.9.2011 (both days inclusive) for the purpose of payment of Dividend, if approved by the Members.
8. Members having any queries relating to the Annual Report are requested to send their questions to the Registered Office of the Company at least seven days before the date of the Annual General Meeting.
9. The equity shares of the Company have been dematerialized w. e. f. 24th May, 2001. The ISIN No. of the Company is INE291D01011. The Company has tied up with the National Securities Depository Limited and Central Depository Services (I) Limited. In case your shares are in physical form, we also urge you to have your shares dematerialized by approaching Depository Participant of your choice. Please intimate change of address if any to your depository participants if holding shares in dematerialized form and directly to the Registrar in case of holding in physical form.
10. **The Ministry of Corporate Affairs (vide Circular No. 17/2011 and 18/2011 dated 21.04.2011 and 29.04.2011 respectively), has undertaken a 'Green Initiative in Corporate Governance' and allowed Companies to send documents to its shareholders through an electronic mode. Members are requested to support this green initiative by registering/ updating their E-MAIL ADDRESSES, in respect of shares held in dematerialized form with their respective depository participants and in respect of shares held in physical form by filling the E-Communication Registration Form attached with this Annual Report & sending the same to the Share Transfer Agent of the Company namely Karvy Computershare Private Limited, 17-24, Vithal Rao Nagar, Madhapur, Hyderabad 500 081**

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

As required by Section 173 of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the businesses mentioned under Item Nos. 6 to 11 of the accompanying notice dated 17.08.2011

### **Item No. 6**

The Company has executed the following Corporate Guarantees under section 372A of the Companies Act, 1956, in favour of bank/financial institution for credit facilities availed by M/s Kamla Retail Limited, subsidiary company:

1. Jammu and Kashmir Bank had sanctioned term loan and cash credit facility aggregating to Rs. 19,00,00,000/- (Rupees Nineteen crores only) being availed by the subsidiary company namely, M/s Kamla Retail Limited, for which the Board of Directors approved execution of Corporate Guarantee in favour of the Bank at its Board meeting held on 2nd November, 2010.
2. India Infoline Investment Services Limited had sanctioned a Home Equity Loan of Rs. 3,00,00,000/- (Rupees Three crores only) being availed by the subsidiary company namely, M/s Kamla Retail Limited, for which the Board of Directors approved execution of Corporate Guarantee in favour of the financial institution at its Board meeting held on 28th July, 2011.

In view of the urgency of the matter, the Board of Directors accorded its consent for the execution of the aforesaid guarantees pursuant to the proviso 2 to sub-section (1) of Section 372A of the Companies Act, 1956. The Company had provided guarantee in respect of above subsidiary company earlier also for Rs. 2100 lacs in 2009. Thus total guarantee provided for this Company stands at Rs. 4300 lacs as on date which exceeds 60% of the aggregate of paid up capital and free reserves or 100% of the free reserves, whichever is higher, of the Company.

Your approval is being sought by way of special resolution for ratification and confirmation of the aforesaid guarantees.

None of the Directors is concerned or interested in the resolution.

The Directors recommend the resolution for your approval.

### **Item No 7, 8 & 9**

The objective of "KDDL Employee Stock Option Plan-2011"(ESOP 2011), is to provide an incentive to attract and retain Employees performing services as well as to motivate them to contribute to the growth and profitability of the Company (including subsidiary companies). The Company views Employee Stock Option as an instrument that would enable the employees to share the value they create for the Company in the years to come.

The main features of the 'ESOP 2011' are as under:

#### **1. Total number of Options:**

1,10,000 options convertible into 1,10,000 Equity Shares of the Company would be available for being granted to eligible employees of the Company and its

subsidiaries companies under ESOP 2011. Each option when exercised would be converted into one Equity share of Rs. 10 each fully paid up.

Vested options lapsed due to non-exercise and/or unvested options that get cancelled due to resignation of the employee or otherwise, would be available for being re-granted at a future date. The Board is authorised to re-grant such lapsed/cancelled options as per the ESOP 2011.

SEBI Guidelines require that in case of any of corporate action(s) such as rights issues, bonus issues and others, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, pro-rata adjustments would be made as per ESOP 2011 in a manner such that the total value of the ESOP remains the same after the corporate action.

#### **2. Identification of classes of employees entitled to participate in the ESOP 2011:**

Employees selected by Compensation Committee are entitled to participate in the ESOP 2011 subject to SEBI Guidelines regarding coverage under "Employee":

"Employee(s)" means :

- (a) a permanent employee of the company working in India or out of India; or
- (b) a director of the company, whether a whole time director or not; or
- (c) an employee as defined in sub-clauses (a) or (b) of a subsidiary Companies, in India or out of India, or of a holding company of the Company

But shall exclude:

- a. an employee who is a promoter or belongs to the Promoter Group
- b. an employee who is director who holds either by himself or through his relative or through any body corporate, directly or indirectly, more than 10% of the outstanding equity shares of the Company.

#### **3. Transferability of employee stock options:**

The options granted to the employee shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

In the event of death of employee while in employment, all the option granted to him till such date shall vest in the legal heirs or nominees of the deceased employee & shall be exercised within six months thereof.

In case the employee suffers a permanent incapacity while in employment, all the option granted to him as on the date of permanent incapacitation, shall vest in him on that day and shall be exercised within six months thereof.

#### **4. Requirements of vesting and period of vesting:**

- A) 50% of the options granted to the selected employee shall vest on 1st April, 2014 in case there is continuation of his service till the date of vesting.
- B) 50% of the options granted to the selected employee shall vest on the date when the turnover of the Company without excise duty exceeds Rs. 150 (One hundred and

fifty cores) Crores.

However there shall remain a gap of minimum one year between the date of grant and the date of vesting. The compensation committee shall declare such date as and when it is triggered.

**5. Exercise price:**

The Options would be granted on the date of grant at the market price or such other price as the Board may determine in accordance with the regulations and guidelines prescribed by SEBI or other relevant authorities from time to time subject however that such exercise price shall not be detrimental to the interest of the employee.

**6. Exercise period and the process of exercise:**

The Employees Stock Options granted shall be capable of being exercised within a period of six months from the date of vesting of the respective Employee Stock Options. The employee or his nominee (wherever applicable) may exercise all options vested in him at one time or at various points of time within the exercise period.

The options shall be deemed to have been exercised when an employee makes an application in writing to the Company alongwith the application money equal to the value of the options at the specified exercise price for the issuance of equity Shares against the stock options vested in him. The options will lapse if not exercised within the specified exercise period.

**7. Appraisal process for determining the eligibility of the employees to ESOP 2011:**

The options shall be distributed essentially on the basis of performance of an employee and the individual entitlement shall be decided by the Board.

**8. Disclosure and accounting policies:**

The Company shall comply with the disclosure and the accounting policies prescribed as per SEBI guidelines.

**9. Maximum number of options to be issued per employee and in aggregate:**

The number of options that may be granted to any specific employee under the ESOP 2011 shall not exceed 12000 options per grant and 110000 options in aggregate.

**10. Method of Option Valuation:**

To calculate the employee compensation cost, the Company shall use the Intrinsic Value Method for valuation of the Options granted. The difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options and the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Director's Report.

Clause 6.1 of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 requires that any ESOP Scheme offering stock options to employees must be approved by the shareholders by way of Special Resolution. Furthermore as the scheme will entail further shares to

be issued to the person other than existing shareholders of the Company, consent of the shareholders is required by way of a Special Resolution pursuant to the provisions of the Section 81(1A) of the Companies Act, 1956.

Clause 6.3(a) of the SEBI Guidelines requires a separate resolution to be passed if the benefits under the scheme are also to be extended to the employees of subsidiary companies. A resolution is proposed accordingly under item no 8, to cover the employees including any Director whether whole time or otherwise (except to the promoter director and their relatives). The aggregate number of options to be offered to the employees of the subsidiary companies under resolution no. 8 will also be within the overall limit of 1,10,000 (One Lac Ten Thousand) as stated above.

Clause 6.3(b) of the SEBI Guidelines also requires a separate resolution to be passed in case of grant of options to identified employees, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of option. As the aggregate number of options shall exceed 1% of the Issued capital of the Company, so consent of the shareholders is required under item no. 9 by way of special resolution pursuant to the above provision.

A copy of the ESOP Scheme mentioned above is available for inspection at the Registered Office of the Company during normal business hours upto 15.09.2011.

None of the Directors of the Company are in any way, concerned or interested in the Resolutions, except to the extent of any options that may be offered to them under the 'ESOP 2011'.

The Board recommends above Resolutions mentioned at S. No. 7, 8 & 9 for the approval of the shareholders.

**Item Nos. 10 and 11**

As required by Section 173 of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the businesses mentioned under Item Nos. 10 and 11 of the notice.

**Item No. 10**

The Board of Directors at its meeting held on 2nd November, 2010, has re-appointed Mr. R K Saboo as Chairman of the Company, w.e.f., 1st December, 2010 for a further period of three years i.e., upto 30th November, 2013.

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

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

**I. Salary** : Rs. 1,25,000/- per month  
(with an annual increment of 10%)

**II. Perquisites** :

1. Fully furnished accommodation with reimbursement of charges for water, electricity and gas expenses, or HRA

@ 50% of salary, in case no accommodation is provided.

2. Medical reimbursement : Expenses incurred by him and his family, subject to the ceiling of one month's salary in a year or three month's salary over a period of three years.
3. Personal Accident Insurance and / or Medical Insurance.
4. Club Fees.

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

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

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

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

In the event of absence or inadequacy of profits during the period, Shri R. K. Saboo shall be paid the above remuneration as minimum remuneration subject to the limits prescribed under section II, Part II (B) of the Schedule XIII to the Companies Act, 1956.

The Explanatory Statement together with the notice may be treated as an abstract of the terms of Agreement and Memorandum of interest under section 302 of the Companies Act, 1956.

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

Your Directors recommend this resolution for your approval.

### Item No. 11

The Board of Directors at its meeting held on 2nd November, 2010, has re-appointed Mr. Yashovardhan Saboo as Managing Director with the functional designation of Chief Executive Officer, w.e.f. 1st April, 2011 for a further period of three years i.e., upto 31st March, 2014.

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

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

**I. Salary** : Rs. 2,20,000/- per month  
(with an annual increment of 10%)

### II. Perquisites :

1. Fully furnished rent free accommodation.
2. Reimbursement of charges for water, electricity and gas expenses, subject to maximum of Rs. 7,20,000/- per annum.
3. Medical reimbursement : Expenses incurred by him and his family, subject to the ceiling of one month's salary in a year or three month's salary over a period of three years.
4. Personal Accident Insurance and / or Medical Insurance.
5. Club Fees for two clubs.
6. Bonus (including any other perquisites) : Maximum Rs. 20,00,000/-, based on performance as per parameters to be fixed from time to time by the Remuneration Committee or the Board of Directors.

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

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

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

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

In the event of absence or inadequacy of profits during the period, Shri Yashovardhan Saboo shall be paid the above remuneration as minimum remuneration subject to the limits prescribed under section II, Part II (C) of the Schedule XIII to the Companies Act, 1956.

The Explanatory Statement together with the notice may be treated as an abstract of the terms of Agreement and Memorandum of interest under section 302 of the Companies Act, 1956.

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

Your Directors recommend this resolution for your approval.

**By Order of the Board  
For KDDL Limited**

**Place: Chandigarh  
Date: 17.08.2011**

**P.K. Goyal  
Company Secretary**



## KDDL LIMITED

### DETAILS OF THE DIRECTORS SEEKING RE-APPOINTMENT IN ANNUAL GENERAL MEETING TO BE HELD ON 15.09.2011

Name of the Director	:	<b>Mr. Jagesh Khaitan</b>		
Date of Birth	:	10.02.1945		
Date of first Appointment	:	26.02.1990		
Qualification and experience in specific functional areas	:	Graduate and having over 42 years of experience in edible oil industry. He is also associated with various trade associations and Chamber of Commerce and Industry. He is Chairman and Managing Director of ABC Paper Limited, a large agro based Paper Mill in Punjab.		
List of companies in which outside Directorships held	:	ABC Paper Limited Purple Entertainment Limited Elegant Conreal Private Limited Ambalica Enterprises Private Limited Amrit Enterprises Private Limited.		
Chairman/Member of the Committees of the Board of the Company	:	Audit Committee		Member
		Compensation Committee		Member
Chairman/Member of the Committees of Board of other companies in which he is a Director	:	ABC Paper Ltd.	Finance Committee	Chairman
		ABC Paper Ltd.	Shareholders'/Investors' Grievance Committee	Member
		ABC Paper Ltd.	Security Transaction Committee	Chairman
		ABC Paper Ltd.	Audit Committee	Member

Name of the Director	:	<b>Mr. Anil Khanna</b>		
Date of Birth	:	20.03.1959		
Date of first Appointment	:	22.12.2004		
Qualification and experience in specific functional areas	:	Chartered Accountant Information System Auditor (DISA) from ICAI, New Delhi Bachelor of Arts (Economics, Mathematics) He is a Certified Arbitrator by the Institute of Chartered Accountants of India, has been certified as Business Counsellor by Entrepreneur Development Institute (EDI), Ahmedabad. He is in practice and has over 26 years of post qualification experience in Corporate audits, taxation and management consultancy. He has worked in SAP, Mfg Pro, JD Edworks Environment and has chaired implementation of Microsoft Navision-ERP.		
List of companies in which outside Directorships held	:	Himachal Fine Blank Limited Kamla Retail Limited		
Chairman/Member of the Committees of the Board of the Company	:	Audit Committee		Member
		Remuneration Committee		Member
		Shareholders'/Investors' Grievance Committee		Chairman
		Compensation Committee		Member
Chairman/Member of the Committees of Board of other companies in which he is a Director	:	Kamla Retail Limited	Audit Committee	Chairman

## KDDL LIMITED

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

### I. General Information

(1) Nature of Industry	<b>Remarks</b> The Company operates in light engineering industry and is engaged principally in manufacture of watch components. Commercial production started in 1983.						
(2) Date or expected date of commencement of commercial production	N.A.						
(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	N.A.						
(4) Financial performance based on given indicators	The financial performance is given in the enclosed Balance Sheet and Profit and Loss Account of the Company. The performance of the Company as on 31.03.2011 are given below <b>(Rs. in Million as on 31.03.2011)</b> Net Worth 391.35 Turnover (gross) 819.42 Net profit after tax 65.79 Dividend declared 30%						
(5) Export performance and net foreign exchange collaborations	FOB value of export and earnings in foreign exchange during the financial year ended 31.03.2011 was Rs. 421 million.						
(6) Foreign investments or collaborators, if any	There is no foreign technical collaboration in operation at present. Investment by financial collaborators at present is as under : <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">1. Radexpo AG</td> <td style="text-align: right;"><b>Shares of Rs. 10/-</b></td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: right;"><u>2,10,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>2,10,000</u></td> </tr> </table>	1. Radexpo AG	<b>Shares of Rs. 10/-</b>	Total	<u>2,10,000</u>		<u>2,10,000</u>
1. Radexpo AG	<b>Shares of Rs. 10/-</b>						
Total	<u>2,10,000</u>						
	<u>2,10,000</u>						

### II. Information about the Appointee

(1) Background details	Mr. R K Saboo, Chairman He is B.Sc. and has vast experience of 52 Years. He is a promoter director and is with the Company since inception.	Mr. Yashovardhan Saboo, CEO He is BA (Hons.), PGDBM (IIMA) and has vast experience of 30 years. He is a promoter director and is with the Company since inception.
(2) Past remuneration	Salary 11,00,000 Perquisites 12,02,441 Performance -- Bonus -- <b>Total <u>23,02,441</u></b>	18,00,000 10,25,643 10,00,000 <b><u>38,25,643</u></b>
(3) Recognition or awards	1. Degree of Doctorate by Panjab University, Chandigarh was conferred by the President of India in 2007. 2. "Padma Shri" award was conferred by the President of India in March, 2006. 3. Degree of Doctor of Letters (Honoris Causa) was conferred by H.N. Bahuguna Garhwal University, Srinagar, Uttranchal in 2006.	He has been conferred with "Udyog Ratna" Award by PHDCCI in 2005. Chairman, CII, Chandigarh in 2002

4. Udyog Ratna in 2005.
  5. Punjab Ratna in 2005.
  6. Trustee Chairman of the Rotary Foundation 1994-1996.
  7. World President, Rotary International during 1991-1992.  
(He is the only Indian to hold these two positions in Rotary)
- (4) Job profile and his suitability      He is the Chairman of the Company and is responsible for strategic decisions and planning.      He is overall incharge of the Company as Chief Executive Officer and looks after new initiatives/ expansion projects and export growth.
- (5) Remuneration proposed      Proposed remuneration is for three years starting from 1st December, 2010. Details given in the explanatory statement of the accompanying notice.      Proposed remuneration is for three years starting from 1st April, 2011. Details given in the explanatory statement of the accompanying notice.
- (6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin).      Remuneration package is commensurate with his competence and responsibility in the Company and also with remuneration paid by comparable companies for similar positions.      Remuneration package is commensurate with his competence and responsibility in the Company and also with remuneration paid by comparable companies for similar positions.
- (7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.      He is the promoter director and also father of Chief Executive Officer of the Company.      He is a director in the Company since 1981 and also son of the Chairman of the Company.

### III. Other Information:

- (1) Reasons of loss or inadequate profit      During the financial year ending on 31.03.2010, the Company's sales and export orders were badly affected due to the world wide slow down, especially in Europe and USA. But during the current year ending on 31.03.2011, the Company has recovered from the above said slow down and has achieved adequate profitability as stated in Clause (I)(4) above.
- (2) Steps taken or proposed to be taken for improvement      Optimum utilization of resources coupled with better budgetary controls has contributed significantly in the growth of the Company.
- (3) Expected increase in productivity and profits in measurable terms      The Company anticipates an appreciable rise in the profits with the revival of the economy and better market conditions in the international scenario. As on 30.06.2011 the Company has achieved a growth rate of 38.49% in the turnover of the Company over the previous quarter in the last year and hopes to do well in the current year.

### IV. Disclosures:

- (1) The shareholders of the Company shall be informed of the remuneration package of the managerial person.      The details of remuneration packages of Mr. R. K. Saboo and Mr. Yashovardhan Saboo are enclosed in the explanatory statement of the accompanying notice.
- (2) Disclosures required to be mentioned in the Board of Director's report under the heading "Corporate Governance", if any, attached to the annual report.      Necessary particulars of remuneration under required heads of all Working Directors are given in Corporate Governance Report forming part of the Director's Report for the year 2010-11.

# KDDL LIMITED

## DIRECTORS' REPORT

TO  
THE MEMBERS

Your Directors have pleasure in presenting this 31<sup>st</sup> Annual Report together with the Audited Accounts of the Company for the financial year ended 31<sup>st</sup> March 2011.

### OPERATIONS AND PROSPECTS

#### Financial Results

The summary of operating results for the year 2010-11 and appropriation of divisible profits is given below:

(Figures in Millions of Rupees)

Particulars	2010-11	2009-10
Gross Operating Income	803.7	546.6
Profit before interest and depreciation	170.3	30.7
Less : Interest	45.2	39.3
Depreciation	39.8	78.2
Profit before tax	85.3	(47.5)
Provision for Income Tax, Deferred tax	22.4	(13.7)
Profit after tax	62.9	(33.8)
Profit/(Loss) brought forward from previous year	2.9	36.7
<b>Net Profit/(Loss)</b>	<b>65.8</b>	<b>2.9</b>
Appropriated as under :		
Proposed Dividend	22.2	–
Corporate Dividend Tax	3.7	–
Transfer to General Reserve	6.3	–
<b>Surplus carried to Balance Sheet</b>	<b>33.6</b>	<b>2.9</b>
<b>Total</b>	<b>65.8</b>	<b>2.9</b>

### PERFORMANCE AND PROJECTIONS

The financial year saw a handsome bounce-back from the previous year which had been severely impacted due to the global economic slowdown of 2009. During the year under review, the Company achieved sales of Rs. 804 Million against Rs. 547 million in the previous year, thereby registering an increase of 47%. The Company earned a net profit of Rs.63 million against a net loss of Rs. 34 million in the previous year. The better performance was due to multiple reasons mainly the several recovery measures initiated by the management, which was further helped by the improved market conditions.

All the watch component manufacturing units reported improved revenues and profitability during the current year. The watch hands business saw an especially encouraging increase in export sales owing to opening of several new client accounts. The Company expects and visualizes growth of market in the coming year also and continuation of the satisfactory performance.

The Precision Stamping Division, Eigen Engineering, has performed better than the last year by registering a growth of 22% in sales. This division is further working on improving the performance by working on internal efficiencies and serving new customers in the growing demand for its products in the electrical, automobile, telecommunications, medical and aerospace industries.

The Company's Swiss subsidiary, Pylania, SA in Switzerland also improved its performance during the year and recorded a growth of 112% in its top line. Although the Company is still not profitable, however the loss was lower by 32% as compared to the previous year. The prospects in the coming years are expected to be good as the Company establishes its name for high quality and the "Swiss Made" label.

Satva Jewellery and Design Ltd., the 50:50 Joint Venture with Pascal Vincent Vaucher, SA of Switzerland, specializing in jewel setting on watch cases and dials, made a loss of Rs. 3.7 millions against a loss of Rs.10 Millions in the previous year. The sales improved by 96% during the year.

The watch retail and distribution business of the group, managed mainly through our subsidiary company Kamla Retail Limited also showed improved performance. During the last financial year, Kamla Retail Limited and Mahen Boutiques Limited were merged. The aggregate turnover of the retail and distribution companies improved from Rs.600 millions to Rs 890 millions registering a growth of 48%. Company expects the rate of growth and improvement in the financial performance to continue in the coming years as the Company plans to open new stores in line with the growth in demand of luxury and premium brand watches.

#### DIVIDEND

In view of the improved results, your Directors are pleased to recommend for approval of the shareholders a dividend of 30% i.e. Rs 3/- per share on equity shares of the Company in respect of the financial year 2010-11. The Dividend shall be paid after the approval of shareholders at the ensuing Annual General Meeting.

The total outgo of the dividend to be paid to shareholders will be Rs 25.9 millions (inclusive of Corporate Dividend Tax).

The dividend payout for the year under review has been formulated in accordance with the Company's policy to pay sustainable dividend linked to long term growth objectives of the Company.

#### TRANSFER TO RESERVE

The Company proposes to transfer Rs 6.3 millions to the General Reserve out of the amount available for appropriations and an amount of Rs. 33.6 millions is proposed to be retained in the Profit and Loss Account.

#### DIRECTORS

The tenure of Mr. R K Saboo, Chairman of the Company ended on 30th November, 2010, and the Board has re-appointed him for a further period of three years w.e.f. 1st December, 2010. Also, the terms of Mr. Yashovardhan Saboo as Chief Executive Officer ended on 31st March, 2011, and the Board has re-appointed him for a period of three years, respectively, w.e.f. 1st April, 2011, subject to approval of shareholders in the General Meeting and subject to such other approvals of Central Government, financial institutions or other statutory authorities, as may be necessary.

Mr. Anil Khanna and Mr. Jagesh Khaitan retire by rotation, and being eligible, offer themselves for re-appointment.

#### CONSOLIDATED ACCOUNTS

In accordance with the requirements of Accounting Standard AS-21-Consolidated Financial Statements read with Accounting Standard-23 – Accounting for Investment in Associates issued by the Institute of Chartered Accountants of

## KDDL LIMITED

---

India, your Directors have pleasure in attaching the Consolidated financial statements, which forms part of the Annual Report.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

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

- (i) That in the preparation of the accounts for the financial year ended 31st March, 2011, the applicable accounting standards have been followed and that there has been no material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) That the Directors have taken proper and sufficient care in the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2011 on a 'going concern' basis.

### **LISTING OF SHARES**

The Equity Shares of the Company are listed on the Bombay Stock Exchange Limited and the Company has paid the annual listing fees to the Stock Exchange for the financial year 2010-11.

During the period under report, the Company had filed listing application with the Bombay Stock Exchange Limited for 421950 equity shares of the Company upon conversion of equal number of Zero Coupon Convertible Warrants issued on preferential basis to the promoters and others and the same has since been obtained.

### **SUBSIDIARIES**

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet and 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. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

Details of major subsidiaries of the Company are covered in the Management Discussion and Analysis Report forming part of the Annual Report.

### **FIXED DEPOSITS**

All provisions of Sections 58A and 58AA of the Companies Act, 1956 have been complied with. The unclaimed deposit due for payment at the close of the financial year is Rs. 0.65 Millions.

The aggregate amount of fixed deposits as on 31st March, 2011 is Rs. 87.13 millions

### **INTERNAL CONTROL SYSTEM**

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

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

### **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

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

### **CORPORATE GOVERNANCE**

The Company has been practicing the principles of good Corporate Governance over years. The Board of Directors supports the broad principles of Corporate Governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

The Company has complied with all the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchange during the year ended on 31.03.2011 as per Report on Corporate Governance annexed and a Certificate from the Auditors to this effect for the year ending on 31.03.2011 is also enclosed to this report.

### **AUDITORS**

M/s Walker, Chandok & Co., Chartered Accountants, Statutory Auditors of the Company, retires at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such appointment within the meaning of section 226 of the Companies Act, 1956.

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

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

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the declared dividends and interest on fixed deposits which remained unpaid or unclaimed for a period of seven years, if any, have been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the said Act.

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

The information required under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 relating to "Conservation of Energy, Technology Absorption

## KDDL LIMITED

and Foreign Exchange Earnings and Outgo" is given in the Annexure and forms an integral part of this Report.

### PARTICULARS OF EMPLOYEES

Pursuant to the amendment in the Companies (Particulars of Employees) Rules, 2011 vide notification No. GSR 289(E) dated 31.03.2011 issued by the Ministry of Corporate Affairs, no employee of the Company was in receipt of Rupees Sixty Lacs per annum or Rupees Five Lacs per month during the year under review. Accordingly, no particulars of employees are given pursuant to the provisions of Section 217(2A) of the Companies Act, 1956.

### CASH FLOW ANALYSIS

In conformity with the provisions of clause 32 of the Listing Agreement, the Cash Flow Statement for the year ending on 31.03.2011 is annexed hereto.

### PERSONNEL

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

### TRADE RELATIONS

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

### ACKNOWLEDGEMENT

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

for and on behalf of the Board

Date : 28.07.2011  
Place : Chandigarh

R.K. SABOO  
Chairman

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

#### A. CONSERVATION OF ENERGY :

- a) **Energy conservation measures taken:** The Company continues to give high priority to conservation of energy on an on-going basis. A few significant measures taken are:
  - i) Periodical and preventive maintenance of electric equipments and ensured optimum utilization of electric energy.
  - ii) Phased balancing of heating and lighting load.
- b) **Additional investments and proposals:** Energy conservation is planned through replacement of and modification of inefficient equipments and by

providing automatic controls to reduce idle running of equipments as an ongoing exercise.

- c) **Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on cost of production of goods:** Cost of power is negligible in total cost of production.
- d) Total energy consumption and energy consumption per unit of production as per 'Form A' not given as the Company is not covered under the list of specified industries.

#### B. TECHNOLOGY ABSORPTION:

1. **Research and Development (R & D):**
  - a) **Specific areas on which R & D carried on by the Company:** Research and Development has been carried out for quality improvement and development of new products.
  - b) **Benefits derived as a result of the above R & D:** Increase in overall efficiency, productivity and quality of outgoing product and a wider range of watch components.
  - c) **Future plan of action:** Further improvement in production processes, to develop new dial finishes and new types of index would continue.
  - d) **Expenditure on R&D:** No separate account is being maintained by the Company for the expenditure incurred on R&D. However, the Company is incurring recurring expenditure towards development activities.

#### 2. Technology Absorption, Adaptation & Innovation:

**Efforts, in brief, made towards technology absorption, adaptation and innovation:** The Company is constantly engaged in in-house R&D and is in constant touch with the new technologies.

**Benefits derived as a result of the above efforts:** Due to continuous developmental efforts, the Company has been able to produce much more complicated dials for catering to customers both in domestic and export markets.

- i) **Technology imported :** None after 1995.
- ii) **Year of Import :** N.A.
- iii) **Has technology been fully absorbed?:** N.A.
- iv) **If not absorbed, area where this has not taken place, reasons thereof and future plans of action:** N.A.

#### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rupees in Millions)

	2010-11
Foreign Exchange earnings	Rs.421
Foreign Exchange outgo	Rs.307

for and on behalf of the Board

Date : 28.07.2011  
Place : Chandigarh

R.K. SABOO  
Chairman

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

The Indian economy has emerged with remarkable rapidity from the slowdown caused by the global financial crisis of 2007-09. Growth in 2010-11 was strong with a rebound in agriculture and continued momentum in manufacturing.

The medium-to long-run prospects of the economy, including the industrial sector, continues to be positive though some slowing down to douse inflation seems inevitable. Inflation has remained at high levels for a large part of the year, mainly driven by food items. Notwithstanding the tightening money markets and moderate growth in deposits, the financial situation has remained orderly with a pickup in credit growth, active equity market and stable foreign exchange market. Though downside risks of global events, particularly the emerging crisis in the Euro area remain, the Indian economy is poised to continue its growth based on its momentum.

We should note that the India economy was severely buffeted by, but has successfully withstood, two shocks in rapid succession: (a) the collapse in global growth, finances, and trade with the onset of the financial crisis in 2007-09 whose ripple effects continued into 2009-10 and persisted into 2010-11 (with fiscal stresses in Europe); and (b) domestic agricultural crisis, following a year of negative growth in agriculture and allied sectors in 2008-09, with erratic monsoons causing a severe drought in 2009-10 and unseasonal late rains affecting the winter season crops in 2010-11.

Inflation continues to be a cause for concern with average inflation in primary articles continuing in double digit figures. The continuing financial measures to control inflation will inevitably impact growth. However the temporary slow down can easily be reversed with a continuation of economic reforms that the government must focus on with urgency and determination. A speedier improvement in infrastructure and seminal tax reforms such as implementation of the promised GST will provide the much needed impetus for decades to come.

**THE WATCH INDUSTRY****Swiss watch Industry**

Swiss watch exports showed strong growth in 2010. After the sharp fall in demand during 2009, results have quickly resumed a positive trend. The recovery which began in January 2010 has proved particularly vigorous, enabling Swiss watch manufacturers to surpass the level recorded in 2007, considered at the time to be excellent. Over twelve months, watch exports reached a value of 16.2 billion francs. This represents growth of 22.1% compared to 2009. The sector exported the equivalent of 2.9 billion francs more than in 2009. The record level of 2008 is likely to be exceeded in the first half of 2011.

Swiss watch manufacturers exported 26.1 million finished watches in 2010. This represents 4.4 million more than in 2009, or an increase of 20.4%. This excellent result is the best

since 2002 and perfectly illustrates the solid foundation on which the sector's recovery is based.

The growth of Swiss sales is driven by the continuing robust demand in China and other developing economies. Although India is still a relatively small market for Swiss watches, it is expected to follow the Chinese increase in demand. Based on these and other Asian powerhouses, the Swiss watch business is certain to grow steadily over the next decade or so.

By way of illustration, in 2010, Asia absorbed more than 50% (52.6% to be precise) of the value of Swiss watch exports, i.e. 8.5 billion francs. It also registered the highest growth, with a rate of increase of +34.6% compared to 2009. In terms of the number of watches, the proportion falls to 38.6%, meaning that on average Asian customers purchased more expensive timepieces. With an average export price of nearly 800 francs, Asia maintained a clear lead over other regions.

**Geographical distribution (in CHF million)**

Countries	Value 2010	Change in %	Share in %
Hong Kong	3185.5	+46.9%	19.7%
USA	1674.4	+13.8%	10.4%
France	1167.0	+20.5%	7.2%
China	1099.5	+57.0%	6.8%
Italy	923.3	+2.6%	5.7%
Other Countries	8108.4	+15.5%	50.2%
<b>Total</b>	<b>16158.1</b>	<b>+22.1%</b>	<b>100.0%</b>

**Main exporting countries (in USD billion):** (Direct export)

Switzerland also remains, by far, the leading watch producer and it is unlikely that its hold will be loosened. It exported the equivalent of 15.5 billion dollars, i.e. growth of 22.1% compared to 2009 in local currency (excluding exchange rate effect). Hong Kong recorded watch exports valued at 7.4 billion dollars (an increase of 31.8% compared to 2009). A large proportion of this value corresponds to exports of products originating from other producer countries. In third position, China shipped the equivalent of 3.1 billion dollars. This represents an increase of 23.2% compared to the previous year. The watch export of France (including transit of Swiss watches) totalled 1.5 billion dollars, an increase of 19.0% compared to 2009. Over the same period, Germany showed a decline of 14.3%, registering a total value of 1.3 billion dollars.

**Watch Industry in Hong Kong & China**

Hong Kong (and China) is the second most important watch manufacturing country and by far the highest in volume. In 2010, Hong Kong's watches and clocks exports increased by 32%. The EU and the US were the largest markets, together accounted for nearly 40% of the total exports. While sales to the EU increased by 20%, exports to the US also rose by 44% throughout 2010.

**Indian Watch Market**

Titan with its brand portfolio, continues to dominate the mass and value watches market in India. Titan has continued its fabled performance and KDDL is proud of its long and strong association with Titan. The Timex Group is also expanding

operations both on distribution and manufacture, while the globally active Fossil Group has also announced ambitious plans for its India operations.

On the other hand, in the premium and luxury segments, the market stood to witness intensive competition between foreign brands like Rolex, Omega, Cartier and others in the luxury segment, and Tag Heuer, Longines, Rado, Swatch, Tissot, Raymond Weil and many others among sub-luxury brands.

The Indian customer, besides becoming cost conscious has evolved in taste to choose watches based on aesthetics, quality and social standing. The watch market in India is fast evolving from largely a functional watch market to more of a fashion and luxury market. The total watch market in country is estimated to be around Rs. 5000 cr. and is growing at a rate of 12% per annum; within this market, the share of premium and luxury watch segment is estimated to be around Rs. 600 crores and witnessing a growth rate of 25~30% per annum.

### **Outlook 2011 onwards**

Watch industry globally is showing strong signals of buoyancy which is very clearly evident in the Swiss watch exports improving by 21.7% in value terms during the period Jan-May'11 as compared to Jan-May'10. The volume growth of Swiss watches exports are also 22.9% during this period.

The Premium watch retailing in India is still at a nascent stage and has been growing at a healthy over the last few years. The market for premium and luxury watches is poised for a prolonged period of high growth over the next decade. Indian market for luxury watches today is at an inflection point similar to what China was in the year 2001-02. During this period, the Chinese market grew more than 10 times recording a CAGR of more than 35%.

Currently, China has the largest market share in manufacturing of watch components. While Chinese manufacturing is slowly losing its advantage due to increasing wages, pressure on its currency due to high exchange reserves, it provides an opportunity for established players like KDDL to increase its market share in the growing market.

### **BUSINESS OVERVIEW**

KDDL Limited is one of the leading Companies in India in the manufacture of watch components and manages the largest retail chain in luxury Swiss watches in the organized sector through its subsidiary companies.

The Company's revenues are mainly from manufacture of watch components and precision engineering tools and parts. An overview of the individual business segments are detailed below:

#### **Watch Component Manufacture**

2010-11 saw a very healthy recovery post recession impact in the last 2 financial years. The order position both for Domestic and Export markets was strong and the measures taken by the Company in re-aligning the costs during the recession period also helped in improving the performance during the year. The Company has taken steps for introduction of new customers and product variants to capture the growing market. The Dials

and Hands Units are operating close to full capacity level and the Company has initiated steps for increasing the productivity and capacity of the units further.

#### **Domestic Market**

The domestic sales of the Company witnessed a growth of 10% during the year as compared to decline of 6% in the previous year. This was primarily on account of better market conditions and demand.

#### **Export Market**

The export market improved significantly during the year which was reflected in the order position and execution of orders. The turnover of the Company from exports increased from Rs. 19 Cr in 2009-10 to Rs. 41 Cr in 2010-11 reflecting a growth of 117%. The major exports continued to be in the Swiss market. There are also indications from Swiss brands to shift procurement of watch components from China to India due to increased cost of production in China on account of higher wages and the stronger yuan.

#### **Dial Units**

Dial units saw a surge in orders and business post recession recovery of the Swiss watch industry. The Dials units continued to manufacture and offer high quality Dials with added features like Lacquer Polished Base, Diamond-cut Indexes, Dials with real diamonds, Record turning, MOP etc. To de-risk the supply chain and the business operations the Company is increasing its capacity to manufacture Indexes. As a backward integration process this stabilizes its requirements to cater to the ever changing demand & taste of the existing customers and further enhance the customer mix. The Company is working on moving up the value chain to capture high-end export customers while also increasing capacity for catering to the growing domestic market.

#### **Hands Unit**

The watch hands unit continued its journey of meeting customer expectations on quality and delivery compliances. The watch hands order book is healthy and the Company is in the process of further increasing the capacity to improve its market share and add new feature hands in its basket of products and variants.

#### **Precision Components**

Our Unit, Eigen Engineering, is taking strategic initiatives for aligning the capability, expertise and positioning for an appropriate niche in this billion dollar market. This unit caters to the high precision stampings & tools requirements arising from the Electrical, Electronics, Telecommunication, Automobiles, Medical Equipments, Auto and Aeronautics industries.

In December 2010, Unit has been successfully certified with ISO- 9000-2008, through which the Company has maintained its international recognition for quality standards. The unit is also poised for TS 16949 Certification by TUV.SUD during the current financial year which will open the doors and provide opportunity to do more business with the fast growing automotive sector.



### Strategic Initiatives

As the watch and components industry is witnessing a robust growth, it provided ample opportunities for the Company to further align and equip itself to capture the growing market. In line with the market expectations, the Company is expanding its capacity and product range in manufacture of dials, hands and packaging components. The Company is setting up new facility at Barwala (Haryana) for manufacture of dials for the domestic customers and increasing the capacity and capability of the Dial manufacturing units at Parwanoo (H.P) and Derabassi (Punjab). In addition to this, a new unit exclusively for the exports market is being set-up at Bangalore for manufacture of top quality watch hands. Dial manufacturing units are also equipping themselves for manufacture of indexes.

Company has also initiated the steps for introducing the packaging business in the export market segment and is in the process of automating the manufacturing processes to improve the capability of the unit.

The Company had implemented SAP in one of its unit few years back and is now extending the next higher version to all units and locations and adopting the best practices and processes relevant for the industry.

The Company is taking necessary steps for upgrading the capability of the units and making conscious efforts to improve productivity, efficiencies and develop alternate sources of material.

### Business Performance Review

#### Revenue

The Gross Operating Income of the Company has increased from Rs. 547 million to Rs. 804 million, an increase of 47% over the previous year. The increase in the Income is on account of recovery in the market, intensive sales efforts and improved realizations.

The watch segment Gross Operating Income has shown an improvement from Rs. 408 million to Rs. 608 million, an increase of 49%; the other segments improved by from Rs. 138 million to Rs. 172 million reflecting an increase of 25%.

The domestic sales of the Company increased from Rs. 356 Million to Rs. 390 million representing a growth of 10%; simultaneously the export sales increased from Rs 190 million to Rs 413 million, marking an increase of 117%. The revenue of the Company from export sales jumped from 35% during 2009-10 to 51% in the 2010-11, which clearly demonstrates the faith and trust of the established global major brands in KDDL's capabilities.

#### Margins

During the current year the operating margins of the Company improved significantly. The austerity measures adopted by the Company during the previous year, combined with better market conditions and intensive sales and market development efforts have yielded handsome results.

The operating earning before interest, depreciation, taxes and appropriations also improved from Rs. 42 million in 2009-10 to

Rs. 168 million in 2010-11, an increase of 296%. Operating EBIDTA earnings as a percentage to net operating income also improved from 7.9% to 21% during the financial year.

### Shareholders Funds

During the year, Company allotted on preferential basis 16,87,600 Zero Coupon Convertible warrants at a price of Rs. 41. Each warrant is convertible into one fully paid up equity share of Rs. 10 at a premium of Rs. 31 within 18 months from date of issue share at the option of the holder. Out of these 16,87,600 Zero Coupon Convertible warrants, 4,21,950 number of warrants were converted into fully paid up equity shares. As a result of the conversion, the paid up capital has increased from Rs. 74,363,600 to Rs. 78,583,100 comprising of 77,71,170 equity shares of Rs. 10 each fully paid up.

The Company's reserves increased from Rs. 250 million as on 31st March 2010 to Rs. 326 million as on 31st March 2011.

### Loan Funds and Cost of Debt

The cost of debt as a percentage to total revenue reduced also from 6% during 2009-10 to 5% in 2010-11. This was primarily on account of substantial recovery and growth in turnover. The interest rates in the market continue to harden and which is also reflected in the average weighted cost of debt increasing from 11.3% to 12.3 %. The Company continues to focus on better working capital management and effective use of different financing options to reduce the impact of the strengthening of interest rates.

### Fixed Assets

Fixed Assets of the Company increased from Rs. 737 million to Rs. 787 million on account of normal Capital expenditure to increase the productivity of the units.

### Subsidiary Companies and Joint Ventures

#### Kamla Retail Limited

During the course of the year, the Company showed a growth of sales of more than 30%. The revenues of the Company have been growing at 42% CAGR for the past 4 years. The increase in sales has been led by a considerable improvement in like-to-like (same store) growth of 19% in FY10-11.

The Company opened 5 new stores in the previous year. In addition to this, one store was added due to the amalgamation of the fellow subsidiary, Mahen Boutiques Ltd. One store was closed due to the shifting of the operations of the airport terminal at the Delhi International Airport. The total stores operational on 31st March 2011 were 25.

The Company made a foray into the Fashion Segment by opening its watch store under the brand name of "Ethos – Hour Hub" at Pune. The segment caters to fashion watches in the price range between Rs. 5000-Rs. 25000. The Company believes that this segment has a high potential for growth in the future.

The Company's margins have improved from around 22% in FY09-10 to around 26% in FY10-11. This has been possible on account of greater negotiating power with brands due to which the Company is able to negotiate better margins; lower

discounts to customers matched with exceptional customer service, even in the face of high-discounting competition; and increasing emphasis on house brands on which the Company is able to fetch significantly higher margins.

The Company has also established a state of the art service center at Bangalore. Service of watches is a high growth and high profit area identified by the Company. The Company is also in the process of establishing an e-commerce platform. The early success of the Company in using the social media and other internet platforms for generating leads for sale of high end watches is very promising.

The outlook for the next year, FY11-12, continues to be positive and upbeat. The Company expects that the growth in demand will continue at the same pace accompanied with improvement in retail infrastructure. The Company has already signed up more than new 20 locations and is expected to open 8-10 stores FY11-12.

During the year, FY10-11, the Board had approved the amalgamation of the Company's erstwhile fellow subsidiary, Mahen Boutiques Ltd. (MBL). The Scheme of Arrangement for the amalgamation was approved by the Hon'ble High Court of Himachal Pradesh and the Hon'ble High Court of Delhi. The appointed date for the Scheme is 01.04.2009 and the effective date of the amalgamation is 13.05.2011.

### **Himachal Fine Blank Limited**

The subsidiary specializing in the manufacture of indexes, continued to be a primary supplier of indexes to KDDL. During the year the Company also witnessed the recovery of the market and the revenue of the Company increased from Rs.257 Lacs to Rs. 332 Lacs, signaling an increase of 29%. The Company forecasts further growth and requirement of higher end indexes in the market in line with the enhanced market requirements.

### **Pylania SA**

The dials factory in Switzerland also witnessed a surge in orders and revenue, signaling a recovery from recession. The revenue of the Company increased from CHF 0.8 million to CHF 1.7 million, an increase of 112%. The loss of the Company also reduced to CHF 0.5 million in 2010-11. The Company has initiated many efforts for further improving the top line and making the unit profitable, including significant investment in high quality polishing and lacquering processes. The Company has also implemented a change in the top management of the Company to align it more closely with the needs of high quality dial manufacture and rigorous cost control.

### **Satva Jewellery and Design Limited**

This is a joint venture company with 50:50 ownership between KDDL and Pascal Vaucher Holding, SA of Switzerland in the field of Jewellery setting. During the year, the Company's operations improved from a turnover of Rs. 50 Lacs to Rs. 98 Lacs, registering a growth of 96%. The loss of the Company also reduced from Rs. 100 Lacs in 2009-10 to Rs. 37 Lacs during 2010-11. The increase in turnover and reduction of loss

was due to some good orders during the year. However, the Company operations remain under pressure due to non availability of orders on continuous basis and the universal decline in the manufacture of jewellery watches. The Company is considering various options to ensure long-term stability.

### **Human Resource Management**

The skills and capabilities of our team remain our most valuable asset. KDDL seeks to attract and retain the best talent available. Human Resource Management incorporates a process driven approach that invests regularly in the training and development needs of employees through succession planning, job rotation, on the job training and extensive training workshops and programs.

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

The total number of employees of the Company was over 1100 during the year under review.

### **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed in accordance with Companies (Audit Report) Rules, 2003 and to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies.

The Company has appointed qualified auditors to oversee and carry out internal audit of the Company's activities. Internal Audit Reports prepared by the auditors are put up before the Audit Committee Meetings for their review and initiate corrective actions required. The Committee also meets the Company's Statutory Auditors to ascertain, inter alia, their views on the adequacy of internal control systems in the Company and keeps the Board of Directors informed of its major observations from time to time.

### **RISKS, THREATS AND CONCERNS**

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

Our framework for combating risks recognizes that risks may be divided into two broad categories – risks that are common and relevant for most business in general and risks that are more specifically applicable to your Company and business in particular. The Risk Management Policy at KDDL inter-alia provides for Risk identification, assessment, and reporting and mitigation procedure. The Policy is continuously updated and

adopted to the changing environment in which the Company operates.

### **RISKS OF GENERAL NATURE**

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

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

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

### **SPECIFIC RISKS**

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

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

**Risks pertaining to dependence on few customers:** The Company has enjoyed a close and mutually beneficial association with several leading brands in the watch business. This inevitably has led to a substantial part of the Company's business being related to these groups.

Notwithstanding the excellent standing of these companies and our Company's enduring relationship with them, we

recognize that broad-basing our customer base and brand partner base is a priority to mitigate any inherent risk from dependence on any specific partner.

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

**Foreign Exchange Risks:** More than 50% of the Company's manufacturing turnover comes from exports, denominated in Swiss Francs and US Dollars. The fall and rise in these currencies can seriously impact the working of the Company in the short and medium term. In the current year, the fall in the value of these currencies will have a significant impact on the export earnings in Rupee terms and thereby on the profitability of the Company. This risk is mitigated with several measures which include:

- ◆ Hedging of currencies to the extent reasonably possible, also keeping in mind natural hedge we enjoy by exporting and importing in the same currency.
- ◆ Balancing of imports and exports.

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

### **CAUTIONARY STATEMENT**

Certain statements made in the “Management Discussion and Analysis Report” relating to the Company's objectives, projections, outlook, expectations, estimates and others may constitute “forward looking statements” within the meaning of applicable laws and regulations. Actual results may differ materially from those expressed or implied. Important factors that could make significant difference to the Company's operations and actual results include among others, Government Regulations, statutes, tax laws, economic developments within India and countries in which the Company conducts businesses, litigations and other allied factors.

**REPORT ON CORPORATE GOVERNANCE****I. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE**

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

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

**II. BOARD OF DIRECTORS****(a) Composition**

The Board of Directors of the Company has an optimum combination of executive and non-executive directors. The Board of Directors presently comprises of seven members including three Whole-Time directors, i.e., the Chairman, the Chief Executive Officer and the Chief Operating Officer. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

The details of Directors on the Board of the Company as on March 31, 2011 are as under:

Name of the Director	Business Relationship	Category of Directorship	No. of Directorships in other Public Limited Companies	*No. of Committee Membership in other Companies	
				Chairman	Member
Mr. R.K. Saboo	Chairman	Promoter-Executive	2	-	-
Dr. T.N. Kapoor	Director	Independent-Non Executive	4	3	5
Mr. Jagesh Khaitan	Director	Independent-Non Executive	2	-	2
Mr. Anil Khanna	Director	Independent-Non Executive	2	1	-
Mr. Chandra Mohan	Director	Independent-Non Executive	7	-	4
Mr. Yashovardhan Saboo	Chief Executive Officer (CEO)	Promoter-Executive	11	-	1
Mr. Dinesh Agrawal	Chief Operating Officer (WCG)	Executive	4	-	-

\* includes only the membership of Audit and Shareholders'/Investors' Grievance Committee to comply as per Clause 49 of Listing Agreement.

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

**(b) Board Meetings**

Dates for the Board Meetings are fixed well in advance and agenda papers are circulated to Directors in advance.

**Meetings and attendance**

8 (Eight) Board Meetings were held during the financial year ended 31<sup>st</sup> March, 2011 and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

14th May 2010	30th September, 2010
16th July, 2010	2nd November, 2010
11th August, 2010	3rd February, 2011
30th August, 2010	28th February, 2011

## KDDL LIMITED

Attendance of Directors at Board Meetings and at the Annual General Meeting		
Name of the Director	No. of Board Meetings attended during 2010-11	30 <sup>th</sup> Annual General Meeting held on 30 <sup>th</sup> September, 2010
Mr. R.K. Saboo	07	Yes
Dr. T.N. Kapoor	06	Yes
Mr. Jagesh Khaitan	07	Yes
Mr. Anil Khanna	08	Yes
Mr. Chandra Mohan	02	No
Mr. Yashovardhan Saboo	08	Yes
Mr. Dinesh Agrawal	07	Yes

### III. COMMITTEES OF BOARD

Currently, the Board has five committees: Audit Committee, Remuneration Committee, Shareholders Committee, Shareholders'/Investors' Grievance Committee and Compensation Committee.

During the year under review, the Board had decided to dissolve the two committees namely-'Mahen Boutiques Review Committee' due to amalgamation of Mahen Boutiques Limited with Kamla Retail Limited and 'Board Committee for Consideration of Unaudited Financial results' due to the fact that the same was not statutorily required under the Listing Agreement and also because all the members of the Committee represented the full Board of directors as on date.

#### 1. AUDIT COMMITTEE

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

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

The Audit Committee met six (6) times on the following dates during the financial year ended 31st March, 2011:

14th May, 2010	30th August, 2010
15th June, 2010	2nd November, 2010
11th August, 2010	3rd February, 2011

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

Attendance of Members at Meetings of the Audit Committee			
Name of the Director	Category	Designation	Meetings attended
Dr. T.N. Kapoor	Independent Non Executive	Chairman	5
Mr. R.K. Saboo	Promoter Executive	Member	5
Mr. Jagesh Khaitan	Independent Non Executive	Member	6
Mr. Anil Khanna	Independent Non Executive	Member	6
Mr. Chandra Mohan	Independent Non Executive	Member	2

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

## KDDL LIMITED

---

Secretary of the Committee.

### 2. REMUNERATION COMMITTEE

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

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

During the financial year ended 31st March, 2011, two meetings of the Remuneration Committee were held on 13th May, 2010 and 29th October, 2010. The composition of the Remuneration Committee is as given below:

Attendance of Members at Meetings of the Remuneration Committee			
Name of the Director	Category	Designation	Meeting attended
Mr. Chandra Mohan	Independent Non Executive	Chairman	1
Dr. T.N. Kapoor	Independent Non Executive	Member	2
Mr. Anil Khanna	Independent Non Executive	Member	1

### Remuneration Policy

#### ● Management Staff

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

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

- employment scenario;
- remuneration package of the industry; and
- remuneration package of the managerial talent of other industries.

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

#### ● Non Executive Directors

The Non-Executive Directors are paid remuneration by way of sitting fees of Rs. 10,000/- for attending the meetings of the Board of Directors. The Non-Executive Directors were also paid remuneration by way of sitting fees of Rs. 5000/- (Rs. 2500/- upto 30.09.2010) for attending the meetings of Committees.

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

Name of the Director	Sitting Fees paid (Gross) (Rs.)
Mr. Anil Khanna	1,07,500/-
Dr. T.N. Kapoor	82,500/-
Mr. Chandra Mohan	30,000/-
Mr. Jagesh Khaitan	90,000/-

#### ● Working Directors

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

Details of remuneration paid/payable to the Chairman, Chief Executive Officer and Chief Operating Officer (WCG) during the financial year ended 31st March, 2011 are as follows:

**Amount in Rupees**

<b>Name</b>	<b>Salary</b>	<b>Perquisites &amp; Allowances</b>	<b>Bonus paid/provided in 2010-11</b>	<b>Total</b>
Mr. R.K. Saboo	11,00,000	12,02,441	0	23,02,441
Mr. Yashovardhan Saboo	18,00,000	10,25,643	10,00,000	38,25,643
Mr. Dinesh Agrawal	10,56,000	12,39,304	10,00,000	32,95,304

**3. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE**

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

One meeting of the Shareholders'/Investors' Grievance Committee was held on 14th May, 2010.

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

<b>Name of the Director</b>	<b>Category</b>	<b>Designation</b>	<b>Meetings attended</b>
Mr. Anil Khanna	Independent Non Executive	Chairman	1
Mr. Yashovardhan Saboo	Promoter Executive	Member	1
Mr. Dinesh Agrawal	Executive	Member	1

**4. SHAREHOLDERS COMMITTEE**

The present composition of Shareholders Committee is as under:

<b>Name</b>	<b>Designation</b>
Mr. Yashovardhan Saboo	Chief Executive Officer
Mr. Sanjeev Kumar Masown	Chief Financial Officer
Mr. P.K. Goyal	Company Secretary
Mr. Ramesh Sharma	General Manager – Accounts

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

**Shareholders'/Investors' complaints**

Complaints pending as on 1st April, 2010	Nil
During the period from 1st April, 2010 to 31st March, 2011, complaints identified and reported under Clause 41 of the Listing Agreement	Nil
Complaints disposed off during the year ended 31st March, 2011	Nil
Complaints unresolved to the satisfaction of shareholders as on 31st March, 2011	Nil

**5. COMPENSATION COMMITTEE**

The Company constituted a Compensation Committee on 3rd February, 2011. The Committee is vested with the powers to formulate detailed terms and conditions of the ESOP Plan which, *inter alia*, includes:

- a) The quantum of Options to be granted under the plan to each Employee per year and in aggregate.
- b) The conditions under which Option vested in Employees may lapse in case of termination of employment for misconduct.
- c) The Exercise Period within which the employee should exercise the Option and that Option would lapse on failure to exercise the Option within the Exercise Period.
- d) The specified time period within which the Employees shall exercise the Vested Options in the event of termination or resignation of an Employee.
- e) The right of an Employee to exercise all the Options vested in him at one time or at various points of time within the Exercise Period.
- f) The procedure for making a fair and reasonable adjustment to the number of Options and to the Exercise Price in case of rights issues, bonus issues, merger, sale of division and other corporate actions.
- g) The Grant, Vesting and Exercise of Option in case of Employees who are on long leave.

## KDDL LIMITED

---

- h) The procedure for cashless exercise of Options and
- i) To frame suitable policies and systems to ensure that there is no violation by any Employee of: -  
Securities and Exchange Board of India (Insider Trading) Regulations, 1992; and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995.

No meeting of the Compensation Committee was held during the financial year ended 31st March, 2011. The composition of the Compensation Committee is as given below:

Name of the Director	Category	Designation
Mr. R. K. Saboo	Promoter Executive	Chairman
Mr. Yashovardhan Saboo	Promoter Executive	Member
Mr. Anil Khanna	Independent Non Executive	Member
Mr. Jagesh Khaitan	Independent Non Executive	Member
Mr. Chandra Mohan	Independent Non Executive	Member

#### IV. SHAREHOLDERS INFORMATION

##### General Body Meetings

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

Financial year	Details of Location	Date	Time
2009-10	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	30th September, 2010	12.30 p.m.
2008-09	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	26th September, 2009	12.30 p.m.
2007-08	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	30th July, 2008	12.30 p.m.

- (ii) One Extra –Ordinary General Meeting of the shareholders of the Company was held on 12th August, 2010 at Hotel Timber Trail Resorts, Parwanoo-173 220 (HP) at 12.30 p.m. during the year.
- (iii) No postal ballot was conducted during the year. None of the resolutions proposed for the ensuing Annual General Meeting need to be passed by Postal Ballot.
- (iv) Special Resolutions passed at the previous three Annual General Meetings are as follows:

##### Annual General Meeting held on 30th September, 2010

- Re-appointment of Mr. Rajendra Kumar Saboo as Chairman of the Company w.e.f. 1st December, 2009 for a further period of one year, i.e. upto 30th November, 2010.
- Re-appointment of Mr. Yashovardhan Saboo as the Managing Director with functional designation of Chief Executive Officer of the Company, w.e.f., 1st April, 2010, for a period of one year, i.e., upto 31st March, 2011.
- Re-appointment of Mr. Dinesh Agrawal as Whole Time Director with functional designation of Chief Operating Officer (WCO) of the Company, w.e.f., 1st April, 2010, for a further period of three years, i.e., upto 31st March, 2013.
- Appointment of Mr. Pranav Shankar Saboo as Business Head, Packaging Division of the Company, w.e.f., 1st February, 2010.

##### Extra Ordinary General Meeting held on 12th August, 2010

- Authority for issue of 17,07,000 (Seventeen lacs seven thousand) Zero Coupon Convertible Warrants of Rs 41/- (Forty one) each on preferential basis.

##### Annual General Meeting held on 26th September, 2009

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



## KDDL LIMITED

---

### Annual General Meeting held on 30th July, 2008

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

### V. CODE OF CONDUCT

The Company has formulated and implemented a Code of Conduct for all Board members and Senior Management personnel of the Company in compliance with clause 49(1)(D) of the Listing Agreement. All the Board members and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct for the financial year ended 31st March, 2011. A declaration to this effect, duly signed by the Chief Executive Officer is annexed hereto.

### VI. DISCLOSURES

During the year, there were no materially significant transactions with related parties that may have potential conflict with the interests of the Company in large. The transactions with related parties, as per requirements of Accounting Standard 18, are disclosed in the Balance Sheet. Also, there has not been any non-compliance by the Company. No penalties or strictures were imposed by the Stock Exchanges, SEBI or any other Statutory Authority on any matter related to Capital Markets during the last three years. The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have certified to the Board in accordance with Clause 49 of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended 31st March, 2011.

The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India in the preparation of financial statements and the Company has not adopted a treatment different from that prescribed in the Accounting Standards.

The Company has not so far, adopted any non-mandatory requirements as stated in Annexure III of the Listing Agreement except the Remuneration Committee.

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

Name of the Director	No. of equity shares held
Mr. R.K. Saboo	1582607
Dr. T.N. Kapoor	Nil
Mr. Jagesh Khaitan	466
Mr. Anil Khanna	1500
Mr. Chandra Mohan	Nil
Mr. Yashovardhan Saboo	1438790
Mr. Dinesh Agrawal	350

### VII SECRETARIAL AUDIT

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

### VIII. MEANS OF COMMUNICATION

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

## KDDL LIMITED

### IX. GENERAL SHAREHOLDER INFORMATION

#### (a) Annual General Meeting

Date : 15th September, 2011  
 Venue : Hotel Timber Trail Resorts, Parwanoo  
 Time : 12.30 p.m.

#### (b) Financial Calendar

Financial year: 1st April to 31st March

For the financial year ended 31st March, 2011, results were announced on:

- 30th June, 2010 : 11th August, 2010
- 30th September, 2010 : 2nd November, 2010
- 31st December, 2010 : 3rd February, 2011
- 31st March, 2011 : 11th May, 2011

For the year ending 31st March, 2012, the tentative dates for announcement of the results:

- 30th June, 2011 : Fourth week of July, 2011
- 30th September, 2011 : Second week of November, 2011
- 31st December, 2011 : Second week of February, 2012
- 31st March, 2012 : Second week of May, 2012

#### (c) Date of Book Closure

Book Closure – 08.09.2011 to 15.09.2011 (both days inclusive)

#### (d) Dividend Payment Date

The Directors have recommended 30% dividend for the financial year 2010-11.

#### (e) Listing on Stock Exchanges

The Equity Shares of the Company are listed on the Bombay Stock Exchange Limited (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai.

#### (f) Stock Code

Bombay Stock Exchange Limited – 532054

#### (g) Market Price Data

Month	Quote at BSE (Amount in Rs.)		BSE Sensex Close
	High	Low	
April, 2010	45.35	30.95	17558.71
May, 2010	54.95	39.15	16944.63
June, 2010	42.00	35.75	17700.90
July, 2010	65.90	39.55	17868.29
August, 2010	80.65	52.05	17971.12
September, 2010	85.75	66.50	20069.12
October, 2010	115.35	73.30	20032.34
November, 2010	130.00	94.45	19521.25
December, 2010	130.55	95.00	20509.09
January, 2011	137.80	101.35	18327.76
February, 2011	110.25	87.40	17823.40
March, 2011	110.00	89.50	19445.22

#### (h) Distribution of Shareholding

Distribution of shareholding as on 31st March, 2011				
Range of equity shares held (Amount)	No. of shareholders	%age	No. of shares held	%age
1-5000	3004	85.78	426497	5.49
5001-10000	226	6.45	178271	2.29
10001-20000	98	2.80	149119	1.92
20001-30000	40	1.14	106353	1.37
30001-40000	22	0.63	78092	1.00
40001-50000	18	0.51	83173	1.07
50001-100000	36	1.03	258150	3.32
100001 and above	58	1.66	6491515	83.53
<b>TOTAL</b>	<b>3502</b>	<b>100.00</b>	<b>7771170</b>	<b>100.00</b>

## KDDL LIMITED

### (l) Categories of Shareholding as on 31st March,2011

KDDL LIMITED				
SHARE HOLDING PATTERN AS ON 31/03/2011				
S.No.	Description	Cases	Shares	% Equity
1	BANKS AND FINANCIAL INSTITUTIONS	1	50	0.00
2	CLEARING MEMBERS	5	6811	0.09
3	DIRECTORS AND THEIR RELATIVES	13	36585	0.47
4	FOREIGN COLLABORATORS	2	210000	2.70
5	FOREIGN INSTITUTIONAL INVESTOR	1	100951	1.30
6	H U F	44	82347	1.06
7	BODIES CORPORATES	99	1025796	13.20
8	MUTUAL FUNDS	1	2900	0.04
9	NON RESIDENT INDIANS	21	44231	0.57
10	OVERSEAS CORPORATE BODIES	3	259432	3.34
11	PERSONS ACTING IN CONCERT	3	111370	1.43
12	COMPANY PROMOTERS	20	4139080	53.26
13	RESIDENT INDIVIDUALS	3289	1751617	22.54
	<b>Total:</b>	<b>3502</b>	<b>7771170</b>	<b>100.00</b>

### (j) Registrar and Share Transfer Agent

#### **Karvy Computershare Private Limited**

UNIT: KDDL LIMITED

Plot No. 17-24, Vittal Rao Nagar,

Madhapur, Hyderabad-500 081

Ph : +91-40 23420818-828

Fax: +91-40 23420814

Website: www.karvy.com

### (k) Share Transfer System

The Company has constituted Shareholder'/Investors' Grievance Committee to specifically look into transfer/demat/remat of shares, issue of duplicate/split/consolidation of share certificates, notices, the redressal of Investors' complaints etc. The Committee meets on an average once in a fortnight. The list of valid transfers and objections, requests for split up/consolidation/duplicate/dematerialization, if any, are placed before the Committee for its approval and confirmation.

### (l) Dematerialization of shares and liquidity

As on 31st March, 2011, 5488734 equity shares equivalent to about 70.63% of the Company's paid up equity capital is held in dematerialized form with NSDL and CDSL. Trading in equity shares of the Company is permitted only in dematerialized form w.e.f. 24th May, 2001 as per the notification issued by the Securities and Exchange Board of India.

The ISIN (International Securities Identification Number) of the Company is **INE291D01011**.

### (m) Unclaimed dividend

Pursuant to the provisions of section 205A of the Companies Act, 1956, the amount of dividend which remains unclaimed for a period of seven years from the date of transfer to unclaimed/unpaid dividend account would be transferred to the "Investor Education and Protection Fund" and the shareholders would not be able to make any claims to the amount of dividend so transferred to the Fund. The unclaimed dividend for the years till 2002-03 has already been transferred to the fund. As such, shareholders who have not yet encashed their dividend warrants are requested in their own interest to write to the Company immediately for claiming outstanding dividends declared by the Company during the years 2003-04 onwards.

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

## KDDL LIMITED

Year	Dividend No.	Dividend unclaimed (Rs.) as on 31st March, 2011	Date of declaration	Due date for transfer on
2003-2004	12	158580.00	31.08.2004	30.09.2011
2004-2005	13	156859.00	17.08.2005	16.09.2012
2005-2006	14	172662.00	23.09.2006	29.10.2013
2006-2007 (Interim)	15	155398.00	20.02.2007	26.03.2014
2006-2007 (Final)	16	94145.00	29.08.2007	04.10.2014
2007-2008	17	223331.00	30.07.2008	05.09.2015

### (n) Plant/Business Locations

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

### (o) Address for correspondence

Shareholders are requested to contact the following:-

Mr. P.K. Goyal

Company Secretary and Compliance Officer

KDDL Limited

Corporate Office: SCO 88-89

Sector 8-C, Chandigarh-160 009

Tel: 0172-2544378

Fax: 0172- 2548302

Website: www.kddl.com

Email: pawan.goyal@kddl.com

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

In accordance with Clause 49 sub-clause I(D) of the Listing Agreement with the Stock Exchange, I hereby confirm that, all the Directors and the Senior Management personnel of the Company have affirmed compliance to their respective Code of Conduct, as applicable to them for the Financial Year ended 31st March, 2011.

for KDDL Limited

**Yashovardhan Saboo**  
Chief Executive Officer

## **KDDL LIMITED**

---

### **Auditor's certificate on Corporate Governance under Clause 49 of the Listing Agreement**

#### **To the Members of KDDL Limited**

We have examined the compliance of conditions of corporate governance by KDDL Limited (“the Company”), for the year ended on 31 March, 2011, as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the abovementioned Listing Agreement.

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

For **Walker, Chandio & Co.**  
**Chartered Accountants**  
Firm Registration No.: 001076N

per **B.P. Singh**

Partner

Membership No.70116

**Place:** New Delhi

**Dated:** 28 July, 2011

## Auditors' Report

To the Members of KDDL Limited

1. We have audited the attached Balance Sheet of KDDL Limited, (the 'Company') as at 31 March 2011, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. The financial statements dealt with by this report are in agreement with the books of account;
  - d. On the basis of written representations received from the directors, as on 31 March 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
  - e. In our opinion and to the best of our information and according to the explanations given to us, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act and the Rules framed there under and give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
    - i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2011;
    - ii) the Profit and Loss Account, of the profit for the year ended on that date; and
    - iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

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

per **B.P. Singh**

Partner

**Place:** New Delhi

**Dated:** 28 July 2011

Membership No.70116

### Annexure to the Auditors' Report of even date to the members of KDDL Limited, on the financial statements for the year ended 31 March 2011

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- (ii) (a) The inventory, excluding goods in transit, has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) There is one company covered in the register maintained under section 301 of the Act to which the Company has granted unsecured loan. The maximum amount outstanding during the year was Rs. 14,000,000 and the year-end balance was Rs. 14,000,000.
- (b) In our opinion, the rate of interest and other terms and conditions of such loans are not, *prima facie*, prejudicial to the interest of the Company.
- (c) In respect of loans granted, repayment of principal amounts is as stipulated and payment of interest has been regular.
- (d) There is no amount overdue in respect of loans granted to company listed in the register maintained under section 301 of the Act.
- (e) The Company had taken loans from three parties covered in the register maintained under section 301 of the Act. The maximum amount outstanding during the year was Rs. 3,800,000 and the year-end balance was Rs. 1,700,000.
- (f) In our opinion, the rate of interest and other terms and conditions for such loans are not, *prima facie*, prejudicial to the interest of the Company.
- (g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest has been regular.
- (iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services.
- (v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under section 301 of the Act have been so entered.
- (b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at prevailing market prices at the relevant time.
- (vi) In our opinion, the Company has complied with the provisions of sections 58A and 58AA and other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act, in respect of Company's products. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a delay in a few cases. No undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they became payable.
- (b) The dues outstanding in respect of sales-tax, income-tax, custom duty, wealth-tax, excise duty, cess on account of any dispute, are as follows:

## KDDL LIMITED

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Service tax	985,582	January 2005-June 2006	CESTAT, New Delhi
Central Excise Act, 1944	Central Excise	8,164,882	July 2000 - Feb 2003	CESTAT, New Delhi
Central Excise Act, 1944	Central Excise	91,340	July 2002 - June 2004	CESTAT, New Delhi
Finance Act, 1994	Service tax	219,309	July 2004-March 2005	CESTAT, New Delhi
Income-tax Act, 1961	Income tax	2,468,668	AY 2004-05	ITAT, New Delhi
Income-tax Act, 1961	Income tax	2,286,811	AY 2005-06	ITAT, New Delhi
Income-tax Act, 1961	Income tax	10,625,400	AY 2006-07	ITAT, New Delhi
Income-tax Act, 1961	Income tax	13,437,820	AY 2007-08	Commissioner of Income-tax (Appeals), New Delhi

- (x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (xi) In our opinion, the Company has not defaulted in repayment of dues to a financial institution or a bank. The Company has no dues payable to debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not, *prima facie*, prejudicial to the interest of the Company.
- (xvi) In our opinion, the Company has applied the term loans for the purpose for which the loans were obtained.
- (xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has made preferential allotment of
- shares to parties and companies covered in the register maintained under section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the period covered by our audit, except an instance where in a staff member was involved in embezzlement of funds amounting to Rs. 629,295 (net of recoveries made by the Company till date), which has been reported to us by the management. As further informed to us, the Company has further obtained post dated cheques from such staff member and has taken adequate follow up action, including strengthening of systems.

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

per **B.P. Singh**  
Partner

**Place:** New Delhi  
**Dated:** 28 July 2011

Membership No.70116



**KDDL LIMITED****BALANCE SHEET AS AT 31ST MARCH 2011**

(Amount in Rupees)

	Schedule	As at 31 March 2011	As at 31 March 2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	78,583,100	74,363,600
Reserves and surplus	2	299,799,559	249,816,010
Equity share warrants (refer note 5 of schedule 18)		12,972,913	-
		<b>391,355,572</b>	<b>324,179,610</b>
<b>Loan funds</b>			
Secured loans	3	222,284,527	265,946,453
Unsecured loans	4	92,626,000	78,155,000
		<b>314,910,527</b>	<b>344,101,453</b>
<b>Deferred tax liability (net)</b> (refer note 5 of schedule 18)		<b>39,832,022</b>	<b>31,939,182</b>
		<b>746,098,121</b>	<b>700,220,245</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	5	786,963,310	736,753,109
Less : Accumulated depreciation and amortisation		392,565,360	353,905,304
Net block		394,397,950	382,847,805
Capital work-in-progress, including capital advances		9,399,024	8,152,213
		<b>403,796,974</b>	<b>391,000,018</b>
<b>Investments</b>	6	<b>136,424,695</b>	<b>129,739,195</b>
<b>Current assets, loans and advances</b>			
Inventories	7	141,292,913	119,717,937
Sundry debtors	8	166,862,462	115,063,069
Cash and bank balances	9	17,276,012	10,377,321
Interest accrued but not due on deposits		616,408	759,255
Loans and advances	10	76,254,324	63,697,968
		<b>402,302,119</b>	<b>309,615,550</b>
<b>Less : Current liabilities and provisions</b>			
Current liabilities	11	150,445,546	112,171,556
Provisions	12	45,980,121	17,962,963
		<b>196,425,667</b>	<b>130,134,519</b>
<b>Net Current assets</b>		<b>205,876,452</b>	<b>179,481,032</b>
		<b>746,098,121</b>	<b>700,220,245</b>
<b>Significant accounting policies</b>	17		
<b>Notes to the financial statements</b>	18		

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

**On behalf of the Board of Directors****R.K. SABOO**

Chairman

**Y. SABOO**

Chief Executive Officer

**S.K. MASOWN**

Chief Financial Officer

**P.K.GOYAL**

Company Secretary

Place : Chandigarh

Dated : 28 July 2011

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

For **Walker, Chandio & Co.**

Chartered Accountants

Place : New Delhi  
Dated : 28 July 2011

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

**KDDL LIMITED****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011**

(Amount in Rupees)

	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
<b>INCOME</b>			
Gross operating income	13	803,670,477	546,564,707
Less: Excise duty		29,170,953	22,397,135
Net operating income		774,499,524	524,167,572
Other income	14	44,926,134	13,029,356
		819,425,658	537,196,928
<b>EXPENDITURE</b>			
Manufacturing, administrative and selling expenses	15	649,131,393	506,528,058
<b>Profit before interest and depreciation</b>		170,294,265	30,668,871
Finance cost	16	45,214,580	39,326,783
<b>Profit/(Loss) before depreciation</b>		125,079,685	(8,657,913)
Depreciation and amortisation	5	39,796,523	38,865,065
<b>Profit/(Loss) from operations before tax</b>		85,283,162	(47,522,978)
Provision for Tax			
– Current tax		17,142,334	–
– Minimum Alternate Tax credit entitlement		(2,595,125)	–
– Deferred tax Charge/(Credit)		7,892,840	(13,715,839)
<b>Profit/(Loss) after tax</b>		62,843,113	(33,807,139)
Balance brought forward from previous year		2,956,682	36,763,821
<b>Profit available for appropriation</b>		65,799,795	2,956,682
<b>Appropriations :</b>			
Proposed dividend		22,245,341	–
Tax on proposed dividend		3,694,673	–
Transfer to general reserve		6,284,311	–
Surplus carried to balance sheet		33,575,470	2,956,682
		65,799,795	2,956,682
<b>Earnings/(Loss) per share</b>			
Basic		8.48	(4.60)
Diluted		8.48	(4.60)
(Refer note 11 of schedule 18)			
<b>Significant accounting policies</b>	17		
<b>Notes to the financial statements</b>	18		

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

**On behalf of the Board of Directors**

**R.K. SABOO**  
Chairman

**Y. SABOO**  
Chief Executive Officer

**S.K. MASOWN**  
Chief Financial Officer

**P.K. GOYAL**  
Company Secretary

Place : Chandigarh  
Dated : 28 July 2011

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

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

Place : New Delhi  
Dated : 28 July 2011

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

**KDDL LIMITED****CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011**

(Amount in Rupees)

	Year ended 31 March 2011	Year ended 31 March 2010
<b>A. Cash flow from operating activities:</b>		
Net profit/(Loss) before tax	85,283,162	(47,522,978)
Adjustments for :		
Depreciation	39,796,523	39,368,269
Loss on sale/disposal of fixed assets (net)	550,524	1,953,066
Provision for doubtful debts	977,396	405,865
Provision written back	(12,856,843)	(34,888)
Bad debts written off	511,408	251,938
Provision for other than temporary diminution in value of investments	-	12,345,435
Investments written off	12,345,435	-
Dividend income	(250,000)	(120,000)
Liabilities written back	(794,914)	(697,979)
Interest expense	41,846,800	36,809,868
Interest income	(1,162,927)	(2,372,844)
<b>Operating profit before working capital changes</b>	<b>166,246,564</b>	<b>40,385,752</b>
Adjustments for movement in:		
Trade and other receivables	(64,705,031)	23,035,659
Inventories	(21,574,976)	10,394,951
Trade and other payables	38,269,843	(34,446,039)
Income Tax Paid	(14,663,915)	(1,178,572)
<b>Net cash generated from operating activities</b>	<b>103,572,485</b>	<b>38,191,751</b>
<b>B. Cash flow from investing activities:</b>		
Purchase of fixed assets	(53,629,298)	(28,893,477)
Proceeds from sale of fixed assets	485,296	2,548,199
Movement in restricted cash	157,548	2,115,746
Interest received	1,305,774	2,144,182
Dividend received from associate	250,000	120,000
Investment in subsidiaries	(7,196,908)	(2,000,000)
<b>Net cash utilised in investing activities</b>	<b>(58,627,588)</b>	<b>(23,965,351)</b>
<b>C. Cash flow from financing activities:</b>		
Proceeds from issue of share capital (including premium, on conversion of warrants)	17,299,950	-
Issue of share warrants on preferential basis (yet to be converted into shares)	12,972,913	-
Movement in deposits received from public (net)	21,671,000	20,450,000
Proceeds from other long term borrowings	11,220,402	10,848,009
Repayment of long term borrowings	(63,843,105)	(6,132,378)
Proceeds/(repayment) of short term borrowings (Net)	1,760,777	(6,965,076)
Interest paid	(38,970,595)	(35,493,725)
<b>Net Cash utilised in financial activities</b>	<b>(37,888,658)</b>	<b>(17,293,170)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7,056,239</b>	<b>(3,066,769)</b>
<b>Opening cash and cash equivalents</b>	<b>9,258,798</b>	<b>12,325,568</b>
<b>Closing cash and cash equivalents</b>	<b>16,315,037</b>	<b>9,258,798</b>
<b>Note:</b>		
Cash and cash equivalents include:		
Cash in hand	907,228	686,420
Balance with banks	15,407,809	8,572,378
	<b>16,315,037</b>	<b>9,258,798</b>
Excluding the following:		
- In equity dividend accounts	960,975	1,118,523
<b>Balance as per books of account</b>	<b>17,276,012</b>	<b>10,377,321</b>

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

**On behalf of the Board of Directors****R.K. SABOO**

Chairman

**Y. SABOO**

Chief Executive Officer

**S.K. MASOWN**

Chief Financial Officer

**P.K. GOYAL**

Company Secretary

Place : Chandigarh

Dated : 28 July 2011

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

For **Walker, Chandio & Co.**

Chartered Accountants

Place : New Delhi

Dated : 28 July 2011

per **B.P. Singh****Partner**

Membership No.70116

# KDDL LIMITED

## Schedules forming part of the financial statements for the year ended 31st March, 2011

(Amount in Rupees)

	As at 31 March 2011	As at 31 March 2010
<b>Schedule - 1</b>		
<b>Share Capital</b>		
<b>Authorised</b>		
12,000,000 ( previous year 12,000,000) Equity shares of Rs. 10 each	<b>120,000,000</b>	120,000,000
<b>Issued &amp; subscribed</b>		
7,945,450 (previous year 7,523,500) Equity shares of Rs. 10 each	<b>79,454,500</b>	75,235,000
<b>Paid up :</b>		
7,771,170 (previous year 7,349,220) Equity shares of Rs. 10 each fully paid*	<b>77,711,700</b>	73,492,200
<b>Add : Forfeited shares</b>	<b>871,400</b>	871,400
	<b>78,583,100</b>	74,363,600
*During the year, 421,950 equity share warrants have been converted into 421,950 equity shares of Rs. 10 each at a premium of Rs. 31 per share.		
<b>Schedule - 2</b>		
<b>Reserves and surplus</b>		
Capital reserves		
Central investment subsidy	2,500,000	2,500,000
State investment subsidy	3,000,000	3,000,000
Profit on re-issue of forfeited shares	9,125	9,125
Securities premium account		
As per last balance sheet	134,336,650	134,336,650
Add: Amount received during the year	13,080,450	-
	147,417,100	134,336,650
General reserve		
As per last balance sheet	107,013,553	107,013,553
Add: Amount transferred from profit and loss account during the year	6,284,311	-
	113,297,864	107,013,553
Surplus in profit and loss account	33,575,470	2,956,682
	<b>299,799,559</b>	<b>249,816,010</b>
<b>Schedule - 3</b>		
<b>Secured Loans</b>		
<b>Term loans from :</b>		
– Bank of India (BOI)	58,025,411	64,171,789
– IDBI Bank Limited	6,950,908	35,018,657
– Standard Chartered Bank (External commercial borrowing)	18,441,497	48,070,475
<b>Working capital borrowings from :</b>		
– Bank of India (BOI) on cash credit account	67,540,666	68,537,510
– IDBI Bank Limited on cash credit account	23,500,958	6,235,252
– Standard Chartered Bank (SCB) on cash credit account	33,782,490	37,890,951
<b>Others :</b>		
– Vehicle loans	4,054,683	1,300,115
– Hire purchase finance	8,465,834	-
Buyers' credit loan from bank	1,522,080	4,721,704
	<b>222,284,527</b>	<b>265,946,453</b>

# KDDL LIMITED

## Schedules forming part of the financial statements for the year ended 31st March, 2011

Notes :

- a) Term loans from BOI is secured by first charge on the entire fixed assets of Hands Unit at Bangalore and Dials Unit at Derabassi, ranking pari passu, and second charge on current assets (save and except book debts) of the Company, subject to the first charge in favour of Company's bankers for securing the working capital limits. This is further secured by way of first pari-passu mortgage charge on land & building of Derabassi unit. These loans are also guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.
- b) Term Loan from IDBI is secured by first charge on all the Company's movable assets pertaining to its Derabassi & Hands unit of the Company (save and except book debts) including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and /or to be created in favour of the Company's bankers on the stock of raw materials, semi-finished and finished goods, consumable stores, book debts and such movables. It is also secured by way of an exclusive first charge on hypothecation of machinery /equipments, all movables pertaining to Eigen (Tool room) Unit, Bangalore and pari-passu mortgage charge on land and building and other fixed assets of Derabassi unit. It is also secured by hypothecation charge of machinery /equipments installed /to be installed out of proceeds of loan from IDBI in other than above units of the Company. This loan is also guaranteed by the chairman and Chief Executive Officer (CEO) of the Company.
- c) External commercial borrowing from SCB is secured by:
1. Hypothecation by way of first pari passu charge over the whole of fixed assets of the Company situated at Dials unit at Derabassi, Punjab; at Hands unit at Bangalore and at Eigen (Tool Room) unit at Bangalore, including its plant and machinery, machinery spares, tools and accessories and other movables, both present and future (save and except assets specifically charged to other lenders) whether installed or not and whether now lying loose or in cases or which are now lying or stored in or open or shall hereafter from time to time during the continuance of security of these present be brought into and or upon or to be stored or to be in or about all the borrower's factories, premises and godowns situated at Haibatpur Road, Saddomajra, Derabassi – 140 507, Punjab; at Plot No 296 – 297, 5th Main IV Phase, Peenya Industrial area Bangalore 560 058 and at plot no. 408, 4th Main , 11th Cross, Peenya Industrial area , Bangalore 560 058 , the same will be or shall be held any party to the order or disposition of the Company or in the course of transit or on high seas or on order or delivery howsoever and wheresoever in the possession of the Company.
  2. Hypothecation by way of First Exclusive Charge over movable fixed assets of the company, consisting of plant and machinery , equipment and other movable fixed assets more particularly described in the Schedule prescribed in the agreement, acquired by utilization of the facility in the form of External Commercial Borrower, whether installed or not and whether now lying loose or in cases which are now lying or stored in or open at the Company Parwanoo Unit.
  3. All stock in trade both present and future consisting of Raw Material, finished goods, goods in process of manufacturing and other merchandise whatsoever and all present and future book debts, outstanding monies, receivables, claims, certain fixed deposits and bill etc shall be hypothecated to the bank by way of second charge on the pari passu basis. This loan is also guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.
- d) Working capital borrowings/limits from Bank of India (BOI), IDBI and SCB are secured by hypothecation of stocks of stores & spares, raw materials & components, finished goods & stocks-in-process and book debts and other assets of the Company (both present and future), on pari passu basis except Packaging Unit of the Company and are further secured by a second charge on the entire fixed assets of the Company. These loans are also guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.
- e) Vehicle loans from banks are secured against hypothecation of specific vehicles purchased out of the proceeds of those loans.
- f) Hire purchase loans are secured by the assets acquired through such loans. Instalments due within one year Rs. 2,940,909 (previous year Rs. Nil).
- g) Instalments of term loans due within one year Rs. 36,387,657 (previous year Rs. 75,492,364).

(Amount in Rupees)

	As at 31 March 2011	As at 31 March 2010
<b>Schedule - 4</b>		
<b>Unsecured Loans</b>		
Deposits from public	87,126,000	65,455,000
Short term loans from others	-	10,000,000
Intercorporate Depoists	5,500,000	2,700,000
	<u>92,626,000</u>	<u>78,155,000</u>

**Note :** Deposits from public due within one year Rs. 29,875,000 (previous year Rs. 20,903,000)

# KDDL LIMITED

## Schedules forming part of the financial statements for the year ended 31st March, 2011

(Amount in Rupees)

### SCHEDULE - 5 Fixed Assets

	As at 01.04.10	Gross Block Additions	Disposals Adjustments	As at 31.03.11	Upto 31.03.10	Depreciation Charge for the year	Adjustments	As at 31.03.11	Net Block As at 31.03.11	As at 31.03.10
<b>Tangibles</b>										
<b>Land</b>										
– Leasehold	225,746	–	–	<b>225,746</b>	–	–	–	–	<b>225,746</b>	225,746
– Freehold	8,263,231	–	–	<b>8,263,231</b>	–	–	–	–	<b>8,263,231</b>	8,263,231
Buildings	104,561,946	3,025,494	–	<b>107,587,440</b>	28,134,464	9,599,789	–	<b>37,734,253</b>	<b>69,853,187</b>	76,427,482
Leasehold improvements	88,932	203,736	–	<b>292,668</b>	5,929	24,064	–	<b>29,993</b>	<b>262,675</b>	83,003
Plant & Machinery	545,213,669	34,652,308	933,770	<b>578,932,207</b>	281,159,916	23,657,223	625,435	<b>304,191,704</b>	<b>274,740,503</b>	264,053,753
Furniture & Office Equipment	54,020,893	5,013,937	122,640	<b>58,912,190</b>	34,350,592	2,817,521	172,738	<b>36,995,375</b>	<b>21,916,815</b>	19,670,301
Vehicles	16,224,410	3,959,980	934,346	<b>19,250,044</b>	6,702,265	1,605,068	338,294	<b>7,969,039</b>	<b>11,281,005</b>	9,522,145
<b>Intangibles</b>										
Know-how	2,320,722	4,404,000	–	<b>6,724,722</b>	193,394	1,405,931	–	<b>1,599,325</b>	<b>5,125,397</b>	2,127,328
Software	5,833,560	1,123,042	181,540	<b>6,775,062</b>	3,358,744	686,927	–	<b>4,045,671</b>	<b>2,729,391</b>	2,474,816
<b>Total</b>	<b>736,753,109</b>	<b>52,382,497</b>	<b>2,172,296</b>	<b>786,963,310</b>	<b>353,905,304</b>	<b>39,796,523</b>	<b>1,136,467</b>	<b>392,565,360</b>	<b>394,397,950</b>	<b>382,847,805</b>
Previous Year	731,217,977	29,341,038	23,805,906	<b>736,753,109</b>	333,841,674	39,368,269	19,304,639	<b>353,905,304</b>	<b>382,847,805</b>	-

**Notes:** 1. Depreciation during the year includes Rs.Nil (Previous year Rs.503,204) charged on Plant & machinery at EIGEN unit which was utilised for development of in-house tools. Accordingly, such amount has been capitalised under Plant & machinery.

2. Plant & machinery with a gross value of Rs.9,783,209 (previous year Rs.Nil), depreciation and accumulated depreciation of Rs.119,864 (previous year Rs.Nil) and net book value of Rs.9,663,345 (previous year Rs.Nil) included in the above statement have been acquired on hire purchase arrangement by the Company.

	As at 31 March 2011	As at 31 March 2010
--	------------------------	------------------------

### Schedule - 6

#### Investments

##### Long Term (unquoted)

##### Trade Investments

##### Subsidiaries

–	1,520,000 (previous year 1,520,000) equity shares of Rs. 10 each fully paid up of Himachal Fine Blank Limited	<b>15,200,000</b>	15,200,000
–	655 (previous year 1,000) equity shares of Swiss Franc (CHF) 1,000 each fully paid up of Pylania SA, Switzerland	<b>23,438,435</b>	35,783,870
–	Advance paid for 1,000 (previous year Nil) equity shares of Swiss Franc (CHF) 1,000 each fully paid up, of Pylania SA, Switzerland (these shares are pending allotment by Pylania SA, Switzerland)	<b>4,685,500</b>	-
–	6,887,418 (previous year 5,504,085) equity shares of Rs. 10 each fully paid up of Kamla Retail Limited (refer note 7 of schedule 18)	<b>69,040,850</b>	55,040,850
–	NIL (previous year 50,000) equity shares of Rs. 10 each fully paid up of Mahen Boutiques Limited (refer note 7 of schedule 18)	-	500,000
–	NIL (previous year 2,000,000) equity shares of Rs. 10 each, partly paid up Rs. 6.75 each of Mahen Boutiques Limited* (refer note 7 of schedule 18)	-	13,500,000
–	200,000 (previous year 200,000) equity shares of Rs. 10 each, fully paid up of Mahen Distribution Limited	<b>2,000,000</b>	2,000,000
<b>Others (unquoted)</b>			
–	51 (previous year 51) equity shares of Swiss Franc (CHF) 1,000 each fully paid up of Taratec SA, Switzerland	<b>1,540,710</b>	1,540,710
–	300,000 (previous year 300,000) equity shares of Rs. 10 each fully paid up of Kamla Tesio Dials Ltd.	<b>3,000,000</b>	3,000,000
–	1,239,420 (previous year 1,039,420) equity shares of Rs. 10 each fully paid up of Satva Jewellery and Design Limited	<b>12,394,200</b>	10,394,200
		<b>131,299,695</b>	136,959,630
Less :	Provision for diminution in the value of investment, other than temporary in Kamla Tesio Dials Ltd.	<b>1,000,000</b>	1,000,000
	Provision for diminution in the value of investment, other than temporary in Pylania SA, Switzerland	-	12,345,435
	Aggregate of trade investments	<b>130,299,695</b>	123,614,195

##### Non Trade Investments (unquoted)

–	10,000 (previous year 10,000) equity shares of Rs. 100 each fully paid up, of VBL Innovations Pvt. Limited	<b>1,000,000</b>	1,000,000
–	500,000 (previous year 500,000) equity shares of Rs. 10 each fully paid up of Karolview Developers Pvt Ltd.**	<b>5,000,000</b>	5,000,000
–	12,500 (previous year 12,500) equity shares of Rs. 10 each fully paid up of Shivalik Waste Management Limited	<b>125,000</b>	125,000
	Aggregate value of non trade investments	<b>6,125,000</b>	6,125,000
		<b>136,424,695</b>	129,739,195

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

\*\* 490,000 ( previous year 490,000 ) shares are pending allotment

# KDDL LIMITED

## Schedules forming part of the financial statements for the year ended 31st March, 2011

(Amount in Rupees)

	As at 31 March 2011	As at 31 March 2010
<b>Schedule - 7</b>		
<b>Inventories</b>		
(As taken, valued and certified by the management)		
Raw material and components	69,058,784	56,270,317
Stores and spares	17,004,804	14,410,851
Stock-in-process	43,844,529	39,564,694
Finished goods	5,776,672	8,908,989
Goods in transit	5,463,802	325,110
Scrap	144,322	237,976
	<u>141,292,913</u>	<u>119,717,937</u>
<b>Schedule - 8</b>		
<b>Sundry debtors</b>		
(Unsecured)		
Debts outstanding for a period exceeding six months		
– considered good	6,216,721	25,246,750
– considered doubtful	4,615,028	4,149,040
	<u>10,831,749</u>	<u>29,395,790</u>
Other debts - considered good	160,645,741	89,816,319
	<u>171,477,490</u>	<u>119,212,109</u>
Less : Provision for doubtful debts	4,615,028	4,149,040
	<u>166,862,462</u>	<u>115,063,069</u>

### Notes:

1. Amount due from Pylania S.A. Rs. 15,415,001 (previous year Rs. 5,921,626). Maximum amount due at any time during the year Rs. 15,415,001 (previous year Rs. 8,502,843).
2. Amount due from Mahen Distribution Limited Rs. 289,769 (previous year Rs. Nil). Maximum amount due at any time during the year Rs. 289,769 (previous year Rs. Nil).
3. Amount due from Kamla Retail Limited Rs. 172,494 (previous year Rs. Nil). Maximum amount due at any time during the year Rs. 201,126 (previous year Rs. Nil).

### Schedule - 9

#### Cash and bank balances

Cash in hand	907,228	686,420
Balances with scheduled banks in		
– Current accounts	8,898,434	2,909,274
– Equity dividend accounts	960,975	1,118,523
– Fixed deposit accounts	6,509,375	5,663,104
	<u>17,276,012</u>	<u>10,377,321</u>

### Schedule - 10

#### Loans and advances

(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	33,846,359	20,798,229
Loans and advances to subsidiaries & joint venture*	15,185,949	15,223,323
Balance with central excise authorities	2,509,512	3,205,031
Minimum alternate tax credit entitlement	2,899,189	304,064
Prepaid income taxes (net of provision aggregating to Rs. 21,158,335 (Previous Year Rs. 3,962,645)	17,701,915	20,180,334
Security and other deposits	4,111,400	3,986,987
	<u>76,254,324</u>	<u>63,697,968</u>

#### \*Notes :

1. Amount due from Himachal Fine Blank Limited Rs. 14,508,692 (Previous year Rs. 14,000,000). Maximum amount due at any time during the year Rs. 15,240,113 (previous year Rs. 14,712,333).
2. Amount due from Mahen Distribution Limited Rs. 40,371 (Previous year Rs. 39,931). Maximum amount due at any time during the year Rs. 40,371 (previous year Rs. 6,000,000).
3. Amount due from Satva Jewellery & Design Limited Rs. 137,398 (Previous year Rs. 1,183,452). Maximum amount due at any time during the year Rs. 1,298,843 (previous year Rs. 1,183,452).
4. Amount due from Pylania S.A. Rs. 499,488 (Previous year Rs. Nil). Maximum amount due at any time during the year Rs. 499,488 (previous year Rs. 3,090,855).

# KDDL LIMITED

## Schedules forming part of the financial statements for the year ended 31st March, 2011

(Amount in Rupees)

	As at 31 March 2011	As at 31 March 2010
<b>Schedule - 11</b>		
<b>Current Liabilities</b>		
Sundry creditors for goods, services and expenses	-	-
Dues to Micro, Small & Medium Enterprises	-	-
Others	132,246,816	96,613,513
Other liabilities	5,219,949	4,448,764
Advances from customers	3,047,940	3,896,976
Interest accrued but not due on loans	8,969,985	6,093,780
Investor education and protection fund*	960,856	1,118,523
	<u>150,445,546</u>	<u>112,171,556</u>
* Not due for deposit		
<b>Schedule - 12</b>		
<b>Provisions</b>		
Employee benefits	13,507,970	12,225,334
Bonus	6,472,137	5,677,629
Proposed dividend	22,245,341	-
Tax on proposed dividend	3,694,673	-
Provision for Wealth Tax	60,000	60,000
	<u>45,980,121</u>	<u>17,962,963</u>
<b>Schedule - 13</b>		
<b>Gross operating income</b>		
Sale of goods	780,283,044	527,932,850
Miscellaneous sales	13,467,316	8,851,877
Job charges	698,735	1,713,902
Tool development charges	9,221,382	8,066,078
	<u>803,670,477</u>	<u>546,564,707</u>
<b>Schedule - 14</b>		
<b>Other Income</b>		
Liabilities no longer required, written back	794,914	697,979
Provisions written back	12,856,843	34,888
Export incentives	18,380,497	5,440,812
Lease rent*	600,000	600,000
Dividend Income	250,000	120,000
Foreign exchange fluctuation (net)	9,753,843	3,430,565
Interest income from subsidiaries**	1,750,400	1,749,999
Miscellaneous receipts	539,637	955,113
	<u>44,926,134</u>	<u>13,029,356</u>
*Tax deducted at source	60,000	107,800
**Tax deducted at source	350,000	373,338



**KDDL LIMITED****Schedules forming part of the financial statements for the year ended 31st March, 2011**

(Amount in Rupees)

	As at 31 March 2011	As at 31 March 2010
<b>Schedule - 15</b>		
<b>Manufacturing, administrative and selling expenses</b>		
Raw material consumed	201,690,579	140,142,804
Stores and spares consumed	56,392,969	47,158,931
Power, fuel and water charges	22,197,863	18,684,813
Tool development expenses	1,517,485	1,032,452
Salaries, wages and bonus	209,508,069	163,168,185
Contribution to provident and other funds	12,345,994	12,477,210
Staff and labour welfare expenses	13,834,842	7,754,630
Recruitment expenses	1,612,488	459,600
Processing charges	15,410,070	12,080,560
Insurance	25,054	460,510
Rent	8,202,648	7,624,518
Rates and taxes	1,477,697	1,593,836
Repair and maintenance		
– Plant and machinery	8,751,814	4,911,360
– Buildings	4,808,495	2,075,357
– Others	6,422,573	4,169,866
Legal and professional	12,567,990	11,058,660
Payment to auditors*		
– Audit fee	675,000	300,000
– Tax audit fee	75,000	75,000
– Certification etc.	300,500	260,000
– Expenses	345,216	273,892
Directors' sitting fees	310,000	224,500
Travel and conveyance	17,277,903	13,702,215
Directors' travelling	4,045,197	3,215,512
Postage and telephone	4,805,540	3,579,490
Subscription and annual fee	908,744	661,483
Printing & Stationery	3,976,148	2,998,549
Donations	1,238,000	25,000
Selling & distribution expenses		
– Commission	6,038,776	12,326,769
– Discounts	1,060,159	1,303,800
– Other expenses	10,307,882	4,103,762
Provision for other than temporary diminution in value of investments	-	12,345,435
Provision for doubtful debts	977,396	405,865
Investments written off	12,345,435	-
Bad debts written off	511,408	251,938
Loss on sale/disposal of fixed assets (net)	550,524	1,953,066
Miscellaneous expenses	7,621,127	7,363,854
(Increase) / decrease in stocks (refer schedule 15A)	(1,005,192)	6,304,636
	<b>649,131,393</b>	<b>506,528,058</b>

\* Payment to auditors does not include service tax amounting to Rs 78,908 (previous year Rs 103,152) to be paid to the auditors, being available for set off against the excise duty liability.

**KDDL LIMITED****Schedules forming part of the financial statements for the year ended 31st March, 2011**

(Amount in Rupees)

	<b>As at 31 March 2011</b>	<b>As at 31 March 2010</b>
<b>Schedule - 15A</b>		
<b>(Increase) / decrease in stocks</b>		
<b>Opening Stock</b>		
Finished goods	<b>8,908,989</b>	16,248,367
Stock-in-process	<b>39,564,694</b>	38,531,207
Scrap	<b>237,976</b>	447,000
	<b><u>48,711,659</u></b>	<u>55,226,574</u>
<b>Closing Stocks</b>		
Finished goods	<b>5,776,672</b>	8,908,989
Stock-in-process	<b>43,844,529</b>	39,564,694
Scrap	<b>144,322</b>	237,976
	<b><u>49,765,523</u></b>	<u>48,711,659</u>
	<b>(1,053,864)</b>	6,514,915
<b>Less : Impact of excise duty on change in stocks</b>	<b>48,672</b>	210,279
	<b><u>(1,005,192)</u></b>	<u>6,304,636</u>
<b>Schedule - 16</b>		
<b>Finance Cost</b>		
On term loans	<b>15,234,997</b>	13,857,943
On public deposits	<b>9,916,720</b>	6,525,942
On other loans from banks and others	<b>16,695,083</b>	16,425,983
	<b>41,846,800</b>	36,809,868
Less : Received from banks and other (tax deducted at source Rs. 39,837 (previous year Rs. 45,626))	<b>(587,473)</b>	(622,845)
Add : Other bank and finance charges	<b>3,955,253</b>	3,139,760
	<b><u>45,214,580</u></b>	<u>39,326,783</u>

## Schedules forming part of the financial statements for the year ended 31st March, 2011

---

### Schedule - 17

#### Significant accounting policies

##### 1. Basis of preparation

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

##### 2. Use of estimates

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

##### 3. Revenue recognition

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

##### 4. Fixed assets

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

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

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

Assets acquired on hire purchase are capitalized at the inception of the hire purchase agreement. Interest cost is charged to profit and loss account on accrual basis.

##### 5. Depreciation and amortisation

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

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

##### 6. Inventories

Inventories are valued as follows:

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

##### 7. Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

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

##### 8. Foreign currency transactions

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

**Schedule - 17 (Contd.)****Significant accounting policies**

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

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

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

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

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

**9. Employee benefits**

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

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability determined based on actuarial valuation using the Projected Unit Credit Method at the Balance Sheet date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Profit and Loss Account in the year in which such gains or losses arise.

Gratuity is a post employment defined benefit plan. The present value of obligation for gratuity is determined based on actuarial valuation using the Projected Unit Credit Method, less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. Gratuity and superannuation funds are administered by trustees of independently constituted trusts. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Profit and Loss Account in the year in which such gains or losses arise.

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

**10. Taxes on income**

Tax expense comprises current tax and deferred income tax.

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

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. In respect of carry forward losses and unabsorbed depreciation, deferred tax assets are recognized only to the extent there is virtual certainty that sufficient future taxable income will be available against which such losses can be realised.

Minimum alternate tax ('MAT') credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in guidance note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the company will pay normal income tax during the specified period.

**11. Earnings per share**

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

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

**12. Leases**

Lease of assets under which significant risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease rentals in respect of assets taken under an operating lease are charged to the profit and loss account on a straight line basis over the term of the lease.

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

**13. Contingent liabilities and provisions**

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

**14. Impairment of assets**

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

# KDDL LIMITED

## Schedules forming part of the financial statements for the year ended 31st March, 2011

(Amount in Rupees)

	As at 31 March 2011	As at 31 March 2010
<b>SCHEDULE -18</b>		
<b>Notes to the financial statements</b>		
<b>1. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).</b>	<b>2,578,164</b>	2,230,500
<b>2. Contingent liability not provided for exists in respect of :</b>		
a) Bank guarantees outstanding.	<b>1,216,500</b>	144,400
b) Bonds in favour of central excise and customs authorities	<b>5,000,000</b>	5,000,000
c) Guarantee given to a scheduled bank in relation to overdraft facility of Rs 329,000,000 (previous year Rs.305,000,000) and term loan of Rs.90,000,000 (previous year Rs.34,000,000) provided by the bank to subsidiary companies. Amount of overdraft outstanding as on 31 March 2011 is Rs.283,277,266 (Previous year Rs.240,494,686) and term loan Rs.50,266,850 (previous year Rs.15,663,761) respectively. The Company has created charge over its various fixed assets with respect to such loans availed by its subsidiary.		
d) Demand raised for service tax against which appeals have been filed.	<b>1,204,891</b>	1,661,899
e) Demand raised by Punjab State Electricity Board for payment of penalty for usage of additional power against sanctioned load. (Amount paid under protest Rs. 372,818 (previous year Rs. 372,818)	<b>372,818</b>	372,818
f) Case for AY 2005-06, for which a demand of Rs.13,203,431 (previous year Rs.Nil) was raised by the income tax department and the Company had deposited Rs.10,916,620 (previous year Rs.Nil) under protest, was decided by the Commissioner of Income Tax (Appeals) in favour of the Company. However, the income tax department has preferred an appeal with Income Tax Appellate Tribunal. Demands raised by Income tax Authorities in respect of disallowances for AY 2006-07 and 2007-08, are identical to AY 2005-06 have been challenged by the company before Income Tax Appellate Tribunal.	<b>24,063,220</b>	-
g) Demands raised by the income tax authority for AY 2004-05 against which appeals have been filed. Amount paid under protest Rs. 1,577,440 (previous year Rs. 400,000)	<b>4,046,108</b>	4,046,108
h) Demand made by central excise authority	<b>8,256,222</b>	4,187,217
i) Demand of house tax made by Municipal Commissioner - Derabassi	-	5,551,447
<b>3. a) Amount due to a subsidiary companies</b>	<b>25,821,556</b>	14,172,472
b) Amount due to entities covered under Micro, Small and Medium Enterprises as defined in the Micro, Small, Medium Enterprises Development Act, 2006, have been identified on the basis of information available with the Company. There was no amount due to any such entities which needs to be disclosed. This has been relied upon by the auditors.		
<b>4. Managing directors /whole-time directors remuneration*:</b>		
a) Salary	<b>3,956,000</b>	3,570,000
b) Contribution to provident and other funds	<b>1,010,220</b>	972,900
c) Perquisites including allowances (actual and /or evaluated under the Income -tax Rules)	<b>4,504,988</b>	2,047,318
d) Leave encashment paid during the year	<b>78,900</b>	-
	<b>9,550,108</b>	6,590,218
*Exclusive of provision for future liabilities in respect of employee benefits (which are based on actuarial valuation done on an overall Company basis)		
<b>5. During the year, the Company issued 1,687,600 equity share warrants on preferential basis upon payment of a consideration of Rs. 10.25 per warrant. Each share warrant is convertible into one equity share of Rs. 10 each at a premium of Rs. 31 per share on payment of remaining consideration. Holders of such warrants have the option to convert these warrants into equity shares upon payment of aforesaid consideration on or before eighteen months from the date of allotment of warrants, viz., 02 November 2010. During the year, holders of 421,950 equity share warrants exercised the option of conversion of warrants into equity shares. Amount outstanding as at the year end and disclosed as equity share warrants money constitutes Rs. 10.25 per warrant received from the holders of remaining 1,265,650 share warrants.</b>		
<b>6. Deferred tax liability (net)</b>		
Major components of deferred tax asset and (liability) are as given below :		
Deferred Tax Assets -		
Effect of employee benefit expenses debited to profit and loss account but allowable for tax purposes in subsequent year (s)	<b>6,511,463</b>	4,060,950
Provision for doubtful debts	<b>1,497,346</b>	1,378,207
Carry forward loss	-	10,525,611
	<b>8,008,809</b>	15,964,768
Deferred tax Liabilities -		
Depreciation Differences	<b>(47,840,831)</b>	(47,903,950)
Net deferred tax liability	<b>(39,832,022)</b>	(31,939,182)
<b>7. During the year, Mahen Boutiques Limited (MBL) was merged with Kamla Retail Limited (KRL) in terms with the scheme of arrangement under section 391 to 394 of the Companies Act, 1956, which was approved by the Hon'ble High Court of Himachal Pradesh on 3 March 2011 and became effective on 13 May 2011 on filing of certified copy of the order of the Hon'ble High Court in the office of the Registrar of Companies by KRL. The appointed date of the scheme was 01 April 2009. Accordingly, KRL shall issue equity shares to KDDL Limited (the shareholders of MBL) in the following proportions:</b>		

# KDDL LIMITED

## Schedules forming part of the financial statements for the year ended 31st March, 2011

(Amount in Rupees)

### SCHEDULE -18 (Contd.)

#### Notes to the financial statements

-1 fully paid up equity share of the face value of Rs. 10 each of KRL at par for 1 fully paid up equity share of the face value of Rs. 10 held in MBL.  
 -2 fully paid up equity share of the face value of Rs. 10 each of KRL at par for 3 partly paid up equity share (paid up value Rs. 6.75 per share) of the face value of Rs. 10 held in MBL.  
 Based on above, KDDL Limited was allotted 1,383,333 equity shares of Rs.10 each in KRL subsequent to the year end. As at 31 March 2011, these shares were considered as held in share suspense account by KRL.

#### 8. Related Party disclosures

##### A. Relationships

##### I. Subsidiary Companies

Himachal Fine Blank Ltd.

Pylania S.A.

Kamla Retail Limited

Mahen Boutiques Limited

Mahen Distribution Limited

Kamla Tesio Dials Limited

Taratec SA

##### II. Associates

##### III. Joint Venture

Satva Jewellery and Design Limited

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

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

##### V Key Management Personnel

##### Relatives \*\*

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

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

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

Mr. R.K. Saboo (father), Ms. A. Saboo (wife)

c. Mr. Dinesh Agrawal  
 (Chief Operating Officer)

Mr. P.S. Saboo (son), Ms. S.Suri (daughter)

Ms. Shashi Agrawal (wife)

\* Refer note 7 of schedule 18.

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

#### B. The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2011

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1	<b>Purchase of raw material and components</b>						
	Himachal Fine Blank Limited	26,180,647					
	Taratec SA		34,754				
	Saboo Coatings Limited				3,412,770		
	Pylania SA	2,735,512					
	Vardhan International Limited.				301,734		
2	<b>Sale of goods</b>						
	Pylania SA	14,514,498					
	Himachal Fine Blank Limited	609,897					
	Mahen Distribution Limited	289,769		43,660			
	Satva Jewellery & Design Limited				65,499		
	Saboo Coatings Limited						
	Kamla Retail Limited	201,126					
3	<b>Purchase of fixed assets</b>						
	Satva Jewellery & Design Limited			94,814			
	Pylania SA	71,764					
4	<b>Sale of fixed assets</b>						
	Pylania SA	226,382					
5	<b>Job work charges (expenses)</b>						
	Himachal Fine Blank Limited	360,006					
	Satva Jewellery & Design Limited		7,771,349				
6	<b>Job work charges (income)</b>						
	Himachal Fine Blank Limited	32,578					
	Taratec SA		21,762				
	Pylania SA	440,359					
7	<b>Commission on sales (expense)</b>						
	Taratec SA		6,038,776				
	Kamla Retail Limited	4,300,700					
8	<b>Rent paid by the Company</b>						
	Kamla Tesio Dials Limited		800,000				
	Saboo Coatings Limited				50,000		
	Mr. R.K. Saboo					263,760	
	Mr. Y. Saboo					593,520	
	Ms A. Saboo						132,000
	Ms U. Saboo						52,800
	Himachal Fine Blank Limited	33,000					
9	<b>Salary of employees paid by the Company</b>						

# KDDL LIMITED

## Schedules forming part of the financial statements for the year ended 31st March, 2011

(Amount in Rupees)

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
10	Himachal Fine Blank Limited Mr. Pranav S. Saboo <b>Directors remuneration</b>	28,415					566,380
	Mr. R.K. Saboo					2,302,441	
	Mr. Y. Saboo					3,825,643	
11	Mr. Dinesh Agrawal <b>Interest received</b>					3,422,024	
12	Himachal Fine Blank Limited <b>Interest paid/ accrued</b>	1,750,000					
	Vardhan Properties and Investment Ltd.				132,634		120,001
	Ms. Asha Devi Saboo						
	Kamla Retail Limited	848,069					
	Taratec SA		39,923				11,690
	others						
13	<b>Public deposits accepted</b>						200,000
	Shashi Agrawal						
14	<b>Loans received</b>						
	Vardhan Properties and Investment Limited				500,000		
15	<b>Repayment of loans</b>						
	Vardhan Properties and Investment Limited				2,700,000		
16	<b>Others (including rent received)</b>						
	Kamla Retail Limited	2,551,694					
	Satva Jewellery & Design Limited			878,029			
	Saboo Coatings Limited				1,003,555		
	Himachal Fine Blank Limited	918,144					
	VBL Innovations Pvt. Ltd.				30,314		
17	<b>Advance for share application money</b>						
	Pylania SA	4,685,500					
18	<b>Reimbursement of expenses by the Company</b>						
	Pylania SA	529,796					
	Taratec SA		943,791				
	Himachal Fine Blank Limited	44,070					
	Satva Jewellery & Design Limited			3,100			
19	<b>Expenses recovered</b>						
	Himachal Fine Blank Limited	282,234					
	Kamla Retail Limited	435,004					
	Saboo Coatings Limited				137,278		
	Pylania SA	273,447					
20	Satva Jewellery & Design Limited <b>Investments made</b>				2,715		
	Satva Jewellery & Design Limited			2,000,000			
21	<b>Investments written off</b>						
	Pylania SA	12,345,435					
22	<b>Dividend received</b>						
	VBL Innovations Private Limited				250,000		
23	<b>Donation</b>						
	Smt. Kamla Devi Saboo Charitable Trust				950,000		
24	<b>Balance at the end of the year</b>						
	<b>a. Loans</b>						
	Himachal Fine Blank Limited	14,000,000					
	<b>b. Other receivables/ advances</b>						
	Taratec SA		408,680				
	Pylania SA	15,914,489					
	Mahen Distribution Limited	330,140					
	Kamla Retail Limited	172,494					
	Satva Jewellery & Design Limited			137,398			
	Saboo Coatings Limited				23,077		
	Himachal Fine Blank Limited	508,692					
	<b>c. Payables</b>						
	Himachal Fine Blank Limited	7,823,636					
	Taratec SA		4,626,660				
	Kamla Tesio Dials Limited		550,080				
	Satva Jewellery & Design Limited			3,320,444			
	Saboo Coatings Limited				939,783		
	Pylania SA	573,946					
	Kamla Retail Limited	17,423,975					
	<b>d. Guarantees taken</b>						
	Mr. R.K. Saboo					104,120,965	
	Mr Y. Saboo					104,120,965	
	<b>e. Guarantees provided</b>						
	Kamla Retail Limited	329,285,945					
	Himachal Fine Blank Limited	4,258,171					
	<b>f. Public deposits outstanding</b>						1,000,000
	Ms. Asha Devi Saboo						200,000
	Ms. Shashi Agrawal						
	<b>g. Inter Corporate Deposits</b>						
	Vardhan Properties and Investment Limited				500,000		

# KDDL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2011

(Amount in Rupees)

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
	<b>h. Investments</b>						
	Himachal Fine Blank Limited	15,200,000					
	Pylania SA	23,438,435					
	Kamla Retail Limited	69,040,850					
	Mahen Distribution Limited	2,000,000					
	Taratec SA		1,540,710				
	Kamla Tesio Dials Limited		3,000,000				
	Satva Jewellery & Design Limited			12,394,200			
	VBL Innovations Private Limited	1,000,000					
	<b>i. Provision for diminution in the value of investment</b>						
	Kamla Tesio Dials Limited		1,000,000				
	<b>j. Advance for share application money</b>						

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

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1.	<b>Purchase of raw material and components</b>						
	Himachal Fine Blank Limited	20,889,682					
	Taratec SA		632,157				
	Saboo Coatings Limited				2,272,399		
	Others	1,232,393					
2.	<b>Sale of goods</b>						
	Pylania S.A.	8,464,161					
	Taratec SA		6,669,771				
	Satva Jewellery & Design Limited			20,338			
	Saboo Coatings Limited				95,422		
	Others	654,273					
3.	<b>Sale of fixed assets</b>						
	Himachal Fine Blank Limited	213,281					
	Pylania S.A.	243,913					
	Kamla Retail Limited	78,192					
4.	<b>Job work Charges Paid</b>						
	Taratec SA		4,300				
	Satva Jewellery & Deign Ltd.			3,875,225			
	Himachal Fine Blank Limited	455,318					
5.	<b>Job work Charges Recd.</b>						
	Satva Jewellery & Design Ltd.			42,576			
	Himachal Fine Blacnk Limited	36,350					
	Taratec SA		79,116				
6.	<b>Commission paid on sales</b>						
	Taratec SA		12,236,177				
7.	<b>Rent Paid</b>						
	Himachal Fine Blank Limited	325,314					
	Kamla Tesio Dials Limited		1,200,000				
	Saboo Coatings Limited				50,000		
	Mr. R.K. Saboo					126,232	
	Mr. Y. Saboo					126,232	
	Ms. A. Saboo						126,232
	Ms. U. Saboo						593,512
8.	<b>Salary of employees</b>						
	Satva Jewellery & Design Ltd.			57,651			
	Himachal Fine Blank Limited	1,185,919					
	Kamla Retail Limited	797,185					
	Ms. A. Saboo						107,520
	Mr. P.S. Saboo						165,158
	Others						
9.	<b>Directors Remuneration</b>						
	Mr. R.K. Saboo					1,698,056	
	Mr. Y. Saboo					2,847,441	
	Mr. Dinesh Agrawal					2,044,721	
10.	<b>Interest received</b>						
	Himachal Fine Blank Limited	1,749,999					
11.	<b>Interest paid/Accrued</b>						
	Taratec SA		74,252				
	Vardhan Properties and Investment Ltd.				286,866		
	Ms. Asha Devi Saboo						104,573
12.	<b>Repayment of loans</b>						
	Taratec SA		3,937,280				
13.	<b>Others (including rent received)</b>						
	Kamla Retail Limited	539,417					
	Pylania S.A.	2,564,100					
	Taratec SA		2,262,488				
	Satva Jewellery & Design Limited			83,452			
	Saboo Coatings Limited				784,603		
	Others	410,796	2,300		2,390		



# KDDL LIMITED

## Schedules forming part of the financial statements for the year ended 31st March, 2011

(Amount in Rupees)

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
14.	<b>Discounts given</b>						
	Pylania S.A.	364,378					
	Taratec SA		637,707				
15.	<b>Reimbursement of Expenses by the Company</b>						
	Taratec SA		19,528				
	Others	252,544			975		
16.	<b>Expenses Recovered</b>						
	Pylania SA	139,215					
	Satva Jewellery & Design Ltd.			222,289			
	Others	6,688			98,325		
17.	<b>Investment</b>						
	Mahen Distribution Limited	2,000,000					
18.	<b>Dividend received</b>						
	VBL Innovation Pvt. Ltd.				120,000		
19.	<b>Loans disbursed/(repaid) (net)</b>						
	Kamla Retail Limited	(10,000,000)					
20.	<b>Balance at the end of the year</b>						
a.	<b>Loans</b>						
	Himachal Fine Blank Limited	14,000,000					
b.	<b>Other receivable/advances</b>						
	Pylania S.A.	5,921,626					
	Taratec SA		433,181				
	Satva Jewellery & Design Limited			1,381,942			
	Saboo Coatings Limited				8,731		
	Kamla Retail Limited				-		
	Mahen Distribution Limited	39,931					
c.	<b>Payables</b>						
	Himachal Fine Blank Limited	8,837,318					
	Taratec SA		6,753,796				
	Kamla Tesio Dials Limited		2,266,080				
	Satva Jewellery & Design Limited			597,881			
	Saboo Coatings Limited				662,324		
	Kamla Retail Limited	4,915,494					
	Pylania S.A.	133,616					
	Vardan Properties and Investments Ltd.				69,904		
d.	<b>Guarantees taken</b>						
	Mr. R.K. Saboo					129,962,318	
	Mr. Y. Saboo					129,962,318	
e.	<b>Guarantees provided</b>						
	Kamla Retail Limited	223,986,688					
	Himachal Fine Blank Limited	4,845,717					
f.	<b>Public deposit outstanding</b>						
	Ms. Asha Devi Saboo						1,000,000
g.	<b>Inter Corporate Deposit</b>						
	Vardhan Properties and Investment Limited				2,700,000		

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

	(Qty . in No. of PCs.)	
	As at 31 March 2011	As at 31 March 2010
<b>A. Capacity</b>		
<b>Item : Watch dials</b>		
Licensed	Not Applicable	Not Applicable
Installed	12,700,000	12,700,000
<b>Item : Watch Hands</b>		
Licensed	Not Applicable	Not Applicable
Installed	45,000,000	40,000,000
<b>Item : Tools</b>		
Licensed	Not Applicable	Not Applicable
Installed	300	300
<b>Item : Ornamental Packaging boxes</b>		
Licensed	Not Applicable	Not Applicable
Installed	1,860,000	1,860,000
<b>B. Production (Nos.)</b>		
Watch dials	7,942,340	6,899,235
Watch hands	42,041,425	31,451,414
Press tools	53	76
Blank Components	122,385,453	98,732,633
Ornamental packaging boxes	1,665,253	1,395,206
Pouches	960	660
Indexes	367,375	375,716

# KDDL LIMITED

Schedules forming part of the financial statements for the year ended 31st March, 2011

(Amount in Rupees)

## C. Sales and stocks

### Product

	As at 31 March	Opening stock		Closing stock		Sales	
		Nos.	Rs.	Nos.	Rs.	Nos.	Rs.
Watch Dials	2011	96,101	3,421,359	53,115	1,414,038	7,985,326	382,561,138
	2010	133,101	7,675,435	96,101	3,421,359	6,936,235	280,444,166
Watch Hands	2011					41,965,655	218,823,982
	2010	-	-	-	-	31,380,668	105,423,589
Press Tools	2011					53	10,022,548
	2010					76	9,192,655
Blank Components	2011					122,385,453	79,226,969
	2010					98,732,633	63,695,218
Ornamental packaging boxes	2011	147,786	5,487,630	101,456	4,362,634	1,709,365	82,806,487
	2010	234,803	8,572,932	147,786	5,487,630	1,375,770	60,971,286
Indexes	2011	290,000		290,000		367,375	6,837,740
	2010	290,000		290,000		375,716	8,202,862
Pouches	2011					960	4,180
	2010					660	3,074

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

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

## D. Raw Material and components consumed

	2010-11			2009-10	
	Unit	Quantity	Rs.	Quantity	Rs.
i) Brass and Metal	Kgs	133,136	70,997,772	98,234	41,512,168
ii) Components	000 pcs	91,977	25,501,582	77,570	17,279,814
iii) Others			105,191,225		81,350,822
			<u>201,690,579</u>		<u>140,142,804</u>

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

	2010-11		2009-10	
	Rupees	Percentage	Rupees	Percentage
<b>Raw Material and components</b>				
Imported	96,633,984	47.91%	70,340,768	50.19%
Indigenous	105,056,595	52.09%	69,802,036	49.81%
	<u>201,690,579</u>	<u>100.00%</u>	<u>140,142,804</u>	<u>100.00%</u>
<b>Stores and Spares</b>				
Imported	17,089,651	30.30%	11,056,120	23.44%
Indigenous	39,303,318	69.70%	36,102,811	76.56%
	<u>56,392,969</u>	<u>100.00%</u>	<u>47,158,931</u>	<u>100.00%</u>

## F. Value of imports on CIF Basis

	2010-11	2009-10
a) Capital goods	14,662,808	2,746,397
b) Raw material & components	100,856,512	56,010,526
c) Stores & spares	15,850,128	10,362,025

## G. Expenditure in foreign currency (on cash basis)

	2010-11	2009-10
a) Travelling	3,775,599	3,525,323
b) Technician fee (net of tax)	1,150,295	2,782,683
c) Commission on exports	11,599,630	8,968,105
d) Others	1,069,788	2,428,223

# KDDL LIMITED

## Schedules forming part of the financial statements for the year ended 31st March, 2011

(Amount in Rupees)

	<u>Current Year</u>	<u>Previous Year</u>
<b>H. Earnings in foreign exchange</b>		
FOB value of exports	413,344,087	190,166,603
Others	8,064,527	7,831,310

### 10. Employee benefits

Accounting Standard 15 (Revised) - Accounting for Employees Benefits

	<u>For the year ended 31 March 2011</u>	<u>For the year ended 31 March 2010</u>
--	---	---

**Defined Contribution Plan:** Expenditure on account of Super annuation Scheme taken by the Company with LIC of India in respect of its employee's provided in the Profit & Loss account.

	913005	720,540
--	--------	---------

#### Defined benefit plan/ other long term benefit plans

- a. Gratuity
- b. Leave Encashment

Actuarial valuation has been done using the following assumptions.

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

#### Change in the present value of obligation :

	Leave		Gratuity	
	Encashment		Encashment	
Present value of obligation as at beginning of the year	6,054,569	16,550,838	5,485,568	15,535,058
Interest Cost	484,366	1,254,747	438,845	1,242,805
Current Service Cost	3,012,487	1,669,027	2,621,573	1,457,168
Benefits paid/ Payable	(2,407,203)	(1,035,471)	(1,280,371)	(3,770,868)
Actuarial (gain)/loss on obligations	(390,897)	213,600	(1,211,046)	2,086,675
Present value of obligation as at end of the year	6,753,322	18,652,741	6,054,569	16,550,838

#### Change in the Fair value of Plan Assets :

	Gratuity	
Fair value of Plan Assets at the beginning of the year	10,380,073	11,400,827
Expected Return on Plan Assets	925,065	920,997
Contributions	1,628,426	1,829,117
Benefits paid	(1,035,471)	(3,770,868)
Fair value of Plan Assets at the end of the year	11,898,093	10,380,073

# KDDL LIMITED

## Schedules forming part of the financial statements for the year ended 31st March, 2011

(Amount in Rupees)

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

	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Present value of funded obligation as at end of the year	6,753,322	18,652,741	6,054,569	16,550,838
Fair value of Plan Assets as at the end of the period funded status	-	11,898,093	-	10,380,073
Unfunded/ Funded Net Liability recognized in Balance Sheet	6,753,322	6,754,648	6,054,569	6,170,765

### Expenses recognized in the Profit and Loss Account

	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Current Service Cost	3,012,487	1,669,027	2,621,573	1,457,168
Interest Cost	484,366	1,254,747	438,845	1,242,805
Expected Return on Plan Assets	-	925,065	-	920,997
Net actuarial (gain)/loss recognized in the period	(390,897)	213,600	(1,211,046)	2,086,675
Total Expenses recognized in the Profit & Loss Account	3,105,956	2,212,309	1,849,372	3,865,651

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

### Amounts for the current and previous years are as follows:

	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
<b>Gratuity</b>				
Defined benefit obligation	18,652,741	16,550,838	15,535,058	13,740,953
Plan Assets	11,898,093	10,380,073	11,400,827	8,825,348
<b>Surplus/(Deficit)</b>	<b>6,754,648</b>	<b>6,170,765</b>	<b>4,134,231</b>	<b>4,915,605</b>

## 11. Earnings/(Loss) per share

### Net profit attributable to equity shareholders

	For the year ended 31 March 2011	For the year ended 31 March 2010
Profit after tax	62,843,112	(33,807,139)
Number of equity shares at the beginning of the year	7,349,220	7,349,220
Shares issued during the year	421,950	-
Total equity shares outstanding at the end of the year	7,771,170	7,349,220
<b>No. of weighted average equity shares</b>		
Basic	7,415,114	7,349,220
Effect of dilutive equity shares equivalents		-
Convertible equity share warrants outstanding	-	-
Diluted	7,415,114	7,349,220
<b>Nominal value of equity share (Rs)</b>	<b>10</b>	<b>10</b>
Earnings/(Loss) per share		
Basic	8.48	(4.60)
Diluted	8.48	(4.60)

## 12. Leases

### Operating leases

The company is a lessee under various operating leases. Rental expense for operating leases for the years ended 31 March 2011 and 31 March 2010 was Rs.8,202,648 and Rs.7,624,518 respectively. The company has not executed any non-cancelable operating leases.

The company has leased some of its premises and some of its fixed assets to a third party under a lease agreement that qualifies as an operating lease. Rental income for operating leases for the years ended 31 March 2011 and 31 March 2010 aggregate to Rs.600,000 and Rs.600,000 respectively.

## KDDL LIMITED

### Schedules forming part of the financial statements for the year ended 31st March, 2011

(Amount in Rupees)

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

Loans and advances given to subsidiaries and associates\*:

Name of the Company	Amount outstanding as at 31 March 2011	Amount outstanding as at 31 March 2010
Himachal Fine Blank Ltd.	14,000,000	14,000,000
*Loans are re-payable on demand.		
	For the year ended 31 March 2011	For the year ended 31 March 2010

#### 14. Dividend from investments:

Long Term		—
VBL Innovations Private Ltd.	250,000	120,000

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

	For the year ended 31 March 2011	For the year ended 31 March 2010
Total Assets	44,759,943	47,756,109
50% share of the company in Joint Venture	22,379,972	23,878,055
Total Liabilities	44,759,943	47,756,109
50% share of the company in Joint Venture	22,379,972	23,878,055
Income	9,820,504	5,010,666
50% share of the company in Joint Venture	4,910,252	2,505,333
Expenses	13,082,295	15,249,111
50% share of the company in the Joint Venture	6,541,148	7,624,556

16. During the year, the shareholders of Pylania S.A. approved the scheme of capital reduction, pursuant to which, the Company has written off investments aggregating to Rs. 12,345,435 which were earlier provided for as other than temporary diminution in its value.

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

	Amount outstanding as at 31 March 2011	Amount outstanding as at 31 March 2010
Receivables	96,228,407	51,860,344
Payables	23,887,334	10,170,853
Loans taken	18,441,497	48,070,475
Advances from customers	450,893	3,896,976

18. Segment information, as required under AS-17 "Segment Reporting", has been provided in the consolidated financial statements of the Company and therefore no separate disclosure on segment information is given in these standalone financial statements.

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

#### On behalf of the Board of Directors

**R.K. SABOO**

Chairman

Place : Chandigarh

Dated : 28 July 2011

**Y. SABOO**

Chief Executive Officer

**S.K. MASOWN**

Chief Financial Officer

**P.K.GOYAL**

Company Secretary

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

Place : New Delhi  
Dated : 28 July 2011

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

## KDDL LIMITED

---

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

### Balance Sheet Abstract and Company's General Business Profile

#### I. Registration Details

Registration No.	8123
State Code	06
Balance Sheet Date	31st March, 2011

#### II. Capital Raised during the year

Public Issue	–
Rights Issue	–
Bonus Issue	–
Private Placement	Rs. 4,219,500

#### III. Position of Mobilisation and Deployment of Funds

(Rs. in thousands)

Total Liabilities	763,572	Total Assets	763,572
Sources of Funds:		Application of Funds:	
i. Paid up Capital	78,583	i. Net Fixed Assets	403,797
ii. Reserves & Surplus	325,740	ii. Investments	131,739
iii. Equity Share Warrant	12,973	iii. Net Current Assets	228,836
iv. Secured Loans	212,297	iv. Misc Expenditure	–
v. Unsecured Loans	94,148		
vi. Deferred Tax Liability (Net)	39,832		

#### IV. Performance of the Company

Turnover (including other income)	835,740
Total Expenditure	750,457
Profit before tax	85,283
Profit after tax	62,843
Earning per share	Rs. 8.48
Dividend rate	30%

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

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

#### On behalf of the Board of Directors

**R.K. SABOO**  
Chairman

**Y. SABOO**  
Chief Executive Officer

**S.K. MASOWN**  
Chief Financial Officer

**P.K. GOYAL**  
Company Secretary

Place : Chandigarh  
Dated : 28 July, 2011

**AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

TO THE BOARD OF DIRECTORS OF KDDL LIMITED

1. We have audited the attached consolidated balance sheet of KDDL Limited (the "Company" or "KDDL"), its subsidiaries, joint venture and associates (as per list appearing in note 1 of schedule 18) (hereinafter collectively referred to as the "Group"), as at 31 March 2011, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on the date annexed thereto (hereinafter collectively referred to as the 'consolidated financial statements'). These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As stated in note 1(d) of schedule 18, the financial statements of Taratec S.A. (an associate of KDDL) whose results of the operations for the period 01 January 2010 to 31 December 2010, in the form of share in the profits of the associate of Rs. 1,033,831 and investments as at 31 March 2011 of Rs. 5,547,796, have been accounted for using the equity method of accounting in the consolidated financial statements, have been examined by other auditor in accordance with the Swiss Standard on the Limited Statutory Examination.
4. The financial statements of Indian subsidiaries and a joint venture, not audited by us, reflect total assets of Rs. 858,922,842 as at 31 March 2011, total revenue of Rs. 943,800,394 and net cash flows amounting to Rs. 6,690,242 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors.
5. The financial statements of Pylania S.A., a foreign subsidiary, are examined by other auditor in accordance with Swiss Standard on the Limited Statutory Examination. These financial statements have been converted and certified by the management as per accounting principles generally accepted in India and reflects total assets of Rs. 64,932,381 as at 31 March 2011 and total revenue of Rs. 77,475,188 and net cash out flow amounting to Rs 91,307 for the year ended 31 March 2011.
6. The financial statements of an Indian associate, not audited by us, whose results of operations in the form of share in the profits of the associate of Rs. 52,345 and investments as of 31 March 2011 of Rs. 2,625,304, have been accounted for using equity method of accounting in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors.
7. We report that the consolidated financial statements have been prepared by Group's management in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, Accounting Standard 23 - Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27 - Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India.
8. Based on our audit and consideration of reports of other auditors on separate financial statements of the entities and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India; in case of:
  - (a) the consolidated balance sheet, of the state of affairs of the Group as at 31 March 2011;
  - (b) the consolidated profit and loss account, of the profit for the year ended on that date; and
  - (c) the consolidated cash flow statement, of the cash flows for the year ended on that date.

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

per **B P Singh**  
**Partner**

Place : New Delhi  
Dated : 28 July 2011

Membership No. 70116

**KDDL LIMITED (Consolidated)****Consolidated Balance Sheet as at 31 March 2011**

(Amount in Rupees)

	Schedule	As at 31 March 2011	As at 31 March 2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share Capital	1	78,583,100	74,363,600
Reserves and surplus	2	324,115,345	243,471,023
Equity share warrants (Refer note 6 of schedule 18)		12,972,913	-
		<u>415,671,358</u>	<u>317,834,623</u>
Minority Interest		63,907,087	45,761,327
<b>Loan funds</b>			
Secured	3	571,348,556	545,909,433
Unsecured	4	152,145,114	112,106,100
		<u>723,493,670</u>	<u>658,015,533</u>
<b>Deferred tax liability (net)</b> (Refer note 7 of schedule 18)		41,864,264	34,717,686
		<u>1,244,936,379</u>	<u>1,056,329,169</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	5	1,013,065,448	929,538,670
Less : Accumulated Depreciation & Amortisation		470,623,217	420,164,033
Net block		542,442,231	509,374,637
Capital work-in-progress, including capital advances		11,622,703	9,383,788
		<u>554,064,934</u>	<u>518,758,425</u>
<b>Investments</b>	6	16,148,100	15,061,924
<b>Current assets, loans and advances</b>			
Inventories	7	709,840,705	548,670,138
Sundry debtors	8	170,742,448	121,590,888
Cash and bank balances	9	44,823,139	31,142,898
Interest accrued but not due on deposits		759,138	759,255
Loans and advances	10	187,094,252	162,995,220
		<u>1,113,259,682</u>	<u>865,158,399</u>
<b>Less : Current liabilities and provisions</b>			
Current liabilities	11	373,345,573	312,440,666
Provisions	12	65,190,764	30,208,914
		<u>438,536,337</u>	<u>342,649,580</u>
<b>Net Current assets</b>		<u>674,723,345</u>	<u>522,508,819</u>
		<u>1,244,936,379</u>	<u>1,056,329,169</u>
<b>Significant accounting policies</b>	17		
<b>Notes to the consolidated financial statements</b>	18		

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

**On behalf of the Board of Directors****R.K. SABOO**  
Chairman**Y. SABOO**  
Chief Executive Officer**S.K. MASOWN**  
Chief Financial Officer**P.K.GOYAL**  
Company SecretaryPlace : Chandigarh  
Dated : 28 July 2011

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

For **Walker, Chandio & Co.**  
Chartered AccountantsPlace : New Delhi  
Dated : 28 July 2011per **B.P. Singh**  
**Partner**  
Membership No.70116



**KDDL LIMITED (Consolidated)****Consolidated Profit and Loss Account for the year ended 31 March 2011**

(Amount in Rupees)

	Schedule	For the year ended 31 March 2011	For the year ended 31 March 2010
<b>INCOME</b>			
Gross operating income	13	1,758,365,046	1,259,128,805
Less: Excise duty		31,837,421	24,216,362
Net Operating Income		1,726,527,625	1,234,912,443
Other income	14	39,108,927	32,884,924
		1,765,636,552	1,267,797,367
<b>EXPENDITURE</b>			
Goods purchased for resale		794,016,053	563,435,718
Manufacturing, administrative and selling expenses	15	752,518,743	664,399,595
		1,546,534,796	1,227,835,313
<b>Profit before interest &amp; depreciation</b>		219,101,756	39,962,054
Finance Cost	16	91,938,346	76,644,333
<b>Profit/(Loss) before depreciation</b>		127,163,410	(36,682,279)
Depreciation	5	58,906,421	58,031,166
<b>Profit/(Loss) from operations before tax and prior period expense</b>		68,256,989	(94,713,445)
Provision for tax			
– Current tax		17,207,378	382,216
– Minimum Alternative Tax (MAT) credit entitlement		(2,560,747)	(112,310)
– Deferred tax		7,146,578	(14,100,951)
– Prior period expenses		2,958,996	7,960,465
<b>Profit/(loss) after tax and prior period expense</b>		43,504,784	(88,842,865)
Share in profits of associates		1,086,176	196,569
Adjustment for Minority interest		8,918,137	16,250,515
Balance brought forward from previous year		(77,993,850)	(13,909,866)
Add: Transfer to minority interests out of reserves (Refer note 13 & 15 of schedule 18)		4,512,371	8,530,465
Loss before Appropriation		(19,972,382)	(77,775,182)
<b>Appropriations :</b>			
Proposed Dividend on equity shares		22,245,341	-
Dividend on cumulative preference shares		2,677,442	218,668
Tax on proposed dividend on equity shares		3,694,673	-
Transfer to general reserve		6,284,311	-
(Deficit)/surplus carried to balance sheet		(54,874,149)	(77,993,850)
		(19,972,382)	(77,775,182)
<b>Basic earnings per share</b>		7.22	(9.85)
<b>Diluted earnings per share</b>		7.22	(9.85)
(Refer note 11 on schedule 18)			
<b>Significant accounting policies</b>	17		
<b>Notes to the consolidated financial statements</b>	18		

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

**On behalf of the Board of Directors**

**R.K. SABOO**  
Chairman

**Y. SABOO**  
Chief Executive Officer

**S.K. MASOWN**  
Chief Financial Officer

**P.K.GOYAL**  
Company Secretary

Place : Chandigarh  
Dated : 28 July 2011

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

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

Place : New Delhi  
Dated : 28 July 2011

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

# KDDL LIMITED (Consolidated)

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

(Amount in Rupees)

	Year ended 31 March 2011	Year ended 31 March 2010
<b>A. Cash flow from operating activities:</b>		
Net profit before tax after prior period items	65,297,993	(102,673,910)
Adjustments for:		
Depreciation	58,906,421	58,534,370
Miscellaneous expenses written off		
Loss on sale/disposal of fixed assets (net)	1,116,164	2,031,138
Provision for doubtful debts	1,350,658	405,865
Provision written back	(1,396,078)	(34,888)
Bad debts written off	1,558,697	2,956,674
Dividend income	(250,000)	(120,000)
Interest expense	77,440,429	69,117,313
Interest income	(590,288)	(667,430)
Foreign exchange translation reserve arising on consolidation	(664,717)	71,736
Liabilities written back	(2,585,037)	(4,297,979)
<b>Operating profit before working capital changes</b>	<b>200,184,242</b>	<b>25,322,889</b>
Adjustments for:		
Trade and other receivables	(72,002,657)	(44,190,095)
Inventories	(161,170,567)	(14,821,731)
Trade and other payables	64,925,162	32,298,152
Taxes paid	(15,487,521)	(1,773,542)
<b>Net cash from generated operating activities</b>	<b>16,448,659</b>	<b>(3,164,327)</b>
<b>B. Cash flow from investing activities:</b>		
Purchase of fixed assets	(90,393,766)	(49,076,694)
Proceeds from sale of assets	1,144,086	2,708,802
Impact of translation on assets of foreign subsidiary	(6,079,415)	1,071,216
Movement in restricted cash	(415,239)	(1,054,420)
Interest received	590,405	455,434
Dividend received	250,000	120,000
Investments	-	-
<b>Net cash used in investing activities</b>	<b>(94,903,929)</b>	<b>(45,775,662)</b>
<b>C. Cash flow from financing activities:</b>		
Proceeds from issue of capital (including premium)	78,145,125	698,875
Minority interest	10,220,387	46,505,570
Issue of share warrants	12,972,913	
(Repayment)/Proceeds of long term borrowings	(18,590,770)	(5,832,538)
Movement in public deposits	21,671,000	20,450,000
Increase /(decrease) in short term borrowings	62,397,907	53,429,446
Interest paid	(75,096,290)	(67,269,104)
Dividend paid	-	-
<b>Net cash generated from financing activities</b>	<b>91,720,272</b>	<b>47,982,249</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>13,265,002</b>	<b>(957,740)</b>
<b>Opening cash and cash equivalents</b>	<b>26,839,374</b>	<b>27,797,114</b>
<b>Closing cash and cash equivalents</b>	<b>40,104,376</b>	<b>26,839,374</b>
<b>Notes :</b>		
Cash and cash equivalents include:		
Cash and cheques in hand	16,944,323	7,196,950
Balance with banks	23,160,053	19,642,424
	<b>40,104,376</b>	<b>26,839,374</b>
(excluding the following:)		
- In FD account pledged	3,757,788	3,185,001
- In equity dividend accounts	960,975	1,118,523
- Post office balances pledged	-	-
<b>Balance as per books of account</b>	<b>44,823,139</b>	<b>31,142,898</b>

### On behalf of the Board of Directors

**R.K. SABOO**

Chairman

Place : Chandigarh

Dated : 28 July 2011

**Y. SABOO**

Chief Executive Officer

**S.K. MASOWN**

Chief Financial Officer

**P.K.GOYAL**

Company Secretary

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

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

Place : New Delhi  
Dated : 28 July 2011

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

## KDDL LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2011

(Amount in Rupees)

	As at 31 March 2011	As at 31 March 2010
<b>Schedule - 1</b>		
<b>Share Capital</b>		
<b>Authorised</b>		
12,000,000 (previous year 12,000,000) Equity shares of Rs. 10 each	<b>120,000,000</b>	120,000,000
<b>Issued &amp; subscribed</b>		
7,945,450 (previous year 7,523,500) Equity shares of Rs. 10 each	<b>79,454,500</b>	75,235,000
<b>Paid up :</b>		
7,771,170 (previous year 7,349,220) Equity shares of Rs. 10 each fully paid*	<b>77,711,700</b>	73,492,200
<b>Add : Forfeited shares</b>	<b>871,400</b>	871,400
	<b>78,583,100</b>	74,363,600
(*During the year 421,950 equity share warrants have been converted into 421,950 equity shares of Rs.10 each at a premium of Rs.31 per share.)		
<b>Schedule - 2</b>		
<b>Reserves and surplus</b>		
Capital reserves		
Central investment subsidy	<b>2,500,000</b>	2,500,000
State investment subsidy	<b>3,000,000</b>	3,000,000
Profit on re-issue of forfeited shares	<b>9,125</b>	9,125
Capital reserve	<b>166,670</b>	-
Security premium account		
As per last balance sheet	<b>207,463,505</b>	203,979,054
Add: Amount received during the year	<b>73,925,625</b>	698,875
Less: Amount transferred (to)/ from minority interest	<b>(22,245,262)</b>	2,785,576
(Refer note 13 of schedule 18)	<b>258,977,198</b>	207,463,505
General reserve		
As per last balance sheet	<b>104,346,712</b>	104,346,712
Add: Amount transferred from profit and loss account during the year	<b>6,284,311</b>	-
	<b>110,631,023</b>	104,346,712
<b>Foreign currency translation reserve</b>		
As per last balance sheet	<b>4,145,531</b>	6,250,199
Add: Adjustment during the year	<b>(664,717)</b>	71,736
Less: Transferred (From)/ to minority interest	<b>(224,664)</b>	2,176,404
Foreign currency translation reserve	<b>3,705,478</b>	4,145,531
Deficit in profit & loss account	<b>(54,874,149)</b>	(77,993,850)
	<b>324,115,345</b>	243,471,023
<b>Schedule - 3</b>		
<b>Secured Loans</b>		
<b>Term loans from banks:</b>	<b>146,284,669</b>	175,899,021
<b>Working capital loans from banks:</b>	<b>410,504,500</b>	363,274,983
Others :		
- Tata Capital Limited	<b>388,028</b>	510,870
- Vehicle loans from banks	<b>4,183,445</b>	1,502,855
- Hire Purchase Finance	<b>8,465,834</b>	-
Buyers' credit loan from bank	<b>1,522,080</b>	4,721,704
	<b>571,348,556</b>	545,909,433

# KDDL LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2011

(Amount in Rupees)

	As at 31 March 2011	As at 31 March 2010
<b>Schedule - 4</b>		
<b>Unsecured Loans</b>		
Inter Corporate Deposits	5,500,000	2,700,000
Deposits from public	87,126,000	65,455,000
Short term loan from others	59,519,114	43,951,100
	<b>152,145,114</b>	<b>112,106,100</b>

**Note :** Deposits from public due within one year Rs.2,98,75,000 (previous year Rs. 20,903,000).

## SCHEDULE - 5 : FIXED ASSETS

Particulars	As at 01 April 2010	Gross Block		As at 31 March 2011	Upto 31 March 2010	Charge for the year	Depreciation Adjustments (Net)	Translation adjustment	Net Block		
		Additions	Disposals Adjustments						Upto 31 March 2011	As at 31 March 2011	As at 31 March 2010
<b>Tangibles</b>											
Land											
- Leasehold	792,659	9,452,086	1,440,967	10,261,594	-	4,465,537	744,242	-	4,017,622	6,243,972	792,659
- Freehold	10,044,331	-	-	10,044,331	(99,000)	-	-	(283,500)	(382,500)	10,426,831	10,143,331
Buildings	166,580,873	3,327,213	-	168,450,270	48,303,703	11,582,844	-	(3,686,088)	55,904,132	112,546,138	118,277,170
Leasehold improvements	88,932	203,736	-	292,668	5,929	24,064	-	-	29,993	262,675	83,003
Plant & Machinery	608,494,134	40,972,230	1,685,658	647,841,122	307,042,026	28,632,543	1,234,343	(1,878,572)	332,573,080	315,268,042	301,452,109
Furniture & Office Equipments	106,120,564	21,504,354	385,562	127,178,940	51,998,770	7,138,168	257,425	259,646	59,127,733	68,051,207	54,121,794
Vehicles	17,684,149	4,582,006	934,346	21,331,809	6,983,798	1,583,843	131,813	(4,872)	8,430,956	12,900,853	10,700,352
<b>Intangibles</b>											
ERP Software	12,464,806	3,709,226	181,540	15,992,492	4,108,401	2,911,280	-	-	7,019,681	8,972,811	8,356,405
Goodwill	4,947,500	-	-	4,947,500	1,627,013	1,987,961	-	(486,029)	3,128,945	1,818,555	3,320,487
Know How	2,320,722	4,404,000	-	6,724,722	193,394	580,180	-	-	773,574	5,951,148	2,127,328
<b>Total</b>	<b>929,538,670</b>	<b>88,154,851</b>	<b>4,628,073</b>	<b>1,013,065,448</b>	<b>420,164,033</b>	<b>58,906,421</b>	<b>2,367,823</b>	<b>(6,079,415)</b>	<b>470,623,217</b>	<b>542,442,231</b>	<b>509,374,637</b>
Previous Year	905,023,771	48,320,805	23,805,906	929,538,670	379,624,419	58,534,370	19,065,966	1,071,210	420,164,033	509,374,637	-

### Notes:

- Depreciation during the year includes Rs. Nil (Previous year Rs. 503,204) charged on Plant & Machinery at EIGEN unit which was utilized for development of in-house tools. Accordingly, such amount has been capitalized under Plant & Machinery.
- Plant & Machinery with a gross value of Rs. 9,783,209 (previous year Rs. Nil), depreciation and accumulated depreciation of Rs. 119,864 (previous year Rs. Nil) and net book value of Rs. 9,663,345 (previous year Rs. Nil) included in the above statement have been acquired on hire purchase arrangement by the Company.

### Notes :

- Term loans from BOI is secured by first charge on the entire fixed assets of Hands Unit at Bangalore and Dials Unit at Derabassi, ranking pari passu, and second charge on current assets (save and except book debts) of the parent company, subject to the first charge in favour of parent company's bankers for securing the working capital limits. This is further secured by way of pari-passu mortgage charge on land and Building of Derabassi Unit. These loans are also guaranteed by the Chairman and Chief Executive Officer (CEO) of the parent company.
- Term Loan from IDBI is secured by first charge on all the parent company's movable assets pertaining to its Derabassi Unit and Hands Unit of the Company at Bangalore (save and except book debts) including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and /or to be created in favour of the parent company's bankers on the stock of raw materials, semi-finished and finished goods, consumable stores, book debts and such movables. It is also secured by way of an exclusive first charge on hypothecation of machinery/equipments, all movables pertaining to Tool Room Unit, Bangalore and pari-passu mortgage charge on land and building and other fixed assets of Derabassi unit. It is also secured by hypothecation charge of machinery/equipments installed /to be installed out of proceeds of loan from IDBI in other than above units of the parent company. This loan is also guaranteed by the Chairman and Chief Executive Officer (CEO) of the parent company.
- External commercial borrowing from SCB is secured by:
  - Hypothecation by way of first pari passu charge over the whole of fixed assets of the parent company situated at Dials unit at Derabassi, Punjab; at Hands unit, Peenya Industrial Area, Bangalore and at Eigen (Tool Room) unit, Peenya Industrial Area, Bangalore, including its plant and machinery, machinery spares, tools and accessories and other movables, both present and future (save and except assets specifically charged to other lenders) whether installed or not and whether now lying loose or in cases or which are now lying or stored in or open or shall hereafter from time to time during the continuance of security of these present be brought into and or upon or to be stored or to be in or about all the borrower's factories, premises and godowns situated at Haibatpur Road, Saddomajra, Derabassi - 140 507, Punjab; at Plot No 296-297, 5th Main IV, Phase, Peenya Industrial Area Bangalore 560 058 and at Plot No. 408, 4th Main, 11th Cross, Peenya Industrial Area, Bangalore 560 058, the same will be or shall be held any party to the order or disposition of the Company or in the course of transit or on high seas or on order or delivery howsoever and wheresoever in the possession of the parent company. External commercial borrowing from SCB is secured by:
  - Hypothecation by way of First Exclusive Charge over movable fixed asset of the parent company, consisting of plant and machinery, equipment and other movable fixed assets more particularly described in the Schedule prescribed in the agreement, acquired by utilization of the facility in the form of External Commercial Borrower, whether installed or not and whether now lying loose or in cases which are now lying or stored in or open at the parent company Parwanoo Unit. This loan is also guaranteed by the Chairman and Chief Executive Officer (CEO) of the parent company.
- Working capital loans from Bank of India, IDBI Bank and Standard Chartered Bank are secured by hypothecation of stocks & spares, raw materials & components, finished goods & stocks-in-process and book debts and other assets of the Company (both present and future), on pari passu basis except Packaging Unit of the Company and are further secured by a second charge on the entire fixed assets of the Company. These loans are also guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.
- Term Loan from The Jammu & Kashmir Bank Ltd. (previous year HDFC Bank Limited, erstwhile Centurion Bank of Punjab Limited) taken by a subsidiary, Kamla Retail Limited (KRL) is secured by first charge on the present and future fixed assets of the subsidiary company (KRL). This is also secured by first charge on fixed assets of Packing division situated at Chandigarh of parent company. This is further secured by first and exclusive charge over land and building and other movable fixed assets of the Parwanoo unit of parent company, purchased after 01 April, 2005.

# KDDL LIMITED (Consolidated)

## Schedules forming part of the consolidated financial statements for the year ended 31 March 2011

(Amount in Rupees)

- These loans are also guaranteed by parent company and Chief Executive Officer (CEO) of the parent Company.
- The working capital loans from IDBI Bank are secured by first parri passu charge on the current assets, both present and future, and second parri passu charge on the fixed assets of the subsidiary company (KRL), both present and future. These limits are also secured by exclusive mortgage and charge on all the immovable assets of the Eigen division at Bangalore of the parent company. These limits are guaranteed by the parent company and Chief Executive Officer (CEO) of the subsidiary company and relative of the CEO.
  - The Working capital loan from The Federal Bank, is secured by pari passu charge on current assets including stock in trade of watches and receivables. These limits are also secured by the second parri passu charge on the fixed assets of the subsidiary (KRL). These limits are guaranteed by the parent company and Chief Executive Officer (CEO) of the parent company and relative of the CEO.
  - The working capital loans from The Jammu & Kashmir Bank Limited are secured by first parri passu charge on the stock, receivable and other current assets of the subsidiary (KRL). These limits are also secured by first charge on fixed assets of Packing Division at Chandigarh of parent company. This is further secured by the first and exclusive charge over land and building, plant and machinery and office equipments of the Parwanoo unit of parent company, excluding the assets purchased after 01 April, 2005. These loans are also guaranteed by the parent company and Chief Executive Officer.
  - Vehicle Loans from banks and Tata Capital Limited are secured against hypothecation of specific vehicles purchased out of the proceeds of those loans.
  - Working capital Loans of the Subsidiary Company (HFBL) are secured by first charge on their inventories and book debts and further by Corporate Guarantee of the holding Company.
  - Working capital Loan of the Joint Venture Company are secured by first charge on their Inventories and book debts and tangible movable properties and further Guaranteed by a Director of that Company.
  - Term Loan from Bank of India in the Joint Venture Company are secured by first charge on their tangible properties and fixed assets of the Company and further by guarantee by Director of that Company.
  - Loan from Credit Suisse AG is secured by land and building of the foreign subsidiary situated at Pylania AG, Vers chez l'Ecrivain 10, 2745 Grandval, Switzerland.
  - Loan from First Leasing Company Ltd. by parent company is secured by hypothecation of specific machines purchased under the hire purchase.
  - Installments of term loans due within one year Rs. 44,450,901 (previous year Rs. 101,682,905).

	As at 31 March 2011	As at 31 March 2010
<b>Schedule - 6</b>		
<b>Investments</b>		
<b>Long Term</b>		
<b>Trade Investments</b>		
Fully paid-up shares (unquoted)		
- Saboo Coatings Limited- 180,000 (previous year 180,000) Equity shares of Rs. 10 each fully paid up	1,800,000	1,800,000
- Taratec SA, Switzerland 51 (previous year 51) Equity share of Swiss Franc (CHF) 1,000 each fully paid up	1,540,710	1,540,710
Add: Share in opening reserves	2,973,255	2,940,219
Add: Share in current year profit	1,033,831	33,036
	<b>5,547,796</b>	<b>4,513,965</b>
- Kamla Tesio Dials Ltd. 300,000 (previous year 300,000) equity shares of Rs. 10 each fully paid up	3,000,000	3,000,000
Add: Share in opening reserves	(427,041)	(590,574)
Add: Share in current year profit	52,345	163,533
	<b>2,625,304</b>	<b>2,572,959</b>
Aggregate of trade investments	<b>9,973,100</b>	<b>8,886,924</b>
<b>Non Trade Investments</b>		
Fully paid-up shares(unquoted)		
- VBL Innovations Private Limited 10,000 (previous year 10,000) equity share of Rs. 100 each fully paid up	1,000,000	1,000,000
- Karolview Developers Pvt Ltd 500,000 (previous year 500,000 ) equity shares of Rs. 10 each fully paid up*	5,000,000	5,000,000
- Shivalik Waste Management Limited 17,500 (Previous Year 17,500) equity shares of Rs. 10 each fully paid up	175,000	175,000
Aggregate of non trade investments	<b>6,175,000</b>	<b>6,175,000</b>
	<b>16,148,100</b>	<b>15,061,924</b>
* 490,000 ( Previous year 490,000 ) shares are pending allotment		

## Schedule - 7

### Inventories

(As taken, valued & certified by the management)

Raw Materials and components	70,461,238	54,770,956
Stores and spares	18,976,724	17,357,037
Stock-in-process	47,520,755	43,067,295
Finished goods		
- Own manufactured	6,712,665	9,916,080
- Traded	560,487,214	422,698,586
Goods in transit	5,505,827	330,618
Scrap	176,282	529,566
	<b>709,840,705</b>	<b>548,670,138</b>

**KDDL LIMITED (Consolidated)**

Schedules forming part of the consolidated financial statements for the year ended 31 March 2011

(Amount in Rupees)

	As at 31 March 2011	As at 31 March 2010
<b>Schedule - 8</b>		
<b>Sundry debtors</b>		
(Unsecured)		
Debts outstanding for a period exceeding six months		
– Considered good	4,547,251	27,838,036
– Considered doubtful	4,615,028	4,149,040
	<u>9,162,279</u>	<u>31,987,076</u>
Other debts - considered good	166,195,197	93,752,852
	<u>175,357,476</u>	<u>125,739,928</u>
Less : Provision for doubtful debts	4,615,028	4,149,040
	<u>170,742,448</u>	<u>121,590,888</u>
<b>Schedule - 9</b>		
<b>Cash and bank balances</b>		
Cash in hand	13,088,695	5,721,534
Cheques in hand	3,855,628	1,475,416
Balances with banks in		
– Current accounts	16,223,153	13,551,795
– Equity dividend accounts	960,975	1,118,523
– Fixed deposit accounts	10,694,688	9,275,630
(Receipts for Rs. 3,757,788 ( previous year Rs 31,85,001 ) pledged with banks and sales tax authorities)	<u>44,823,139</u>	<u>31,142,898</u>
<b>Schedule - 10</b>		
<b>Loans and advances</b>		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received	78,062,727	62,533,803
Balance with central excise authorities	2,511,320	3,211,227
Minimum Alternate Tax entitlement	2,977,121	416,374
Prepaid income taxes (net of provision aggregating to Rs. 21,565,975 (previous year Rs 4,086,443)	20,393,314	22,124,808
Security and other deposits (net of provision of Rs. 373,262 (previous year Rs. Nil))	83,149,770	74,709,008
	<u>187,094,252</u>	<u>162,995,220</u>
<b>Schedule - 11</b>		
<b>Current Liabilities</b>		
Sundry creditors for goods, services and expenses	333,452,199	261,699,876
Other liabilities	16,603,589	20,155,541
Advances from customers	13,358,944	22,840,880
Interest accrued but not due on loans	8,969,985	6,625,846
Investor education and protection fund*	960,856	1,118,523
	<u>373,345,573</u>	<u>312,440,666</u>
* Not due for deposit		
<b>Schedule - 12</b>		
<b>Provisions</b>		
Employee benefits	16,606,217	14,847,613
Bonus	6,852,033	6,047,842
Proposed dividend	22,245,341	-
Tax on proposed dividend	3,694,673	-
Deferred payment liability due to lease straightlining	10,309,412	7,389,054
ECHO Club Provision	2,526,978	1,645,737
Provision for wealth tax	60,000	60,000
Dividend on cumulative preference shares (refer note 15 of schedule 18)	2,896,110	218,668
	<u>65,190,764</u>	<u>30,208,914</u>

**KDDL LIMITED (Consolidated)**

Schedules forming part of the consolidated financial statements for the year ended 31 March 2011

(Amount in Rupees)

	As at 31 March 2011	As at 31 March 2010
<b>Schedule - 13</b>		
<b>Gross operating income</b>		
Sales of goods	1,731,359,153	1,234,690,128
Miscellaneous sales	16,786,305	11,896,664
Job charges	998,206	3,206,232
Tool development charges	9,221,382	8,066,078
Others	-	1,269,703
	<u>1,758,365,046</u>	<u>1,259,128,805</u>
<b>Schedule - 14</b>		
<b>Other Income</b>		
Liabilities no longer required, written back	2,585,037	4,297,979
Provisions written back	511,408	34,888
Export incentives	18,380,497	5,440,812
Lease rent	600,000	1,879,346
Dividend Income	250,000	120,000
Foreign exchange fluctuation (net)	5,219,827	7,216,861
Miscellaneous receipts	11,562,158	13,895,038
	<u>39,108,927</u>	<u>32,884,924</u>
<b>Schedule - 15</b>		
<b>Manufacturing, administrative and selling expenses</b>		
Raw material consumed	197,487,558	137,075,180
Stores and spares consumed	59,088,046	50,754,958
Power, fuel and water charges	28,808,105	24,843,357
Tool development charges	1,517,485	1,032,452
Salaries, wages and bonus	315,919,077	238,733,988
Contribution to provident and other funds	15,244,517	16,035,283
Staff and labour welfare expenses	16,361,992	9,271,954
Recruitment expenses	2,355,102	1,090,768
Processing charges	11,695,206	10,470,983
Insurance(net)	1,433,435	2,076,479
Rent	95,635,626	79,306,169
Rates and taxes	1,905,329	2,206,020
Repair and maintenance:		
- Plant and machinery	10,580,829	5,711,721
- Buildings	4,952,298	2,295,426
- Others	7,801,739	5,519,678
Legal and professional	17,354,825	16,272,196
Payment to auditors of Parent Company :*		
- Audit fee	675,000	300,000
- Tax audit fee	75,000	75,000
- Certification etc.	300,500	260,000
- Expenses	345,216	273,892
Fee and payment to auditors of other group companies	701,421	628,646
Directors' sitting fees	350,000	288,000
Travel and conveyance	25,014,291	21,777,445
Directors' travelling	4,053,403	3,489,861
Postage and telephone	8,703,245	6,812,922
Subscription and annual fee	908,744	698,788
Printing and stationery	4,741,879	4,181,633

**KDDL LIMITED (Consolidated)**

Schedules forming part of the consolidated financial statements for the year ended 31 March 2011

(Amount in Rupees)

	As at 31 March 2011	As at 31 March 2010
<b>Schedule - 15</b>		
Donations	1,238,000	25,000
Selling & distribution expenses :		
- Commission	1,738,076	12,326,769
- Discounts	1,060,159	939,422
- Other expenses (net)	10,398,201	9,924,046
Provision for doubtful debts	1,350,658	405,865
Bad Debts written off	1,558,697	2,956,674
Loss on sale/disposal of fixed assets (net)	275,831	2,031,138
Fixed assets written off	840,333	-
Cost of services rendered	2,284,405	644,382
Miscellaneous expenses (net)	36,417,558	15,564,158
(Increase) / decrease in stocks (refer schedule 15A)	<b>(138,653,043)</b>	<b>(21,900,658)</b>
	<b>752,518,743</b>	<b>664,399,595</b>
	<hr/> <hr/>	<hr/> <hr/>
* Excluding service tax of Rs. 130408 (previous year Rs. 103152) being available for set off against the excise duty liability.		
<b>Schedule - 15A</b>		
<b>(Increase)/ decrease in stocks</b>		
<b>Opening Stocks</b>		
Finished goods		
- Own manufactured	9,916,080	17,117,079
- Traded	422,698,586	394,643,814
Stock-in-process	43,067,295	41,509,557
Scrap	529,566	1,218,550
	<b>476,211,527</b>	<b>454,489,000</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Closing Stocks</b>		
Finished goods		
- Own manufactured	6,712,665	9,916,080
- Traded	560,487,214	422,698,586
Stock-in-process	47,520,755	43,067,295
Scrap	176,282	529,566
	<b>614,896,916</b>	<b>476,211,527</b>
	<hr/> <hr/>	<hr/> <hr/>
	<b>(138,685,389)</b>	<b>(21,722,527)</b>
Less : ( increase )/ decrease in excise duty on stock	<b>(32,346)</b>	<b>178,131</b>
	<hr/> <hr/>	<hr/> <hr/>
	<b>(138,653,043)</b>	<b>(21,900,658)</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Schedule - 16</b>		
<b>Finance Cost</b>		
On term loans	20,625,531	43,321,935
On public deposits	9,916,720	6,525,942
On other loans from banks	46,898,178	19,269,436
	<b>77,440,429</b>	<b>69,117,313</b>
	<hr/> <hr/>	<hr/> <hr/>
Less : Received from banks and others (Gross, tax deducted at source Rs. 39,837 ( previous year Rs. 45,626))	<b>590,288</b>	<b>667,430</b>
Other Bank and Financial Charges	15,088,205	8,194,450
	<b>91,938,346</b>	<b>76,644,333</b>
	<hr/> <hr/>	<hr/> <hr/>



### Schedule 17

#### SIGNIFICANT ACCOUNTING POLICIES

##### 1. Principles of Consolidation

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

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

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

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

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

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

##### 2. Basis of preparation

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

##### 3. Use of estimates

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

##### 4. Revenue recognition

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

##### 5. Fixed assets

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

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

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

**Schedule 17 (Contd.)****SIGNIFICANT ACCOUNTING POLICIES****6. Depreciation**

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

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

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

**7. Inventories**

Inventories are valued as follows:

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

**8. Investments**

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

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investment.

**9. Foreign currency transactions**

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

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

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

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

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

**Schedule 17 (Contd.)****SIGNIFICANT ACCOUNTING POLICIES**

expense or income over the life of the contract.

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

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

**10. Miscellaneous expenditure**

a) Preliminary and share issue expenses incurred before 1 April 2003 are amortised over a period of ten years.

b) Deferred revenue expenditure:

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

**11. Employee benefits**

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

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

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

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

**12. Taxes on income**

Tax expense comprises current tax and deferred income tax.

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

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. In respect of carry forward losses and unabsorbed depreciation, deferred tax assets are recognized only to the extent there is virtual certainty that sufficient future taxable income will be available against which such losses can be realized.

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

**13. Earnings per share**

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

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

**14. Leases**

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

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

**15. Contingent liabilities and provisions**

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

## KDDL LIMITED (Consolidated)

### Schedules forming part of the consolidated financial statements for the year ended 31 March 2011

#### Schedule 17 (Contd.)

##### SIGNIFICANT ACCOUNTING POLICIES

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

##### 16. Impairment of assets

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

##### 17. Segment reporting policies

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

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

#### Schedule 18

##### Notes to the consolidated financial statements

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

- Detail of the subsidiaries are as under:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
Himachal Fine Blank Limited	India	100%
Kamla Retail Limited	India	75.39% *
Mahen Distribution Limited	India	100%
Pylania S.A.	Switzerland	65.50%

\* Include 17.79% held through Mahen Distribution Limited

- Details of associates are as under:

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

- Detail of joint venture is as under:

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

- The financial statements of Taratec S.A. (an associate of KDDL) considered for consolidation has a reporting date of 31 December 2010, which is different from the reporting date of the Group. These financial statements have been reviewed in accordance with the Swiss Standard on the Limited Statutory Examination and accordingly, such results of Taratec S.A. have been considered for equity method of accounting while preparing the consolidated financial statements of the Group.
- The consolidated financial statements of the Group have been based on a line by line consolidation of profit & loss account and balance sheet of KDDL and its subsidiary. The effects of inter-company transactions between consolidated companies are eliminated on consolidation. Unrealised profit on unsold stock, if any, is eliminated while valuing inventories. These eliminations have been considered in the consolidated financial statement on the basis of figures provided and certified by the management and the auditors have relied on the same.
- In accordance with the applicable provisions of Accounting Standard - 23 on "Accounting for Investments in Associates in Consolidated Financial Statements", equity method of accounting has been followed to incorporate the results of the operations of the associates in the consolidated financial statements.
- On December 04, 2004, the Parent Company entered into a shareholders agreement with Pascal Vincent Vaucher SA to jointly control and manage the operations of Satva Jewellery and Design Limited ('Satva'). Pursuant to this agreement, the Parent Company made its contribution of 50% of the equity share capital of Satva during the year. These investments have accordingly been accounted for using proportionate consolidation in the consolidated financial statements of the Group in accordance with Accounting Standard -27. 'Financial Reporting of Interests in Joint Venture'.

## KDDL LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2011

(Amount in Rupees)

	As at 31 March 2011	As at 31 March 2010
<b>SCHEDULE -18 (Contd.) -</b>		
<b>Notes to the consolidated financial statements</b>		
<b>2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances).</b>	<b>6,101,416</b>	14,791,879
<b>3. Contingent liability not provided for exists in respect of :</b>		
a) Bank guarantees outstanding.	<b>20,558,750</b>	15,411,650
b) Modvat credit disallowed by central excise authorities, for which appeal have been filed (Amount paid under protest of Rs. 125,000 (previous year Rs. 125,000))	<b>210,980</b>	210,980
c) Bonds in favour of central excise and customs authorities	<b>6,425,000</b>	6,425,000
d) Guarantee given to a scheduled bank in relation to overdraft facility of Rs.329,000,000 (previous year Rs.305,000,000) and term loan of Rs 90,000,000 (previous year Rs 34,000,000) provided by the bank to a subsidiary company . Amount of overdraft outstanding as on 31 March 2011 is Rs.283,277,266 (previous year Rs 240,494,686) and term loan Rs.50,266,850 (previous year Rs.15,663,761) respectively.		
e) Demand raised for service tax against which appeals have been filed	<b>1,204,891</b>	1,661,899
f) Demand raised by Punjab State Electricity Board for payment of penalty for usage of additional power against sanctioned load (Amount paid under protest Rs.372,828 (previous year Rs.372,828))	<b>372,828</b>	372,828
g) Case for AY 2005-06, for which a demand of Rs.13,203,431 (previous year Rs.Nil) was raised by the income tax department and the Company had deposited Rs.10,916,620 (previous year Rs.Nil) under protest, was decided by the Commissioner of Income Tax (Appeals) in favour of the Company. However, the income tax department has preferred an appeal with Income Tax Appellate Tribunal. Demands raised by Income tax Authorities in respect of disallowances for AY 2006-07 and 2007-08, are identical to AY 2005-06 have been challenged by the company before Income Tax Appellate Tribunal.	<b>24,063,220</b>	-
h) Demands raised by the income tax authority for AY 2004-05 against which appeals have been filed. Amount paid under protest Rs. 1,577,440 (previous year Rs. 400,000)	<b>4,046,108</b>	4,046,108
i) Demands made by Sales Tax authorities (Ludhiana) against which appeals have been filed	<b>5,106,676</b>	5,106,676
j) Demand made by central excise authority	<b>8,256,222</b>	4,187,217
k) Demand of House tax made by Municipal Commissioner - Mohali	-	5,551,447
<b>4. The Finance Act, 2010 has levied service tax on renting of immovable properties given for commercial use, retrospectively with effect from 1 June 2007. The same has been challenged by the industry in the court of law and stay order has been granted by the Hon'ble High Court of Delhi in the writ petition of Home Solution Retail Limited Vs Union of India. Pending final outcome, Kamla Retail Limited is not paying the service tax portion on the lease rentals (which may eventually be the responsibility of the respective showroom owners) of showrooms and no provision for the same has been made in the accounts for Rs. 7,922,513.</b>		
<b>5. Managing director's /whole-time directors remuneration of the Parent Company*:</b>		
a) Salary	<b>3,956,000</b>	3,570,000
b) Contribution to provident and other funds	<b>1,010,220</b>	972,900
c) Perquisites including allowances (actual and /or evaluated under the Income -tax Rules)	<b>4,504,988</b>	2,047,318
d) Leave encashment paid during the year	<b>78,900</b>	-
	<b>9,550,108</b>	6,590,218

\* Exclusive of provision for future liabilities in respect of retirement benefits (which are based on actuarial valuation done on an overall company basis)

**KDDL LIMITED (Consolidated)**

Schedules forming part of the consolidated financial statements for the year ended 31 March 2011

(Amount in Rupees)

	As at 31 March 2011	As at 31 March 2010
<b>SCHEDULE -18 (Contd.) -</b>		
<b>Notes to the consolidated financial statements</b>		
<b>6.</b>	During the year, the Company issued 1,687,600 equity share warrants on preferential basis upon payment of a consideration of Rs.10.25 per warrant. Each share warrant is convertible into one equity share of Rs.10 each at a premium of Rs.31 per share on payment of remaining consideration. Holders of such warrants have the option to convert these warrants into equity shares upon payment of aforesaid consideration on or before eighteen months from the date of allotment of warrants, viz., 02 November 2010. During the year, holders of 421,950 equity share warrants exercised the option of conversion of warrants into equity shares. Amount outstanding as at the year end and disclosed as equity share warrant money constitutes Rs.10.25 per warrant received from the holders of remaining 1,265,650 share warrants.	
<b>7. Deferred tax liability (net)</b>	Major components of deferred tax asset and (liability) are as given below :	
Deferred tax assets		
Effect of expenditure debited to profit and loss account but allowable for tax purposes in subsequent year (s)	7,471,813	4,313,790
Provision for doubtful debts	1,497,346	1,378,207
Carry forward business loss	-	10,785,742
Deferred tax liability	<u>8,969,159</u>	<u>16,477,739</u>
Depreciation differences	<u>(50,833,423)</u>	<u>(51,195,425)</u>
Net Deferred tax liabilities	<u>(41,846,624)</u>	<u>(34,717,686)</u>

**8.** During the year, Mahen Boutiques Limited (MBL) was merged with Kamla Retail Limited (KRL) in terms with the scheme of arrangement under section 391 to 394 of the Companies Act, 1956, which was approved by the Hon'ble High Court of Himachal Pradesh on 3 March 2011 and became effective on 13 May 2011 on filing of certified copy of the order of the Hon'ble High Court in the office of the Registrar of Companies by KRL. The appointed date of the scheme was 01 April 2009.

**9. Segment information**

Identification of segments:

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

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

The secondary segments considered for disclosure are as follows:

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

**KDDL LIMITED (Consolidated)**

Schedules forming part of the consolidated financial statements for the year ended 31 March 2011

(Amount in Rupees)

**SCHEDULE - 18 (Contd.)****Notes to the financial statements (Contd.)****Segment information - Primary Segment ( Business Segment )**

(Figures in parentheses are for the previous year)

<b>Particulars</b>	<b>Precision and watch components</b>	<b>Watch and accessories</b>	<b>Others</b>	<b>Total</b>
<b>Revenue</b>				
Gross operating and other income*	10,05,63,497 (52,58,10,964)	90,69,63,050 (70,42,74,061)	99,01,55,941 (6,11,81,045)	1,79,65,55,494 (1,29,12,66,070)
<b>Results</b>				
Segment result	15,50,85,591 (72,85,937)	5,18,74,763 (1,83,30,366)	47,78,943 14,89,155	21,17,39,297 (2,41,27,148)
Unallocated corporate expenses (net)				(5,15,43,962) (4,21,96,261)
Operating profit				16,01,95,335 (1,80,69,113)
Interest expenses (net)				9,19,38,346 (7,66,44,333)
Current income tax (net of tax earlier years)				1,46,46,631 (2,69,906)
Deferred tax				71,46,578 (1,41,00,951)
Prior period expenses				-
Net Profit		79,60,465		(7960455) 4,64,63,780 (8,88,42,865)
<b>Other Information</b>				
Segment assets	61,96,03,761 (67,70,00,825)	80,07,18,349 (60,78,16,698)	3,90,03,914 (3,50,04,138)	1,45,93,26,024 (1,31,98,21,661)
Unallocated corporate assets				22,41,46,692 (7,91,57,087)
Total assets				1,68,34,72,716 (1,39,89,78,748)
Segment liabilities	20,57,84,730 (9,60,46,080)	57,70,15,745 (20,74,16,628)	1,61,11,613 (1,56,52,522)	79,89,12,088 (31,91,15,230)
Unallocated corporate liabilities & loans				40,49,82,183 (71,62,64,278)
Total liabilities				1,20,38,94,271 (1,03,53,79,508)
Capital expenditure	6614869 (19380065)	28785018 (16837774)	1726133 (12333137)	23896282 (48550976)
Unallocated capital expenditure				6971699 (525718)
Depreciation	46072899 (45637815)	9703844 (10109169)	804765 (801389)	56581508 (56548373)
Unallocated depreciation				2,324,913 (1,482,793)
Other non cash expenses	472,784 (2,086,877)	1,887,622	-	2,360,406 (2,086,877)
Unallocated non cash expenses				105,016 (350,126)

\*Excluding unallocated corporate income Rs 9,18,479 (previous year Rs 7,47,659)

## KDDL LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2011

(Amount in Rupees)

### SCHEDULE -18 (Contd.) -

#### Notes to the consolidated financial statements

#### Segment Information - Secondary Segment (Geographical)

The following tables present revenue and profit information regarding industry segments for the period ended 31 March 2011 and asset and liability information regarding industry segments as at 31 March 2011.

(Figures in parentheses are for the previous years)

#### Secondary Segment information :

Particulars	India	Outside India	Total
Segment revenue	<b>1,28,11,96,785</b> 1,03,23,07,745	<b>51,53,58,709</b> 25,89,58,325	<b>1,79,65,55,494</b> 1,29,12,66,070
Segment assets	<b>1,39,43,93,643</b> 1,15,46,70,056	<b>6,49,32,381</b> 5,04,49,285	<b>1,45,9326,,024</b> 1,20,51,19,341
Capital expenditure	<b>1,88,79,038</b> 4,64,51,947	<b>50,17,244</b> 20,99,029	<b>2,38,96,282</b> 4,85,50,976

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

### 10. Related party disclosures

#### A. Relationships

##### I. Associates

Kamla Tesio Dials Limited  
Taratec SA

##### II. Joint Venture

Satva Jewellery and Design Limited

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

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

##### IV. Key Management Personnel

##### Relatives \*\*

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

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

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

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

c. Mr. Dinesh Agrawal  
(Chief Operating Officer)

Ms. Shashi Agrawal (Wife)

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



# KDDL LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2011

(Amount in Rupees)

## SCHEDULE -18 (Contd.)

**B. The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2011**

S. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1	<b>Purchase of raw material, components and services</b>					
	Taratec SA	34,754				
	Saboo Coatings Limited			3,906,325		
	Vardhan International Limited			301,734		
2	<b>Sale of goods</b>					
	Satva Jewellery & Design Limited		21,830			
	Saboo Coatings Limited			65,499		
3	<b>Purchase of fixed assets</b>					
	Satva Jewellery & Design Limited		47,407			
4	<b>Job work charges (expenses)</b>					
	Satva Jewellery & Design Limited		3,885,675			
5	<b>Job work charges (income)</b>					
	Taratec SA	21,762				
6	<b>Commission on sales (expense)</b>					
	Taratec SA	6,038,776				
7	<b>Rent paid by the Company</b>					
	Kamla Tesio Dials Limited	800,000				
	Saboo Coatings Limited			50,000		
	Mr. R.K. Saboo				263,760	
	Mr. Y. Saboo				593,520	
	Ms A. Saboo					132,000
	Ms U. Saboo					52,800
8	<b>Salary of employees paid by the Company</b>					
	Mr. Pranav S. Saboo					566,380
9	<b>Directors remuneration</b>					
	Mr. R.K. Saboo				2,302,441	
	Mr. Y. Saboo				3,825,643	
	Mr. Dinesh Agrawal				3,422,024	
10	<b>Interest paid/ accrued</b>					
	Vardhan Properties and Investment Ltd.			132,634		
	Ms. Asha Devi Saboo					120,001
	Mr J.V.Saboo					150,877
	Taratec SA	39,923				
	others					11,690
11	<b>Public deposits accepted</b>					
	Ms. Shashi Agrawal					200,000
12	<b>Loans received</b>					
	Vardhan Properties and Investment Limited			500,000		
13	<b>Repayment of loans</b>					
	Vardhan Properties and Investment Limited			2,700,000		
14	<b>Others (including rent received)</b>					
	Satva Jewellery & Design Limited		439,015			
	Saboo Coatings Limited			1,003,555		
	VBL Innovations Pvt. Ltd.			30,314		
15	<b>Advance repaid</b>					
	Mr J. V. Saboo					9,166,000
16	<b>Reimbursement of expenses by the Company</b>					
	Taratec SA	943,791				
	Satva Jewellery & Design Limited		1,550			
17	<b>Expenses recovered</b>					
	Saboo Coatings Limited			137,278		
	Satva Jewellery & Design Limited		1,358			
18	<b>Investments made</b>					
	Satva Jewellery & Design Limited		1,000,000			
19	<b>Dividend received</b>					
	VBL Innovations Private. Limited			250,000		
20	<b>Donation</b>					
	Smt. Kamla Devi Saboo Charitable Trust			950,000		
21	<b>Guarantees given</b>					
	Mr. R.K. Saboo				20,000,000	
	Mr Y. Saboo				204,000,000	

## KDDL LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2011

(Amount in Rupees)

### SCHEDULE -18 (Contd.)

S. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
22	<b>Balance at the end of the year</b>					
	<b>a. Other receivables/ advances</b>					
	Taratec SA	408,680				
	Satva Jewellery & Design Limited		68,699			
	Saboo Coatings Limited			54,616		
	<b>b. Payables</b>					
	Taratec SA	4,626,660				
	Kamla Tesio Dials Limited	550,080				
	Satva Jewellery & Design Limited		1,660,222			
	Saboo Coatings Limited			1,126,627		
	<b>c. Guarantees taken</b>					
	Mr. R.K. Saboo				334,120,965	
	Mr Y. Saboo				518,120,965	
	<b>d. Public deposits outstanding</b>					
	Ms. Asha Devi Saboo					1,000,000
	Ms. Shashi Agrawal					200,000
	<b>e. Inter Corporate Deposits</b>					
	Vardhan Properties and Investment Limited			500,000		
	<b>f. Investments</b>					
	VBL Innovations Private Limited			1,000,000		

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

S. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1.	<b>Purchase of raw material and components</b>					
	Taratec SA	632,157				
	Saboo Coatings Limited			2,468,583		
2.	<b>Sale of goods</b>					
	Taratec SA	6,669,771				
	Satva Jewellery & Design Limited		10,169			
	Saboo Coatings Limited			95,422		
3.	<b>Job work Charges Paid</b>					
	Taratec SA	4,300				
	Satva Jewellery & Deign Ltd.		1,937,613			
4.	<b>Job work Charges Recd.</b>					
	Satva Jewellery & Design Ltd.		21,428			
	Taratec SA	79,116				
5.	<b>Commission paid on sales</b>					
	Taratec SA	12,236,177				
6.	<b>Rent Paid</b>					
	Kamla Tesio Dials Limited	1,200,000				
	Saboo Coatings Limited			50,000		
	Kamla Retail Limited			96,000		
	Mr. R.K. Saboo				126,232	
	Mr. Y. Saboo				126,232	
	Ms. A. Saboo					126,232
	Ms. U. Saboo					593,512
7.	<b>Salary of employees</b>					
	Satva Jewellery & Design Ltd.		28,826			
	Ms. A. Saboo					107,520
	Mr. P.S. Saboo					165,158
8.	<b>Directors Remunerarion</b>					
	Mr. R.K. Saboo				1,698,056	
	Mr. Y. Saboo				2,847,441	

## KDDL LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2011

(Amount in Rupees)

### SCHEDULE -18 (Contd.)

S. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
	Mr. Dinesh Agrawal				2,044,721	
9.	<b>Interest paid/Accrued</b>					
	Taratec SA	74,252				
	Vardhan Properties and investment Ltd.			286,866		
	Ms. Asha Devi Saboo					104,573
10.	<b>Repayment of loans</b>					
	Taratec SA	3,937,280				
11.	<b>Others (including rent received)</b>					
	Taratec SA	2,262,488				
	Satva Jewellery & Design Limited		41,726			
	Saboo Coatings Limited			784,603		
	Others	2,300		2,390		
12.	<b>Discounts</b>					
	Taratec SA	637,707				
13.	<b>Loan/Advances taken</b>					
	Saboo coatings Limited			200,000		
	Mr. J.V. Saboo					9,166,000
14.	<b>Reimbursement of Expenses</b>					
	Taratec SA	19,528				
	Kamla Retail Limited			96,000		
	Saboo Coatings Limited			975		
15.	<b>Expenses Recovered</b>					
	Satva Jewellery & Design Ltd.		111,145			
	Saboo Coatings Limited			98,325		
16.	<b>Dividend received</b>					
	VBL Innovations Pvt. Ltd.			120,000		
17.	<b>Balance at the end of the year</b>					
a.	Other receivable/advances					
	Taratec SA	433,181				
	Satva Jewellery & Design Limited		691,111			
	Saboo Coatings Limited			8,731		
b.	Payables					
	Taratec SA	6,753,796				
	Kamla Tesio Dials Limited	2,266,080				
	Satva Jewellery & Design Limited		298,941			
	Saboo Coatings Limited			1,048,349		
	Mr. J.V. Saboo					9,166,000
	Others			(316,121)		
c.	Guarantees taken					
	Mr. R.K. Saboo				319,962,318	
	Mr. Y. Saboo				443,962,318	
d.	Public deposit outstanding					
	Ms. Asha Devi Saboo					1,000,000
e.	Inter Corporate Deposit					
	Vardhan Properties and Investment Limited			2,700,000		

**KDDL LIMITED (Consolidated)**

Schedules forming part of the consolidated financial statements for the year ended 31 March 2011

(Amount in Rupees)

**SCHEDULE -18 (Contd.)**
**11. Employee benefits**
**Super-annuation scheme with LIC**

**Defined Contribution Plan:** The liability on account of Superannuation Scheme taken by the company with LIC of India in respect of its employee provided in the profit and loss account

**For the year ended  
31st March, 2011**
**For the year ended  
31st March, 2010**
**913,005**
**788,670**
**Defined benefit plan/ other long term benefit plans**

a. Contribution to Gratuity Fund Trust

b. Leave Encashment

Actuarial valuation has been done with the following assumptions.

Particulars	Leave Encashment		Gratuity	
	8%	5%	8%	5%
Discount rate	8%	5%	8%	5%
Rate of increase in Compensation levels	5%	5%	5%	5%
Rate of return of plan assets	-	-	8%	8%
Expected Average remaining working lives of employees (years)	8.34	-	8.34	-
<b>Change in the present value of obligation :</b>	<b>Leave Encashment</b>	<b>Gratuity</b>	<b>Leave Encashment</b>	<b>Gratuity</b>
Present value of obligation as at beginning of the year	8,089,126	18,383,729	7,209,209	17,057,686
Interest Cost	647,129	1,693,786	576,736	1,364,615
Current Service Cost	4,274,233	2,125,788	3,424,603	1,789,952
Settlement Cost/Credit	-	-	-	-
Benefits paid/ Payable	(3,354,842)	(1,113,523)	(1,615,214)	(3,770,868)
Actuarial (gain)/loss on obligations	(443,909)	(39,418)	(1,506,208)	1,942,344
Present value of obligation as at end of the year	9,211,737	21,050,362	8,089,126	18,383,729
<b>Change in the Fair value of Plan Assets :</b>		<b>Gratuity</b>		<b>Gratuity</b>
Fair value of Plan Assets at beginning of the year		11,473,121		12,449,724
Expected Return on Plan Assets		1,038,468		1,013,281
Contributions		2,178,099		1,653,522
Benefits paid		(1,035,471)		(3,768,061)
Actuarial gain/(loss) on Plan assets		1,665		-
Fair value of Plan Assets at the end of the year		13,655,882		11,348,466

The fair value of the plan assets under the provident fund schemes has been determined at amounts based on their value at the time of redemption, assuming a constant rate of return to maturity.

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

	Leave Encashment		Gratuity	
	8%	5%	8%	5%
Present value of funded obligation as at end of the year	9,211,737	21,050,362	8,089,126	18,383,729
Fair value of Plan Assets as at the end of the period funded status	-	13,655,882	-	11,348,466
Unfunded/ Funded Net Liability recognized in Balance Sheet	9,211,737	7,394,480	8,089,126	7,035,263
<b>Expenses recognised in the Profit and Loss Account</b>	<b>Leave Encashment</b>	<b>Gratuity</b>	<b>Leave Encashment</b>	<b>Gratuity</b>
Current Service Cost	4,274,233	2,125,788	3,424,603	1,789,952
Interest Cost	647,129	1,423,038	576,736	1,364,615
Expected Return on Plan Assets	-	1,038,468	-	1,013,281
Net actuarial (gain)/loss recognized in the period	(443,909)	(119,135)	(1,506,208)	1,939,537
Total Expenses recognized in the Profit & Loss Account	4,477,453	2,391,223	2,495,131	4,080,823

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

**Amounts for the current and previous years are as follows:**

	2010-11	2009-10	2008-09	2007-08
<b>Gratuity</b>				
Defined benefit obligation	21,050,362	18,383,729	17,057,686	13,740,953
Plan Assets	13,655,882	11,348,466	12,449,724	8,825,348
<b>Surplus/(deficit)</b>	<b>7,394,480</b>	<b>7,035,263</b>	<b>4,607,962</b>	<b>4,915,605</b>

# KDDL LIMITED (Consolidated)

Schedules forming part of the consolidated financial statements for the year ended 31 March 2011

(Amount in Rupees)

## SCHEDULE -18 (Contd.)

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
<b>12. Earnings per Share</b>		
<b>Net profit/(Loss) attributable to equity shareholders</b>		
Profit/(Loss) after tax and minority interests (Rs.)	53,509,097	(72,395,781)
Number of equity shares at the beginning of the year	7,349,220	7,349,220
Shares issued during the year	421,950	-
Total equity shares outstanding at the end of the year	7,771,170	7,349,220
<b>No. of weighted average equity shares</b>		
Basic	7,415,114	7,349,220
Diluted	7,415,114	7,349,220
<b>Nominal value of equity share (Rs)</b>	10	10
Earnings per Share (Rs)		
Basic (Rs.)	7.22	(9.85)
Diluted (Rs.)	7.22	(9.85)
<b>13. Details of utilisation of proceeds raised through share warrants issued on preferential basis:</b>		
	<b>As at 31 March 2011</b>	<b>As at 31 March 2010</b>
Balance utilized at the end of the previous year		
Proceeds received during the year	30,272,863	-
<b>Utilisation of proceeds</b>		
For purchase of capital assets	30,250,000	-
Balance utilized at the end of the current year	22,863	-
<b>14. During the year, following shares were issued outside the groups:</b>		
- Kamla Retail Limited, issued 955,567 (previous year 55,910) equity shares of Rs. 10 each at a price of Rs. 73.50 per share.		
- Kamla Retail Limited, issued Nil (previous year 69,228) 12% Optionally Convertible Cumulative Preference Shares of Rs. 65 per share.		
- Mahen Distribution Limited, issued Nil (previous year 77,000), 12% Optionally Convertible Cumulative Preference Shares of Rs. 65 per share and 228,700, 12% Compulsorily Convertible Cumulative Preference Shares of Rs. 56 per share.		
- Pylania S.A., issued Nil (previous year 525) shares of Swiss Franc (CHF) 1,000 per share.		
Accordingly adjustments have been carried out to take the effect of minority interest in the consolidated financial statements.		
<b>15. During the year, Satva Jewellery and Design Limited, issued 200,000 equity shares of Rs. 10 per share to the other venturer partner of the company. Equivalent shares were also issued to the Company, which have been eliminated on consolidation.</b>		
<b>16. In terms with the provisions of Accounting Standard – 21 " Consolidated Financial Statements ", the parent company has computed its share of losses after adjusting for the cumulative dividends on preference share capital issued by the subsidiary companies, though, dividends have not been declared by such subsidiaries.</b>		
<b>17. Kamla Retail Limited, a subsidiary of the parent company, has taken showrooms under operating lease arrangements, with an option of renewal at the end of the lease term and escalation clauses in some of the cases. Lease payments charged during the year to the profit and loss account on account of non cancellable leases aggregate Rs. 247,282,236 (previous year Rs. 28,061,039). The future minimum lease payments under non-cancellable operating leases are as follows:</b>		
Future minimum lease payments due	<b>As at</b>	<b>As at</b>
	<b>31 March, 2011</b>	<b>31 March, 2010</b>
within one year	26,469,670	26,190,541
later than one year but not later than five years	69,875,090	81,167,777
more than five years	11,644,113	8,178,198
	<b>107,988,873</b>	<b>115,536,516</b>
<b>18. Movement in provision for points accrued under the Club Echo Loyalty Programme is as under:</b>		
	<b>As at</b>	<b>As at</b>
	<b>31 March, 2011</b>	<b>31 March, 2010</b>
Opening provision	1,645,737	2,862,289
Add: provision created during the year	881,241	-
Less: provision reversed during the year	-	(1,216,552)
Closing provision	<b>2,526,978</b>	<b>1,645,737</b>
<b>19. Prior period items comprise of:</b>		
	<b>For the year ended</b>	<b>For the year ended</b>
	<b>31st March, 2011</b>	<b>31st March, 2010</b>
Rent	2,958,996	3,045,000
Lease straight lining	-	4,915,465
	<b>2,958,996</b>	<b>7,960,465</b>
<b>20. The consolidated financial statements have been prepared in compliance with clause 32 of the listing agreement with stock exchange.</b>		
<b>21. Previous year figures have been regrouped /recast wherever considered necessary to make them comparable with those of the current year.</b>		

### On behalf of the Board of Directors

**R.K. SABOO**  
Chairman

**Y. SABOO**  
Chief Executive Officer

**S.K. MASOWN**  
Chief Financial Officer

**P.K. GOYAL**  
Company Secretary

Place : Chandigarh  
Dated : 28 July 2011

Place : New Delhi  
Dated : 28 July 2011

For **Walker, Chandio & Co.**  
Chartered Accountants  
per **B.P. Singh**  
Partner  
Membership No.70116

## KDDL LIMITED

Financial Performance of Subsidiaries during the Period April 1, 2010 to March 31, 2011.

(Amount in Rupees)

Sr no	Name of Subsidiary Company	Himachal Fine Blank Ltd	Kamla Retail Ltd	Mahen Distribution Ltd	Pylania S.A.
1	Financial/Accounting year of the - subsidiary Companies	31.03.2011	31.03.2011	31.03.2011	31.03.2011
2	Country of incorporation	India	India	India	Switzerland
3	Reporting currency	INR	INR	INR	CHF
4	Exchange rate to INR :				
	- Balance Sheet				CHF=Rs 48.08
	-Profit & loss account				CHF=Rs 46.34
5	Share Capital(Incl. Advances towards capital where applicable)	15,200,000	114,289,880	19,812,200	38,962,833
6	Reserves and surplus	-232,452	98,108,522	-	-63,167,747
7	Total Assets	41,874,470	800,718,349	19,812,200	64,932,381
8	Total Liabilities	26,906,924	577,015,745	-	89,137,295
9	Investments (other than subsidiaries)	1,850,000	-	-	-
10	Turnover	30,517,849	906,963,050	1,409,243	77,475,188
11	Profit/(loss) before tax	190,723	6,870,878	-3,561	-25,383,897
12	Tax Expenses/(Credited)	-540,835	-	-	99,422
13	Profit/(loss) after tax	731,558	6,870,878	-3,561	-25,483,319
14.	Proposed Dividend and tax therein	-	-	-	-

**R.K. SABOO**  
Chairman

**Y. SABOO**  
Chief Executive Officer

**S.K. MASOWN**  
Chief Financial Officer

**P.K.GOYAL**  
Company Secretary

**KDDL LIMITED**

Registered Office : Plot No. 3, Sector - III  
Parwanoo, Distt. Solan (H.P)

**PROXY**

DPID/Client ID No .....

Folio No.....

I/We.....

of.....

being a member(s) of the above named Company, hereby appoint .....

.....of.....

.....or failing him.....

.....of.....

as my/our proxy to attend and vote for me/us on my/our behalf at the 31st ANNUAL GENERAL MEETING of the Company to be held at Hotel Timber Trail Resorts, Parwanoo, Distt. Solan (H.P) on Thursday, the 15th September, 2011 at 12.30 p.m.

Affix  
Revenue  
Stamp

Dated the ..... day of September, 2011

Signature

**KDDL LIMITED**

Registered Office : Plot No. 3, Sector - III  
Parwanoo, Distt. Solan (H.P)

**ADMISSION CARD**

Name of the attending Member .....  
(in Block Letters)

Member's Folio Number/.....No. of Shares.....

DPID/Client ID No:

Name of the Proxy .....

(in Block Letters to be filled in if the Proxy attends instead of the Member(s))

I, hereby, record my presence at the 31st ANNUAL GENERAL MEETING at Hotel Timber Trial Resorts, Parwanoo, Distt. Solan (H.P) on Thursday, the 15th September, 2011 at 12.30 p.m. .

\* To be signed at the time of handing over this slip.

Member's/Proxy Signature\*

*If undelivered, please return to :*


**KDDL LIMITED**

Kamla Centre

S.C.O. 88-89, Sector 8-C,

Madhya Marg,

Chandigarh-160 009

 Sapnik 98155 59966



**KDDL Limited**

Regd. Office: Plot 3, Sector III, Parwanoo - 173 220 (H.P.)

---

**E-Communication Registration Form**

Folio No/DP ID & Client ID.....

Name of the First Registered Holder.....

Name of Joint Holder(s).....

Registered Address.....

E-Mail ID (to be registered).....

I/We shareholder(s) of the KDDL Limited agree to receive communication from the Company in electronic mode. Please register my above e-mail in your records for sending communications through e-mail.

Date:

.....  
(Signature of the First Holder)

**Note:** Shareholder(s) are requested to keep the Company informed as and when there is any change in the e-mail address given above.