KDDL Limited

ANNUAL REPORT
2011-2012

BANKERS
IDBI Bank Limited
Bank of India
Corporation Bank

CHIEF FINANCIAL OFFICER
Mr. Sanjeev Kumar Masown

COMPANY SECRETARY
Mr. Pawan Kumar Goyal

AUDITORS
Messrs Walker, Chandiok & 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)

UNIT - III
Plot No. 17, HSIIDC,
Industrial Area Alipur,
Barwala - 134 118 (Haryana)

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

UNIT - II
408, 2nd Floor, 4th Main, 11th Cross,
Peenya Industrial Area,
Bangalore - 560 058 (Karnataka)

ASSEMBLY UNITS
UNIT-I
Windsmoor Complex, Plot No. 2,
Sector 2, Parwanoo (H.P.)

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

PACKAGING 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)

E-COMMERCE DIVISION
Unit No. 1004 and 1004A, Tower No. 'B',
10th Floor, Millenium Plaza, Sector 27,
Gurgaon - 122 002 (Haryana)

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
Mr. Marc Bernhardt
Mr. Mannil Venugopalan

CONTENTS

NOTICE

NOTICE is hereby given that the 32nd Annual General Meeting of the Company will be held on **Monday, the 17th day of September, 2012** at **12.30 p.m**. at **Hotel Timber Trail Resorts, Parwanoo 173220** 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, 2012 and the reports of the Directors' and Auditors' thereon.
2. To declare dividend.
3. To appoint a Director in place of Dr. T.N. Kapoor, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Chandra Mohan, who retires by rotation and being eligible, offers himself for re-appointment.
5. To re-appoint M/s. Walker Chandiok & Co., Chartered Accountants, as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting 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 **Ordinary Resolution** :

   "**RESOLVED THAT** Mr. Mannil Venugopalan, Additional Director of the Company, who holds such office up to the date of this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Article 101 of the Articles of Association of the Company, be and is hereby, appointed as a director of the Company liable to retire by rotation."

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

   "**RESOLVED THAT** Mr. Marc Bernhardt, Additional Director of the Company, who holds such office up to the date of this Annual General Meeting, pursuant to section 260 of the Companies Act, 1956 and Article 101 of the Articles of Association of the Company, be and is hereby, appointed as a director of the Company liable to retire by rotation."

8. 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 Ethos Limited (formerly known as M/s Kamla Retail Limited), in addition to the Corporate Guarantee of Rs 430 million provided earlier notwithstanding that the aggregate amount of all investments/loans/securities/guarantees together with the below mentioned guarantees 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	Amount of Corporate Guarantee given (Rs. in millions)
1.	The Federal Bank Limited	10.0
2.	India Infoline Investment Services Limited	37.5

   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."

By Order of the Board
For KDDL Limited

Date: 03.08.2012 **(P.K. Goyal)**
Place: Chandigarh **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 has not included the financial statements and other details of its subsidiaries viz. Ethos Limited (formerly known as Kamla Retail Limited), Himachal Fine Blank Limited, Mahen Distribution Limited, Kamla International Holding SA 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 at any point of time 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 at 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 2012, the Company will be required to transfer to “Investor Education and Protection Fund”, the unpaid/unclaimed Dividend for the year ended March 31, 2005 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, 2005 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 10.09.2012 to 17.09.2012 (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. For ‘Go Green Initiative’ refer page 103

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, 7 and 8 of the accompanying notice dated 03.08.2012.

Item Nos. 6 and 7

Mr. Mannil Venugopalan and Mr. Marc Bernhardt were appointed as Additional Directors of the Company by the Board of Directors in its meeting held on 1st November, 2011 to strengthen the Board management of the Company. In accordance with section 260 of the Companies Act, 1956 and Article 101 of the Articles of Association of the Company, they hold such office upto the date of this Annual General meeting. However, Mr. Mannil Venugopalan and Mr. Marc Bernhardt, are eligible for appointment as Directors of the Company.

Information about above directors as required under clause 49 of the Listing Agreement is set out separately in the notice of Annual General Meeting.

The Company has received notices in writing alongwith requisite security deposit from the members pursuant to section 257 of the Companies Act, 1956, proposing the candidatures of Mr. Mannil Venugopalan and Mr. Marc Bernhardt for the office of Directors.

The Board of Directors accordingly recommends the resolution as set out in Item Nos. 6 and 7 of the Notice for your approval.

Except for Mr. Mannil Venugopalan and Mr. Marc Bernhardt, none of the other Directors of the Company are, in any way, concerned or interested in the said resolutions.

Item No. 8

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 Ethos Limited (formerly known as Kamla Retail Limited), subsidiary company:-

1. The Federal Bank Limited had sanctioned ad-hoc cash credit facilities aggregating to Rs. 10.00 million (Rupees Ten Million only) being availed by the subsidiary company namely, M/s Ethos Limited for which the Board of Directors approved execution of Corporate Guarantee in favour of the Bank at its Board meeting held on 3rd August, 2012.

2. India Infoline Investment Services Limited had sanctioned a Home Equity Loan of Rs. 37.50 million (Rupees Thirty Seven and Half Million only) being availed by the Subsidiary Company namely, M/s Ethos Limited for which the Board of Directors approved execution of Corporate Guarantee in favour of the above financial institution at its Board meeting held on 03rd August, 2012.

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 cumulative value of Rs 430.00 million with the approval of the shareholders in past. Please note that as the Company is paying the earlier loan of Rs 30.00 million taken from M/s India Infoline Investment Services Ltd in full and availing a fresh loan of Rs. 37.50 million. Thus the total guarantee provided for the Company would stands at Rs 447.50 million which exceeds 60% of the aggregate of paid up capital and 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 above resolution.

The Directors recommend the above resolution for your approval.

By Order of the Board
For KDDL Limited,

Date: 03.08.2012 (P.K. Goyal)
Place: Chandigarh Company Secretary

DETAILS OF THE DIRECTORS SEEKING RE-APPOINTMENT/APPOINTMENT IN ANNUAL GENERAL MEETING TO BE HELD ON 17.09.2012

<table>
<tr><td>Name of the Director</td><td>:</td><td colspan="3">Dr. T.N. Kapoor</td></tr>
<tr><td>Date of Birth</td><td>:</td><td colspan="3">2nd June, 1932</td></tr>
<tr><td>Date of first Appointment</td><td>:</td><td colspan="3">22nd September, 1997</td></tr>
<tr><td>Qualification and experience in specific functional areas</td><td>:</td><td colspan="3">He is a Post Graduate in Commerce, LL.B. and Ph.D., and has over 42 years of post graduate teaching experience in management subjects and has been the Vice-Chancellor, Panjab University, Chandigarh and has also held the position of Director with Management Development Institute, Gurgaon, President, Indian Association of Management Development, Chairman, Inter-University Council for Business Education and Research, Member, National Commission for Co-operation with UNESCO, Government of India, Member, Administrative Board, International Association of Universities, UNESCO Office, Paris, Member, Board of Governors, Indian Institute of Management, Calcutta and Member, Executive Council National Assessment and Accreditation, UGC, Government of India.</td></tr>
<tr><td>List of companies in which Directorships held</td><td>:</td><td colspan="3">Modern Steels Limited
Swaraj Engines Limited
Omax Autos Limited
Sterling Tools Limited</td></tr>
<tr><td>Chairman/Member of the Committees of the Board of the Company</td><td>:</td><td colspan="2">Audit Committee Member
Remuneration Committee</td><td>Chairman
Member</td></tr>
<tr><td rowspan="4">Chairman/Member of the Committees of Board of other companies in which he is a Director</td><td rowspan="4">:</td><td>Modern Steels Limited</td><td>Shareholders'/Investors' Committee
Audit Committee</td><td>Member
Member</td></tr>
<tr><td>Omax Autos Limited</td><td>Shareholders'/Investors' Committee
Audit Committee</td><td>Chairman
Member</td></tr>
<tr><td>Sterling Tools Limited</td><td>Shareholders'/Investors' Committee
Audit Committee</td><td>Chairman
Member</td></tr>
<tr><td>Swaraj Engines Limited</td><td>Shareholders'/Investors' Committee
Audit Committee</td><td>Chairman
Member</td></tr>
</table>

<table>
<tr><td>Name of the Director</td><td>:</td><td colspan="3">Mr. Chandra Mohan</td></tr>
<tr><td>Date of Birth</td><td>:</td><td colspan="3">30th December, 1932</td></tr>
<tr><td>Date of first Appointment</td><td>:</td><td colspan="3">17th June, 2003</td></tr>
<tr><td>Qualification and experience in specific functional areas</td><td>:</td><td colspan="3">He is B.A. (Hons), B.Sc. Mech. Engg. (Hons), F.I.E. (India), F.I. Prod. E (India), M.I. Mech. E (London), Member. S.A.E., M.I. Agar. E. (India). He has vast experience and has held position as CEO in Punjab Tractors Limited besides various other managerial positions during his career.

He has been conferred with “Padma Shri” Award in 1985, Gold Shied for Import Substitution in 1975, National Award for Invention Promotion in 1972 and other distinguished awards and recognitions.</td></tr>
<tr><td>List of companies in which Directorships held</td><td>:</td><td colspan="2">Rico Auto Industries Limited
Sandhar Technologies Limited
DCM Engineering Limited
Winsome Textiles Industries Limited</td><td>Engineering Innovations Limited
Winsome Yarns Limited
IOL Chemicals & Pharmaceuticals Limited
Nextgen Telesolutions Pvt. Ltd.</td></tr>
<tr><td>Chairman/Member of the Committees of the Board of the Company</td><td>:</td><td colspan="2">Remuneration Committee
Audit Committee
Compensation Committee</td><td>Chairman
Member
Member</td></tr>
<tr><td>Chairman/Member of the Committees of Board of other companies in which he is a Director</td><td>:</td><td>Winsome Yarns Limited
DCM Engineering Ltd

Winsome Textiles
Industries Limited</td><td>Audit Committee
Audit Committee
Remuneration Committee
Audit Committee
Investor Grievance Committee</td><td>Member
Member
Member
Member
Member</td></tr>
</table>

DETAILS OF THE DIRECTORS SEEKING RE-APPOINTMENT/APPOINTMENT IN ANNUAL GENERAL MEETING TO BE HELD ON 17.09.2012

Name of the Director	:	**Mr. Mannil Venugopalan**
Date of Birth	:	23rd April, 1945
Date of first Appointment	:	1st November, 2011
Qualification and experience in specific functional areas	:	He is a B.Com (Gold Medalist) from University of Kerala and Certified Associate of Indian Institute of Bankers. He is a highly recognized and accomplished banker with domestic and international experience in corporate finance, foreign exchange, resource management and strategic planning for large public and private sector banks. He has been associated with many companies by being on their Board as Independent Director namely, L & T Finance Holding Limited, Shreyas Shipping and Logistics Limited, LICHFL Asset Management Company Limited, IL & FS Environmental Infrastructure and Services Limited, Kerala State Industrial Development Corporation, Vishwas Infrastructure & Services Private Limited and Sun Edison Energy Private Limited. He was the CEO and Managing Director of Federal Bank Limited since 2005 till 2010, Chairman and Managing Director of Bank of India since 2003 till 2005 and Executive Director of Union Bank of India since 2000 till 2003.
List of companies in which Directorships held	: :	L & T Finance Holding Limited Shreyas Shipping & Logistics Limited LICHFL Assets Management Company Limited IL & FS Environmental Infrastructures and Services Limited Vishwa Infrastructures and Services Private Limited A U Financiers (India) Private LimitedAudit Committee Member
Chairman/Member of the Committees of the Board of the Company	:	Nil
Chairman/Member of the Committees of Board of other companies in which he is a Director		Nil

Name of the Director	:	**Mr. Marc Bernhardt**
Date of Birth	:	19th October, 1962
Date of first Appointment	:	1st November, 2011
Qualification and experience in specific functional areas	:	He is a Commercial Apprentice (Brown, Boveri & Cie), Federal Maturite Typus E (Business) with special merit and Lic. Oec. Publ. (equivalent of Master Degree) Business and Administration Studies at the University Zurich with focus on trade, management and banking. He is working independently on advisory work relating to several sales and marketing since July, 2009. He has been associated as Chief Executive Officer of many Companies at Switzerland namely Montres Perrelet SA, Montres L. Leroy SA, H5 Groupe, Montres Wyler Geneve SA and Bertolucci SA. He also worked as the Executive Distribution Director of IWC International Watch Co. at Schaffhausen Switzerland and Managing Director of Swiss Prestige Inc. (SPI) at Winchester, Virginia, USA. He has also worked as the Senior Sales Executive (Vice President) of Industrial Bank of Japan, London and 2nd Vice President of The Chase Manhattan Bank, N.A., London, U.K..
List of companies in which Directorships held		Nil
Chairman/Member of the Committees of the Board of the Company		Nil
Chairman/Member of the Committees of Board of other companies in which he is a Director		Nil

DIRECTORS' REPORT

TO

THE MEMBERS

Your Directors have pleasure in presenting this 32nd Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2012.

OPERATIONS AND PROSPECTS

Financial Results

The summary of operating results for the year 2011-12 and appropriation of divisible profits is given below:

(Figures in Millions of Rupees)

Particulars			2011-12		2010-11
Gross Operating Income			**1041.52**		823.90
Profit before interest and depreciation			**228.73**		170.87
Less :	Interest	**50.75**		45.80	
	Depreciation	**43.47**	**94.22**	39.79	85.59
Profit before tax			**134.51**		85.28
Provision for Income Tax, Deferred tax			**46.42**		22.44
Profit after tax			**88.09**		62.84
Profit/(Loss) brought forward from previous year			**33.58**		2.96
Net Profit/(Loss)			**121.67**		65.80
Appropriated as under :					
Proposed Dividend			**27.11**		22.25
Corporate Dividend Tax			**4.40**		3.69
Transfer to General Reserve			**12.20**		6.28
Surplus carried to Balance Sheet			**76.71**		33.58
Dividend for prior year			1.07		
Tax on prior year dividend			0.18		

PERFORMANCE AND PROJECTIONS

During the year under review, the Company achieved sales of Rs. 1042 Million against Rs. 824 Million in the previous year, thereby registering an increase of 26%. The Company earned a net profit of Rs.88 million against a net profit of Rs. 63 million in the previous year. The better performance was due to significant growth in the exports market, which is a key strategic focus area of company. The higher exports were enabled by the continuous and intensive efforts of the company to develop and service major global players. The higher revenues coupled with cost control measures initiated by the management, has helped the company in reporting higher profits during the year.

All the watch component manufacturing units reported improved revenues and profitability during the current year. The watch hands business continues its journey of significant increase in export sales owing to opening of several new client accounts and increased off-takes from existing customers. Company also set up a new facility at Bangalore for supply of high quality premium hands to Swiss customers. The company continued its journey of improving its market share by adding new feature hands in its basket of products and variants. Indexes/ appliqués are important and integral parts of the dials manufacturing. Company has set-up the index / appliqués manufacturing facility within the dials units for reducing dependence on outside sources. The dials manufacturing units capability is also being improved to cater to the higher segment of customers in overseas Swiss market.

The Precision Stamping Division, Eigen Engineering, has performed better than the last year by registering a growth of 25% in sales. This division is working on adding new customers and improving internal efficiencies to profit better from 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 6% in its top line, with reduced operational losses. 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. The Company is getting encouraging enquiries from the reputed and premium segment customers in the Swiss market.

The operations of the Satva Jewellery and Design Ltd., the 50:50 Joint Venture of the Company with Pascal Vincent Vaucher, SA of Switzerland, remained suspended during the year due to no orders. This company reported a loss of Rs. 6.6 Million during the year. Company is in discussion with the JV partner for restructuring/re-aligning the business of the company.

The watch retail and distribution business of the group, being managed through our subsidiary company Ethos Limited (Formerly Kamla Retail Limited) also showed improved performance. The turnover of the Ethos Limited improved from Rs. 889 million (billing Rs 1003 million) to Rs 1246 million (billing Rs. 1401 million) registering a growth of 41%, of this nearly 29% came from “Same store" growth which is a vital indicator in retail pointing to market growth combined with operational excellence. The Company continues to focus on increasing the turnover by enhancing the presence in the growing market and introducing new brands and improved performance. The focus of retail business during the initial years is primarily on increasing market share and turnover. However, the company is getting reasonable EBIDTA earnings, considering the size and experience of the business segment. The Company is poised for substantial growth in turnover and also improvement in the financial performance in the coming years.

SETTING UP OF E-COMMERCE DIVISION

Due to the growing potential in the E-Commerce retail business and for exploring possible areas of business in the field of E-Commerce, the Company has established a new division based in Gurgaon, Haryana.

CHANGES IN CAPITAL STRUCTURE

The Company has allotted Equity Shares (on pari passu basis) pursuant to Conversion of equivalent number of Zero Coupon Convertible Warrants, as summarized below:-

Date of allotment	No. of equity shares allotted on conversion of warrants
September 15, 2011	3,60,400
February 7, 2012	2,65,050
March 28, 2012	4,40,000
April 30, 2012	2,00,100
Total	**12,65,550**

The Company has filed listing applications with the Bombay Stock Exchange Limited (BSE) for the above said allotments upon conversion of warrants issued on preferential basis to promoters and others. The requisite approvals from BSE were obtained and the shares were credited to the respective depository accounts of the allottees.

DIVIDEND

Your Directors have recommended a dividend of 30% i.e. Rs 3/-(Three) per share on equity shares (last year 30% i.e. Rs 3/- per equity share) of the Company for the financial year ended March 31, 2012.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. 31.51 million (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. 12.20 million to the General Reserve out of the amount available for appropriation and an amount of Rs 76.71 million is proposed to be retained in the Profit and Loss account.

DIRECTORS

During the year under review, Mr. Mannil Venugopalan and Mr. Marc Bernhardt were appointed as Additional Directors to strengthen the Board management of the Company. The Company has received notices in writing from members alongwith prescribed security deposits signifying their candidature for the office of the director of the Company.

Your directors are pleased to report that pursuant to application made to the Central Government for the re-appointment of Mr. Yashovardhan Saboo as Managing Director of the Company, the Central Government accorded its approval vide Letter no. SRNo. B14576276/2/2011-CL-VII dated 19th October, 2011.

Dr. T. N. Kapoor and Mr. Chandra Mohan, Directors, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

CONSOLIDATED ACCOUNTS

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

(i) That in the preparation of the accounts for the financial year ended 31st March, 2012, 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, 2012 on a 'going concern' basis.

LISTING OF SHARES

The Equity shares of the Company are listed on the Bombay Stock Exchange Limited (BSE) and the Company has paid the Annual Listing fees to the Stock

Exchange for the financial year 2011-12.

The Company has also applied for Listing of its equity shares with the National Stock Exchange of India Limited (NSE) since it was complying with the requisite norms and its application is under consideration of the NSE.

During the period under report, the Company has filed listing applications with the BSE for 10,65,450 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 no. 02/2011 dated February 8th, 2011, 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. A statement pursuant to section 212 of the Companies Act, 1956, relating to subsidiary companies is attached to the Accounts. 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.

AMALGAMATION OF HIMACHAL FINE BLANK LIMITED, SUBSIDIARY COMPANY WITH THE COMPANY

The Company filed a writ petition with the Hon'ble High Court of Himachal Pradesh at Shimla for Amalgamation of its subsidiary company i.e. Himachal Fine Blank Limited. The Hon'ble Court passed the Order dated 20th March, 2012 for the convening of the meetings of Shareholders, Secured Creditors and Unsecured Creditors on 12th May, 2012. The Court Convened meetings were duly held on the scheduled date and the High Court took note of the outcome of the meetings on its record. Thereafter, second motion petition was filed with the Hon'ble Court and the Court fixed the date of hearing of the petition on 5th July, 2012. On the said date, the Hon'ble Court ordered the publication of public notices, asked for the reports of Official Liquidator, Shimla, and Regional Director, Company Law Board, New Delhi and fixed the next date of hearing being 28th August, 2012 for approval of the Scheme of Amalgamation.

EMPLOYEE STOCK OPTION PLAN

During the year under review, your Company has implemented 'KDDL Employee Stock Option Plan 2011 (KDDL ESOP 2011)' to motivate and ensure participation of the employee in the long term growth plan of the Company.

The Compensation Committee of the Board of Directors, at its meeting held on 1st November, 2011, granted 1,00,500 (One lac and five hundred only) options to the selected employees under ESOP 2011.

The Company had filed an application for the 'In-principle' approval for the listing of new shares under "KDDL Employee Stock Option Plan – 2011" dated 27th January, 2012 with the Bombay Stock Exchange Limited, Mumbai. The Bombay Stock Exchange Limited was pleased to accord its approval via Letter no. DCS/AMAL/BS/ESOP-IP/077/2011-12 dated 11th May, 2012.

The information required to be disclosed in terms of the provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is enclosed as per Annexure A to this 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. 1.86 million. The aggregate amount of fixed deposits as on 31st March, 2012 is Rs. 87.87 million.

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 complied with all the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited during the year ended on 31st March, 2012 as per Report on Corporate Governance annexed and a Certificate from the Auditors to this effect for the year ending on 31st March, 2012 is also enclosed with this report.

APPOINTMENT OF COST AUDITORS

In order to comply with Cost Audit Order No. 52/26/CAB-2010 dated 30th June, 2011 and 24th January, 2012 and on the recommendations of the

Audit Committee, M/s Khushwinder Kumar & Associates, Cost Accountants, Ludhiana, were appointed as the Cost Auditor to carry on the Cost Audit of Packaging Division of the Company for the year 2011-12.

AUDITORS

M/s Walker, Chandiok & 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 relevant amounts which remained unpaid or unclaimed for a period of seven years, 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.

PARTICULARS OF EMPLOYEES

The information required under section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Amendment Rules, 2011 is attached herewith as Annexure - B.

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

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

CASH FLOW ANALYSIS

In conformity with the provisions of clause 32 of the Listing Agreement, the Cash Flow Statement for the year ending on 31.03.2012 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 wishes to place on record its appreciation for the support and co-operation that the Company received from its suppliers, distributors, retailers and other associates. The Company has always looked upon them as partners in its progress and has happily shared with them rewards of growth. It will be Company's endeavor to build and nurture strong links based on mutuality, respect and co-operation with each other and consistent with customer interest.

ACKNOWLEDGEMENT

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

for and on behalf of the Board

Date : 03.08.2012 — **R.K. SABOO**
Place : Chandigarh — **Chairman**

ANNEXURE TO DIRECTORS' REPORT

ANNEXURE A

STATEMENT AS AT 31ST MARCH, 2012, PURSUANT TO CLAUSE 12 (DISCLOSURES IN THE DIRECTORS' REPORT) OF SEBI (EMPLOYEE STOCK OPTION SCHEME AND EMPLOYEE STOCK PURCHASE SCHEME) GUIDELINES, 1999

A. Summary of Status of ESOPs granted

The position of the existing scheme is summarized as under:

S. No.	Particulars	Details
1.	Details of the meeting	Authorized by the shareholders of the Company on September 15, 2011.
2.	Approved limit	Upto 1,10,000 stock options in aggregate
3.	The Pricing Formula	Exercise Price is Rs 120/- per option.
4.	Options granted	1,00,500
5.	Options vested and exercisable	0
6.	Options exercised	0
7.	Options cancelled	0
8.	Options lapsed	0
9.	Total number of options in force	1,00,500
10.	Variation in terms of ESOP	Not Applicable
11.	Total number of shares arising as a result of exercise of options	0
12.	Money realized by exercise of options (Rs in lacs)	0

B. Employee-wise details of options granted during the financial year 2011-12 to:

(i)	Senior managerial personnel	See Note 'I' below
(ii)	Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year	None
(iii)	Identified employees who were granted options, 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	None

C. Weighted average Fair Value of Options granted during the year whose

(a)	Exercise price equals market price	Not applicable
(b)	Exercise price is greater than market price	Not applicable
(c)	Exercise price is less than market price	Rs 120/-

Weighted average Exercise price of Options granted during the year whose

(a)	Exercise price equals market price	Not applicable
(b)	Exercise price is greater than market price	Not applicable
(c)	Exercise price is less than market price	Rs 120/-

D. The stock based compensation cost calculated as per the intrinsic value method for the financial year 2011-12 is Rs 2,40,472/-. If the stock based compensation cost was calculated as per the fair value method, the total cost to be recognized in the financial statements for the year 2011-12 would be Rs. 10,56,172. Had the Company adopted the fair value method (based on Black Scholes Pricing Model), net profit after tax would have been lower by Rs. 8,15,700 for the financial year 2011-12.

The effect of adopting the fair value method earnings per share is presented below:

Earnings Per Share: Basic

- As reported	11.00
- Adjusted Proforma	10.89

Earnings Per Share: Diluted

- As reported	11.00
- Adjusted Proforma	10.89

E. Method and assumptions used to estimate the fair value of options granted during the year:

The fair value has been calculated using the Black Scholes Option Pricing model. The Assumptions used in the model are as follows:

S. No.	Variables	November 1, 2011
1.	Risk free interest rate	8.50%
2.	Expected life	29 Months
3.	Expected volatility	66.49%
4.	Dividend yield	1.58%
5.	Price of the underlying share in market at the time of the option grant	Rs 133.00

Note '1'

Employee wise details of options granted to Senior Managerial Personnel:

Name	Designation	No. of options	Total no. of options
Mr. Dinesh Agrawal	Chief Operating Officer	12000	12000

ANNEXURE B

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

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

Name	Designation	Age	Qualification	Experience	Date of appointment	Gross Remuneration (Rupees)	Last Employment
Mr. Yashovardhan Saboo	Chief Executive Officer	53	BA (Hons) MBA	31	25.03.1981	60,78,992.00	Groz Beckert Asia Limited

ANNEXURE C

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

A. CONSERVATION OF ENERGY :

a) **Energy conservation measures taken:** The Company continues to give high priority to conservation of energy on an on-going basis. A few significant measures taken are:

i) Periodical and preventive maintenance of electric equipments and ensured optimum utilization of electric energy.

ii) Phased balancing of heating and lighting load.

iii) Increase in power factor by installing capacitor at the individual machines.

b) **Additional investments and proposals:** Further energy conservation is planned through replacement of and modification of inefficient equipments and by providing automatic controls to reduce idle running of equipments.

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.

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 which were being imported until now.

3. i) **Technology imported :** None after 1995

ii) **Year of Import:** N.A.

iii) **Has technology been fully absorbed:** Yes, to the extent provided.

iv) If not absorbed, area where this has not taken place, reasons thereof and future plans of action: Full technology was not provided by the collaborators and hence the technology agreement was considered as short closed. The Company has developed alternate technology in the most of the remaining areas and the same has been tested and successfully implemented.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	(Rupees in Millions) 2011 - 12
Foreign Exchange earnings	Rs. 631
Foreign Exchange Outgo	Rs. 29

For & on behalf of the Board

Date : 03.08.2012 **R. K. SABOO**
Place : Chandigarh **Chairman**

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

AN OVERVIEW OF THE ECONOMY

The global economic environment, which had been tenuous throughout the year, turned sharply adverse in Sept-2011 owing to the turmoil in the Euro zone and outlook on the US economy. The financial crisis in Europe, along with certain exogenous shocks like the Japanese nuclear disaster, has resulted in a sharp global economic slowdown during 2011-12. The entire world, especially Europe, is treading with caution and working on devising novel cures for the problems in hand. Thanks to India's rapid growth over the last two decades and growing integration with the world, it can no longer be impervious to global developments. Not surprisingly, the Indian economy has also been adversely affected.

During 2011-12, the Indian Economy faced the challenge of managing growth and price stability. The Indian economy growth slowed down from 8.4% in last 2 years to 6.9% in 2011-12. The slowdown in economy was not only because of international causes but also domestic problems - weakening industrial growth and persistent inflation.

2011-12 also witnessed high inflation. The Rupee fell against USD from Rs. 45 level to about Rs 54 indicating a depreciation of around 20%. Economic growth was also impacted by the slackening pace of reforms including vital taxation reforms like- Goods and Service Tax (GST) and Direct Tax Code (DTC), FDI in retail and reform of APMC Act.

Government and RBI continued to fight the inflation with numerous calibrated steps which mainly constituted a combination of policies to curb fiscal and revenue deficits and tightening of monetary policy.

THE WATCH INDUSTRY

Swiss Watch Industry

Watch exports reached a very high level in 2011, creating a new landmark in their remarkable growth over recent years.

The year 2011 was a record for the Swiss watch industry, with exports reaching very high levels both in value and volume terms. Leaving aside 2010 which followed a major downturn, growth surpassed anything seen in the past twenty years. This positive momentum was very much in evidence throughout the year, with every month showing two-digit increases except for June, which nonetheless recorded a rise of 9.2%. However, these excellent results were penalized by the strength of the Swiss franc, which weighed on margins and selling prices.

Swiss watch manufacturers exported 29.8 million watches, by far the best result in ten years, exceeding the previous year's figure by 13.8% and equivalent to an additional 3.6 million watches.

The year 2011 produced a mixed bag in terms of growth by region. Asia was on top, absorbing 55% of the total value of exports and recording the highest rate of growth (+25.6%). In value terms, exports attained the ten billion franc mark for the first time. This increase was to the detriment of Europe, where the share of exports fell from 31% to 29% in a year. A similar situation prevailed on the American continent: significant growth (+15.8%), but at the same level as 2005.

Main exporting countries:

The strong growth recorded by Switzerland underlined its role as the leading exporter of clock and watch products in 2011. Swiss manufacturers shipped abroad the equivalent of 21.8 billion dollars, corresponds to an increase of 19.2% in local currency (excluding exchange rate effects), bearing in mind that the exchange rate effect was particularly pronounced last year. Hong Kong also recorded strong growth, with a result up 19.5% compared to 2010. Its annual value amounted to 8.8 billion dollars. These exports or re-exports were mainly directed to the United States, Switzerland, China and Japan. China also contributed significantly to the growth of world trade. It recorded growth of 15.5%, lifting its value to 3.7 billion dollars. The main destinations for its exports were Hong Kong, the United States and Japan.

German watch exports rose sharply in 2011, recording a rate of variation of (+16.6%) and a value of 2.0 billion dollars. France achieved an even higher rate for its watch exports and with an increase of 24.6% recorded an annual value of 1.9 billion dollars.

Exports of finished watches

In volume terms, China remained the leading exporter of watches in 2011. The country shipped 682.1 million units abroad over the twelve month period. This level is slightly higher (+1.6%) than that recorded a year ago. Hong Kong however saw its volumes fall by 3.9%, despite a significant increase in value. In total, 402.7 million timepieces were exported. With 29.8 million watches exported, Switzerland came in third place, recording an upturn of 13.8%. Most other exporters recorded a significant upswing in the number of timepieces exported.

Main watch exporting countries (Direct export)

Countries	Units in millions	Change in %
China	682.1	+2.0%
Hong Kong	402.7	-4.0%
Switzerland	29.8	+14%
Germany	14.5	+7.0%
USA	7.4	+21%
France	7.3	+13%

Watches exported by China in 2011 had an average price of 2 dollars (export price), the same as in 2010. Timepieces from Hong Kong rose on average from 12 to 15 dollars in one year. Swiss products remained far removed from these values, with an average export price of 688 dollars. This sharp increase compared to 2010 is due to an important exchange rate effect. In local currency, the increase in average price was very moderate.

Indian Watch Market

The Indian Watch market is estimated at around 53 million units in 2011, valued at approximately Rs. 4500 cr. the market grew by about 14% in 2011. The major factors of growth in the market is due to growing economy, increasing consumerism, strong middle class and a large number of high net worth individuals. Even expansion of modern retail in India will further fuel the growth of the sector as watch is increasingly transforming into a lifestyle product from being just a time keeping device.

The organized Indian watches market is dominated by Titan, with a market share exceeding 65%. Over the past few years, the market has witnessed the entry of several global players who are inverting significantly in their respective brands. These include- Timex, Seiko, Swatch Group, Casio, Citizen, Guess and Fossil, among others.

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.

The Indian watch market is expected to grow 10-15% every year, driven by youth and premium segment of customers.

Outlook 2012 onwards

The weaknesses in the world economic situation were bound to have an impact on the watch industry as well. There are definite signals of some slow-down in the market due to economic turmoil in Euro zone and softening of market in China, and the accumulation of inventories which may lead to lower growth than the initial projections of significantly higher growth in 2012.

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 company, Ethos Ltd.

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

Turnover

The turnover of the Company during the year witnessed a growth of 26%. The domestic sales of the Company witnessed a growth of 6% during the year as compared to growth of 10% in the previous year. 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. 410 million in 2010-11 to Rs. 620 million in 2011-12 reflecting a growth of 51%. The major exports continued to be in the Swiss market. The growth in turnover was in line with expectations and overall growth strategy of the company.

Dial Units

During the year, Dial units saw surge in orders and market witnessed healthy growth in 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 has increased 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 remained healthy during the year and the company increased the volumes by better productivity and enhanced capacity utilizations. Company also set up a new facility at Bangalore for supply of high quality premium hands to Swiss customers. The company continued its journey of improving its market share by adding new feature hands in its basket of products and variants.

Precision Components

Our unit, EIGEN Engineering has performed better than last year by registering growth of 25% in sales. During the year 2011-12, Unit has been successfully certified with TS 16949 certification by TUV SUD. This certification will help the unit to move to automotive sectors.

For year 2012-13, unit has taken steps for introduction of new customers and to produce new variants to capture the growing market. Unit has set aggressive growth targets in sales compared to the previous year. Unit is taking strategic initiatives to enter automotive sectors and assembly of electrical parts.

EIGEN Unit is also poised for ISO 14001 (Environmental related) and ISO 18001 (Safety and Health Related) certification by TUV SUD. This is mandatory requirement for all exports for Automotive Industries. This will open the doors and provide opportunity to do more business with the fast growing Automotive Industries.

Strategic Initiatives

As the watch and components industry during 2011 witnessed 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 expanded its capacity and product range in manufacture of dials, hands and packaging components. The new facility setup at Barwala (Haryana) commenced production during the year for manufacture of dials for the domestic customers. Similarly, company increased the capacity and capability of the Dial manufacturing units at Parwanoo (H.P) and Derabassi (Punjab). In addition to this, the new unit set-up exclusively for the export of watch hands has been inaugurated during May-2012 and the unit has commenced manufacture of high quality premium hands for the selective high end customers of Swiss market. During the year the dial manufacturing units have also set-up the facility for manufacture of indexes / appliqués in-house for the production requirements. Indexes / appliqués are an integral part of the watch dials and its manufacture within the dials units will give long term advantages/ benefits to the company by improving the capability of the unit and reducing the dependency on outside suppliers.

The efforts of the Company to introduce the packaging business in the export market segment is showing encouraging results and the unit has executed successfully few export orders and there is good potential for further growth of the business in the export markets. The company has also automated some of the processes to remove bottlenecks in manufacturing processes, which is helping the company to improve the capability of the unit.

The Company had implemented SAP in all major units of the company and this implementation will help the Company in long term optimizing the resources 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. 824 Million to Rs. 1042 Million, an increase of 26% over the previous year. The major increase in the income is on account of significantly higher growth in the export market and result of intensive sales efforts, long term association with major global players and improved realizations.

The watch segment gross operating income has shown an improvement from Rs. 608 Million to Rs. 784 Million, an increase of 29%; the other segments improved from Rs. 172 Million to Rs. 190 Million reflecting an increase of 10%.

The domestic sales of the Company increased from Rs. 366 Million to Rs. 387 million representing a growth of 6% simultaneously the export sales increased from Rs 413 million to Rs 623 million, marking an increase of 51%, which clearly demonstrates the faith and trust of the established global major brands in KDDL's capabilities. The company has been in a position to continuously lead high growth in the exports market, which is creating a strong foundation for the long term confidence of the overseas clients.

Margins

During the current year the operating margins of the company improved significantly. The major reason of growth in margins was on account of significantly higher growth in revenues. The austerity measures adopted by the company during the earlier years, combined with better market conditions, favorable exchange rates, intensive sales and market development efforts have yielded positive results.

The operating earnings before interest, depreciation, taxes and appropriations also improved from Rs. 168 million in 2010-11 to Rs. 241 Million in 2011-12, an increase of 43%. Operating EBIDTA earnings as a percentage to net operating income also improved from 21% to 23% during the financial year.

SHAREHOLDERS FUNDS

During the year, the Company allotted 10, 65, 450 fully paid up Equity Shares of Rs 10 each (on pari- passu basis) pursuant to conversion of equivalent number of Zero Coupon convertible Warrants. As a result of the above said conversion, the paid up capital of the Company has increased from Rs 7,85,83,100/- to Rs. 8,92,37,600/- comprising 88,36,620 equity shares of Rs. 10 each fully paid up.

The Company's reserves increased from Rs. 300 Million as on 31st March 2011 to Rs. 388 Million as on 31st March 2012.

Loan Funds and Cost of Debt

The cost of debt as a percentage to total revenue reduced also from 5% during 2010-11 to 4.4% in 2011-12. This was primarily on account of substantial growth in turnover. The interest rates in the market continue to harden, which also affected the borrowing costs of the company. However, with better management of net current assets, the overall cost of debt reflected in the simple average weighted cost of debt went down from 12.3% to 11.7 %. 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 including capital work in progress increased from Rs. 796 Million to Rs. 1003 Million on account of setting up of new facility of watch hands at Bangalore, dials manufacturing at Barwala, index manufacturing set-up in Parwanoo (H.P) and Derabassi (Punjab) dial units and other normal Capital expenditure in the precision components, hands and packaging businesses to increase the productivity and capacity of the units.

Subsidiary Companies and Joint Ventures

Ethos Limited

The Indian watch market has continued to grow steadily. The market is also evolving into clear segments – from the mass segment comprising of the watches in the price range below Rs. 2,000, the Fashion segment comprising of price ranges from Rs. 2,000 to Rs. 10,000, the Prestige Segment from price ranges from Rs. 10,000 to Rs. 2,00,000 and the Luxury segment consisting of watches above the Rs. 2,00,000 price range. Of these segments, the Fashion, Prestige and the Luxury segment – collectively called the Premium Segment - are growing at fastest rate. The low penetration of premium watches, the growing middle class in India, shifting mind sets of the consumer and continuing growth in the HNI populations are all factors that are fueling this growth. Ethos has taken the leadership position in the Premium Segment with the largest network of stores in India.

During the course of the year, the name of the Company was changed to Ethos Limited. The Company showed a growth in billings of more than 40% compared to the previous financial year. The increase in sales has been led by a considerable improvement in the store-on-store growth of 30% in FY

2011-12.

The company opened 11 new stores in the previous year taking the total number of stores to 36 as on 31.03.12. The Company introduced its brand to hitherto untapped cities, especially the Tier II cities such as Ahmedabad, Nagpur, Aurangabad and Bhopal. The Company continued its foray into the Fashion Segment and has finalized the name ETHOS “Hour Hub” for this segment. The segment caters to fashion watches in the price range between Rs. 2000 to Rs. 10000. The Company believes that this segment has a high potential for growth in the future.

Inspite of the fluctuation in the exchange rates, the Company maintained Gross Margins at 26%. The Company has focused on the last few years on the improvement in Gross Margins and the results are now bearing fruit. Besides the greater negotiating power with brands that the Company enjoys, the Company has put greater emphasis on house brands where the Company is able to fetch much higher margins. The Company has exclusive arrangements with brands such as Carl F. Bucherer, Edox, Louis Erard.

The profitability of the Company was impacted by changes in service tax rules vide a notification issued in 01.03.11 wherein an explanation was inserted to include “trading” as an Exempted service. The net impact of this is that the credit of service tax that the Company had been earlier availing will be limited to a nearly insignificant amount and the balance will need to be expensed out. For FY2011-12, the company has accounted for Rs. 15.787 million as an expense. Further, the High court of Delhi along with other high courts took a view that Service tax on rent is legitimate due to which the company accounted Rs. 7.854 million as a prior period expense towards the payment of Service tax on rent in the current financial year.

During the year, the Company implemented an ESOP scheme and 81,500 options were granted to the eligible employees.

The outlook for the next year, FY12-13, continues to be positive and upbeat. The Company expects that the growth in demand will continue at the same pace in the FY2012-13 too. The Company has already signed up more than 20 locations and is expected to open 8-10 stores in the FY12-13.

The Company also inducted fresh equity to the extent of Rs. 55 millions in the FY11-12 though a Rights Issue.

Retail business is a high operating leverage business. Most of the operational costs like rent, people cost and electricity are also fixed. In addition, expenditure is incurred on furniture and inventory. As the business is scaled further, the incremental gross margin swells the bottom-line. This is the path that the Company is taking to enhance our margin and ROCE profile. The Company is actively focusing on the following:

- Growth in gross margin from 26% in 2011-12 to 30% in 3 years time. This will be achieved through lower discounts to customer through better range and service that few can match.
- Growth in Net Margins through larger scale and the consequent apportionment of fixed costs like advertising and corporate overheads over a larger base.
- Growth in same store sales through aggressive marketing and service
- Aggressively improving stock turns.

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 growth of revenue from Rs.33.2 million to Rs. 35.2 million, signaling an increase of 6%. However, the company reported a loss of Rs. 5.7 million during the year on account of appreciation in the cost of material. During the year, the company introduced higher capability indexes for the new customers in Switzerland. This company is getting merged with the holding company, effective record date being the 1st April 2011.

Pylania SA

The dials factory in Switzerland has been realigned to cater to the premium segment of customers to increase the revenues and value addition for the company. The revenue of the company increased from CHF 1.7 million to CHF 1.8 million, an increase of 6%. The loss of the company also reduced to CHF 0.3 million in 2011-12. 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 better suit business needs. There has been encouraging signals from the premium customers and the company is gradually getting orders from this segment.

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 operations of the company remained suspended due to no orders. The company is in dialogue with the Joint venture partner for finding out a workable option for the recovery / restructuring of the business of the company.

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 1300 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 statues, 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 macroeconomic 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 duly supplemented with requisite insurance coverage.

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 decline of the watch as a time keeping instrument. At the same time, we see an evident increase in the watch becoming an important fashion accessory. The risk of such decline in the functional value of a watch is mitigated by positioning ourselves to better serve the watch as a fashion accessory.

Risks pertaining to over dependence on few customers: The Company has enjoyed a close and mutually beneficial association with several leaders in the watch business most notably Titan, Timex in India and the Swatch Group and many of the other leading brands in Switzerland. This inevitably has lead 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 overdependence on any specific partner.

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

Foreign Exchange Risks: More than 60% 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 and attendance in meetings

The Board of Directors of the Company has an optimum combination of executive and non-executive directors. The Board of Directors presently comprises of nine 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.

During the year 2012, 8 (Eight) Board Meetings were held and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

11th May 2011	1st November, 2011
28th July, 2011	29th December, 2011
17th August, 2011	7th February, 2012
15th September, 2011	28th March, 2012

The following table gives the composition and category of the Directors on the Board, their attendance at the Board meetings during the year and at the last Annual General meeting, as also the number of Directorships and Committee Memberships/Chairmanships held by them in other companies:-

Name of the Director	Business Relationship	Category of Directorship	Attendance Particulars		No. of Directorships in other Public Limited Companies	*No. of Committee Membership in other Companies	
			Board meetings	Last AGM		Chairman	Member
Mr. R.K. Saboo	Chairman	Promoter-Executive	07	Yes	2	-	-
Dr. T.N. Kapoor	Director	Independent-Non Executive	06	Yes	4	4	4
Mr. Jagesh Khaitan	Director	Independent-Non Executive	06	Yes	2	-	2
Mr. Anil Khanna	Director	Independent-Non Executive	08	Yes	2	1	-
Mr. Chandra Mohan	Director	Independent-Non Executive	05	No	7	-	4
Mr. Mannil Venugopalan	Director	Independent-Non Executive	01	No	4	-	-
Mr. Marc Bernhardt	Director	Independent Non Executive	01	No	-	-	-
Mr. Yashovardhan Saboo	Chief Executive Officer (CEO)	Promoter-Executive	08	Yes	10	-	1
Mr. Dinesh Agrawal	Chief Operating Officer (WCG)	Executive	07	Yes	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.

Notes:

- During the year, Mr. Mannil Venugopalan and Mr. Marc Bernhardt were appointed as Additional Directors in the Board meeting held on 1st November, 2011.

III. COMMITTEES OF BOARD

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

Composition of Board level committees

AUDIT COMMITTEE Dr. T.N. Kapoor Mr. R. K. Saboo Mr. Jagesh Khaitan Mr. Anil Khanna Mr. Chandra Mohan	**REMUNERATION COMMITTEE** Dr. T.N. Kapoor Mr. Anil Khanna Mr. Chandra Mohan
SHAREHOLDER'S/ INVESTORS' GRIEVANCE COMMITTEE Mr. Anil Khanna Mr. Yashovardhan Saboo Mr. Dinesh Agrawal	**SHAREHOLDERS COMMITTEE** Mr. Yashovardhan Saboo Mr. Sanjeev Kumar Masown Mr. P.K. Goyal Mr. Ramesh Sharma
COMPENSATION COMMITTEE (ESOP) Mr. R.K. Saboo Mr. Yashovardhan Saboo Mr. Anil Khanna Mr. Jagesh Khaitan Mr. Chandra Mohan	

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:

a) To review compliance with internal control systems;
b) To review the findings of the Internal Auditors relating to various functions of the Company;
c) 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;
d) To review the quarterly, half yearly and annual financial results of the Company before submission to the Board;
e) To make recommendations to the Board on any matter relating to the financial management of the Company, including Statutory and Internal Audit Reports;
f) Recommending the appointment of Statutory Auditors and Internal Auditors and fixation of their remuneration.

During the year 2012, 5 (Five) meetings of the Audit Committee were held. The dates on which the meetings of the Audit Committee were held, are as under:

11th May 2011	7th February 2012
28th July 2011	28th March 2012
1st November 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	4
Mr. R.K. Saboo	Promoter Executive	Member	5
Mr. Jagesh Khaitan	Independent Non Executive	Member	4
Mr. Anil Khanna	Independent Non Executive	Member	5
Mr. Chandra Mohan	Independent Non Executive	Member	5

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 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:

a) Recommend to the Board, remuneration including salary, perquisites and commission to be paid to the Company's Whole-Time Directors.

b) Finalise the perquisites package of the Whole-Time Directors within the overall ceiling fixed by the Board.

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

During the financial year ended 31st March, 2012, two meetings of the Remuneration Committee were held on 15th September, 2011 and 1st November, 2011.

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	1
Mr. Anil Khanna	Independent Non Executive	Member	2

Remuneration Policy

- **Management Staff**

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

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

  a) employment scenario;

  b) remuneration package of the industry; and

  c) remuneration package of the managerial talent of other industries.

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

- **Non Executive Directors**

The Non-Executive Directors are paid remuneration by way of sitting fees of Rs. 10,000/- (w.e.f. 2nd November, 2011, sitting fees revised to Rs 15,000/-) for attending the meetings of the Board of Directors. The Non-Executive Directors were also paid remuneration by way of sitting fees of 5000/- 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	1,45,000/-
Dr. T.N. Kapoor	95,000/-
Mr. Chandra Mohan	1,05,000/-
Mr. Jagesh Khaitan	1,00,000/-
Mr. Marc Bernhardt	10,000/-
Mr. Mannil Venugopalan	15,000/-

- **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/Central Government. 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, 2012 are as follows:

Amount in Rupees

Name	Salary	Perquisites & Allowances	Bonus paid/provided in 2011-12	Total
Mr. R.K. Saboo	15,50,000	16,66,124	0	32,16,124
Mr. Yashovardhan Saboo	27,00,000	13,78,992	20,00,000	60,78,992
Mr. Dinesh Agrawal	11,61,600	14,30,026	10,00,000	35,91,626

3. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Shareholders'/Investors' Grievance Committee has been constituted to specifically look into the redressal of Investors' complaints.

No meeting of the Shareholders'/Investors' Grievance Committee was held during the year.

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

Name of the Director	Category	Designation
Mr. Anil Khanna	Independent Non Executive	Chairman
Mr. Yashovardhan Saboo	Promoter Executive	Member
Mr. Dinesh Agrawal	Executive	Member

4. **SHAREHOLDERS COMMITTEE**

The Shareholders' Committee has been constituted to specifically look into transfer/demat/remat of shares, issue of duplicate/split/consolidation of share certificate etc.

The present composition of Shareholders Committee is as under:

Name	Designation
Mr. Yashovardhan Saboo	Chief Executive Officer
Mr. Sanjeev 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, 2011	Nil
During the period from 1st April, 2011 to 31st March, 2012, complaints identified and reported under Clause 41 of the Listing Agreement	26
Complaints disposed off during the year ended 31st March, 2012	26
Complaints unresolved to the satisfaction of shareholders as on 31st March, 2012	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, *interalia*, 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.

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

During the year, 3 (Three) meetings of the Compensation Committee were held. The composition of the Compensation Committee is as given below:

Attendance of Members at Meetings of the Compensation Committee			
Name of the Director	**Category**	**Designation**	**Meetings attended**
Mr. R.K. Saboo	Promoter Executive	Chairman	2
Mr. Yashovardhan Saboo	Promoter Executive	Member	3
Mr. Jagesh Khaitan	Independent Non Executive	Member	2
Mr. Anil Khanna	Independent Non Executive	Member	3
Mr. Chandra Mohan	Independent Non Executive	Member	2

IV. SHAREHOLDERS INFORMATION

General Body Meetings

(i) Location, date and time where last three Annual General Meetings were held along with the special resolutions passed, are as follows:

Financial year	Details of Location	Date	Time	Special resolutions passed
2010-11	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	15th September, 2011	12.30 p.m.	a. Provide corporate guarantees to Banks/Financial Institution for providing loan to M/s Kamla Retail limited, Subsidiary Company. b. Grant of 1,10,000 (one lacs and ten thousand) stock options, in aggregate under the “KDDL Employee Stock Option Plan 2011”. c. Extension in the benefit of ESOP 2011 to the employees of subsidiary companies. d. Issuance of total options under ESOP 2011 to exceed 1% of the issued capital of the Company. e. Re-appointment of Mr. Rajendra Kumar 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. f. 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., upto 31st March, 2014.
2009-10	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	30th September, 2010	12.30 p.m.	a. 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. b. 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. c. Re-appointment of Mr. Dinesh Agrawal as Whole Time Director with functional designation of Chief Operating Officer (WCG) of the Company, w.e.f., 1st April, 2010, for a further period of three years, i.e., upto 31st March, 2013. d. Appointment of Mr. Pranav Shankar Saboo as Business Head, Packaging Division of the Company, w.e.f., 1st February, 2010.
2008-09	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	26th September, 2009	12.30 p.m.	a. 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 b. 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. c. Provide corporate guarantees to various Banks for providing loan to M/s Kamla Retail limited, Subsidiary Company.

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

(iii) Court convened meeting of the Shareholders, Secured and Unsecured Creditors of the Company to comply with the order of Hon'ble Himachal Pradesh High Court dated 20.03.2012, in order to approve the scheme of amalgamation of Himachal Fine Blank Limited with the Company, was held on 12.05.2012 at the Registered office of the Company at 2.00 pm, 3.00 pm and 4.00 pm respectively,.

(iv) 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.

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, 2012. A declaration to this effect, duly signed by the Chief Executive Officer is given at the end of Corporate Governance Report.

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 in this regard. 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, 2012.

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 as on date of Board meeting i.e. 03.08.2012**
Mr. R.K. Saboo	2054560
Dr. T.N. Kapoor	NIL
Mr. Jagesh Khaitan	466
Mr. Anil Khanna	5721
Mr. Chandra Mohan	NIL
Mr. Mannil Venugopalan	NIL
Mr. Marc Bernhardt	NIL
Mr. Yashovardhan Saboo	1472448
Mr. Dinesh Agrawal	40050

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, inter alia, 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	Business Standard (English) and Business Standard (Hindi)
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

IX. GENERAL SHAREHOLDER INFORMATION

(a) Annual General Meeting

Date : 17th September,2012

Venue : Hotel Timber Trail Resorts, Parwanoo (H.P.)

Time : 12.30 p.m.

(b) Financial Calendar

Financial year: 1st April to 31st March

For the financial year ended 31st March, 2012, results were announced on:

- 30th June, 2011 : 11th August, 2011
- 30th September, 2011 : 2nd November, 2011
- 31st December, 2011 : 3rd February, 2012
- 31st March, 2012 : 11th May, 2012

For the year ending 31st March, 2013, the tentative dates for announcement of the results:

- 30th June, 2012 : Fourth week of July, 2012
- 30th September, 2012 : Second week of November, 2012
- 31st December, 2012 : Second week of February, 2013
- 31st March, 2013 : Second week of May, 2013

(c) Date of Book Closure

Book Closure 10.09.2012 to 17.09.2012 (both days inclusive)

(d) Dividend Payment Date

The Directors have recommended 30 % i.e. Rs 3/- per share as dividend for the financial year 2011-12

(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.

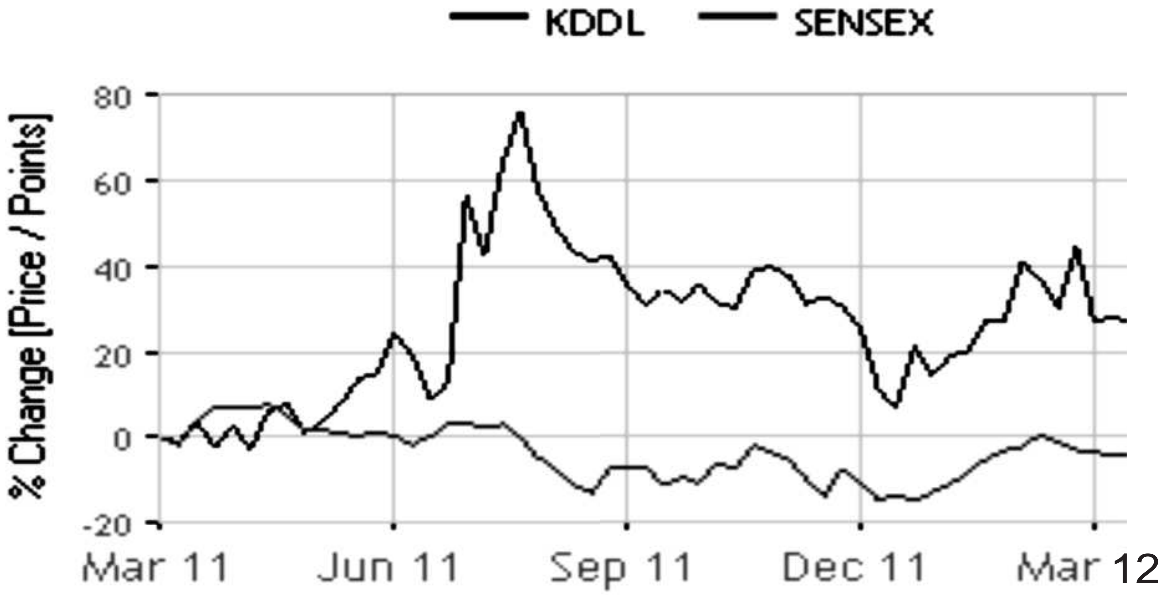
(f) Stock Code

Bombay Stock Exchange Limited - 532054

(g) Market Price Data

Month	Quote at BSE (Amount in Rs.)		BSE Sensex Close
	High	Low	
April, 2011	113.75	96.40	19135.96
May, 2011	119.00	94.00	18503.28
June, 2011	142.00	101.65	18845.87
July, 2011	188.00	110.55	18197.20
August, 2011	183.00	136.10	16676.75
September, 2011	160.00	115.00	16453.76
October, 2011	140.00	128.15	17705.01
November, 2011	154.90	115.00	16123.46
December, 2011	153.00	102.50	15454.92
January, 2012	135.40	110.05	17193.55
February, 2012	150.00	111.00	17752.68
March, 2012	160.80	113.55	17404.20

INDEX COMPARISON



(h) Distribution of Shareholding

Distribution of shareholding as on 31st March, 2012

Shareholding of Nominal Value of		Shareholders		Share amount Nominal value	
From	**To**	**Number**	**%age**	**No. of shares held**	**%age**
Upto -	5000	3014	85.80	4092290	4.63
5001 -	10000	216	6.15	1700670	1.92
10001 -	20000	106	3.02	1636130	1.85
20001 -	30000	42	1.20	1101690	1.25
30001 -	40000	27	0.77	971660	1.10
40001 -	50000	23	0.65	1047050	1.18
50001 -	100000	33	0.94	2459950	2.78
100001 and above		52	1.48	75356760	85.28
Total:		**3513**	**100.00**	**88366200**	**100.00**

(I) Categories of Shareholding as on 31st March, 2012

KDDL LIMITED				
Shareholding Pattern As On 31/03/2012 (Total)				
S.No.	**Description**	**No. of Cases**	**Total Shares**	**% Equity**
1	BANKS	1	50	0.00
2	CLEARING MEMBERS	5	13635	0.15
3	DIRECTORS	2	8187	0.09
4	DIRECTORS AND RELATIVES	10	69319	0.78
5	FOREIGN COLLABORATORS	2	170000	1.92
6	FOREIGN INSTITUTIONAL INVESTORS	1	100951	1.14
7	H U F	46	28921	0.33
8	BODIES CORPORATES	99	1641267	18.57
9	MUTUAL FUNDS	1	2900	0.03
10	NON RESIDENT INDIANS	32	52077	0.59
11	OVERSEAS CORPORATE BODIES	3	257018	2.91
12	PROMOTERS BODIES CORPORATE	1	33183	0.38
13	PROMOTERS	18	4641799	52.53
14	RESIDENT INDIVIDUALS	3292	1817313	20.57
	Total:	**3513**	**8836620**	

(j) Registrar and Share Transfer Agent

M/s Karvy Computershare Private Limited, Hyderabad has been appointed as the Registrar and Share Transfer Agent of the Company for handling the share transfer work both in physical and electronic form. All correspondences relating to share transfer, transmission, dematerialization and re-materialisation can be made at the following address:

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
Contact Person: Mr. Mahendra Singh

(k) Share Transfer System

The Company has constituted Shareholder Committee to specifically look into transfer/demat/re-mat of shares, issue of duplicate/split/consolidation of share certificates. 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. The redressal of investors' complaints is being looked after by Registrar and Share Transfer Agent in active coordination with the Company Secretary.

(l) Dematerialization of shares and liquidity

As on 31st March, 2012, 72,33,644 equity shares equivalent to about 88.96% 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 2003-04 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 2004-05 onwards.

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

Year	Dividend No.	Dividend unclaimed (Rs.) as on 31st March, 2012	Date of declaration	Due date for transfer on
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) 2006-2007	15	155023.00	20.02.2007	26.03.2014
(Final)	16	93957.00	29.08.2007	04.10.2014
2007-2008	17	221926.00	30.07.2008	05.09.2015
2010-2011	18	401326.00	15.09.2011	21.10.2018

(n) Plant/Business Locations

Dial Units	1.	Plot No. 3, Sector III, Parwanoo (H.P.) India
	2.	Haibatpur Road, Saddomajra, Derabassi,Punjab India
	3.	Plot No. 17, HSIIDC, Industrial Area Alipur, Barwala, Haryana, India
Assembly Units	1.	Winsmoor Complex, Plot No. 2, Sector 2, Parwanoo (H.P.) India
	2.	Village Dhana, Bagbania, P.O Manpura, Tehsil Baddi, Distt. Solan (H.P), India
Hands Unit	1.	296-97, 5th Main, 11th Cross, Peenya Industrial Area, Bangalore, India
	2.	408, 2nd Floor, 4th Main, 11th Cross, Peenya Industrial Area, Bangalore, India
Precision Stamping Unit (EIGEN)	408, 4th Main, 11th Cross, Peenya Industrial Area, Bangalore, India	
Packaging Unit	25/1, Industrial Area, Phase-II, Chandigarh, India	
E-Commerce Division	Unit No. 1004 & 1004A, Tower No. 'B', 10th Floor, Millennium Plaza,Sector-27, Gurgaon, India	

(o) <u>Address for correspondence</u>

Shareholders are requested to contact the following:-

Mr. P.K. Goyal
Company Secretary and Compliance Officer
KDDL Limited
Corporate Office: 'Kamla Centre', 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, 2012.

For KDDL Limited

Yashovardhan Saboo
Chief Executive Officer

Auditors' 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, 2012, 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, Chandiok & Co**
Chartered Accountants
Firm Registration No.: 001076N

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

Place : New Delhi
Date : 03.08.2012

Auditors' Report

To the Members of KDDL Limited

To the Members of KDDL Limited

1. We have audited the attached Balance Sheet of KDDL Limited ('the Company'), as at 31 March 2012, and also the Statement of Profit and Loss 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 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2012 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 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 2012;

(ii) the Statement of Profit and Loss, 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, Chandiok & Co**
Chartered Accountants
Firm Registration No.: 001076N

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

Place : Chandigarh
Dated : 3 August 2012

Annexure to the Auditors' Report of even date to the members of KDDL Limited, on the financial statements for the year ended 31 March 2012

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 program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years which, in our opinion, 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 management has conducted physical verification of inventory at reasonable intervals during the year.

(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) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to 4(iii)(d) of the Order are not applicable.

(e) The Company has taken unsecured loans from five parties covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is Rs. 3,857,000 and the year-end balance is Rs. 3,790,000.

(f) In our opinion, the rate of interest and other terms and conditions of loans taken by the Company are not, *prima facie,* prejudicial to the interest of the Company.

(g) In respect of loans taken, payment of the principal amount and interest is 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. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(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 directives issued by the Reserve Bank of India, the provisions of Sections 58A and 58AA and other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 as applicable with regard to the deposits accepted from the public. According to the information and explanations given to us, 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, in this regard.

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

(VIII) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act in respect of Company's products/services and are of the opinion that, *prima facie,* the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(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 slight 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 :

Name of the statute	Nature of dues	Amount (Rs.)	Amount deposited under protest (Rs.)	Amount outstanding (Rs.)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Service tax	985,582	-	985,582	January 2005- June 2005	CESTAT, New Delhi
Central Excise Act, 1944	Central Excise	8,164,882	-	8,164,882	July 2000- Feb 2003	CESTAT, New Delhi
Central Excise Act, 1944	Central Excise	91,340	-	91,340	July 2002- June 2004	CESTAT, New Delhi
Finance Act, 1994	Service tax	219,309	-	219,309	July 2004- March 2005	CESTAT, New Delhi
Income-tax Act, 1961	Income tax	4,046,108	4,046,108	-	AY 2004-05	ITAT, New Delhi
Income-tax Act, 1961	Income tax	13,203,431	-	13,203,431	AY 2005-06	ITAT, New Delhi
Income-tax Act, 1961	Income tax	10,625,400	10,625,400	-	AY 2006-07	ITAT, New Delhi
Income-tax Act, 1961	Income tax	13,437,820	-	13,437,820	AY 2007-08	Commissioner of Income-tax (Appeals), New Delhi
Income-tax Act, 1961	Income tax	11,683,230	5,800,000	5,883,230	AY 2008-09	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) The Company has not defaulted in repayment of dues to any bank during the year. There are no dues payable to financial institutions or debenture-holders.

(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 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 these loans were obtained.

(xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.

(xviii) During the year, 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) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

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

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

Place : Chandigarh
Dated : 3 August 2012

Balance sheet as at 31 March 2012
(All amount in rupees, unless stated otherwise)

	Note		As at 31 March 2012		As at 31 March 2011
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	2	**89,237,600**		78,583,100	
Reserves and surplus	3	**388,405,753**		299,799,559	
Money received against zero coupon convertible warrants	4	**2,052,051**		12,972,913	
			479,695,404		391,355,572
Non-current liabilities					
Long-term borrowings	5	**184,499,695**		112,259,005	
Deferred tax liabilities (net)	6	**40,326,576**		39,832,022	
Other long term liabilities	7	**25,677,000**		-	
Long term provisions	8	**17,124,857**		12,686,589	
			267,628,128		164,777,616
Current liabilities					
Short-term borrowings	9	**196,445,182**		143,648,195	
Trade payables	10	**101,693,356**		104,697,046	
Other current liabilities	11	**195,000,472**		104,751,826	
Short-term provisions	12	**40,296,177**		33,293,532	
			533,435,187		386,390,599
Total			**1,280,758,719**		942,523,787
ASSETS					
Non-current assets					
Fixed assets					
Tangible assets	13	**467,521,715**		384,622,073	
Intangible assets	13	**6,698,587**		9,775,877	
Capital work-in-progress		**85,514,419**		4,948,740	
Intangible assets under development		**6,806,896**		2,396,160	
Non-current investments	14	**180,697,968**		136,424,695	
Long term loans and advances	15	**38,633,077**		25,775,566	
Other non-current assets	16	**240,000**		480,221	
			786,112,662		564,423,332
Current assets					
Inventories	17	**184,306,891**		141,292,913	
Trade receivables	18	**185,042,212**		166,862,464	
Cash and bank balances	19	**33,839,775**		17,276,012	
Short-term loans and advances	20	**90,902,451**		52,052,658	
Other current assets	21	**554,728**		616,408	
			494,646,057		378,100,455
Total			**1,280,758,719**		942,523,787

Notes 1 to 46 form an integral part of these financial statements

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

R.K. SABOO	**Y. SABOO**	**S.K. MASOWN**	**P.K. GOYAL**
Chairman	Chief Executive Officer	Chief Financial Officer	Company Secretary

This is the balance sheet referred to in our report of even date

For **Walker, Chandiok & Co**
Chartered Accountants

Place : Chandigarh
Dated : 3 August 2012

Per **B.P. Singh**
Partner

Statement of Profit and loss for the year ended 31 March 2012

(All amount in rupees, unless stated otherwise)

	Note	Year ended 31 March 2012	Year ended 31 March 2011
REVENUE			
Revenue from operations (gross)	22	**1,041,524,164**	823,896,933
Less: Excise duty		**30,807,677**	29,170,953
Revenue from operations (net)		**1,010,716,487**	794,725,980
Other income	23	**32,797,790**	12,941,716
Total Revenue		**1,043,514,277**	807,667,696
EXPENDITURE			
Cost of materials consumed	24	**256,868,472**	201,690,579
Purchases of traded goods	25	**11,079,208**	` -
Change in inventories	26	**(4,577,724)**	(1,005,193)
Employee benefit expenses	27	**292,880,962**	235,688,904
Finance costs	28	**50,756,667**	45,802,053
Depreciation and amortisation expense	29	**43,472,996**	39,796,523
Other expenses	30	**238,475,769**	200,411,666
Prior period expenditure	31	**572,028**	-
Total expenses		**889,528,378**	722,384,532
Profit before exceptional and extraordinary items and tax		**153,985,899**	85,283,164
Exceptional items	32	**19,474,017**	-
Profit before tax		**134,511,882**	85,283,164
Tax expense:			
Current tax		**45,926,871**	17,142,334
Current tax - earlier years		**431,821**	-
Minimum alternate tax credit entitlement		**-**	(2,595,125)
Minimum alternate tax credit adjustment - earlier years		**(431,821)**	-
Deferred tax		**494,554**	7,892,840
Profit after tax		**88,090,457**	62,843,115
Earning per equity share of face value of Rs. 10 each	37		
Basic		**11.00**	8.48
Diluted		**11.00**	8.48

Notes 1 to 46 form an integral part of these financial statements

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

R.K. SABOO	**Y. SABOO**	**S.K. MASOWN**	**P.K. GOYAL**
Chairman	Chief Executive Officer	Chief Financial Officer	Company Secretary

This is the statement of Profit & Loss referred to in our report of even date

For **Walker, Chandiok & Co**
Chartered Accountants

Place : Chandigarh
Dated : 3 August 2012

Per **B.P. Singh**
Partner

Cash flow statement for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2012	Year ended 31 March 2011
A. Cash flow from operating activities:		
Net profit before extraordinary items and tax	**134,511,882**	85,283,162
Adjustments for:		
Depreciation	**43,472,996**	39,796,523
Loss on sale/disposal of fixed assets (net)	**956,168**	550,524
Fixed assets written off	**74,455**	-
Expense on employee stock option scheme	**240,472**	-
Interest expense	**44,961,153**	41,846,800
Interest Income	**(5,699,284)**	(1,162,927)
Dividend income	**(277,695)**	(250,000)
Net (gain)/loss on Sale of Investments	**(4,844,582)**	-
Liabilities no longer required written back	**-**	(794,914)
Provisions written back	**-**	(12,856,843)
Investment written off	**-**	12,345,435
Provision for other than temporary dimunition in value of investments	**19,474,017**	-
Provision for doubtful debts and advances	**4,365,939**	977,396
Bad debts written off	**330,916**	511,408
Provision for warranty	**600,000**	-
Operating profit before working capital changes	**238,166,437**	166,246,564
Adjustments for movement in:		
Inventories	**(43,013,978)**	(21,574,976)
Trade receivables	**(22,676,603)**	(52,265,381)
Short-term loans and advances	**(33,514,118)**	(11,278,345)
Long-term loans and advances	**(2,537,822)**	(915,255)
Other non-current assets	**240,221**	(243,552)
Trade payables	**(3,003,691)**	14,677,207
Other current liabilities	**51,197,767**	21,515,491
Other long-term liabilities	**25,677,000**	-
Short-term provisions	**1,434,553**	879,495
Long-term provisions	**3,838,268**	1,197,649
Income tax paid	**(52,543,704)**	(14,663,915)
Net cash flow from operating activities	**163,264,330**	103,574,982
B. Cash flow from investing activities:		
Capital expenditure on fixed assets, including capital advances	**(193,655,833)**	(53,629,298)
Proceeds from sale of fixed assets	**1,976,032**	485,296
Movement in restricted cash	**(15,282,613)**	(688,723)
Purchase of long-term investments of subsidiaries	**(66,288,000)**	(7,196,908)
Proceeds from sale of long-term investments of associates	**7,385,292**	-
Loans given to joint venture	**(6,352,168)**	-
Loans given to associates	**(428,885)**	(137,398)
Loans given to subsidiaries	**-**	(539,859)
Loans realised from subsidiaries	**1,013,556**	674,760
Interest received from subsidiaries	**3,804,875**	1,305,774
Interest received from joint venture	**222,507**	-
Interest received from others	**1,733,581**	-
Dividend received from associates	**277,695**	250,000
Net cash utilised in investing activities	**(265,593,961)**	(59,476,356)

Cash flow statement for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2012	Year ended 31 March 2011
C. Cash flow from financing activities:		
Proceeds from issue of share capital (including premium, on conversion of warrants)	**32,762,588**	17,299,950
Issue of share warrants on preferential basis (yet to be converted into shares)	**-**	12,972,913
Proceeds from long-term borrowings	**94,052,119**	32,891,402
Repayment of long term borrowings	**(5,057,421)**	(63,843,105)
Proceeds from short-term borrowings	**60,168,987**	20,065,706
Repayment of short-term borrowings	**(7,372,000)**	(18,304,929)
Interest paid	**(43,757,898)**	(38,970,595)
Dividends paid	**(23,313,510)**	-
Tax on dividend	**(3,872,083)**	-
Net cash utilised in financing activities	**103,610,782**	(37,888,658)
Net increase/(decrease) in cash and cash equivalents	**1,281,151**	6,209,968
Opening cash and cash equivalents	**9,805,662**	3,595,694
Closing cash and cash equivalents	**11,086,813**	9,805,662
Note:		
Cash and cash equivalents include:		
Cash in hand	**401,847**	907,228
Balance with banks	**10,684,966**	8,898,434
	11,086,813	9,805,662
Excluding the following:		
- Pledged in fixed deposit accounts	**21,551,209**	6,509,375
- In equity dividend accounts	**1,201,753**	960,975
Balance as per books of account	**33,839,775**	17,276,012

Notes 1 to 46 form an integral part of these financial statements

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

R.K. SABOO	**Y. SABOO**	**S.K. MASOWN**	**P.K. GOYAL**
Chairman	Chief Executive Officer	Chief Financial Officer	Company Secretary

This is the cash flow statement referred to in our report of even date

For **Walker, Chandiok & Co**
Chartered Accountants

Place : Chandigarh
Dated : 3 August 2012

Per **B.P. Singh**
Partner

Notes forming part of the financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

1. Significant accounting policies

a. 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.

All assets and liabilities have been classified as current or non-current, wherever applicable as per the operating cycle of the Company in terms with the guidance as set out in the Revised Schedule VI to the Companies Act, 1956.

b. 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.

c. 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 Entitlement Pass Book (DEPB) and any other scheme are recognized in the statement of profit and loss 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 recognised on a time proportion basis, taking into account the amount outstanding and the rates applicable.

e) Dividend income is recognised when the Company's right to receive the same is established.

d. **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 capitalised.

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

e. 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.

Notes forming part of the financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

Significant accounting policies

- Know-how is amortised over a period of four years.
- Software is amortised over a period not exceeding six years.

f. 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.

g. 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.

h. 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 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 statement of profit and loss.

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.

i. Employee benefits

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

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 recognised 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 statement of profit and loss 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 unrecognised 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 statement of profit and loss 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

Significant accounting policies

amount payable by the trusts to LIC, which is charged to the statement of profit and loss.

j. Employee Stock Option Scheme (ESOS)

Stock options granted to the employees under the stock options schemes are accounted at intrinsic value as per the accounting treatment prescribed by the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('Guidelines') and guidance note on Employee share based payments issued by the Institute of Chartered Accountants of India. Accordingly, the excess of market price, determined as per the Guidelines and guidance note, of underlying equity shares (market value), over the exercise price of the options is recognised as deferred stock compensation expense and is charged to statement of profit and loss on a straight line basis over the vesting period of the options. The amortised portion of the cost is shown under shareholders' funds.

k. 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 statement of profit and loss 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.

l. 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.

m. Leases

Leases 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 statement of profit and loss 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.

n. 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.

o. 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 statement of profit and loss.

Notes forming part of the financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012		As at 31 March 2011	
2. Share capital				
	Number	**Amount**	Number	Amount
Authorised share capital				
Equity shares of Rs. 10 each	**12,000,000**	**120,000,000**	12,000,000	120,000,000
Issued, subscribed and fully paid up				
Equity shares of Rs. 10 each	**8,836,620**	**88,366,200**	7,771,170	77,711,700
Issued, subscribed and not fully paid up				
Equity shares of Rs. 10 each, Rs. 5 paid up	**174,280**	**871,400**	174,280	871,400
Total	**9,010,900**	**89,237,600**	7,945,450	78,583,100
	174,280	**871,400**	174,280	871,400

a. The Company has only one class of equity shares having a par value of Rs.10 each. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

b. Reconciliation of equity share capital

	Number	**Amount**	Number	Amount
Equity share capital of Rs. 10 each fully paid up				
Balance at the beginning of the year	**7,771,170**	**77,711,700**	7,349,220	73,492,200
Add: Shares issued pursuant to conversion of zero coupon convertible warrants	**1,065,450**	**10,654,500**	421,950	4,219,500
Balance at the end of the year	**8,836,620**	**88,366,200**	7,771,170	77,711,700

There is no movement in equity share capital of Rs. 10 each, Rs. 5 paid up during the current and previous year.

c. Shareholders holding more than 5% of equity share capital

	Number	**Amount**	**Number**	**Amount**
R. K. Saboo	**1,954,560**	**19,545,600**	1,582,607	15,826,070
Y. Saboo	**1,472,448**	**14,724,480**	1,460,948	14,609,480
U. Saboo	**451,180**	**4,511,800**	396,680	3,966,800
	3,878,188	**38,781,880**	**3,440,235**	**34,402,350**

Notes forming part of the financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
3. Reserves and surplus		
Capital reserve		
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 reserve		
Balance at the beginning of the year	**147,417,100**	134,336,650
Add: Additions made during the year on issue of equity shares on conversion of zero coupon convertible warrants	**33,028,950**	13,080,450
Balance at the end of the year	**180,446,050**	147,417,100
Employee stock option		
Balance at the beginning of the year	-	-
Employee stock options outstanding	**1,396,950**	-
Less: Deferred employee compensation	**1,156,478**	-
Balance at the end of the year	**240,472**	-
General reserve		
Balance at the beginning of the year	**113,297,864**	107,013,553
Add: Transferred from statement of profit and loss	**12,202,136**	6,284,311
Balance at the end of the year	**125,500,000**	113,297,864
Surplus in the statement of profit and loss		
Balance at the beginning of the year	**33,575,470**	2,956,682
Add: Transferred from statement of profit and loss	**88,090,457**	62,843,113
Less: Appropriations		
Proposed dividend for current year	**27,110,160**	22,245,341
Tax on proposed dividend for current year	**4,397,946**	3,694,673
Transfer to general reserve	**12,202,136**	6,284,311
Proposed dividend for prior year	**1,068,169**	-
Tax on proposed dividend for prior year	**177,410**	-
Balance at the end of the year	**76,710,106**	33,575,470
Total	**388,405,753**	299,799,559

4. Money received against zero coupon convertible warrants

a. During 2010-2011, the Company issued 1,687,600 zero coupon convertible warrants on preferential basis upon payment of a consideration of Rs.10.25 per warrant. Each zero coupon convertible 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 1,065,450 (previous year 421,950) zero coupon convertible warrants exercised the option of conversion of warrants into equity shares. Amount outstanding as at the year end and disclosed as money received against zero coupon convertible warrants constitutes Rs.10.25 per warrant received from the holders of remaining 200,200 (previous year 1,265,650) warrants.

b. Details of utilisation of proceeds raised through warrants issued on preferential basis:

Balance unutilized at the end of the previous year	**22,863**	-
Add: Proceeds received during the year	**32,762,588**	30,272,863
Less: Utilised for purchase of capital assets and working capital requirements	**32,775,451**	30,250,000
Balance unutilized at the end of the current year*	**10,000**	22,863

* Balance unutilised amount is lying in the current account.

Notes forming part of the financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
5. Long term borrowings		
Secured		
Term loans		
- from banks	**115,952,762**	48,958,127
Vehicle loan		
- from banks	**10,192,588**	1,955,042
Hire purchase finance	**75,345**	4,264,836
Unsecured		
Public deposit		
- From related parties	**1,200,000**	1,200,000
- Others	**57,079,000**	55,881,000
Total	**184,499,695**	112,259,005

a. Details of security and terms of repayment of term loans

Term loans from banks amounting to Rs. 153,982,046 (including current maturities of long term debt amounting to Rs. 38,029,284 as referred to in Note 11) are secured as under :-

- Term loans from Bank of India amounting to Rs. 96,870,039 (including current maturities of long term debt amounting to Rs. 22,167,284), carrying interest rate of 2.25% over the bank base rate are secured by way of first pari passu charge on all the plant & machinery and furniture & fixtures of the Company excluding the fixed assets installed at packaging division at Chandigarh (KPAC), hands division at Bengaluru (KHAN-2), dials division at Barwala (KHAR) and the plant & machinery and furniture & fixtures of dials division at Parwanoo (TTPA) acquired after 31 March 2005 and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Company's bankers for securing the working capital limits. The term loan is further secured by way of first pari passu mortgage charge on land and building of dials division at Derabassi (KDER). The loan includes construction loan for dials unit at Parwanoo (TTPA) which is secured by first pari passu charge on land and building of TTPA. The term loans are also personally guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.

- Term loans from IDBI amounting to Rs. 22,575,000 (including current maturities of long term debt amounting to Rs. 4,750,000), carrying interest rate of 2.5% over the bank base rate, are secured by way of first pari passu charge on all the plant & machinery and furniture & fixtures of KDER, tool room division at Bengaluru (EIGEN) and hands division at Bengaluru (KHAN-1) and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Company's bankers for securing the working capital limits. The term loan is further secured by way of first pari passu mortgage charge on land and building of KDER. The term loans are also personally guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.

-Term loan from Corporation Bank amounting to Rs. 34,537,007 (including current maturities of long term debt amounting to Rs. 11,112,000), carrying interest rate of 14.65% p.a., are secured by way of first exclusive charge on all the plant & machinery and furniture & fixtures of KHAR and KHAN-2 and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Company's bankers for securing the working capital limits. The loan is further secured by exclusive mortgage charge on land and building of KHAN-1.

Repayment terms of term loans from banks (including the current maturities of long term debt as referred to in Note 11) are given as under:

- Term loan from IDBI amounting to Rs. 4,375,000 is repayable in 7 quarterly instalments of Rs. 625,000.
- Term loan from IDBI amounting to Rs. 18,200,000 has been availed as on 31 March 2012 (sanctioned amount being Rs. 45,000,000) is repayable in 20 quarterly instalments of Rs. 2,250,000 starting from January 2013.
- Term loan from Bank of India amounting to Rs. 7,142,861 is repayable in 5 quarterly instalments of Rs. 1,428,572.
- Term loan from Bank of India amounting to Rs. 9,200,834 is repayable in 13 quarterly instalments of Rs. 682,000 and last instalment of Rs. 334,834.
- Term loan from Bank of India amounting to Rs. 28,238,432 is repayable in 22 quarterly instalments of Rs. 1,250,000 and last instalment of Rs. 738,432.
- Term loan from Bank of India amounting to Rs. 17,871,687 is repayable in 12 quarterly instalments of Rs. 1,400,000 and last instalment of Rs.1,071,687.
- Term loan from Corporation Bank amounting to Rs. 34,537,007 has been availed as on 31 March 2012 (sanctioned amount being Rs. 50,000,000) is repayable in 18 quarterly instalments of Rs. 2,778,000 starting from June 2012.
- Term loan from Bank of India amounting to Rs. 34,416,225 has been availed as on 31 March 2012 (sanctioned amount Rs. 50,000,000) is repayable in 16 quarterly instalments of Rs. 3,125,000 starting from January 2013.

b. Vehicle loans from banks carrying interest rate in the range of 10% to 12% are secured against hypothecation of specific vehicles purchased out of the proceeds of those loans. The loans are to repaid as per the respective repayment schedules in equal monthly instalments.

c. Hire purchase loans carrying interest rate as per the bank base rate, are secured by the assets acquired through such loans. These loans are to be repaid as per the respective repayment schedules in equal monthly instalments.

d. Public deposits carrying interest rates in the range of 12% to 12.5%, are repayable in 2 to 3 years from the respective dates of deposit.

Notes forming part of the financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
6. Deferred tax liabilities (net)		
Deferred tax liabilities		
Timing difference on depreciation and amortisation of tangible and intangible assets	**51,548,050**	47,840,831
Deferred tax assets		
Provision for doubtful debts	**2,806,509**	1,497,346
Provision for employee benefits	**6,279,838**	4,382,661
Provision for bonus	**2,135,127**	2,128,802
Deferred tax liabilities (net)	**40,326,576**	39,832,022
7. Other long term liabilties		
Advances received from customers	**25,677,000**	-
Total	**25,677,000**	**-**
8. Long term provisions		
Provision for employee benefits (Also refer note 8 (a))	**16,524,857**	12,686,589
Provision for warranty (Also refer note 8 (b))	**600,000**	-
Total	**17,124,857**	12,686,589
9. Short term borrowings		
Secured (Also refer note (a) below)		
Working capital borrowings from banks	**164,964,590**	124,824,115
Buyers credit from banks	**21,550,592**	1,522,080
Unsecured		
Inter company deposits		
- from related party	**500,000**	500,000
- from others	-	5,000,000
Public deposits	**9,430,000**	11,802,000
Total	**196,445,182**	143,648,195

a. Details of security of short term secured loans

- Working capital borrowings are secured by hypothecation of stocks of stores and spares, raw materials and components, finished goods and stock-in-process and book debts and other assets of the Company (both present and future), on pari passu basis except packaging unit (KPAC) 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.
- Buyers credit is secured against hypothecation of inventory and receivables.

	As at 31 March 2012	As at 31 March 2011
8 (a) Provision for employee benefits		
(i) **Defined Contribution Plan:** Expenditure on account of Superannuation Scheme taken by the Company with LIC of India in respect of its employee provided in the statement of profit and loss	**807,763**	913,005

(ii) Defined benefit plan/ other long term benefit plans

a. Gratuity

b. Leave encashment

The following table set out the status of the plan for gratuity and leave encashment as required under Accounting Standard (AS) - 15 (R) - Employee benefits and the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Particulars	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Discount rate	8%	**8%**	8%	8%
Rate of increase in compensation levels	5%	**5%**	5%	5%
Rate of return of plan assets	-	**8%**	-	8%

	Gratuity	Gratuity
Change in the present value of obligation :		
Present value of obligation as at the beginning of the year	**18,652,741**	16,550,838
Interest cost	**1,457,385**	1,254,747
Current service cost	**2,021,462**	1,669,027
Benefits paid/payable	**(1,705,462)**	(1,035,471)
Actuarial loss on obligations	**3,497,262**	213,600
Present value of obligation as at the end of the year	**23,923,388**	18,652,741
Change in the fair value of plan assets:		
Fair value of plan assets at the beginning of the year	**11,898,093**	10,380,073
Expected return on plan assets	**964,857**	925,065
Contributions	**912,610**	1,628,426
Benefits paid	**(1,705,462)**	(1,035,471)
Fair value of plan assets at the end of the year	**12,070,098**	11,898,093
Reconciliation of present value of defined benefit obligation and the fair value of assets:		
Present value of funded obligation as at the end of the year	**23,923,388**	18,652,741
Fair value of plan assets as at the end of the period funded status	**12,070,098**	11,898,093
Unfunded/funded net liability recognized in balance sheet*	**11,853,290**	6,754,648

* includes short term provision of Rs. 2,021,462 (previous year Rs. 1,669,027)

Expenses recognised in the statement of profit and loss:		
Current service cost	**2,021,462**	1,669,027
Interest cost	**1,457,385**	1,254,747
Expected return on plan assets	**964,857**	925,065
Net actuarial loss recognized in the year	**3,497,262**	213,600
Total expenses recognized in the statement of profit and loss	**6,011,252**	2,212,309

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

	2011-12	2010-11	2009-10	2008-09	2007-08
Gratuity					
Defined benefit obligation	**23,923,388**	18,652,741	16,550,838	15,535,058	13,740,953
Plan assets	**12,070,098**	11,898,093	10,380,073	11,400,827	8,825,348
Net liability	**11,853,290**	**6,754,648**	**6,170,765**	**4,134,231**	**4,915,605**

8 (b) Reconciliation of provision for warranty		
Provision at the beginning of the year	-	-
Add: Provided during the year	**600,000**	-
Provision at the end of the year	**600,000**	-

Notes forming part of the financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
10. Trade payables		
Acceptances	**10,436,959**	986,525
Dues to micro and small enterprises (Also refer note (a) below)	**-**	-
Dues to others	**91,256,397**	103,710,521
Total	**101,693,356**	104,697,046

a. Dues to micro, small and medium enterprises pursuant to section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006

Amount due to entities covered under Micro, Small and Medium Enterprises as defined in the Micro, Small and 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.

	As at 31 March 2012	As at 31 March 2011
11. Other current liabilities		
Current maturities of long term debts		
Public deposits	**30,430,000**	18,243,000
Term loan from banks	**38,029,284**	34,459,689
Vehicle loan from banks	**3,964,984**	2,099,641
Current maturities of hire purchase finance	**3,333,068**	4,200,998
Interest accrued but not due on borrowings	**10,173,240**	8,969,985
Unpaid dividend in Investor Education and Protection Fund*	**1,201,716**	960,856
Other payables		
Statutory dues	**8,356,628**	5,545,286
Creditors for capital expenditure	**24,122,954**	3,029,339
Advances from customers	**45,011,842**	3,198,858
Employee related payables	**29,395,622**	24,044,174
Book overdraft	**981,134**	-
Total	**195,000,472**	104,751,826

* Not due for deposit

	As at 31 March 2012	As at 31 March 2011
12. Short term provisions		
Provision for employees benefits (Also refer note 8)	**8,698,071**	7,293,518
Others		
Provision for wealth tax	**90,000**	60,000
Proposed dividend	**27,110,160**	22,245,341
Tax on proposed dividend	**4,397,946**	3,694,673
Total	**40,296,177**	33,293,532

Notes forming part of the financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

Note-13 Fixed Assets

For the year ended 31 March 2012

	Gross Block				Depreciation/amortisation				Net Block	
	As at 01 April 2011	Additions	Disposal	As at 31 March 2012	As at 01 April 2011	Charge for the year	Sales/Adjustments during the year	Upto 31 March 2012	As at 31 March 2012	As at 31 March 2011
Tangibles										
Land										
-Leasehold	225,746	-	-	**225,746**	-	-	-	**-**	**225,746**	225,746
-Freehold	8,263,231	-	-	**8,263,231**	-	-	-	**-**	**8,263,231**	8,263,231
Buildings	107,587,440	16,517,967	-	**124,105,407**	37,734,253	3,331,514	-	**41,065,767**	**83,039,640**	69,853,187
Leasehold improvements	292,668	2,198,703	88,932	**2,402,439**	29,993	120,104	37,842	**112,255**	**2,290,184**	262,675
Plant and machinery	577,952,001	80,135,450	2,150,907	**655,936,544**	303,959,286	29,727,785	1,516,069	**332,171,002**	**323,765,542**	273,992,715
Furniture and fixtures	46,780,345	8,149,760	6,303,234	**48,626,871**	30,736,145	3,779,771	5,912,122	**28,603,794**	**20,023,077**	16,044,200
Office equipment	8,774,183	1,680,498	142,378	**10,312,303**	4,074,869	510,103	103,560	**4,481,410**	**5,830,893**	4,699,315
Vehicles	19,250,044	17,364,356	3,801,023	**32,813,377**	7,969,039	2,671,162	1,910,227	**8,729,974**	**24,083,403**	11,281,005
Total	**769,125,659**	**126,046,734**	**12,486,474**	**882,685,918**	**384,503,585**	**40,140,439**	**9,479,820**	**415,164,203**	**467,521,715**	**384,622,074**
Intangibles										
Know-how	6,724,722	-	-	**6,724,722**	1,599,325	580,181	-	**2,179,506**	**4,545,216**	5,125,397
Software	11,112,929	295,207	-	**11,408,136**	6,462,450	2,845,254	-	**9,307,704**	**2,100,432**	4,650,479
Web portal	-	100,000	-	**100,000**	-	47,062	-	**47,062**	**52,938**	-
Total	**17,837,651**	**395,207**	**-**	**18,232,858**	**8,061,775**	**3,472,497**	**-**	**11,534,272**	**6698,586**	**9,775,876**
Total	**786,963,310**	**126,441,941**	**12,486,474**	**900,918,776**	**392,565,360**	**43,612,936**	**9,479,820**	**426,698,475**	**474,220,301**	**394,397,950**

For the year ended 31 March 2011

	Gross Block				Depreciation/amortisation				Net Block	
	As at 01 April 2010	Additions	Disposal	As at 31 March 2011	As at 01 April 2010	Charge for the year	Sales/Adjustments during the year	Upto 31 March 2011	As at 31 March 2011	As at 31 March 2010
Tangibles										
Land										
-Leasehold	225,746	-	-	**225,746**	-	-	-	**-**	**225,746**	225,746
-Freehold	8,263,231	-	-	**8,263,231**	-	-	-	**-**	**8,263,231**	8,263,231
Buildings	104,561,946	3,025,494	-	**107,587,440**	28,134,464	9,599,789	-	**37,734,253**	**69,853,187**	76,427,482
Leasehold improvements	88,932	203,736	-	**292,668**	5,929	24,064	-	**29,993**	**262,675**	83,003
Plant and machinery	544,404,226	34,469,545	921,770	**577,952,001**	281,159,536	23,423,261	623,511	**303,959,286**	**273,992,715**	263,244,690
Furniture & Fixtures	42,841,950	4,064,770	126,375	**46,780,345**	28,635,046	2,217,658	116,558	**30,736,145**	**16,044,200**	14,206,905
Office Equipment	8,345,173	618,816	189,805	**8,774,184**	3,691,023	441,950	58,104	**4,074,869**	**4,699,315**	4,654,150
Vehicles	16,224,410	3,959,980	934,346	**19,250,044**	6,702,265	1,605,068	338,294	**7,969,039**	**11,281,005**	9,522,145
Total	**724,955,614**	**46,342,341**	**2,172,296**	**769,125,659**	**348,328,263**	**37311789**	**1,136,467**	**384,503,585**	**384,622,074**	**376,627,351**
Intangibles										
Know-how	2,320,722	4,404,000	-	**6,724,722**	193,394	1,405,931	-	**1,599,325**	**5,125,397**	2,127,328
Software	9,476,773	1,636,156	-	**11,112,929**	5,383,647	1,078,803	-	**6,462,450**	**4,650,479**	4,093,126
Total	**11,797,495**	**6,040,156**	**-**	**17,837,651**	**5,577,041**	**2,484,734**	**-**	**8,061,775**	**9,775,876**	**6,220,454**
Total	**736,753,109**	**52,382,497**	**2,172,296**	**786,963,310**	**353,905,304**	**39,796,523**	**1,136,467**	**392,565,360**	**394,397,950**	**382,847,805**

Notes:

1. The borrowing costs capitalized during the year ended 31 March 2012 was Rs. 3,342,858 (previous year Rs. Nil). The Company capitalized this borrowing cost in capital work-in-progress.
2. Plant and machinery with a gross value of Rs. 10,549,963 (previous year Rs. 9,783,209), depreciation and accumulated depreciation of Rs. 655,027 (previous year Rs.119,864) and net book value of Rs. 9,894,936 (previous year Rs.9,663,345) included in the above statement have been acquired on hire purchase arrangement by the Company.
3. Depreciation during the year includes Rs. 139,939 (Previous year Rs. Nil) 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.

Notes forming part of the financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
14. Non current investments		
Trade investments		
(valued at cost unless stated otherwise, unquoted)		
Subsidiaries		
1,520,000 (previous year 1,520,000) equity shares of Rs. 10 each fully paid up of Himachal Fine Blank Limited	**15,200,000**	15,200,000
655 (previous year 655) equity shares of Swiss Franc (CHF) 1,000 each fully paid up, of Pylania SA, Switzerland	**23,438,435**	23,438,435
6,887,418 (previous year 6,887,418) equity shares of Rs. 10 each fully paid up of Ethos Limited (Formerly known as Kamla Retail Limited)	**69,040,850**	69,040,850
5,700,000 (previous year 200,000) equity share of Rs 10 each fully paid up of Mahen Distribution Limited	**57,000,000**	2,000,000
Advance paid for 100 (previous year 100) 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)	**4,685,500**	4,685,500
Advance paid for 2,000 (previous year Nil) equity shares of Swiss Franc (CHF) 100 each fully paid up of Kamla International Holdings AG (these shares are pending allotment by Kamla International Holdings AG)	**11,288,000**	-
Associates		
Nil (previous year 51) equity shares of Swiss Franc (CHF) 1,000 each fully paid up of Taratec SA, Switzerland	**-**	1,540,710
300,000 (previous year 300,000) equity shares of Rs. 10 each fully paid up of Kamla Tesio Dials Limited.	**3,000,000**	3,000,000
Joint Venture		
1,239,420 (previous year 1,239,420) equity shares of Rs. 10 each fully paid up of Satva Jewellery and Design Limited	**12,394,200**	12,394,200
	196,046,985	131,299,695
Less:		
Provision for diminution in the value of investment, other than temporary in:		
-Kamla Tesio Dials Limited	**1,000,000**	1,000,000
-Satva Jewellery and Design Limited	**11,958,451**	-
-Pylania SA, Switzerland	**4,218,590**	-
-Himachal Fine Blank Limited	**3,296,976**	-
Aggregate of trade investments	**175,572,968**	130,299,695
Non-trade investments		
(valued at cost unless stated otherwise, unquoted)		
Nil (previous year 10,000) equity shares of Rs. 100 each fully paid up, of VBL Innovations Private Limited	**-**	1,000,000
500,000 (previous year 500,000) equity shares of Rs. 10 each fully paid up of Karolview Developers Private Limited **	**5,000,000**	5,000,000
12,500 (previous year 12,500) equity shares of Rs. 10 each fully paid up of Shivalik Waste Management Limited	**125,000**	125,000
Aggregate value of non-trade investments	**5,125,000**	6,125,000
Total	**180,697,968**	136,424,695
Aggregate amount of unquoted investments	**201,171,985**	137,424,695
Aggregate provision for dimunition in value of investments	**20,474,017**	1,000,000

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

Notes forming part of the financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
15. Long term loans and advances		
(unsecured, considered good, unless otherwise stated)		
Capital advances		
Unsecured, considered good	**5,325,155**	2,054,120
Doubtful	**200,000**	-
	5,525,155	2,054,120
Less: Provision for doubtful capital advance	**(200,000)**	-
	5,325,155	2,054,120
Security deposits	**5,204,135**	3,987,002
Prepaid income taxes [net of provision Rs. 66,593,144 (previous year Rs. 21,158,335)]	**24,750,569**	17,701,915
Other loans and advances		
Employee loans and advances	**3,353,218**	2,032,529
Total	**38,633,077**	25,775,566
16. Other non current assets		
Prepaid expenses	**240,000**	480,221
Total	**240,000**	480,221
17. Inventories		
(valued at lower of cost and net realisable value, unless otherwise stated)		
Raw material	**101,937,677**	69,058,784
Raw material (in transit)	**4,998,723**	2,948,230
Work-in-progress	**45,566,821**	43,844,529
Finished goods	**9,143,508**	5,776,672
Stores & spares	**22,569,802**	17,004,804
Stores & spares (in transit)	**-**	2,515,572
Others (valued at estimated realisable value)		
Scrap	**90,360**	144,322
Total	**184,306,891**	141,292,913
18. Trade receivables		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, Considered good	**4,040,000**	8,387,966
Unsecured, Considered doubtful	**6,615,691**	4,615,028
	10,655,691	13,002,994
Less : Allowances for bad and doubtful debts	**6,615,691**	4,615,028
	4,040,000	8,387,966
Other debts		
Unsecured, considered good	**181,002,212**	158,474,498
Unsecured, Considered doubtful	**1,834,360**	-
	182,836,572	158,474,498
Less : Allowances for bad and doubtful debts	**1,834,360**	-
	181,002,212	158,474,498
Total	**185,042,212**	166,862,464

Notes forming part of the financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
19. Cash and bank balances		
Cash and cash equivalents		
- Cash in hand	**401,847**	907,228
- Cheques and drafts in hand	**-**	454,747
- Balances with banks		
in current account	**10,684,966**	8,443,687
	11,086,813	9,805,662
Other bank balances		
- Unpaid dividend account	**1,201,753**	960,975
- Fixed deposits with banks in deposit accounts held as margin money	**21,551,209**	6,509,375
	22,752,962	7,470,350
Total	**33,839,775**	17,276,012
a. Cash and bank balances which are under restriction:		
Fixed Deposits with banks in deposit accounts held as margin money	**21,551,209**	6,509,375
Unpaid dividend account	**1,201,753**	960,975
20. Short-term loans and advances		
(Unsecured, considered good, unless otherwise stated)		
Loans and advances to related parties		
Subsidiaries	**14,034,995**	15,048,551
Joint venture	**6,489,566**	137,398
Entities in which significant influence is exercised	**428,885**	-
Others		
Employee loans and advances	**7,840,446**	3,907,290
Security deposits	**-**	124,398
Prepaid expenses	**3,938,469**	1,357,363
Minimum alternate tax credit entitlement	**2,467,368**	2,899,189
Balances with government and statutory authorities	**43,089,776**	23,488,825
Advance to suppliers	**7,206,329**	5,089,643
Consideration recoverable on sale of investment in associate	**5,406,617**	-
Total	**90,902,451**	52,052,657
21. Other current assets		
Interest accrued on fixed deposits	**554,728**	616,408
Total	**554,728**	616,408

Notes forming part of the financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2012	Year ended 31 March 2011
22. Revenue from operations		
Sale of products	**986,348,337**	780,283,044
Sale of services	**9,177,904**	9,920,117
Other operating income		
Export incentives	**24,480,691**	18,380,497
Miscellaneous sales	**21,020,729**	14,006,953
Liabilties no longer required written back	**165,587**	794,914
Provisions written back	**330,916**	511,408
Total	**1,041,524,164**	823,896,933
a. Details of products sold		
- Manufactured goods		
Watch dials	**415,894,978**	382,561,138
Watch hands	**368,203,902**	218,823,982
Blank components	**90,216,244**	79,226,969
Press tools	**21,066,016**	10,022,548
Ornamental packaging boxes	**78,716,105**	82,806,487
Indexes	**23,849**	6,837,740
Pouches	**-**	4,180
	974,121,094	780,283,044
- Traded goods		
Watches	12,227,243	-
	12,227,243	-
b. Details of services sold		
Job charges	**1,411,608**	698,735
Tool development charges	**7,766,296**	9,221,382
	9,177,904	9,920,117
23. Other income		
Interest income from		
- Banks	**1,032,711**	587,473
- Others	**4,666,573**	1,750,400
Dividend income	**277,695**	250,000
Profit on sale of investments	**4,844,582**	-
Other non operating income		
Rent	**612,000**	600,000
Net gain on foreign exchange fluctuation	**21,364,229**	9,753,843
Total	**32,797,790**	12,941,716
24. Cost of materials consumed		
Raw material consumed		
Opening inventories	**69,058,784**	56,270,317
Add: Purchases during the year	**289,747,365**	214,479,046
Less: Closing inventories	**101,937,677**	69,058,784
Total	**256,868,472**	201,690,579
a. Details of raw materials and components		
Brass and metal	**91,781,780**	70,997,772
Components	**10,408,082**	25,501,582
Others	**154,678,610**	105,191,225
	256,868,472	201,690,579

Notes forming part of the financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2012	Year ended 31 March 2011
25. Purchases of traded goods		
Watches	**11,079,208**	-
	11,079,208	-
26. Change in inventories		
Opening stock		
Finished goods	**5,776,672**	8,908,989
Work in process	**43,844,529**	39,564,694
Scrap	**144,322**	237,976
Closing stock		
Finished goods	**9,143,508**	5,776,672
Work in process	**45,566,821**	43,844,530
Scrap	**90,360**	144,322
Impact of excise duty on opening/closing stock	**457,442**	48,672
Increase in stocks	**(4,577,724)**	(1,005,193)
27. Employment benefit expenses		
Salaries and wages	**242,005,275**	203,428,718
Contractual labour expenses	**16,190,619**	6,079,351
Contribution to provident and other funds	**16,084,212**	12,345,994
Staff welfare expenses	**18,360,384**	13,834,841
Employee stock option charge	**240,472**	-
Total	**292,880,962**	235,688,904
28. Finance costs		
Interest expense	**44,961,153**	40,966,892
Other borrowing cost	**5,795,514**	4,835,161
Total	**50,756,667**	45,802,053
29. Depreciation and amortisation expense		
Depreciation (Also, refer note 13)	**40,000,499**	37,703,665
Amortisation (Also, refer note 13)	**3,472,497**	2,092,858
Total	**43,472,996**	39,796,523

Notes forming part of the financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2012	Year ended 31 March 2011
30. Other Expenses		
Stores and spares consumed	**55,774,178**	56,392,969
Power, fuel and water charges	**25,051,629**	22,197,863
Insurance	**247,321**	25,054
Rent		
- Machinery	**1,580,000**	1,280,000
- Office and factory premises	**8,699,567**	6,922,648
Rates and taxes	**2,236,008**	1,477,697
Repair and maintenance		
- Plant and machinery	**10,554,070**	8,751,814
- Buildings	**3,265,193**	4,808,495
- Others	**6,416,830**	6,278,491
- Vehicle	**434,268**	144,081
Legal and professional	**14,781,811**	12,567,990
Payment to auditors		
- Audit fee	**675,000**	675,000
- Tax audit fee	**75,000**	75,000
- Certification	**431,000**	300,500
- Expenses	**408,804**	345,216
Travel and conveyance	**26,697,497**	21,323,100
Job charges	**20,595,475**	15,410,070
Printing and stationery	**3,824,237**	3,976,148
Postage and telephone	**5,077,569**	4,805,540
Subscription and annual fees	**1,329,469**	908,744
Selling and distribution expenses		
-Commission	**21,888,652**	6,038,776
-Discount	**306,825**	1,060,159
-Others	**11,002,140**	10,307,882
Loss on sale of fixed assets (net)	**956,168**	550,524
Sundry assets written off	**74,455**	
Development charges	**627,449**	1,517,485
Recruitment expenses	**1,175,228**	1,612,488
Provision for doubtful debts and advances	**4,365,939**	977,396
Donation	**540,000**	1,238,000
Bad debts written off	**330,916**	511,408
Provision for warranty	**600,000**	-
Directors' sitting fees	**470,000**	310,000
Miscellaneous expenses	**7,983,071**	7,621,128
Total	**238,475,769**	200,411,666

31. Prior period item

During the year ended 31 March 2011, the Company did not recognize liability with respect to interest on current tax expense. Pursuant to such omission, the interest payable aggregating to Rs.572,028 has been recognized as a prior period expenditure for the year ended 31 March 2012.

32. Exceptional item		
Investments written off**	-	12,345,435
Less: Provision for other than temporary diminution written back**	-	(12,345,435)
Provision for other than temporary diminution*	19,474,017	-
Total	19,474,017	-

*During the year ended 31 March 2012, the Company has provided for other than temporary diminution in the value of its investment in its subsidiary companies, Pylania SA and Himachal Fine Blanks Limited and in its joint venture, Satva Jewellery and Design Limited, aggregating to Rs. 19,474,017, considering the erosion of their net worth based on the their financial results as per management estimate.

**During the previous year ended 31 March 2011, the shareholders of Pylania S.A. approved the scheme of capital reduction, pursuant to which, the Company had written off investments aggregating to Rs.12,345,435 which were earlier provided for as other than temporary diminution in its value.

Notes forming part of the financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
33. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**2,672,359**	2,578,164
34. Contingent liability not provided for exists in respect of:		
a) Bank guarantees outstanding	**1,262,500**	1,216,500
b) Bonds in favour of central excise and customs authorities	**5,000,000**	5,000,000
c) Guarantee given to a scheduled bank in relation to cash-credit and non-fund based facility of Rs. 290,000,000 (previous year Rs. 329,000,000) and term loan of Rs. 95,000,000 (previous year Rs. 90,000,000) provided by the bank to subsidiary companies. Amount of overdraft outstanding as on 31 March 2012 is Rs. 323,718,175 (previous year Rs. 283,277,266) and term loan Rs. 102,255,677 (previous year Rs.50,266,850) respectively . The Company has also 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	**1,204,891**	1,204,891
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. 296,000 (previous year Rs. 296,000)	**504,443**	504,443
f) Case for AY 2005-06, for which a demand of Rs.13,203,431 (previous year Rs.13,203,431) was raised by the income tax department and the Company had deposited Rs. Nil (previous year Rs.10,916,620) under protest, was decided by the Commissioner of Income Tax (Appeals) in favour of the Company and the amount deposited has been adjusted against dues for subsequent assessment years. 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, 2007-08 and 2008-09 are identical to AY 2005-06, which have been challenged by the Company before Income Tax Authorities (Income Tax Appellate Tribunal for AY 2006-07 and Commissioner of Income Tax (Appeals) for AY 2007-08 and 2008-09) and the Company had deposited Rs.17,419,847 (previous year Rs.Nil) under protest.	**35,746,450**	24,063,220
g) Demands raised by the income tax authority for AY 2004-05 against which appeals have been filed. Amount paid under protest Rs.4,046,108 (previous year Rs. 1,577,440)	**4,046,108**	4,046,108
h) Demand made by central excise authority	**8,256,222**	8,256,222
i) Surety bonds in favour of sales tax department	**100,000**	-

35. Related party disclosures

A. Relationships

I. Subsidiary companies	Himachal Fine Blank Limited Pylania S.A. Kamla International Holding S.A. Ethos Limited (Formerly known as Kamla Retail Limited) Mahen Distribution Limited
II. Associates	Kamla Tesio Dials Limited Taratec S.A. (upto 17 January 2012)
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 Limited., Dream Digital Technology Limited VBL Innovations Private Limited, Vardhan Properties & Investments Limited., Vardhan 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) Mr. P.S. Saboo(son), Ms S. Suri (daughter)
c. Dinesh Agrawal (Chief Operating Officer)	Ms Shashi Agrawal (Wife)

Notes forming part of the financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

B. The following transactions were carried out with related parties in the ordinary course of business of the year ended 31 March 2012.

S No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1	**Purchase of raw material and components**						
	Himachal Fine Blank Limited	24,617,028	-	-	-	-	-
	Satva Jewellery & Design Limited	-	-	211,810	-	-	-
	Saboo Coatings Limited	-	-	-	3,122,886	-	-
	Pylania SA	4,928,263	-	-	-	-	-
	Vardhan International Limited	-	-	-	1,561,458	-	-
2	**Sale of goods**						
	Pylania SA	15,936,070	-	-	-	-	-
	Himachal Fine Blank Limited	1,351,194	-	-	-	-	-
	Saboo Coatings Limited	-	-	-	6,004	-	-
	Ethos Limited	7,970,907	-	-	-	-	-
3	**Purchase of fixed assets**						
	Himachal Fine Blank Limited	260,847	-	-	-	-	-
	Pylania SA	553,739	-	-	-	-	-
4	**Sale of fixed assets**						
	Himachal Fine Blank Limited	539,783	-	-	-	-	-
	Ethos Limited	76,156					
5	**Job work charges paid**						
	Himachal Fine Blank Limited	480,475	-	-	-	-	-
6	**Commission paid on sales**						
	Taratec SA	-	21,888,651	-	-	-	-
7	**Rent paid by the Company**						
	Kamla Tesio Dials Limited	-	800,000	-	-	-	-
	Saboo Coatings Limited	-	-	-	50,000	-	-
	Mr. R.K. Saboo	-	-	-	-	276,948	-
	Mr. Y. Saboo	-	-	-	-	1,054,772	-
	Ms A. Saboo	-	-	-	-	-	138,600
	Ms U. Saboo	-	-	-	-	-	55,440
	Satva Jewellery & Design Limited			294,000			
8	**Salary of employees paid**						
	Mr. Pranav S. Saboo	-	-	-	-	-	499,040
9	**Directors remuneration**						
	Mr. R.K. Saboo	-	-	-	-	3,216,124	-
	Mr. Y. Saboo	-	-	-	-	6,078,992	-
	Mr. Dinesh Agrawal	-	-	-	-	3,591,626	-
10	**Interest received**						
	Himachal Fine Blank Limited	1,754,794	-	-	-	-	-
	Satva Jewellery & Design Limited			451,164			
	Pylania SA	29,920	-	-	-	-	-
	Ethos Limited	1,951,780	-	-	-	-	-
11	**Interest paid/ accrued**						
	Vardhan Properties and Investment Limited	-	-	-	55,150	-	-
	Ms. Asha Devi Saboo	-	-	-	-	-	122,836
	Kamla Retail Limited	437,913	-	-	-	-	-
	Other	-	-	-	-	-	28,039
12	**Expenses incurred by the Company reimbursed**						
	Ethos Limited	2,712,724	-	-	-	-	-
	Satva Jewellery and Design Limited	-	-	463,085	-	-	-
	Kamla Tesio Dials Limited	-	100,740	-	-	-	-
	Saboo Coatings Limited	-	-	-	1,326,389	-	-
	Himachal Fine Blank Limited	546,341	-	-	-	-	-
	VBL Innovations Private Limited	-	-	-	35,406	-	-
	Vardhan Properties and Investment Limited	-	-	-	132,000	-	-
	Pylania SA	200,983	-	-	-	-	-
13	**Loans and advances given by the Company**						
	Ethos Limited	20,000,000	-	-	-	-	-
	Satva Jewellery & Design Limited	-	-	5,500,000	-	-	-
14	**Repayment of loans given by the Company**						
	Ethos Limited	20,000,000					

Notes forming part of the financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

S No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
15	**Reimbursement of expenses paid by the Company**						
	Pylania SA	165,988	-	-	-	-	-
	Himachal Fine Blank Limited	7,540	-	-	-	-	-
	Ethos Limited	180,005	-	-	-	-	-
16	**Expenses Recovered**						
	Himachal Fine Blank Limited	171,116	-	-	-	-	-
	Ethos Limited	134,234	-	-	-	-	-
	Saboo Coatings Limited	-	-	-	147,928	-	-
	Pylania SA	139,512	-	-	-	-	-
	Dream Digital Technology Ltd.	-	-	-	1,801,323	-	-
17	**Investments made**						
	Kamla international holdings AG	11,288,000					
	Mahen Boutiques Limited	55,000,000	-	-	-	-	-
18	**Investments sold**						
	Mr. R.K. Saboo	-	-	-	-	225,000	-
	Mr. Y. Saboo	-	-	-	-	1,800,000	-
	Ms A. Saboo	-	-	-	-	-	45,000
	Ms U. Saboo	-	-	-	-	-	157,500
	Y Saboo HUF	-	-	-	22,500	-	-
19	**Dividend paid**						
	Tara Chand Mahendra Kumar (HUF)	-	-	-	209,460	-	-
	Mr. R.K. Saboo	-	-	-	-	4,747,821	-
	Mr. Y. Saboo	-	-	-	-	4,382,844	-
	Others	-	-	-	213,849	-	3,197,376
20	**Dividend received**						
	Taratec SA	-	277,695	-	-	-	-
21	**Balance at the end of the year**						
	a. Loans						
	Himachal Fine Blank Limited	14,000,000	-	-	-	-	-
	Satva Jewellery and Design Limited			5,500,000			
	b. Other receivables/ advances						
	Pylania SA	4,562,340	-	-	-	-	-
	Ethos Limited	142,069	-	-	-	-	-
	Satva Jewellery and Design Limited	-	-	989,566	-	-	-
	Saboo Coatings Limited	-	-	-	342,266	-	-
	Himachal Fine Blank Limited	214,184	-	-	-	-	-
	Vardhan Properties and Investment Limited	-	-	-	72,000	-	-
	Dream Digital Technology Limited	-	-	-	14,619	-	-
	c. Payables						
	Himachal Fine Blank Limited	1,399,413	-	-	-	-	-
	Kamla Tesio Dials Limited	-	482,000	-	-	-	-
	Satva Jewellery & Design Limited	-	-	1,229,251	-	-	-
	Saboo Coatings Limited	-	-	-	370,178	-	-
	Pylania SA	1,390,226	-	-	-	-	-
	Vardhan Properties and Investment Limited	-	-	-	62,379	-	-
	Ethos Limited	1,295,622	-	-	-	-	-
	d. Guarantees taken						
	Mr. R.K. Saboo	-	-	-	-	284,409,629	-
	Mr Y. Saboo	-	-	-	-	284,409,629	-
	e. Guarantees provided						
	Ethos Limited	421,282,699	-	-	-	-	-
	Himachal Fine Blank Limited	4,691,153	-	-	-	-	-
	f. Public deposits outstanding						
	Ms. Asha Devi Saboo	-	-	-	-	-	1,000,000
	Ms. Shashi Agrawal	-	-	-	-	-	200,000
	g. Inter Corporate Deposits received						
	Vardhan Properties and Investment Limited	-	-	-	500,000	-	-

Notes forming part of the financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

C. The following transactions were carried out with related parties in the ordinary course of business for the period 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	**Purchase of raw material and components**						
	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	**Sale of goods**						
	Pylania SA	14,514,498	-	-	-	-	-
	Himachal Fine Blank Limited	609,897	-	-	-	-	-
	Mahen Distribution Limited	289,769	-	-	-	-	-
	Satva Jewellery & Design Limited	-	-	43,660	-	-	-
	Saboo Coatings Limited	-	-	-	65,499	-	-
	Kamla Retail Limited	201,126	-	-	-	-	-
3	**Purchase of fixed assets**						
	Satva Jewellery & Design Limited	-	-	94,814	-	-	-
	Pylania SA	71,764	-	-	-	-	-
4	**Sale of fixed assets**						
	Pylania SA	226,382	-	-	-	-	-
5	**Job work charges (expenses)**						
	Himachal Fine Blank Limited	360,006	-	-	-	-	-
	Satva Jewellery & Design Limited	-	-	7,771,349	-	-	-
6	**Job work charges (income)**						
	Himachal Fine Blank Limited	32,578	-	-	-	-	-
	Taratec SA	-	21,762	-	-	-	-
	Pylania SA	440,359	-	-	-	-	-
7	**Commission on sales (expense)**						
	Taratec SA	-	6,038,776	-	-	-	-
	Kamla Retail Limited	4,300,700	-	-	-	-	-
8	**Rent paid by the Company**						
	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	**Salary of employees paid by the Company**						
	Himachal Fine Blank Limited	28,415	-	-	-	-	-
	Mr. Pranav S. Saboo	-	-	-	-	-	566,380
10	**Directors remuneration**						
	Mr. R.K. Saboo	-	-	-	-	2,302,441	-
	Mr. Y. Saboo	-	-	-	-	3,825,643	-
	Mr. Dinesh Agrawal	-	-	-	-	3,422,024	-
11	**Interest received**						
	Himachal Fine Blank Limited	1,750,000	-	-	-	-	-
12	**Interest paid/ accrued**						
	Vardhan Properties and Investment Ltd.	-	-	-	132,634	-	-
	Ms. Asha Devi Saboo	-	-	-	-	-	120,001
	Kamla Retail Limited	848,069	-	-	-	-	-
	Taratec SA	-	39,923	-	-	-	-
	others	-	-	-	-	-	11,690
13	**Public deposits accepted**						
	Shashi Agrawal	-	-	-	-	-	200,000
14	**Loans received**						
	Vardhan Properties and Investment Limited	-	-	-	500,000	-	-
15	**Repayment of loans**						
	Vardhan Properties and Investment Limited	-	-	-	2,700,000	-	-
16	**Others (including rent received)**						
	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	-	-

Notes forming part of the financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

S No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
17	**Advance for share application money**						
	Pylania SA	4,685,500	-	-	-	-	-
18	**Reimbursement of expenses by the Company**						
	Pylania SA	529,796	-	-	-	-	-
	Taratec SA	-	943,791	-	-	-	-
	Himachal Fine Blank Limited	44,070	-	-	-	-	-
	Satva Jewellery & Design Limited	-	-	3,100	-	-	-
19	**Expenses recovered**						
	Himachal Fine Blank Limited	282,234	-	-	-	-	-
	Kamla Retail Limited	435,004	-	-	-	-	-
	Saboo Coatings Limited	-	-	-	137,278	-	-
	Pylania SA	273,447	-	-	-	-	-
	Satva Jewellery & Design Limited	-	-	2,715	-	-	-
20	**Investments made**						
	Satva Jewellery & Design Limited	-	-	2,000,000	-	-	-
21	**Investments written off**						
	Pylania SA	12,345,435	-	-	-	-	-
22	**Dividend received**						
	VBL Innovations Private. Limited	-	-	-	250,000	-	-
23	**Donation**						
	Smt. Kamla Devi Saboo Charitable Trust	-	-	-	950,000	-	-
24	**Balance at the end of the year**						
	a. Loans						
	Himachal Fine Blank Limited	14,000,000	-	-	-	-	-
	b. Other receivables/ advances						
	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	-	-	-	-	-
	c. Payables						
	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	-	-	-	-	-
	d. Guarantees taken						
	Mr. R.K. Saboo	-	-	-	-	104,120,965	-
	Mr Y. Saboo	-	-	-	-	104,120,965	-
	e. Guarantees provided						
	Kamla Retail Limited	329,285,945	-	-	-	-	-
	Himachal Fine Blank Limited	4,258,171	-	-	-	-	-
	f. Public deposits outstanding						
	Ms. Asha Devi Saboo	-	-	-	-	-	1,000,000
	Ms. Shashi Agrawal	-	-	-	-	-	200,000
	g. Inter Corporate Deposits						
	Vardhan Properties and Investment Limited	-	-	-	500,000	-	-
	h. Investments						
	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	-	-
	i. Provision for diminution in the value of investment						
	Kamla Tesio Dials Limited	-	1,000,000	-	-	-	-
	j. Advance for share application money						
	Pylania SA	4,685,500	-	-	-	-	-

Notes forming part of the financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2012	Year ended 31 March 2011

36. The information required by paragraph 5 of general instructions for preparation of the statement of profit and loss as per revised schedule VI of the Companies Act, 1956

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

Raw Material and components	Rupees	Percentage	Rupees	Percentage
Imported	**124,079,401**	**48.21%**	96,633,984	47.91%
Indigenous	**133,273,562**	**51.79%**	105,056,595	52.09%
	257,352,963	**100.00%**	201,690,579	100.00%
Stores and Spares				
Imported	**19,868,435**	**35.62%**	17,089,651	30.30%
Indigenous	**35,905,743**	**64.38%**	39,303,318	69.70%
	55,774,178	**100.00%**	56,392,969	100.00%

B. Value of imports on CIF basis

	Year ended 31 March 2012	Year ended 31 March 2011
a) Capital goods	**71,744,728**	14,662,808
b) Raw material and components	**153,965,433**	100,856,512
c) Stores and spares	**22,831,122**	15,850,128
d) Others	**626,133**	-

C. Expenditure in foreign currency (on cash basis)

	Year ended 31 March 2012	Year ended 31 March 2011
a) Travelling	**5,235,490**	3,775,599
b) Technician fee (net of tax)	**3,311,620**	1,150,295
c) Commission on exports	**17,000,728**	11,599,630
d) Others	**4,091,472**	1,069,788

D. Earnings in foreign exchange

	Year ended 31 March 2012	Year ended 31 March 2011
FOB value of exports	**623,475,334**	413,344,087
Others	**7,199,856**	8,064,527

E. Net dividend remitted in foreign exchange

Year of remittance(ending on)	
Period to which it relates	**2010-2011**
- Number of non-resident shareholders	**2**
- Number of equity shares held on which dividend was due	**427,018**
- Amount remitted (in USD)	**26,048**

Notes forming part of the financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2012	Year ended 31 March 2011
37. Earnings per share		
Net profit attributable to equity shareholders		
Profit after Tax	**88,090,457**	62,843,113
Number of weighted average equity shares		
Basic	**8,011,697**	7,415,114
Diluted	**8,011,697**	7,415,114
Nominal value of equity share (Rs.)	**10**	10
Earnings/(loss) per share		
Basic	**11.00**	8.48
Diluted	**11.00**	8.48

38. Leases

Operating leases

The Company is a lessee under various operating leases. Rental expense for operating leases for the years ended 31 March 2012 and 31 March 2011 was Rs.10,279,567 and Rs. 8,202,648 respectively. The Company has not executed any non-cancellable 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 2012 and 31 March 2011 aggregate to Rs.612,000 and Rs.600,000 respectively.

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

Loans and advances given to subsidiaries and associates* :	As at 31 March 2012	As at 31 March 2011
Himachal Fine Blank Limited	**14,000,000**	14,000,000
Satva Jewellery and Design Limited	**5,500,000**	-

* Loans are re-payable on demand

40. Dividend from investments:	Year ended	Year ended
Long term	31 March, 2012	31 March 2011
VBL Innovations Private Limited		
-		250,000
Taratec SA	**277,695**	-

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

	Year ended 31 March, 2012	Year ended 31 March 2011
Total Assets	**45,855,389**	44,759,943
50% share of the Company in Joint Venture	**22,927,695**	22,379,972
Total Liabilities	**45,855,389**	44,759,943
50% share of the Company in Joint Venture	**22,927,695**	22,379,972
Income	**631,952**	9,820,504
50% share of the Company in Joint Venture	**315,976**	4,910,252
Expenses	**7,252,650**	13,082,295
50% share of the Company in Joint Venture	**3,626,325**	6,541,148

Notes forming part of the financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

42. KDDL Employee Stock Option Plan-2011 ('ESOP 2011')

a. The Company has established an Employee Stock Option Plan ('ESOP') in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, which has been approved by the Board of Directors and the shareholders. A compensation committee comprising promoter executive and independent non-executive members of the Board of Directors administer the ESOPs. All options under the ESOPs are exercisable for equity shares. The Company plans to grant upto 110,000 options to eligible employees and directors of the Company and subsidiaries of the Company.

b. Fifty percent of the options which have been granted under ESOP 2011 shall vest with the guarantee on 1 April 2014 ('first tranche') and the balance options shall vest on the date when the turnover (excluding excise duty thereon) of the Company would exceed Rs. 1,500,000,000 ('second tranche'). The exercise period for the options is within six months from the date of vesting of the options. Each option is exercisable for one equity share of Rs. 10 each fully paid up on payment of exercise price of share determined with respect to the date of grant. The Company has granted 100,500 options upto 31 March 2012.

c. The movement in the scheme is set out as under:

Particulars	**ESOP 2011 Year ended 31 March 2012**		ESOP 2011 Year ended 31 March 2011	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
	Number	**Amount**	Number	Amount
Outstanding at the beginning of year	**Nil**	**Nil**	Not applicable	Not applicable
Granted during the year	**100,500**	**120**	Not applicable	Not applicable
Exercised during the year	**Nil**	**Nil**	Not applicable	Not applicable
Forfeited during the year	**Nil**	**Nil**	Not applicable	Not applicable
Expired during the year	**Nil**	**Nil**	Not applicable	Not applicable
Outstanding at the end of the year	**100,500**	**120**	Not applicable	Not applicable
Exercisable at the end of the year	**Nil**	**Nil**	Not applicable	Not applicable
Number of equity shares of Rs. 10 each fully paid up to be issued on exercise of option	**100,500**	**120**	Not applicable	Not applicable
Weighted average share price at the date of exercise	**Not applicable**	**Not applicable**	Not applicable	Not applicable
Weighted average remaining contractual life (months)	**29 months**	**Not applicable**	Not applicable	Not applicable

d. Pro forma accounting for stock option grants
The Company applies the intrinsic value-based method of accounting for determining compensation cost for its stock-based compensation plan. Had the compensation cost been determined using fair value approach, the Company's net income and basic/diluted earnings per share as reported would have reduced to the pro forma amounts as indicated:

	Particulars	**Year ended 31 March 2012 Amount**	Year ended 31 March 2011 Amount
1.	Net profit as reported	**88,090,457**	Not Applicable
2.	Add: Stock based employee compensation expense debited to statement of profit and loss	**240,472**	Not Applicable

3.	Less: Stock based employee compensation expense based on fair value	**(1,056,172)**	Not Applicable
4.	Difference between (2) and (3)	**(815,700)**	Not Applicable
5.	Adjusted pro forma profit	**87,274,757**	Not Applicable
6.	Difference between (1) and (5)	**815,700**	Not Applicable
7.	Basic earnings per share as reported	**11.00**	Not Applicable
8.	Pro forma basic earnings per share	**10.89**	Not Applicable
9.	Diluted earnings per share as reported	**11.00**	Not Applicable
10.	Pro forma diluted earnings per share	**10.89**	Not Applicable

e. The fair value of the options, calculated by an external valuer for first tranche and second tranche, was estimated on the date of grant using the Black-Scholes model with the following significant assumptions:

Particulars	**Year ended 31 March 2012**	Year ended 31 March 2011
Risk free interest rates (in %)	**8.50%**	Not applicable
Expected life (in months)	**29**	Not applicable
Volatility (in %)	**66.49%**	Not applicable
Dividend yield (in %)	**1.58%**	Not applicable

The volatility of the options is based on the historical volatility of the share price since the Company's equity shares are publicly traded, which may be shorter than the term of the options.

f. Details of weighted average exercise price and fair value of the stock options granted at price below market price:

Particulars	**Year ended 31 March 2012**	Year ended 31 March 2011
Total options granted	**100,500**	Not Applicable
Weighted average exercise price (in Rs.)	**120**	Not Applicable
Weighted average fair value (in Rs.)	**61.05**	Not Applicable

43. The Board of Directors in its meeting held on 30 September 2010 approved the Scheme of amalgamation (the 'scheme') under section 391-394 of the Companies Act, 1956, of Himachal Fine Blank Limited and KDDL Limited, with the Company, effective from 1 April 2011. The approval for the scheme of amalgamation is pending at Honorable High Court of Himachal Pradesh. Since the scheme is pending approval, no effect of the amalgamation has been given in these financial statements in accordance with Accounting Standard - 14, 'Accounting for Amalgamation'.

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

Particulars	Amount outstanding as at 31 March 2012	Amount outstanding as at 31 March 2011
Receivables	**104,671,548**	96,228,407
Payables	**32,226,832**	23,887,334
Loans taken	**-**	18,441,497
Buyer's credit	**21,550,592**	1,522,080
Advances from customers	**68,472,000**	450,893

45. 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.

46. Till the year ended March 31, 2011, the Company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company. The Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of Balance sheet.

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 : 3 August 2012

For **Walker, Chandiok & Co**
Chartered Accountants

Place : New Delhi
Dated : 3 August 2012

Per **B.P. Singh**
Partner

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, associates and joint venture (hereinafter collectively referred to as 'the Group'), as at 31 March 2012, and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on the date annexed thereto (collectively referred as the 'Consolidated Financial Statements'). These Consolidated Financial Statements are the responsibility of the Group's management and have been prepared by the Group's management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance 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. We report that:
   (a) the Consolidated Financial Statements have been prepared by the Group's management in accordance with the requirements of Accounting Standard 21 on 'Consolidated Financial Statements', Accounting Standard 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements' and Accounting Standard 27 on 'Financial Reporting of interests in Joint Ventures notified pursuant to the Companies (Accounting Standards) Rules, 2006.
   (b) We did not audit the financial statements of Taratec S.A. (an associate of KDDL) whose results of the operations for the period 1 January 2011 to 31 December 2011, in the form of share in the loss of the associate of Rs. 3,350,904 and investments as at 31 March 2012 of Rs. Nil, have been accounted for using the equity method of accounting in the consolidated financial statements. These financial statements and other information have been examined by other auditor in accordance with the Swiss Standard on the Limited Statutory Examination whose report has been furnished to us by the management, and our opinion is based solely on the reports of the other auditor.
   (c) We did not audit the financial statements of certain Indian subsidiaries and a joint venture, whose financial statements reflect total assets (after eliminating intra-group transactions) of Rs. 1,071,851,248 as at 31 March 2012; total revenues (after eliminating intra-group transactions) of Rs. 1,251,287,793 and net cash flows aggregating to Rs. 7,900,965 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 by the management, and our opinion is based solely on the reports of the other auditors.
   (d) We did not audit the financial statements of Pylania S.A., a foreign subsidiary, whose financial statements reflect total assets (after eliminating intra-group transactions) of Rs. 111,351,024 as at 31 March 2012; total revenues (after eliminating intra-group transactions) of Rs. 88,056,578and net cash flows aggregating to Rs. 193,652 for the year then ended.These financial statements and other financial information have been examined by other auditor in accordance with Swiss Standard on the Limited Statutory Examination whose reports have been furnished to us by the management, and our opinion is based solely on the reports of the other auditors. These financial statements have been converted and certified by the management as per accounting principles generally accepted in India.
   (e) We did not audit the financial statements of Kamla International Holdings AG, a foreign subsidiary, whose financial statements reflect total assets (after eliminating intra-group transactions) of Rs. 74,884 as at 31 March 2012; total revenues (after eliminating intra-group transactions) of Rs. 130,224 and net cash flows aggregating to Rs. 74,715 for the year then ended. These financial statements and other financial information have been reviewed by other auditor in accordance with Swiss Auditing Standard and International Standards on Review Engagements. These financial statements have been converted and certified by the management as per accounting principles generally accepted in India.
   (f) We did not audit the financial statements of an Indian associate, whose results of operations in the form of share in the profits of the associate of Rs. 31,402 and investments as of 31 March 2012 of Rs. 2,656,706, have been accounted for using equity method of accounting in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the management, and our opinion is based solely on the reports of the other auditors.
4. Based on our audit and on consideration of reports of other auditors on the separate financial statements and on the other financial information of the subsidiaries, associates and joint venture, and to the best of our information and according to the explanations given to us, in our opinion, 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 2012;
   (b) the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
   (c) theConsolidated Cash Flow Statement, of the cash flows for the year ended on that date.

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

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

Place : Chandigarh
Dated : 3 August 2012

Consolidated balance sheet as at 31 March 2012

(All amounts in rupees, unless stated otherwise)

	Note		As at 31 March 2012		As at 31 March 2011
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	2	**89,237,600**		78,583,100	
Reserves and surplus	3	**385,563,793**		324,115,345	
Money received against zero coupon convertible warrants	4	**2,052,051**		12,972,913	
			476,853,443		415,671,358
Minority interest			**76,930,602**		63,907,087
Non-current liabilities					
Long-term borrowings	5	**347,852,660**		210,889,266	
Deferred tax liabilities (net)	6	**42,123,048**		41,864,264	
Other long term liabilities	7	**25,677,000**		-	
Long-term provisions	8	**32,102,138**		25,020,566	
			447,754,846		277,774,096
Current liabilities					
Short-term borrowings	9	**528,794,287**		438,101,390	
Trade payables	10	**397,078,382**		292,921,916	
Other current liabilities	11	**290,811,246**		149,511,397	
Short-term provisions	12	**50,875,499**		40,185,473	
			1,267,559,414		920,720,176
Total			**2,269,098,305**		1,678,072,717
ASSETS					
Non-current assets					
Fixed assets					
Tangible assets	13	**651,431,832**		523,609,594	
Intangible assets	13	**17,257,898**		18,832,637	
Capital work-in-progress		**85,514,420**		5,189,660	
Intangible assets under development		**6,806,896**		2,396,161	
Non-current investments	14	**9,631,706**		16,148,100	
Long-term loans and advances	15	**150,633,616**		129,546,572	
Other non-current assets	16	**1,211,046**		2,037,721	
			922,487,414		697,760,445
Current assets					
Inventories	17	**968,338,077**		709,840,705	
Trade receivables	18	**202,459,641**		167,937,170	
Cash and cash equivalents	19	**69,556,232**		46,931,218	
Short-term loans and advances	20	**105,568,653**		54,844,041	
Other current assets	21	**688,288**		759,138	
			1,346,610,891		980,312,272
Total			**2,269,098,305**		1,678,072,717

Notes 1 to 48 form an integral part of these financial statements

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

R.K. SABOO	**Y. SABOO**	**S.K. MASOWN**	**P.K. GOYAL**
Chairman	Chief Executive Officer	Chief Financial Officer	Company Secretary

This is the consolidated balance sheet referred to in our report of even date

For **Walker, Chandiok & Co**
Chartered Accountants

Per **B.P. Singh**
Partner

Place : Chandigarh
Dated : 3 August 2012

Consolidated statement of profit & loss for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

	Note	**Year ended 31 March 2012**	Year ended 31 March 2011
REVENUE			
Revenue from operations (gross)	22	**2,366,836,323**	1,787,646,288
Less: Excise duty		**33,756,200**	31,837,421
Revenue from operations (net)		**2,333,080,123**	1,755,808,867
Other income	23	**20,032,321**	5,199,068
Total Revenue		**2,353,112,444**	1,761,007,935
EXPENDITURE			
Cost of materials consumed	24	**243,682,025**	197,487,559
Purchase of traded goods	25	**1,128,180,241**	794,016,054
Cost of services rendered		**1,166,383**	2,284,405
Changes in inventories of finished goods, work-in-progress and stock-in-trade	26	**(212,588,675)**	(138,653,043)
Employee benefit expense	27	**439,175,539**	347,525,586
Finance costs	28	**113,998,640**	92,528,634
Depreciation and amortization expense	29	**69,569,985**	58,906,421
Other expenses	30	**450,541,456**	338,655,330
Prior period expenditure	31	**1,147,802**	2,958,996
Total expenses		**2,234,873,396**	1,695,709,942
Profit before tax		**118,239,048**	65,297,993
Tax expense:			
Current tax		**45,934,205**	17,207,378
Current tax - earlier years		**431,821**	-
Minimum alternate tax credit entitlement		-	(2,560,747)
Minimum alternate tax credit adjustment - earlier years		**(431,821)**	-
Deferred tax		**258,785**	7,146,578
Profit after tax before minority interest / share of profit (loss) in associates		**72,046,058**	43,504,784
Share in (loss)/profit of associates		**(3,319,502)**	1,086,176
Adjustment for minority interest		**(9,067,714)**	8,918,137
Net profit for the year		**59,658,842**	53,509,097
Earning per equity share of face value of Rs. 10 each	40		
(1) Basic		**7.45**	7.22
(2) Diluted		**7.45**	7.22

Notes 1 to 48 form an integral part of these financial statements

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

R.K. SABOO	**Y. SABOO**	**S.K. MASOWN**	**P.K. GOYAL**
Chairman	Chief Executive Officer	Chief Financial Officer	Company Secretary

This is the consolidated statement of profit and loss referred to in our report of even date

For **Walker, Chandiok & Co**
Chartered Accountants

Place : Chandigarh
Dated : 3 August 2012

Per **B.P. Singh**
Partner

Consolidated cash flow statement for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

		Year ended 31 March 2012	Year ended 31 March 2011
A.	**Cash flow from operating activities**		
	Net Profit before extraordinary items and tax	**118,239,048**	65,297,991
	Adjustments for:		
	Depreciation and amortisation	**69,569,985**	58,906,421
	(Profit) / loss on sale / write off of assets	**1,751,211**	1,116,164
	Expense on employee stock option scheme	**240,472**	-
	Finance costs	**93,169,242**	77,440,429
	Interest income	**(2,175,817)**	(920,960)
	Dividend income	**(277,695)**	(250,000)
	Net (gain) / loss on sale of investments	**(4,188,400)**	-
	Liabilities no longer required written back	**(3,590,226)**	(2,585,037)
	Provisions written back	**(330,916)**	(1,396,078)
	Bad debts written off	**330,916**	1,558,697
	Provision for doubtful trade and other receivables, loans and advances	**4,396,963**	1,350,658
	Provision for warranty	**600,000**	-
	Foreign exchange translation reserve arising on consolidation	**(5,996,351)**	(664,717)
	Operating profit before working capital changes	**271,738,432**	199,853,568
	Adjustments for movement in:		
	Inventories	**(258,497,372)**	(161,170,567)
	Trade receivables	**(38,919,434)**	(49,935,087)
	Short-term loans and advances	**(50,724,612)**	(6,001,416)
	Long-term loans and advances	**(21,087,044)**	(5,029,863)
	Other current assets	-	(16,305,959)
	Other non-current assets	**875,435**	(312,387)
	Trade payables	**107,746,692**	69,982,238
	Other current liabilities	**115,992,882**	(13,652,166)
	Other long-term liabilities	**25,677,000**	-
	Short-term provisions	**5,121,935**	4,492,168
	Long-term provisions	**7,081,572**	1,715,220
	Net income tax (paid) / refunds	**(45,927,332)**	(15,487,521)
	Net cash flow from operating activities	**119,078,153**	8,148,228
B.	**Cash flow from investing activities:**		
	Capital expenditure on fixed assets,including capital advance	**(255,485,008)**	(86,356,884)
	Proceeds from sale of fixed assets	**2,451,117**	1,144,086
	Impact of translation on assets of foreign subsidiary	**(9,429,909)**	(6,079,415)
	Proceeds from sale of long-term investments	**10,704,795**	-
	Interest received	**2,197,906**	590,405
	Dividend received	**277,695**	250,000
	Net cash flow from / (used in) investing activities	**(249,283,405)**	(90,451,808)

Consolidated cash flow statement for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

		Year ended 31 March 2012	Year ended 31 March 2011
C.	**Cash flow from financing activities:**		
	Proceeds from issue of equity shares	**43,861,335**	78,145,125
	Proceeds from restricted cash	**(15,883,294)**	(415,239)
	Minority Interest	**6,016,116**	10,220,387
	Proceeds from issue of share warrants	**(10,920,862)**	12,972,913
	Proceeds from long-term borrowings	**136,963,394**	22,550,593
	Repayment of long-term borrowings	-	(15,478,762)
	Net increase / (decrease) in working capital borrowings	**90,692,898**	44,029,894
	Proceeds from other short-term borrowings	-	16,708,341
	Repayment of other short-term borrowings	-	(2,200,000)
	Finance cost	**(87,842,602)**	(75,096,290)
	Dividend paid	**(22,245,341)**	-
	Tax on dividend	**(3,694,673)**	-
	Net cash utilised in financing activities	**136,946,972**	91,436,962
	Net increase / (decrease) in Cash and cash equivalents	**6,741,720**	9,133,382
	Cash and cash equivalents at the beginning of the year	**35,972,756**	26,839,374
	Effect of exchange differences on restatement of foreign currency Cash and cash equivalents		
	Cash and cash equivalents at the end of the year	**42,714,477**	35,972,756
	Reconciliation of Cash and cash equivalents with the Balance Sheet:		
	Cash and cash equivalents as per Balance Sheet	**69,556,232**	46,931,218
	Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements (give details)	**26,841,755**	10,958,462
	Net Cash and cash equivalents (as defined in AS 3 Cash Flow Statements)	**42,714,477**	35,972,756

Notes 1 to 48 form an integral part of these financial statements

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

R.K. SABOO	**Y. SABOO**	**S.K. MASOWN**	**P.K. GOYAL**
Chairman	Chief Executive Officer	Chief Financial Officer	Company Secretary

This is the consolidated cash flow statement referred to in our report of even date

For **Walker, Chandiok & Co**
Chartered Accountants

Per **B.P. Singh**
Partner

Place : Chandigarh
Dated : 3 August 2012

SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation

The consolidated financial statements include the financial statements of KDDL 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 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 statement of profit and loss 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 recognised 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

SIGNIFICANT ACCOUNTING POLICIES (Contd.....)

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.

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

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 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 amortised.
- ❖ Goodwill is amortised over a period of 5 years.
- ❖ For Pylania S.A. depreciation charge is provided on straight line method based on the estimated economic useful life of the assets using the rates stated below:

Description	**Rates**
Buildings - factory	1.5% 8 .5%
Plant and machinery	10% to 15%
Office equipment	8.5% 15%
Motor vehicles	48%

7. **Inventories**

Inventories are valued as follows:

1. Raw materials & components, stores and spares, finished goods and stock in process: At lower of cost or 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. **Employee Stock Option Scheme (ESOS)**

Stock options granted to the employees under the stock options schemes are accounted at intrinsic value as per the accounting treatment prescribed by the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ('Guidelines') and guidance note on Employee share based payments issued by the Institute of Chartered Accountants of India. Accordingly, the excess of market price, determined as per the Guidelines and guidance note, of underlying equity shares (market value), over the exercise price of the options is recognised as deferred stock compensation expense and is charged to statement of profit and loss on a straight line basis over the vesting period of the options. The amortised portion of the cost is shown under shareholders' funds

SIGNIFICANT ACCOUNTING POLICIES (Contd.....)

10. 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 statement of profit and loss.

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 reserve.

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 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.

11. 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.

12. Employee benefits

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

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 statement of profit and loss.

13. 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 reflect 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

SIGNIFICANT ACCOUNTING POLICIES (Contd.....)

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 statement of profit and loss 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.

14. 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.

15. Leases

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

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

16. Contingent liabilities and provisions

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

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

17. 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 statement of profit and loss.

18. 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:

a) Inter segment revenues have been accounted for based on the transaction price agreed to between segments at estimated cost of the transferor segment.

b) Revenues and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.

c) 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 charges and other unallocable corporate expenses.

d) 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.

Notes forming part to the consolidated financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012		As at 31 March 2011	

2. Share capital

	Number	**Amount**	Number	Amount
Authorised Share Capital				
Equity shares of Rs. 10 each	**12,000,000**	**120,000,000**	12,000,000	120,000,000
Issued, subscribed and fully paid up				
Equity shares of Rs. 10 each	**8,836,620**	**88,366,200**	7,771,170	77,711,700
Issued, subscribed and not fully paid up				
Equity shares of Rs. 10 each, Rs. 5 paid up	**174,280**	**871,400**	174,280	871,400
Total	**9,010,900**	**89,237,600**	7,945,450	78,583,100
Forfeited shares	**174,280**	**871,400**	174,280	871,400

a. The Company has only one class of equity shares having a par value of Rs.10 each. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

b. Reconciliation of equity share capital

	Number	**Amount**	Number	Amount
Equity share capital of Rs. 10 each fully paid up				
Balance at the beginning of the year	**7,771,170**	**77,711,700**	7,349,220	73,492,200
Add: Shares issued pursuant to conversion of zero coupon convertible warrants	**1,065,450**	**10,654,500**	421,950	4,219,500
Balance at the end of the year	**8,836,620**	**88,366,200**	7,771,170	77,711,700

There is no movement in equity share capital of Rs. 10 each, Rs. 5 paid up during the current and previous year.

c. Shareholders holding more than 5% of equity share capital

	Number	**Amount**	Number	Amount
R. K. Saboo	**1,954,560**	**19,545,600**	1,582,607	15,826,070
Y. Saboo	**1,472,448**	**14,724,480**	1,460,948	14,609,480
U. Saboo	**451,180**	**4,511,800**	396,680	3,966,800
	3,878,188	**38,781,880**	3,440,235	34,402,350

Notes forming part to the consolidated financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
3. Reserves and surplus		
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
Capital reserve		
Balance at the beginning of the year	**166,670**	-
Add: Additions made during the year (refer note (a) below)	**-**	166,670
Less: Amount transferred to minority interest	**(34,134)**	-
Balance at the end of the year	**132,536**	166,670
Securities premium reserve		
Balance at the beginning of the year	**258,977,198**	207,463,505
Add : Additions made during the year on issue of equity shares on conversion of zero coupon convertible warrants	**33,206,835**	73,758,955
Less: Amount transferred to minority interest	**(4,082,291)**	(22,245,262)
Balance at the end of the year	**288,101,742**	258,977,198
Employee stock option		
Balance at the beginning of the year	-	-
Employee stock option outstanding	**1,396,950**	-
Less: Deferred employee compensation	**1,156,478**	-
Employee stock option at the end of the year	**240,472**	-
Foreign currency translation reserve		
As per last balance sheet	**3,705,478**	4,145,531
Add: Adjustment during the year	**(4,044,611)**	(664,717)
Less: Transferred(from)/to minority interest	**1,951,740**	224,664
Balance at the end of the year	**(339,133)**	3,705,478
General reserve		
Balance at the beginning of the year	**110,631,023**	104,346,712
Add: Transferred from statement of profit and loss	**12,202,136**	6,284,311
Balance at the end of the year	**122,833,159**	110,631,023
Deficit in the statement of profit and loss		
Balance at the beginning of the year	**(54,874,151)**	(77,993,850)
Add: Tranfer to minority interest	**(1,771,350)**	4,512,371
Add: Transferred from statement of profit and loss	**59,658,842**	53,509,097
Less: Appropriations		
Dividend on cumulative preference shares	**(2,677,442)**	(2,677,442)

Notes forming part to the consolidated financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
Proposed dividend on equity shares	**(27,110,160)**	(22,245,341)
Tax on proposed dividend	**(4,397,946)**	(3,694,673)
Transfer to general reserve	**(12,202,136)**	(6,284,311)
Proposed dividend for prior year	**(1,068,169)**	-
Tax on proposed dividend for prior year	**(177,410)**	
Balance at the end of the year	**(44,619,920)**	(54,874,149)
Revaluation reserve		
As per last balance sheet	-	-
Add: Adjustment during the year (refer note 'a' below)	**13,705,812**	-
Balance at the end of the year	**13,705,812**	-
Total	**385,563,793**	324,115,345

a. During 2010-2011, Mahen Boutiques Limited (MBL) was merged with Ethos Limited (Ethos) (formerly known as Kamla Retail Limited) 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 Ethos. The appointed date of the scheme was 01 April 2009.

b. During the year 2011-2012, Pylania SA, foreign subsidiary company has revalued its land and building in accordance with Swiss laws.

4. Money received against zero coupon convertible warrants

a. During 2010-2011, the Company issued 1,687,600 zero coupon convertible warrants on preferential basis upon payment of a consideration of Rs.10.25 per warrant. Each zero coupon convertible 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 1,065,450 (previous year 421,950) zero coupon convertible warrants exercised the option of conversion of warrants into equity shares. Amount outstanding as at the year end and disclosed as money received against zero coupon convertible warrants constitutes Rs.10.25 per warrant received from the holders of remaining 200,200 (previous year 1,265,650) warrants.

b. Details of utilisation of proceeds raised through warrants issued on preferential basis:

Balance unutilized at the end of the previous year	**22,863**	-
Add: Proceeds received during the year	**32,762,588**	30,272,863
Less: Utilised for purchase of capital assets and working capital requirements	**32,775,451**	30,250,000
Balance unutilised at the end of the current year*	**10,000**	22,863

* Balance unutilised amount is lying in the current account.

Notes forming part to the consolidated financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
5. Long term borrowings		
Secured		
Term loans from		
- banks	**179,814,482**	93,826,589
- others	**5,586,442**	-
Unsecured		
Public deposit		
- from related parties	**1,200,000**	1,200,000
- others	**57,079,000**	55,881,000
Loan from others	**67,289,479**	43,104,771
External commercial borrowing (includes Rs. 618,166 (previous year Rs. 256,673) on account of exchange rate fluctuation)	**2,377,576**	2,016,233
Others		
Secured		
-Vehicle loan from:		
- banks	**12,123,991**	2,241,937
Hire purchase finance	**13,095,175**	4,264,836
Bank Mortgage	**9,286,515**	8,353,900
Total	**347,852,660**	210,889,266

a. Details of security and terms of repayment of term loans

Term loans from banks and others amounting to Rs. 343,832,079 (including current maturities of long term debt amounting to Rs. 79,477,585 as referred to in Note 11) are secured as under:

- Term loans from Bank of India taken by Parent Company amounting to Rs. 96,870,039 (including current maturities of long term debt amounting to Rs. 22,167,284), carrying interest rate of 2.25% over the bank base rate are secured by way of first pari passu charge on all the plant & machinery and furniture & fixtures of the Parent Company excluding the fixed assets installed at packaging division at Chandigarh (KPAC), hands division at Bengaluru (KHAN-2), dials division at Barwala (KHAR) and the plant & machinery and furniture & fixtures of dials division at Parwanoo (TTPA) acquired after 31 March 2005 and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Parent Company's bankers for securing the working capital limits. The term loan is further secured by way of first pari passu mortgage charge on land and building of dials division at Derabassi (KDER). The loan includes construction loan for dials unit at Parwanoo (TTPA) which is secured by first pari passu charge on land and building of TTPA. The term loans are also personally guaranteed by the Chairman and Chief Executive Officer (CEO) of the Parent Company.

- Term loans from IDBI taken by Parent Company amounting to Rs. 22,575,000 (including current maturities of long term debt amounting to Rs. 4,750,000), carrying interest rate of 2.5% over the bank base rate, are secured by way of first pari passu charge on all the plant & machinery and furniture & fixtures of KDER, tool room division at Bengaluru (EIGEN) and hands division at Bengaluru (KHAN-1) and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Parent Company's bankers for securing the working capital limits. The term loan is further secured by way of first pari passu mortgage charge on land and building of KDER. The term loans are also personally guaranteed by the Chairman and Chief Executive Officer (CEO) of the Parent Company.

-Term loan from Corporation Bank taken by Parent Company amounting to Rs. 34,537,007 (including current maturities of long term debt amounting to Rs. 11,112,000), carrying interest rate of 14.65% p.a., are secured by way of first exclusive charge on all the plant & machinery and furniture & fixtures of KHAR and KHAN-2 and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Parent Company's bankers for securing the working capital limits. The loan is further secured by exclusive mortgage charge on land and building of KHAN-1.

-Term loans from The Jammu & Kashmir Bank Limited taken by subsidiary, Ethos Limited amounting to Rs.81,359,300 (including current maturities amounting to Rs.18,996,000), carrying interest rate of 13.25% p.a. are secured by first charge on entire fixed assets, both present and future, of the subsidiary. These limits are also secured by first charge on fixed assets of KPAC unit at Chandigarh of Parent Company. This is further secured by the first and exclusive charge over land and building, plant and machinery and office equipment of the Parwanoo unit of Parent Company, excluding the assets purchased after 1 April 2005. These loans are also guaranteed by the Parent Company and the director of the subsidiary.

-Loans from others (India Infoline Investment Services Limited) taken by subsidiary, Ethos Limited amounting to Rs.20,896,377 (including current maturities amounting to Rs.15,309,935), carrying interest rate of 13.75% p.a. are secured by exclusive mortgage and charge on personal property of the director and relatives of the director of the subsidiary. These limits are also guaranteed by the Parent Company, director of the subsidiary and relatives of the director.

-Term Loan taken by joint venture company (JV), Satva Jewellery & Design Limited amounting to Rs.2,497,364 (including current maturities amounting to Rs.998,944) from Bank of India is secured by hypothecation of all tangible property including in particular CNC lathe machine, tools, software, assembly tables etc. The loan is also secured by the personal guarantee of a Director of the JV. The loan is carrying interest rate of 13.75%.

-Bank mortage taken by subsidiary, Pylania SA amounting to rs. 9,914,175 (including current maturities amounting to Rs. 627,660 is carrying interest rate of 5.75%.

- Loan from others taken by subsidary, Pylania SA include loan taken from Bank of India amounting to rs. 15,856,355 is carrying interest rate of 3.50%. The loan is secured against bank guarantee given by the Parent Company.

- Loan from others taken by subsidary, Pylania SA include loan taken from Heinz Kohler amounting to Rs. 4,464,800 (including current maturites amounting to Rs. 4,564,800) is carrying interest rate of 5%.

- Loan from others taken by subsidary,Pylania SA include loan taken from RC Tritec amounting to Rs. 6,797,434 is carrying interest rate of 5%.

- External commercial burrowing taken by joint venture company (JV), Satva Jewellery & Design Limited amounting to rs. 3,328,538 (including current maturities amounting to Rs. 950,962) is carrying interest rate of 2% above libor.

Repayment terms of the term loans (including the current maturities of long term debt) are given as under:

- Term loan from IDBI amounting to Rs. 4,375,000 is repayable in 7 quarterly instalments of Rs. 625,000.
- Term loan from IDBI amounting to Rs. 18,200,000 has been availed as on 31 March 2012 (sanctioned amount being Rs. 45,000,000) is repayable in 20 quarterly instalments of Rs. 2,250,000 starting from January 2013.
- Term loan from Bank of India amounting to Rs. 7,142,861 is repayable in 5 quarterly instalments of Rs. 1,428,572.
- Term loan from Bank of India amounting to Rs. 9,200,834 is repayable in 13 quarterly instalments of Rs. 682,000 and last instalment of Rs. 334,834.
- Term loan from Bank of India amounting to Rs. 28,238,432 is repayable in 22 quarterly instalments of Rs. 1,250,000 and last instalment of Rs. 738,432.
- Term loan from Bank of India amounting to Rs. 17,871,687 is repayable in 12 quarterly instalments of Rs. 1,400,000 and last instalment of Rs.1,071,687.
- Term loan from Corporation Bank amounting to Rs. 34,537,007 has been availed as on 31 March 2012 (sanctioned amount being Rs. 50,000,000) is repayable in 18 quarterly instalments of Rs. 2,778,000 starting from June 2012.
- Term loan from Bank of India amounting to Rs. 34,416,225 has been availed as on 31 March 2012 (sanctioned amount Rs. 50,000,000) is repayable in 16 quarterly instalments of Rs. 3,125,000 starting from January 2013.
- Term Loans from The Jammu & Kashmir Bank Limited amounting to Rs.81,359,300 is repayable in 51 monthly instalments of Rs. 1,583,000 each.
- The loans from India Infoline Investment Services Limited amounting to Rs.20,896,377 outstanding as on 31 March 2012 will be repaid in 16 monthly instalments as per repayment schedule.
- Vehicle loans from banks are to repaid as per the respective repayment schedules in equal monthly instalments.
- Bank mortgage amounting to Rs. 9,914,175 is repayable in 63 quarterly instalments of Rs. 156,915 and last instalment of Rs. 185,445.
- Subordinated loans taken from shareholders amounting to Rs. 44,635,690 are to be repaid at the time of repayment of equity shareholders.
- Loan taken from Bank of India amounting to Rs. 15,856,355 is to be repaid in a bullet repayment after the bank guarantee is withdrawn by the Parent Company.
- Loan taken from Heinz Kohler amounting to Rs. 4,564,800 is repayable in 8 monthly instalments of Rs. 570,600 each.
- Loan taken from RC Tritec amounting to Rs. 6,797,434 is repayable in a single instalments after one year.
- External commercial borrowing taken by joint venture company (JV), Satva Jewellery & Design Limited amounting to Rs. 3,328,538 is repayable in 14 quarterly instalments of Rs. 237,740 each.

c. Hire purchase loans carrying interest rate as per the bank base rate, are secured by the assets acquired through such loans. These loans are to be repaid as per the respective repayment schedules in equal monthly instalments.

d. Public deposits carrying interest rates in the range of 12% to 12.5%, are repayab.le in 2 to 3 years from the respective dates of deposit.

Notes forming part of the consolidated financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
6. Deferred tax liabilities (net)		
Deferred tax liabilities		
Timing difference on depreciation and amortisation of tangible and intangible assets	**54,462,497**	50,833,423
Deferred tax assets		
Provision for bad and doubtful debts	**2,806,509**	1,497,346
Provision for employee benefits	**6,623,006**	4,667,123
Provision for bonus	**2,135,127**	2,128,801
Unabsorbed business losses & depreciation	**774,807**	675,889
Total	**42,123,048**	41,864,264
7. Other long term liabilities		
Advances received from customers	**25,677,000**	-
Total	**25,677,000**	-
8. Long term provisions		
Provision for employee benefits (Also refer note 8 (a))	**21,356,285**	15,627,497
Provision for warranty (Also refer note 8 (b))	**600,000**	-
Deferred payment liability due to lease straightlining	**10,145,853**	9,393,069
Total	**32,102,138**	25,020,566
9. Short term borrowings		
Secured (Also refer note (a) below)		
Working capital borrowings from banks	**489,682,654**	419,277,310
Buyers credit	**21,550,592**	1,522,080
Unsecured		
Inter company deposits		
- From related party	**500,000**	500,000
- Others	**7,631,041**	5,000,000
Public deposits	**9,430,000**	11,802,000
Total	**528,794,287**	438,101,390

Notes forming part of the consolidated financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
8 (a) Provision for employee benefits		
(i) Defined Contribution Plan: Expenditure on account of Superannuation Scheme taken by the Company with LIC of India in respect of its employee provided in the statement of profit and loss	**4,313,549**	3,409,865
(ii) Defined benefit plan/ other long term benefit plans		
a. Gratuity		
b. Leave encashment		

The following table set out the status of the plan for gratuity and leave encashment as required under Accounting Standard (AS) - 15 (R) - Employee benefits and the reconciliation of opening and closing balances of the present value of the defined benefit obligation:

Particulars	Leave Encashment	Gratuity	Leave Encashment	Gratuity
Discount rate	**8%-8.5%**	**8%-8.5%**	8%	8%
Rate of increase in compensation levels	**5%-7%**	**5%-7%**	5%	5%
Rate of return of plan assets	**-**	**8%-8.5%**	-	8%

Change in the present value of obligation :	**Gratuity**	Gratuity
Present value of obligation as at the beginning of the year	**21,050,362**	18,383,729
Interest cost	**1,655,371**	1,693,786
Current service cost	**2,723,291**	2,125,788
Benefits paid/ payable	**(1,705,462)**	(1,113,523)
Actuarial loss/(gain) on obligations	**4,083,595**	(39,418)
Present value of obligation as at the end of the year	**27,807,157**	21,050,362
Change in the fair value of plan assets :		
Fair value of plan assets at the beginning of the year	**13,655,882**	11,473,121
Expected return on plan assets	**1,115,961**	1,038,468
Contributions	**1,014,305**	2,178,099
Benefits paid	**(1,705,462)**	(1,035,471)
Acturial gain on plan assets	**490**	1,665
Fair value of plan assets at the end of the year	**14,081,176**	13,655,882
Reconciliation of present value of defined benefit obligation and the fair value of assets		
Present value of funded obligation as at the end of the year	**27,807,157**	21,050,362
Fair value of plan assets as at the end of the period funded status	**14,081,176**	13,655,882
Unfunded/ Funded Net Liability recognized in Balance Sheet	**13,725,981**	7,394,480
Expenses recognised in the statement of profit and loss:		
Current service cost	**2,723,291**	2,125,788
Interest cost	**1,655,371**	1,423,038
Expected return on plan assets	**1,115,961**	1,038,468
Net actuarial loss/(gain) recognized in the year	**4,083,105**	(119,135)
Total expenses recognized in the statement of profit and loss	**7,345,806**	2,391,223

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:

	2011-12	2010-11	2009-10	2008-09	2007-08
Gratuity					
Defined benefit obligation	27,807,157	21,050,362	18,383,729	17,057,686	13,740,953
Plan Assets	14,081,176	13,655,882	11,348,466	12,449,724	8,825,348
Net liability	**13,725,981**	**7,394,480**	**7,035,263**	**4,607,962**	**4,915,605**

8 (b) Reconciliation of provision for warranty		
Provision at the beginning of the year	**-**	-
Add: Provided during the year	**600,000**	-
Provision at the end of the year	**600,000**	-

Notes forming part of the consolidated financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011

a. Details of security of short term secured loans

- Working capital borrowings amounting to Rs. 164,964,590 are secured by hypothecation of stocks of stores and spares, raw materials and components, finished goods and stock-in-process and book debts and other assets of the Parent Company (both present and future), on pari passu basis except packaging unit (KPAC) and are further secured by a second charge on the entire fixed assets of the Parent Company. These loans are also guaranteed by the Chairman and Chief Executive Officer (CEO) of the Parent Company.

- Buyers credit is secured against hypothecation of inventory and receivables of the Parent Company.

-The working capital loans taken by subsidiary company, Ethos Limited amounting to Rs. 91,980,519 are secured by first pari passu charge on the current assets, both present and future, and second pari passu charge on the fixed assets of the subsidiary, both present and future. These limits are also secured by exclusive mortgage charge on all the immovable assets of the tool room unit (Eigen) at Bangalore of the Parent Company. These limits are guaranteed by the Parent Company and director of the subsidiary and his relative.

-The working capital loans taken by subsidiary company, Ethos Limited amounting to Rs. 109,527,894 are secured by first pari passu charge on current assets of the subsidiary including stock in trade and receivables. These limits are also secured by a second pari passu charge on the fixed assets of the subsidiary. These limits are guaranteed by the Parent Company and the director of the subsidiary and his relative.

-The working capital loans taken by subsidiary company, Ethos Limited amounting to Rs. 117,518,609 are secured by first pari passu charge on the stock, receivables and other current assets of the subsidiary. These limits are also secured by first charge on fixed assets of KPAC unit at Chandigarh of the Parent Company. This is further secured by the first and exclusive charge over land and building, plant and machinery and office equipment of the Parwanoo unit of the Parent Company, excluding the assets purchased after 1 April 2005. These loans are also guaranteed by the Parent Company and the director of the subsidiary.

-Working capital loans taken by subsidiary company, Himachal Fine Blanks Limited amounting to Rs.4,691,153 are secured by first charge on their inventories and book debts of the subsidiary and further by corporate guarantee of the Parent Company.

-Working capital loan taken by joint venture company (JV), Satva Jewellery & Design Limited amounting to Rs.999,889 is secured by hypothecation of all tangible movable properties including in particular stocks of metal pieces, watch cases, tools, dies, diamonds and artificial stones etc of the JV. The loan is also secured by the personal guarantee of a Director of the JV.

10. Trade payables

Acceptances	**10,436,959**	986,526
Dues to micro and small enterprises (Also refer note (a) below)	**-**	-
Dues to others	**386,641,423**	291,935,390
Total	**397,078,382**	292,921,916

a. Dues to micro, small and medium enterprises pursuant to section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006

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 Group. There was no amount due to any such entities which needs to be disclosed.

Notes forming part of the consolidated financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
11. Other current liabilities		
Current maturities of long term debts		
Public deposits	**30,430,000**	18,243,000
Term loan from banks	**58,024,228**	43,575,300
Term loan (others)	**15,309,935**	-
Vehicle loan from banks	**4,537,876**	2,329,536
Unsecured loans from others	**4,564,800**	4,808,000
Bank mortgage	**627,600**	528,880
External commercial borrowings (includes Rs. 224,324 (previous year Rs. 90,663) on account of exchange rate fluctuation)	**950,962**	817,301
Current maturities of hire purchase finance	**3,333,068**	4,200,998
Current maturities of lease	**4,173,091**	-
Interest accrued but not due on borrowings	**14,296,626**	8,969,985
Unpaid dividend in Investor Education and Protection Fund*	**1,201,716**	960,856
Other Payables		
Statutory dues	**24,021,627**	14,498,970
Creditors for capital expenditure	**24,873,672**	4,893,346
Advances from customers	**64,251,850**	13,509,862
Employee related payables	**36,304,626**	29,443,216
Book overdraft	**981,134**	-
Other Liabilities	**2,928,375**	2,732,147
Total	**290,811,246**	149,511,397

* Not due for deposit

12. Short term provisions		
Provision for employees benefits (Also refer note 8)	**9,317,507**	7,846,028
Others		
Provision for wealth tax	**90,000**	60,000
Proposed dividend	**27,110,160**	22,245,341
Tax on proposed dividend	**4,397,946**	3,694,673
Echo club provision	**3,469,991**	2,526,978
Deferred payment liability due to lease straightlining	**916,343**	916,343
Dividend on cumulative preference shares (refer note 45)	**5,573,552**	2,896,110
Total	**50,875,499**	40,185,473

Notes forming part of the consolidated financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

Note-13 Fixed Assets

For the year ended 31 March 2012

Particulars	Gross Block				Depreciation					Net Block	
	As at 01 April 2011	Additions	Disposal	As at 31 March 2012	Upto 31 March 2011	Charge for the year	Adjustment (Net)	Translation adjustment	Upto 31 March 2012	As at 31 March 2012	As at 31 March 2011
Tangible											
Land											
- Leasehold	792,659	-	-	**792,659**	-	-	-	-	-	**792,659**	792,659
- Freehold	10,044,331	1,997,100	-	**12,041,431**	(382,500)	-	-	(404,100)	**(786,600)**	**12,828,031**	10,426,831
Buildings	143,510,727	28,357,473	-	**171,868,200**	40,947,504	5,377,569	-	(4,969,104)	**41,355,969**	**130,512,231**	102,563,223
Leasehold improvements	34,701,146	14,304,151	88,932	**48,916,365**	19,004,243	6,013,663	37,842	-	**24,980,064**	**23,936,301**	15,696,903
Plant and machinery	645,038,741	99,002,496	2,599,708	**741,441,529**	332,702,531	36,454,793	1,516,070	(3,785,853)	**363,855,401**	**377,586,128**	312,336,210
Furniture and Fixtures	114,141,721	17,203,593	7,820,357	**123,524,957**	51,291,052	8,425,575	6,738,141	343,414	**53,321,900**	**70,203,057**	62,850,669
Office equipment	11,501,733	1,874,453	348,779	**13,027,407**	5,385,841	840,535	280,478	-	**5,945,898**	**7,081,509**	6,115,892
Vehicles	21,331,809	20,663,303	3,827,308	**38,167,804**	8,504,601	3,099,025	1,910,227	(17,511)	**9,675,888**	**28,491,916**	12,827,208
Intangible											
ERP software	20,330,359	424,029	-	**20,754,388**	8,441,675	4,207,846	-	-	**12,649,521**	**8,104,867**	11,888,684
Goodwill	4,947,500	-	-	**4,947,500**	3,128,945	2,423,477	-	(206,989)	**5,345,433**	**(397,933)**	1,818,555
Know how	6,724,722	6,803,241	-	**13,527,963**	1,599,324	2,820,379	-	(389,766)	**4,029,938**	**9,498,026**	5,125,398
Web portal	-	100,000	-	**100,000**	-	47,062	-	-	**47,062**	**52,938**	-
TOTAL	1,013,065,448	190,729,838	14,685,084	**1,189,110,203**	470,623,216	69,709,924	10,482,758	(9,429,909)	**520,420,473**	**668,689,730**	542,442,232

For the year ended 31 March 2011

Particulars	Gross Block				Depreciation					Net Block	
	As at 01 April 2010	Additions	Disposal	As at 31 March 2011	Upto 31 March 2010	Charge for the year	Adjustment (Net)	Translation adjustment	Upto 31 March 2011	As at 31 March 2011	As at 31 March 2010
Tangible											
Land											
- Leasehold	792,659	-	-	**792,659**	-	-	-	-	**-**	**792,659**	792,659
- Freehold	10,044,331	-	-	**10,044,331**	(99,000)	-	-	(283,500)	**(382,500)**	**10,426,831**	10,143,331
Buildings	140,183,514	3,327,213	-	**143,510,727**	33,050,748	11,582,844	-	(3,686,088)	**40,947,504**	**102,563,223**	107,132,766
Leasehold improvements	26,486,291	9,655,822	1,440,967	**34,701,146**	15,258,884	4,489,601	744,242		**19,004,243**	**15,696,903**	11,227,407
Plant and machinery	605,922,922	40,789,477	1,673,658	**645,038,741**	307,339,198	28,474,324	1,232,419	(1,878,572)	**332,702,531**	**312,336,210**	298,583,724
Furniture and fixtures	94,018,561	20,512,457	389,297	**114,141,721**	44,874,352	6,358,299	201,245	259,646	**51,291,052**	**62,850,669**	49,144,209
Office Equipment	11,030,002	661,536	189,805	**11,501,733**	4,802,341	641,603	58,103		**5,385,841**	**6,115,892**	6,227,661
Vehicles	17,684,149	4,582,006	934,346	**21,331,809**	6,983,798	1,657,489	131,814	(4,872)	**8,504,601**	**12,827,208**	10,700,352
Intangibles											
ERP software	16,108,019	4,222,340		**20,330,359**	6,133,305	2,308,370	-	-	**8,441,675**	**11,888,684**	9,974,714
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	1,405,930	-	-	**1,599,324**	**5,125,398**	2,127,328
TOTAL	929,538,670	88,154,851	4,628,073	**1,013,065,448**	420,164,033	58,906,421	2,367,823	(6,079,415)	**470,623,216**	**542,442,232**	509,374,637

Notes:

1. The borrowing costs capitalized during the year ended 31 March 2012 was Rs. 3,342,858 (previous year Rs. Nil). The Company capitalized this borrowing cost in capital work-in progress.
2. Plant and machinery with a gross value of Rs. 10,549,963 (previous year Rs. 9,783,209), depreciation and accumulated depreciation of Rs. 655,027 (previous year Rs.119,864) and net book value of Rs. 9,894,936 (previous year Rs.9,663,345) included in the above statement have been acquired on hire purchase arrangement by the Company.
3. Depreciation during the year includes Rs. 139,939 (Previous year Rs. Nil) 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.
4. Additions made during the year ended 31 March 2012 includes Rs. 13,705,812 (previous year Rs. Nil) on account of revaluation of fixed assets in Pylania SA.

Notes forming part of the consolidated financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

		As at 31 March 2012		As at 31 March 2011
14. Non current investments				
Trade investments				
(valued at cost unless stated otherwise, unquoted)				
180,000 (previous year 180,000) equity shares of Rs. 10 each fully paid up of Saboo Coatings Limited		**1,800,000**		1,800,000
Associates				
Nil (previous year 51) equity shares of Swiss Franc (CHF) 1,000 each fully paid up of Taratec SA, Switzerland	**1,540,710**		1,540,710	
Add : Share in opening reserves	**4,007,086**		2,973,255	
Add : Share in current year profit	**(3,350,904)**		1,033,831	
Less : Sales of investment in Taratech SA	**(2,196,892)**		-	
				5,547,796
300,000 (previous year 300,000) equity shares of Rs. 10 each fully paid up of Kamla Tesio Dials Limited.	**3,000,000**		3,000,000	
Add : Share in opening reserves	**(374,696)**		(427,041)	
Add : Share in current year profit	**31,402**		52,345	
		2,656,706		2,625,304
Aggregate of trade investments		**4,456,706**		9,973,100
Non trade investments				
(valued at cost unless stated otherwise, unquoted)				
Nil (previous year 10,000) equity shares of Rs. 100 each fully paid up, of VBL Innovations Private Limited		-		1,000,000
500,000 (previous year 500,000) equity shares of Rs. 10 each fully paid up of Karolview Developers Private Limited**		**5,000,000**		5,000,000
17,500 (previous year 17,500) equity shares of Rs. 10 each fully paid up of Shivalik Waste Management Limited		**175,000**		175,000
Aggregate value of non trade investments		**5,175,000**		6,175,000
Total		**9,631,706**		16,148,100
Aggregate amount of unquoted investments		**9,631,706**		16,148,100

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

Notes forming part of the consolidated financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
15. Long term loans and advances		
(Unsecured, considered good, unless otherwise stated)		
Capital advances		
Unsecured, considered good	**12,504,651**	4,036,882
Considered doubtful	**200,000**	-
	12,704,651	4,036,882
Less: Provision for doubtful capital advance	**(200,000)**	-
	12,504,651	4,036,882
Security deposits	**89,505,842**	77,625,373
Prepaid income taxes [net of provision Rs.66,593,144(previous year Rs.21,600,353)]	**26,941,696**	20,670,338
Other loans and advances		
Employee loans and advances	**4,569,117**	2,153,369
Minimum alternate tax	**112,310**	112,310
Claim receivable [refer note 36 (a)]	**17,000,000**	-
Balances with government and statutory authorities	-	24,948,300
Total	**150,633,616**	129,546,572
16. Other non current assets		
Prepaid expenses	**747,659**	1,236,484
Interest accrued on deposits	**152,798**	104,038
Fixed deposit held as margin money*	**310,589**	697,199
Total	**1,211,046**	2,037,721
*Pledged as security for bank guarantees		
17. Inventories		
(valued at lower of cost and net realisable value, unless otherwise stated)		
Raw material	**110,716,576**	70,461,238
Raw material (in transit)	**5,007,381**	2,990,255
Work-in-progress	**49,672,294**	47,520,755
Finished goods	**773,052,538**	562,750,835
Finished goods (in transit)	**5,123,259**	449,044
Stores & spares	**24,675,669**	18,976,724
Stores & spares (in transit)	-	2,515,572
Others (valued at estimated realisable value)		
- Scrap	**90,360**	176,282
Total	**968,338,077**	709,840,705
18. Trade receivables		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, Considered good	**5,052,662**	6,690,722
Unsecured, Considered doubtful	**6,646,715**	4,615,028
	11,699,377	11,305,750
Less: Allowance for bad and doubtful debts	**6,646,715**	4,615,028
	5,052,662	6,690,722

Notes forming part of the consolidated financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
Other debts		
Unsecured, considered good	**197,406,979**	161,246,448
Unsecured, Considered doubtful	**1,834,360**	-
	199,241,340	161,246,448
Less: Allowance for bad and doubtful debts	**1,834,360**	-
	197,406,979	161,246,448
Total	**202,459,641**	167,937,170
19. Cash and bank balances		
Cash and cash equivalents		
- Cash in hand	**11,128,598**	13,088,695
- Cheques and drafts in hand	**2,359,049**	4,310,375
- Credit cards received	**5,766,422**	2,805,280
Balances with banks		
- in current account	**23,460,408**	15,768,406
Other bank balances		
- Unpaid dividend account	**1,201,753**	960,975
- Balances with banks in deposit accounts held as margin money	**25,640,002**	9,997,487
Total	**69,556,232**	46,931,218
20. Short-term loans and advances		
(Unsecured, considered good, unless otherwise stated)		
Loans and advances to related parties		
Joint venture	**3,244,783**	68,699
Entities in which significant influence is exercised	**428,885**	-
Employees loans and advances	**11,835,474**	6,698,374
Security deposits	**5,918,460**	124,398
Prepaid expenses	**7,888,572**	4,477,079
Minimum alternate tax credit entitlement	**2,467,368**	2,899,189
Balances with government and statutory authorities	**54,432,658**	29,011,226
Advances to suppliers	**13,215,586**	10,348,136
Consideration recoverable on sale of investment	**5,406,617**	-
Advances recoverable	**730,250**	1,216,940
	-	
Total	**105,568,653**	54,844,041
21. Other current assets		
Interest accrued on deposits	**688,288**	759,138
Total	**688,288**	759,138

Notes forming part of the consolidated financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
22. Revenue from operations		
Sale of products	**2,292,493,806**	1,731,574,602
Sale of services		
- Job charges received	**1,411,608**	214,787
- Tool development charges received	**7,766,296**	9,221,382
- Support services income	**4,057,650**	4,300,700
- Service income	**2,269,986**	2,016,413
Other operating income		
Liabilties no longer required written back	**3,590,226**	2,643,313
Provisions written back	**330,916**	511,408
Export Incentives	**24,480,691**	18,380,497
Commission income	**194,948**	833,752
Miscellaneous sales	**24,418,681**	17,343,830
Discount Received	**5,821,515**	605,604
Total	**2,366,836,323**	**1,787,646,288**

As required by revised schedule VI the details of products sold and consumed in the footnotes has not been given, since NA on consol.

	As at 31 March 2012	As at 31 March 2011
23. Other income		
Interest income from		
- Banks	**1,431,663**	920,960
- Others	**744,155**	-
Dividend income	**277,695**	250,000
Profit on sale of investments (net)	**4,188,400**	-
Profit on sale of fixed assets (net)	**-**	37,174
Other non operating income		
- Rent	**612,000**	600,000
- Other	**378,487**	182,182
Net gain or loss on foreign exchange fluctuation	**12,399,921**	3,208,752
Total	**20,032,321**	**5,199,068**
24. Cost of material consumed		
Raw material consumed		
Opening inventories	**75,715,652**	93,761,571
Add: Purchases during the year	**282,383,311**	179,441,640
Less: Closing inventories	**114,416,938**	75,715,652
Total	**243,682,025**	197,487,559
25. Purchases of traded goods		
Watches	**1,128,180,241**	794,016,054
	1,128,180,241	794,016,054
26. Change in inventories		
Opening Stock		
Finished goods		
-own manufactured	**6,712,665**	9,916,080
-traded	**560,487,214**	422,698,586
Work in process	**47,520,756**	43,067,295
Scrap	**176,282**	529,566
Closing Stock		
Finished goods		
-own manufactured	**9,961,314**	6,712,665
-traded	**768,214,483**	560,487,214
Work in process	**49,672,294**	47,520,755
Scrap	**90,360**	176,282
Impact of excise duty on opening/closing stock	**452,859**	32,346
Increase in stocks	**(212,588,675)**	(138,653,043)

Notes forming part of the consolidated financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011
27. Employment benefit expenses		
Salaries and wages	**379,947,952**	309,839,726
Contractual labour expenses	**16,190,619**	6,079,351
Contribution to provident and other funds	**20,964,238**	15,358,165
Staff welfare expenses	**21,832,258**	16,248,344
Employee stock option scheme	**240,472**	-
Total	**439,175,539**	347,525,586
28. Finance costs		
Interest expense	**93,169,242**	77,440,429
Other borrowing cost	**20,829,398**	15,088,205
Total	**113,998,640**	92,528,634
29. Depreciation and amortisation expenses		
Depreciation (Also, refer note 13)	**60,071,221**	53,204,161
Amortisation (Also, refer note 13)	**9,498,764**	5,702,260
Total	**69,569,985**	58,906,421
30. Other Expenses		
Stores and spares consumed	**58,378,018**	59,088,046
Power, fuel and water charges	**32,787,892**	28,808,105
Insurance	**1,743,868**	1,433,435
Rent		
- Office and factory premises (net of reimbursement)	**132,561,085**	80,573,690
- Machinery	**8,699,567**	6,922,648
Lease straightlining	**752,784**	2,920,358
Rates and taxes	**2,798,897**	1,905,329
Repair and maintenance		
- Plant and machinery	**12,822,541**	10,580,829
- Buildings	**3,335,547**	4,952,298
- Others	**8,391,522**	7,657,657
- Vehicle	**434,268**	144,081
Legal and professional	**20,989,935**	17,354,825
Payment to auditors of parent company		
- Audit fee	**675,000**	675,000
- Tax audit fee	**75,000**	75,000
- Certification	**431,000**	300,500
- Expenses	**408,804**	345,216
Fee and payment to auditors of other group companies	**1,338,579**	701,421
Travel and conveyance	**37,789,926**	29,067,694
Job charges	**21,168,907**	11,695,206
Printing and stationery	**5,391,166**	4,741,879
Postage and telephone	**10,349,363**	8,703,245
Subscription and annual fees	**1,334,369**	908,744
Selling and distribution expenses(Net)		
-Commission	**21,888,652**	1,738,076
-Discount	**306,825**	1,060,159
-Others	**29,074,476**	10,398,201
Loss on sale of fixed assets	**956,168**	275,831
Sundry assets written off	**795,043**	840,333
Development charges	**627,449**	1,517,485
Recruitment expenses	**2,421,408**	2,355,102
Provision for doubtful debts	**4,396,963**	1,350,658
Donation	**541,100**	1,238,000
Bad debts written off	**330,916**	1,558,697
Amount written off	**8,880**	-
Provision for warranty	**600,000**	-
Freight and cartage	**2,439,645**	2,179,951
Directors sitting fees	**511,000**	350,000
Miscellaneous expenses	**22,984,893**	34,237,631
Total	**450,541,456**	338,655,330
31. Prior period expenses		
Interest on income tax	**572,028**	-
Rent	**575,774**	2,958,994
	1,147,802	2,958,996

Notes forming part of the consolidated financial statements for the year ended 31 March 2012

Notes to the consolidated financial statements

32. 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:

a) Detail of the subsidiaries are as under:

Name of subsidiary	Country of incorporation	Percentage of ownership
Himachal Fine Blank Limited	India	100%
Ethos Limited (formerlyknown as Kamla Retail Limited)	India	79.52% *
Mahen Distribution Limited	India	100%
PylaniaS.A.	Switzerland	65.50%
Kamla International Holding S.A.	Switzerland	100% **

* Include 19.59% held through Mahen Distribution Limited.

** The date of incorporation of Kamla International Holding S.A. is 09 December 2011.

b) Details of associates are as under:

Name of the associate	Country of incorporation	Percentage of ownership
Kamla Tesio Dials Limited	India	30 %
Taratec S.A***.	Switzerland	0 %

*** KDDL Limitedowned 34% in Taratec SA till 17 January 2012.

c) Detail of joint venture is as under:

Name of the joint venture	Country of incorporation	Percentage of ownership
Satva Jewellery and Design Limited	India	50%

d) The financial statements of Taratec S.A. (an associate of KDDL) considered for consolidation has a reporting date of 31 December 2011, 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.

e) The consolidated financial statements of the Group have been based on a line by line consolidation of statement of profit and loss and balance sheet of KDDL and its subsidiaries. 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.

f) 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.

g) On 04 December 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'.

h) On 09 December 2011, the Parent Company incorporated its wholly owned subsidiary in the name of "Kamla International Holding S.A." with an authourized share capital of CHF 300,000 to operate as a separate business with the main object of overseas investment.

Notes forming part of the consolidated financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

			As at 31 March 2012	As at 31 March 2011
33	**Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)**		**5,743,079**	6,101,416
34	**Contingent liability not provided for exists in respect of :**			
	a)	Bank guarantees outstanding.	**23,279,750**	20,558,750
	b)	Bonds in favour of central excise and customs authorities	**6,425,000**	6,425,000
	c)	Guarantee given to a scheduled bank in relation to overdraft facility of Rs.435,000,000 (previous year Rs.419,000,000) on account of term loan and working capital provided by the bank to subsidiary companies. Amount of overdraft outstanding as on 31 March 2012 is Rs.414,223,706 (previous year Rs.338,235,269). 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.	**1,204,891**	1,204,891
	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. 296,000 (previous year Rs. 296,000)	**504,443**	504,443
	f)	Case for AY 2005-06, for which a demand of Rs.13,203,431 (previous year Rs.13,203,431) was raised by the income tax department and the Company had deposited Rs. Nil (previous year Rs.10,916,620) under protest,was decided by the Commissioner of Income Tax (Appeals) in favour of the Company and the amount deposited has been adjusted against dues for subsequent assessment years. However, the income tax department has preferred an appeal with Income Tax Appellate Tribunal. Demands raised by Income Tax Authorities in respect of disallowancs for AY 2006-07, 2007-08 and 2008-09 are identical to AY 2005-06, which have been challenged by the Company before Income Tax Authorities (Income Tax Appellate Tribunal for AY 2006-07 and Commissioner of Income Tax (Appeals) for AY 2007-08 and 2008-09) and the Company had deposited Rs.17,419,847 (previous year Rs.Nil) under protest.	**35,746,450**	24,063,220
	g)	Demands raised by the income tax authority for AY 2004-05 against which appeals have been filed. Amount paid under protest Rs.4,046,108 (previous year Rs.1,577,440)	**4,046,108**	4,046,108
	h)	Demand made by central excise authority	**8,256,222**	8,256,222
	i)	Surety Bonds in favour of ST department	**100,000**	-
	j)	Demand made by sales tax authourities (Ludhiana) against which appeals have been filed	**5,208,715**	5,106,676
	k)	Modvat credit disallowed by central excise authourities, for which appeal have been filed (Amount paid under protest of Rs. 125,000 (previous year Rs. 125,000))	**210,980**	210,980
	l)	Arrears of fixed cumulative dividend on 12% cumulative optionally convertible preference shares including Corporate Dividend Tax (CDT)	**1,440,086**	812,523
	m)	Custom duty saved against EPCG Licences, pending redemption	**2,115,725**	-

35 The name of Kamla Retail Limited, a subsidiary company was changed during the year to “Ethos Limited” with effect from 5 March 2012.

36 **(a)** During the current year, pursuant to the visit of the officers of Directorate general of Central excise intelligence (DGCEI) in the premises of the subsidiary company 'Ethos Limited' (formerly known as Kamla Retail Limited) on 18 August 2011, the subsidiary had reversed the input service tax credit of Rs.17,000,000 by utilizing the service tax credit availed by it. The above amount was reversed as per the opinion of the officials of DGCEI. The subsidiary company, on the basis of legal opinion obtained is of the view that it is entitled to this input service tax credit. Since, the amount was reversed under protest and without prejudice to the legal rights of the subsidiary company, it has shown the above amount of Rs.1,70,00,000 reversed as claim receivable under the head "long term loans and advances".

(b) The Finance Act, 2010 had levied service tax on renting of immovable properties given for commercial use, retrospectively with effect from 1 June 2007. The same was challenged by the industry in the court of law and stay order was granted by the Hon’ble High Court of Delhi in the writ petition of Home Solution Retail Limited Vs Union of India. Till the previous year ended 31 March 2011, pending final outcome of this, the subsidiary company Ethos Limited (formerly known as Kamla Retail Limited) had not paid the service tax amount on lease rentals in some cases since the subsidiary company had an understanding with the landlords. However, in the current year, the subsidiary company has paid an amount of Rs.7,854,208 to the landlords as service tax on lease rentals pertaining to previous years and have included the same in the rent expenses in the statement of profit and loss.

Notes forming part of the consolidated financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2012	As at 31 March 2011

37 Ethos Limited, a subsidiary 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 statement of profit and loss aggregate Rs.149,441,734 (previous year Rs.88,903,219) [including Rs.89,264,434 towards cancellable lease (previous year Rs.64,174,983)]. The future minimum lease payments under non-cancellable operating leases are as follows:

Future Minimum lease payments due		
Within one year	**42,552,352**	26,469,670
Later than one year and not later than five years	**58,669,481**	69,875,090
More than 5 years	**8,303,200**	11,644,113
	109,525,033	107,988,873

38 Movement in provision for points accrued under Club Echo Loyality Programme is as under:

Opening provision	**2,526,978**	1,645,737
Add: provision created during the year (net)	**943,013**	881,241
Closing provision	**3,469,991**	2,526,978

39 Subject to regulatory approvals, the shareholders of Pylania SA, a subsidiary company agreed to decrease the share capital of subsidiary by CHF 500,000 and increase share capital by CHF 460,000 compensating their loans. The subsidiary is loss making but the directors of the subsidiary are confident that the subsidiary will turn around to profitability with a strong recovery starting from the current fiscal year. This is reflected in the steady rise of enquiries and concrete projects received at Pylania from prestigious Swiss brands.

40 Earnings per share

Net profit/(loss) attributable to equity shareholders		
Profit/(loss) after tax and minority interests (Rs.)	**59,658,843**	53,509,095
Number of equity shares at the beginning of the year	**7,771,170**	7,349,220
Shares issued during the year.	**1,065,450**	421,950
Total equity shares outstanding at the end of the year	**8,836,620**	7,771,170
No. of weighted average equity shares		
Basic	**8,011,697**	7,415,114
Diluted	**8,011,697**	7,415,114
Nominal value of equity share (Rs.)	**10**	10
Earnings per share (Rs.)		
Basic (Rs.)	**7.45**	7.22
Diluted (Rs.)	**7.45**	7.22

41 During the year, following shares were issued outside the group:

-Ethos Limited (formerly known as Kamla Retail Limited), issued 3,625 (previous year 955,567) equity shares of Rs. 10 each at a price of Rs 100 per share (previous yearRs. 73.50 per share).

Accordingly adjustments have been carried out to take the effect of minority interest in the consolidated financial statements.

42 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.

Notes forming part of the consolidated financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

Note 42 (Contd.)

Segment information - Primary Segment (Business Segment)
(Figures in parentheses are for the previous year)

Particulars	Precision and watch components	Watch and accessories	Others	Total
Revenue				
Gross operating and other income*	**1,030,427,694**	**1,253,649,197**	**79,015,303**	**2,363,092,194**
	(817,836,178)	(889,976,848)	(83,192,891)	(1,791,005,917)
Results				
Segment result	**223,492,116**	**58,496,758**	**2,694,726**	**284,683,600**
	(154,363,837)	(47,616,017)	(4,778,943)	(206,758,797)
Unallocated corporate expenses (net)				**(53,473,927)**
				(46,894,135)
Operating profit				**231,209,673**
				(159,864,662)
Interest income				**2,175,817**
				(920,960)
Interest Expenses				**113,998,640**
				(92,528,633)
Prior period expenses				**1,147,802**
				(2,958,996)
Current income tax (net of tax earlier year)				**45,934,205**
				(14,646,631)
Deferred tax				**258,785**
				(7,146,578)
Net Profit				**72,046,058**
				(43,504,784)
Other Information				
Segment assets	**883,251,544**	**1,027,488,017**	**49,968,273**	**1,960,707,834**
	(601,604,916)	(813,317,193)	(39,003,913)	(1,453,926,023)
Unallocated corporate assets				**308,390,472**
				(224,146,694)
Total assets				**2,269,098,306**
				(1,678,072,717)
Segment liabilities	**350,379,019**	**766,266,967**	**18,643,291**	**1,135,289,277**
	(208,245,954)	(564,322,583)	(15,923,398)	(788,491,935)
Unallocated corporate liabilities & loans				**580,024,983**
				(410,002,336)
Total liabilities				**1,715,314,260**
				(1,198,494,271)
Capital expenditure	**233,370,813**	**26,068,604**	**3,995,387**	**263,434,804**
	(51,900,009)	(29,777,122)	(1,726,133)	(83,403,264)
Unallocated capital expenditure				**12,030,530**
				(6,990,502)
Depreciation	**53,227,094**	**11,810,325**	**1,050,503**	**66,087,922**
	(46,072,899)	(9,703,844)	(804,765)	(56,581,508)
Unallocated depreciation				**3,482,063**
				(2,324,913)
Other non cash expenses	**6,415,999**	**-**	**240,965**	**6,656,964**
	(474,184)	(1,887,622)	-	(2,361,806)
Unallocated non cash expenses				**422,126**
				(105,016)

*Excluding unallocated corporate income Rs.21,600,631 (previous year Rs 9,18,479) and interest income Rs.2,175,818 (previous year Rs.920,960). Segment revenues are gross of excise duty.

Notes forming part of the consolidated financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

Note 42 (Contd.) -

Segment Information - Secondary Segment (Geographical)

The following tables present revenue and profit information regarding industry segments for the period ended 31 March 2012 and asset and liability information regarding industry segments as at 31 March 2012.

(Figures in parentheses are for the previous years)

Secondary Segment information :

Particulars	India	Outside India	Total
Segment revenue	**1,644,814,686**	**718,277,509**	**2,363,092,194**
	(1,280,181,222)	(510,824,695)	(1,791,005,917)
Segment assets	**1,849,356,810**	**111,351,024**	**1,960,707,834**
	1,433,329,487	(20,596,536)	1,453,926,023
Capital expenditure	**226,177,979**	**37,256,825**	**263,434,804**
	(78,567,594)	(4,835,670)	(83,403,264)

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

43. 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., Dream Digital Technology Limited, Vardhan International Limited, VBL Innovations Private Limited, Vardhan Properties Investments Limited., Shri M.K. Saboo Charitable Trust, Smt. Kamla Devi Saboo Charitability Trust. Tara Chand Mahendra Kumar (HUF) Trust, Y.Saboo HUF
IV. Key Management Personnel	**Relatives ****
a. Mr. R.K. Saboo (Chairman)	Ms. U. Saboo (wife), Mr. Y. Saboo (son), 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)

* Taratec SA is related party till 17 January 2012

** Only those relatives of key management personnel with whom the Company had transactions during the year, have been given.

Notes forming part of the consolidated financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

Sr. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Person	Relatives of Key Management Personnel
1	**Purchase of raw material and components**					
	Satva Jewellery & Design Limited	-	105,905	-	-	-
	Saboo Coatings Limited	-	-	3,522,235	-	-
	Vardhan International Ltd..	-	-	1,561,458	-	-
2	**Sale of goods**					
	Saboo Coatings Limited	-	-	109,249	-	-
3	**Purchase of services**					
	Saboo Coatings Limited	-	-	96,000	-	-
	Dream Digital Technology Ltd.	-	-	9,817,089	-	-
4	**Commission paid on sales**					
	Taratec SA	21,888,651	-	-	-	-
5	**Rent paid by the Company**					
	Kamla Tesio Dials Limited	800,000	-	-	-	-
	Saboo Coatings Limited	-	-	50,000	-	-
	Mr. R.K. Saboo	-	-	-	276,948	-
	Mr. Y. Saboo	-	-	-	1,054,772	-
	Ms A. Saboo	-	-	-	-	138,600
	Ms U. Saboo	-	-	-	-	55,440
	Satva Jewellery & Design Limited	-	147,000	-	-	-
6	**Salary of employees paid**					
	Mr. Pranav S. Saboo	-	-	-	-	499,040
7	**Directors remuneration**					
	Mr. R.K. Saboo	-	-	-	3,216,124	-
	Mr. Y. Saboo	-	-	-	6,078,992	-
	Mr. Dinesh Agrawal	-	-	-	3,591,626	-
8	**Interest received**					
	Satva Jewellery & Design Limited	-	225,582	-	-	-
9	**Interest paid/ accrued**					
	Vardhan Properties and Investment Ltd.	-	-	55,150	-	-
	Ms. Asha Devi Saboo	-	-	-	-	122,836
	Other	-	-	-	-	28,039
10	**Expenses incurred by the Company reimbursed**					
	Satva Jewellery & Design Limited	-	231,543	-	-	-
	Kamla Tesio Dials Limited	100,740	-	-	-	-
	Saboo Coatings Limited	-	-	1,326,389	-	-
	VBL Innovations Pvt. Ltd.	-	-	35,406	-	-
	Vardhan Properties and Investment Ltd.	-	-	132,000	-	-
11	**Loans and advances given**					
	Satva Jewellery & Design Limited	-	2,750,000	-	-	-
12	**Expenses Recovered**					
	Saboo Coatings Limited	-	-	147,928	-	-
	Dream Digital Technology Ltd.	-	-	1,801,323	-	-
13	**Investments sold**					
	Mr. R.K. Saboo	-	-	-	225,000	-
	Mr. Y. Saboo	-	-	-	1,800,000	-
	Ms A. Saboo	-	-	-	-	45,000
	Ms U. Saboo	-	-	-	-	157,500
	Y Saboo HUF	-	-	22,500	-	-
14	**Dividend paid**					
	Tara Chand Mahendra Kumar (HUF)	-	-	209,460	-	-
	Mr. R.K. Saboo	-	-	-	4,747,821	-
	Mr. Y. Saboo	-	-	-	4,382,844	-
	Others	-	-	213,849	-	3,197,376
15	**Dividend received**					
	Taratec SA	277,695	-	-	-	-
16	**Guarantees taken**					

Notes forming part of the consolidated financial statements for the year ended 31 March 2012

(All amounts in rupees, unless stated otherwise)

B. The following transactions were carried out with related parties in the ordinary course of business for the period ended 31 March 2012

Sr. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
	Mr. R K Saboo	-	-	-	40,000,000	-
	Mr. Y Saboo	-	-	-	70,000,000	-
	Mrs. Usha Saboo	-	-	-	-	30,000,000
17	**Balance at the end of the year**					
	a. Loans					
	Satva Jewellery & Design Limited	-	2,750,000	-	-	-
	b. Other receivables/ advances					
	Satva Jewellery & Design Limited	-	494,783	-	-	-
	Saboo Coatings Limited	-	-	342,266	-	-
	Vardhan Properties and Investment Limited	-	-	72,000	-	-
	Dream Digital Technology Ltd.	-	-	14,619	-	-
	c. Payables					
	Taratec SA	9,554,657	-	-	-	-
	Kamla Tesio Dials Limited	482,000	-	-	-	-
	Satva Jewellery & Design Limited	-	614,626	-	-	-
	Saboo Coatings Limited	-	-	493,749	-	-
	Vardhan Properties and Investment Limited	-	-	62,379	-	-
	Dream Digital Technology Ltd.	-	-	3,715,702	-	-
	d. Guarantees taken					
	Mr. R.K. Saboo	-	-	-	524,409,629	-
	Mrs. Usha Saboo	-	-	-	-	30,000,000
	Mr Y. Saboo	-	-	-	754,409,629	-
	f. Public deposits outstanding					
	Ms. Asha Devi Saboo	-	-	-	-	1,000,000
	Others	-	-	-	-	200,000
	g. Inter Corporate Deposits received					
	Vardhan Properties and Investment Limited	-	-	500,000	-	-

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

Sr. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
1	**Purchase of raw material, components and services**					
	Taratec SA	34,754	-	-	-	-
	Saboo Coatings Limited	-	-	3,906,325	-	-
	Vardhan International Limited	-	-	301,734	-	-
2	**Sale of goods**					
	Satva Jewellery & Design Limited	-	21,830	-	-	-
	Saboo Coatings Limited	-	-	65,499	-	-
3	**Purchase of fixed assets**					
	Satva Jewellery & Design Limited	-	47,407	-	-	-
4	**Job work charges (expenses)**					
	Satva Jewellery & Design Limited	-	3,885,675	-	-	-
5	**Job work charges (income)**					
	Taratec SA	21,762	-	-	-	-
6	**Commission on sales (expense)**					
	Taratec SA	6,038,776	-	-	-	-
7	**Rent paid by the Company**					
	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

Notes forming part of the consolidated financial statements for the year ended 31 March 2012
(All amounts in rupees, unless stated otherwise)

Sr. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Person	Relatives of Key Management Personnel
8	**Salary of employees paid by the Company**					
	Mr. Pranav S. Saboo	-	-	-	-	566,380
9	**Directors remuneration**					
	Mr. R.K. Saboo	-	-	-	2,302,441	-
	Mr. Y. Saboo	-	-	-	3,825,643	-
	Mr. Dinesh Agrawal	-	-	-	3,422,024	-
10	**Interest paid/ accrued**					
	Vardhan Properties and Investment Ltd.	-	-	132,634	-	-
	Ms. Asha Devi Saboo	-	-	-	-	120,001
	Mr J.V.Sabooo	-	-	-	-	150,877
	Taratec SA	39,923	-	-	-	-
	others					11,690
11	**Public deposits accepted**					
	Ms. Shashi Agrawal	-	-	-	-	200,000
12	**Loans received**					
	Vardhan Properties and Investment Limited	-	-	500,000	-	-
13	**Repayment of loans**					
	Vardhan Properties and Investment Limited	-	-	2,700,000	-	-
14	**Others (including rent received)**					
	Satva Jewellery & Design Limited	-	439,015	-	-	-
	Saboo Coatings Limited	-	-	1,003,555	-	-
	VBL Innovations Pvt. Ltd.	-	-	30,314	-	-
15	**Advance repaid**					
	Mr J. V. Saboo	-	-	-	-	9,166,000
16	**Reimbursement of expenses by the Company**					
	Taratec SA	943,791	-	-	-	-
	Satva Jewellery & Design Limited	-	1,550	-	-	-
17	**Expenses recovered**					
	Saboo Coatings Limited	-	-	137,278	-	-
	Satva Jewellery & Design Limited	-	1,358	-	-	-
18	**Investments made**					
	Satva Jewellery & Design Limited	-	1,000,000	-	-	-
19	**Dividend received**					
	VBL Innovations Private. Limited	-	-	250,000	-	-
20	**Donation**					
	Smt. Kamla Devi Saboo Charitable Trust	-	-	950,000	-	-
21	**Guarantees given**					
	Mr. R.K. Saboo	-	-	-	20,000,000	-
	Mr Y. Saboo	-	-	-	204,000,000	-
22	**Balance at the end of the year**					
	a. Other receivables/ advances					
	Taratec SA	408,680	-	-	-	-
	Satva Jewellery & Design Limited	-	68,699	-	-	-
	Saboo Coatings Limited	-	-	54,616	-	-
	b. Payables					
	Taratec SA	4,626,660	-	-	-	-
	Kamla Tesio Dials Limited	550,080	-	-	-	-
	Satva Jewellery & Design Limited	-	1,660,222	-	-	-
	Saboo Coatings Limited	-	-	1,126,627	-	-
	c. Guarantees taken					
	Mr. R.K. Saboo	-	-	-	334,120,965	-
	Mr Y. Saboo	-	-	-	518,120,965	-
	d. Public deposits outstanding					
	Ms. Asha Devi Saboo	-	-	-	-	1,000,000
	Ms. Shashi Agrawal	-	-	-	-	200,000
	e. Inter Corporate Deposits					
	Vardhan Properties and Investment Limited	-	-	500,000	-	-
	f. Investments					
	VBL Innovations Private. Limited	-	-	1,000,000	-	-

44. Employee Stock Option Plans

I. KDDL Employee Stock Option Plan-2011 ('ESOP 2011')

a. The Parent Company has established an Employee Stock Option Plan ('ESOP') in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, which has been approved by the Board of Directors and the shareholders. A compensation committee comprising promoter executive and independent non-executive members of the Board of Directors administer the ESOP. All options under the ESOP are exercisable for equity shares. The Parent Company plans to grant upto 110,000 options to eligible employees and directors of the Parent Company and subsidiaries of the Parent Company.

b. Fifty percent of the options which have been granted under ESOP 2011 shall vest with the grantee on 1 April 2014 ('first tranche') and the balance options shall vest on the date when the turnover (excluding excise duty thereon) of the Parent Company would exceed Rs. 1,500,000,000 ('second tranche'). The exercise period for the options is within six months from the date of vesting of the options. Each option is exercisable for one equity share of Rs. 10 each fully paid up on payment of exercise price of share determined with respect to the date of grant. The Parent Company has granted 100,500 options upto 31 March 2012.

c. The movement in the scheme is set out as under:

Particulars	**ESOP 2011 Year ended 31 March 2012**		ESOP 2011 Year ended 31 March 2011	
	Options Number	**Weighted average exercise price Amount**	Options Number	Weighted average exercise price Amount
Outstanding at the beginning of year	Nil	Nil	Not applicable	Not applicable
Granted during the year	100,500	120	Not applicable	Not applicable
Exercised during the year	Nil	Nil	Not applicable	Not applicable
Forfeited during the year	Nil	Nil	Not applicable	Not applicable
Expired during the year	Nil	Nil	Not applicable	Not applicable
Outstanding at the end of the year	100,500	120	Not applicable	Not applicable
Exercisable at the end of the year	Nil	Nil	Not applicable	Not applicable
Number of equity shares of Rs. 10 each fully paid up to be issued on exercise of option	100,500	120	Not applicable	Not applicable
Weighted average share price at the date of exercise	Not applicable	Not applicable	Not applicable	Not applicable
Weighted average remaining contractual life (months)	29 months	Not applicable	Not applicable	Not applicable

d. Pro forma accounting for stock option grants

The Parent Company applies the intrinsic value-based method of accounting for determining compensation cost for its stock-based compensation plan. Had the compensation cost been determined using fair value approach, the Parent Company's net income and basic/diluted earnings per share as reported would have reduced to the pro forma amounts as indicated:

Particulars	**Year ended 31 March 2012 Amount**	Year ended 31 March 2011 Amount
1. Net profit as reported	88,090,457	Not Applicable
2. Add: Stock based employee compensation expense debited to statement of profit and loss	240,472	Not Applicable
3. Less: Stock based employee compensation expense based on fair value	(1,056,172)	Not Applicable
4. Difference between (2) and (3)	(815,700)	Not Applicable
5. Adjusted pro forma profit	87,274,757	Not Applicable
6. Difference between (1) and (5)	815,700	Not Applicable
7. Basic earnings per share as reported	11.00	Not Applicable
8. Pro forma basic earnings per share	10.89	Not Applicable
9. Diluted earnings per share as reported	11.00	Not Applicable
10. Pro forma diluted earnings per share	10.89	Not Applicable

e. The fair value of the options, calculated by an external valuer for first tranche and second tranche, was estimated on the date of grant using the Black-Scholes model with the following significant assumptions:

Particulars	**Year ended 31 March 2012**	Year ended 31 March 2011
Risk free interest rates (in %)	8.50%	Not applicable
Expected life (in months)	29	Not applicable
Volatility (in %)	66.49%	Not applicable
Dividend yield (in %)	1.58%	Not applicable

The volatility of the options is based on the historical volatility of the share price since the Parent Company's equity shares are publicly traded, which may be shorter than the term of the options.

f. Details of weighted average exercise price and fair value of the stock options granted at price below market price:

Particulars	**Year ended 31 March 2012**	Year ended 31 March 2011
Total options granted	100,500	Not Applicable
Weighted average exercise price (in Rs.)	120	Not Applicable
Weighted average fair value (in Rs.)	61.05	Not Applicable

II. KRL employees Stock Option Plan- 2011

a. In the annual general meeting held on 15 September 2011, the shareholders of the subsidiary company Ethos Limited (formerly known as 'Kamla Retail Limited') approved the issues of options not exceeding 84,000 options under the scheme titled "KRL employees Stock Option Plan- 2011 " ('KRL ESOP').

The ESOP allows the issue of the options to eligible employees of the subsidiary. Each option comprises one underlying equity share.

As per the scheme, the Compensation Committee grants the options to the employees deemed eligible. The exercise price of each option shall be equal to the "Market Price" as defined in the Scheme. The options granted vest as follows. Options may be exercised within two years of vesting.
1. 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.
2. 50 % on the first day of the financial year subsequent to the achievement of billing of Rs. 300 crores in any financial year by the subsidiary, subject to the continuation of service till the date of vesting. However there shall remain a gap of minimum one year between the date of grant and the date of vesting under this clause. The compensation committee shall declare such date as and when it is triggered.
The difference between the marker price of the share underlying the options granted on the date of grant of option and the exercise price of the option (being the intrinsic value of the option) representing stock compensation expense is expenses over the vesting period.

b. The movement in the scheme is set out as under:

Particulars	**KRL ESOP Year ended 31 March 2012**		KRL ESOP Year ended 31 March 2011	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
	Number	**Amount**	Number	Amount
Outstanding at the beginning of year	Nil	Nil	Not applicable	Not applicable
Granted during the year	81,500	100	Not applicable	Not applicable
Exercised during the year	Nil	Nil	Not applicable	Not applicable
Forfeited during the year	Nil	Nil	Not applicable	Not applicable
Expired during the year	Nil	Nil	Not applicable	Not applicable
Outstanding at the end of the year	81,500	100	Not applicable	Not applicable

c Pro forma accounting for stock option grants

The subsidiary applies the intrinsic value-based method of accounting for determining compensation cost for its stock-based compensation plan. Had the compensation cost been determined using fair value approach, the subsidiary's net income and basic/diluted earnings per share as reported would have reduced to the pro forma amounts as indicated:

Particulars	**Year ended 31 March 2012 Amount**	Year ended 31 March 2011 Amount
1. Net profit as reported	2,899,770	Not Applicable
2. Less: arrears of fixed cumulative preference dividend	(627,563)	Not Applicable
3. Less: Stock based employee compensation expense based on fair value	(473,501)	Not Applicable
4. Adjusted pro forma profit	1,798,706	Not Applicable
5. Basic earnings per share as reported by the subsidiary	0.21	Not Applicable
6. Pro forma basic earnings per share by the subsidiary	0.16	Not Applicable
7. Diluted earnings per share as reported by the subsidiary	0.21	Not Applicable
8. Pro forma diluted earnings per share by the subsidiary	0.21	Not Applicable

*The effect of cumulative optionally convertible preference shares being anti dilutive in nature, dilutive EPS has not been computed

d. The fair value of the option has been determined under the Black-Scholes model. The assumptions used in this model for calculating fair value are as below:

Particulars	**Year ended 31 March 2012**	Year ended 31 March 2011
Risk free interest rates (in %)	8.50%	Not applicable
Expected life (in years)	3.55	Not applicable
Volatility (in %)	-	Not applicable
Dividend yield (in %)	-	Not applicable

45. The Board of Directors in its meeting held on 30 September 2010 approved the Scheme of amalgamation (the 'scheme') under section 391-394 of the Companies Act, 1956, of Himachal Fine Blank Limited and KDDL Limited, with the Company, effective from 1 April 2011. The approval for the scheme of amalgamation is pending at Honorable High Court of Himachal Pradesh. Since the scheme is pending approval, no effect of the amalgamation has been given in these financial statements in accordance with Accounting Standard 14, 'Accounting for Amalgamation'.

46. 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.

47. The consolidated financial statements have been prepared in compliance with clause 32 of the listing agreement with stock exchange.

48. The financial statement for the year ended 31 March 2011 had been prepared as per the then applicable pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of the revised schedule VI under the Companies Act, 1956, the financial statement for the year have been prepared as per revised schedule VI. Accordingly, the previous year figures have been classified to conform this year classification. The adoption of revised schedule VI for the previous year figures does not impact the recognition and measurement principles followed for the preparation of the financial statements.

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

R.K. SABOO	**Y. SABOO**	**S.K. MASOWN**	**P.K. GOYAL**
Chairman	Chief Executive Officer	Chief Financial Officer	Company Secretary

Place : Chandigarh
Dated : 3 August 2012

For **Walker, Chandiok & Co**
Chartered Accountants

Place : New Delhi
Dated : 3 August 2012

Per **B.P. Singh**
Partner

Financial Performance of Subsidiaries during the period April 1, 2011 to March 31, 2012

Amount in Rs.

Sr No	Name of Subsidiary Company	Himachal Fine Blank Ltd	Ethos Ltd	Mahen Distribution Ltd	Pylania S.A.	Kamla International Holding SA
1	Financial/Accounting year of the subsidiary companies	31.03.2012	31.03.2012	31.03.2012	31.03.2012	31.03.2012
2	Country of incorporation	India	India	India	Switzerland	Switzerland
3	Reporting currency	INR	INR	INR	CHF	CHF
4	Exchange rate to INR: -Balance sheet -Profit and loss				CHF=Rs 57.06 CHF=Rs 52.57	CHF=Rs 57.06 CHF=Rs 52.57
5	Share Capital(Incl. Advances towards capital where applicable)	15,200,000	119,419,745	74,812,200	38,962,833	11,288,000
6	Reserves and surplus	(5,674,899)	(51,326,510)	(1,433,382)	(74,069,473)	(116,731)
7	Total assets	36,796,865	1,027,485,640	73,430,689	112,464,725	11,342,451
8	Total liablities	27,271,764	767,356,224	-	147,571,365	171,180
9	Investments (other than subsidiaries)	1,850,000	-	-	-	-
10	Turnover	32,234,909	1,259,426,693	(94,170)	93,436,161	130,224
11	Profit/(loss) before tax	(5,678,216)	2,899,770	(474,925)	(18,498,796)	(221,788)
12	Tax Expenses/(Credited)	(235,769)	-	-	7,334	-
13	Profit/(loss) after tax	(5,442,447)	2,899,770	(474,925)	(18,506,130)	(221,788)
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 32nd ANNUAL GENERAL MEETING of the Company to be held at Hotel Timber Trail Resorts, Parwanoo, Distt. Solan (H.P.) on Monday, the 17th September, 2012 at 12.30 p.m.

Affix
Revenue
Stamp

Dated the .... day of September, 2012

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 32nd ANNUAL GENERAL MEETING at Hotel Timber Trial Resorts, Parwanoo, Distt. Solan (H.P.) on Monday, the 17th September, 2012 at 12.30 p.m. .

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

Member's/Proxy Signature*

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.

BOOK POST

If undelvered, please return to

KDDL LIMITED
Kamla Centre,
SCO 88-89, Sector 8-C,
Madhya Marg,
CHANDIGARH 160 009

Japnika 98155 59966