



## KDDL Limited

(CIN: L33302HP1981PLC008123)

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

Email: pawan.goyal@kddl.com, Website: www.kddl.com

Phone: 0172-2548223, 24 & 27, Fax: 0172-2548302

### NOTICE

Notice is hereby given that the 34th Annual General Meeting of KDDL Limited will be held on **Wednesday, the 6th day of August, 2014 at 12.30 P.M. at Hotel Timber Trail Resorts, Parwanoo 173220 (H.P.)** to transact the following business:

#### Ordinary Business:

1. To receive, consider and adopt the audited accounts of the Company for the financial year ended 31st March, 2014 and the reports of the Board of Directors' and Auditors' thereon.
2. To declare and confirm dividend for the year ended 31st March, 2014.
3. To appoint a director in place of Mr. Marc Bernhardt (holding DIN 05111125), who is liable to retire by rotation.
4. To appoint M/s Walker Chandio & Co. LLP (formerly Walker, Chandio & Co.), Chartered Accountants (ICAI Registration No. 001076N) 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:

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

**"RESOLVED THAT** pursuant to the provisions of sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed there under, read with Schedule IV of the Act, as amended from time to time, Mr. Mannil Venugopalan (holding DIN 00255575), a non-executive Director of the Company, who has submitted a declaration stating that he meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company to hold office for a period of 5(five) years from the conclusion of 34th Annual General Meeting i.e. from 06.08.2014 to 05.08.2019.

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

**"RESOLVED THAT** pursuant to the provisions of Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Act, Mrs. Ranjana Agarwal (holding DIN 03340032), who was appointed as an Additional Director of the Company w. e. f 09.09.2013 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing from a member signifying

his intention to propose Mrs. Ranjana Agarwal as a candidate for the office of Director of the Company and Mrs. Ranjana Agarwal has submitted a declaration stating that she meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company to hold office for a period of 5(five) years from the conclusion of 34th Annual General Meeting i.e. from 06.08.2014 to 05.08.2019.

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

**"RESOLVED THAT** pursuant to the provisions of sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed there under, read with Schedule IV of the Act, as amended from time to time, Mr. Anil Khanna (holding DIN 00012232), a non-executive Director of the Company, who has submitted a declaration stating that he meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company to hold office for a period of 5(five) years from the conclusion of 34th Annual General Meeting i.e. from 06.08.2014 to 05.08.2019.

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

**"RESOLVED THAT** pursuant to the provisions of sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed there under, read with Schedule IV of the Act, as amended from time to time, Mr. Jagesh Khaitan (holding DIN 00026264), a non-executive Director of the Company, who has submitted a declaration stating that he meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company to hold office for a period of 5(five) years i.e. from 06.08.2014 to 05.08.2019.

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

**"RESOLVED THAT** pursuant to the provisions of sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed there under, read with Schedule IV of the Act, as amended from time to time, Mr. Chandra Mohan (holding DIN 00017621), a non-executive Director of the Company, who has submitted a declaration stating that he meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an

Independent Director of the Company to hold office for a period of 4( four) years from the conclusion of 34th Annual General Meeting i.e. from 06.08.2014 to 05.08.2018.

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

“**RESOLVED THAT** pursuant to the applicable provisions of the Companies Act and subject to the necessary approvals from the Statutory authorities and the Financial Institutions, if any, the consent of the Company, be and is hereby, accorded for the re-appointment of Mr. Rajendra Kumar Saboo (holding DIN 00012194) as the Chairman of the Company, w. e. f. 1st December, 2013, for a further period of three years, i.e., up to 30th November, 2016, upon terms and conditions as set out in the Explanatory Statement appended herewith and the Board of Directors, be and is hereby authorised to alter and vary such terms of his appointment and remuneration so as to not exceed the limits specified in Schedule V of the Companies Act, 2013 (corresponding to Schedule XIII of the Companies Act, 1956), as may be agreed to by the Board of Directors and Mr. Rajendra Kumar Saboo.”

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

“**RESOLVED THAT** pursuant to the applicable provisions of the Companies Act and subject to the necessary approvals from the Statutory authorities and the Financial Institutions, if any, the consent of the Company, be and is hereby, accorded for the re-appointment of Mr. Yashovardhan Saboo (holding DIN 00012158) as the Managing Director of the Company with functional designation of Vice Chairman and Chief Executive Officer of the Company, w. e. f. 1st April, 2014, for a further period of three years, i.e., up to 31st March, 2017, upon terms and conditions as set out in the Explanatory Statement appended herewith and the Board of Directors, be and is hereby authorised to alter and vary such terms of his appointment and remuneration so as to not exceed the limits specified in Schedule V to the Companies Act, 2013 (corresponding to Schedule XIII to the Companies Act, 1956), as may be agreed to by the Board of Directors and Mr. Yashovardhan Saboo.”

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

“**RESOLVED THAT** in supersession of the Ordinary Resolution adopted at the 27th Annual General Meeting held on 29th August, 2007 and pursuant to Section 180(1)(c) and any other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), the consent of the Company, be and is hereby accorded to the Board of Directors to borrow moneys in excess of the aggregate of the paid up share capital and free reserves of the Company, provided that the total amount borrowed and outstanding at any point of time, apart from temporary loans obtained/to be obtained

from the Company's Bankers in the ordinary course of business, shall not be in excess of Rs. 100 crores (Rupees One hundred crores ) over and above the aggregate of the paid up share capital and free reserves of the Company.”

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

“**RESOLVED THAT** pursuant to the provisions of Section 314(1)(b) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company, be and is hereby, accorded for the appointment of Mrs. Malvika Saboo as General Manager in the packaging Unit of the Company with effect from 1st December, 2013 on a total remuneration of Rs. 7,20,036/- per annum.

**RESOLVED FURTHER THAT** during her tenure, she will be governed by the Rules and regulations of the Company as may be applicable to the employees of the Company from time to time including change in designation and responsibilities.

**RESOLVED FURTHER THAT** the Board be and is hereby, authorised to do all such acts, deeds and things as may be necessary to give effect to the above said resolution and to settle any question, difficulty or doubt that may arise in this regard.”

14. 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 in addition to the corporate guarantee of Rs 4910.00 lacs provided earlier, notwithstanding that the aggregate amount of all investments/loans/securities/guarantees together with the below mentioned guarantee exceeds 60% of the aggregate of paid up capital and free reserves or 100% of the free reserves, whichever is higher, of the Company:-

S. No.	Name of the Bank/ Financial Institution	Amount of Corporate Guarantee given (Rs. in Lacs)
1.	Indiabulls Housing Finance Limited	501.00
2.	Bank of Maharashtra	800.00

**RESOLVED FURTHER THAT** all acts, deeds and things as may have been done by the Board of Directors of the Company, be and are hereby, ratified and confirmed and shall be binding on the Company in all respects.”

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

“**RESOLVED THAT** in accordance with the provisions

of section 73 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the rules prescribed there under, (including any statutory modification(s) or re-enactment thereof for the time being in force) approval of the Company, be and is hereby, accorded to the Board of Directors of the Company to borrow money from its shareholders by way of Fixed Deposits subject to compliance of all the conditions stated under section 73(2) of the Act or any other applicable provisions of the Act, if any and subject to maximum limits provided under the Act read with the Companies (Acceptance of Deposits) Rules, 2014

**RESOLVED FURTHER THAT** the Deposits accepted by the Company may be cumulative or non-cumulative as per the scheme framed by the Company and carrying rates of interest for periods varying from one year to three years specified in the Circular to be specifically approved by the Board of Directors of the Company.

**RESOLVED FURTHER THAT** the Board of Directors, be and are hereby, authorised to do all such acts, deeds and things as may be necessary to give effect to the above said resolution and to settle any question, difficulty or doubt that may arise in this regard.”

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

“**RESOLVED THAT** pursuant to Section 148(3) of the Companies Act, 2013, read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014, and other applicable provisions if any, consent of the Company be and is hereby accorded for the payment of remuneration of Rs. 50,000/- (Rupees Fifty thousand only) to M/s. Khushwinder Kumar & Associates, Cost Accountants, Ludhiana (Firm Registration No. 000102), who were appointed as Cost Auditors by the Board of Directors in their meeting held on 27.05.2014 for carrying out Cost Audit of the Company for financial year 2014-15, be and is hereby approved and ratified.”

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

**Date: 27.05.2014  
Place: Chandigarh**

**P.K. Goyal  
Company Secretary**

**NOTES:**

1. The Register of Members and the Share Transfer books of the Company will remain closed from 31st July, 2014 to 6th August, 2014 (both days inclusive) for the purpose of payment of dividend, if approved by the members.
2. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Businesses at the meeting, is annexed hereto.
3. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY/ PROXIES TO ATTEND AND ON A POLL ONLY TO VOTE ON HIS/HER BEHALF. SUCH A PROXY/ PROXIES NEED NOT BE A MEMBER OF THE COMPANY. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company.**  
The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy form is sent herewith. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution/authority letter, as applicable.
4. Subject to the provisions of the Companies Act, 2013, dividend as recommended by the Board of Directors, if approved at the meeting, will be paid within a period of 30 days from the date of declaration, to those members whose names appear on the Register of Members as on 30th July, 2014.
5. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members. Members holding shares in physical form and desirous of either registering bank particulars or changing bank particulars already registered against their respective folios for payment of dividend are requested to write to the Company.
6. Pursuant to Section 205A & 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the due date is required to be transferred to the Investor Education and Protection Fund (IEPF), constituted by the Central Government.

The Ministry of Corporate Affairs (MCA) on 10th May, 2012 notified the IEPF (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 (IEPF Rules), which is applicable to the Company. The objective of the IEPF Rules is to help the shareholders ascertain status of the unclaimed amounts and overcome the problems



due to misplacement of intimation thereof by post etc. In terms of the said IEPF Rules, the Company has uploaded the information in respect of the Unclaimed Dividends in respect of the financial years from 2006-07(Final) onwards upto the date of the 33rd Annual General Meeting (AGM) held on 09.09.2013, on the website of the IEPF viz. [www.iepf.gov.in](http://www.iepf.gov.in). The Members who have not encashed their dividend warrants so far for the financial year ended 31.03.2007 or any subsequent years are requested to immediately return the outdated warrants to the Company to enable the Company to issue D/D in lieu thereof.

7. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified periodically.
8. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
9. Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment/re-appointment.
10. Electronic copy of the Annual Report for 2013-14 is being sent to all the members whose email IDs are registered with the Company/Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for 2013-14 is being sent in the permitted mode.
11. Members may also note that the Notice of the 34th Annual General Meeting and the Annual Report for 2013-14 will also be available on the Company's website [www.kddl.com](http://www.kddl.com) for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Parwanoo for inspection. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any communication, the shareholders may also send requests to the Company's investor email id: [investor.complaints@kddl.com](mailto:investor.complaints@kddl.com) or [pawan.goyal@kddl.com](mailto:pawan.goyal@kddl.com)
12. **To promote green initiative, members are requested to register their e-mail addresses**

**through their Depository Participants for sending the future communications by e-mail. Members holding the shares in physical form may also register their e-mail addresses through the RTA, giving reference of their Folio Number.**

### **13. Voting through electronic means:**

- i. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies Management and Administration) Rules, 2014, the Company is providing facility to the members to exercise their right to vote at the 34th Annual General Meeting (AGM) by electronic means and the business may be transacted through **e-voting platform provided by Karvy.**

The instructions for e-voting are as under:

- i. Use the following URL for e-voting: Karvy website: <http://evoting.karvy.com>
- ii. Shareholders of the Company holding shares either in physical form or in dematerialized form, as on the record date, i.e. 04th July, 2014 (End of Day) may cast their vote electronically.
- iii. Enter the login credentials i.e. User ID and password mentioned in the attendance slip attached with the notice of the annual general meeting. Please follow the instructions given in the e-voting portal.
- iv. After entering the details appropriately, click on LOGIN.
- v. You will reach the Password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. The system will prompt you to change your password and update any contact details like mobile, email etc. on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- vi. You need to login again with the new credentials.
- vii. On successful login, the system will prompt you to select the EVENT, i.e. KDDL Limited.
- viii. On the voting page, enter the number of shares as on the cut off date under FOR/AGAINST or alternatively you may enter partially any number in FOR and partially in AGAINST but the total number in FOR/AGAINST taken together should not exceed the total shareholding. You may also choose the option ABSTAIN.
- ix. Shareholders holding multiple folios/demat account shall choose the voting process separately for each folios/demat account.
- x. Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm, else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, shareholders can login any number of times till they

have voted on the resolution.

- xi. Once the vote on the resolution is cast by the shareholder, he shall not be allowed to change it subsequently.
  - xii. The Portal will be open for e-voting from 9 A.M. on 1st August, 2014 to 6 P.M. on 3rd August, 2014.
  - xiii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and e-voting User Manual for shareholders available at the download section of <http://evoting.karvy.com> or contact Karvy Computershare Pvt Ltd at Tel No. 1800 345 4001 (toll free).
- II. The Company has appointed Mr. Ajay Arora, Company Secretary in whole time practice (ICSI membership No.SFC-2191 and Certificate of Practice No. 993) as the Scrutinizer to scrutinize and collate the e-voting process in a fair and transparent manner.
  - III. The Scrutinizer shall within a period not exceeding three working days from the conclusion of the e-voting period unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
  - IV. The results shall be declared in or after the AGM of the Company. The results alongwith the Scrutinizer's Report shall be placed on the Company's website [www.kddl.com](http://www.kddl.com) and on the website of Karvy.
  - V. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to Mr. Ajay Arora, Practising Company Secretary at his e-mail address [ajaykcs@gmail.com](mailto:ajaykcs@gmail.com) with a copy marked to [Compaaail.com](mailto:Compaaail.com) with a copy marked to Company Secretary, KDDL Ltd, Chandigarh at [pawan.goyal@kddl.com](mailto:pawan.goyal@kddl.com)
14. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company on all working days from Monday to Friday between 11.a.m. to 2.00 p.m. up to the date of Annual General Meeting.

## **EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

### **Item No.5 to 9**

The Company had, pursuant to the provision of clause 49 of the Listing Agreement entered into with Bombay Stock Exchange Limited, appointed Mr. Mannil Venugopalan, Mr. Anil Khanna, Mr. Jagesh Khaitan and Mr. Chandra Mohan as Independent Directors at various times, in compliance with the requirement of the above

said clause. Mrs. Ranjana Agarwal, a professional qualified person, was also appointed Additional Director w.e.f. 09.09.2013 by the Board of Directors of the Company.

Pursuant to the provision of Section 149 of the Companies Act, 2013 which came into effect from April 1, 2014, and clause 49 of the Listing agreement, every listed public company is required to have, at least one third of the Total number of directors as independent directors, who are not liable to retire by rotation or where the Chairman of the Company is executive director, at least one half of the total number of directors as independent directors who are not liable to retire by rotation.

In the opinion of the Board, the above named Independent Directors fulfill the conditions specified in Sections 149, 152 and Schedule IV of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2013 and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force) and such Independent Directors are independent of the management. Further, all the aforesaid Independent Directors have given a declaration to the Board of Directors to the effect that they meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013.

Pursuant to Sections 149, 152, Schedule IV of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, it is proposed to appoint Mr. Mannil Venugopalan, Mrs. Ranjana Agarwal, Mr. Anil Khanna, Mr. Jagesh Khaitan for a period of five years and Mr. Chandra Mohan for a period of four years respectively as Independent Directors of the Company.

In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of these directors as Independent Directors is now being placed before the members for their approval.

The terms and conditions of appointment of the above directors shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working days from 11.00 am to 2.00 pm

A brief profile of the Independent Directors whose appointment is proposed at item nos. 5 to 9 of the accompanying notice has been given in the annexure attached.

None of the Directors or their relatives and Key managerial personnel or their relatives except Mr. Mannil Venugopalan, Mrs. Ranjana Agarwal, Mr. Anil Khanna, Mr. Jagesh Khaitan and Mr. Chandra Mohan, and their relatives respectively, is concerned or interested in the resolutions set out at item nos. 5 to 9 of the accompanying Notice.

The Board recommends the passing of the Resolution set out in Item Nos. 5 to 9 of the accompanying Notice.

### **Item No.10**

The Board of Directors at its meeting held on 09.09.2013, had re-appointed Mr. R. K. Saboo as Chairman of the Company, w.e.f. 1st December, 2013 for a further period of 3 (three) years i.e., up to 30th November, 2016.

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

**I. Salary :** Rs. 1,80,000/- per month (with annual increment of 10%)

**II. Perquisites**

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

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

III. He shall also be eligible to the following perquisites which shall, however, not be included in the computation of the ceiling on remuneration, specified under applicable provisions of Companies Act:

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

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

The remuneration as stated above shall also be paid as minimum remuneration in the absence or inadequacy of profits.

The approval of the members is being sought to the terms, conditions and stipulations for the appointment of Mr. R. K. Saboo as Chairman and the remuneration payable to him. The terms and conditions proposed (fixed by the Board of Directors at their meeting held on 09.09.2013) are keeping in line with the remuneration package that is necessary for the important position as that of the Chairman.

None of the Directors or their relatives and Key

Managerial Personnel or their relatives except for Mr. R. K. Saboo and Mr. Yashovardhan Saboo, are in any way, concerned or interested in the resolution.

This Explanatory Statement together with the accompanying Notice may also be regarded as an abstract and memorandum under Section 302 of the Companies Act, 1956 and as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

The Directors recommend the special resolution as set out at item no. 10 for your approval.

**ITEM No. 11**

The Board of Directors at its meeting held on 07.02.2014, had re-appointed Mr. Yashovardhan Saboo as Managing Director with functional designation of Vice Chairman and Chief Executive Officer of the Company, w.e.f. 1st April, 2014 for a further period of 3 (three) years i.e., up to 31st March, 2017.

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

**I. Salary :** Rs. 3, 00,000/- per month (with annual increment of 10%)

**II. Perquisites**

- i) Fully furnished rent free accommodation
- ii) Reimbursement of charges for water, electricity and gas expenses, subject to maximum of Rs. 10,20,000/- per annum for (i) and (ii) above.
- iii) Medical reimbursement: Expenses incurred by him and his family, subject to the ceiling of one month's salary in a year or three month's salary over a period of three years.
- iv) Personal Accident Insurance and/or Medical Insurance subject to a maximum of Rs. 50,000/- per annum.
- v) Club Fees for two clubs subject to a maximum of Rs. 30,000/- per annum.
- vi) Bonus (including any other perquisites): Maximum Rs. 30,00,000/-, based on the performance as per parameters to be fixed from time to time by the Remuneration Committee or Board of Directors.

Note: Expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per Income Tax Rules, 1962.

III. He shall also be eligible to the following perquisites which shall, however, not to be included in the computation of the ceiling on remuneration, specified under applicable provisions of Companies Act:

- i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company.
- ii) Gratuity payable as per the rules of the Company.
- iii) Earned Leave: Encashment of un-availed earned leaves as per the Company's rules at the



end of each year on his request or at the end of the tenure.

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

The above remuneration and perquisites would fall within the limits allowed under respective schedule of the Companies Act in force from time to time and the same shall also be paid as minimum remuneration in the absence or inadequacy of profits.

The approval of the members is being sought to the terms, conditions and stipulations for the appointment of Mr. Yashovardhan Saboo as Managing Director with functional designation of Vice Chairman and Chief Executive Officer of the Company and the remuneration payable to him. The terms and conditions proposed (fixed by the Board of Directors at their meeting held on 07.02.2014) are keeping in line with the remuneration package that is necessary for the important position to encourage good professional managers with a sound career record to important position as that of the Vice Chairman and Chief Executive Officer.

None of the Directors or their relatives and Key Managerial Personnel or their relatives except for Mr. Yashovardhan Saboo and Mr. R. K. Saboo, are in any way, concerned or interested in the resolution.

This Explanatory Statement together with the accompanying Notice may also be regarded as an abstract and memorandum under Section 190 of the Companies Act, 2013 and also as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

The Directors recommend the special resolution as set out at item no. 11 for your approval.

#### **ITEM NO. 12**

The members of the Company at their 27th Annual General Meeting held on 29.08.2007 approved, by way of an Ordinary Resolution under Section 293(1)(d) of the Companies Act, 1956, borrowings over and above the aggregate of paid up share capital and free reserves of the Company provided that the total amount of such borrowings together with the amounts already borrowed and outstanding at any point of time shall not be in excess of Rs 50 crores (Rupees Fifty Crores only).

Section 180(1)(c) of the Companies Act, 2013 effective from 12th September, 2013 requires that the Board of Directors shall not borrow money in excess of the company's paid up share capital and free reserves, apart from temporary loans obtained from the company's bankers in the ordinary course of business, except with the consent of the company accorded by way of a special resolution and as per General Circular No. 4/2014 dated 25.03.2014 issued by the Ministry of Corporate Affairs, the existing resolution passed under section 293 of the Companies Act, 1956 prior to

12.09.2013 will be valid only for one year period from the date of notification of section 180 of the Act.

It is, therefore, necessary for the members to pass a Special Resolution under Section 180(1)(c) and other applicable provisions of the Companies Act, 2013, as set out at Item No. 12 of the Notice, to enable the Board of Directors to borrow money in excess of the aggregate of the paid up share capital and free reserves of the Company. Approval of members is being sought to borrow money up to Rs. 100 crores (Rupees One hundred crores ) in excess of the aggregate of the paid up share capital and free reserves of the Company keeping in view the inflation and future requirements of the Company.

None of the Directors and Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 12.

The Board recommends the **Special resolution** for the approval of the Members set out at Item no. 12.

#### **Item 13**

The Board of Directors had vide their resolution dated 07.02.2014, appointed Mrs. Malvika Saboo as General Manager in the Packaging Unit of the Company w.e.f 1st December 2013, on an annual remuneration of Rs. 7,20,036/-.

In fact, Ms Malvika Saboo was already working as Manager in the Company in the Packaging Unit w. e. f. 01.08.2013 but due to her marriage with Mr. Pranav Shankar Saboo (Son of Mr. Yashovardhan Saboo and Grandson of Mr.R.K.Saboo) in November, 2013, she became related to Mr. R. K. Saboo and Mr. Yashovardhan Saboo. Except some minor change in her designation, there has not been any change in her remuneration as such.

As the appointment of Mrs. Malvika Saboo comes within the meaning of section 314 (1) (b) of the Companies Act, 1956 as a 'Related party appointment' and she had been appointed w.e.f. 01.12.2013 when the provisions of the Companies Act, 2013 and rules made there under, had not been made operational, thus the said arrangement requires the approval of the shareholders by way of a Special Resolution under section 314 (1)(b) of the Companies Act, 1956. In fact, had Companies Act, 2013 and the Rules made there under been made applicable at that time, there was no requirement of obtaining the approval even as the New Act allows approval for remuneration exceeding Rs. 30 lacs per annum by way of special resolution only and not below that.

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

The Directors recommend the special resolution as set out at Item No. 13 for your approval

#### **Item No 14**

The Company had 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, subsidiary company:

1. Indiabulls Housing Finance Limited had sanctioned a loan vide its sanction letter no. 385352 and 383954 both dated 31.01.2014 aggregating to Rs. 5,01,00,000/- (Rupees five hundred one lacs only) which is 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 7th February,2014.
2. The Bank of Maharashtra had also sanctioned credit facilities aggregating to Rs. 8,00,00,000/- (Rupees eight hundred lacs only) which is 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 7th February,2014.

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. Hence approval of the Shareholders has been sought u/s 372A of the Companies Act, 1956 and not under section 186 of the Companies Act, 2013. The Company had provided guarantee in respect of above subsidiary company earlier also for Rs, 4910 lacs up to 31.03.2013. Thus total guarantee provided for this Company stands at Rs. 6211 lacs as on date which exceeds 60% of the aggregate of paid up capital and free reserves or 100% of the free reserves, whichever is higher, of the Company.

None of the Directors/their relatives and/or Key Managerial Personnel/their relatives except Mr. Yashovardhan Saboo is concerned or interested in the above resolution.

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

#### **ITEM NO 15**

Section 73(2) of the Companies Act, 2013 makes it mandatory for the Company to obtain approval of General Meeting before accepting any borrowing from the shareholders by way of Fixed Deposits.

As the conditions and maximum limits for accepting deposits from the Shareholders has been laid down in the Companies (Acceptance of Deposits) Rules, 2014, so approval of the shareholders is required for accepting deposits after complying with all the conditions stated in Section 73(2) of the Act and within the limits prescribed under the Companies (Acceptance of Deposits) Rules, 2014.

In view of the foregoing, it is therefore necessary for the shareholders to pass an ordinary resolution required under section 73(2) and other applicable provisions of the Companies Act, 2013 as set out at Item No. 15 of the Notice.

None of the Directors of the Company and /or Key Managerial Personnel of the Company and their relatives are concerned or interested in the resolution set out at Item no. 15.

The Board recommends the resolution for the approval of the Members set out at Item no. 15.

#### **ITEM NO 16**

Pursuant to section 148(3) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the Members of the Company are required to approve and ratify the payment of remuneration of Rs. 50,000/- (Rupees Fifty thousand only) to the Cost Auditors as approved by the Board of Directors in their meeting held on 27.05.2014 for the Financial Year 2014-15.

None of the Directors and/or Key Managerial Personnel of the Company and their relatives are concerned or interested in the resolution.

The Board recommends the resolution for the approval of the Members set out at Item no. 16.

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

**Date: 27.05.2014  
Place: Chandigarh**

**P.K. Goyal  
Company Secretary**



**DETAILS OF THE DIRECTORS SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING TO BE HELD ON 6TH AUGUST, 2014**

Name of the Director (DIN)	:	<b>Mr. Mannil Venugopalan - (DIN - 00255575)</b>		
Date of Birth	:	23rd April, 1945		
Date of first Appointment	:	1st November, 2011		
Qualification and experience in specific functional areas	:	<p>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.</p> <p>He has been associated with many companies by being on their Board as Independent Director namely, L &amp; T Finance Holding Limited, Shreyas Shipping and Logistics Limited, LICHFL Asset Management Company Limited, IL &amp; FS Environmental Infrastructure and Services Limited, Kerala State Industrial Development Corporation, Vishwas Infrastructure &amp; Services Private Limited and Sun Edison Energy Private Limited.</p> <p>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.</p>		
List of companies in which outside Directorships held	:	<p>LICHFL Assets Management Company Limited                  Shreyas Shipping and Logistics Limited                  Dewan Housing Finance Corporation Limited                  L &amp; T Finance Limited                  IL &amp; FS Environmental Infrastructure and Services Limited                  AU Financiers (India) Limited                  Shri Kailash Logistics Limited</p>		
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	:	<p>IL &amp; FS Environmental Infrastructure and Services Limited                  Shreyas Shipping &amp; Logistics Limited                  LICHFL Asset Management Company Limited                  L &amp; T Finance Limited                  Dewan Housing Finance Corporation Limited                  AU Financiers (India) Limited</p>	<p>Audit Committee                  Audit Committee                  Audit Committee                  Audit Committee                  Audit Committee                  Audit Committee</p>	<p>Member                  Member                  Member                  Member                  Member                  Member</p>
Number of shares held in the Company	:	NIL		

Name of the Director (DIN)	:	<b>Mrs. Ranjana Agarwal - (DIN 03340032)</b>		
Date of Birth	:	25th November, 1956		
Date of first Appointment	:	9th September, 2013		
Qualification and experience in specific functional areas	:	<p>She is Bachelor of Economics (Hons.) and a Fellow Member of the Institute of Chartered Accountants of India.</p> <p>She founded Vaish &amp; Associates, Chartered Accountants in 1985. She specializes in estate planning and valuations. She is an invited member on the Audit Committee of Munjal Showa Ltd., a Listed Company. As a Senior Partner in Deloitte Haskins &amp; Sells, she started their Delhi practice and was managing the firm up to 2000. She has also received the Indira Gandhi Priyadarshini Award for professional excellence and entrepreneurship. She has rich experience in audit, taxation and related services including valuations and due diligence.</p>		
List of companies in which outside 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		
Number of shares held in the Company	:	NIL		

Name of the Director (DIN)	:	<b>Mr. Anil Khanna - (DIN 00012232)</b>		
Date of Birth	:	20th March, 1959		
Date of first Appointment	:	22nd December, 2004		
Qualification and experience in specific functional areas	:	Chartered Accountant Information System Auditor (DISA) from ICAI Bachelor of Arts (Economics, Mathematics) He is a Certified Arbitrator by the Institute of Chartered Accountants of India, has been certified as Business Counsellor by Entrepreneur Development Institute (EDI), Ahmedabad. He is in practice and has over 30 years of post qualification experience in Corporate audits, taxation and management consultancy. He has worked in SAP, Mfg Pro, JD Edworks Environment and has chaired implementation of Microsoft Navision ERP.		
List of companies in which outside Directorships held	:	Ethos Limited		
Chairman/Member of the Committees of the Board of the Company	:	Audit Committee	Member	
	:	Compensation Committee	Member	
	:	Remuneration Committee	Member	
	:	Shareholders'/Investors' Grievance Committee	Chairman	
Chairman/Member of the Committees of Board of other companies in which he is a Director	:	Ethos Limited	Audit Committee	Chairman
	:	Ethos Limited	Committee for Banking and Lease Facilitation	Member
Number of shares held in the Company	:	3332 equity shares		

Name of the Director (DIN)	:	<b>Mr. Jagesh Khaitan - (DIN 00026264)</b>		
Date of Birth	:	10th February, 1945		
Date of first Appointment	:	26th February, 1990		
Qualification and experience in specific functional areas	:	Graduate and having over 45 years of experience in edible oil industry. He is also associated with various trade associations and Chamber of Commerce and Industry. He is Chairman and Managing Director of Kuantum Papers Limited, a large agro based Paper Mill in Punjab.		
List of companies in which outside Directorships held	:	Kuantum Papers Limited		
Chairman/Member of the Committees of the Board of the Company	:	Audit Committee	Member	
	:	Compensation Committee	Member	
Chairman/Member of the Committees of Board of other companies in which he is a Director	:	Kuantum Papers Limited	Finance Committee	Chairman
	:	Kuantum Papers Limited	Shareholders'/Investors' Grievance Committee	Member
	:	Kuantum Papers Limited	Security Transaction Committee	Chairman
	:	Kuantum Papers Limited	Audit Committee	Member
Number of shares held in the Company	:	466 equity shares		

Name of the Director (DIN)	:	<b>Mr. Chandra Mohan - (DIN 00017621)</b>		
Date of Birth	:	30th December, 1932		
Date of first Appointment	:	17th June, 2003		
Qualification and experience in specific functional areas	:	<p>He is B.A. (Hons), B.Sc. Mech. Engg. (Hons), F.I.E. (India), F.I. Prod. E (India), M.I. Mech. E (London), Memb. S.A.E., M.I. Agr. E. (India). He has vast experience and has held position as CEO in Punjab Tractors Limited besides various other managerial positions during his career.</p> <p>He has been conferred with "Padma Shri" Award in 1985, Gold Shied for Import Substitution in 1975, National Award for Invention Promotion in 1972 and other distinguished awards and recognitions.</p>		
List of companies in which outside Directorships held	:	<p>Engineering Innovations Limited  Sandhar Technologies Limited  DCM Engineering Limited  IOL Chemicals &amp; Pharmaceuticals Limited  Winsome Textiles Industries Limited  Nextgen Telesolutions Pvt. Ltd.</p>		
Chairman/Member of the Committees of the Board of the Company	:	<p>Remuneration Committee  Audit Committee  Compensation Committee</p>	<p>Chairman  Member  Member</p>	
Chairman/Member of the Committees of Board of other companies in which he is a Director	:	<p>Winsome Yarns Limited  DCM Engineering Ltd    Winsome Textiles Industries Limited</p>	<p>Audit Committee  Audit Committee  Remuneration Committee  Audit Committee  Investor Grievance Committee</p>	<p>Member  Member  Member  Member</p>
Number of shares held in the Company	:	NIL		



**Statement giving information required under Part-II Section-II(B) to the Schedule V of the Companies Act, 2013 for payment of remuneration to Mr. R. K. Saboo, Chairman and Mr. Yashovardhan Saboo, Vice Chairman and Chief Executive Officer**

<b>I. General Information</b>	<b>Remarks</b>									
(1) Nature of Industry	The Company operates in light engineering industry and is engaged principally in manufacture of watch components.									
(2) Date or expected date of commencement of commercial production	Commercial production started in 1983.									
(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	N.A.									
(4) Financial performance based on given indicators	<p>The financial performance is given in the enclosed Balance Sheet and Statement of Profit and Loss of the Company. The performance of the Company as on 31.03.2014 are given below</p> <p style="text-align: right;"><b>(Rs. in Million as on 31.03.2014)</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Net Worth</td> <td style="text-align: right;">492.90</td> </tr> <tr> <td>Turnover (gross)</td> <td style="text-align: right;">1126.51</td> </tr> <tr> <td>Net profit after tax</td> <td style="text-align: right;">42.39</td> </tr> <tr> <td>Dividend declared</td> <td style="text-align: right;">15%</td> </tr> </table>		Net Worth	492.90	Turnover (gross)	1126.51	Net profit after tax	42.39	Dividend declared	15%
Net Worth	492.90									
Turnover (gross)	1126.51									
Net profit after tax	42.39									
Dividend declared	15%									
(5) Export performance and net foreign exchange collaborations	FOB value of export and earnings in foreign exchange during the financial year ended 31.03.2014 was Rs. 691.89 million.									
(6) Foreign investments or collaborations, if any	<p>There is no foreign technical collaboration in operation at present. Investment by financial collaborators at present is as under:</p> <table border="0" style="width: 100%; margin-left: auto;"> <tr> <td></td> <td style="text-align: right;"><b>Shares of Rs. 10/-</b></td> </tr> <tr> <td>Radexpo AG</td> <td style="text-align: right;">50,000</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>50,000</u></td> </tr> </table>			<b>Shares of Rs. 10/-</b>	Radexpo AG	50,000	Total	<u>50,000</u>		
	<b>Shares of Rs. 10/-</b>									
Radexpo AG	50,000									
Total	<u>50,000</u>									
<b>II. Information about the Appointee</b>										
(1) Background details	<p>Mr. R K Saboo, Chairman</p> <p>He is B.Sc. and has vast experience of 55 Years. He is a promoter director and is with the Company since inception.</p>	<p>Mr. Yashovardhan Saboo, Vice Chairman &amp; Chief Executive Officer.</p> <p>He is BA (Hons.), PGDBM (IIM-Ahmedabad) and has vast experience of 33 years. He is a promoter director and is with the Company since inception.</p>								
(2) Past remuneration										
Salary	19,30,000	31,94,400								
Perquisites	12,74,855	18,07,065								
Performance Bonus	--	--								
Total	<u>32,04,855</u>	<u>50,01,465</u>								
(3) Recognition or awards	<ol style="list-style-type: none"> <li>1. Degree of Doctorate by Panjab University, Chandigarh was conferred by the President of India in 2007.</li> <li>2. "Padma Shri" award was conferred by the President of India in March, 2006.</li> <li>3. Degree of Doctor of Letters (Honoris Causa) was conferred by</li> </ol>	<p>He has been conferred with "Udyog Ratna" Award by PHDCCI in 2005.</p> <p>Chairman, CII, Chandigarh in 2002</p>								

H.N. Bahuguna Garhwal University,  
Srinagar, Uttranchal in 2006.

4. Udyog Ratna in 2005.
5. Punjab Ratna in 2005.
6. Trustee Chairman of the Rotary Foundation 1994-1996.
7. World President, Rotary International during 1991-1992.  
(He is the only Indian to hold these two positions in Rotary)

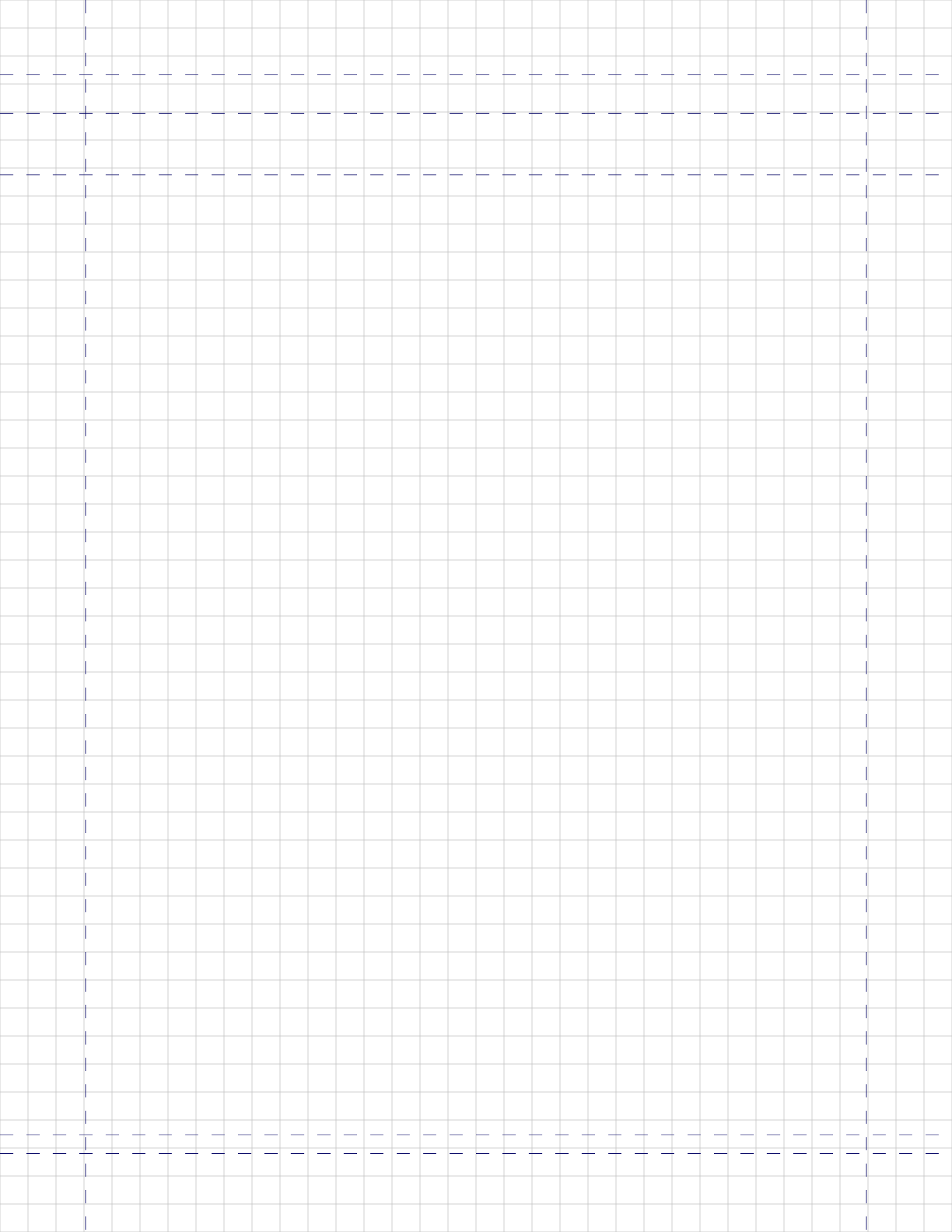
- |   |   |   |
|---|---|---|
| (4) Job profile and his suitability   | He is the Chairman of the Company and is responsible for strategic decisions and planning   | He is overall incharge of the Company as Vice Chairman & Chief Executive Officer and looks after new initiatives/ expansion projects and export growth.                   |
| (5) Remuneration proposed   | Proposed remuneration is for three years starting from 1st December, 2013. Details given in the explanatory statement of the accompanying notice.                         | Proposed remuneration is for three years starting from 1st April, 2014. Details given in the explanatory statement of the accompanying notice.                            |
| (6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin). | Remuneration package is commensurate with his competence and responsibility in the Company and also with remuneration paid by comparable companies for similar positions. | Remuneration package is commensurate with his competence and responsibility in the Company and also with remuneration paid by comparable companies for similar positions. |
| (7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.  | He is the promoter director and also father of Chief Executive Officer of the Company.  | He is a director in the Company since 1981 and also son of the Chairman of the Company.   |

### III. Other Information:

- |   |  |
|---|--|
| (1) Reasons of inadequate profit.                                     | Due to global recession in Watch Market and decline in Domestic demand for Dials from major customers.   |
| (2) Steps taken or proposed to be taken for improvement               | Cost Reduction at all levels coupled with capacity consolidation and building manufacturing excellence will result in improved profitability.          |
| (3) Expected increase in productivity and profits in measurable terms | The Company anticipates an appreciable rise in the profits with the revival of the economy and better market conditions in the international scenario. |

### IV. Disclosures:

- |   |  |
|---|--|
| (1) The shareholders of the Company shall be informed of the remuneration package of the managerial person.   | The details of remuneration packages of Mr. R. K. Saboo and Mr. Yashovardhan Saboo are enclosed in the explanatory statement of the accompanying notice.                                 |
| (2) Disclosures required to be mentioned in the Board of Director's report under the heading "Corporate Governance", if any, attached to the annual report. | Necessary particulars of remuneration under required heads of all Working Directors are given in Corporate Governance Report forming part of the Director's Report for the year 2013-14. |





**PROXY FORM**

**[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration Rules, 2014]**

**KDDL Limited**

**(CIN : L3302HP1981PLC008123)**

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

**Tel.: +91 172 2548223/54, Fax : +91 172 2548302, website: [www.kddl.com](http://www.kddl.com), email id: [investor.complaints@kddl.com](mailto:investor.complaints@kddl.com)**

Name of the member(s) : \_\_\_\_\_  
Registered Office : \_\_\_\_\_  
E-mail Id : \_\_\_\_\_  
Folio No./Client Id : \_\_\_\_\_  
DP ID : \_\_\_\_\_

I/We, being the member(s), holding \_\_\_\_\_ shares of the above named company, hereby appoint

1. Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
E-mail Id : \_\_\_\_\_  
Signature : \_\_\_\_\_ , or failing him/her
2. Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
E-mail Id : \_\_\_\_\_  
Signature : \_\_\_\_\_ , or failing him/her
3. Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
E-mail Id : \_\_\_\_\_  
Signature : \_\_\_\_\_ , or failing him/her

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 34th Annual General Meeting of the Company, to be held on Wednesday, the 6th day of August, 2014 at 12:30 P.M. at Hotel Timber Trail Resorts, Parwanoo 173220 (Himachal Pradesh) and at any adjournment thereof in respect of such resolutions as are indicated below:

**Ordinary Business:**

1. Adoption of the Audited Accounts of the Company for the financial year ended 31st March, 2014 and the Reports of the Board of Directors' and Auditors' thereon.
2. Declaration and confirmation of dividend for the year ended 31st March, 2014.
3. Appoint a director in place of Mr. Marc Bernhardt, who is liable to retire by rotation.
4. Appoint M/s Walker Chandiook & Co. LLP (formerly Walker, Chandiook & Co.), Chartered Accountants as the Statutory Auditors of the Company.

PTO



**ATTENDANCE SLIP**

**(To be presented at the entrance)**

**KDDL Limited**

**(CIN : L3302HP1981PLC008123)**

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

**Tel.: +91 172 2548223/54, Fax : +91 172 2548302, website: [www.kddl.com](http://www.kddl.com), email id: [investor.complaints@kddl.com](mailto:investor.complaints@kddl.com)**

Folio No.: \_\_\_\_\_ DP ID No.: \_\_\_\_\_ Client ID No.: \_\_\_\_\_ No. of shares \_\_\_\_\_

Name of the Member \_\_\_\_\_ Name of the Proxyholder \_\_\_\_\_

I, hereby record my presence at the 34th ANNUAL GENERAL MEETING at Hotel Timber Trail Resorts, Parwanoo, Distt. Solan (H.P.) on Wednesday, the 6th day of August, 2014 at 12:30 p.m.

\_\_\_\_\_  
(Signature of Member/Proxy)

**Special Business:**

5. Appoint Mr. Mannil Venugopalan as an Independent Director of the company.
6. Appoint Mrs. Ranjana Agarwal as an Independent Director of the company.
7. Appoint Mr. Anil Khanna as an Independent Director of the company.
8. Appoint Mr. Jagesh Khaitan as an Independent Director of the company.
9. Appoint Mr. Chandra Mohan as an Independent Director of the company.
10. Appoint Mr. Rajendra Kumar Saboo as Chairman of the Company.
11. Appoint Mr. Yashovardhan Saboo as Vice Chairman and Chief Executive Officer of the company.
12. Approving borrowing limits under section 180(1)(c) of the Companies Act, 2013.
13. Appointment of Mrs. Malvika Saboo as General Manager of the Company.
14. Ratification of Corporate Guarantees under section 372A of the Companies Act, 1956.
15. Approve acceptance of deposits from shareholders under section 73 of the Companies Act, 2013.
16. Approve payment of remuneration to Cost Auditors.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014

\_\_\_\_\_  
Signature of shareholder

\_\_\_\_\_  
Signature of Proxy holder (s)

Affix  
Revenue  
Stamp

**Note:**

1. **This form of proxy in order to effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.**



KDDL Limited

ANNUAL REPORT  
2013-2014



# KDDL LIMITED

## **BANKERS**

Bank of India  
Corporation Bank  
IDBI Bank Limited

## **CHIEF FINANCIAL OFFICER**

Mr. Sanjeev Kumar Masown

## **COMPANY SECRETARY AND COMPLIANCE OFFICER**

Mr. Pawan Kumar Goyal

## **AUDITORS**

Messrs Walker Chandiook & Co. LLP  
(Formerly Walker, Chandiook & Co.)  
Chartered Accountants  
L-41, Connaught Circus,  
New Delhi – 110 001

## **CORPORATE OFFICE**

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

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

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

## **UNIT – II**

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

## **HANDS UNIT**

### **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**

Village Dhana, Bagbania, P.O. Manpura,  
Tehsil Baddi, Distt. Solan – 173 205 (H.P.)

## **PACKAGING UNIT**

### **UNIT – I**

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

## **UNIT – II**

Plot No. 9, Sector V,  
Parwanoo - 173220 (H.P.)

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

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

## **E-COMMERCE DIVISION**

Shop No. 204 to 206,  
Square One Shopping Complex,  
District Centre, Saket Place, Saket  
New Delhi – 110 065

**COMPANY CIN NO.** L33302HP1981PLC008123

## **BOARD OF DIRECTORS:**

Mr. Rajendra Kumar Saboo - Chairman  
Mr. Yashovardhan Saboo - Vice Chairman and Chief  
Executive Officer  
Mr. Dinesh Agrawal - Chief Operating Officer  
Dr. T. N. Kapoor  
Mr. Chandra Mohan  
Mr. Jagesh Khaitan  
Mr. Anil Khanna  
Mr. Marc Bernhardt  
Mr. Mannil Venugopalan  
Mrs. Ranjana Agarwal

## **CONTACT DETAILS:**

Telephone : +91 172 2548223/24/27  
Fax no. : +91 172 2548302  
E mail : investor.complaints@kddl.com  
Website : www.kddl.com

## **CONTENTS**

Notice.....	1
Directors' Report.....	14
Management Discussion & Analysis Report.....	19
Report on Corporate Governance .....	24
Auditors' Report .....	35
Balance Sheet .....	38
Statement of Profit and Loss .....	39
Cash Flow Statement.....	40
Consolidated Accounts.....	68
Information regarding subsidiary companies .....	103
Proxy Form and Admission Card .....	105

## KDDL LIMITED

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### NOTICE

Notice is hereby given that the 34th Annual General Meeting of KDDL Limited will be held on **Wednesday, the 6th day of August, 2014 at 12.30 P.M. at Hotel Timber Trail Resorts, Parwanoo 173220 (H.P.)** to transact the following business:

#### Ordinary Business:

1. To receive, consider and adopt the audited accounts of the Company for the financial year ended 31st March, 2014 and the reports of the Board of Directors' and Auditors' thereon.
2. To declare and confirm dividend for the year ended 31st March, 2014.
3. To appoint a director in place of Mr. Marc Bernhardt (holding DIN 05111125), who is liable to retire by rotation.
4. To appoint M/s Walker Chandio & Co. LLP (formerly Walker, Chandio & Co.), Chartered Accountants (ICAI Registration No. 001076N) 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:

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

**"RESOLVED THAT** pursuant to the provisions of sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed there under, read with Schedule IV of the Act, as amended from time to time, Mr. Mannil Venugopalan (holding DIN 00255575), a non-executive Director of the Company, who has submitted a declaration stating that he meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company to hold office for a period of 5(five) years from the conclusion of 34th Annual General Meeting i.e. from 06.08.2014 to 05.08.2019.

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

**"RESOLVED THAT** pursuant to the provisions of Sections 149, 152 and other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV of the Act, Mrs. Ranjana Agarwal (holding DIN 03340032), who was appointed as an Additional Director of the Company w. e. f 09.09.2013 and who holds office up to the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing from a member signifying his intention to propose Mrs. Ranjana Agarwal as a candidate for the office of Director of the Company and Mrs. Ranjana Agarwal has submitted a declaration

stating that she meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company to hold office for a period of 5(five) years from the conclusion of 34th Annual General Meeting i.e. from 06.08.2014 to 05.08.2019.

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

**"RESOLVED THAT** pursuant to the provisions of sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed there under, read with Schedule IV of the Act, as amended from time to time, Mr. Anil Khanna (holding DIN 00012232), a non-executive Director of the Company, who has submitted a declaration stating that he meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company to hold office for a period of 5(five) years from the conclusion of 34th Annual General Meeting i.e. from 06.08.2014 to 05.08.2019.

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

**"RESOLVED THAT** pursuant to the provisions of sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed there under, read with Schedule IV of the Act, as amended from time to time, Mr. Jagesh Khaitan (holding DIN 00026264), a non-executive Director of the Company, who has submitted a declaration stating that he meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company to hold office for a period of 5(five) years i.e. from 06.08.2014 to 05.08.2019.

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

**"RESOLVED THAT** pursuant to the provisions of sections 149, 152 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed there under, read with Schedule IV of the Act, as amended from time to time, Mr. Chandra Mohan (holding DIN 00017621), a non-executive Director of the Company, who has submitted a declaration stating that he meets the criteria for independence as provided in section 149(6) of the Act and who is eligible for appointment, be and is hereby appointed as an Independent Director of the Company to hold office for a period of 4( four) years from the conclusion of 34th Annual General Meeting i.e. from 06.08.2014 to 05.08.2018.

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

**Resolution:**

“**RESOLVED THAT** pursuant to the applicable provisions of the Companies Act and subject to the necessary approvals from the Statutory authorities and the Financial Institutions, if any, the consent of the Company, be and is hereby, accorded for the re-appointment of Mr. Rajendra Kumar Saboo (holding DIN 00012194) as the Chairman of the Company, w. e. f. 1st December, 2013, for a further period of three years, i.e., up to 30th November, 2016, upon terms and conditions as set out in the Explanatory Statement appended herewith and the Board of Directors, be and is hereby authorised to alter and vary such terms of his appointment and remuneration so as to not exceed the limits specified in Schedule V of the Companies Act, 2013 (corresponding to Schedule XIII of the Companies Act, 1956), as may be agreed to by the Board of Directors and Mr. Rajendra Kumar Saboo.”

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

“**RESOLVED THAT** pursuant to the applicable provisions of the Companies Act and subject to the necessary approvals from the Statutory authorities and the Financial Institutions, if any, the consent of the Company, be and is hereby, accorded for the re-appointment of Mr. Yashovardhan Saboo (holding DIN 00012158) as the Managing Director of the Company with functional designation of Vice Chairman and Chief Executive Officer of the Company, w. e. f. 1st April, 2014, for a further period of three years, i.e., up to 31st March, 2017, upon terms and conditions as set out in the Explanatory Statement appended herewith and the Board of Directors, be and is hereby authorised to alter and vary such terms of his appointment and remuneration so as to not exceed the limits specified in Schedule V to the Companies Act, 2013 (corresponding to Schedule XIII to the Companies Act, 1956), as may be agreed to by the Board of Directors and Mr. Yashovardhan Saboo.”

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

“**RESOLVED THAT** in supersession of the Ordinary Resolution adopted at the 27th Annual General Meeting held on 29th August, 2007 and pursuant to Section 180(1)(c) and any other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force), the consent of the Company, be and is hereby accorded to the Board of Directors to borrow moneys in excess of the aggregate of the paid up share capital and free reserves of the Company, provided that the total amount borrowed and outstanding at any point of time, apart from temporary loans obtained/to be obtained from the Company's Bankers in the ordinary course of business, shall not be in excess of Rs. 100 crores (Rupees One hundred crores ) over and above the

aggregate of the paid up share capital and free reserves of the Company.”

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

“**RESOLVED THAT** pursuant to the provisions of Section 314(1)(b) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company, be and is hereby, accorded for the appointment of Mrs. Malvika Saboo as General Manager in the packaging Unit of the Company with effect from 1st December, 2013 on a total remuneration of Rs. 7,20,036/- per annum.

**RESOLVED FURTHER THAT** during her tenure, she will be governed by the Rules and regulations of the Company as may be applicable to the employees of the Company from time to time including change in designation and responsibilities.

**RESOLVED FURTHER THAT** the Board be and is hereby, authorised to do all such acts, deeds and things as may be necessary to give effect to the above said resolution and to settle any question, difficulty or doubt that may arise in this regard.”

14. 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 in addition to the corporate guarantee of Rs 4910.00 lacs provided earlier, notwithstanding that the aggregate amount of all investments/loans/securities/guarantees together with the below mentioned guarantee exceeds 60% of the aggregate of paid up capital and free reserves or 100% of the free reserves, whichever is higher, of the Company:-

S. No.	Name of the Bank/ Financial Institution	Amount of Corporate Guarantee given (Rs. in Lacs)
1.	Indiabulls Housing Finance Limited	501.00
2.	Bank of Maharashtra	800.00

**RESOLVED FURTHER THAT** all acts, deeds and things as may have been done by the Board of Directors of the Company, be and are hereby, ratified and confirmed and shall be binding on the Company in all respects.”

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

“**RESOLVED THAT** in accordance with the provisions



of section 73 and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the rules prescribed there under, (including any statutory modification(s) or re-enactment thereof for the time being in force) approval of the Company, be and is hereby, accorded to the Board of Directors of the Company to borrow money from its shareholders by way of Fixed Deposits subject to compliance of all the conditions stated under section 73(2) of the Act or any other applicable provisions of the Act, if any and subject to maximum limits provided under the Act read with the Companies (Acceptance of Deposits) Rules, 2014

**RESOLVED FURTHER THAT** the Deposits accepted by the Company may be cumulative or non-cumulative as per the scheme framed by the Company and carrying rates of interest for periods varying from one year to three years specified in the Circular to be specifically approved by the Board of Directors of the Company.

**RESOLVED FURTHER THAT** the Board of Directors, be and are hereby, authorised to do all such acts, deeds and things as may be necessary to give effect to the above said resolution and to settle any question, difficulty or doubt that may arise in this regard.”

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

“**RESOLVED THAT** pursuant to Section 148(3) of the Companies Act, 2013, read with Rule 14 of the Companies (Audit and Auditors) Rules, 2014, and other applicable provisions if any, consent of the Company be and is hereby accorded for the payment of remuneration of Rs. 50,000/- (Rupees Fifty thousand only) to M/s. Khushwinder Kumar & Associates, Cost Accountants, Ludhiana (Firm Registration No. 000102), who were appointed as Cost Auditors by the Board of Directors in their meeting held on 27.05.2014 for carrying out Cost Audit of the Company for financial year 2014-15, be and is hereby approved and ratified.”

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

**Date: 27.05.2014  
Place: Chandigarh**

**P.K. Goyal  
Company Secretary**

### NOTES:

1. The Register of Members and the Share Transfer books of the Company will remain closed from 31st July, 2014 to 6th August, 2014 (both days inclusive) for the purpose of payment of dividend, if approved by the members.
2. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, which sets out details relating to Special Businesses at the meeting, is annexed hereto.
3. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY/ PROXIES TO ATTEND AND ON A POLL ONLY TO VOTE ON HIS/HER BEHALF. SUCH A PROXY/ PROXIES NEED NOT BE A MEMBER OF THE COMPANY. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the Company.**

The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A Proxy form is sent herewith. Proxies submitted on behalf of the companies, societies etc., must be supported by an appropriate resolution/authority letter, as applicable.

4. Subject to the provisions of the Companies Act, 2013, dividend as recommended by the Board of Directors, if approved at the meeting, will be paid within a period of 30 days from the date of declaration, to those members whose names appear on the Register of Members as on 30th July, 2014.
5. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members. Members holding shares in physical form and desirous of either registering bank particulars or changing bank particulars already registered against their respective folios for payment of dividend are requested to write to the Company.
6. Pursuant to Section 205A & 205C of the Companies Act, 1956, the amount of dividend remaining unpaid or unclaimed for a period of seven years from the due date is required to be transferred to the Investor Education and Protection Fund (IEPF), constituted by the Central Government.

The Ministry of Corporate Affairs (MCA) on 10th May, 2012 notified the IEPF (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012 (IEPF Rules), which is

applicable to the Company. The objective of the IEPF Rules is to help the shareholders ascertain status of the unclaimed amounts and overcome the problems due to misplacement of intimation thereof by post etc. In terms of the said IEPF Rules, the Company has uploaded the information in respect of the Unclaimed Dividends in respect of the financial years from 2006-07(Final) onwards upto the date of the 33rd Annual General Meeting (AGM) held on 09.09.2013, on the website of the IEPF viz. [www.iepf.gov.in](http://www.iepf.gov.in). The Members who have not encashed their dividend warrants so far for the financial year ended 31.03.2007 or any subsequent years are requested to immediately return the outdated warrants to the Company to enable the Company to issue D/D in lieu thereof.

7. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified periodically.
8. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company.
9. Details under Clause 49 of the Listing Agreement with the Stock Exchange in respect of the Directors seeking appointment/re-appointment at the Annual General Meeting, forms integral part of the notice. The Directors have furnished the requisite declarations for their appointment/re-appointment.
10. Electronic copy of the Annual Report for 2013-14 is being sent to all the members whose email IDs are registered with the Company/Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the Annual Report for 2013-14 is being sent in the permitted mode.
11. Members may also note that the Notice of the 34th Annual General Meeting and the Annual Report for 2013-14 will also be available on the Company's website [www.kddl.com](http://www.kddl.com) for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office in Parwanoo for inspection. Even after registering for e-communication, members are entitled to receive such communication in physical form, upon making a request for the same, by post free of cost. For any

communication, the shareholders may also send requests to the Company's investor email id: [investor.complaints@kddl.com](mailto:investor.complaints@kddl.com) or [pawan.goyal@kddl.com](mailto:pawan.goyal@kddl.com)

12. **To promote green initiative, members are requested to register their e-mail addresses through their Depository Participants for sending the future communications by e-mail. Members holding the shares in physical form may also register their e-mail addresses through the RTA, giving reference of their Folio Number.**

### 13. Voting through electronic means:

- i. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies Management and Administration) Rules, 2014, the Company is providing facility to the members to exercise their right to vote at the 34th Annual General Meeting (AGM) by electronic means and the business may be transacted through **e-voting platform provided by Karvy.**

The instructions for e-voting are as under:

- i. Use the following URL for e-voting: Karvy website: <http://evoting.karvy.com>
- ii. Shareholders of the Company holding shares either in physical form or in dematerialized form, as on the record date, i.e. 04th July, 2014 (End of Day) may cast their vote electronically.
- iii. Enter the login credentials i.e. User ID and password mentioned in the attendance slip attached with the notice of the annual general meeting. Please follow the instructions given in the e-voting portal.
- iv. After entering the details appropriately, click on LOGIN.
- v. You will reach the Password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. The system will prompt you to change your password and update any contact details like mobile, email etc. on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- vi. You need to login again with the new credentials.
- vii. On successful login, the system will prompt you to select the EVENT, i.e. KDDL Limited.
- viii. On the voting page, enter the number of shares as on the cut off date under FOR/AGAINST or alternatively you may enter partially any number in FOR and partially in AGAINST but the total number in FOR/AGAINST taken together should not exceed the total shareholding. You may also choose the option ABSTAIN.

- ix. Shareholders holding multiple folios/demat account shall choose the voting process separately for each folios/demat account.
- x. Cast your vote by selecting an appropriate option and click on SUBMIT. A confirmation box will be displayed. Click OK to confirm, else CANCEL to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, shareholders can login any number of times till they have voted on the resolution.
- xi. Once the vote on the resolution is cast by the shareholder, he shall not be allowed to change it subsequently.
- xii. The Portal will be open for e-voting from 9 A.M. on 1st August, 2014 to 6 P.M. on 3rd August, 2014.
- xiii. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for shareholders and e-voting User Manual for shareholders available at the download section of <http://evoting.karvy.com> or contact Karvy Computershare Pvt Ltd at Tel No. 1800 345 4001 (toll free).
- II. The Company has appointed Mr. Ajay Arora, Company Secretary in whole time practice (ICSI membership No. SFC-2191 and Certificate of Practice No. 993) as the Scrutinizer to scrutinize and collate the e-voting process in a fair and transparent manner.
- III. The Scrutinizer shall within a period not exceeding three working days from the conclusion of the e-voting period unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- IV. The results shall be declared in or after the AGM of the Company. The results alongwith the Scrutinizer's Report shall be placed on the Company's website [www.kddl.com](http://www.kddl.com) and on the website of Karvy.
- V. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to Mr. Ajay Arora, Practising Company Secretary at his e-mail address [ajaykcs@gmail.com](mailto:ajaykcs@gmail.com) with a copy marked to Company Secretary, KDDL Ltd, Chandigarh at [pawan.goyal@kddl.com](mailto:pawan.goyal@kddl.com)
14. All documents referred to in the accompanying Notice and the Explanatory Statement shall be open for inspection at the Registered Office of the Company on all working days from Monday to Friday between 11 a.m. to 2.00 p.m. up to the date of Annual General Meeting.

### **EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESS PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013**

#### **Item No.5 to 9**

The Company had, pursuant to the provision of clause 49 of the Listing Agreement entered into with Bombay Stock Exchange Limited, appointed Mr. Mannil Venugopalan, Mr. Anil Khanna, Mr. Jagesh Khaitan and Mr. Chandra Mohan as Independent Directors at various times, in compliance with the requirement of the above said clause. Mrs. Ranjana Agarwal, a professional qualified person, was also appointed Additional Director w.e.f. 09.09.2013 by the Board of Directors of the Company.

Pursuant to the provision of Section 149 of the Companies Act, 2013 which came into effect from April 1, 2014, and clause 49 of the Listing agreement, every listed public company is required to have, at least one third of the Total number of directors as independent directors, who are not liable to retire by rotation or where the Chairman of the Company is executive director, at least one half of the total number of directors as independent directors who are not liable to retire by rotation.

In the opinion of the Board, the above named Independent Directors fulfill the conditions specified in Sections 149, 152 and Schedule IV of the Companies Act, 2013 read with Companies (Appointment and Qualifications of Directors) Rules, 2013 and Clause 49 of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force) and such Independent Directors are independent of the management. Further, all the aforesaid Independent Directors have given a declaration to the Board of Directors to the effect that they meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013.

Pursuant to Sections 149, 152, Schedule IV of the Companies Act, 2013 read with Companies (Appointment and Qualification of Directors) Rules, 2014, it is proposed to appoint Mr. Mannil Venugopalan, Mrs. Ranjana Agarwal, Mr. Anil Khanna, Mr. Jagesh Khaitan for a period of five years and Mr. Chandra Mohan for a period of four years respectively as Independent Directors of the Company.

In compliance with the provisions of section 149 read with Schedule IV of the Act, the appointment of these directors as Independent Directors is now being placed before the members for their approval.

The terms and conditions of appointment of the above directors shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working days from 11.00 am to 2.00 pm

A brief profile of the Independent Directors whose



## KDDL LIMITED

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appointment is proposed at item nos. 5 to 9 of the accompanying notice has been given in the annexure attached.

None of the Directors or their relatives and Key managerial personnel or their relatives except Mr. Mannil Venugopalan, Mrs. Ranjana Agarwal, Mr. Anil Khanna, Mr. Jagesh Khaitan and Mr. Chandra Mohan, and their relatives respectively, is concerned or interested in the resolutions set out at item nos. 5 to 9 of the accompanying Notice.

The Board recommends the passing of the Resolution set out in Item Nos. 5 to 9 of the accompanying Notice.

### Item No.10

The Board of Directors at its meeting held on 09.09.2013, had re-appointed Mr. R. K. Saboo as Chairman of the Company, w.e.f. 1st December, 2013 for a further period of 3 (three) years i.e., up to 30th November, 2016.

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

- I. **Salary** : Rs. 1,80,000/- per month (with annual increment of 10%)
- II. **Perquisites**
  - i) Fully furnished accommodation with reimbursement of charges for water, electricity and gas expenses, or HRA @ 50% of salary, in case no accommodation is provided.
  - ii) Medical reimbursement : Expenses incurred by him and his family, subject to the ceiling of one month's salary in a year or three month's salary over a period of three years.
  - iii) Personal Accident Insurance and/or Medical Insurance
  - iv) Club Fees

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

- III. He shall also be eligible to the following perquisites which shall, however, not be included in the computation of the ceiling on remuneration, specified under applicable provisions of Companies Act:
  - i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company.
  - ii) Gratuity payable as per the rules of the Company.
  - iii) Earned Leave: Encashment of un-availed earned leave as per the Company's rules at the end of the tenure.
- IV. Provision of Car(s) for use on Company's business

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

The remuneration as stated above shall also be paid as minimum remuneration in the absence or inadequacy of profits.

The approval of the members is being sought to the terms, conditions and stipulations for the appointment of Mr. R. K. Saboo as Chairman and the remuneration payable to him. The terms and conditions proposed (fixed by the Board of Directors at their meeting held on 09.09.2013) are keeping in line with the remuneration package that is necessary for the important position as that of the Chairman.

None of the Directors or their relatives and Key Managerial Personnel or their relatives except for Mr. R. K. Saboo and Mr. Yashovardhan Saboo, are in any way, concerned or interested in the resolution.

This Explanatory Statement together with the accompanying Notice may also be regarded as an abstract and memorandum under Section 302 of the Companies Act, 1956 and as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

The Directors recommend the special resolution as set out at item no. 10 for your approval.

### ITEM No. 11

The Board of Directors at its meeting held on 07.02.2014, had re-appointed Mr. Yashovardhan. Saboo as Managing Director with functional designation of Vice Chairman and Chief Executive Officer of the Company, w.e.f. 1st April, 2014 for a further period of 3 (three) years i.e., up to 31st March, 2017.

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

- I. **Salary** : Rs. 3, 00,000/- per month (with annual increment of 10%)
- II. **Perquisites**
  - i) Fully furnished rent free accommodation
  - ii) Reimbursement of charges for water, electricity and gas expenses, subject to maximum of Rs. 10,20,000/- per annum for (i) and (ii) above.
  - iii) Medical reimbursement: Expenses incurred by him and his family, subject to the ceiling of one month's salary in a year or three month's salary over a period of three years.
  - iv) Personal Accident Insurance and/or Medical Insurance subject to a maximum of Rs. 50,000/- per annum.
  - v) Club Fees for two clubs subject to a maximum of Rs. 30,000/- per annum.

vi) Bonus (including any other perquisites): Maximum Rs. 30,00,000/-, based on the performance as per parameters to be fixed from time to time by the Remuneration Committee or Board of Directors.

Note: Expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per Income Tax Rules, 1962.

III. He shall also be eligible to the following perquisites which shall, however, not to be included in the computation of the ceiling on remuneration, specified under applicable provisions of Companies Act:

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

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

The above remuneration and perquisites would fall within the limits allowed under respective schedule of the Companies Act in force from time to time and the same shall also be paid as minimum remuneration in the absence or inadequacy of profits.

The approval of the members is being sought to the terms, conditions and stipulations for the appointment of Mr. Yashovardhan Saboo as Managing Director with functional designation of Vice Chairman and Chief Executive Officer of the Company and the remuneration payable to him. The terms and conditions proposed (fixed by the Board of Directors at their meeting held on 07.02.2014) are keeping in line with the remuneration package that is necessary for the important position to encourage good professional managers with a sound career record to important position as that of the Vice Chairman and Chief Executive Officer.

None of the Directors or their relatives and Key Managerial Personnel or their relatives except for Mr. Yashovardhan Saboo and Mr. R. K. Saboo, are in any way, concerned or interested in the resolution.

This Explanatory Statement together with the accompanying Notice may also be regarded as an abstract and memorandum under Section 190 of the Companies Act, 2013 and also as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

The Directors recommend the special resolution as set out at item no. 11 for your approval.

### ITEM NO. 12

The members of the Company at their 27th Annual General Meeting held on 29.08.2007 approved, by way of an Ordinary Resolution under Section 293(1)(d) of the Companies Act, 1956, borrowings over and above the aggregate of paid up share capital and free reserves of the Company provided that the total amount of such borrowings together with the amounts already borrowed and outstanding at any point of time shall not be in excess of Rs 50 crores (Rupees Fifty Crores only).

Section 180(1)(c) of the Companies Act, 2013 effective from 12th September, 2013 requires that the Board of Directors shall not borrow money in excess of the company's paid up share capital and free reserves, apart from temporary loans obtained from the company's bankers in the ordinary course of business, except with the consent of the company accorded by way of a special resolution and as per General Circular No. 4/2014 dated 25.03.2014 issued by the Ministry of Corporate Affairs, the existing resolution passed under section 293 of the Companies Act, 1956 prior to 12.09.2013 will be valid only for one year period from the date of notification of section 180 of the Act.

It is, therefore, necessary for the members to pass a Special Resolution under Section 180(1)(c) and other applicable provisions of the Companies Act, 2013, as set out at Item No. 12 of the Notice, to enable the Board of Directors to borrow money in excess of the aggregate of the paid up share capital and free reserves of the Company. Approval of members is being sought to borrow money up to Rs. 100 crores (Rupees One hundred crores ) in excess of the aggregate of the paid up share capital and free reserves of the Company keeping in view the inflation and future requirements of the Company.

None of the Directors and Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise, in the resolution set out at Item No. 12.

The Board recommends the **Special resolution** for the approval of the Members set out at Item no. 12.

### Item 13

The Board of Directors had vide their resolution dated 07.02.2014, appointed Mrs. Malvika Saboo as General Manager in the Packaging Unit of the Company w.e.f 1st December 2013, on an annual remuneration of Rs. 7,20,036/-.

In fact, Ms Malvika Saboo was already working as Manager in the Company in the Packaging Unit w. e. f. 01.08.2013 but due to her marriage with Mr. Pranav Shankar Saboo (Son of Mr. Yashovardhan Saboo and Grandson of Mr.R.K.Saboo) in November, 2013, she became related to Mr. R. K. Saboo and Mr.



## KDDL LIMITED

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Yashovardhan Saboo. Except some minor change in her designation, there has not been any change in her remuneration as such.

As the appointment of Mrs. Malvika Saboo comes within the meaning of section 314 (1) (b) of the Companies Act, 1956 as a 'Related party appointment' and she had been appointed w.e.f. 01.12.2013 when the provisions of the Companies Act, 2013 and rules made there under, had not been made operational, thus the said arrangement requires the approval of the shareholders by way of a Special Resolution under section 314 (1)(b) of the Companies Act, 1956. In fact, had Companies Act, 2013 and the Rules made there under been made applicable at that time, there was no requirement of obtaining the approval even as the New Act allows approval for remuneration exceeding Rs. 30 lacs per annum by way of special resolution only and not below that.

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

The Directors recommend the special resolution as set out at Item No. 13 for your approval

### Item No 14

The Company had 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, subsidiary company:

1. Indiabulls Housing Finance Limited had sanctioned a loan vide its sanction letter no. 385352 and 383954 both dated 31.01.2014 aggregating to Rs. 5,01,00,000/- (Rupees five hundred one lacs only) which is 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 7th February, 2014.
2. The Bank of Maharashtra had also sanctioned credit facilities aggregating to Rs. 8,00,00,000/- (Rupees eight hundred lacs only) which is 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 7th February, 2014.

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. Hence approval of the Shareholders has been sought u/s 372A of the Companies Act, 1956 and not under section 186 of the Companies Act, 2013. The Company had provided guarantee in respect of above subsidiary company earlier also for Rs. 4910 lacs up to 31.03.2013. Thus total guarantee provided for this Company stands

at Rs. 6211 lacs as on date which exceeds 60% of the aggregate of paid up capital and free reserves or 100% of the free reserves, whichever is higher, of the Company.

None of the Directors/their relatives and/or Key Managerial Personnel/their relatives except Mr. Yashovardhan Saboo is concerned or interested in the above resolution.

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

### ITEM NO 15

Section 73(2) of the Companies Act, 2013 makes it mandatory for the Company to obtain approval of General Meeting before accepting any borrowing from the shareholders by way of Fixed Deposits.

As the conditions and maximum limits for accepting deposits from the Shareholders has been laid down in the Companies (Acceptance of Deposits) Rules, 2014, so approval of the shareholders is required for accepting deposits after complying with all the conditions stated in Section 73(2) of the Act and within the limits prescribed under the Companies (Acceptance of Deposits) Rules, 2014.

In view of the foregoing, it is therefore necessary for the shareholders to pass an ordinary resolution required under section 73(2) and other applicable provisions of the Companies Act, 2013 as set out at Item No. 15 of the Notice.

None of the Directors of the Company and /or Key Managerial Personnel of the Company and their relatives are concerned or interested in the resolution set out at Item no. 15.

The Board recommends the resolution for the approval of the Members set out at Item no. 15.

### ITEM NO 16

Pursuant to section 148(3) of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, the Members of the Company are required to approve and ratify the payment of remuneration of Rs. 50,000/- (Rupees Fifty thousand only) to the Cost Auditors as approved by the Board of Directors in their meeting held on 27.05.2014 for the Financial Year 2014-15.

None of the Directors and/or Key Managerial Personnel of the Company and their relatives are concerned or interested in the resolution.

The Board recommends the resolution for the approval of the Members set out at Item no. 16.

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

**Date: 27.05.2014  
Place: Chandigarh**

**P.K. Goyal  
Company Secretary**

## KDDL LIMITED

### DETAILS OF THE DIRECTORS SEEKING APPOINTMENT AT THE ANNUAL GENERAL MEETING TO BE HELD ON 6TH AUGUST, 2014

Name of the Director (DIN)	:	<b>Mr. Mannil Venugopalan - (DIN - 00255575)</b>		
Date of Birth	:	23rd April, 1945		
Date of first Appointment	:	1st November, 2011		
Qualification and experience in specific functional areas	:	<p>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.</p> <p>He has been associated with many companies by being on their Board as Independent Director namely, L &amp; T Finance Holding Limited, Shreyas Shipping and Logistics Limited, LICHFL Asset Management Company Limited, IL &amp; FS Environmental Infrastructure and Services Limited, Kerala State Industrial Development Corporation, Vishwas Infrastructure &amp; Services Private Limited and Sun Edison Energy Private Limited.</p> <p>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.</p>		
List of companies in which outside Directorships held	:	LICHFL Assets Management Company Limited Shreyas Shipping and Logistics Limited Dewan Housing Finance Corporation Limited L & T Finance Limited IL & FS Environmental Infrastructure and Services Limited AU Financiers (India) Limited Shri Kailash Logistics Limited		
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	:	IL & FS Environmental Infrastructure and Services Limited Shreyas Shipping & Logistics Limited LICHFL Asset Management Company Limited L & T Finance Limited Dewan Housing Finance Corporation Limited AU Financiers (India) Limited	Audit Committee Audit Committee Audit Committee Audit Committee Audit Committee Audit Committee	Member Member Member Member Member Member
Number of shares held in the Company	:	NIL		
Name of the Director (DIN)	:	<b>Mrs. Ranjana Agarwal - (DIN 03340032)</b>		
Date of Birth	:	25th November, 1956		
Date of first Appointment	:	9th September, 2013		
Qualification and experience in specific functional areas	:	<p>She is Bachelor of Economics (Hons.) and a Fellow Member of the Institute of Chartered Accountants of India.</p> <p>She founded Vaish &amp; Associates, Chartered Accountants in 1985. She specializes in estate planning and valuations. She is an invited member on the Audit Committee of Munjal Showa Ltd., a Listed Company. As a Senior Partner in Deloitte Haskins &amp; Sells, she started their Delhi practice and was managing the firm up to 2000. She has also received the Indira Gandhi Priyadarshini Award for professional excellence and entrepreneurship. She has rich experience in audit, taxation and related services including valuations and due diligence.</p>		
List of companies in which outside 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		
Number of shares held in the Company	:	NIL		

## KDDL LIMITED

Name of the Director (DIN)	:	<b>Mr. Anil Khanna - (DIN 00012232)</b>		
Date of Birth	:	20th March, 1959		
Date of first Appointment	:	22nd December, 2004		
Qualification and experience in specific functional areas	:	<p>Chartered Accountant Information System Auditor (DISA) from ICAI Bachelor of Arts (Economics, Mathematics) He is a Certified Arbitrator by the Institute of Chartered Accountants of India, has been certified as Business Counsellor by Entrepreneur Development Institute (EDI), Ahmedabad. He is in practice and has over 30 years of post qualification experience in Corporate audits, taxation and management consultancy. He has worked in SAP, Mfg Pro, JD Edworks Environment and has chaired implementation of Microsoft Navision ERP.</p>		
List of companies in which outside Directorships held	:	Ethos Limited		
Chairman/Member of the Committees of the Board of the Company	:	Audit Committee		Member
	:	Compensation Committee		Member
	:	Remuneration Committee		Member
	:	Shareholders'/Investors' Grievance Committee		Chairman
Chairman/Member of the Committees of Board of other companies in which he is a Director	:	Ethos Limited	Audit Committee	Chairman
	:	Ethos Limited	Committee for Banking and Lease Facilitation	Member
Number of shares held in the Company	:	3332 equity shares		

Name of the Director (DIN)	:	<b>Mr. Jagesh Khaitan - (DIN 00026264)</b>		
Date of Birth	:	10th February, 1945		
Date of first Appointment	:	26th February, 1990		
Qualification and experience in specific functional areas	:	<p>Graduate and having over 45 years of experience in edible oil industry. He is also associated with various trade associations and Chamber of Commerce and Industry. He is Chairman and Managing Director of Kuantum Papers Limited, a large agro based Paper Mill in Punjab.</p>		
List of companies in which outside Directorships held	:	Kuantum Papers Limited		
Chairman/Member of the Committees of the Board of the Company	:	Audit Committee		Member
	:	Compensation Committee		Member
Chairman/Member of the Committees of Board of other companies in which he is a Director	:	Kuantum Papers Limited	Finance Committee	Chairman
	:	Kuantum Papers Limited	Shareholders'/Investors Grievance Committee	Member
	:	Kuantum Papers Limited	Security Transaction Committee	Chairman
	:	Kuantum Papers Limited	Audit Committee	Member
Number of shares held in the Company	:	466 equity shares		

## KDDL LIMITED

Name of the Director (DIN)	:	<b>Mr. Chandra Mohan - (DIN 00017621)</b>		
Date of Birth	:	30th December, 1932		
Date of first Appointment	:	17th June, 2003		
Qualification and experience in specific functional areas	:	<p>He is B.A. (Hons), B.Sc. Mech. Engg. (Hons), F.I.E. (India), F.I. Prod. E (India), M.I. Mech. E (London), Memb. S.A.E., M.I. Agr. E. (India). He has vast experience and has held position as CEO in Punjab Tractors Limited besides various other managerial positions during his career.</p> <p>He has been conferred with "Padma Shri" Award in 1985, Gold Shied for Import Substitution in 1975, National Award for Invention Promotion in 1972 and other distinguished awards and recognitions.</p>		
List of companies in which outside Directorships held	:	<p>Engineering Innovations Limited  Sandhar Technologies Limited  DCM Engineering Limited  IOL Chemicals &amp; Pharmaceuticals Limited  Winsome Textiles Industries Limited  Nextgen Telesolutions Pvt. Ltd.</p>		
Chairman/Member of the Committees of the Board of the Company	:	<p>Remuneration Committee  Audit Committee  Compensation Committee</p>	<p>Chairman  Member  Member</p>	
Chairman/Member of the Committees of Board of other companies in which he is a Director	:	<p>Winsome Yarns Limited  DCM Engineering Ltd    Winsome Textiles Industries Limited</p>	<p>Audit Committee  Audit Committee  Remuneration Committee  Audit Committee  Investor Grievance Committee</p>	<p>Member  Member  Member  Member</p>
Number of shares held in the Company	:	NIL		

## KDDL LIMITED

### Statement giving information required under Part-II Section-II(B) to the Schedule V of the Companies Act, 2013 for payment of remuneration to Mr. R. K. Saboo, Chairman and Mr. Yashovardhan Saboo, Vice Chairman and Chief Executive Officer

I. General Information	Remarks									
(1) Nature of Industry	The Company operates in light engineering industry and is engaged principally in manufacture of watch components.									
(2) Date or expected date of commencement of commercial production	Commercial production started in 1983.									
(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	N.A.									
(4) Financial performance based on given indicators	<p>The financial performance is given in the enclosed Balance Sheet and Statement of Profit and Loss of the Company. The performance of the Company as on 31.03.2014 are given below</p> <p style="text-align: right;"><b>(Rs. in Million as on 31.03.2014)</b></p> <table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">Net Worth</td> <td style="text-align: right;">492.90</td> </tr> <tr> <td>Turnover (gross)</td> <td style="text-align: right;">1126.51</td> </tr> <tr> <td>Net profit after tax</td> <td style="text-align: right;">42.39</td> </tr> <tr> <td>Dividend declared</td> <td style="text-align: right;">15%</td> </tr> </table>		Net Worth	492.90	Turnover (gross)	1126.51	Net profit after tax	42.39	Dividend declared	15%
Net Worth	492.90									
Turnover (gross)	1126.51									
Net profit after tax	42.39									
Dividend declared	15%									
(5) Export performance and net foreign exchange collaborations	FOB value of export and earnings in foreign exchange during the financial year ended 31.03.2014 was Rs. 691.89 million.									
(6) Foreign investments or collaborations, if any	<p>There is no foreign technical collaboration in operation at present. Investment by financial collaborators at present is as under:</p> <table border="0" style="width: 100%; margin-left: auto;"> <tr> <td></td> <td style="text-align: right;"><b>Shares of Rs. 10/-</b></td> </tr> <tr> <td>Radexpo AG</td> <td style="text-align: right;">50,000</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>50,000</u></td> </tr> </table>			<b>Shares of Rs. 10/-</b>	Radexpo AG	50,000	Total	<u>50,000</u>		
	<b>Shares of Rs. 10/-</b>									
Radexpo AG	50,000									
Total	<u>50,000</u>									
<b>II. Information about the Appointee</b>										
(1) Background details	<p>Mr. R K Saboo, Chairman</p> <p>He is B.Sc. and has vast experience of 55 Years. He is a promoter director and is with the Company since inception.</p>	<p>Mr. Yashovardhan Saboo, Vice Chairman &amp; Chief Executive Officer.</p> <p>He is BA (Hons.), PGDBM (IIM-Ahmedabad) and has vast experience of 33 years. He is a promoter director and is with the Company since inception.</p>								
(2) Past remuneration										
Salary	19,30,000	31,94,400								
Perquisites	12,74,855	18,07,065								
Performance Bonus	--	--								
Total	<u>32,04,855</u>	<u>50,01,465</u>								
(3) Recognition or awards	<ol style="list-style-type: none"> <li>1. Degree of Doctorate by Panjab University, Chandigarh was conferred by the President of India in 2007.</li> <li>2. "Padma Shri" award was conferred by the President of India in March, 2006.</li> <li>3. Degree of Doctor of Letters (Honoris Causa) was conferred by</li> </ol>	<p>He has been conferred with "Udyog Ratna" Award by PHDCCI in 2005.</p> <p>Chairman, CII, Chandigarh in 2002</p>								



H.N. Bahuguna Garhwal University,  
Srinagar, Uttranchal in 2006.

4. Udyog Ratna in 2005.
5. Punjab Ratna in 2005.
6. Trustee Chairman of the Rotary Foundation 1994-1996.
7. World President, Rotary International during 1991-1992.  
(He is the only Indian to hold these two positions in Rotary)

- |   |   |   |
|---|---|---|
| (4) Job profile and his suitability   | He is the Chairman of the Company and is responsible for strategic decisions and planning   | He is overall incharge of the Company as Vice Chairman & Chief Executive Officer and looks after new initiatives/ expansion projects and export growth.                   |
| (5) Remuneration proposed   | Proposed remuneration is for three years starting from 1st December, 2013. Details given in the explanatory statement of the accompanying notice.                         | Proposed remuneration is for three years starting from 1st April, 2014. Details given in the explanatory statement of the accompanying notice.                            |
| (6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin). | Remuneration package is commensurate with his competence and responsibility in the Company and also with remuneration paid by comparable companies for similar positions. | Remuneration package is commensurate with his competence and responsibility in the Company and also with remuneration paid by comparable companies for similar positions. |
| (7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.  | He is the promoter director and also father of Chief Executive Officer of the Company.  | He is a director in the Company since 1981 and also son of the Chairman of the Company.   |

**III. Other Information:**

- |   |  |
|---|--|
| (1) Reasons of inadequate profit.                                     | Due to global recession in Watch Market and decline in Domestic demand for Dials from major customers.   |
| (2) Steps taken or proposed to be taken for improvement               | Cost Reduction at all levels coupled with capacity consolidation and building manufacturing excellence will result in improved profitability.          |
| (3) Expected increase in productivity and profits in measurable terms | The Company anticipates an appreciable rise in the profits with the revival of the economy and better market conditions in the international scenario. |

**IV. Disclosures:**

- |   |  |
|---|--|
| (1) The shareholders of the Company shall be informed of the remuneration package of the managerial person.   | The details of remuneration packages of Mr. R. K. Saboo and Mr. Yashovardhan Saboo are enclosed in the explanatory statement of the accompanying notice.                                 |
| (2) Disclosures required to be mentioned in the Board of Director's report under the heading "Corporate Governance", if any, attached to the annual report. | Necessary particulars of remuneration under required heads of all Working Directors are given in Corporate Governance Report forming part of the Director's Report for the year 2013-14. |

# KDDL LIMITED

## DIRECTORS' REPORT

TO

THE MEMBERS

Your Directors have pleasure in presenting this 34th Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2014.

### OPERATIONS AND PROSPECTS

#### Financial Results

The summary of operating results for the year 2013-14 and appropriation of divisible profits is given below:

(Figures in Millions of Rupees)

Particulars	2013-14	2012-13
Gross Operating Income	<b>1154.88</b>	992.77
Profit before interest and depreciation	<b>208.50</b>	124.45
Less : Interest	<b>81.88</b>	71.04
Depreciation	<b>59.26</b>	<u>56.83</u>
Profit/(Loss) before tax	<b>67.36</b>	(3.42)
Provision for Income Tax, Deferred tax	<b>24.97</b>	0.15
Profit/(Loss) after tax	<b>42.39</b>	(3.57)
Profit/(Loss) brought forward from previous year	<b>56.57</b>	76.71
<b>Net Profit/(Loss)</b>	<b>98.96</b>	73.14
<b>Appropriated as under :</b>		
Proposed Dividend	<b>13.56</b>	9.04
Corporate Dividend tax	<b>2.30</b>	1.46
Transfer to General Reserve	<b>2.12</b>	0.00
Adjustment pursuant to merger	<b>0.00</b>	6.07
<b>Surplus carried to Balance Sheet</b>	<b>80.98</b>	56.57

### PERFORMANCE AND PROJECTIONS

During the year under review, the company achieved sales revenue of Rs. 1155 Million against Rs. 993 million in the previous year, thereby registering an increase of 16%. The company earned net profit after tax of Rs. 42 million against a net loss after tax of Rs. 3.6 million in the previous year.

#### WATCH COMPONENTS

The increase in turnover during the year was primarily from the watch segment business in the export markets, which led to improved margins and higher profitability. The financial year commenced with depressed market conditions due to continuing lethargy in European and inventory accumulation in Asian region. However conditions improved in the second half of the year.

The domestic watch industry continued to operate at sub-optimal levels and the inflow of watch dials orders from domestic market further declined during the year. In order to optimise our production facilities through consolidation, the management closed two units for manufacturing and assembly of watch dials at Parwanoo and Barwala.

The major focus of the Company continues to be increased average realization from international customers by manufacturing products with more sophisticated specifications and higher quality standards. The outlook for the watch components segment in the coming years is positive and we expect that the premium and luxury segment will continue to witness healthy growth.

### ETHOS

The watch retail and distribution business of the group, being managed through our subsidiary company Ethos Limited continues to show strong growth and improved performance. The turnover of the Ethos Limited improved from Rs 1.72 billion (billing of Rs1.94 billion) to Rs 2.20 billion (billing of Rs2.47 billion) registering a growth of 27%.

The ETHOS chain comprises of 45 active stores at some of the best retail destinations in the country, spread across 14 cities. Eight new stores were opened during the year, while 5 non-performing stores were also closed down. World famous brands like IWC and Panerai were introduced and an innovative retail agreement finalized with FOSSIL Group to jointly open stores under the name and style of WSI by ETHOS.

The Company continues to focus on increasing the turnover and profitability by enhancing presence in the growing market and also using its leadership in the internet marketing space. The company is poised for substantial growth in turnover and also improvement in financial parameters in the coming years.

### OTHER BUSINESS

The precision stamping division, Eigen Engineering, achieved marginally better business than the last year, growing by 4%. During the year, the Company's focus was on realigning the business towards profitable segments. The Company has also increased efforts for exports to specific high growth sectors. We believe that the precision engineering segment will witness healthy growth in the coming period.

The Packaging division continues to operate at stagnant revenue, while still not being profitable. Company will be taking necessary proactive steps and actions to contain losses.

The Company's Swiss subsidiary, Pylania SA in Switzerland restricted the manufacturing operations due to low order position and concentrated on eliminating losses by cutting cost and tapping alternate revenue streams. We foresee that the manufacturing business of Company will witness a strong recovery with the implementation of the new "Swiss Origin" regulations that are now in the process of being adopted in Swiss Law.

The operations of the Joint venture Company Satva Jewellery and Design Limited, the 50:50 Joint Venture with Pascal Vincent Vaucher, SA of Switzerland remained suspended during the year due to no orders. The Company is in discussion with the JV partner for finding out the alternatives for restructuring / realigning the business of the Company.

During the year, the Company deferred further investment into the e-commerce website platform. However, the Company provided this platform to its subsidiary, Ethos Limited, to generate the necessary traffic, viewership and interest in the business. The Company plans to again take up the e-commerce business in due course of time.

### DIVIDEND

Your Directors have recommended a dividend of 15% i.e. Rs 1.50 per share on equity shares of the Company for the

## KDDL LIMITED

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financial year ended 31st March, 2014 (last year 10% i.e. Rs 1.00 per equity share). The Dividend shall be paid after the approval of the shareholders at the ensuing Annual General Meeting.

The total outgo of the dividend to be paid to shareholders will be Rs 15.86 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.

### **DIRECTORS**

The tenure of the appointment of Mr. Rajendra Kumar Saboo, Chairman and Mr. Yashovardhan Saboo as Vice Chairman and Chief Executive Officer of the Company ended on 30th November, 2013 and 31st March, 2014 respectively. The Board has re-appointed them for a further period of 3 (three) years w.e.f. 1st December, 2013 and 1st April, 2014 respectively subject to approval of shareholders in the General Meeting and subject to such other approvals of financial institutions or other statutory authorities, as may be necessary.

Mrs. Ranjana Agarwal, a Chartered Accountant by profession, was appointed as an Additional Director of the Company w.e.f. 09.09.2013. In terms of section 161 of the Companies Act, 2013 Mrs. Ranjana Agarwal holds office only up to the date of ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing her name for the office of Director. As she complies with the provisions of section 149(6) and is a professionally qualified person, so she is being appointed as Independent Director as recommended by the Board.

The Company had pursuant to the provisions of clause 49 of the Listing agreement and Companies Act, 2013 appointed Mr. Mannil Venugopalan, Mr. Anil Khanna, Mr. Jagesh Khaitan and Mr. Chandra Mohan as Independent Directors of the Company.

In accordance with the provisions of section 149 of the Act, these directors are being appointed as Independent Directors to hold office as per their tenure of appointment mentioned in the Notice of the forthcoming Annual General Meeting of the Company.

Pursuant to clause 49 of the Listing Agreement, details of all directors being appointed as Independent Directors is being provided in separate annexure.

### **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, 2014, 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, 2014 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 BSE for the financial year 2013-14.

The Company has also applied for the 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.

### **SUBSIDIARY COMPANIES**

A statement pursuant to section 129(3) of the Companies Act, 2013, containing the salient features of the financial performance of our subsidiary Companies is attached to the Accounts. The audited financial statements and related information of subsidiaries are available on our Website: [www.kddl.com](http://www.kddl.com). Moreover, 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 as Annexure C.

### **FIXED DEPOSITS**

Fixed Deposits from the public, shareholders and employees as on 31st March, 2014 stood at Rs. 117.41 million. There were no overdue deposits as on 31st March, 2014. All the provisions of Sections 58A and 58AA of the Companies Act, 1956 had been complied with.

The above deposits have been accepted as per provisions of the Companies Act, 1956 after complying with the requirements stated therein. However as per provisions of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014, all the deposits accepted pursuant to provisions of the Companies Act, 1956 and the rules made there under are required to be mandatorily repaid within one year from the date of commencement of the New Act i.e. 1st April, 2014 or from the date on which such payments are due whichever is earlier or as per extended date by the NCLT. Henceforth, the fixed deposits will be accepted either from the members' u/s 73 or from public under section 76 after complying with the conditions mentioned in the sections respectively. We are taking necessary steps to comply with the new provisions as mentioned above.

## APPOINTMENT OF COST AUDITORS

Pursuant to the Cost Audit Order No.F.No.52/26/CAB-2010 dated 06.11.2012 and on the recommendations of the Audit Committee, the Board of Directors of your Company have appointed M/s Khushwinder Kumar & Associates, Cost Accountants, Ludhiana, as the Cost Auditor to carry on the Cost Audit of the Company for the year 2013-14. Cost Audit Report of the Financial year 2012-13 was filed on 06.09.2013 (Due date-30.09.2013).The above firm has also been appointed as Cost Auditors of the Company for the Financial year 2014-15 as well.

## AUDITORS

M/s Walker Chandiook & Co.LLP, (Formerly known as Walker, Chandiook & Co.) Chartered Accountants, Statutory Auditors of the Company, retires at the ensuing Annual General Meeting and are eligible for re-appointment. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under section 139(1) of the Companies Act, 2013 and that they are not disqualified for such appointment within the meaning of section 141 of the Companies Act, 2013.

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.

## CORPORATE SOCIAL RESPONSIBILITY

As the provision of Section 135 of the Companies Act, 2013 relating to Corporate Social Responsibility (CSR) are applicable to your Company, so in order to comply with the provisions, your directors have constituted a Corporate Social Responsibility Committee headed by Shri Rajendra Kumar Saboo, Chairman of the Company. The said committee has been entrusted with the responsibility of forming a CSR Policy and recommending to the Board for CSR programmes and activities to be undertaken and monitored by the Committee.

## PARTICULARS OF EMPLOYEES

None of the employee has received salary of Rs 60.00 lacs per annum or Rs 5.00 lacs per month or more during the financial year 2013-14. Accordingly, no particulars of employees are to be given pursuant to the provisions of section 217(2A) of the Companies Act, 1956.

## EMPLOYEE STOCK OPTION PLAN

The information relating to the "KDDL Employee Stock Option Plan - 2011" 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.

## 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 - B forming an integral part of this Report.

## 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 as Annexure - C.

## 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, 2014 as per Report on Corporate Governance annexed as Annexure - D and a Certificate from the Auditors to this effect for the year ended on 31st March, 2014 is also enclosed with this report.

## CASH FLOW ANALYSIS

In conformity with the provisions of Clause 32 of the Listing Agreement, the Cash Flow Statement for the year ended on 31st March, 2014 is annexed in the financial statements.

## 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 withstand the impact of slowdown.

## 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 : 27.05.2014      Yashovardhan Saboo      Anil Khanna  
Place : Chandigarh      Vice-Chairman and CEO      Director



**STATEMENT AS AT 31ST MARCH, 2014, 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	16,500
9.	Total number of options in force	84,000
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 2013-14 to:**

(i)	Senior managerial personnel	None
(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	Yes, Rs. 120/-
(c)	Exercise price is less than market price	Not applicable

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	Yes
(c)	Exercise price is less than market price	No

D. The stock based compensation cost calculated as per the intrinsic value method for the financial year 2013-14 is Rs 1,70,016/-. 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 2013-14 would be Rs 7,46,925/-. Had the Company adopted the fair value method, net profit after tax would have been lower by Rs 5,76,709/- for the financial year 2013-14.

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

(In Rs.)

<b>Earnings Per Share: Basic</b>	
- As reported	4.69
- Adjusted Proforma	4.63
<b>Earnings Per Share: Diluted</b>	
- As reported	4.69
- Adjusted Proforma	4.63



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

**A. CONSERVATION OF ENERGY :**

- a) **Energy conservation measures taken:**  
The Company continues to give high priority to conservation of energy on an on-going basis. A few significant measures taken are:
  - i) Periodical and preventive maintenance of electric equipments and ensured optimum utilization of electric energy.
  - ii) Phased balancing of heating and lighting load.
- b) **Additional investments and proposals:**  
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, new product developments and productivity 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 alongwith incremental business from customers.

- c) **Future plan of action:** Further improvement in production processes, to develop new dial finishes, new types of index, development of tools and components and reduction of costs 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.
- iv) **If not absorbed, area where this has not taken place, reasons thereof and future plans of action:** N.A.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO (Rupees in Millions)**

	<b>2013-14</b>
Foreign Exchange earnings	Rs. 699.78
Foreign Exchange outgo	Rs. 49.10

for and on behalf of the Board

Date : 27.05.2014	Yashovardhan Saboo	Anil Khanna
Place : Chandigarh	Vice-Chairman and CEO	Director

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

Global economic recovery is being witnessed in 2014, led by growth of advanced economies, especially USA. Eurozone is recovering too since second half of 2013. However, the ongoing tapering of quantitative easing in US, continued deflation concerns in EU, along with inflationary pressures in emerging markets pose downside risks. Also, the financial vulnerability of China which has risen in the recent years is a potentially large risk to global trade and growth.

**Indian Economy**

Indian markets were less volatile than most of its emerging market peers. Narrowing fiscal and current deficit, stability in rupee exchange rate has reduced near-term macro instability.

Growth in Indian Economy had been on a downward trend since last quarter of 2010-11. It was only in the first half of 2014, that the economy witnessed signs of bottoming out with marginal improvement. The instability of the government and delayed policy decisions along with spiraling inflation led to deferment of investments in major infrastructure projects.

The GDP forecast for the next fiscal is driven by a partial unclogging of domestic policy logjam as well as improved global growth prospects. This, together with improved private consumption demand, is expected to trigger a gradual revival in industrial growth in 2014-15.

The economic environment for future holds promise after the elections with the clear political mandate and stable government. Industry eagerly waits for corrective and bold policy decisions for reviving growth creating a favorable environment for investment.

**THE WATCH INDUSTRY****Swiss Watch Industry**

The year 2013 commenced with a negative growth due to economic slowdown and inventory accumulation in China. Gradually markets revived after the inventory corrections and the first half year witnessed a meager growth of 0.7%. However the growth improved in the second half of the year with an increase of 3%. The slowdown in growth relative to the sharp increases registered since 2010 is the result in particular of a very high base of comparison.

During the year the volume declined from 29.2 Million watches to 28.1 million, due to decline in exports to markets of Hong Kong and China, whereas the value increased by 2% from CHF 20.2 billion to CHF 20.6 billion, primarily on account of increase in the high value watches.

**Exports of Finished Watches by Main Countries**

China retained its first position but exported fewer

watches than in 2012 (-4.2%). With 634.4 million timepieces however, it remains by far the world's leading exporter in volume terms.

Main watch exporting countries (Direct exports)

Countries	Units in millions	Change in %
China	634.4	-4.2%
Hong Kong	331.5	-6.5%
Switzerland	28.1	-3.6%
Germany	18.8	+13.8%
USA	9.2	+7.3%
France	6.9	+7.9%

Hong Kong watches exports fell by 6.5%, to 331.5 million units with value of 10.4 billion dollars. Switzerland occupied third place, exporting 28.1 million timepieces in 2013, with a downturn of 3.6% as mentioned above, but the value increased to 23.6 billion dollars, an increase of 2%.

The Swiss exports to China declined due to curbs on consumption of luxury goods and a ban on advertisement of luxury goods in certain cities.

However, with the Free trade agreement with Switzerland coming into effect from 1st July 2014, the import of Swiss watches will get a boost.

**Indian Watch Market**

The Indian watch market for time pieces has grown at a rapid pace in the last few years clocking a CAGR of 9.3% for the period 2008-2013. With the rise of the aspiring Indian and an increasing demand for watches with superior craftsmanship and technology, India is becoming a major market for many watch companies. Various International brands envision the Indian market as a significant part of their portfolio and are looking at setting and solidifying their base here.

This optimism in the luxury market is reflected in the premium watch market. The year-on-year growth in volumes as well as value continues to be robust.

**BUSINESS OVERVIEW**

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

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

**Turnover**

The turnover of the company during the year witnessed a growth of 17%, primarily due to improved market

conditions in the watch industry especially in Switzerland. The growth in turnover of 17% was despite decline of 7% in domestic market. The watch component business of domestic market registered a decline of 7% in value terms compare to previous year due to lower volume off-take by major customers like Titan and Timex. On the other hand, export value of watch component business improved by 42% due to improved market conditions and also due to rupee depreciation. Other manufacturing business witnessed growth of 4% primarily on account of growth in domestic business.

The company's overall strategy is to continue focus on increasing exports to Swiss and other European markets, for all segments of business.

### **Dial Units**

During the year, the dial units catering to domestic segment were severely impacted by lower demand forcing units to operate below the installed capacity. In value terms, the domestic market revenue is lower by 12%. During the year, company shut down two dial manufacturing units at Barwala (Haryana) and Parwanoo (H.P) catering to domestic segments. However, the exports during the year improved 44% over previous year. The total turnover from dials business witnessed year on year growth of 20%.

### **Hands Unit**

The watch hands segment registered a growth of 30% over previous year primarily on account of growth in export to Switzerland. The domestic market remained stagnant compared to previous year.

### **Precision Components**

Our precision components manufacturing unit at Bangalore witnessed growth in turnover of 4%. The additional business during the year was mainly from the domestic market. The export market maintained the turnover achieved in previous year. During the year company strategically realigned the customers and market segments by eliminating unviable and non profitable market segments.

### **Other Businesses**

During the year, the packaging business of the company registered a growth of 3% over previous year wherein the domestic market revenue was maintained at previous year level and incremental revenue was mainly from exports.

### **Strategic Initiatives**

The financial year 2013-14 commenced with depressed market conditions and lower order position forcing sub-optimal capacity utilizations in all business segments. These conditions forced management to initiate corrective actions, business realigning, consolidation and restructuring. However the market conditions in Switzerland started improving from Q2 onwards leading to increased inflow of orders. The other favorable factor in growth was depreciation of rupee which helped in

improved realizations from export markets.

During the year, the management closed the dials manufacturing facilities at Barwala and the assembly unit at Parwanoo. The dial manufacturing unit at Dera Bassi was geared up for meeting the watch dial requirements of the Swiss market and high value domestic requirements. The Company also received very positive response and feedback from key customers for the exclusive quality assurance cell arrangement set up during the last year. As per this arrangement the customer representative validated and approved the products as per customer's specifications before dispatch and delivery.

The efforts of the company for increasing the revenue by developing complex and high featured watch dials for both new and existing customers were successful and improved average realization. The company also took advantage of the expert services of Frost and Sullivan, renowned consultants in manufacturing excellence for systematic improvement of the several manufacturing processes.

During the year, company has specifically focused on key business levers of growth and profitability in precision engineering and components manufacturing business, wherein initial response is positive. We have now increased our efforts and resources for exponential growth in revenue by capturing business from additional markets and segments, both in domestic and exports market. In addition, the company has initiated the efforts and process for improving internal efficiencies, capacity utilization and productivity across the board. The company views precision engineering business as major growth drivers in the coming years.

The packaging business of the company continues its struggle for growth and profitability. The fluctuating order inflows, high cost of manufacturing and lower productivity is a major cause of concern, which necessitated corrective management actions. In order to overcome the continuous financial losses in the Packaging business, the management has initiated the efforts for increasing the revenue by venturing into high value, long series volume requirements of customers both in the domestic and export segments for the Watch industry, writing instruments, Jewellery and other accessories markets. In addition the company has focused on indigenization of materials and initiated efforts for improving productivity and cost rationalization.

During the year, the company deferred the business plan for direct e-commerce business, but the website platform was offered to our Subsidiary Ethos Limited for validation. The company retains its plans to utilize this platform at appropriate time for the ultimate objective of establishing a life-style brand for watches and fashion accessories.

The company has successfully implemented the SAP and is now extending this tool for optimizing the various

commercial processes of the company.

### **Business Performance Review**

#### **Revenue**

The gross operating income of the company improved from Rs. 993 Million to Rs. 1155 Million an increase of 16% over the previous year. The turnover of the company improved quarter by quarter during the last financial year due to improved market conditions and the structured focus and efforts of the company to manufacture and supply high value quality products in the export markets. The favorable currency movements also supported in growth of revenue of the company. The watch segment gross operating income improved from Rs. 689 Million to 852 Million, registering a growth of 24%. The other segment's revenue decreased from Rs. 230 Million to Rs. 223 Million, registering a decline of 3%. The domestic sale of the company declined from Rs. 413 Million to Rs. 385 Million representing a decline of 7%, where as the export revenue improved from Rs.508 Million to Rs. 691 Million registering a handsome growth of 36% which establishes the confidence and trust of the customers in the export markets.

#### **Margins**

During the year the margins of the company improved quarter by quarter due to improved market conditions and healthy growth in turnover.

The earnings before interest, depreciation, taxes and appropriations improved from Rs. 124 million to Rs. 208 million, improvement of almost 68% over the previous year. The operating EBIDTA earning after eliminating the exceptional and abnormal cost improved to 18.7% from 15.7% achieved in previous year.

#### **Shareholders Funds**

The company's reserves improved from Rs. 375 million as on 31st March 2013 to Rs. 402 million as on 31st March 2014, on account of improved financial performance and margins.

#### **Loan Funds and Cost of Debt**

The cost of funds as a percentage to total revenue decreased marginally from 6.0%% to 5.9% in 2013-14. The decrease in cost of funds was due to higher turnover. During the year, interest rates in the financial market continued to remain high; this also affected the borrowing costs of the company. The overall simple average cost of debt increased to 12.5% from 12.1% during the previous year.

The Company continues to focus and optimize the working capital cycle and reduce cost of borrowing by effective use and availment of different financing options.

#### **Fixed Assets**

Gross Fixed Assets of the company including Capital work in progress during the year increased from Rs. 1100 million to Rs. 1131 million on account of normal

capital expenditure in the different units for increasing productivity, new product developments and addition of other assets for quality, safety, Information technology and administrative functions.

### **Subsidiary Companies and Joint Ventures**

#### **Ethos Limited**

The economic environment in India remained challenging. The weak macro-economic indicators, the depreciating rupee and ambiguous policy environment impacted the performance of many industries. The luxury market was, however, impacted to a much lesser extent than many other industries. The luxury watch market continues to grow at a good rate despite economic developments in the previous financial year. The Indian luxury watch market is estimated to have grown at over 20% in the year, far above the overall growth of the Swiss Watch exports at about 2 % only in the calendar year 2013. This growth has underlined our belief regarding the robustness of the luxury watch market.

During the course of the year, the Company continued its topline growth. The company's billings grew from Rs. 195 crores in FY12-13 to Rs 247 crores in FY13-14, a growth of approximately 27%. The growth in billings has been achieved on the back of healthy like-to-like growth of billings at store level at 18%.

During the year, the Company has opened thirteen new stores. The Company took a close look at stores that are not profitable and closed 5 stores. The total number of stores as at the end of FY2013-14 is 45. The Company continues to monitor closely the financial performance of all stores and will continue to close stores that do not show a significant improvement in sales and profits.

The Online initiatives of the Company have shown a tremendous potential. In FY2013-14, the Company attracted an online traffic of 3 million unique visitors. Further, the Online initiatives contributed to more than 16% of the overall sales achieved by the Company. Considering the success of these Online initiatives, the Company will be allocating greater resources to this medium. The Company is now effectively able to transcend the limitations of presence at its stores to all over India. The Online internet team now caters to far flung cities where it has no store presence and has loyal customer base in cities such as Lucknow, Cochin, Bhubaneswar, Guwahati, Goa, Raipur, among others.

Despite the constraints on the net profits due to loss on account of exchange rate fluctuation to the extent of Rs. 7.3 million and write offs due to closure of stores amounting to Rs. 4.3 million, the net profits have improved over the last year. EBIDTA improvement remains the key focus area for the Company. The strategy improvements in EBIDTA is going to be four-pronged - a greater emphasis on acquiring customers by reaching out to them online and thereby reducing the costs of acquisition, better negotiation with vendors for higher margins, lowering discounts with stricter controls



and value offerings, and pruning non-performing stores.

### **Pylania SA**

The manufacturing of watch dials business of Pylania was restricted during the year 2013 due to decline in orders and deferment in new products development by major watch brands in Switzerland. The management of Pylania had taken various steps for restricting the continual losses by downsizing the operations to sustain the cost and meet financial obligations of all stakeholders.

During the last year, the Swiss parliament and Swiss Watch Federation has also reached consensus for amendment in "SWISS ORIGIN" regulations in horology industry. More clarity on these regulations and guidelines for implementations will be available in due course of time. The implementation of the new legislation will help in further reviving the Swiss manufacturing of watch dials in Pylania in the coming years.

During the year, the revenue of the company declined from CHF 1390 K to CHF 615 K, decline of 56% over previous year due to curtailed manufacturing operations. However the company was in a position to report a profit of CHF 6 K during the year compared to a loss of CHF 691 K in 2012-13. The profitability of the unit was made possible by the efforts of the company in generating revenue from other business streams, offering services to other clients and controlling expenses.

The Board and Shareholders of the company are confident that the business will grow in the coming years.

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

This is 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 as no orders were received from the JV partner. The company is exploring all available options acceptable to both the joint venture partners for recovery / restructuring of the business. KDDL is also working on alternatives for effective utilization of the assets of this joint venture company. The non participation of the other joint venture partners is delaying any final resolution for 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.

The Company's Talent Management process focused on building talent at various levels in the organization. A

number of professionals in different functions had been hired keeping in mind the company's future needs to build a leadership pipeline. Also, new people had been hired to build capabilities in new areas and to fill any gaps. As such, the Company has focused on developing internal talent through a robust identification process and with a clear development plan designed for each such talent.

During the year the Company held various employee engagement programs in order to bolster employee morale, inculcate a feeling of team work and camaraderie and create a mechanism to recognize individual and team contributions to the organizations. Programs such as Chairman's Annual Awards and Star Performer Awards recognize and reward individual and team achievements across the Group. The total number of employees of the Company was over 1100 during the year under review.

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

The Company conducts its business with integrity and high standards of ethical behavior and in compliance with the laws and regulations that govern its business. 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 (Auditor's Report) Order, 2003 and to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies.

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

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

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

Our framework for combating risks recognizes that risks may be divided into two broad categories - risks that are common and relevant for most business in general and risks that are more specifically applicable to your company and business in particular. The Risk Management Policy at KDDL inter-alia provides for Risk



identification, assessment, and reporting and mitigation procedure. The Policy is continuously updated and adopted to the changing environment in which the Company operates.

### **Risks of General Nature**

Risks relating to the general 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 led to a substantial part of the Company's business being related to these groups.

Notwithstanding the strong standing of these

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

#### **Risks related to over dependence on one business:**

This is mitigated by an increasing focus on developing businesses outside the watch industry, e.g. the packaging business, business of precision engineering components and also to venture into the e-commerce business.

**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**

(Pursuant to Clause 49 of the Listing Agreement entered into with the Bombay Stock Exchange Limited)

**I. THE COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE**

Corporate Governance is the application of best management practices, compliances of laws, rules, regulations and adherence of standards for achieving 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 Saboo Business 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 its 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 10 (ten) members including 3 (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 financial year ended on 31st March 2014, 6 (Six) 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:

14th May, 2013	31st July, 2013	30th October, 2013
29th May, 2013	9th September, 2013	7th February, 2014

The following table gives the composition and category of the Directors on the Board, their attendance at the Board meetings held 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	No. of Board Meetings attended	Attendance at the last AGM held on 09.09.2013	No. of Directorships in other Public Limited Companies	*No. of mandatory Committee positions held in other Companies	
						Chairman	Member
Mr. R.K. Saboo	Chairman	Promoter-Executive	6	Yes	2	-	-
Mr. Yashovardhan Saboo	Vice Chairman & Chief Executive Officer (CEO)	Promoter-Executive	5	No	8	-	1
Mr. Dinesh Agrawal	Chief Operating Officer (WCG)	Executive	6	Yes	3	-	-
Dr. T.N. Kapoor	Director	Independent-Non Executive	6	Yes	4	4	4
Mr. Jagesh Khaitan	Director	Independent-Non Executive	6	Yes	1	-	2
Mr. Anil Khanna	Director	Independent-Non Executive	6	Yes	1	1	-
Mr. Chandra Mohan	Director	Independent-Non Executive	6	Yes	5	-	4
Mr. Mannil Venugopalan	Director	Independent-Non Executive	6	Yes	7	-	6
Mr. Marc Bernhardt	Director	Independent-Non Executive	Nil	No	-	-	-
Ms. Ranjana Agarwal	Additional Director	Independent-Non Executive	2	No	-	-	-

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

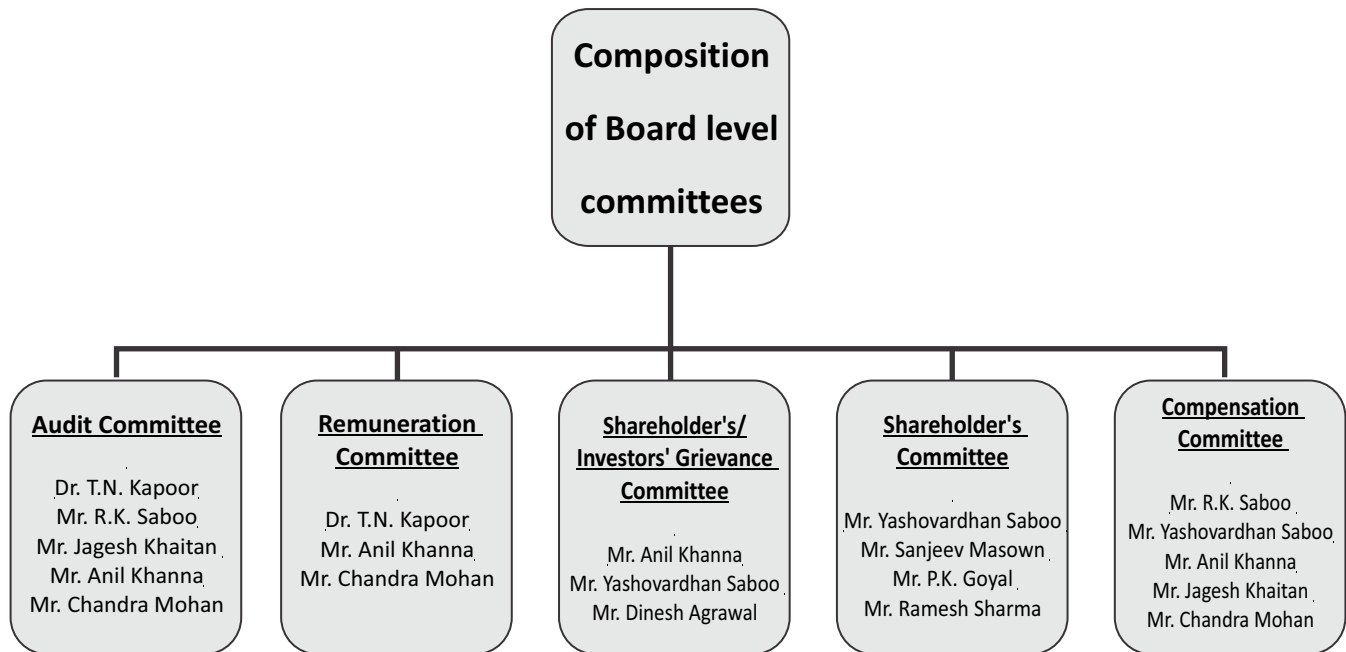
Since the Chairman of the Board is an Executive Chairman, the Board of Directors comprises of more than 50% of Directors who are Independent.

**Notes:**

- During the year, Mrs. Ranjana Agarwal was appointed as the Additional Director in the Board meeting held on 9th September, 2013.

### III. COMMITTEES OF BOARD

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



#### 1. AUDIT COMMITTEE

The scope of activities of the Audit Committee is as set out in Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited read with Section 292A of the Companies Act, 1956 and Section 177 of the Companies Act, 2013. The terms of reference of the Audit Committee are broadly as follows:

- To review compliance with internal control systems;
- To review the findings of the Internal Auditors relating to various functions of the Company;
- To hold periodic discussions with the Statutory Auditors and Internal Auditors of the Company concerning the accounts of the Company, internal control systems, scope of audit and observations of the Statutory Auditors/Internal Auditors/Cost Auditors;
- To review the quarterly, half yearly and annual financial results/statements of the Company along with the auditors' report thereon before submission to the Board;
- To make recommendations to the Board on any matter relating to the financial management of the Company, including Statutory and Internal Audit Reports;
- Recommending the appointment and remuneration of Statutory Auditors, Internal Auditors and Cost Auditors.
- To review and monitor the auditor's independence, performance and effectiveness of audit process;
- To approve or subsequently modify transactions of the company with related parties;
- To scrutinize and report inter-corporate loans and investments;
- To review the valuation of undertakings or assets of the company, wherever it is necessary;
- To evaluate the internal financial controls and risk management systems;
- To monitor the end use of funds raised through public offers and related matters.



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. 15,000/- for attending the meetings of the Board of Directors. The Non-Executive Directors are also paid remuneration by way of sitting fees of Rs. 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	1,30,000/-
Dr. T.N. Kapoor	1,25,000/-
Mr. Chandra Mohan	1,30,000/-
Mr. Jagesh Khaitan	1,15,000/-
Mr. Marc Bernhardt	Nil
Mr. Mannil Venugopalan	90,000/-
Mrs. Ranjana Agarwal	30,000/-

● **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, Vice Chairman and Chief Executive Officer and Chief Operating Officer (WCG) during the financial year ended on 31st March, 2014 are as follows:

Name	Salary	Perquisites & Allowances	Amount in Rupees	
			Bonus paid/provided in 2013-14	Total
Mr. R.K. Saboo	19,30,000	12,74,855	-	32,04,855
Mr. Yashovardhan Saboo	31,94,400	18,07,065	-	50,01,465
Mr. Dinesh Agrawal	14,06,400	18,08,880	-	32,15,280

**3. COMPENSATION COMMITTEE**

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

- a) The quantum of Options to be granted under the plan to an 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.



## KDDL LIMITED

- 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 financial year ended on 31st March, 2014, 1 (one) meeting of the Compensation Committee was held on 7th February, 2014.

W.e.f. 27.05.2014, the Committee stated at Point No 2 i.e. Remuneration Committee and Committee stated at Point No 3 i.e. Compensation Committee has been disbanded by the Board and as required under the provisions of New Companies Act, 2013 and Clause 49 of the Listing Agreement, a New Committee named as "Nomination and Remuneration Committee" has been re-constituted with the following members:

Name	Designation	Name	Designation
Dr.T.N.Kapoor	Chairman	Mr. Mannil Venugoplan	Member
Mr. Anil Khanna	Member	Mr. Chandra Mohan	Member
Mr.Jagesh Khaitan	Member		

#### 4. 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.

#### 5. SHAREHOLDERS' COMMITTEE

The Shareholders' Committee has been constituted to specifically look into transfer/demat/remat of shares, issue of duplicate /split /consolidation of share certificates, notices and to attend shareholder's complaints on SCORES system of SEBI or otherwise etc.

The present composition of Shareholders' Committee is as under:

Name	Designation
Mr. Yashovardhan Saboo	Vice Chairman and 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, 2013	Nil
During the period from 1st April, 2013 to 31st March, 2014, complaints identified and reported under Clause 41 of the Listing Agreement	12
Complaints disposed off during the year ended 31st March, 2014	12
Complaints unresolved as on 31st March, 2014	Nil

W.e.f. 27.05.2014, the Committee stated at Point No 4 i.e. Shareholders'/Investors' Grievance Committee and Committee stated at Point No 5 i.e. Shareholders' Committee has been disbanded by the Board and as required under the provisions of New Companies Act, 2013 and Clause 49 of the Listing Agreement, a New Committee named as "Stakeholders' Relationship Committee" has been re-constituted with the following members:

Name	Designation	Name	Designation
Mr.Anil Khanna	Chairman	Mr. Sanjeev Masown	Member
Mr. Yashovardhan Saboo	Member	Mr. P.K. Goyal	Member
Mr.Dinesh Agrawal	Member		

## KDDL LIMITED

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### 6. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

In order to comply with the provisions of Section 135 of the New Companies Act, 2013, w.e.f. 01.04.2014 the Board of Directors have constituted a 'Corporate Social Responsibility Committee' w. e. f. 27.05.2014 with the following directors:

Name	Designation
Mr.R.K.Saboo	Chairman
Mr. Yashovardhan Saboo	Member
Mrs.Ranjana Agarwal	Member
Mr. Jagesh Khaitan	Member
Mr. Chandra Mohan	Member

### 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
2012-13	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	9th September, 2013	12.30 p.m.	a. Re-appointment of Mr. Dinesh Agrawal as Whole Time Director with functional designation of Chief Operating Officer of the Company, w.e.f., 1st April, 2013, for a further period of three years, i.e., upto 31st March, 2016. b. Provide corporate guarantee to the Bank for providing loan to M/s Ethos Limited, Subsidiary Company.
2011-12	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	17th September, 2012	12.30 p.m.	Provide corporate guarantees to Banks/Financial Institution for providing loan to M/s Ethos Limited (formerly known as M/s Kamla Retail Limited), Subsidiary Company.
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.

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

(iii) No postal ballot was conducted during the year.

### 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, 2014. A declaration to this effect, duly signed by the Chief Executive Officer is given at the end of Corporate Governance Report.

## KDDL LIMITED

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### 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 (See Note 36 to the financial statements in the Annual Report). Also, there has not been any non-compliance by the Company in this regard.

No penalties or strictures were imposed by the Stock Exchange, SEBI or any other Statutory Authority on any matter related to Capital Markets during the last three years.

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, 2014.

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 or revised Schedule VI of the Companies Act, 1956.

The Company has not adopted any non-mandatory requirements as stated in Annexure III of the Listing Agreement except the Remuneration Committee {Annexure ID (2)}.

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:

<b>Name of the Director</b>	<b>No. of equity shares held as on date of Board meeting i.e. 27.05.2014</b>
Mr. R.K. Saboo	2054560
Dr. T.N. Kapoor	Nil
Mr. Jagesh Khaitan	466
Mr. Anil Khanna	3332
Mr. Chandra Mohan	Nil
Mr. Mannil Venugopalan	Nil
Mr. Marc Bernhardt	Nil
Mrs. Ranjana Agarwal	Nil
Mr. Yashovardhan Saboo	1505630
Mr. Dinesh Agrawal	33099

### VII. SECRETARIAL AUDIT

A qualified Company Secretary in practice 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

Financial Express (English)/Jan Satta (Hindi)

Any website where results or official news are displayed

Yes, [www.kddl.com](http://www.kddl.com)

Whether it also displays official news releases

Yes

The presentations made to institutional investors or to the analysts

Yes

## KDDL LIMITED

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### IX. GENERAL SHAREHOLDER INFORMATION

#### (a) Annual General Meeting

Date : 6th August, 2014  
Venue : Hotel Timber Trail Resorts, Parwanoo 173 220 (H.P.)  
Time : 12:30 p.m.

#### (b) Financial Calendar

Financial year: 1st April to 31st March

For the financial year ended 31st March, 2014, results were announced on:

- 30th June, 2013 : 31st July, 2013
- 30th September, 2013 : 30th October, 2013
- 31st December, 2013 : 7th February, 2014
- 31st March, 2014 : 27th May, 2014

For the year ending 31st March, 2015, the tentative dates for announcement of the results:

- 30th June, 2014 : First week of August, 2014
- 30th September, 2014 : Second week of November, 2014
- 31st December, 2014 : Second week of February, 2015
- 31st March, 2015 : Fourth week of May, 2015

#### (c) Date of Book Closure

Book Closure - 31st July, 2014 to 6th August, 2014 (both days inclusive)

#### (d) Dividend Payout

Subject to approval of the members of the Company, the Directors have recommended a dividend of 15% i.e. Rs. 1.50 per share for the financial year 2013-14.

#### (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, 2013	77.00	62.00	19504.18
May, 2013	75.00	63.70	19760.30
June, 2013	73.00	65.00	19395.81
July, 2013	67.75	59.00	19345.70
August, 2013	68.90	59.65	18619.72
September, 2013	79.00	70.00	19379.77
October, 2013	84.95	68.70	21164.52
November, 2013	89.95	78.00	20791.93
December, 2013	84.00	68.00	21170.68
January, 2014	79.50	72.00	20513.85
February, 2014	85.85	70.00	21120.12
March, 2014	78.50	69.40	22386.27

## KDDL LIMITED

### (h) Distribution of Shareholding

Distribution of shareholding as on 31st March, 2014					
Shareholding of Nominal Value of		Shareholders		Share amount Nominal value	
From	To	No. of Cases	% of Cases	Amount	% of Amount
Upto	- 5000	2839	86.42	3781020.00	4.18
5001	- 10000	192	5.84	1502850.00	1.66
10001	- 20000	84	2.56	1292030.00	1.43
20001	- 30000	40	1.22	1031570.00	1.14
30001	- 40000	26	0.79	924820.00	1.02
40001	- 50000	18	0.55	829650.00	0.92
50001	- 100000	32	0.97	2494800.00	2.76
100001 and above		54	1.65	78510460.00	86.89
<b>Total:</b>		<b>3285</b>	<b>100.00</b>	<b>90367200.00</b>	<b>100.00</b>

### (i) Categories of Shareholding as on 31st March, 2014

KDDL LIMITED				
Shareholding Pattern as on 31/03/2014 (Total)				
S.No.	Description	No. of Cases	Total Shares	% Equity
1	Banks	1	50	0.00
2	Clearing Members	5	486	0.01
3	Directors	3	37747	0.42
4	Directors and Relatives	9	28929	0.32
5	Foreign Collaborators	2	50000	0.55
6	Foreign Institutional Investors	1	100951	1.12
7	Hindu Undivided Family	43	26377	0.29
8	Bodies Corporates	77	1880625	20.81
9	Mutual Funds	1	2900	0.03
10	Non Resident Indians	29	54556	0.60
11	Overseas Corporate Bodies	3	257018	2.84
12	Promoters Bodies Corporate	2	16001	0.18
13	Promoters	18	4776981	52.86
14	Resident Individuals	3091	1804099	19.97
	<b>Total:</b>	<b>3285</b>	<b>9036720</b>	<b>100.00</b>

### (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 rematerialisation 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](http://www.karvy.com)

Contact Person : Mr. Mahendra Singh



## KDDL LIMITED

### (k) Share Transfer System

The Company has constituted Shareholders' Committee (w.e.f. 27.05.2014 Stakeholders Relationship Committee) to specifically look into transfer/demat/remat of shares, issue of duplicate/split/consolidation of share certificates, notices, the redressal of Investors' complaints etc. The Committee meets on an average once in a fortnight. The list of valid transfers and objections, requests for split up/consolidation/duplicate/dematerialization, if any, are placed before the Committee for its approval and confirmation.

### (l) Dematerialization of shares and liquidity

As on 31st March, 2014, 81,75,121 equity shares equivalent to about 90.47% 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 Company has duly complied with the SEBI Circular No. SEBI/Cir/ISD/3/2011 dated June 17, 2011 regarding 100% promoters holding in dematerialized form.

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 2006-07 (Interim) 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 2006-07 (Final) 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, 2014	Date of declaration	Due date for transfer on
2006-2007 (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
2011-2012	19	426000.00	17.09.2012	23.10.2019
2012-2013	20	162545.00	09.09.2013	15.10.2020

### (n) Plant/Business Locations

<b>Dial Units</b>	1.	Plot No. 3, Sector III, Parwanoo (H.P.) INDIA
	2.	Haibatpur Road, Saddomajra, Derabassi INDIA
<b>Assembly Units</b>	1.	Village Dhana, Bagbania, P.O Manpura, Tehsil Baddi, Distt. Solan (H.P), INDIA
<b>Hands Unit</b>	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
<b>Packaging Unit</b>	1.	25/1, Industrial Area, Phase-II, Chandigarh, INDIA
	2.	Plot No. 9, Sector V, Parwanoo (Himachal Pradesh), INDIA
<b>Precision Stamping Unit (EIGEN)</b>		408, 4th Main, 11th Cross, Peenya Industrial Area, Bangalore, INDIA
<b>E-Commerce Division</b>		Shop No. 204 to 206, SquareOne Shopping Complex, District Centre, Saket Place, Saket, New Delhi, INDIA

## KDDL LIMITED

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### (o) Address for correspondence

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 1(D) of the Listing Agreement with the Stock Exchange, I hereby confirm that, all Directors and the Senior Management personnel of the Company have affirmed compliance to the KDDL's Code of Conduct, for the financial year ended 31st March, 2014.

**For KDDL Limited**

**Yashovardhan Saboo**  
**Chief Executive Officer**

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### **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 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination 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 Chandiook & Co LLP**  
*(Formerly Walker, Chandiook & Co.)*  
**Chartered Accountants**  
Firm Registration No.: 001076N

**Place :** Chandigarh  
**Dated :** 27 May 2014

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

## Independent Auditors' Report

### To the Members of KDDL Limited

#### Report on the Financial Statements

1. We have audited the accompanying financial statements of KDDL Limited, ("the Company"), which comprise the Balance Sheet as at 31 March 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements 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:
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
  - ii) in the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
  - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

#### Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by Section 227(3) of the Act, 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 purpose 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. in our opinion, the financial statements comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
  - e. on the basis of written representations received from the directors, as on 31 March 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For **Walker Chandiook & Co LLP**  
(Formerly Walker, Chandiook & Co.)

**Chartered Accountants**  
Firm Registration No.: 001076N

per **B.P. Singh**  
Partner

**Place :** Chandigarh  
**Dated :** 27 May 2014

Membership No.: 70116

**Annexure to the Independent Auditors' Report of even date to the members of KDDL Limited, on the financial statements for the year ended 31 March 2014**

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, except for goods-in-transit and stock lying with third parties. For stock lying with third parties at the year end, written confirmations have been obtained by the management.
  - (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 between physical inventory and book records 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 nine parties covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is ₹ 59,826,000 and the year-end balance is ₹ 39,826,000.
  - (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, repayment of the principal amount and the 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 the 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. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

## KDDL LIMITED

- (b) The dues outstanding in respect of income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (in ₹)	Amount paid Under protest (in ₹)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Central Excise	8,164,882	-	July 2000-Feb 2003	CESTAT, New Delhi
Finance Act, 1994	Service tax	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	-	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	5,606,407	AY 2007-08	Commissioner of Income-tax (Appeals), New Delhi
Income-tax Act, 1961	Income tax	11,683,230	7,473,770	AY 2008-09	Commissioner of Income-tax (Appeals), New Delhi
Income-tax Act, 1961	Income tax	9,393,730	5,014,427	AY2009-10	Commissioner of Income-tax (Appeals), New Delhi
Income-tax Act, 1961	Income tax	28,567,250	-	AY2011-12	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 or financial institution during the year. The Company did not have any outstanding debentures during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, 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 by the Company.
- (xviii) During the year, the Company has not made preferential allotment of shares to parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For **Walker Chandiook & Co LLP**  
(Formerly Walker, Chandiook & Co.)

**Chartered Accountants**  
Firm Registration No.: 001076N

per **B.P. Singh**  
Partner

**Place :** Chandigarh  
**Dated :** 27 May 2014

Membership No.: 70116



# KDDL LIMITED

## Balance sheet as at 31 March 2014

(All amount in rupees, unless stated otherwise)

	Note	As at 31 March 2014	As at 31 March 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	91,238,600	91,238,600
Reserves and surplus	4	401,661,871	374,958,244
Money received against zero coupon convertible warrants	5	-	-
		<b>492,900,471</b>	466,196,844
<b>Non-current liabilities</b>			
Long-term borrowings	6	220,654,387	193,875,898
Deferred tax liabilities (net)	7	49,424,954	44,612,912
Other long term liabilities	8	2,621,589	22,976,000
Long term provisions	9	28,514,882	22,550,510
		<b>301,215,812</b>	284,015,320
<b>Current liabilities</b>			
Short-term borrowings	10	238,373,943	252,388,973
Trade payables	11	119,740,399	148,146,398
Other current liabilities	12	211,212,368	160,577,997
Short-term provisions	13	27,865,588	20,211,944
		<b>597,192,298</b>	581,325,312
<b>Total</b>		<b>1,391,308,581</b>	<b>1,331,537,476</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	14	558,305,738	572,879,583
Intangible assets	14	15,261,109	14,464,584
Capital work-in-progress		7,222,852	7,690,752
Intangible assets under development		-	2,240,904
Non-current investments	15	185,768,573	180,941,573
Long term loans and advances	16	47,685,365	43,290,619
Other non-current assets	17	2,233,537	120,000
		<b>816,477,174</b>	821,628,015
<b>Current assets</b>			
Inventories	18	208,957,553	217,419,956
Trade receivables	19	181,037,691	169,597,143
Cash and bank balances	20	65,704,806	38,690,522
Short-term loans and advances	21	118,509,295	83,290,531
Other current assets	22	622,062	911,309
		<b>574,831,407</b>	509,909,461
<b>Total</b>		<b>1,391,308,581</b>	<b>1,331,537,476</b>

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

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

**Y. SABOO**  
Chief Executive Officer  
and Vice Chairman

**ANIL KHANNA**  
Director

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

**P.K. GOYAL**  
Company Secretary

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

For **Walker Chandiook & Co LLP**  
(Formerly Walker, Chandiook & Co)  
Chartered Accountants

Place : Chandigarh  
Dated : 27 May 2014

Per **B.P. Singh**  
Partner

# KDDL LIMITED

## Statement of Profit and loss for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	Note	Year ended 31 March 2014	Year ended 31 March 2013
<b>REVENUE</b>			
Revenue from operations (gross)	23	<b>1,154,880,516</b>	992,770,325
Less: Excise duty		<b>38,853,058</b>	36,849,349
Revenue from operations (net)		<b>1,116,027,458</b>	955,920,976
Other income	24	<b>10,478,673</b>	11,563,742
<b>Total Revenue</b>		<b>1,126,506,131</b>	967,484,718
<b>EXPENDITURE</b>			
Cost of materials consumed	25	<b>266,808,391</b>	254,413,427
Purchases of traded goods	26	-	15,154,343
Change in inventories	27	<b>10,459,709</b>	(11,757,544)
Employee benefit expenses	28	<b>351,021,023</b>	312,909,445
Finance costs	29	<b>81,881,347</b>	71,044,875
Depreciation and amortisation expense	30	<b>59,255,953</b>	56,830,952
Other expenses	31	<b>283,842,627</b>	264,615,967
Prior period expenditure	32	-	726,813
<b>Total expenses</b>		<b>1,053,269,050</b>	963,938,278
<b>Profit before exceptional items and tax</b>		<b>73,237,081</b>	3,546,440
Exceptional items	33	<b>5,874,860</b>	6,970,165
<b>Profit/(Loss) before tax</b>		<b>67,362,221</b>	(3,423,725)
Tax expense:			
Current tax		<b>20,157,803</b>	1,405,944
Current tax - earlier years		-	(2,341,352)
Minimum alternate tax credit entitlement		-	(1,405,944)
Deferred tax		<b>4,060,505</b>	2,489,861
Deferred tax adjustment - earlier years		<b>751,536</b>	-
<b>Profit/(Loss) after tax</b>		<b>42,392,377</b>	(3,572,234)
Earnings per share	38		
Earnings per share-before exceptional items and after tax			
Basic		<b>5.34</b>	0.38
Diluted		<b>5.34</b>	0.38
Earnings/(Loss) per share-after exceptional items and tax			
Basic		<b>4.69</b>	(0.41)
Diluted		<b>4.69</b>	(0.41)

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

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

**Y. SABOO**  
Chief Executive Officer  
and Vice Chairman

**ANIL KHANNA**  
Director

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

**P.K. GOYAL**  
Company Secretary

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

For **Walker Chandiok & Co LLP**  
(Formerly Walker, Chandiok & Co)  
Chartered Accountants

Place : Chandigarh  
Dated : 27 May 2014

Per **B.P. Singh**  
Partner

## KDDL LIMITED

### Cash flow statement for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2014	Year ended 31 March 2013
<b>A. Cash flow from operating activities:</b>		
Net profit before extraordinary items and tax	67,362,221	(3,423,725)
Adjustments for:		
Depreciation	59,255,953	56,830,952
Loss on sale/disposal of fixed assets (net)	737,360	804,330
Fixed assets written off	5,574,860	-
Expense on employee stock option scheme	170,016	492,702
Interest expense	72,782,794	64,903,812
Interest Income	(4,188,174)	(4,925,131)
Dividend income	(6,250)	-
Net (gain)/loss on sale of investments	-	(1,121,400)
Provisions written back	(1,582,168)	-
Provision for other than temporary diminution in value of investments	300,000	6,970,165
Provision for doubtful debts and advances	622,817	3,449,787
Bad debts written off	-	30,772
Provision for warranty	(318,321)	(66,964)
<b>Operating profit before working capital changes</b>	<b>200,711,108</b>	<b>123,945,300</b>
Adjustments for movement in:		
Inventories	8,462,403	(22,639,228)
Trade receivables	(10,481,197)	14,649,341
Short-term loans and advances	(30,347,030)	(3,336,848)
Long-term loans and advances	(297,849)	2,579,607
Other non-current assets	(2,113,537)	120,000
Trade payables	(28,405,999)	42,386,831
Other current liabilities	7,454,690	(51,866,789)
Other long-term liabilities	(20,354,411)	(2,701,000)
Short-term provisions	(619,696)	742,286
Long-term provisions	6,282,693	4,571,800
Income tax paid	(18,407,932)	(4,852,682)
<b>Net cash flow from operating activities</b>	<b>111,883,243</b>	<b>103,598,618</b>
<b>B. Cash flow from investing activities:</b>		
Capital expenditure on fixed assets, including capital advances	(48,656,523)	(70,796,635)
Proceeds from sale of fixed assets	664,556	583,826
Movement in restricted cash	7,383,232	(7,162,012)
Purchase of long-term investments of subsidiaries	(5,127,000)	(14,077,709)
Dividend received	6,250	-
Loans given to joint venture	(423,121)	(5,364,672)
Loans realised from entities in which significant influence is exercised	28,057	-
Loans given to subsidiaries	(8,349,982)	-
Interest received from subsidiaries	-	937,237
Interest received from joint venture	1,507,500	1,294,352
Interest received from others	2,969,922	2,336,961
<b>Net cash utilised in investing activities</b>	<b>(49,997,109)</b>	<b>(92,248,652)</b>

## KDDL LIMITED

### Cash flow statement for the year ended 31 March 2013

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2014	Year ended 31 March 2013
<b>C. Cash flow from financing activities:</b>		
Proceeds from issue of share capital (including premium, on conversion of warrants)	-	6,153,075
Proceeds from long-term borrowings	63,347,926	17,828,000
Repayment of long term borrowings	(2,194,533)	(13,497,725)
Proceeds from borrowings from related parties	14,500,000	18,300,000
Proceeds from short-term borrowings	12,977,214	56,508,599
Repayment of short-term borrowings	(31,992,245)	(4,755,961)
Interest paid	(73,624,504)	(62,831,567)
Dividend paid	(9,036,720)	(27,110,160)
Tax on dividend	(1,465,756)	(4,397,946)
<b>Net cash (used in)/from financing activities</b>	<b>(27,488,618)</b>	<b>(13,803,685)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>34,397,516</b>	<b>(2,453,718)</b>
<b>Opening cash and cash equivalents</b>	<b>8,775,548</b>	<b>11,086,813</b>
<b>Transfer of cash and bank balances pursuant to the scheme of merger (refer Note 44)</b>	<b>-</b>	<b>142,454</b>
<b>Closing cash and cash equivalents</b>	<b>43,173,064</b>	<b>8,775,548</b>
<b>Note:</b>		
Cash and cash equivalents include:		
Cash in hand	571,036	561,781
Balance with banks	42,602,028	8,213,767
	43,173,064	8,775,548
Excluding the following:		
- Pledged in fixed deposit accounts	21,242,756	28,454,961
- In equity dividend accounts	1,288,986	1,460,013
<b>Balance as per books of account</b>	<b>65,704,806</b>	<b>38,690,522</b>

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

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

**Y. SABOO**  
Chief Executive Officer  
and Vice Chairman

**ANIL KHANNA**  
Director

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

**P.K. GOYAL**  
Company Secretary

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

For **Walker Chandiok & Co LLP**  
(Formerly Walker, Chandiok & Co)  
Chartered Accountants

Place : Chandigarh  
Dated : 27 May 2014

Per **B.P. Singh**  
Partner

# KDDL LIMITED

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## Notes to the financial statements for the year ended 31 March 2014

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### 1. Background and nature of operations

KDDL Limited (the "Company") incorporated in January 1981, under the Companies Act 1956, is engaged in the business of manufacturing dials, watch hands and precision components. Currently, the Company has manufacturing facilities, at Pawanoo (Himachal Pradesh) and Derabassi (Punjab) - dial manufacturing, Bangalore (Karnataka) - hands and precision components manufacturing.

### 2. Significant accounting policies

#### a. Basis of preparation

The financial statements have been prepared to comply in accordance with generally accepted accounting principles in India, the accounting standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. The financial statements have been prepared under the historical cost convention on the accrual basis except in case of the assets for which provision for impairment is made. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

#### 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.



### Notes to the financial statements for the year ended 31 March 2014

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- The cost of leasehold land is not amortised as these are perpetual leases.
- Know-how is amortised over a period of four years.
- Software is amortised over a period not exceeding six years.

#### 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.

Forward exchange contracts not covered under Accounting Standard 11 'Effect of change in Foreign Exchange Rates', that are entered to hedge the foreign currency risk of highly probable forecast transactions and unrecognized firm commitments are marked to market at the balance sheet date and exchange loss is recognised in the statement of profit and loss immediately. Any gain is ignored and not recognised in the financial statements, in accordance with the principles of prudence enunciated in Accounting Standard 1- Disclosure of Accounting Policies.

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 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 lease term.

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

**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.

## KDDL LIMITED

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014		As at 31 March 2013	
	Number	Amount	Number	Amount
<b>3. Share capital</b>				
<b>Authorised share capital</b>				
Equity shares of Rs. 10 each	12,480,000	124,800,000	12,480,000	124,800,000
<b>Issued, subscribed and fully paid up</b>				
Equity shares of Rs. 10 each	9,036,720	90,367,200	9,036,720	90,367,200
<b>Issued, subscribed and not fully paid up</b>				
Equity shares of Rs. 10 each, Rs. 5 paid up	174,280	871,400	174,280	871,400
	<b>9,211,000</b>	<b>91,238,600</b>	9,211,000	91,238,600
<b>Forfeited shares</b>	<b>174,280</b>	<b>871,400</b>	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

	As at 31 March 2014		As at 31 March 2013	
	Number	Amount	Number	Amount
<b>Equity share capital of Rs. 10 each fully paid up</b>				
Balance at the beginning of the year	9,036,720	90,367,200	8,836,620	88,366,200
Add: Shares issued pursuant to conversion of zero coupon convertible warrants	-	-	200,100	2,001,000
<b>Balance at the end of the year</b>	<b>9,036,720</b>	<b>90,367,200</b>	9,036,720	90,367,200

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 the shares in the company as at balance sheet date

	Number	Percentage	Number	Percentage
R. K. Saboo	2,054,560	22.74%	2,054,560	22.74%
Y. Saboo	1,505,630	16.66%	1,472,448	16.29%
	<b>3,560,190</b>		<b>3,527,008</b>	

#### d. Shares reserved for issue under options and other commitments

As on 31 March 2014, 84,000 (previous year : 90,000) Employee Stock Options were outstanding under the Employee Stock Option Plan of the Company. Each option would entitle the holder thereof to subscribe to one Equity Share of Rs. 10 each in the Company. For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, please refer note 43.

## KDDL LIMITED

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>4. Reserves and surplus</b>		
<b>Capital reserve</b>		
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
Forfeiture of zero coupon convertible warrants	1,025	1,025
<b>Securities premium reserve</b>		
Balance at the beginning of the year	186,649,150	180,446,050
Add: Additions made during the year on allotment of equity shares on conversion of zero coupon convertible warrants	-	6,203,100
Balance at the end of the year	<u>186,649,150</u>	<u>186,649,150</u>
<b>Employee stock option</b>		
Options outstanding at beginning of the year	1,251,000	1,396,950
Less: Options expired during the year	(83,400)	(145,950)
Options outstanding at the end of the year (i)	1,167,600	1,251,000
Deferred employee stock option expense		
At the commencement of the year	517,826	1,156,478
Less: Amortisation and other movements during the year ##	(253,416)	(638,652)
At the end of the year (ii)	<u>264,410</u>	<u>517,826</u>
(i)-(ii)	<u>903,190</u>	<u>733,174</u>
## Employee stock option expense net off impact of options expired during the year (Refer note 28)	<u>170,016</u>	<u>492,702</u>
<b>General reserve</b>		
Balance at the beginning of the year	125,500,000	125,500,000
Add: Transferred from statement of profit and loss	2,119,619	-
Balance at the end of the year	<u>127,619,619</u>	<u>125,500,000</u>
<b>Surplus in the statement of profit and loss</b>		
Balance at the beginning of the year	56,565,770	76,710,106
Add : Adjustment pursuant to merger (refer note 44)	-	(6,069,626)
Add: Transferred from statement of profit and loss	42,392,377	(3,572,234)
Less: Appropriations		
Proposed dividend for current year	13,555,080	9,036,720
Tax on proposed dividend for current year	2,303,686	1,465,756
Transfer to general reserve	2,119,619	-
Balance at the end of the year	<u>80,979,762</u>	<u>56,565,770</u>
	<u>401,661,871</u>	<u>374,958,244</u>

### 5. 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 Nil (previous year 200,100) zero coupon convertible warrants exercised the option of conversion of warrants into equity shares and Nil (previous year 100) zero coupon convertible warrants has been forfeited on account of non payment of balance on due date.

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

	As at 31 March 2014	As at 31 March 2013
Balance unutilized at the end of the previous year	-	10,000
Add: Proceeds received during the year	-	6,153,075
Less: Utilised for purchase of capital assets and working capital requirements	-	6,163,075
Balance unutilized at the end of the current year	<u>-</u>	<u>-</u>

# KDDL LIMITED

## Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>6. Long term borrowings</b>		
<b>Secured</b>		
Term loans		
- from banks	133,470,398	94,539,182
Vehicle loan		
- from banks	6,544,989	6,287,716
<b>Unsecured</b>		
Inter corporate deposits		
- from related party (refer note 36)	9,300,000	15,000,000
- from others	-	15,000,000
Public deposit		
- from related parties (refer note 36)	2,200,000	4,800,000
- from others	69,139,000	58,249,000
	<u>220,654,387</u>	<u>193,875,898</u>

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

Term loans from banks amounting to Rs. 199,039,685 (previous year Rs. 145,982,759) (including current maturities of long term debt amounting to Rs. 65,569,287 (previous year Rs. 51,443,577) as referred to in Note 12) are secured as under:

- Term loans from Bank of India amounting to Rs. 78,365,764 (previous year Rs. 89,756,813) (including current maturities of long term debt amounting to Rs. 32,703,000 (previous year Rs. 27,256,577)) and buyers credit Rs. 12,842,509 (previous year Rs. 11,668,202) availed as a sub limit to term loan) carrying interest rate of 2.65% and 2.90% 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 before 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. 8,820,000 (previous year Rs. 17,275,000) (including current maturities of long term debt amounting to Rs. 5,040,000 (previous year Rs. 13,075,000)), carrying interest rate of 2.5% over the bank base rate and Corporate loan amounting to Rs. 40,000,000 ((previous year nil) (including current maturities of long term debt amounting to Rs. 10,714,287) (previous year Nil)) 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. 42,313,207 (previous year Rs. 38,950,746) (including current maturities of long term debt amounting to Rs. 17,112,000 (previous year Rs. 11,112,000) and buyers credit Rs. 16,698,205 (previous year Rs. 15,525,738) availed as a sub limit to term loan) carrying interest rate of 5.50% over the bank base rate, 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 12) are given as under:

- Term loan from IDBI amounting to Rs. 8,820,000 is repayable in 7 quarterly instalments of Rs. 1,260,000.

- Term loan from IDBI amounting to Rs. 40,000,000 (sanctioned amount being Rs. 50,000,000) is repayable in 11 quarterly instalments of Rs. 3,571,429 and last instalment of Rs. 714,281.

- Term loan from Bank of India amounting to Rs. 27,410,504 is repayable in 15 quarterly instalments of Rs. 1,718,750 and last instalment of Rs. 1,629,254.

- Term loan from Bank of India amounting to Rs. 3,406,000 is repayable in 4 quarterly instalments of Rs. 682,000 and last instalment of Rs. 678,000.

- Term loan from Bank of India amounting to Rs. 18,238,432 is repayable in 14 quarterly instalments of Rs. 1,250,000 and last instalment of Rs. 738,432.

- Term loan from Bank of India amounting to Rs. 6,671,687 is repayable in 4 quarterly instalments of Rs. 1,400,000 and last instalment of Rs. 1,071,687.

- Term loan from Corporation Bank amounting to Rs. 29,011,412 (sanctioned amount being Rs. 50,000,000) is repayable in 10 quarterly instalments of Rs. 2,778,000 and last instalment of Rs. 1,231,412.

- Term loan from Corporation Bank amounting to Rs. 30,000,000 (sanctioned amount being Rs. 30,000,000) is repayable in 20 quarterly instalments of Rs. 1,500,000.

- Term loan from Bank of India amounting to Rs. 35,481,650 (sanctioned amount Rs. 50,000,000) is repayable in 11 quarterly instalments of Rs. 3,125,000 and last instalment of Rs. 1,106,650.

b. Inter corporate deposits amounting to Rs. 15,000,000 from VBL Innovations Private Limited carrying interest rate of 16% p.a. and Rs. 15,000,000 from EON Coatings Limited carrying interest rate of 14% p.a. are due for repayment in May 2014 and June 2014 respectively.

c. Inter corporate deposit amounting to Rs. 5,000,000 from Dream Digital carrying interest rate of 15% p.a. and Rs. 9,300,000 from Vardhan Properties & Investments Limited carrying interest rate of 14% p.a. are due for repayment in July 2014 and June 2015 respectively.

d. Vehicle loans from banks carrying interest rate in the range of 10% p.a. to 12.25% p.a. are secured against hypothecation of specific vehicles purchased out of the proceeds of those loans. The loans are to be repaid as per the respective repayment schedules in equal monthly instalments.

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





## KDDL LIMITED

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
	<b>Gratuity</b>	<b>Gratuity</b>
<b>Change in the present value of obligation :</b>		
Present value of obligation as at the beginning of the year	28,070,433	23,923,388
Adjustment pursuant to merger (refer note 44)	-	1,316,856
Interest cost	2,244,258	974,151
Current service cost	2,826,761	2,247,354
Benefits paid/payable	(2,685,973)	(3,640,094)
Actuarial loss on obligations	5,606,380	3,248,778
Present value of obligation as at the end of the year	<u>36,061,859</u>	<u>28,070,433</u>
<b>Change in the fair value of plan assets:</b>		
Fair value of plan assets at the beginning of the year	11,241,153	12,070,098
Adjustment pursuant to merger (refer note 44)	-	754,484
Expected return on plan assets	1,088,302	259,395
Contributions	6,686,331	1,797,270
Benefits paid	(2,685,973)	(3,640,094)
Fair value of plan assets at the end of the year	<u>16,329,813</u>	<u>11,241,153</u>
<b>Reconciliation of present value of defined benefit obligation and the fair value of assets:</b>		
Present value of funded obligation as at the end of the year	36,061,859	28,070,433
Fair value of plan assets as at the end of the period funded status	16,329,813	11,241,153
Unfunded/funded net liability recognized in balance sheet*	<u>19,732,046</u>	<u>16,829,280</u>
* includes short term provision of Rs. 2,826,761 (previous year Rs. 2,657,637)		
<b>Expenses recognised in the statement of profit and loss:</b>		
Current service cost	2,826,761	2,247,354
Interest cost	2,244,258	974,151
Expected return on plan assets	1,088,302	259,395
Net actuarial loss recognized in the year	5,606,380	3,248,778
Total expenses recognized in the statement of profit and loss	<u>9,589,097</u>	<u>6,210,888</u>

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

The Company makes annual contributions to the LIC of India for gratuity benefits as amount advised by the LIC. An amount of Rs.3,500,000 paid by the Company on 31 March 2014 had not been considered by LIC as contributions received as on 31 March 2014, though, the same has been considered as contributions made above.

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

	2013-14	2012-13	2011-12	2010-11	2009-10
<b>Gratuity</b>					
Defined benefit obligation	36,061,859	28,070,433	23,923,388	18,652,741	16,550,838
Plan assets	16,329,813	11,241,153	12,070,098	11,898,093	10,380,073
<b>Net liability</b>	<b>19,732,046</b>	<b>16,829,280</b>	<b>11,853,290</b>	<b>6,754,648</b>	<b>6,170,765</b>

#### 9 (b) Reconciliation of provision for warranty

Provision at the beginning of the year	533,036	600,000
Less: Reversed during the year	318,321	66,964
Provision at the end of the year	<u>214,715</u>	<u>533,036</u>

## KDDL LIMITED

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>10. Short term borrowings</b>		
Secured (Also refer note (a) below)		
Working capital borrowings from banks	192,016,098	223,157,342
Buyers credit from banks	29,771,845	16,794,631
Unsecured		
Inter corporate deposits		
- from related party (refer note 36)	5,000,000	-
Public deposits	11,586,000	12,437,000
	<u>238,373,943</u>	<u>252,388,973</u>
<b>a. Details of security of short term secured loans</b>		
- 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.		
<b>11. Trade payables</b>		
Dues to micro, small and medium enterprises (Also refer note (a) below)	-	-
Dues to others	119,740,399	148,146,398
	<u>119,740,399</u>	<u>148,146,398</u>
<b>a. Dues to micro, small and medium enterprises pursuant to section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006</b>		
Amount due to entities covered under Micro, Small and Medium Enterprises as defined in the Micro, Small, Medium Enterprises Development Act, 2006, have been identified on the basis of information available with the Company. There was no amount due to any such entities which needs to be disclosed. This has been relied upon by the auditors.		
<b>12. Other current liabilities</b>		
Current maturities of long term debts		
Public deposits		
- From related parties (refer note 36)	3,000,000	200,000
- from others	31,489,000	32,088,000
Inter corporate deposits		
- from related parties (refer note 36)	15,000,000	-
- from others	15,000,000	-
Term loan from banks	65,569,287	51,443,577
Vehicle loan from banks	3,328,025	3,905,036
Current maturities of hire purchase finance	-	1,874,795
Interest accrued but not due on borrowings	11,403,775	12,245,485
Unpaid dividend in Investor Education and Protection Fund*	1,288,986	1,460,013
Advance received against sale of capital asset	300,000	-
Other payables		
Statutory dues	8,498,656	8,942,672
Creditors for capital expenditure	584,943	738,457
Advances from customers	22,269,384	24,925,747
Employee related payables	33,480,312	22,754,215
	<u>211,212,368</u>	<u>160,577,997</u>
* Not due for deposit		
<b>13. Short term provisions</b>		
Provision for employees benefits (Also refer note 9(a))	8,925,395	9,435,090
Provision for income tax (Net of advance tax and taxes deducted at source Rs. 13,949,993)	2,917,049	-
Others		
Provision for wealth tax	164,378	274,378
Proposed dividend	13,555,080	9,036,720
Tax on proposed dividend	2,303,686	1,465,756
	<u>27,865,588</u>	<u>20,211,944</u>

## KDDL LIMITED

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in Rupees, unless stated otherwise)

#### 14. Fixed assets

##### For the year ended 31 March 2014

	Gross block			Depreciation/amortisation			Net block		
	As at 1 April 2013	Additions	Disposals / Adjustments	As at 31 March 2014	Charge for the year	Sales / adjustments during the year	As at 31 March 2014	As at 31 March 2014	As at 31 March 2013
<b>Tangibles</b>									
Land									
-Leasehold	792,659	-	-	792,659	-	-	-	792,659	792,659
-Freehold	8,263,231	-	-	8,263,231	-	-	-	8,263,231	8,263,231
Buildings	143,953,466	95,050	-	144,048,516	4,378,720	-	51,164,046	92,884,470	97,168,140
Leasehold improvements	6,510,555	4,380,114	-	2,130,441	396,544	597,741	1,939,783	190,658	4,369,575
Plant and machinery	798,820,219	38,519,918	4,395,623	832,944,514	41,979,923	2,215,713	425,519,028	407,425,486	413,065,401
Furniture and fixtures	57,154,376	1,756,588	1,074,280	57,836,684	3,077,103	481,465	37,356,527	20,480,157	22,393,487
Office Equipment	11,263,865	1,000,710	78,095	12,186,480	1,050,968	60,196	6,103,657	6,082,823	6,150,980
Vehicles	31,473,054	4,858,444	926,725	35,404,773	2,944,521	522,946	13,218,519	22,186,254	20,676,110
<b>Total</b>	<b>1,058,231,425</b>	<b>46,230,710</b>	<b>10,854,837</b>	<b>1,093,607,298</b>	<b>53,827,779</b>	<b>3,878,061</b>	<b>535,301,560</b>	<b>558,305,738</b>	<b>572,879,583</b>
<b>Intangibles</b>									
Know-how	7,002,688	1,486,000	-	8,488,688	1,767,684	-	5,658,841	2,829,847	3,111,531
Software	19,124,186	2,611,085	-	21,735,271	2,415,613	-	14,206,365	7,528,906	7,333,434
Web portal	4,661,921	2,636,650	-	7,298,571	1,753,913	-	2,396,215	4,902,356	4,019,619
<b>Total</b>	<b>30,788,795</b>	<b>6,733,735</b>	<b>-</b>	<b>37,522,530</b>	<b>5,937,210</b>	<b>-</b>	<b>22,261,421</b>	<b>15,261,109</b>	<b>14,464,584</b>
<b>TOTAL</b>	<b>1,089,020,220</b>	<b>52,964,445</b>	<b>10,854,837</b>	<b>1,131,129,828</b>	<b>59,764,989</b>	<b>3,878,061</b>	<b>557,562,981</b>	<b>573,566,847</b>	<b>587,344,167</b>

##### For the year ended 31 March 2013

	Gross block			Depreciation/amortisation			Net block		
	As at 1 April 2012	Adjustment pursuant to merger (refer note 44)	Additions	Disposals / Adjustments	As at 31 March 2012	Adjustment pursuant to merger (refer note 44)	Charge for the year	Sales / adjustments during the year	As at 31 March 2013
<b>Tangibles</b>									
Land									
-Leasehold	225,746	566,913	-	-	-	-	-	-	792,659
-Freehold	8,263,231	-	-	-	-	-	-	-	8,263,231
Buildings	120,543,561	7,606,715	15,803,190	-	39,408,524	3,257,252	4,119,550	-	97,168,140
Leasehold improvements	5,964,285	546,270	-	-	1,769,498	-	371,482	-	4,369,575
Plant and machinery	655,936,544	27,932,961	117,765,428	2,814,714	332,171,002	15,469,844	40,016,220	1,902,248	413,065,401
Furniture and fixtures	48,626,871	2,819,120	5,748,939	40,554	28,603,794	2,121,713	4,074,201	38,819	34,760,889
Office Equipment	10,312,304	229,269	827,788	105,496	4,481,412	158,544	573,279	100,350	6,150,980
Vehicles	32,813,377	52,814	59,890	1,453,027	8,729,974	43,735	2,886,281	863,046	20,676,110
<b>Total</b>	<b>882,685,919</b>	<b>39,207,792</b>	<b>140,751,505</b>	<b>4,413,791</b>	<b>415,164,204</b>	<b>21,051,088</b>	<b>52,041,013</b>	<b>2,904,463</b>	<b>485,351,842</b>
<b>Intangibles</b>									
Know-how	6,724,722	-	277,966	-	2,179,506	-	1,711,651	-	3,891,157
Software	11,408,136	-	7,716,050	-	9,307,704	-	2,483,048	-	11,790,752
Web portal	100,000	-	4,561,921	-	47,062	-	595,240	-	642,302
<b>Total</b>	<b>18,232,858</b>	<b>-</b>	<b>12,555,937</b>	<b>-</b>	<b>11,534,272</b>	<b>-</b>	<b>4,789,939</b>	<b>-</b>	<b>16,324,211</b>
<b>Total</b>	<b>900,918,777</b>	<b>39,207,792</b>	<b>153,307,442</b>	<b>4,413,791</b>	<b>426,698,476</b>	<b>21,051,088</b>	<b>56,830,952</b>	<b>2,904,463</b>	<b>501,676,053</b>

#### Notes :

- The borrowing cost capitalised during the year ended 31 March 2014 was Rs. Nil (previous year Rs. 2,303,775). The Company capitalized interest amounting to Rs. Nil (previous year Rs. 344,539) under Buildings.
- During the year ended 31 March 2013, plant and machinery with a gross value of Rs.10,549,963, depreciation and accumulated depreciation of Rs.1,156,150 and net book value of Rs.9,393,813 included in the above statement had been acquired on hire purchase arrangement by the Company. This hire purchase agreement was concluded in 2013-14 and no further amounts are due from the Company.
- Depreciation during the year includes 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.
- During the year ended 31 March 2014, the Company has decided to sell its building situated at Parwanoo, Himachal Pradesh with net book value of Rs. 70,635. Advance received against the sale amounting to Rs. 300,000 has been disclosed under other current liabilities (refer note 12).

## KDDL LIMITED

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>15. Non current investments</b>		
<b>Trade investments</b>		
(valued at cost unless stated otherwise, unquoted)		
<b>Subsidiaries</b>		
6,550 (previous year 6,550) equity shares of Swiss Franc (CHF) 100 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	69,040,850	69,040,850
136,363 (previous year 136,363) 12% cumulative preference shares of Rs. 110 each fully paid up of Ethos Limited	14,999,930	14,999,930
5,700,000 (previous year 5,700,000) equity share of Rs 10 each fully paid up of Mahen Distribution Limited	57,000,000	57,000,000
Advance paid for 1,000 (previous year 1,000) equity shares of Swiss Franc (CHF) 100 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 3,000 (previous year 2,250) 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)	17,876,064	12,749,064
<b>Associates</b>		
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
<b>Joint Venture</b>		
1,500,000 (previous year 1,500,000) equity shares of Rs. 10 each fully paid up of Satva Jewellery and Design Limited	15,000,000	15,000,000
	<u>205,040,779</u>	<u>199,913,779</u>
<b>Less:</b>		
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	13,603,829	13,303,829
-Pylania SA, Switzerland	9,843,377	9,843,377
<b>Aggregate of trade investments</b>	<u>180,593,573</u>	<u>175,766,573</u>
<b>Non-trade investments</b>		
(valued at cost unless stated otherwise, unquoted)		
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
<b>Aggregate value of non-trade investments</b>	<u>5,175,000</u>	<u>5,175,000</u>
	<u>185,768,573</u>	<u>180,941,573</u>
Aggregate amount of quoted investments	Nil	Nil
Aggregate amount of unquoted investments	210,215,779	205,088,779
Aggregate provision for diminution in value of investments	24,447,206	24,147,206

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



## KDDL LIMITED

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>16. Long term loans and advances</b>		
(unsecured, considered good, unless otherwise stated)		
<b>Capital advances</b>		
Unsecured, considered good	51,000	994,593
Doubtful	200,000	200,000
	<u>251,000</u>	<u>1,194,593</u>
Less: Provision for doubtful capital advance	200,000	200,000
	<u>51,000</u>	<u>994,593</u>
Security deposits	6,160,024	5,029,756
Prepaid income taxes [net of provision Rs. 67,171,143 (previous year Rs. 67,171,143)]	38,171,535	30,789,693
Income tax refundable	-	2,341,352
Other loans and advances		
Employee loans and advances	3,302,806	4,135,225
	<u>47,685,365</u>	<u>43,290,619</u>
<b>17. Other non current assets</b>		
Prepaid expenses	133,537	120,000
Non-current bank balances (refer note 20)	2,100,000	-
	<u>2,233,537</u>	<u>120,000</u>
<b>18. Inventories</b>		
(valued at lower of cost and net realisable value, unless otherwise stated)		
Raw material	108,505,184	106,734,343
Raw material (in transit)	13,715,194	15,120,365
Work-in-progress	55,777,818	65,207,277
Finished goods	3,857,557	4,936,763
Stores & spares	26,453,609	24,669,431
Others (valued at estimated realisable value)		
Scrap	648,191	751,777
	<u>208,957,553</u>	<u>217,419,956</u>
<b>19. Trade receivables</b>		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, Considered good	2,898,035	3,102,480
Unsecured, Considered doubtful	9,628,867	8,312,023
	<u>12,526,902</u>	<u>11,414,503</u>
Less : Allowances for bad and doubtful debts	9,628,867	8,312,023
	<u>2,898,035</u>	<u>3,102,480</u>
Other debts		
Unsecured, considered good	178,139,656	166,494,663
Unsecured, Considered doubtful	1,311,620	3,587,815
	<u>179,451,276</u>	<u>170,082,478</u>
Less : Allowances for bad and doubtful debts	1,311,620	3,587,815
	<u>178,139,656</u>	<u>166,494,663</u>
	<u>181,037,691</u>	<u>169,597,143</u>

## KDDL LIMITED

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>20. Cash and bank balances</b>		
Cash and cash equivalents		
- Cash in hand	571,036	561,781
- Cheques and drafts in hand	-	381,136
- Balances with banks		
in current account	42,602,028	7,832,631
Other bank balances		
- Unpaid dividend account	1,288,986	1,460,013
- Deposits with maturity more than three months but less than twelve months	21,242,756	28,454,961
- Deposits with more than twelve months maturity	2,100,000	-
	<u>67,804,806</u>	<u>38,690,522</u>
Less : Amounts disclosed as other non-current assets (refer note 17)	2,100,000	-
	<u>65,704,806</u>	<u>38,690,522</u>
a. Cash and bank balances which are restricted in use:		
Fixed Deposits with banks in deposit accounts held as margin money	23,342,756	28,454,961
Unpaid dividend account	1,288,986	1,460,013
<b>21. Short-term loans and advances</b>		
(Unsecured, considered good, unless otherwise stated)		
Loans to related parties*		
Subsidiaries	8,146,000	-
Joint venture	10,394,200	10,394,200
Recoverable from related parties*		
Subsidiaries	1,197,223	993,241
Joint venture	1,883,159	1,460,038
Entities in which significant influence is exercised	400,642	428,699
Others		
Employee loans and advances	14,104,835	10,865,453
Security deposits	324,938	745,800
Prepaid expenses	4,370,687	3,424,596
Minimum alternate tax credit entitlement	-	3,873,312
Balances with government and statutory authorities	66,204,170	41,246,964
Advance to suppliers		
Others	4,487,441	9,858,228
Related parties*	6,996,000	-
	<u>118,509,295</u>	<u>83,290,531</u>
*Refer note 36		
<b>22. Other current assets</b>		
Interest accrued on fixed deposits	622,062	911,309
	<u>622,062</u>	<u>911,309</u>

# KDDL LIMITED

## Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2014	Year ended 31 March 2013
<b>23. Revenue from operations</b>		
Sale of products	1,075,354,774	920,782,368
Sale of services	16,894,871	18,304,817
Other operating income		
Export incentives	32,915,567	14,449,155
Miscellaneous sales	26,095,257	35,187,984
Liabilities no longer required written back	1,719,558	3,979,037
Provisions written back	1,900,489	66,964
	<u>1,154,880,516</u>	<u>992,770,325</u>
<b>a. Details of products sold</b>		
<b>- Manufactured goods</b>		
Watch dials	428,457,229	358,200,131
Watch hands	423,963,053	330,455,398
Blank components	148,466,607	128,255,708
Press tools	6,000,858	19,739,164
Ornamental packaging boxes	68,467,027	67,467,723
	<u>1,075,354,774</u>	<u>904,118,124</u>
<b>- Traded goods</b>		
Watches	-	16,664,244
	-	<u>16,664,244</u>
<b>b. Details of services</b>		
Job charges	5,242,090	6,710,720
Tool development charges	11,652,781	11,594,097
	<u>16,894,871</u>	<u>18,304,817</u>
<b>24. Other income</b>		
Interest income from		
- Banks	2,417,893	2,573,562
- Related party (refer note 36)	1,507,500	1,294,352
- Others	262,781	1,057,217
Dividend income	6,250	-
Profit on sale of investments	-	1,121,400
Profit on forward contracts	-	1,328,645
Other non operating income		
Rent	744,000	612,000
Foreign exchange fluctuation gain (net)	5,540,249	3,576,566
	<u>10,478,673</u>	<u>11,563,742</u>
<b>25. Cost of materials consumed</b>		
Raw material consumed		
Opening inventories	106,734,343	101,937,677
Add : Adjustment pursuant to merger (refer note 44)	-	139,050
Add: Purchases during the year	268,579,232	259,071,043
Less: Closing inventories	108,505,184	106,734,343
	<u>266,808,391</u>	<u>254,413,427</u>
<b>a. Details of raw materials and components</b>		
Brass and metal	114,753,281	113,944,749
Components	47,831,984	37,113,001
Others	104,223,126	103,355,677
	<u>266,808,391</u>	<u>254,413,427</u>

## KDDL LIMITED

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2014	Year ended 31 March 2013
<b>26. Purchases of traded goods</b>		
Watches	-	15,154,343
	<u>-</u>	<u>15,154,343</u>
<b>27. Change in inventories</b>		
<b>Opening stock</b>		
*Finished goods (including Nil (previous year Rs 817,807) pursuant to merger)	4,936,763	9,961,315
*Work in process(including Nil (previous year Rs 4,105,473) pursuant to merger)	65,207,277	49,672,294
Scrap	751,777	90,360
<b>Closing stock</b>		
Finished goods	3,857,557	4,936,763
Work in process	55,777,818	65,207,277
Scrap	648,191	751,777
Impact of excise duty on opening/closing stock	152,542	(585,696)
<b>Increase in stocks</b>	<u>10,459,709</u>	<u>(11,757,544)</u>
* (refer note 44)		
<b>28. Employee benefit expenses</b>		
Salaries and wages	278,795,296	258,014,993
Contractual labour expenses	29,599,498	18,042,970
Contribution to provident and other funds	24,691,852	20,539,744
Staff welfare expenses	17,764,361	15,819,036
Employee stock option charge	170,016	492,702
	<u>351,021,023</u>	<u>312,909,445</u>
<b>29. Finance costs</b>		
Interest expense	72,782,794	64,903,812
Other borrowing cost	9,098,553	6,141,063
	<u>81,881,347</u>	<u>71,044,875</u>
<b>30. Depreciation and amortisation expense</b>		
Depreciation (Also, refer note 14)	53,318,743	52,041,013
Amortisation (Also, refer note 14)	5,937,210	4,789,939
	<u>59,255,953</u>	<u>56,830,952</u>

# KDDL LIMITED

## Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2014	Year ended 31 March 2013
<b>31. Other Expenses</b>		
Stores and spares consumed	58,759,452	59,937,978
Power, fuel and water charges	30,803,537	29,890,146
Insurance	338,327	916,021
Rent		
- Machinery	1,644,800	1,690,885
- Office and factory premises (refer note 31(a))	15,120,772	12,520,724
- Others	1,066,805	-
Rates and taxes	4,063,188	2,220,975
Repair and maintenance		
- Plant and machinery	15,340,008	11,062,715
- Buildings	2,898,261	3,306,961
- Others	10,069,480	9,393,852
- Vehicle	1,166,699	1,009,686
Legal and professional	18,998,151	14,882,824
Payment to auditors		
- Audit fee	825,000	675,000
- Tax audit fee	75,000	75,000
- Certification (including limited reviews)	781,867	430,500
- Out of pocket expenses	241,126	412,884
Travel and conveyance	35,975,736	25,910,354
Job charges	24,662,949	34,832,376
Printing and stationery	3,540,371	3,772,605
Postage, telephone and telex	6,635,124	5,692,048
Subscription and annual fees	1,404,882	1,118,192
Selling and distribution expenses		
-Commission	30,546,935	21,386,334
-Others	6,609,967	8,683,815
Loss on sale of fixed assets (net)	737,360	804,330
Development charges	1,048,394	884,554
Recruitment expenses	1,251,944	550,400
Provision for bad and doubtful debts	622,817	3,449,787
Donation	1,315,463	325,000
Bad debts written off	-	30,772
Directors' sitting fees	670,676	595,000
Miscellaneous expenses	6,627,536	8,154,249
	<u>283,842,627</u>	<u>264,615,967</u>

a) Rent - Office and factory premises include Rs. 1,944,354 (previous year Rs. Nil) recognised on account of straight lining of lease rent over the lease term in accordance with the provision of Accounting Standard 19 'Accounting for leases'.

### 32. Prior period expenditure

Repair and maintenance	-	706,813
Professional fee	-	20,000
	<u>-</u>	<u>726,813</u>

### 33. Exceptional item

Fixed assets written off*	5,574,860	-
Provision for other than temporary diminution**	300,000	6,970,165
	<u>5,874,860</u>	<u>6,970,165</u>

\*During the year ended 31 March 2014, the Company has closed down two of its units KHIM I situated at Parwanoo and KHAR situated at Barwala. The Company has written off fixed assets comprising of leasehold improvements, plant & machinery, furniture & fixtures and office equipments having net book value of Rs. 2,338,943 at KHIM I and Rs. 3,235,917 at KHAR and the remaining net book values have been transferred to other units of the Company.

\*\*During the year ended 31 March 2014, the Company has provided for other than temporary diminution in the value of its investment in its joint venture, Satva Jewellery and Design Limited amounting to Rs. 300,000 considering the erosion of their net worth based on the their financial results as per management estimate and future projections.



# KDDL LIMITED

## Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>34. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)</b>	<b>849,000</b>	1,093,246
<b>35. Contingent liability not provided for exists in respect of:</b>		
a) Bank guarantees outstanding	<b>39,513,050</b>	2,164,700
b) Bonds in favour of central excise and customs authorities	<b>1,425,000</b>	1,425,000
c) Guarantee given to scheduled banks and non banking financial company (NBFC) in relation to cash-credit and non-fund based facilities of Rs.386,000,000 (previous year Rs.423,500,000) and term loans of Rs.145,100,000 (previous year Rs.95,000,000) provided by banks and NBFC to subsidiary companies. Overdraft outstanding as of 31 March 2014 is Rs.323,951,146 (previous year Rs.299,118,186) and term loan Rs.101,346,634 (previous year Rs.101,160,314) respectively against the facilities availed by subsidiary companies. 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	<b>219,309</b>	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.372,818 (previous year Rs.372,818)	<b>372,818</b>	372,818
f) Income tax (AY 2005-06 to AY 2011-12) 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, was decided by the Commissioner of Income Tax (Appeals) in favour of the Company. However, the income tax department has preferred an appeal with Income Tax Appellate Tribunal. Demands raised by Income Tax Authorities in respect of disallowances for AY 2006-07 to 2011-12 (except for AY 2010-11 for which loss claimed by the Company has been decreased by the assessing authority) 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 to AY 2011-12) and the Company had deposited Rs.29,533,221 (previous year Rs.18,919,847) under protest.	<b>73,707,430</b>	35,746,450
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.4,046,108)	<b>4,046,108</b>	4,046,108
h) Demand made by central excise authority	<b>8,164,882</b>	8,256,222
i) Surety bonds in favour of sales tax department	<b>100,000</b>	100,000
j) Custom duty saved against EPCG Licences, pending redemption.	<b>19,123,038</b>	30,569,347

### 36. Related party disclosures

#### A. Relationships

##### I. Subsidiary companies

Pylania S.A.  
Kamla International Holding AG  
Ethos Limited  
Mahen Distribution Limited

##### II. Associates

Kamla Tesio Dials Limited

##### 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), Y Saboo (HUF), Saveeka Family Trust, Jan Seva Trust

##### V. 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)  
Ms. Malvika Singh (son's wife)

c. Dinesh Agrawal (Chief Operating Officer)

Ms. Shashi Agrawal (Wife)

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

# KDDL LIMITED

## Notes to the financial statements for the year ended 31 March 2014

(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 year ended 31 March 2014.

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
<b>1</b>	<b>Purchase of raw material and components</b>						
	Saboo Coatings Limited	-	-	-	2,220,703	-	-
	Pylania SA	7,446,241	-	-	-	-	-
	Vardhan International Limited	-	-	-	242,186	-	-
<b>2</b>	<b>Sale of goods</b>						
	Pylania SA	6,231,461	-	-	-	-	-
	Saboo Coatings Limited	-	-	-	9,614	-	-
	Ethos Limited	285,491	-	-	-	-	-
<b>3</b>	<b>Purchase of fixed assets</b>						
	Pylania SA	260,685	-	-	-	-	-
<b>4</b>	<b>Sale of fixed assets</b>						
	Ethos Limited	274,570	-	-	-	-	-
<b>5</b>	<b>Rent paid by the Company</b>						
	Kamla Tesio Dials Limited	-	800,000	-	-	-	-
	Saboo Coatings Limited	-	-	-	50,000	-	-
	Mr. R.K. Saboo	-	-	-	-	305,328	-
	Mr. Y. Saboo	-	-	-	-	1,499,976	-
	Ms. A. Saboo	-	-	-	-	-	152,808
	Ms. U. Saboo	-	-	-	-	-	61,128
	Satva Jewellery & Design Limited	-	-	600,000	-	-	-
<b>6</b>	<b>Salary of employees paid</b>						
	Ethos Limited	1,952,344	-	-	-	-	-
	Vardhan Properties and Investment Limited	-	-	-	144,000	-	-
	Saboo Coatings Limited	-	-	-	200,000	-	-
	Ms. Malvika Singh	-	-	-	-	-	256,000
<b>7</b>	<b>Directors remuneration</b>						
	Mr. R.K. Saboo	-	-	-	-	3,204,855	-
	Mr. Y. Saboo	-	-	-	-	5,001,465	-
	Mr. Dinesh Agrawal	-	-	-	-	3,215,280	-
<b>8</b>	<b>Interest received</b>						
	Satva Jewellery & Design Limited	-	-	1,507,500	-	-	-
<b>9</b>	<b>Interest paid/ accrued</b>						
	Vardhan Properties and Investment Limited	-	-	-	1,116,897	-	-
	Ms. Asha Devi Saboo	-	-	-	-	-	125,000
	Saveeka Family Trust	-	-	-	374,998	-	-
	Ethos Limited	747,946	-	-	-	-	-
	Dream Digital Technology Limited	-	-	-	258,905	-	-
	VBL Innovations Private Limited	-	-	-	2,399,998	-	-
	Ms. Shashi Agrawal	-	-	-	-	-	38,073
<b>10</b>	<b>Public deposits accepted</b>						
	Ms. Shashi Agrawal	-	-	-	-	-	400,000
<b>11</b>	<b>Repayment of ICD</b>						
	Ethos Limited	20,000,000	-	-	-	-	-
<b>12</b>	<b>Others including rent received</b>						
	Ethos Limited	2,098,727	-	-	-	-	-
	Dream Digital Technology Limited	-	-	-	12,000	-	-
	Saboo Coatings Limited	-	-	-	760,000	-	-
<b>13</b>	<b>Loans and advances given by the Company</b>						
	Pylania SA	15,142,000	-	-	-	-	-
<b>14</b>	<b>Reimbursement of expenses paid by the Company</b>						
	Pylania SA	10,028,359	-	-	-	-	-
	Saboo Coatings Limited	-	-	-	10,854	-	-
	Ethos Limited	73,625	-	-	-	-	-
	Satva Jewellery & Design Limited	-	-	536,369	-	-	-
	Dream Digital Technology Limited	-	-	-	1,185,882	-	-
<b>15</b>	<b>Management consultancy fees paid</b>						
	Dream Digital Technology Limited	-	-	-	1,620,000	-	-

# KDDL LIMITED

## Notes to the financial statements for the year ended 31 March 2014

(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
<b>16</b>	<b>Expenses recovered</b>						
	Kamla Tesio Dials Limited	-	67,952	-	-	-	-
	Ethos Limited	7,849,335	-	-	-	-	-
	Saboo Coatings Limited	-	-	-	145,060	-	-
	Pylania SA	582,570	-	-	-	-	-
	Dream Digital Technology Limited	-	-	-	3,680,386	-	-
<b>17</b>	<b>Investments made</b>						
	Kamla International Holdings AG	5,127,000	-	-	-	-	-
<b>18</b>	<b>ICD received</b>						
	Ethos Limited	20,000,000	-	-	-	-	-
	Vardhan Properties and Investment Limited	-	-	-	9,300,000	-	-
	Dream Digital Technology Limited	-	-	-	5,000,000	-	-
<b>19</b>	<b>Security deposit received</b>						
	Ethos Limited	677,235	-	-	-	-	-
<b>20</b>	<b>Dividend paid</b>						
	Mr. R.K. Saboo	-	-	-	-	2,054,560	-
	Mr. Y. Saboo	-	-	-	-	1,505,630	-
	Others	-	-	-	-	-	1,214,791
<b>21</b>	<b>Donation</b>						
	Jan Seva Trust	-	-	-	750,000	-	-
<b>22</b>	<b>Balance at the end of the year</b>						
	<b>a. Loans</b>						
	Pylania SA	8,146,000	-	-	-	-	-
	Satva Jewellery and Design Limited	-	-	10,394,200	-	-	-
	<b>b. Other receivables/ advances</b>						
	Pylania SA	14,947,977	-	-	-	-	-
	Ethos Limited	227,594	-	-	-	-	-
	Satva Jewellery and Design Limited	-	-	1,883,159	-	-	-
	Saboo Coatings Limited	-	-	-	256,642	-	-
	Vardhan Properties and Investment Limited	-	-	-	144,000	-	-
	<b>c. Payables</b>						
	Kamla Tesio Dials Limited	-	727,867	-	-	-	-
	Saboo Coatings Limited	-	-	-	394,472	-	-
	Pylania SA	2,483,257	-	-	-	-	-
	Ethos Limited	318,230	-	-	-	-	-
	Dream Digital Technology Limited	-	-	-	574,514	-	-
	<b>d. Guarantees taken</b>						
	Mr. R.K. Saboo	-	-	-	-	210,413,814	-
	Mr Y. Saboo	-	-	-	-	210,413,814	-
	<b>e. Security deposit taken</b>						
	Ethos Limited	677,235	-	-	-	-	-
	<b>f. Guarantees provided</b>						
	Ethos Limited	425,297,780	-	-	-	-	-
	Pylania SA	39,513,050	-	-	-	-	-
	<b>g. Public deposits outstanding</b>						
	Ms. Asha Devi Saboo	-	-	-	-	-	1,000,000
	Ms. Shashi Agrawal	-	-	-	-	-	400,000
	Saveeka Family Trust	-	-	-	3,000,000	-	-
	Vardhan Properties and Investment Limited	-	-	-	800,000	-	-
	<b>h. Interest on public deposits outstanding</b>						
	Ms. Shashi Agrawal	-	-	-	-	-	22,049
	<b>i. Inter corporate deposits outstanding</b>						
	Dream Digital Technology Limited	-	-	-	5,000,000	-	-
	Vardhan Properties and Investment Limited	-	-	-	9,300,000	-	-
	VBL Innovations Private Limited	-	-	-	15,000,000	-	-

# KDDL LIMITED

## Notes to the financial statements for the year ended 31 March 2014

(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 2013.

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
<b>1</b>	<b>Purchase of raw material and components</b>						
	Saboo Coatings Limited	-	-	-	2,889,271	-	-
	Pylania SA	10,152,138	-	-	-	-	-
	Vardhan International Limited	-	-	-	817,182	-	-
<b>2</b>	<b>Sale of goods</b>						
	Pylania SA	21,738,190	-	-	-	-	-
	Saboo Coatings Limited	-	-	-	36,284	-	-
	Ethos Limited	14,868,571	-	-	-	-	-
<b>3</b>	<b>Purchase of fixed assets</b>						
	Pylania SA	1,048,874	-	-	-	-	-
<b>4</b>	<b>Commission received on sales</b>						
	Ethos Limited	7,134,742	-	-	-	-	-
<b>5</b>	<b>Rent paid by the Company</b>						
	Kamla Tesio Dials Limited	-	800,000	-	-	-	-
	Saboo Coatings Limited	-	-	-	50,000	-	-
	Mr. R.K. Saboo	-	-	-	-	290,796	-
	Mr. Y. Saboo	-	-	-	-	1,367,588	-
	Ms A. Saboo	-	-	-	-	-	145,536
	Ms U. Saboo	-	-	-	-	-	58,212
	Satva Jewellery & Design Limited	-	-	600,000	-	-	-
	Ethos Limited	1,000,000	-	-	-	-	-
<b>6</b>	<b>Salary of employees paid</b>						
	Ethos Limited	463,531	-	-	-	-	-
	Vardhan Properties and Investment Limited	-	-	-	144,000	-	-
	Saboo Coatings Limited	-	-	-	200,000	-	-
	Mr. Pranav S. Saboo	-	-	-	-	-	-
<b>7</b>	<b>Directors remuneration</b>						
	Mr. R.K. Saboo	-	-	-	-	3,055,459	-
	Mr. Y. Saboo	-	-	-	-	5,309,639	-
	Mr. Dinesh Agrawal	-	-	-	-	3,009,289	-
<b>8</b>	<b>Interest received</b>						
	Satva Jewellery & Design Limited	-	-	1,294,352	-	-	-
	Ethos Limited	937,237	-	-	-	-	-
<b>9</b>	<b>Interest paid/ accrued</b>						
	Vardhan Properties and Investment Limited	-	-	-	99,383	-	-
	Ms. Asha Devi Saboo	-	-	-	-	-	125,000
	Saveeka family Trust	-	-	-	329,108	-	-
	Other	-	-	-	650,959	-	31,634
<b>10</b>	<b>Public deposits accepted</b>						
	Saveeka family Trust	-	-	-	3,000,000	-	-
<b>11</b>	<b>Expenses incurred by the Company reimbursed</b>						
	Ethos Limited	301,832	-	-	-	-	-
	Taratec SA	-	-	-	-	-	-
	Satva Jewellery and Design Limited	-	-	131,826	-	-	-
	Kamla Tesio Dials Limited	-	10,995	-	-	-	-
	Saboo Coatings Limited	-	-	-	907,145	-	-
	Pylania SA	634,501	-	-	-	-	-
	Dream Digital Technology Ltd.	-	-	-	564,053	-	-

# KDDL LIMITED

## Notes to the financial statements for the year ended 31 March 2014

(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
<b>12</b>	<b>Reimbursement of expenses paid by the Company</b>						
	Pylania SA	9,301	-	-	-	-	-
	Ethos Limited	161,700	-	-	-	-	-
	Dream Digital Technology Limited	-	-	-	68,636	-	-
<b>13</b>	<b>Management consultancy fees paid</b>						
	Dream Digital Technology Limited	-	-	-	1,755,000	-	-
<b>14</b>	<b>Investments made</b>						
	Kamla International Holdings AG	1,461,064	-	-	-	-	-
	Ethos Limited	14,999,930	-	-	-	-	-
	Satva Jewellery & Design Limited	-	-	2,605,800	-	-	-
<b>15</b>	<b>ICD received</b>						
	VBL Innovations Private Limited	-	-	-	15,000,000	-	-
<b>16</b>	<b>Dividend paid</b>						
	Mr. R.K. Saboo	-	-	-	-	6,163,680	-
	Mr. Y. Saboo	-	-	-	-	4,417,344	-
	Others	-	-	-	99,549	-	3,644,373
<b>17</b>	<b>Donation</b>						
	Smt. Kamla Devi Saboo Charitable Trust	-	-	-	300,000	-	-
<b>18</b>	<b>Balance at the end of the year</b>						
	<b>a. Loans</b>						
	Satva Jewellery and Design Limited	-	-	10,394,200	-	-	-
	<b>b. Other receivables/ advances</b>						
	Pylania SA	12,078,707	-	-	-	-	-
	Ethos Limited	4,477,612	-	-	-	-	-
	Satva Jewellery and Design Limited	-	-	1,460,038	-	-	-
	Saboo Coatings Limited	-	-	-	284,699	-	-
	Vardhan Properties and Investment Limited	-	-	-	144,000	-	-
	<b>c. Payables</b>						
	Kamla Tesio Dials Limited	-	1,426,063	-	-	-	-
	Saboo Coatings Limited	-	-	-	773,880	-	-
	Pylania SA	4,410,990	-	-	-	-	-
	Dream Digital Technology Ltd.	-	-	-	1,654,183	-	-
	<b>d. Guarantees taken</b>						
	Mr. R.K. Saboo	-	-	-	-	192,967,366	-
	Mr Y. Saboo	-	-	-	-	192,967,366	-
	<b>e. Guarantees provided</b>						
	Ethos Limited	400,278,500	-	-	-	-	-
	<b>f. Public deposits outstanding</b>						
	Ms. Asha Devi Saboo	-	-	-	-	-	1,000,000
	Ms. Shashi Agrawal	-	-	-	-	-	200,000
	Saveeka family Trust	-	-	-	3,000,000	-	-
	Vardhan Properties and Investment Limited	-	-	-	800,000	-	-
	<b>g. Interest on public deposits outstanding</b>						
	Ms. Shashi Agrawal	-	-	-	-	-	73,140
	<b>h. Inter Corporate Deposits received</b>						
	VBL Innovations Pvt. Ltd.	-	-	-	15,000,000	-	-



## KDDL LIMITED

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

37. 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	Year ended 31 March 2014		Year ended 31 March 2013	
	Rupees	Percentage	Rupees	Percentage
Imported	143,443,026	53.76%	128,182,966	50.38%
Indigenous	123,365,365	46.24%	126,230,461	49.62%
	<u>266,808,391</u>	<u>100.00%</u>	<u>254,413,427</u>	<u>100.00%</u>
<b>Stores and Spares</b>				
Imported	21,862,487	37.21%	24,955,961	41.64%
Indigenous	36,896,964	62.79%	34,982,017	58.36%
	<u>58,759,452</u>	<u>100.00%</u>	<u>59,937,978</u>	<u>100.00%</u>

#### B. Value of imports on CIF basis

a) Capital goods	8,558,557	13,196,875
b) Raw material and components	135,383,613	127,518,023
c) Stores and spares	18,004,840	28,270,842
d) Others	-	4,976

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

a) Travelling	4,573,581	3,303,900
b) Technician fee (net of tax)	573,419	2,801,488
c) Commission on exports	17,923,795	13,622,636
d) Others	26,028,599	19,888,498

#### D. Earnings in foreign exchange

FOB value of exports	691,885,725	526,845,815
Others	7,890,711	11,429,442

#### E. Net dividend remitted in foreign exchange

##### Year of remittance (ending on)

Period to which it relates	<u>2012-13</u>	<u>2011-12</u>
- Number of non-resident shareholders	37	38
- Number of equity shares held on which dividend was due	595,847	589,809
- Amount remitted	595,847	1,769,427

# KDDL LIMITED

## Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2014	Year ended 31 March 2013
<b>38. Earnings per share</b>		
Net profit attributable to equity shareholders		
Profit before exceptional items and after tax	48,267,237	3,397,931
Profit/(Loss) after exceptional items and tax	42,392,377	(3,572,234)
<b>Number of weighted average equity shares</b>		
Basic	9,036,720	9,020,045
Diluted	9,036,720	9,020,045
<b>Nominal value of equity share (Rs.)</b>		
	10	10
<b>Earnings per share-before exceptional items and after tax</b>		
Basic	5.34	0.38
Diluted	5.34	0.38
<b>Earnings/(Loss) per share-after exceptional items and tax</b>		
Basic	4.69	(0.41)
Diluted	4.69	(0.41)

### 39. Leases

#### 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 2014 and 31 March 2013 aggregate to Rs. 744,000 and Rs. 612,000 respectively.

The Company is a lessee under various cancellable and non-cancellable operating leases. Rental expense for operating leases for the years ended 31 March 2014 and 31 March 2013 was Rs. 17,832,377 and Rs. 14,211,609 respectively. The Company has executed non-cancelable operating leases. Expected future minimum lease payments in respect of such leases are as follows:

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
<b>Year ending after balance sheet date:</b>		
Upto one year	3,498,288	-
One to five years	20,099,856	-
More than five years	9,638,524	-

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

#### Loans and advances given to subsidiaries and associates\* :

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Satva Jewellery and Design Limited	10,394,200	10,394,200
Pylania SA	8,146,000	-

\* Loans are re-payable on demand

### 41. Dividend from investments:

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Long term Shivalik Waste Management Limited	6250	-

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

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Total Assets	47,980,247	45,974,876
50% share of the Company in Joint Venture	23,990,124	22,987,438
Total Liabilities	47,980,247	45,974,876
50% share of the Company in Joint Venture	23,990,124	22,987,438
Income	796,203	986,115
50% share of the Company in Joint Venture	398,102	493,058
Expenses	3,881,671	3,600,596
50% share of the Company in Joint Venture	1,940,836	1,800,298

## KDDL LIMITED

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

#### 43. 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 ESOP. All options under the ESOP 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 2014.
- c. The movement in the scheme is set out as under:

Particulars	ESOP 2011		ESOP 2011	
	Year ended 31 March 2014		Year ended 31 March 2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	Number	Amount	Number	Amount
Outstanding at the beginning of year	90,000	120	100,500	120
Granted options	Nil	Nil	Nil	Nil
Exercised during the year	Nil	Nil	Nil	Nil
Forfeited during the year	Nil	Nil	Nil	Nil
Expired during the year	6,000	120	10500	120
Outstanding at the end of the year	84,000	120	90,000	120
Exercisable at the end of the year	Nil	Nil	Nil	Nil
Number of equity shares of Rs. 10 each fully paid up to be issued on exercise of option	84,000	120	90,000	120
Weighted average share price at the date of exercise	Not applicable	Not applicable	Not applicable	Not applicable
Weighted average remaining contractual life (years)				
First tranche	0.5 years	Not applicable	1.5 years	Not applicable
Second tranche	2.5 years	Not applicable	1.5 years	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:

## KDDL LIMITED

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

S. No.	Particulars	Year ended 31 March 2014 Amount	Year ended 31 March 2013 Amount
1.	Net profit as reported	42,392,377	(3,572,234)
2.	Add: Stock based employee compensation expense debited to statement of profit and loss	170,016	492,702
3.	Less: Stock based employee compensation expense based on fair value	746,725	2,163,991
4.	Difference between (2) and (3)	(576,709)	(1,671,289)
5.	Adjusted pro forma profit	41,815,668	(5,243,523)
6.	Difference between (1) and (5)	576,709	1,671,289
7.	Basic earnings per share as reported	4.69	(0.41)
8.	Pro forma basic earnings per share	4.63	(0.58)
9.	Diluted earnings per share as reported	4.69	(0.41)
10.	Pro forma diluted earnings per share	4.63	(0.58)

- e. The fair value of the options, calculated by an external valuer for first 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 2014	Year ended 31 March 2013
Risk free interest rates (in %)	8.50%	8.50%
Expected life (in months)	29	29
Volatility (in %)	66.49%	66.49%
Dividend yield (in %)	1.58%	1.58%

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 2014	Year ended 31 March 2013
Total options granted outstanding	84,000	90,000
Weighted average exercise price (in Rs.)	120	120
Weighted average fair value (in Rs.)	61.05	61.05

#### 44. Merger of Himachal Fine Blanks Limited and KDDL Limited

A wholly owned subsidiary of KDDL Limited ('Transferee Company'), namely, Himachal Fine Blank Limited ('HFBL' or 'Transferor Company') has merged with the transferee company vide order dated 27 December 2012 of the Hon'ble High Court of Himachal Pradesh, with appointed date 1 April 2011. Such order was filed with the Registrar of Companies on 8 January 2013. The effect of merger had been given during the year ended 31 March 2013 as per the scheme of merger approved by the Hon'ble High Court.

The aforementioned merger has been accounted for in the financial statements using "pooling of interest method" as prescribed under Accounting Standard-14 "Accounting for Amalgamations" issued pursuant to the Companies (Accounting Standard) Rules, 2006, by taking all the assets and liabilities of the transferor company with those of the transferee company at the book values.

# KDDL LIMITED

## Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

Following is the summary of assets/liabilities taken over by the Company at book values:

Particulars	Amount as at 1 April 2012 (in Rs)
<b>Assets</b>	
Tangible assets	18,156,704
Non-current investments	1,850,000
Long term loans and advances	1,198,000
Inventories	10,868,557
Trade receivables	2,684,831
Cash and cash equivalents	142,454
Short-term loans and advances	539,232
Other current assets	1,357,087
<b>Total assets (A)</b>	<b>36,796,865</b>
<b>Liabilities</b>	
Non-current liabilities	2,717,292
Current liabilities	24,554,472
<b>Total liabilities (B)</b>	<b>27,271,764</b>
Net adjustment to opening reserves of KDDL Limited	(6,069,626)
Equity share capital adjusted against investments	15,200,000

45. 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 2014	Amount outstanding as at 31 March 2013
Receivables	109,081,192	70,495,946
Payables	12,887,777	37,732,739
Commission payable	31,472,300	15,061,298
Buyer's credit	59,312,559	43,988,572
Advances from customers	20,801,455	45,952,000

Following are the forward contracts entered into by the Company, which are outstanding as at the year end, in respect of unrecognised firm commitments:

Units of foreign currency	No. of contracts	(in Foreign currency)	Amount outstanding as at 31 March 2014		Amount outstanding as at 31 March 2013	
			(in Rupees)	No. of contracts	(in Foreign currency)	(in Rupees)
CHF	1	200,000	14,204,000	5	498,000	30,789,350

46. 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.
47. As per the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961, the Company is required to use certain specific methods in computing arm's length prices of transactions with associated enterprises and maintain adequate documentation in this respect. Since law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of appointing independent consultants for conducting a Transfer Pricing Study (the 'Study') to confirm that the transaction with associate enterprises undertaken during the financial year are on "arms length basis". Management is of the opinion that the company's transactions are at arm's length and that the results of the proposed study will not have any impact on the financial statements and that they do not expect any transfer pricing adjustments.
48. Previous year figures have been regrouped/recasted, wherever considered necessary to make them comparable with those of the current year.

For and on behalf of the Board of Directors

**Y. SABOO**  
Chief Executive Officer  
and Vice Chairman

**ANIL KHANNA**  
Director

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

**P.K. GOYAL**  
Company Secretary

For **Walker Chandiook & Co LLP**  
(Formerly Walker, Chandiook & Co)  
Chartered Accountants

Place : Chandigarh  
Dated : 27 May 2014

Per **B.P. Singh**  
Partner



**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of KDDL Limited

1. We have audited the accompanying consolidated financial statements of KDDL Limited, ("the Company") and its subsidiaries, associate and joint venture (hereinafter collectively referred to as the "Group"), which comprise the consolidated Balance Sheet as at 31 March 2014, the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

2. Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

6. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries, associate and joint venture as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2014;
- ii) in the case of the consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and

- iii) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

**Other Matter**

7.(a) We did not audit the financial statements of certain subsidiaries and a joint venture, included in the consolidated financial statements whose financial statements reflect total assets (after eliminating intra-group transactions) of Rs. 1,555,436,528 as at 31 March 2014; total revenues (after eliminating intra-group transactions) of Rs. 2,209,204,234 and net cash flows aggregating to Rs. 14,254,377 for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the management, and our opinion on the consolidated financial statements of the Group for the year then ended to the extent they relate to the financial statements not audited by us as stated in this paragraph is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

(b) We did not audit the financial statements of two subsidiaries included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of Rs. 96,730,870 as at 31 March 2014 ; total revenues (after eliminating intra-group transactions) of Rs. 31,760,945 and net cash flows aggregating to Rs. 273,051 for the year then ended. These financial statements have been examined by other auditors whose examination reports have been furnished to us by the management, and our audit opinion on the consolidated financial statements of the Group for the year then ended to the extent they relate to the financial statements not audited by us as stated in this paragraph is based solely on the examination reports of the other auditors. Our opinion is not qualified in respect of this matter.

(c) We did not audit the financial statements of an associate, included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of Rs. 8,560,245 as at 31 March 2014; total revenues (after eliminating intra-group transactions) of Rs. 801,293; net profit (after eliminating intra-group transactions) of Rs. 62,105 and net cash flows aggregating to Rs. (118,272) for the year then ended. These financial statements have been audited by other auditors whose audit report has been furnished to us by the management, and our audit opinion on the consolidated financial statements of the Group for the year then ended to the extent they relate to the financial statements not audited by us as stated in this paragraph is based solely on the audit report of the other auditors. Our opinion is not qualified in respect of this matter.

**For Walker Chandio & Co LLP**  
(formerly Walker, Chandio & Co)  
Chartered Accountants  
Firm Registration No: 001076N

per **B.P. Singh**  
Partner

Place : Chandigarh  
Dated : 27 May 2014

Membership No.:70116

## KDDL LIMITED (Consolidated)

### Consolidated balance sheet as at 31 March 2014

(All amounts in rupees, unless stated otherwise)

	Note	As at 31 March 2014	As at 31 March 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	91,238,600	91,238,600
Reserves and surplus	3	390,534,889	343,998,165
Money received against zero coupon convertible warrants	4	-	-
		<b>481,773,489</b>	435,236,765
Minority interest		<b>182,548,751</b>	184,722,766
<b>Non-current liabilities</b>			
Long-term borrowings	5	408,907,848	392,253,131
Deferred tax liabilities (net)	6	42,504,803	44,612,909
Other long term liabilities	7	14,412,246	31,515,002
Long-term provisions	8	33,996,077	27,042,127
		<b>499,820,974</b>	495,423,169
<b>Current liabilities</b>			
Short-term borrowings	9	567,636,745	562,288,619
Trade payables	10	683,448,148	478,808,044
Other current liabilities	11	343,586,492	255,690,924
Short-term provisions	12	65,052,774	40,700,736
		<b>1,659,724,159</b>	1,337,488,323
<b>Total</b>		<b>2,823,867,373</b>	<b>2,452,871,023</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	13	773,289,465	739,753,357
Intangible assets	13	18,804,741	19,239,337
Capital work-in-progress		8,516,507	8,948,524
Intangible assets under development		1,240,624	2,240,904
Non-current investments	14	7,797,828	7,779,196
Long-term loans and advances	15	153,054,784	172,520,666
Other non-current assets	16	3,781,293	2,043,798
		<b>966,485,242</b>	952,525,782
<b>Current assets</b>			
Inventories	17	1,362,354,317	1,135,540,657
Trade receivables	18	206,476,979	172,792,789
Cash and bank balances	19	120,810,814	79,272,754
Short-term loans and advances	20	166,571,162	110,546,647
Other current assets	21	1,168,859	2,192,394
		<b>1,857,382,131</b>	1,500,345,241
<b>Total</b>		<b>2,823,867,373</b>	<b>2,452,871,023</b>

### Notes 1 to 49 form an integral part of these consolidated financial statements

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

**Y. SABOO**  
Chief Executive Officer  
and Vice Chairman

**ANIL KHANNA**  
Director

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

**P.K. GOYAL**  
Company Secretary

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

For **Walker Chandiok & Co LLP**  
(Formerly Walker, Chandiok & Co)  
Chartered Accountants

Place : Chandigarh  
Dated : 27 May 2014

Per **B.P. Singh**  
Partner

## KDDL LIMITED (Consolidated)

### Consolidated statement of profit & loss for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	Note	Year ended 31 March 2014	Year ended 31 March 2013
<b>REVENUE</b>			
Revenue from operations (gross)	22	<b>3,386,078,012</b>	2,755,090,399
Less: Excise duty		<b>38,853,058</b>	36,849,349
Revenue from operations (net)		<b>3,347,224,954</b>	2,718,241,050
Other income	23	<b>34,926,199</b>	11,242,360
<b>Total revenue</b>		<b>3,382,151,153</b>	2,729,483,410
<b>EXPENDITURE</b>			
Cost of materials consumed	24	<b>266,522,468</b>	258,393,521
Purchase of traded goods	25	<b>1,855,726,078</b>	1,410,076,494
Cost of services rendered		<b>2,835,050</b>	1,855,558
Changes in inventories	26	<b>(223,565,117)</b>	(154,717,623)
Employee benefit expenses	27	<b>498,840,543</b>	476,121,184
Finance costs	28	<b>141,646,639</b>	132,503,998
Depreciation and amortisation expense	29	<b>80,320,521</b>	86,335,381
Other expenses	30	<b>645,617,881</b>	543,359,086
Prior period expenditure	31	-	1,670,644
<b>Total expenses</b>		<b>3,267,944,063</b>	2,755,598,243
<b>Profit before exceptional items and tax</b>		<b>114,207,090</b>	(26,114,833)
Exceptional items	32	<b>5,574,860</b>	-
<b>Profit/(Loss) before tax</b>		<b>108,632,230</b>	(26,114,833)
Tax expense:			
Current tax		<b>23,033,829</b>	1,420,086
Current tax - earlier years		-	(2,341,352)
Minimum alternate tax credit entitlement		<b>(1,202,484)</b>	(1,405,945)
Deferred tax		<b>(2,859,641)</b>	2,489,861
Deferred tax adjustment - earlier years		<b>751,536</b>	-
<b>Profit/(Loss) after tax before minority interest / share of profit (loss) in associates</b>		<b>88,908,990</b>	(26,277,483)
Share in profit/ (loss) of associates		<b>18,632</b>	(52,510)
Adjustment for minority interest		<b>(3,765,755)</b>	(1,727,110)
<b>Net profit/(loss) for the year</b>		<b>85,161,867</b>	(28,057,103)
Earning/(Loss) per equity share of face value of Rs. 10 each	40		
(1) Basic		9.42	(3.11)
(2) Diluted		9.42	(3.11)

### Notes 1 to 49 form an integral part of these consolidated financial statements

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

**Y. SABOO**  
Chief Executive Officer  
and Vice Chairman

**ANIL KHANNA**  
Director

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

**P.K. GOYAL**  
Company Secretary

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

For **Walker Chandiok & Co LLP**  
(Formerly Walker, Chandiok & Co)  
Chartered Accountants

Place : Chandigarh  
Dated : 27 May 2014

Per **B.P. Singh**  
Partner

## KDDL LIMITED (Consolidated)

### Consolidated cash flow statement for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2014	Year ended 31 March 2013
<b>A. Cash flow from operating activities</b>		
Net profit/(loss) before tax	108,632,230	(26,114,833)
Adjustments for:		
Depreciation and amortisation	80,320,521	86,335,381
Loss on sale / write off of assets	8,404,642	2,383,676
Expense on employee stock option scheme	170,016	492,702
Finance costs	128,075,265	119,304,553
Interest income	(4,527,948)	(4,070,034)
Dividend income	(6,250)	-
Net (gain) on sale of investments	-	(3,921,600)
Liabilities no longer required written back	(2,804,952)	4,060,609
Provisions written back	(1,931,513)	-
Adjustment on forfeiture of warrants	-	1,025
Bad debts written off	18,736	30,772
Provision for doubtful debts	692,348	3,449,787
Advances written off	1,826,341	-
Foreign exchange translation reserve arising on consolidation	(11,437,078)	(315,073)
<b>Operating profit before working capital changes</b>	<b>307,432,358</b>	<b>181,636,965</b>
Adjustments for movement in:		
Inventories	(226,813,660)	(167,202,580)
Trade receivables	(32,463,761)	26,186,293
Short-term loans and advances	(61,637,504)	(3,342,581)
Long-term loans and advances	29,327,719	(26,229,693)
Other current assets	810,782	(1,034,643)
Other non-current assets	(1,703,360)	(784,923)
Trade payables	207,445,056	77,669,053
Other current liabilities	31,485,639	(14,655,024)
Other long-term liabilities	(22,976,000)	(2,701,000)
Short-term provisions	(702,321)	1,342,100
Long-term provisions	12,827,194	3,478,991
Net income tax (paid) / refunds	(20,242,889)	691,826
<b>Net cash flow from operating activities</b>	<b>222,789,253</b>	<b>75,054,784</b>
<b>B. Cash flow from investing activities:</b>		
Capital expenditure on fixed assets, including capital advance	(113,133,830)	(122,930,730)
Proceeds from sale of fixed assets	4,113,325	5,736,442
Impact of translation on assets of foreign subsidiary	(12,273,735)	(488,414)
Proceeds from sale of long-term investments	-	5,721,600
Purchase of investments	(2,041,500)	-
Interest received	4,706,566	3,552,692
Dividend Received	6,250	-
Proceeds from restricted cash	(1,735,942)	(3,500,744)
<b>Net cash used in investing activities (B)</b>	<b>(120,358,866)</b>	<b>(111,909,154)</b>

## KDDL LIMITED (Consolidated)

### Consolidated cash flow statement for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2014	Year ended 31 March 2013
<b>C. Cash flow from financing activities:</b>		
Proceeds from issue of equity shares	-	6,300,414
Proceeds from issue of share capital to minority	-	106,017,673
Proceeds from long-term borrowings (including current maturities)	<b>129,155,786</b>	78,650,030
Repayment of long-term borrowings (including current maturities)	<b>(57,946,377)</b>	(29,928,053)
Net Proceeds from other short-term borrowings	<b>5,348,126</b>	33,494,331
Finance cost	<b>(128,683,328)</b>	(119,956,141)
Dividend paid (including tax thereon)	<b>(10,502,476)</b>	(31,508,106)
<b>Net cash (used in) /flow from financing activities</b>	<b>(62,628,269)</b>	43,070,148
<b>Net increase in cash and cash equivalents</b>	<b>39,802,118</b>	6,215,778
Cash and cash equivalents at the beginning of the year	<b>48,930,255</b>	42,714,477
<b>Cash and cash equivalents at the end of the year</b>	<b>88,732,373</b>	48,930,255
Reconciliation of Cash and cash equivalents with the Balance Sheet:		
<b>Cash and bank balances as per Balance Sheet</b>	<b>120,810,814</b>	79,272,754
Less: Bank balances not considered as Cash and cash equivalents	<b>32,078,441</b>	30,342,499
Net Cash and cash equivalents	<b>88,732,373</b>	48,930,255

### Notes 1 to 49 form an integral part of these consolidated financial statements

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

**Y. SABOO**  
Chief Executive Officer  
and Vice Chairman

**ANIL KHANNA**  
Director

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

**P.K. GOYAL**  
Company Secretary

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

For **Walker Chandiok & Co LLP**  
(Formerly Walker, Chandiok & Co)  
Chartered Accountants

Place : Chandigarh  
Dated : 27 May 2014

Per **B.P. Singh**  
Partner



#### Note-1

##### SIGNIFICANT ACCOUNTING POLICIES

###### a. Principles of Consolidation

The consolidated financial statements include the financial statements of KDDL Limited ("KDDL" or the "Parent Company" or the "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 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 the 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.

###### b. Basis of preparation

The financial statements have been prepared to comply in accordance with generally accepted accounting principles in India, the accounting standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. The financial statements have been prepared under the historical cost convention on the accrual basis. The accounting policies have been consistently applied by the Group unless otherwise stated and are consistent with those used in the previous year.

###### c. Use of estimates

In preparing the Group's financial statements in conformity with accounting principles generally accepted in India, the 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.

###### d. 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.

## KDDL LIMITED (Consolidated)

Notes forming part of the consolidated financial statements for the year ended 31 March 2014

### Note-1

#### Significant accounting policies (Cont'd)

f) Dividend income is recognized when the Company's right to receive the same is established.

#### e. Fixed assets

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

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

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

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.

#### f. 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% to 8.5%
Plant and machinery	10% to 15%
Office equipment	8.5% to 15%
Motor vehicles	48%

#### g. 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.

#### h. 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.

#### Note-1

##### Significant accounting policies (Cont'd)

##### i. 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.

##### j. 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. 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 currencies of the overseas associate and a foreign subsidiary (having operations integral to that of the Parent Company) are different from the reporting currency of the Group. The translation of the results of the overseas associate and the foreign subsidiary is performed as if the transactions of such entities had been those of the Parent Company itself.

Forward exchange contracts not covered under Accounting Standard 11 'Effect of change in Foreign Exchange Rates', that are entered to hedge the foreign currency risk of highly probable forecast transactions and unrecognized firm commitments are marked to market at the balance sheet date and exchange loss is recognised in the statement of profit and loss immediately. Any gain is ignored and not recognised in the financial statements, in accordance with the principles of prudence enunciated in Accounting Standard 1- Disclosure of Accounting Policies.

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.

##### k. 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.

#### Note-1

##### Significant accounting policies (Cont'd)

##### **I. 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 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.

##### **m. 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.

##### **n. 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.

##### **o. 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.

##### **p. 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.

##### **q. 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.

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014		As at 31 March 2013	
	Number	Amount	Number	Amount
<b>2. Share capital</b>				
<b>Authorised Share Capital</b>				
Equity shares of Rs. 10 each	12,480,000	124,800,000	12,480,000	124,800,000
<b>Issued, subscribed and fully paid up</b>				
Equity shares of Rs. 10 each	9,036,720	90,367,200	9,036,720	90,367,200
<b>Issued, subscribed and not fully paid up</b>				
Equity shares of Rs. 10 each, Rs. 5 paid up	174,280	871,400	174,280	871,400
<b>Total</b>	<b>9,211,000</b>	<b>91,238,600</b>	<b>9,211,000</b>	<b>91,238,600</b>
<b>Forfeited shares</b>	<b>174,280</b>	<b>871,400</b>	<b>174,280</b>	<b>871,400</b>

a. The Parent 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 Parent Company, holders of equity shares will be entitled to receive any of the remaining assets of the Parent 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
<b>Equity share capital of Rs. 10 each fully paid up</b>				
Balance at the beginning of the year	9,036,720	90,367,200	8,836,620	88,366,200
Add: Shares issued pursuant to conversion of zero coupon convertible warrants	-	-	200,100	2,001,000
<b>Balance at the end of the year</b>	<b>9,036,720</b>	<b>90,367,200</b>	<b>9,036,720</b>	<b>90,367,200</b>

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

#### d. Shareholders holding more than 5% of equity share capital

	Number	Percentage	Number	Percentage
R. K. Saboo	2,054,560	22.74%	2,054,560	22.74%
Y. Saboo	1,505,630	16.66%	1,472,448	16.29%
	<b>3,560,190</b>		<b>3,527,008</b>	

#### d. Shares reserved for issue under options and other commitments

As on 31 March 2014, 84,000 (previous year : 90,000) Employee Stock Options were outstanding under the Employee Stock Option Plan of the Company. Each option would entitle the holder thereof to subscribe to one Equity Share of Rs. 10 each in the Company. For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, please refer note 44.



## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014 (All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>3. Reserves and surplus</b>		
<b>Central investment subsidy</b>	<b>2,500,000</b>	2,500,000
<b>State investment subsidy</b>	<b>3,000,000</b>	3,000,000
<b>Profit on re-issue of forfeited shares</b>	<b>9,125</b>	9,125
<b>Profit on forfeiture of zero coupon convertible warrants</b>	<b>1,025</b>	1,025
<b>Capital reserve</b>		
Balance at the beginning of the year	132,517	132,536
Add: Additions made during the year (refer note 39)	6,941,100	-
Less: Amount transferred to minority interest	-	(19)
Balance at the end of the year	<u>7,073,617</u>	<u>132,517</u>
<b>Securities premium reserve</b>		
Balance at the beginning of the year	294,400,251	288,101,742
Add: Additions made during the year on allotment of equity shares on conversion of zero coupon convertible warrants	-	6,351,465
Less: Amount transferred to minority interest	-	(52,956)
Balance at the end of the year	<u>294,400,251</u>	<u>294,400,251</u>
<b>Employee stock options outstanding</b>		
At the commencement of the year	1,251,000	1,396,950
Add: Options granted during the year	-	-
Less: Options expired during the year	(83,400)	(145,950)
Employee stock option at the end of the year (i)	<u>1,167,600</u>	<u>1,251,000</u>
<b>Deferred employee stock option expense</b>		
At the commencement of the year	517,826	1,156,478
Less: Amortisation and other movements during the year ##	(253,416)	(638,652)
At the end of the year (ii)	<u>264,410</u>	<u>517,826</u>
(i)-(ii)	<u>903,190</u>	<u>733,174</u>
## Employee stock option expense net off impact of options expired during the year (Refer note 27)	<u>170,016</u>	<u>492,702</u>
<b>Foreign currency translation reserve</b>		
As per last balance sheet	(654,206)	(339,133)
Less: Adjustment during the year (also refer note 39)	(14,479,908)	(315,073)
Balance at the end of the year	<u>(15,134,114)</u>	<u>(654,206)</u>
<b>General reserve</b>		
Balance at the beginning of the year	122,833,159	122,833,159
Add: Transferred from statement of profit and loss	2,119,730	-
Balance at the end of the year	<u>124,952,889</u>	<u>122,833,159</u>

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>Deficit in the statement of profit and loss</b>		
Balance at the beginning of the year	(92,662,692)	(44,619,920)
Add: Transfer to minority interest out of reserves	-	5,575
Add: Transferred (from)/to statement of profit and loss	85,161,867	(28,057,103)
Less: Appropriations		
Dividend on cumulative preference shares (refer note 46)	(15,397,585)	(9,488,769)
Proposed dividend on equity shares	(13,555,080)	(9,036,720)
Tax on proposed dividend	(2,303,686)	(1,465,756)
Transfer to general reserve	(2,119,730)	-
Balance at the end of the year	<u>(40,876,906)</u>	<u>(92,662,692)</u>
<b>Revaluation reserve</b>		
As per last balance sheet	13,705,812	13,705,812
Balance at the end of the year	<u>13,705,812</u>	<u>13,705,812</u>
<b>Total</b>	<u><u>390,534,889</u></u>	<u><u>343,998,164</u></u>

#### 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 had 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 Nil (previous year 200,100) zero coupon convertible warrants exercised the option of conversion of warrants into equity shares and Nil (previous year 100) zero coupon convertible warrants has been forfeited on account of non payment of balance on due date. Amount outstanding as at year end is Nil.

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

Balance unutilized at the end of the previous year	-	10,000
Add: Proceeds received during the year	-	6,153,075
Less: Utilised for purchase of capital assets and working capital requirements	-	6,163,075
Balance unutilised at the end of the current year	<u>-</u>	<u>-</u>

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>5. Long term borrowings</b>		
<b>Secured</b>		
Term loans from		
- banks	165,721,032	187,024,038
- others	46,592,136	18,676,754
Vehicle loan		
- from banks	8,267,850	8,180,184
Hire purchase finance	7,903,585	6,850,438
Bank mortgage	9,578,038	9,348,360
<b>Unsecured</b>		
Public deposit		
- from related parties (refer Note 43)	2,200,000	4,800,000
- from others	69,139,000	58,249,000
Inter corporate deposits		
- from related party (refer Note 43)	9,300,000	15,000,000
- from others	-	15,000,000
Loans		
- from related parties (refer Note 43)	17,000,000	12,000,000
- from others	73,206,207	56,884,861
External commercial borrowing (includes Rs. Nil (previous year Rs. 618,166) on account of exchange rate fluctuation)	-	239,496
<b>Total</b>	<b>408,907,848</b>	<b>392,253,131</b>

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

Term loans from banks and others amounting to Rs. 300,386,319 ((previous year Rs. 287,971,956) including current maturities of long term debt amounting to Rs. 88,073,151 (previous year Rs. 82,271,164 as referred to in Note 11)) are secured as under:

- Term loans from Bank of India amounting to Rs. 78,365,764 (previous year Rs 89,756,813)(including current maturities of long term debt amounting to Rs. 32,703,000(previous year Rs. 27,256,577)) and buyers credit Rs 12,842,509 (previous year Rs 11,668,202) availed as a sub limit to term loan) carrying interest rate of 2.65% and 2.90% 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 before 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 by Parent Company amounting to Rs. 8,820,000 (previous year Rs. 17,275,000)(including current maturities of long term debt amounting to Rs. 5,040,000 (previous year Rs.13,075,000)), carrying interest rate of 2.5% over the bank base rate and Corporate loan amounting to Rs. 40,000,000 ((previous year nil)(including current maturities of long term debt amounting to Rs. 10,714,287)(previous year Nil)) 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 by Parent Company amounting to Rs. 42,313,207 (previous year Rs. 38,950,746) (including current maturities of long term debt amounting to Rs. 17,112,000 (previous year Rs 11,112,000) and buyers credit Rs 16,698,205 (previous year Rs 15,525,738) availed as a sub limit to term loan) carrying interest rate of 5.50% over the bank base rate, 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.

-Term loans from The Jammu & Kashmir Bank Limited taken by subsidiary, Ethos Limited amounting to Rs.51,246,634 (previous year Rs. 70,652,173 (including current maturities amounting to Rs.18,996,000 (previous year Rs. 18,996,000)), carrying interest rate of 13.00% p.a. are secured by first charge on entire fixed assets, both present and future, of the subsidiary. These limits are

## KDDL LIMITED (Consolidated)

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### Notes to the financial statements for the year ended 31 March 2013

(All amounts in rupees, unless stated otherwise)

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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.

-Secured loans from others (Indiabulls Housing Finance Limited) taken by subsidiary, Ethos Limited amounting to Rs.50,100,000 (previous year Rs. Nil ((including current maturities amounting to Rs.3,507,864 (previous year Rs. Nil)), carrying interest rate of 12.75% 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.

-Secured loans from others (India Infoline Investment Services Limited) taken by subsidiary, Ethos Limited amounting to Rs.Nil (previous year Rs. 30,508,341 ((including current maturities amounting to Rs.Nil (previous year Rs. 11,831,587)), carrying interest rate of 14.50% p.a. was 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. The loans have been repaid during the year.

- Term loan taken by subsidiary, Pylania SA include loan taken from Bank of India amounting to Rs.39,524,221 (previous year Rs. 40,828,883) is carrying interest rate of 3.50%. The loan is secured against bank guarantee given by the Parent Company.

-Vehicle Loans from banks, carrying interest rate in the range of 10% to 12.7% p.a. are secured against hypothecation of specific vehicles purchased out of the proceeds of those loans.

-Bank mortgage taken by subsidiary, Pylania SA amounting to Rs.10,326,588 (previous year Rs. 9,980,200)((including current maturities amounting to Rs.748,550 (previous year Rs. 631,840) is carrying interest rate of 5.75% and secured against land and building situated in Pylania.

- Loan from others taken by subsidiary, Pylania SA include subordinated loans taken from shareholders amounting to Rs.56,884,861 (previous year Rs. 56,884,861) is carrying interest rate of 5%.

- External commercial borrowing taken by joint venture company (JV), Satva Jewellery & Design Limited amounting to Rs. Nil (previous year Rs. 2,039,120) ((including current maturities amounting to Rs. 2,415,775 (previous year Rs. 1,799,624)) is carrying interest rate of 2% above LIBOR.

#### **b. 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. 8,820,000 is repayable in 7 quarterly instalments of Rs. 1,260,000.

- Term loan from IDBI amounting to Rs. 40,000,000 (sanctioned amount being Rs. 50,000,000) is repayable in 11 quarterly instalments of Rs. 3,571,429 and last instalment of Rs. 714,281.

- Term loan from Bank of India amounting to Rs. 27,410,504 is repayable in 15 quarterly instalments of Rs. 1,718,750 and last instalment of Rs. 1,629,254.

- Term loan from Bank of India amounting to Rs. 3,406,000 is repayable in 4 quarterly instalments of Rs. 682,000 and last instalment of Rs. 678,000.

- Term loan from Bank of India amounting to Rs. 18,238,432 is repayable in 14 quarterly instalments of Rs. 1,250,000 and last instalment of Rs. 738,432.

- Term loan from Bank of India amounting to Rs. 6,671,687 is repayable in 4 quarterly instalments of Rs. 1,400,000 and last instalment of Rs. 1,071,687.

- Term loan from Corporation Bank amounting to Rs. 29,011,412 (sanctioned amount being Rs. 50,000,000) is repayable in 10 quarterly instalments of Rs.2,778,000 and last instalment of Rs. 1,231,412.

- Term loan from Corporation Bank amounting to Rs. 30,000,000 (sanctioned amount being Rs. 30,000,000) is repayable in 20 quarterly instalments of Rs. 1,500,000.

- Term loan from Bank of India amounting to Rs. 35,481,650 (sanctioned amount Rs. 50,000,000) is repayable in 11 quarterly instalments of Rs. 3,125,000 and last instalment of Rs. 1,106,650.

- Term Loans from The Jammu & Kashmir Bank Limited amounting to Rs.51,246,634 is repayable in 32 monthly instalments of Rs.1,583,000 each.

-Term loans from Indiabulls Housing Finance Limited amounting to Rs. 50,100,000 is repayable in 120 monthly installments of Rs 417,500

- Vehicle loans from banks are to be repaid as per the respective repayment schedules in equal monthly instalments.

- Bank mortgage amounting to Rs.10,326,588 is repayable in 55 quarterly instalments of Rs.187,138 and last instalment of Rs.33,998.

- Subordinated loans taken from shareholders amounting to Rs.103,555,449 are to be repaid at the time of repayment to equity

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

shareholders.

- Loan taken from Bank of India amounting to Rs.39,524,221 is to be repaid in a bullet repayment after the bank guarantee is withdrawn by the Parent Company.

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% p.a. to 12.5% p.a., are repayable in 2 to 3 years from the respective dates of deposit.

e. Inter corporate deposits amounting to Rs. 15,000,000 from VBL Innovations Private Limited carrying interest rate of 16% p.a. and Rs. 15,000,000 from EON Coatings Limited carrying interest rate of 14% p.a are due for repayment in May 2014 and June 2014 respectively.

f. Inter corporate deposit amounting to Rs. 5,000,000 from Dream Digital carrying interest rate of 15% p.a. and Rs. 9,300,000 from Vardhan Properties & Investments Limited carrying interest rate of 14% p.a. are due for repayment in July 2014 and June 2015 respectively.

g. Unsecured loan from related party carries an interest rate of 13% p.a. repayable after 12 months from reporting date.

	As at 31 March 2014	As at 31 March 2013
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#### 6. Deferred tax liabilities (net)

In accordance with accounting standard 22 on Accounting for Taxes on Income, deferred tax charge has been recognised in the statement of profit and loss. Tax effect of significant timing differences that reverses in one or more subsequent years gave rise to the following net deferred tax items. During the previous year, pursuant to the merger of Himachal Fine Blanks Limited with the Company, Rs. 1,796,475 has been recognised as an adjustment to opening balance of deferred tax liability as on 1 April 2012.

In the previous year, the Parent Company had recognised deferred tax asset on unabsorbed depreciation amounting to Rs. 21,125,183. However, as per the return of income filed for the previous year, the Company has claimed unabsorbed depreciation amounting to Rs. 19,008,843. Hence, prior year deferred tax adjustment of Rs. 751,536 has been recognised in the statement of profit and loss on the differential amount.

##### Deferred tax liabilities

Timing difference on depreciation and amortisation of tangible and intangible assets	63,250,582	65,886,410
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##### Deferred tax assets

Provision for bad and doubtful debts	3,549,641	3,860,902
Provision for employee benefits	12,092,187	8,239,924
Provision for bonus	2,363,133	2,253,720
Unabsorbed business losses & depreciation	-	6,918,955
Provision for expenses	2,109,972	-
Deferred lease rent payable	630,846	-

##### Total

<b>42,504,803</b>	<b>44,612,909</b>
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#### 7. Other long term liabilities

Advances received from customers	-	22,976,000
Deferred payment liability due to lease straightlining	14,412,246	8,539,002

##### Total

<b>14,412,246</b>	<b>31,515,002</b>
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#### 8. Long term provisions

Provision for employee benefits (Also refer note 8 (a))	33,781,362	26,509,091
Provision for warranty (Also refer note 8 (b))	214,715	533,036

##### Total

<b>33,996,077</b>	<b>27,042,127</b>
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#### 8 (a) Provision for employee benefits

(i) <b>Defined Contribution Plan:</b> Expenditure on account of Superannuation Scheme with LIC of India in respect of its employee provided in the statement of profit and loss	6,120,552	5,114,752
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#### (ii) Defined benefit plan/ other long term benefit plans

a. Gratuity

b. Compensated absences



## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

		As at 31 March 2014	As at 31 March 2013	
The following table set out the status of the plan for gratuity and compensated absences 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:				
<b>Particulars</b>	<b>Leave Encashment</b>	<b>Gratuity</b>	<b>Leave Encashment</b>	<b>Gratuity</b>
Discount rate	8%	8%	8%	8%
Rate of increase in compensation levels	5%	5%	5%	5%
Rate of return of plan assets	-	8%	-	8%
<b>Change in the present value of obligation :</b>		<b>Gratuity</b>	<b>Gratuity</b>	
Present value of obligation as at the beginning of the year		<b>31,750,793</b>	27,807,157	
Interest cost		<b>2,575,490</b>	1,179,504	
Current service cost		<b>3,851,022</b>	3,008,152	
Benefits paid/ payable		<b>(2,710,204)</b>	(3,640,094)	
Actuarial loss/(gain) on obligations		<b>4,906,345</b>	3,396,074	
Present value of obligation as at the end of the year		<b><u>40,373,446</u></b>	<u>31,750,793</u>	
<b>Change in the fair value of plan assets :</b>				
Fair value of plan assets at the beginning of the year		<b>13,174,064</b>	14,081,176	
Expected return on plan assets		<b>1,323,663</b>	381,806	
Contributions		<b>8,105,013</b>	2,355,099	
Benefits paid		<b>(2,710,204)</b>	(3,640,094)	
Actuarial gain on plan assets		<b>(61,915)</b>	(3,923)	
Fair value of plan assets at the end of the year		<b><u>19,830,621</u></b>	<u>13,174,064</u>	
<b>Reconciliation of present value of defined benefit obligation and the fair value of assets</b>				
Present value of funded obligation as at the end of the year		<b>40,373,446</b>	31,750,793	
Fair value of plan assets as at the end of the period funded status		<b>19,830,621</b>	13,174,064	
Unfunded/ Funded Net Liability recognized in Balance Sheet		<b><u>20,542,825</u></b>	<u>18,576,729</u>	
<b>Expenses recognised in the statement of profit and loss:</b>				
Current service cost		<b>3,851,022</b>	3,008,152	
Interest cost		<b>2,575,490</b>	1,179,504	
Expected return on plan assets		<b>852,941</b>	381,806	
Net actuarial loss/(gain) recognized in the year		<b>4,968,260</b>	3,399,997	
Total expenses recognized in the statement of profit and loss		<b><u>10,541,831</u></b>	<u>7,205,847</u>	

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

The Company makes annual contributions to the LIC of India for gratuity benefits as amount advised by the LIC. An amount of Rs.3,500,000 paid by the Parent Company on 31 March 2014 had not been considered by LIC as contributions received as at 31 March 2014, though, the same has been considered as contributions made above.

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

	2013-14	2012-13	2011-12	2010-11	2009-10
<b>Gratuity</b>					
Defined benefit obligation	<b>40,373,446</b>	31,750,793	27,807,157	21,050,362	18,383,729
Plan Assets	<b>19,830,621</b>	13,174,064	14,081,176	13,655,882	11,348,466
<b>Net liability</b>	<b>20,542,825</b>	<b>18,576,729</b>	<b>13,725,981</b>	<b>7,394,480</b>	<b>7,035,263</b>

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>8 (b) Reconciliation of provision for warranty</b>		
Provision at the beginning of the year	533,036	600,000
Less: Reversed during the year	<u>318,321</u>	<u>66,964</u>
Provision at the end of the year	<u><u>214,715</u></u>	<u><u>533,036</u></u>
<b>9. Short term borrowings</b>		
Secured (Also refer note (a) below)		
Working capital borrowings from banks	521,278,900	519,546,313
Buyers credit	29,771,845	30,305,306
Unsecured		
Inter corporate deposits		
- from related party (refer Note 43)	5,000,000	-
Public deposits	<u>11,586,000</u>	<u>12,437,000</u>
<b>Total</b>	<u><u>567,636,745</u></u>	<u><u>562,288,619</u></u>

#### a. Details of security of short term secured loans

- Working capital borrowings amounting to Rs. 192,016,098 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 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. 158,596,604 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 and 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. 88,502,428 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. 76,852,114 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, Pylania SA amounting to Rs.5,311,656 is secured by hypothecation of current assets of the subsidiary including stock in trade and receivables.

#### 10. Trade payables

Due to related Party (refer Note 43)	2,201,642	5,466,846
Dues to others	<u>681,246,506</u>	<u>473,341,198</u>
<b>Total</b>	<u><u>683,448,148</u></u>	<u><u>478,808,044</u></u>

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>a. Dues to micro, small and medium enterprises pursuant to section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006</b>		
Amount due to entities covered under Micro, Small and Medium Enterprises as defined in the Micro, Small, Medium Enterprises Development Act, 2006, have been identified on the basis of information available with the Group. There was no amount due to any such entities which needs to be disclosed. This has been relied upon by the auditors.		
<b>11. Other current liabilities</b>		
Current maturities of long term debts		
Public deposits		
- from related party (refer Note 43)	3,000,000	200,000
- from others	31,489,000	32,088,000
Inter corporate deposits		
- from related party (refer Note 43)	15,000,000	-
- from others	15,000,000	-
Term loan from banks	84,565,287	70,439,577
Term loan (others)	3,507,864	11,831,587
Vehicle loan from banks	4,082,444	4,550,001
Unsecured loans from others	20,000,000	
Bank mortgage	748,550	631,840
External commercial borrowings (includes Rs. 753,310 (previous year Rs. 497,529) on account of exchange rate fluctuation)	2,415,775	1,799,624
Current maturities of hire purchase finance	2,876,903	6,590,497
Interest accrued but not due on borrowings	13,036,975	13,645,038
Unpaid dividend in Investor Education and Protection Fund*	1,288,986	1,460,013
Advance received against sale of capital asset	300,000	-
Other payables		
Statutory dues	32,421,316	34,221,906
Creditors for capital expenditure	2,901,753	738,457
Advances from customers	41,057,535	43,041,467
Interest free security deposit	6,890,000	5,400,000
Forward contract payable	1,427,096	461,828
Employee related payables	60,900,426	28,154,895
Other liabilities	676,582	436,194
<b>Total</b>	<b>343,586,492</b>	<b>255,690,924</b>
* Not due for deposit		
<b>12. Short term provisions</b>		
Provision for employees benefits (Also refer note 8(a))	9,716,065	10,785,432
Provision for income tax (Net of advance tax and taxes deducted at source Rs. 15,468,633)	4,300,483	-
Others		
Provision for wealth tax	164,378	274,378
Proposed dividend	13,555,080	9,036,720
Tax on proposed dividend	2,303,686	1,465,756
Echo club provision (refer note 38)	4,553,178	4,076,131
Dividend on cumulative preference shares (refer note 46)	30,459,904	15,062,319
<b>Total</b>	<b>65,052,774</b>	<b>40,700,736</b>

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014 (All amounts in rupees, unless stated otherwise)

#### 13. Fixed Assets

For the year ended 31 March 2014

Particulars	As at	Gross Block		As at	Upto	Depreciation		Translation adjustment	Upto	Net Block	
	01 April 2013	Additions	Disposals	31 March 2014	31 March 2013	Charge for the year	Adjustments (Net)		31 March 2014	As at 31 March 2014	As at 31 March 2013
<b>Tangibles</b>											
Land											
- Leasehold	792,659	-	-	792,659	-	-	-	-	-	792,659	792,659
- Freehold	12,041,431	-	-	12,041,431	(817,000)	-	-	(848,800)	(1,665,800)	13,707,231	12,858,431
Buildings	187,671,202	95,050	-	187,766,252	47,937,832	5,764,381	-	(-6,951,227)	46,750,986	141,015,266	139,733,370
Leasehold improvements	59,104,162	37,034,778	9,138,202	87,000,738	33,580,004	10,397,196	2,626,085	-	41,351,115	45,649,623	25,524,158
Plant and machinery	856,873,507	46,583,575	6,886,600	896,570,482	405,970,571	44,353,386	2,215,713	(4,420,693)	443,687,551	452,882,931	450,902,936
Furniture and Fixtures	138,576,824	15,093,735	1,325,731	152,344,828	62,972,929	7,839,857	481,465	(47,179)	70,284,142	82,060,686	75,603,895
Office equipment	15,454,357	2,572,322	78,095	17,948,584	6,672,221	1,384,710	60,197	-	7,996,734	9,951,850	8,782,136
Vehicles	37,739,193	5,686,555	995,745	42,430,003	12,183,421	3,546,145	522,946	(5,836)	15,200,784	27,229,219	25,555,772
	1,308,253,335	107,066,015	18,424,373	1,396,894,978	568,499,978	73,285,675	5,906,406	(12,273,735)	623,605,512	773,289,465	739,753,357
<b>Intangibles</b>											
ERP software	30,484,445	2,986,637	-	33,471,082	16,631,337	4,022,286	-	-	20,653,623	12,817,459	13,853,108
Goodwill	4,947,500	-	-	4,947,500	4,947,500	-	-	-	4,947,500	-	-
Know how	13,805,929	1,486,000	-	15,291,929	12,439,319	1,767,684	-	-	14,207,003	1,084,926	1,366,610
Web portal	4,661,921	2,636,650	-	7,298,571	642,302	1,753,913	-	-	2,396,215	4,902,356	4,019,619
	53,899,795	7,109,287	-	61,009,082	34,660,458	7,543,883	-	-	42,204,341	18,804,741	19,239,337
<b>TOTAL</b>	<b>1,362,153,130</b>	<b>114,175,302</b>	<b>18,424,373</b>	<b>1,457,904,060</b>	<b>603,160,436</b>	<b>80,829,558</b>	<b>5,906,406</b>	<b>(12,273,735)</b>	<b>665,809,853</b>	<b>792,094,206</b>	<b>758,992,694</b>

For the year ended 31 March 2013

Particulars	As at	Gross Block		As at	Upto	Depreciation		Translation adjustment	Upto	Net Block	
	01 April 2012	Additions	Disposals	31 March 2013	31 March 2012	Charge for the year	Adjustments (Net)		31 March 2013	As at 31 March 2013	As at 31 March 2012
<b>Tangibles</b>											
Land											
- Leasehold	792,659	-	-	792,659	-	-	-	-	-	792,659	792,659
- Freehold	12,041,431	-	-	12,041,431	(786,600)	-	-	(30,400)	(817,000)	12,858,431	12,828,031
Buildings	171,868,200	15,803,002	-	187,671,202	41,355,969	8,195,750	-	(1,613,887)	47,937,832	139,733,370	130,512,231
Leasehold improvements	48,916,365	11,953,375	1,765,578	59,104,162	24,980,064	8,787,103	187,163	-	33,580,004	25,524,158	23,936,301
Plant and machinery	741,441,529	121,693,142	6,261,164	856,873,507	363,855,404	44,179,789	1,902,248	(162,374)	405,970,571	450,902,936	377,586,125
Furniture and fixtures	123,524,957	15,096,497	44,630	138,576,824	53,321,900	9,701,894	38,819	(12,046)	62,972,929	75,603,895	70,203,057
Office Equipment	13,027,407	2,532,446	105,496	15,454,357	5,945,896	826,673	100,348	-	6,672,221	8,782,136	7,081,511
Vehicles	38,167,804	1,043,014	1,471,625	37,739,193	9,675,888	3,386,165	878,214	(418)	12,183,421	25,555,772	28,491,916
	1,149,780,352	168,121,476	9,648,493	1,308,253,335	498,348,521	75,077,373	3,106,792	(1,819,125)	568,499,978	739,753,357	651,431,831
<b>Intangibles</b>											
ERP software	20,754,388	9,730,057	-	30,484,445	12,649,521	3,981,816	-	-	16,631,337	13,853,108	8,104,867
Goodwill	4,947,500	-	-	4,947,500	4,947,500	-	-	-	4,947,500	-	-
Know how	13,527,963	277,966	-	13,805,929	4,427,869	6,680,951	-	1,330,499	12,439,319	1,366,610	9,100,094
Web portal	100,000	4,561,921	-	4,661,921	47,062	595,240	-	-	642,302	4,019,619	52,938
	39,329,851	14,569,944	-	53,899,795	22,071,952	11,258,007	-	1,330,499	34,660,458	19,239,337	17,257,899
<b>TOTAL</b>	<b>1,189,110,203</b>	<b>182,691,420</b>	<b>9,648,493</b>	<b>1,362,153,130</b>	<b>520,420,473</b>	<b>86,335,380</b>	<b>3,106,792</b>	<b>(488,626)</b>	<b>603,160,436</b>	<b>758,992,694</b>	<b>668,689,730</b>

#### Notes:

- The borrowing cost capitalised during the year ended 31 March 2014 was Rs. Nil (previous year Rs. 2,303,775). The Company capitalized interest amounting to Rs. Nil (previous year Rs. 1,959,236) under Plant & Machinery and Rs. Nil (previous year Rs. 344,539) under Buildings.
- During the year ended 31 March 2013, plant and machinery with a gross value of Rs.9,638,774, accumulated depreciation of Rs.1,058,070 and net book value of Rs.8,580,704 included in the above statement had been acquired on hire purchase arrangement by the Parent Company. This hire purchase agreement was concluded in 2013-14 and no further amounts are due from the Company.
- Depreciation during the year includes Rs. 509,036 (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.
- During the year ended 31 March 2014, the Parent Company has decided to sell its building situated at Parwanoo, Himachal Pradesh with net book value of Rs. 70,635. Advance received against the sale amounting to Rs. 300,000 has been disclosed under other current liabilities (refer note 11).

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>14. Non current investments</b>		
<b>Trade investments</b>		
(valued at cost unless stated otherwise, unquoted)		
<b>Associates</b>		
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	(395,804)	(343,294)
Add : Share in current year profit/(loss)	18,632	(52,510)
	<u>2,622,828</u>	<u>2,604,196</u>
<b>Aggregate of trade investments</b>	<u>2,622,828</u>	<u>2,604,196</u>
<b>Non trade investments</b>		
(valued at cost unless stated otherwise, unquoted)		
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
<b>Aggregate value of non trade investments</b>	<u>5,175,000</u>	<u>5,175,000</u>
<b>Total</b>	<u>7,797,828</u>	<u>7,779,196</u>
Aggregate amount of unquoted investments	7,797,828	7,779,196
** 490,000 (previous year 490,000) shares are pending allotment		
<b>15. Long term loans and advances</b>		
(unsecured, considered good, unless otherwise stated)		
<b>Capital advances</b>		
Unsecured, considered good	11,525,169	8,162,008
Considered doubtful	200,000	200,000
	<u>11,725,169</u>	<u>8,362,008</u>
Less: Provision for doubtful advances	<u>(200,000)</u>	<u>(200,000)</u>
	<u>11,525,169</u>	<u>8,162,008</u>
Security deposits and other deposit	81,147,778	109,399,250
Prepaid income taxes [net of provision Rs. 67,171,143 (previous year Rs. 67,171,143)]	39,742,031	33,131,045
Other loans and advances		
Employee loans and advances	3,639,806	4,716,053
Minimum alternate tax credit entitlement	-	112,310
Claim receivable [refer note 36]	17,000,000	17,000,000
<b>Total</b>	<u>153,054,784</u>	<u>172,520,666</u>
<b>16. Other non current assets</b>		
Prepaid expenses	622,235	536,383
Interest accrued on deposits	234,762	200,627
Non-current bank balances (refer note 19)*	2,924,296	1,306,788
<b>Total</b>	<u>3,781,293</u>	<u>2,043,798</u>

\*pledged as security for bank guarantees



## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>17. Inventories</b>		
(valued at lower of cost and net realisable value, unless otherwise stated)		
Raw material	116,702,561	113,680,483
Raw material (in transit)	13,715,194	15,120,365
Work-in-progress	55,777,818	65,207,277
Finished goods	1,133,502,958	910,015,243
Finished goods (in transit)	15,553,986	6,096,081
Stores and spares	26,453,609	24,669,431
Others (valued at estimated realisable value)		
-Scrap	648,191	751,777
<b>Total</b>	<b>1,362,354,317</b>	<b>1,135,540,657</b>
<b>18. Trade receivables</b>		
Outstanding for a period exceeding six months from the date they are due for payment		
Secured		
Unsecured, Considered good	26,954,373	4,512,919
Unsecured, Considered doubtful	9,698,398	8,343,047
	36,652,771	12,855,966
Less: Allowance for bad and doubtful debts	9,698,398	8,343,047
	26,954,373	4,512,919
Other debts		
Unsecured, considered good		
Related parties (refer note 43)	-	3,518,278
Others	179,522,606	164,761,592
Unsecured, considered doubtful (others)	1,311,620	3,587,815
	180,834,226	171,867,685
Less: Allowance for bad and doubtful debts	1,311,620	3,587,815
	179,522,606	168,279,870
<b>Total</b>	<b>206,476,979</b>	<b>172,792,789</b>
<b>19. Cash and bank balances</b>		
Cash and cash equivalents		
- Cash in hand	19,172,526	8,941,631
- Cheques and drafts in hand	5,381,332	12,022,836
- Credit cards receivable	9,806,984	12,032,624
Balances with banks		
- in current account	54,371,531	15,933,164
Other bank balances		
- Unpaid dividend account	1,288,986	1,460,013
- Deposits with maturity more than three months but less than twelve months	21,242,756	-
- Deposits with more than twelve months maturity	2,924,296	1,306,788
- Balances with banks in deposit accounts held as margin money	9,546,699	28,882,486
Less : Amounts disclosed as other non-current assets (refer note 16)	(2,924,296)	(1,306,788)
<b>Total</b>	<b>120,810,814</b>	<b>79,272,754</b>
a. Cash and bank balances which are restricted in use:		
Fixed deposits with banks in deposit accounts held as margin money	9,546,699	28,882,486
Unpaid dividend account	1,288,986	1,460,013

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>20. Short-term loans and advances</b>		
(Unsecured, considered good, unless otherwise stated)		
Loans and advances to related parties		
Joint venture (refer note 43)	5,197,100	5,197,100
Recoverable from related parties		
Joint venture (refer note 43)	941,580	730,019
Entities in which significant influence is exercised (refer note 43)	400,642	-
Others		
Employees loans and advances	18,243,080	14,107,308
Security deposits	48,078,741	5,618,550
Prepaid expenses	4,759,814	8,782,353
Minimum alternate tax credit entitlement	86,664	3,873,313
Balances with government and statutory authorities	76,138,977	52,797,245
Advances to suppliers	10,030,949	16,903,849
Other advances recoverable	2,693,615	2,536,910
<b>Total</b>	<b>166,571,162</b>	<b>110,546,647</b>
<b>21. Other current assets</b>		
Interest accrued on deposits	945,047	1,157,800
Unamortised premium on forward contracts	223,812	1,034,594
<b>Total</b>	<b>1,168,859</b>	<b>2,192,394</b>
<b>22. Revenue from operations</b>		
Sale of products	3,299,596,688	2,671,935,778
Sale of services		
Job charges received	5,242,090	6,710,720
Tool development charges received	11,652,781	11,594,097
Services income	5,746,153	8,754,784
Other operating income		
Liabilities no longer required written back	2,804,952	4,060,609
Provisions written back	1,931,513	2,590,158
Export incentives	32,915,567	14,449,155
Commission income	93,011	83,040
Profit on purchase of loan (refer note 39)	26,095,257	28,098,508
Discount received	-	5,713,550
Rental income	-	1,100,000
<b>Total</b>	<b>3,386,078,012</b>	<b>2,755,090,399</b>
<b>23. Other income</b>		
Interest income from		
- Banks	3,360,616	3,194,347
- Others	1,167,332	875,687
Dividend income	6,250	-
Profit on sale of investments (net)	-	3,921,600
Other non operating income		
Rent	744,000	624,500
Other	29,648,001	534,611
Net gain or loss on foreign exchange fluctuation	-	2,091,615
<b>Total</b>	<b>34,926,199</b>	<b>11,242,360</b>

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014 (All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>24. Cost of material consumed</b>		
Raw material consumed		
Opening inventories	113,680,483	110,716,576
Add: Purchases during the year	269,544,546	261,357,428
Less: Closing inventories	116,702,561	113,680,483
<b>Total</b>	<b>266,522,468</b>	<b>258,393,521</b>
<b>25. Purchases of traded goods</b>		
Watches	1,855,726,078	1,410,076,494
<b>Total</b>	<b>1,855,726,078</b>	<b>1,410,076,494</b>
<b>26. Change in inventories</b>		
Opening stock		
Finished goods		
-own manufactured	4,936,763	9,961,314
-traded	911,174,561	768,214,483
Work in process	65,207,277	49,672,294
Scrap	751,777	90,360
Closing stock		
Finished goods		
-own manufactured	4,624,839	4,936,763
-traded	1,144,432,105	911,174,561
Work in process	55,777,818	65,207,277
Scrap	648,191	751,777
Impact of excise duty on opening/closing stock	152,542	(585,696)
Increase in stocks	<b>(223,565,117)</b>	<b>(154,717,623)</b>
<b>27. Employment benefit expenses</b>		
Salaries and wages	413,909,090	410,294,045
Contractual labour expenses	29,599,498	18,042,970
Contribution to provident and other funds	30,461,173	25,773,325
Staff welfare expenses	24,700,766	21,518,142
Employee stock option scheme	170,016	492,702
<b>Total</b>	<b>498,840,543</b>	<b>476,121,184</b>
<b>28. Finance costs</b>		
Interest expense	128,075,265	119,304,553
Other borrowing cost	13,571,374	13,199,445
<b>Total</b>	<b>141,646,639</b>	<b>132,503,998</b>
<b>29. Depreciation and amortisation expense</b>		
Depreciation (Also, refer note 13)	72,338,828	75,077,374
Amortisation (Also, refer note 13)	7,981,693	11,258,007
<b>Total</b>	<b>80,320,521</b>	<b>86,335,381</b>

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>30. Other expenses</b>		
Stores and spares consumed	58,759,452	59,937,978
Power, fuel and water charges	41,699,510	39,435,029
Insurance	3,163,803	3,120,793
Rent		
- Office and factory premises (net of reimbursements)	240,218,326	180,890,132
- Machinery	1,344,800	1,690,885
- Others	1,066,805	-
Rates and taxes	4,317,667	3,044,029
Repair and maintenance		
- Plant and machinery	15,954,849	12,960,572
- Buildings	2,971,401	3,405,662
- Others	14,501,266	11,883,629
- Vehicle	1,166,699	1,009,686
Legal and professional	29,366,680	20,718,870
Payment to auditors of Parent Company		
- Audit fee	825,000	675,000
- Tax audit fee	75,000	75,000
- Certification (including limited reviews)	781,867	430,500
- Out of pocket expenses	241,126	412,884
Fee and payment to auditors of other group companies	1,140,241	965,060
Travel and conveyance	49,080,932	37,581,095
Job charges	24,662,949	34,832,376
Printing and stationery	4,833,315	4,719,566
Postage, telephone and telex	17,567,885	14,020,613
Subscription and annual fees	1,404,882	1,118,192
Selling and distribution expenses (Net)		
-Commission	30,546,935	21,386,334
-Others	46,894,399	31,266,615
Loss on sale of fixed assets	100,037	805,260
Fixed assets written off	2,729,745	1,578,416
Development charges	1,048,394	884,554
Recruitment expenses	3,178,470	2,190,786
Provision for doubtful debts and advances	692,348	3,449,787
Donation	1,315,463	325,000
Bad debts written off	18,736	30,772
Advances written off	1,826,341	7,881,386
Amortisation of premium on forward exchange contracts	1,766,042	560,180
Net loss on foreign exchange fluctuation	2,142,410	-
Bank charges	16,122,459	14,473,915
Directors sitting fees	726,783	644,937
Miscellaneous expenses	21,364,864	24,953,593
<b>Total</b>	<b>645,617,881</b>	<b>543,359,086</b>
<b>31. Prior period expenses</b>		
Repairs and maintenance	-	726,813
Rent	-	943,831
<b>Total</b>	<b>-</b>	<b>1,670,644</b>
<b>32. Exceptional item</b>		
Fixed assets written off*	5,574,860	-
<b>Total</b>	<b>5,574,860</b>	<b>-</b>

\*During the year ended 31 March 2014, the Parent Company has closed down two of its units KHIM I situated at Parwanoo and KHAR situated at Barwala. The Company has written off fixed assets comprising of leasehold improvements, plant & machinery, furniture & fixtures and office equipments having net book value of Rs. 2,338,943 at KHIM I and Rs. 3,235,917 at KHAR and the remaining net book values have been transferred to other units of the Company.

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

33. 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" 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'), 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:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
Ethos Limited	India	79.51% *
Mahen Distribution Limited	India	100%
Pylania S.A.	Switzerland	78.70% **
Kamla International Holdings AG	Switzerland	100%

\* Include 19.58% held through Mahen Distribution Limited

\*\* Include 13.20% held through Kamla International Holdings AG

b) Details of associates are as under:

<u>Name of the associate</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
Kamla Tesio Dials Limited	India	30 %

c) Detail of joint venture is as under:

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

d) 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.

e) 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.

f) On 4 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'.

g) On 9 December 2011, the Parent Company incorporated its wholly owned subsidiary in the name of "Kamla International Holdings AG" with an authorized share capital of CHF 300,000 to operate as a separate business with the main object of overseas investment.



## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>34 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)</b>	<b>6,514,800</b>	6,952,114
<b>35 Contingent liability not provided for exists in respect of :</b>		
a) Bank guarantees outstanding.	<b>62,170,300</b>	21,296,950
b) Bonds in favour of central excise and customs authorities	<b>1,425,000</b>	1,425,000
c) Demand raised for Service Tax against which appeals have been filed.	<b>219,309</b>	1,204,891
d) Demand raised by Punjab State Electricity Board for payment of penalty for usage of additional power against sanctioned load. Amount paid under protest Rs.372,818 (previous year Rs.372,818)	<b>372,818</b>	372,818
e) Income tax (AY 2005-06 to AY 2011-12) 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, was decided by the Commissioner of Income Tax (Appeals) in favour of the Company. However, the income tax department has preferred an appeal with Income Tax Appellate Tribunal. Demands raised by Income Tax Authorities in respect of disallowances for AY 2006-07 to 2011-12 (except for AY 2010-11 for which loss claimed by the Company has been decreased by the assessing authority) 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 to AY 2011-12) and the Company had deposited Rs.29,533,221 (previous year Rs.18,919,847) under protest.	<b>73,707,430</b>	35,746,450
f) 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.4,046,108)	<b>4,046,108</b>	4,046,108
g) Demand made by central excise authority	<b>8,164,882</b>	8,256,222
h) Surety bonds in favour of sales tax department	<b>100,000</b>	100,000
i) Demand made by sales tax authorities ( Ludhiana) against which appeals have been filed	-	5,208,715
j) Custom duty saved against EPCG licences, pending redemption	<b>21,294,842</b>	2,115,725
<b>36</b> During the year 2011-2012, pursuant to the visit of the officers of Directorate general of Central excise intelligence (DGCEI) in the premises of the subsidiary company 'Ethos Limited' on 18 August 2011, the subsidiary company had reversed the input service tax credit of Rs. 17,000,000 by utilising 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. 17,000,000 reversed as claim receivable under the head "long term loans and advances". Further, in the current year, the subsidiary company has received a notice from DGCEI whereby, the subsidiary company has been called upon to show cause as to why service tax amounting to Rs.663,452 which has been short paid CENVAT credit amounting to Rs.24,276,671 wrongly availed should not be demanded and recovered. The subsidiary company has filed the reply to the show cause notice and the matter is sub-judice before the Commissioner-Central Excise and Service tax, Chandigarh. Due to pending adjudication of the show cause notice and on the basis of legal opinion obtained, liability on this account has not been provided in the accounts.		
<b>37</b> The Parent Company is a lessee under various operating leases. Rental expense for operating leases for the years ended 31 March 2014 and 31 March 2013 was Rs. 20,394,462 and Rs. 12,911,609 respectively. The Company has not executed any non-cancelable operating leases.  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 (net of reimbursements) charged during the year to the statement of profit and loss aggregate Rs. 213,872,827 (previous year Rs. 188,434,812) [including Rs. 142,116,680 towards cancellable lease (previous year Rs. 117,841,503)].  The future minimum lease payments under non-cancelable operating leases are as follows:		
<b>Future Minimum lease payments due</b>	<b>As at 31 March 2014</b>	<b>As at 31 March 2013</b>
Within one year	<b>101,699,405</b>	53,223,256
Later than one year and not later than five years	<b>378,078,940</b>	167,810,659
More than 5 years	<b>60,763,636</b>	54,770,657
	<b><u>540,541,981</u></b>	<b><u>275,804,572</u></b>

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2014	As at 31 March 2013
<b>38 Movement in provision for points accrued under Club Echo Loyalty Programme is as under:</b>		
Opening provision	4,076,131	3,469,991
Add: amount provided during current year	4,414,497	4,192,793
Less: amount utilised/reversed during current year	3,937,450	3,586,653
Closing provision	<u>4,553,178</u>	<u>4,076,131</u>

**39** During the year ended 31 March 2014, Ahorn Global ("Ahorn") (formerly Taratec SA), one of the shareholders of Pylania SA ("Pylania"), a subsidiary, who held 1,320 equity shares of the face value of CHF 100 each and had advanced loans of CHF 419,771 to Pylania, entered into an agreement with KDDL to transfer entire shareholding and loans so advanced to Pylania, at a total consideration of CHF 30,000. In terms with such agreement, KDDL, through its another subsidiary, Kamla International Holding AG ("KIH") acquired such shares and loans from Ahorn. On consolidation, such arrangement, led to generation of capital reserve of Rs. 6,941,100, foreign currency translation reserve of Rs 3,042,830 and gain on remission of liability towards borrowings of Rs. 26,095,257 which have been disclosed under note 3 and note 22 respectively.

	As at 31 March 2014	As at 31 March 2013
<b>40 Earnings per share</b>		
Net profit attributable to equity shareholders		
Profit after tax and minority interests (Rs.)	85,161,867	(28,057,103)
Number of equity shares at the beginning of the year	9,036,720	8,836,620
Shares issued during the year.	-	200,100
Total equity shares outstanding at the end of the year	9,036,720	9,036,720
No. of weighted average equity shares		
Basic	9,036,720	9,020,045
Diluted	9,036,720	9,020,045
Nominal value of equity share (Rs.)	10	10
Earnings per share (Rs.)		
Basic (Rs.)	9.42	(3.11)
Diluted (Rs.)	9.42	(3.11)

**41** During the year, following shares were issued outside the group:  
 -Ethos Limited issued Nil (previous year 963,647) preference shares of Rs. 110 each at a price of Rs Nil (previous year Rs 110 per share).  
 -Ethos Limited issued 963,647 (previous year Nil) preference shares of Rs. 110 each at a price of Rs 110 per share (previous year Nil).  
 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.

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(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
<b>Revenue</b>				
Gross operating and other income*	1,151,682,761 (966,038,944)	2,206,090,462 (1,714,216,476)	63,894,830 (74,306,686)	3,421,668,053 (2,754,562,106)
<b>Results</b>				
Segment result	303,471,297 (122,973,490)	69,181,320 (51,972,172)	(30,324,546) (7,438,402)	342,328,070 (167,507,260)
Unallocated corporate expenses (net)				(96,577,150) (63,517,489)
Operating profit				245,750,921 (103,989,771)
Interest income				4,527,948 (4,070,033)
Interest expenses				141,646,639 (132,503,998)
Prior period expenses				- (1,670,644)
Current income tax (net of tax earlier years)				23,033,829 (1,420,086)
Minimum alternate tax credit entitlement				(1,202,484) (1,405,945)
Current tax - earlier years				- (2,341,352)
Deferred tax				(2,108,105) (2,489,861)
Net profit				88,908,990 (26,277,483)
Other information				
Segment assets	904,989,763 (886,828,611)	1,521,100,794 (1,206,436,175)	53,488,841 (51,110,324)	2,479,579,398 (2,144,375,110)
Unallocated corporate assets				344,287,973 (308,495,912)
Total assets				2,823,867,371 (2,452,871,022)
Segment liabilities	308,239,351 (350,775,982)	1,109,521,014 (816,751,769)	22,279,171 (26,565,686)	1,440,039,536 (1,194,093,437)
Unallocated corporate liabilities and loans				719,505,601 (638,818,055)
Total liabilities**				2,159,545,137 (1,832,911,492)
Capital expenditure	46,580,818 (63,359,027)	57,560,607 (27,688,704)	4,315,109 (6,691,812)	108,456,534 (97,739,543)
Unallocated capital expenditure				5,444,199 (3,819,987)
Depreciation and amortisation	54,985,381 (66,279,956)	18,132,372 (15,522,859)	3,168,971 (1,050,503)	76,286,724 (82,853,318)
Unallocated depreciation and amortisation				4,033,798 (3,482,063)
Other non cash expenses	4,936,402 (13,366,021)	-	92,026 (129,618)	5,028,428 (13,495,639)
Unallocated non cash expenses				338,779 (280,753)

\*Excluding unallocated corporate income Rs.(5,191,789) (previous year Rs 7,700,619) and interest income Rs.4,527,948 (previous year Rs.4,070,034). Segment revenues are gross of excise duty.

\*\* Total liabilities do not include minority interest.

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(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 year ended 31 March 2014 and asset and liability information regarding industry segments at 31 March 2014.

(Figures in parentheses are for the previous years)

##### Secondary Segment information :

Particulars	India	Outside India	
Segment revenue	<b>2,683,971,830</b> (2,153,527,659)	<b>737,696,223</b> (601,034,447)	<b>3,421,668,053</b> (2,754,562,106)
Segment assets	<b>2,383,120,054</b> (2,065,146,031)	<b>96,459,345</b> (79,229,079)	<b>2,479,579,398</b> (2,144,375,110)
Capital expenditure	<b>105,080,853</b> (94,786,309)	<b>3,375,681</b> (2,953,234)	<b>108,456,534</b> (97,739,543)

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   |
| 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, Saveeka Family Trust, Swadesh Capital LLC, Jan Seva Trust |
| IV. Key Management Personnel   | Relatives *   |
| a. Mr. R.K. Saboo (Chairman)   | Ms. U. Saboo (wife),<br>Mr. Y. Saboo (son),<br>Ms. Asha Devi Saboo (brother's wife)   |
| b. Mr. Y. Saboo (Chief Executive Officer)  | Mr. R.K. Saboo (father), Ms. A. Saboo (Wife)<br>Ms. Malvika Singh (son's wife)  |
| c. Dinesh Agrawal<br>(Chief Operating Officer)   | Ms. Shashi Agrawal (Wife)   |

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

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(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 year ended 31 March 2014

Sr. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
<b>1</b>	<b>Purchase of raw material and components</b>					
	Saboo Coatings Limited	-	-	2,220,703	-	-
	Vardhan International Limited	-	-	242,186	-	-
<b>2</b>	<b>Sale of goods</b>					
	Saboo Coatings Limited	-	-	9,614	-	-
<b>3</b>	<b>Purchase of services</b>					
	Dream Digital Technology Limited	-	-	16,352,076	-	-
<b>4</b>	<b>Rent paid</b>					
	Kamla Tesio Dials Limited	800,000	-	-	-	-
	Saboo Coatings Limited	-	-	156,877	-	-
	Mr. R.K. Saboo	-	-	-	305,328	-
	Mr. Y. Saboo	-	-	-	1,499,976	-
	Ms. A. Saboo	-	-	-	-	152,808
	Ms. U. Saboo	-	-	-	-	61,128
	Satva Jewellery and Design Limited	-	600,000	-	-	-
<b>5</b>	<b>Rent income</b>					
	Dream Digital Technology Limited	-	-	12,000	-	-
	Saboo Coatings Limited	-	-	760,000	-	-
	VBL Innovations Private Limited	-	-	2,100,000	-	-
<b>6</b>	<b>Salary of employees paid</b>					
	Saboo Coatings Limited	-	-	200,000	-	-
	Vardhan Properties and Investment Limited	-	-	144,000	-	-
	Ms. Malvika Singh	-	-	-	-	256,000
<b>7</b>	<b>Directors remuneration</b>					
	Mr. R.K. Saboo	-	-	-	3,204,855	-
	Mr. Y. Saboo	-	-	-	5,001,465	-
	Mr. Dinesh Agrawal	-	-	-	3,215,280	-
<b>8</b>	<b>Interest received</b>					
	Satva Jewellery and Design Limited	-	1,507,500	-	-	-
<b>9</b>	<b>Interest paid/ accrued</b>					
	Mr. R.K. Saboo	-	-	-	1,500,000	-
	Dream Digital Technology Limited	-	-	279,398	-	-
	VBL Innovations Private Limited	-	-	2,570,957	-	-
	Saveeka Family Trust	-	-	374,998	-	-
	Vardhan Properties and Investment Limited	-	-	1,116,897	-	-
	Ms. A. Saboo	-	-	-	-	125,000
	Ms. Shashi Agrawal	-	-	-	-	38,073
<b>10</b>	<b>Public deposits accepted</b>					
	Ms Shashi Agrawal	-	-	-	-	400,000
<b>11</b>	<b>Expenses incurred by the Company reimbursed</b>					
	Satva Jewellery and Design Limited	-	536,369	-	-	-
	Saboo Coatings Limited	-	-	10,854	-	-
	Dream Digital Technology Limited	-	-	1,185,882	-	-
<b>12</b>	<b>Loan taken</b>					
	Dream Digital Technology Limited	-	-	5,000,000	-	-
	VBL Innovations Private Limited	-	-	15,000,000	-	-
<b>13</b>	<b>Expenses Recovered</b>					
	Kamla Tesio Dials Limited	67,952	-	-	-	-
	Saboo Coatings Limited	-	-	145,060	-	-
	Dream Digital Technology Limited	-	-	3,680,386	-	-
<b>14</b>	<b>Loan repaid</b>					
	VBL Innovations Private Limited	-	-	15,000,000	-	-
<b>15</b>	<b>Management Consultancy fee paid</b>					
	Dream Digital Technology Limited	-	-	3,020,000	-	-
<b>16</b>	<b>Dividend paid</b>					
	Mr. R.K. Saboo	-	-	-	2,054,560	-
	Mr. Y. Saboo	-	-	-	1,505,630	-
	Others	-	-	-	-	1,214,791
<b>17</b>	<b>Donation</b>					
	Jan Seva Trust	-	-	750,000	-	-
<b>20</b>	<b>Inter Corporate Deposits received</b>					
	Vardhan Properties and Investment Limited	-	-	9,300,000	-	-
	Dream Digital Technology Limited	-	-	5,000,000	-	-
<b>21</b>	<b>Guarantees taken</b>					
	Mr. R K Saboo	-	-	-	12,600,000	-
	Mr. Y Saboo	-	-	-	12,600,000	-
	Ms. U. Saboo	-	-	-	-	12,600,000
<b>22</b>	<b>Balance at the end of the year</b>					
	<b>a. Loans given</b>					
	Satva Jewellery and Design Limited	-	5,197,100	-	-	-
	<b>b. Interest payable</b>					
	Dream Digital Technology Limited	-	-	-	28,493	-

**KDDL LIMITED (Consolidated)**
**Notes to the financial statements for the year ended 31 March 2014**

(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 2014**

Sr. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
<b>c. Other receivables/ advances</b>						
	Satva Jewellery and Design Limited	-	941,580	-	-	-
	Saboo Coatings Limited	-	-	256,642	-	-
	Vardhan Properties and Investment Limited	-	-	144,000	-	-
<b>d. Payables</b>						
	Kamla Tesio Dials Limited	727,867	-	-	-	-
	Saboo Coatings Limited	-	-	578,440	-	-
	Dream Digital Technology Limited	-	-	895,335	-	-
<b>e. Guarantees taken</b>						
	Mr. R.K. Saboo	-	-	-	551,513,814	-
	Ms. U. Saboo	-	-	-	-	50,100,000
	Mr. Y. Saboo	-	-	-	677,760,448	-
<b>f. 12% Cumulative Compulsory Convertible Preference Shares</b>						
	Mr. R.K. Saboo	-	-	-	5,000,050	-
	Mr. Y. Saboo	-	-	-	5,000,050	-
	Ms. A. Saboo	-	-	-	-	2,500,080
<b>g. Public deposits outstanding</b>						
	Ms. A. Saboo	-	-	-	-	1,000,000
	Ms. Shashi Agrawal	-	-	-	-	400,000
	Saveeka Family Trust	-	-	3,000,000	-	-
	Vardhan Properties and Investment Limited	-	-	800,000	-	-
<b>h. Loan outstanding</b>						
	Mr. R.K. Saboo	-	-	-	12,000,000	-
	Dream Digital Technology Limited	-	-	5,000,000	-	-
<b>i. Interest on public deposit outstanding</b>						
	Ms. Shashi Agrawal	-	-	-	-	22,049
<b>j. Inter Corporate Deposits outstanding</b>						
	Dream Digital Technology Limited	-	-	5,000,000	-	-
	Vardhan Properties and Investment Limited	-	-	9,300,000	-	-
	VBL Innovations Private Limited	-	-	15,000,000	-	-

**B. The following transactions were carried out with related parties in the ordinary course of business for the year ended 31 March 2013**

Sr. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
<b>1 Purchase of raw material and components</b>						
	Saboo Coatings Limited	-	-	2,889,271	-	-
	Vardhan International Limited	-	-	817,182	-	-
<b>2 Sale of goods</b>						
	Saboo Coatings Limited	-	-	36,284	-	-
<b>3 Purchase of services</b>						
	Dream Digital Technology Limited	-	-	9,537,595	-	-
<b>4 Rent paid</b>						
	Kamla Tesio Dials Limited	800,000	-	-	-	-
	Saboo Coatings Limited	-	-	146,000	-	-
	Mr. R.K. Saboo	-	-	-	290,796	-
	Mr. Y. Saboo	-	-	-	1,367,588	-
	Ms. A. Saboo	-	-	-	-	145,536
	Ms. U. Saboo	-	-	-	-	58,212
	Satva Jewellery and Design Limited	-	300,000	-	-	-
<b>5 Rent income</b>						
	VBL Innovations Private Limited	-	-	2,100,000	-	-
<b>6 Salary of employees paid</b>						
	Saboo Coatings Limited	-	-	200,000	-	-
	Vardhan Properties and Investment Limited	-	-	144,000	-	-
<b>7 Directors remuneration</b>						
	Mr. R.K. Saboo	-	-	-	3,055,459	-
	Mr. Y. Saboo	-	-	-	5,309,639	-
	Mr. Dinesh Agrawal	-	-	-	3,009,289	-
<b>8 Interest received</b>						
	Satva Jewellery and Design Limited	-	647,176	-	-	-
<b>9 Interest paid/ accrued</b>						
	Mr. R.K. Saboo	-	-	-	2,021,944	-
	Mr. Y. Saboo	-	-	-	484,381	-
	Ms. U. Saboo	-	-	-	-	571,643
	Swadesh Capital LLC	-	-	129,245	-	-
	Vardhan Properties and Investment Limited	-	-	99,383	-	-
	Ms. A. Saboo	-	-	-	-	125,000
	Saveeka Family Trust	-	-	329,108	-	-
	VBL Innovations Private Limited	-	-	650,959	-	-
	Other	-	-	-	-	31,634



## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

Sr. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
<b>10</b>	<b>Expenses incurred by the Company reimbursed</b>					
	Satva Jewellery and Design Limited	-	65,913	-	-	-
	Kamla Tesio Dials Limited	10,995	-	-	-	-
	Saboo Coatings Limited	-	-	907,145	-	-
	Dream Digital Technology Limited	-	-	564,053	-	-
<b>11</b>	<b>Loan taken</b>					
	Mr. R.K. Saboo	-	-	-	29,000,000	-
	Ms. U. Saboo	-	-	-	-	10,000,000
	Mr. Y. Saboo	-	-	-	10,000,000	-
<b>12</b>	<b>Loan repaid</b>					
	Mr. R.K. Saboo	-	-	-	11,999,950	-
	Ms. U. Saboo	-	-	-	-	10,000,000
	Mr. Y. Saboo	-	-	-	4,999,950	-
<b>13</b>	<b>Advances against supplies received</b>					
	Swadesh Capital LLC	-	-	11,084,000	-	-
<b>14</b>	<b>Advances against supplies returned</b>					
	Swadesh Capital LLC	-	-	10,843,600	-	-
<b>15</b>	<b>Management Consultancy fee paid</b>					
	Dream Digital Technology Limited	-	-	1,755,000	-	-
<b>16</b>	<b>Reimbursement of expenses paid by the Company</b>					
	Dream Digital Technology Limited	-	-	68,636	-	-
<b>17</b>	<b>Public deposits accepted</b>					
	Saveeka Family Trust	-	-	3,000,000	-	-
<b>18</b>	<b>Dividend paid</b>					
	Mr. R.K. Saboo	-	-	-	6,163,680	-
	Mr. Y. Saboo	-	-	-	4,417,344	-
	Others	-	-	99,549	-	3,644,373
<b>19</b>	<b>Donation</b>					
	Smt Kamla Devi Saboo Charitable trust	-	-	300,000	-	-
<b>20</b>	<b>Inter Corporate Deposits received</b>					
	VBL Innovations Private Limited	-	-	15,000,000	-	-
<b>21</b>	<b>Investments made</b>					
	Satva Jewellery and Design Limited	-	1,302,900	-	-	-
<b>22</b>	<b>Guarantees taken</b>					
	Mr. R K Saboo	-	-	-	88,500,000	-
	Mr. Y Saboo	-	-	-	48,500,000	-
	Ms. U. Saboo	-	-	-	-	7,500,000
<b>23</b>	<b>12% Compulsory Convertible Preference Shares issued</b>					
	Mr. R K Saboo	-	-	-	5,000,050	-
	Mr. Y Saboo	-	-	-	5,000,050	-
	Ms. A. Saboo	-	-	-	-	2,500,080
<b>24</b>	<b>Balance at the end of the year</b>					
	<b>a. Loans given</b>					
	Satva Jewellery and Design Limited	-	5,197,100	-	-	-
	<b>b. Loans taken</b>					
	Mr. R.K. Saboo	-	-	-	12,000,000	-
	<b>c. Interest payable</b>					
	Mr. R.K. Saboo	-	-	-	983,014	-
	<b>d. Other receivables/ advances</b>					
	Satva Jewellery and Design Limited	-	730,019	-	-	-
	Saboo Coatings Limited	-	-	284,699	-	-
	Vardhan Properties and Investment Limited	-	-	144,000	-	-
	VBL Innovations Private Limited	-	-	2,359,560	-	-
	<b>e. Payables</b>					
	Kamla Tesio Dials Limited	1,426,063	-	-	-	-
	Saboo Coatings Limited	-	-	950,971	-	-
	Dream Digital Technology Limited	-	-	3,089,812	-	-
	<b>f. Guarantees taken</b>					
	Mr. R.K. Saboo	-	-	-	521,467,366	-
	Ms. U. Saboo	-	-	-	-	37,500,000
	Mr. Y. Saboo	-	-	-	711,467,366	-
	<b>g. 12% Cumulative Compulsory Convertible Preference Shares</b>					
	Mr. R.K. Saboo	-	-	-	5,000,050	-
	Mr. Y. Saboo	-	-	-	5,000,050	-
	Ms. A. Saboo	-	-	-	-	2,500,080
	<b>h. Public deposits outstanding</b>					
	Ms. A. Saboo	-	-	-	-	1,000,000
	Ms. Shashi Agrawal	-	-	-	-	200,000
	Saveeka Family Trust	-	-	3,000,000	-	-
	Vardhan Properties and Investment Limited	-	-	800,000	-	-
	<b>i. Inter Corporate Deposits outstanding</b>					
	VBL Innovations Private Limited	-	-	15,000,000	-	-

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

#### 44. Employee Stock Option Plans

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

- 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 ESOP. All options under the ESOP 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.
- 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 2014.
- The movement in the scheme is set out as under:

Particulars	ESOP 2011		ESOP 2011	
	Year ended 31 March 2014		Year ended 31 March 2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	Number	Amount	Number	Amount
Outstanding at the beginning of year	90,000	120	100,500	120
Granted during the year	Nil	Nil	Nil	Nil
Exercised during the year	Nil	Nil	Nil	Nil
Forfeited during the year	Nil	Nil	Nil	Nil
Expired during the year	6,000	120	10,500	120
Outstanding at the end of the year	84,000	120	90,000	120
Exercisable at the end of the year	Nil	Nil	Nil	Nil
Number of equity shares of Rs. 10 each fully paid up to be issued on exercise of option	84,000	120	90,000	120
Weighted average share price at the date of exercise	Not applicable	Not applicable	Not applicable	Not applicable
Weighted average remaining contractual life (years):				
First tranche	0.5 years	Not applicable	1.5 years	Not applicable
Second tranche	2.5 years	Not applicable	1.5 years	Not applicable

- The fair value of the options, calculated by an external valuer, was estimated on the date of grant using the Black-Scholes model with the following significant assumptions:

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Risk free interest rates (in %)	8.50%	8.50%
Expected life (in months)	29	29
Volatility (in %)	66.49%	66.49%
Dividend yield (in %)	1.58%	1.58%

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.

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

Particulars	Year ended 31 March 2014	Year ended 31 March 2013
Total options granted	84,000	90,000
Weighted average exercise price (in Rs.)	120	120
Weighted average fair value (in Rs.)	61.05	61.05

##### II. KRL employees Stock Option Plan- 2011 ('KRL ESOP')

- In the annual general meeting held on 15 September 2011, the shareholders of the subsidiary company Ethos 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.

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

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 1 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 subsidiary company has in its Compensation Committee meeting on 4 January 2013 granted outstanding 2,500 options to employee of the subsidiary company. The above options have been issued by the Compensation Committee in accordance with the terms & conditions of the "KRL Employee Stock Option Plan-2011" (ESOP).

The difference between the market 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		KRL ESOP	
	Year ended 31 March 2014		Year ended 31 March 2013	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	Number	Amount	Number	Amount
Outstanding at the beginning of year	81,500	100	81,500	100
Granted during the year	Nil	Nil	2,500	100
Exercised during the year	Nil	Nil	Nil	Nil
Forfeited during the year	Nil	Nil	Nil	Nil
Expired during the year	9,500	100	Nil	Nil
Outstanding at the end of the year	72,000	100	84,000	100

- c. 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 2014	Year ended 31 March 2013
Risk free interest rates (in %)	8.00%	8.50%
Expected life (in years)	2.24	2.24
Volatility (in %)	-	-
Dividend yield (in %)	-	-

#### Pro forma accounting for stock option grants

The Parent company and 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:

S. No.	Particulars	Year ended 31 March 2014	Year ended 31 March 2013
		Amount	Amount
1.	Net profit as reported	85,161,867	(28,057,103)
2.	Add: Stock based employee compensation expense debited to statement of profit and loss	170,016	492,702
3.	Less: Stock based employee compensation expense based on fair value*	746,725	(3,041,406)
4.	Difference between (2) and (3)	(576,709)	(2,548,704)
5.	Adjusted pro forma profit	84,585,158	(30,605,807)
6.	Difference between (1) and (5)	(576,709)	2,548,704
7.	Basic earnings per share as reported	9.42	(3.11)
8.	Pro forma basic earnings per share	9.36	(3.39)
9.	Diluted earnings per share as reported	9.42	(3.11)
10.	Pro forma diluted earnings per share	9.36	(3.39)

## KDDL LIMITED (Consolidated)

### Notes to the financial statements for the year ended 31 March 2014

(All amounts in rupees, unless stated otherwise)

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

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

	Amount outstanding as at 31 March 2014	Amount outstanding as at 31 March 2013
Receivables	114,938,022	71,525,064
Payables	75,002,058	58,676,297
Commission payable	31,472,300	15,061,298
Buyer's credit	59,312,559	43,988,572
Advances from customers	20,801,455	45,952,000

Following are the forward contracts entered into by the Company, which are outstanding as at the year end, in respect of unrecognised firm commitments:

		Amount outstanding as at 31 March 2014		Amount outstanding as at 31 March 2013	
Units of foreign currency	No. of contracts	(in Foreign currency)	(in Rupees)	(in Foreign currency)	(in Rupees)
CHF	2	566,175	40,198,763	1,723,744	102,250,225
USD	1	136,535	8,440,375		

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. As per the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961, the Company is required to use certain specific methods in computing arm's length prices of transactions with associated enterprises and maintain adequate documentation in this respect. Since law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of appointing independent consultants for conducting a Transfer Pricing Study (the 'Study') to confirm that the transactions with associate enterprises undertaken during the financial year are on an "arms length basis". Management is of the opinion that the Company's transactions are at arm's length and that the results of the proposed study will not have any impact on the financial statements and that they do not expect any transfer pricing adjustments.

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

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

**Y. SABOO**  
Chief Executive Officer  
and Vice Chairman

**ANIL KHANNA**  
Director

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

**P.K. GOYAL**  
Company Secretary

For **Walker Chandiook & Co LLP**  
(Formerly Walker, Chandiook & Co)  
Chartered Accountants

Place : Chandigarh  
Dated : 27 May 2014

Per **B.P. Singh**  
Partner

## KDDL LIMITED

### Financial Performance of Subsidiaries during the period April 1, 2013 to March 31, 2014

Sr. No.	Name of Subsidiary Company	Ethos Ltd	Mahen Distribution Ltd.	Pylania S.A.	Kamla International Holding SA
1	Financial Accounting year of the Subsidiary Companies	31.03.2014	31.03.2014	31.03.2014	31.03.2014
2	Country of incorporation	India	India	Switzerland	Switzerland
3	Reporting currency	INR	INR	CHF	CHF
4	Exchange rate to INR -Balance Sheet -Profit and loss			CHF=Rs 68.05 CHF=Rs 62.74	CHF=Rs 68.05 CHF=Rs 62.74
5	Share Capital (Incl. advances towards capital where applicable)	240,437,330	74,812,200	38,962,833	17,876,064
6	Reserve & surplus	(60,420,143)	(1,005,034)	(127,437,646)	9,854,538
7	Total assets	1,521,416,647	82,573,259	98,666,077	20,937,911
8	Total liabilities	1,101,356,442	-	187,140,890	148,417
9	Investments (other than subsidiaries)	-	-	-	-
10	Turnover	2,200,407,824	8,955,995	37,965,947	627,034
11	Profit/(Loss) before Tax	16,572,258	454,812	365,635	376,548
12	Tax Expenses / (Credited)	(5,226,666)	6,110	(26,049)	-
13	Profit/ (Loss) after tax	21,798,924	448,702	391,684	376,548
14	Proposed dividend and tax therein	-	-	-	-

**Y. SABOO**  
Chief Executive Officer  
and Vice Chairman

**ANIL KHANNA**  
Director

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

**P.K. GOYAL**  
Company Secretary





**PROXY FORM**  
**[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration Rules, 2014)]**

**KDDL Limited**

**(CIN : L3302HP1981PLC008123)**

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

**Tel.: +91 172 2548223/54, Fax : +91 172 2548302, website: [www.kddl.com](http://www.kddl.com), email id: [investor.complaints@kddl.com](mailto:investor.complaints@kddl.com)**

Name of the member(s) : \_\_\_\_\_  
Registered Office : \_\_\_\_\_  
E-mail Id : \_\_\_\_\_  
Folio No./Client Id : \_\_\_\_\_  
DP ID : \_\_\_\_\_

I/We, being the member(s), holding \_\_\_\_\_ shares of the above named company, hereby appoint

1. Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
E-mail Id : \_\_\_\_\_  
Signature : \_\_\_\_\_ , or failing him/her
2. Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
E-mail Id : \_\_\_\_\_  
Signature : \_\_\_\_\_ , or failing him/her
3. Name : \_\_\_\_\_  
Address : \_\_\_\_\_  
E-mail Id : \_\_\_\_\_  
Signature : \_\_\_\_\_ , or failing him/her

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 34<sup>th</sup> Annual General Meeting of the Company, to be held on Wednesday, the 6<sup>th</sup> day of August, 2014 at 12:30 P.M. at Hotel Timber Trail Resorts, Parwanoo 173220 (Himachal Pradesh) and at any adjournment thereof in respect of such resolutions as indicated in the Notice of the Annual General Meeting.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014

Affix  
Revenue  
Stamp

\_\_\_\_\_  
Signature of shareholder

\_\_\_\_\_  
Signature of Proxy holder (s)

**Note:**

- 1. This form of proxy in order to effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.**

**ATTENDANCE SLIP**  
**(To be presented at the entrance)**

**KDDL Limited**

**(CIN : L3302HP1981PL)**

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

**Tel.: +91 172 2548223/54, Fax : +91 172 2548302, website: [www.kddl.com](http://www.kddl.com), email id: [investor.complaints@kddl.com](mailto:investor.complaints@kddl.com)**

Folio No.: \_\_\_\_\_ DP ID No.: \_\_\_\_\_ Client ID No.: \_\_\_\_\_ No. of shares \_\_\_\_\_

Name of the Member \_\_\_\_\_ Name of the Proxyholder \_\_\_\_\_

I, hereby record my presence at the 34th ANNUAL GENERAL MEETING at Hotel Timber Trail Resorts, Parwanoo, Distt. Solan (H.P.) on Wednesday, the 6th day of August, 2014 at 12:30 p.m.

\_\_\_\_\_  
(Signature of Member/Proxy)

# BOOK POST

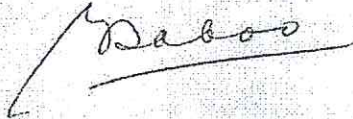

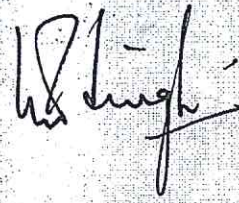
*If undelivered, please return to*  
**KDDL LIMITED**  
Kamla Centre,  
SCO 88-89, Sector 8-C,  
Madhya Marg,  
CHANDIGARH 160 009

Japnika 98155 59966



FORM A

Format of covering letter of the annual audit report to be filed with the stock exchanges

1.	Name of the Company:	KDDL Limited
2.	Annual financial statements for the year ended	31 March 2014
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	Not applicable
5.	Signed by-	
	<ul style="list-style-type: none"> <li>• Chief Executive Officer Mr. Yashovardhan Saboo</li> </ul>	
	<ul style="list-style-type: none"> <li>• Chief Financial Officer Mr. Sanjeev Masown</li> </ul>	
	<ul style="list-style-type: none"> <li>• Auditor of the company: For Walker Chandiook &amp; Co LLP (Formerly Walker, Chandiook &amp; Co) Chartered Accountants Firm Registration No.: 001076N</li> </ul>	<p>Walker Chandiook &amp; Co LLP</p> 
	<p>per B.P. Singh Partner Membership No.: 70116</p> <p>Place: Chandigarh Date: 27 May 2014</p>	
	<ul style="list-style-type: none"> <li>• Audit Committee Chairman Dr. T.N. Kapoor</li> </ul>	