

**Himatsingka Seide**

ANNUAL REPORT

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2009-10

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# Management Discussion and Analysis

## Himatsingka Seide Limited

### Industry Structure and Developments

The Textile industry is among the largest industries in India. It occupies an important place in the economy of the country because of its contribution to the industrial output, employment generation and foreign exchange earnings. The Company operates in the home textiles segment, an important part of the textile industry. The global environment in the home textile industry has been stable in the past year. There has been a conscious movement towards brand expansion at lower price points. The industry in these difficult times has therefore been consciously cultivating the mid market segment.

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

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

The international home textiles market has been marked by increasing product complexity, higher service standards by manufacturers, shorter delivery cycles and very tight sourcing by retailers thereby resulting in inability to pass on higher input prices.

Design and fashion capabilities are the differentiators that have enabled Indian industry to build relationships with global retailers and score over competition from China and other countries. Hence, investing in design and product development expertise has become key for success.

To address these challenges the Company continuously invests in new technology, and strives to shorten delivery cycles to meet customer demands. Expanding product breadth and enlarging design teams, both in India and overseas, have been an integral part of the Himatsingka strategy. Additionally, with the investments in the bed-linen manufacturing facility, the Company is positioned to offer its customers a complete range of home textile products.

### Opportunities

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

With the Hassan bed-linen facility and distribution and brand synergies with Giuseppe Bellora SpA, Divatex Home Fashions Inc and DWI Holdings Inc, the Company has created a strong presence in the home textiles segment. The company's span of operations include the manufacture of high end Silk/blended home furnishing fabrics, the manufacture of bed-linen fabric and made-ups and distribution of Silk/blended home furnishing and Bedlinen products in business-to-business and business-to-customer models.

In the Silk business, the company has integrated forward into retailing through the 'ATMOSPHERE' brand and has a presence in the Indian markets, the Middle East and South East Asian markets. With 14 stores in its portfolio, including two international stores at Dubai and Singapore, the 'ATMOSPHERE' brand has become fairly visible in the home furnishing fraternity.

### Threats

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

China is also the largest producer of silk fabric in the world, hitherto focusing on mass production. Though the Company continues to be the market leader in this space, growing competition from China and other players in India can potentially be a threat to the market share which the Company commands. The company's silk business addresses a high end clientele. Given the impact on brands as a result of the global recession, it is likely that the silk business may be impacted.

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

There has been an upward spiral of prices in both the Cotton Yarn and Silk Yarn. The increase has been quite significant and there appears to be no possibility of passing on increase in input prices in the short run by way of increase of sales realisations.

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

### Strengths

Our core strengths continue to be product design and development, state-of-the-art and flexible manufacturing facilities and efficient marketing and distribution channels.

Our in-house design studio is considered amongst the best in the world for its design capabilities. It is equipped with state-of-the-art infrastructure and related facilities to be able to churn out more than 1500 new products annually. In addition, we invest

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in expanding our design teams both in India and overseas to be able to address the increasing need for new products globally.

We ensure that our marketing team and our global buyers closely interact with our designers. We provide our design team with adequate facilities to enable them to anticipate market trends and create products that are cutting edge, novel and highly creative.

To successfully create products that are differentiated and unique, we constantly upgrade our manufacturing techniques. The array of intelligently balanced machines on our shop floor represents the best that technology has to offer.

Our production facilities remain flexible and unique. We are able to manufacture a large number of exclusive products, in small quantities, at just-in-time deliveries. This has increased our credibility and enabled us to reinforce long-term relationships with our global clientele.

Our IT infrastructure is seamlessly integrated, from design to manufacture. We continuously invest in capacity up-gradation and consistently work towards improving our productivity standards.

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

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

The overseas acquisitions of distribution companies in the Bedlinen business, have given the Company a strategic foothold in the home textiles space of United States of America and Italy.

Our Bedlinen distribution presence in Europe, Giuseppe Bellora S.p.A, offers a significant share in the luxury market in Italy and gives us a platform to expand our business in the other markets in Europe.

Our twin Bedlinen distribution presence in the United States -

Divatex Home Fashions Inc. is the third largest distributor of Bedlinen products in the USA and gives the company deep inroads into the private label market.

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

#### **Internal control systems and their adequacy**

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

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

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

#### **Risks and Concerns**

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

#### **Financial Performance (Standalone)**

##### **Product-wise performance**

(Rs. in lakhs)

Parameter	2009-10		2008-09	
	Quantity	Value	Quantity	Value
Silk / Blended fabrics (meters)	913,756	8,967.90	1,159,954	11,875.96
Spun silk / blended yarn (kgs)	39,050	660.63	86,942	1,874.17
Bed Linen fabric (meters)	611,321	1,126.71	690,240	1,376.83
Bed Linen sets (nos.)	3,068,737	34,869.53	2,161,810	25,703.57

Sales realization for silk/blended fabric decreased from US \$ 24.82 per meter in the previous year to US \$ 24.01 per meter. Further, due to the 3.72 % appreciation of the rupee during the year, the realization in rupees decreased from Rs 1023.83 per meter to Rs.981.74.

Sales realization for Bedlinen decreased from US \$ 5.23 per meter in the previous year to US \$ 4.77 per meter in the current year. Consequently the realizations in rupees decreased from Rs. 244.97 per meter to Rs. 225.21.

The sales meterage in the Silk business has shown a 21.25 % decline of due to the extreme recessionary conditions in the markets of United States and Europe. However the Bedlinen business has shown an increase of 44.82 % in meterage sold.

#### Sales by geographical area:

(Rs. in lakhs)

Country/Region	Value	Value
	2009-10	2008-09
USA	36,810.33	28,806.18
Western Europe	4,218.87	8,921.82
India	2,003.20	1,803.63
Others	2,592.37	1,298.89

#### Revenue break-up

(Rs. in lakhs)

	2009-10	%	2008-09	%
Sales	45,624.77	95.86	40,830.53	95.70
Other income	1,968.04	4.14	1,833.43	4.30
Total income	47,592.81	100.00	42,663.96	100.00

#### Expenditure analysis

(Rs. in lakhs)

	2009-10	%	2008-09	%
Material cost	27,133.49	57.01	19,753.24	46.30
Manufacturing expenses	5,616.99	11.80	5,970.83	14.00
Employee cost	4,818.20	10.12	4,632.77	10.86
Other expenses	3,171.98	6.66	4,696.10	11.01
EBIDTA before exceptional item	6,852.15	14.40	7,611.02	17.84
Interest	2,438.32	5.12	1,966.76	4.61
Exceptional item (gain) / loss	(853.18)	(1.79)	4,255.81	9.98
EBDT	5,267.01	11.07	1,388.45	3.25
Depreciation	4,456.04	9.36	4,718.01	11.06
Profit/ (Loss) before tax	810.97	1.70	(3,329.56)	(7.80)
Tax	(9.57)	(0.02)	(31.76)	(0.07)
Profit/ (Loss) after tax	820.54	1.72	(3,297.80)	(7.73)

Note: Figures are net of pre-operative expenses capitalised

#### Material costs

Material cost as a percentage of sales has gone up appreciably on account of higher input costs in both the Bedlinen and the Silk business.

#### Manufacturing and Other Expenses

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

The EBIDTA margin (before exceptional item) decreased from 17.84% in 2008-09 to 14.40% in 2009-10 on account of higher input costs. The 10.71 % increase in input costs have been mitigated in some measure by cost optimization measures adopted during the year resulting in a cost saving of 7.29 %.

Interest expense is higher at Rs.2438.32 lakhs (Rs.1966.76 lakhs in 2008-09) due to higher working capital utilized as well as the impact of the TUF loan taken for the Captive Cogeneration Power Plant for the Bedlinen facility.

The exceptional item represents gain of Rs. 853.18 Lakhs on closure of one derivative. The Mark to Market value, at the time of closure of this derivative, was significantly lower than the provisions made for the same, hence resulting in such gain.

**Tax provision is as follows:**

(Rs. in lakhs)

Current Tax	369.72
Less: MAT Credit availed	(369.72)
Reversal of excess provision of earlier years	(9.57)
Total Tax Provision	(9.57)

**Share capital**

The Company's share capital consists only of equity shares. As on 31st March, 2010, the share capital was Rs.4922.86 lakhs consisting of 9,84,57,160 equity shares. The face value of each equity share is Rs. 5/-.

**Reserves and surplus**

The Company's reserves and surplus stood at Rs.50,572.63 lakhs at the end of 2008-09.

Profit of Rs.820.54 lakhs for the year resulted in increased profit and loss balance.

Proposed dividend of Rs.246.14 lakhs and Tax on distributed profits of Rs.40.88 lakhs resulted in reduction of profit and loss balance.

Forfeited share application money of Rs.620.88 lakhs has been transferred to capital reserve account during the year.

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

The Company's entire reserve position was fully distributable to shareholders. The Company did not have any revaluation reserves as on March 31, 2010.

**Loans**

The Company has availed a term loan of Rs.300 crores, at a weighted average interest of 8.35% per annum from Export Import Bank of India and Canara Bank, under the Technology Upgradation Fund (TUF) scheme for its Bedlinen project. An interest subsidy of 5% is available under this scheme. The loan is repayable in 33 quarterly installments after an initial moratorium of two years.

As part of the Bedlinen project, the company has set up a 12.5 MW Captive Co-generation Power Plant. The company has availed a term loan of Rs. 56.08 crores from Canara Bank to set up this facility. The loan is repayable in 32 quarterly instalments after an initial moratorium of two years.

Total term loans outstanding as at the end of 2009-10 are Rs.33303.28 lakhs.

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

**Fixed Assets**

(Rs. in lakhs)

Particulars	2009-10	2008-09
Buildings	13,536.89	11,762.61
Plant and machinery	56,474.53	50,759.32
Others	3,554.31	3,500.52
Gross block	73,565.73	66,022.45
Less: Accumulated depreciation	23,953.90	19,584.14
Net block	49,611.83	46,438.31
Add: Capital work-in-progress	2,756.47	5,627.71
Net fixed assets	52,368.30	52,066.02
Depreciation as a % of Total Income	9.36	11.06
Accumulated Depreciation as a % of Gross Block	32.56	29.66

**Investments**

Surpluses generated by the business are used to fund the Company's growth.

As on March 31, 2010, the Company has invested Rs.459.43 lakhs in various schemes of mutual funds.

The mutual fund investments generated a return of 5.40% in 2009-10, as compared to 4.69% in 2008-09. On a composite basis (including investments sold and investments held as on March 31, 2009), the return works out to 5.33% as against 4.96% in the previous year.

As on 31st March, 2010, break up of investments is as follows:

(Rs. in lakhs)

Investments in subsidiaries	As on 31.3.2010	As on 31.3.2009
- Himatsingka Wovens Pvt Ltd	1,164.12	1,164.00
- Himatsingka America Inc.	16,362.04	10,985.21
- Twill & Oxford LLC	37.35	37.35
- Giuseppe Bellora SpA	6,875.50	6,875.50
- Share application money	2,809.65	2,081.72
<b>Other investments</b>		
- Investment in US 64 bonds	-	52.50
- Investment in mutual funds	459.43	2,862.00
Total Investments	27,708.09	24,058.28
Less: Provision for diminution in value	-	1.95
<b>Net investments as on 31st March</b>	<b>27,708.09</b>	<b>24,056.33</b>

Himatsingka America Inc. (a 100% subsidiary of Himatsingka Seide Limited) settled deferred payment obligations during the year, for earlier acquisitions. The parent has therefore infused additional equity in Hima during the year, to the extent of Rs.5376.83 Lakhs for the settlement of these deferred payment obligations.

#### Sundry debtors

The total debtors of the Company decreased from Rs.5,456.91 lakhs in 2008-09 (including Rs 4,152.04 lakhs from subsidiaries) to Rs. 5,325.99 lakhs (including Rs.4,077.74 lakhs from subsidiaries) in 2009-10.

The debtors' turnover (days) has reduced from 49 days in 2008-09 to 43 days in 2009-10.

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

#### Inventories

The Company's inventories – raw materials, stores and spares, work-in-process and finished goods – increased from Rs.12,068.87 lakhs in 2008-09, to Rs.19,682.91 lakhs in 2009-10. The inventory levels have increased due to the lower off take of product in the silk business, increase in raw material prices across the Silk and Bedlinen Businesses, increased inventory requirements of the newly commissioned Captive Cogeneration power plant during the previous year and due to higher capacity utilization at the Bedlinen plant.

The break-up of inventories is as follows:

(Rs. in lakhs)

	2009-10	%	2008-09	%
Raw material	5,517.50	28.03	2,303.43	19.09
Stores and spares	1,965.60	9.99	910.96	7.55
Work-in-process	10,772.59	54.73	7,800.50	64.63
Finished goods	1,427.22	7.25	1,053.98	8.73
<b>Total</b>	<b>19,682.91</b>	<b>100.00</b>	<b>12,068.87</b>	<b>100.00</b>

For the silk business, the Company mainly imports its raw material from China and Brazil. It maintains about four months of raw material inventory to overcome any temporary disruptions in supply. At times, this inventory is stepped up to six months to take advantage of lower raw material prices.

India being the second largest producer of cotton - the main raw material for the Bedlinen facility - availability is assured throughout the year.

#### Cash and cash equivalents

Cash and cash equivalents increased from Rs. 328.17 lakhs to Rs.843.98 lakhs during 2009-10.

#### Derivative contracts

The Company is exposed to currency fluctuations on foreign currency assets and cash flows denominated in foreign currency.



The Company follows a policy of covering the risks arising out of foreign exchange fluctuations through a combination of forward contracts and options.

During the year the Company accounted for a mark to market gain of Rs.853.18 lakhs as an exceptional item in the profit and loss account, on settlement of a foreign exchange derivative contract.

The only remaining foreign exchange derivative contract has a duration of 60 months, to sell US Dollars on a monthly basis at fixed rate subject to certain conditions. The contract also obligates the Company to pay a notional amount of Swiss Franc and receive notional amount of Rupees based on the Swiss Franc to US Dollar exchange rates during a specified monitoring period in the year 2012. There is significant uncertainty regarding the exchange rates that may be prevalent at that time and consequently the liability, if any, under the contract. Due to this uncertainty, as in the previous year, no provision has been made in the financial statements as at 31 March 2010.

The marked to market valuation, as indicated by the bank, is a loss of Rs 1136.68 lakhs (previous year Rs.2188.45 lakhs) as on March 31, 2010.

### Financial Performance (Consolidated)

#### Sales by geographical area:

(Rs. in lakhs)

Country/Region	Value 2009-10	Value 2008-09
USA	83,359.21	68,295.27
Europe	15,500.03	18,919.47
India	3,436.99	3,177.08
Others	3,575.23	11,536.64

#### Revenue break up

(Rs. in lakhs)

	2009-10	%	2008-09	%
Sales	105,871.45	97.73	101,928.46	98.05
Other Income	2,458.94	2.27	2,031.27	1.95
Total Income	108,330.39	100.00	103,959.73	100.00

#### Expenditure analysis

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

(Rs. in lakhs)

	2009-10	%	2008-09	%
Material cost	62,057.26	57.29	57,641.59	55.45
Manufacturing expenses	6,790.24	6.27	7,628.22	7.34
Employee cost	14,947.54	13.80	15,545.31	14.95
Other expenses	14,837.53	13.70	17,017.29	16.37
EBIDTA before exceptional item	9,697.82	8.95	6,127.31	5.89
Interest	4,019.35	3.71	3,672.12	3.53
Exceptional item (gain) / loss	(853.18)	(0.79)	4,255.81	4.09
EBDT	6,531.65	6.03	(1,800.62)	(1.73)
Depreciation	5,470.70	5.05	5,987.54	5.76
Profit/(Loss) before tax	1,060.95	0.98	(7,788.16)	(7.49)
Tax	89.00	0.08	75.38	0.07
Minority interest	(207.27)		(421.72)	
Profit/(Loss) after tax	1,179.22	1.09	(7,441.82)	(7.16)

#### Manufacturing and Other Expenses

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

The gross margin has dropped by 1.84% from 44.55% to 42.71% during the year. However focused cost optimization measures have reduced the overall operating costs by 4.90%, resulting in an increased EBIDTA margin for the year.

EBIDTA margin (before exceptional item) increased from 5.89% in 2008-09 to 8.95% in 2009-10.

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Interest expense has increased on account of higher working capital requirements and the start of the Captive Cogeneration Power Plant at Hassan.

**Tax provision is as follows:**

	(Rs. in lakhs)
Current tax	424.14
Less: MAT credit availed	(369.72)
Deferred Tax liability	44.15
Reversal of excess provision of earlier years	(9.57)
Total Tax Provision	89.00

**Share capital**

The Company's share capital consists only of equity shares. As on 31st March, 2010, the share capital was Rs. 4922.86 lakhs consisting of 9,84,57,160 equity shares. The face value of each equity share is Rs. 5/-.

**Reserves and surplus**

The Company's reserves and surplus stood at Rs.49,894.32 lakhs at the end of 2008-09.

Profit of Rs.1179.22 lakhs for the year resulted in increased profit and loss balance.

Proposed dividend of Rs.246.14 lakhs and Tax on distributed profits of Rs.40.88 lakhs resulted in reduction of profit and loss balance.

Forfeited share application money of Rs.620.88 lakhs has been transferred to capital reserve account during the year.

Legal reserve moved down by Rs.0.74 lakhs on account of exchange fluctuation and consolidation adjustments.

Foreign currency translation reserve has decreased by Rs.2,179.30 lakhs on account of difference in exchange rates arising on translation of financials from foreign currency to reporting currency.

The Company's reserves and surplus stood at Rs.49,227.36 lakhs at the end of 2009-10.

The Company did not have any revaluation reserves as on March 31, 2010.

**Secured Loans:**

Secured loans have increased to Rs.76,678.95 lakhs mainly due to term loan taken for the captive power plant project at Hassan SEZ and additional working capital facilities availed during the year.

**Unsecured Loans:**

Unsecured loans have decreased to Rs.2,531.07 lakhs.

**Goodwill on consolidation:**

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

Goodwill has decreased by Rs.4,792.09 lakhs during the year primarily arising from foreign exchange fluctuation.

## Fixed Assets

(Rs. in lakhs)

	2009-10	2008-09
Buildings	19,736.51	18,654.79
Plant and machinery	58,856.79	53,282.71
Others	10,720.60	11,413.49
Gross block	89,313.90	83,350.99
Less: Accumulated depreciation	32,342.33	28,184.47
Net block	56,971.57	55,166.52
Add: Capital work-in-progress	2,863.44	5,622.91
Net fixed assets	59,835.01	60,789.43
Depreciation as a % of Total Income	5.05	5.76
Accumulated Depreciation as a % of Gross Block	36.21	33.81

## Investments

Surpluses generated by the business are used to fund the Company's growth.

As on March 31, 2010, the Company has invested Rs.459.43 lakhs in various schemes of mutual funds.

The mutual fund investments generated a return of 5.40% in 2009-10, as compared to 4.69% in 2008-09. On a composite basis (including investments sold and investments held as on March 31, 2009), the return works out to 5.33% as against 4.96% in the previous year.

As on 31st March, 2010, break up of investments is as follows:

(Rs in lakhs)

Long term investments	31.03.2010	31.03.2009
Milano Confezioni S.r.l	1.19	1.33
BP Venture S.r.l	858.36	955.28
Industria e Universita S.r.l	13.09	14.68
Consorzio Tutela Lino	0.87	0.87
Less: Provision for diminution in value of investments	556.71	620.14
<b>Other investments</b>		
- Investment in US 64 bonds	-	52.50
- Investment in mutual funds	459.43	2,862.00
<b>Total Investments</b>	776.23	3,266.52
Less: Provision for diminution in value of investments	-	1.95
<b>Net investments as on 31st March</b>	<b>776.23</b>	<b>3,264.57</b>

## Sundry debtors

The total debtors of the Company increased from Rs.10,505 lakhs in 2008-09 to Rs. 10,921.39 lakhs in 2009-10.

The debtors' turnover (days) was maintained at 38 days.

The Company has created a provision of Rs.216.56 lakhs in 2009-10 towards the receivables in the books of overseas subsidiary.

## Inventories

The Company's inventories – raw materials, stores and spares, work-in-process and finished goods – increased from Rs. 34,727.65 lakhs in 2008-09, to Rs.39,170.87 lakhs in 2009-10. The break-up of inventories is as follows:

(Rs. in lakhs)

	2009-10	%	2008-09	%
Raw material	6,743.04	17.21	3,888.54	11.20
Stores and spares	2,020.55	5.16	972.30	2.80
Work-in-process	11,409.30	29.13	8,542.85	24.60
Finished goods	18,997.98	48.50	21,323.96	61.40
Total	39,170.87	100.00	34,727.65	100.00

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**Cash and cash equivalents**

Cash and cash equivalents decreased from Rs 2,229.62 lakhs to Rs.1,784.79 lakhs during 2009-10.

**Material developments in Human Resources**

Our people are our key asset. We have been able to create a work environment that encourages pro-activeness and responsibility. The Company employed 3011 people as on March 31, 2010.

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

**Outlook**

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

## Risk Management

Himatsingka Seide Limited

Risk is an essential part of any business or industrial undertaking. Risk management is not about minimizing exposure. It is using the risk as a tool for competitive advantage. A comprehensive and integrated risk management framework forms the basis of all the de-risking efforts taken by your Company. Prudential norms aimed at limiting exposures are an integral part of this framework.

We operate in a rapidly changing environment that involves a number of risks. The following discussion highlights some of these risks which could materially and adversely affect our business, financial condition, prospects, operating results or cash flows. The following risk factors are not an exhaustive list of the risks associated with our business. New factors may emerge or changes to these risks could occur that could materially affect our business.

### **Business concentration risk**

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

Revenue and credit risk arising from concentration of customers; as three customers account for 46 % of consolidated sales.

### **Competition related risk**

Competition in the home textile industry from producers in India, China and other developing countries may adversely affect our performance.

With strengths in design and product development capabilities coupled with strong marketing and distribution network, we strive to stay ahead of competition.

### **Material related risks**

High dependence on raw silk imports from China and Brazil could impact results should there be any interruption, temporary shortage or transportation delays.

To minimize the risk arising out of a potential delay in delivery and to mitigate the impact of an unforeseen increase in raw material prices, the Company maintains three-to-four month raw material inventory.

The volatility in the cost of raw materials in the domestic and international markets could impact results given that these costs are very significant. The company continues to look at various alternative sourcing options both domestic and international so as to address the sourcing requirement optimally.

### **Employee related risk**

Given the high dependence of the company on design skills, attrition in this area could impact the Company's capability to meet product development requirements and thereby impact results.

The Company has continually expanded its design team in India and overseas to ensure that design and product development requirements are adequately addressed. We believe that given the size of our design team and the adequacy of design infrastructure in place, industry attrition is unlikely to affect our capabilities in these areas.

### **Regulatory / Compliance risk**

The effluents generated in some of the Company's production processes could be harmful to the environment, if released untreated. A poor management of effluent treatment could lead to statutory non-compliance for the Company.

The Company has invested significantly and prudently on effluent treatment facilities to meet pollution control and other regulatory norms.

### **Intellectual capital risk**

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

To ensure design security, we have embarked on a few initiatives. We have prudently evolved designs from the physical to the virtual networked environment with high security features. Besides, only select personnel have access to these designs, which minimises the loss of sensitive information.

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**Post-acquisition integration risk**

In line with its vision to pursue growth through organic and inorganic means, the Company has set up Bedlinen manufacturing facility and completed three acquisitions in the distribution of the Bedlinen business.

The Company recognizes that there could be risk emanating from possible

- Deviation in estimation of business potential and synergies.
- Delays on account of difficulties in integration of acquired entities within the operational and strategic policies.

**Foreign exchange risk**

The Company earns revenues, pays expenses, owns assets and incurs liabilities in countries using currencies (other than the Indian rupee) including U.S Dollar, Euro and Pound. Consolidated financial statements are presented in the Indian rupee and hence the Company must translate revenue, income and expenses, as well as assets and liabilities, into the Indian rupees at exchange rates in effect during or at the end of each reporting period. Therefore, increases or decreases in the value of the Indian rupee against other major currencies will affect our net operating revenues, operating income and the value of balance sheet items denominated in foreign currencies.

The Company has a Risk Management Policy covering Foreign Exchange Risks and is directed and monitored by a Risk Management Committee nominated by the Board of the company. The Risk Management Committee is headed by an independent director of the Board. The risks arising out of foreign exchange fluctuations are covered through a combination of forward contracts and vanilla options related to receivables and anticipated realizations from projected revenues as per the policy.

# Corporate Governance

## Himatsingka Seide Limited

### 1. Company's Governance Philosophy

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

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

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

### 2. Board of Directors (Board)

As on 31st March, 2010 Himatsingka's Board comprised of nine Directors. The Company has a Non-Executive Chairman. The number of Non-Executive Directors is five, all of them being independent directors. The composition of the Board is in accordance with the Clause 49 of the Listing Agreement and exceeds the percentages stipulated in the subject clause.

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

None of the Directors on the Board is a Member on more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the listing agreement), across all the companies in which he is a Director. All the directors have made the necessary disclosures regarding their Committee positions in other companies as on March 31, 2010.

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

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

Note :

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

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

During the year 2009-10, the Board of Directors met seven times on the following dates: 19th June, 2009, 28th July, 2009, 23rd September, 2009, 27th October, 2009, 25th January, 2010, 17th February, 2010 & 28th March, 2010.

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

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

(Rs. in lakhs)		
Name of the Director	Purpose	Amount paid
Mr. Rajiv Khaitan	Legal/Professional Fees paid to M/s. Khaitan & Co.	4.38
Dr. K R S Murthy	Listing fees paid to National Stock Exchange of India Ltd	0.88

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

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

### 3. Audit Committee

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

The terms of reference of the Audit Committee includes:

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



- o. Review the financial statements of unlisted subsidiary companies, in particular the investments made by them.
- p. Such additional functions as may be prescribed by the listing agreement or the Companies Act from time to time.

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

During the year 2009-10, the Audit Committee met on four occasions i.e. 19th June, 2009, 28th July, 2009, 27th October, 2009 and 25th January, 2010.

The Constitution of Audit Committee and attendance of the Members for the year 2009-10 is as under:

Name of Director	Category	No. of Audit Committee meetings attended
Mr. Dilip J Thakkar	Chairman, Non-Executive, Independent	3
Mr. Rajiv Khaitan	Non-Executive, Independent	4
Dr. K.R.S. Murthy	Non-Executive, Independent	4
Mr. David Rasquinha	Non-Executive, Independent	4

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

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

The Company Secretary acts as the secretary to the Committee.

#### 4. Remuneration Committee

The Remuneration Committee of the Board comprises of three Independent Directors. During the year 2009-10, no meeting of the Remuneration Committee was held.

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

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

The following Directors are the members of the Remuneration Committee:

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

The Company Secretary acts as the secretary to the Committee.

#### Reappointment of directors

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

#### 5. Remuneration of Directors

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

Remuneration of Executive Directors is decided by the Board based on recommendations of the Remuneration Committee, within the ceiling fixed by the shareholders. The remuneration is closely linked to the performance of the Company.

Given below are the details of relationship of directors, their business interest and actual payments made during the financial year 2009-10 to the Directors of the Company.

(Rs. in lakhs)

Director	Relationship with other Directors	Business Relationship with the Company, if any	Sitting fees for Board & Committee Meetings	Salaries & perquisites	Commission	Total
Dilip J Thakkar	None	None	0.45	Nil	1.50	1.95
A K Himatsingka	Related to Sri. D K Himatsingka and Sri. Aditya Himatsingka	None	Nil	7.79	Nil	7.79
A K Dasgupta	None	None	0.25	Nil	0.50	0.75
Rajiv Khaitan (paid to Khaitan & Co.,)	None	Partner Khaitan & Co.,	0.50	Nil	0.50	1.00
Dr. K R S Murthy	None	None	0.60	Nil	0.50	1.10
David Rasquinha (paid to Export Import Bank of India)	None	Nominee Director of Export-Import Bank of India, a lender of the Company	0.50	Nil	0.50	1.00
D K Himatsingka	Related to Sri. A K Himatsingka and Sri. Shrikant Himatsingka	None	Nil	14.73	Nil	14.73
Aditya Himatsingka	Related to Sri A K Himatsingka	None	Nil	6.96	Nil	6.96
Shrikant Himatsingka	Related to Sri D K Himatsingka	None	Nil	9.59	Nil	9.59

The Contract tenures of the Wholtime Directors are as follows

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

#### Criteria for making payments to non-executive Directors:

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

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

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

#### Shareholding of Directors

Shareholding of Directors as on 31st March, 2010 is as under:

Sl. No.	Name	No. of shares held
1	Dilip J Thakkar	Nil
2.	A K Himatsingka	48,35,635
3	A K Dasgupta	Nil
4	Rajiv Khaitan	4,200
5	Dr. K R S Murthy	Nil
6	David Rasquinha	1000
7	D K Himatsingka	1,35,67,044
8	Aditya Himatsingka	29,78,200
9	Shrikant Himatsingka	38,55,964

#### 6. Share Transfer Committee

The Company has a Share Transfer Committee. This comprises three directors. The Committee deals with various matters

relating to share transfer, share transmission, issue of duplicate share certificates, the approval of split and consolidation requests, the de-materialisation and re-materialisation of shares as well as other matters that relate to the transfer and registration of shares.

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

## 7. Shareholder/Investors Grievance Committee

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

Four meetings of the committee were held during the year – on 19th June, 2009, 28th July, 2009, 27th October, 2009 & 25th January, 2010. The Chairman of the Committee was present in all the meetings.

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

Constitution of Shareholder/ Investors Grievance Committee as on 31st March, 2010 and related information:

Name of the Director	Category	No. of Meetings Attended
Mr Rajiv Khaitan	Chairman, Non-Executive, Independent	4
Mr A K Himatsingka	Promoter Executive	4
Mr A K Dasgupta	Non-Executive, Independent	2

The Company Secretary acts as the secretary to the Committee.

Number of complaints received during the financial year ended 31st March, 2010	43
Number of complaints that were resolved to the satisfaction of shareholders during the financial year ended 31st March, 2010	43
Number of pending share transfers as on 31st March, 2010	Nil

## 8. Risk Management Committee

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

During the year one meeting of the committee was held on 12th August, 2009

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

Constitution of Risk Management Committee as on 31st March, 2010 and related information:

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

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

## 9. General Body Meetings

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

Date	Year	Type	Time	Venue	No. of special Resolutions passed
23rd September, 2009	2008-09	Annual General Meeting	3.30 p.m.	Hotel the Grand Ashok, Kumarakrupa Road, High Grounds, Bangalore – 560 001	1
23rd September, 2008	2007-08	Annual General Meeting	3.30 p.m.		Nil
26th September, 2007	2006-07	Annual General Meeting	3.30 p.m.		1

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

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## 10. Means of Communication

- a. The relevant information relating to the Directors who would be appointed/ re-appointed at the ensuing Annual General Meeting is given in the Notice convening the Annual General Meeting.
- b. The Quarterly and Annual Financial Results of the Company are forwarded to the Stock Exchanges and were published in Business Standard – English Newspaper (all editions) and Times of India – Kannada Newspaper/Sanjevani – Kannada newspaper, Bangalore.
- c. Pursuant to Clause 51 of the Listing Agreement, all data related to quarterly Financial results, shareholding pattern, etc. are hosted on the Electronic Data Information Filing and Retrieval (EDIFAR) website [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in) maintained by SEBI in association with the National Informatics Centre, within the time frame prescribed in this regard. Pursuant to amendment in Clause 51 w.e.f April 1, 2010, the fourth quarter data relating to quarterly financial results have not been hosted on the EDIFAR website.
- d. The financial results and official news releases were also displayed on our website [www.himatsingka.co.in](http://www.himatsingka.co.in) The website of the Company displays the Investor Updates and presentations made to the institutional investors and analysts from time to time.
- e. Reminders for unclaimed dividend are sent to the shareholders, as per records, every year.
- f. The Company has designated [corporate@himatsingka.com](mailto:corporate@himatsingka.com) as the Designated Exclusive email-id, for redressal of investors grievances.

## 11. Code for Prevention of Insider Trading

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

## 12. CEO/CFO Certification

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

## 13. Secretarial Audit

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

## 14. Compliance

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

## 15. Compliance Officer

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

Telephone : 080-22378000, Fax No. 080-2237 8058 / 2237 8059 & 4147 9384

e-mail ID : [corporate@himatsingka.com](mailto:corporate@himatsingka.com)

## 16. Disclosures

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

- b. Related party transactions

The statutory disclosure requirements relating to related party transactions have been complied with in the Annual Accounts (Note 18 of Schedule 18)

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There were no material transactions during the year 2009-2010 that are prejudicial to the interest of the Company.

c. Disclosure of Accounting Treatment

There is no deviation in following the treatments prescribed in any Accounting Standard in preparation of financial statements for the year 2009-10.

d. Board Disclosures- Risk Management

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

e. Proceeds from Preferential Issue:

During the year, the Company has not received any proceeds from Preferential Issue.

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

### 17. Statutory Compliance, Penalties and Strictures

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

### 18. General Shareholders' information

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

#### Annual General Meeting

Date and Time : 8th September, 2010 at 3.30 pm

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

Financial year : 1st April to 31st March

#### Financial Calendar :

Financial report period ended	During
June 30, 2010	July, 2010
September 30, 2010	October, 2010
December 31, 2010	January, 2011
March 31, 2011	May, 2011

Date of Book Closure : 26th August, 2010 to 8th September, 2010 (both days inclusive)

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

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

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

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

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

Listing Fees : Paid for 2009-2010 and 2010-2011 for all the above stock exchanges

Custodial Fees : Paid to Central Depository Services (India) Ltd for 2009-10 & 2010-11. The Company has paid one time fees to National Securities Depository Limited.

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

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

Month	Bombay Stock Exchange			National Stock Exchange		
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Volume (Nos.)
April 2009	30.30	23.50	317646	31.00	23.40	440056
May 2009	42.40	25.20	595098	42.00	25.00	1020588
June 2009	42.00	31.00	475659	43.00	31.10	920166
July 2009	39.00	29.35	1198059	38.90	29.35	1452771
August 2009	39.50	33.05	3035791	39.30	33.00	2894174
September 2009	49.90	35.50	16574294	52.00	35.75	22554909
October 2009	48.90	38.90	2033567	49.90	38.55	3148826
November 2009	44.50	36.50	1225456	44.45	36.80	1892508
December 2009	43.00	38.25	2317219	43.00	38.30	3723986
January 2010	52.30	39.15	7114333	52.45	39.50	12374453
February 2010	44.00	36.80	763072	44.10	36.65	1113536
March 2010	47.40	37.75	2485805	48.00	37.60	3935979
Total			38135999			55471952

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

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

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

#### Share Transfer System

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

Transfer period in days	2009-2010	
	No. of shares	Percentage
1 – 10	8090	28
11 – 20	20800	72
21 – 30	--	--
31 and above	--	--
<b>Total</b>	<b>28890</b>	<b>100</b>

## Investors services

Complaints received during the year

Nature of complaints	Received	Cleared
1. Non-receipt of share certificates	17	17
2. Non-receipt of bonus shares	Nil	Nil
3. Letters from Stock Exchanges, SEBI, etc.,	Nil	Nil
4. Non-receipt of dividend warrants	25	25
5. Non-receipt of Electronic Credits	Nil	Nil
6. Non-receipt of Annual Report	1	1

The company attended to most of the investors' grievances / correspondence within seven days from the date of receipt of the same during the year 2009-10.

## Distribution of shareholdings as on 31st March 2010

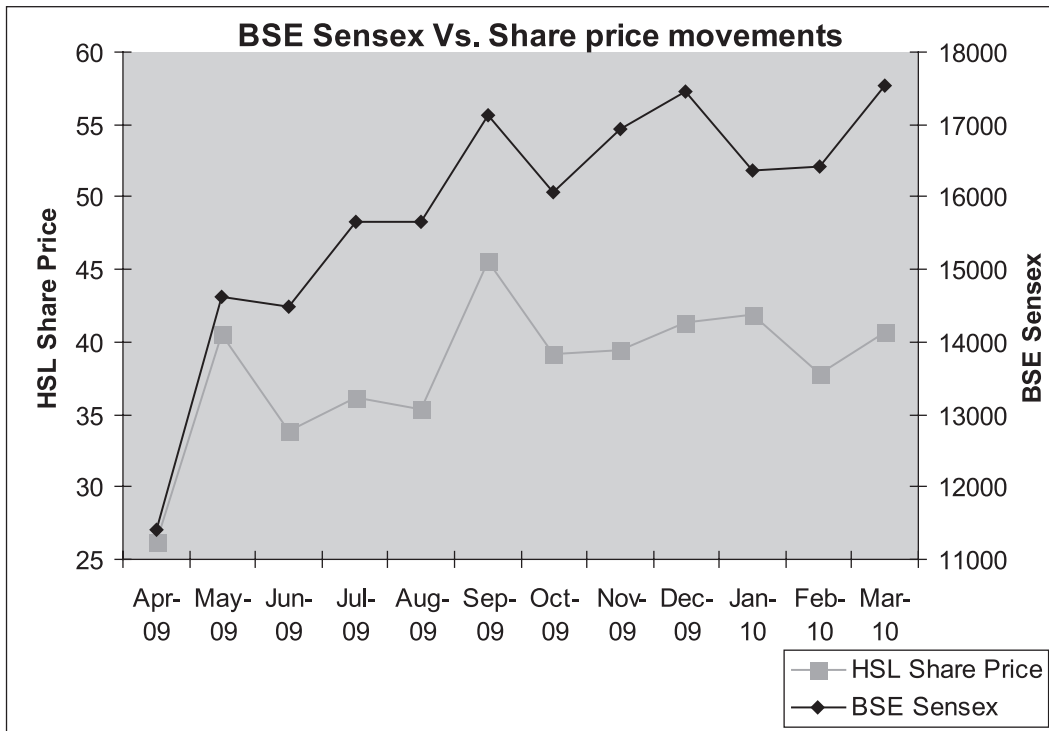
No. of equity shares	No. of share holders	% of share holders	No. of shares held	% of shareholding
1 – 5000	19376	82.90	5155049	5.24
5001 – 10000	1838	7.86	2894801	2.94
10001 – 20000	998	4.27	2964949	3.01
20001 – 30000	427	1.83	2184729	2.22
30001 – 40000	167	0.71	1191475	1.21
40001 – 50000	140	0.60	1306832	1.32
50001- 100000	238	1.02	3433574	3.49
100001 and above	190	0.81	79325751	80.57
<b>Total</b>	<b>23374</b>	<b>100.00</b>	<b>98457160</b>	<b>100.00</b>

## Shareholding Pattern as on 31st March 2010

Category of Shareholder	No. of Shareholders	No. of Equity shares	As a percentage of (A+B+C)
<b>Shareholding of Promoter and Promoter Group</b>			
<b>Indian</b>	14	33862663	34.39
Individuals/Hindu Undivided Family	7	18739109	19.03
Bodies Corporate			
<b>Sub Total (A)(1)</b>	<b>21</b>	<b>52601772</b>	<b>53.43</b>
<b>Foreign</b>			
Individual (Non-Resident Individual/Foreign Individual)	1	237800	0.24
<b>Sub Total (A)(2)</b>	<b>1</b>	<b>237800</b>	<b>0.24</b>
<b>Total Shareholding of Promoter and Promoter Group (A)(1)+(A)(2)</b>	<b>22</b>	<b>52839572</b>	<b>53.67</b>
<b>Public Shareholding Institutions</b>			
Mutual Funds/UTI	11	8747597	8.88
Financial Institutions/ Banks	8	37080	0.04
Insurance Companies	2	1004886	1.02
Foreign Institutional Investors	9	3867559	3.93
<b>Sub-Total (B)(1)</b>	<b>30</b>	<b>13657122</b>	<b>13.87</b>
<b>Non-Institutions</b>			
<b>Bodies Corporate</b>	842	4987321	5.07
<b>Individuals</b>			
i. Individual Shareholders holding nominal share capital up to Rs. 1 lakh	21899	16251865	16.51
ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	105	9240283	9.39
Any other (specify)			
- NRI/OCB	414	1284957	1.31
- Clearing Member	62	196040	0.20
<b>Sub-Total (B)(2)</b>	<b>23322</b>	<b>31960466</b>	<b>32.46</b>
<b>Total Public Shareholding (B)(1)+(B)(2)</b>	<b>23352</b>	<b>45617588</b>	<b>46.33</b>
<b>Total (A)+(B)</b>	<b>23374</b>	<b>98457160</b>	<b>100.00</b>
Shares held by Custodians and against which Depository Receipts have been issued (C)	Nil	Nil	Nil
<b>Grand Total (A+B+C)</b>	<b>23374</b>	<b>98457160</b>	<b>100.00</b>

Note: Promoter Group has not pledged any of their shares as on 31st March, 2010.

## Share price movements



## Dematerialisation of shares and liquidity

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

As on 31st March 2010, 97.98% of the company's share capital is dematerialized and the rest is in Physical form. The company's shares were regularly traded on the National Stock Exchange and Mumbai Stock Exchange.

Shares held in demat and physical mode as on March 31, 2010

Category	Number of		% to total equity
	Shareholders	Shares	
Demat Mode			
NSDL	16228	91230438	92.66
CDSL	6056	5235476	5.32
<b>Total</b>	<b>22284</b>	<b>96465914</b>	<b>97.98</b>
Physical Mode	1090	1991246	2.02
<b>Grand Total</b>	<b>23374</b>	<b>98457160</b>	<b>100.00</b>

## Outstanding GDRs/ADRs/Warrants

None

## Preferential Warrants

The Company during the financial year 07-08 had issued 58,00,000 warrants on a preferential basis to the promoters / promoter group as per the SEBI (Disclosure and Investor Protection) Guidelines, 2000 entitling the warrant holder to apply for an equivalent number of fully paid equity shares of Rs.5 each at a price of Rs.130/- per share. In terms of the special resolution, the said warrants have been issued upon payment of 10% of the amount. The balance 90% of the amount is payable on exercise of the option to convert warrants to equity shares, anytime within 18 months from the date of issue of the warrants (ie 8th April 2009).

Out of the said 58,00,000 warrants, 10,24,000 warrants were converted into equivalent number of equity shares upon payment of the balance 90% of the amount in 2007-08. The promoters / promoter group did not exercise their right to convert the outstanding 47,76,000 warrants by April 8, 2009, this being the last date, hence the balance non exercised warrants lapsed and the application money of Rs. 6,20,88,000/- paid on 47,76,000 warrants has been transferred to Capital Reserve.



### Unclaimed Dividends:

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

Financial Year	Type of dividend	Dividend per share (Rs.)	Date of declaration of dividend	Due date for transfer to IEPF
2003	Dividend	7.00	August 8, 2003	September 14, 2010
2004	Interim	4.00	October 22, 2003	November 28, 2010
	Final	6.00	July 31, 2004	September 6, 2011
2005	Interim	5.00	October 29, 2004	December 5, 2011
	Final	5.00	August 27, 2005	October 3, 2012
2006	Interim	1.25	January 21, 2006	February 27, 2013
	Final	1.25	July 28, 2006	September 3, 2013
2007	1st Interim	1.25	October 28, 2006	December 4, 2013
	2nd Interim	1.25	March 12, 2007	April 18, 2014

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

### Other useful information to shareholders

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

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

Investors' correspondence may be addressed to Mr. Amit Jain, Associate Vice President – Treasury, Taxation & Company Secretary, Himatsingka Seide Limited, 10/24, Kumarakrupa Road, High Grounds, Bangalore 560 001. Phone (080) 2237 8000 Fax (080) 4147 9384/ 2237 8058, e-mail: corporate@himatsingka.com

#### **Mandatory/Non Mandatory Requirements**

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

#### **DECLARATION**

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, all Board members and Senior Management Personnel have affirmed compliance with Himatsingka Seide Limited Code of Business Conduct and Ethics for the year ended March 31, 2010.

Bangalore  
July 3, 2010

**Dinesh Himatsingka**  
Managing Director

## Board of Directors

Himatsingka Seide Limited

### Board of Directors

Dilip J. Thakkar  
Chairman

A.K. Himatsingka  
Vice Chairman

A.K. Dasgupta

Rajiv Khaitan

Dr. K.R.S. Murthy

David Rasquinha  
Nominee Director of  
Export-Import Bank of India

D.K. Himatsingka  
Managing Director

Aditya Himatsingka  
Executive Director

Shrikant Himatsingka  
Executive Director

### Audit Committee

Dilip J. Thakkar  
Chairman

Rajiv Khaitan  
Member

Dr. K.R.S. Murthy  
Member

David Rasquinha  
Member

### Shareholders/ Investors

#### Grievance Committee

Rajiv Khaitan  
Chairman

A.K. Himatsingka  
Member

A.K. Dasgupta  
Member

### Investment Committee

D.K. Himatsingka  
Member

A.K. Himatsingka  
Member

Rajiv Khaitan  
Member

### Share Transfer Committee

A.K. Himatsingka  
Member

D.K. Himatsingka  
Member

Aditya Himatsingka  
Member

### Remuneration Committee

Rajiv Khaitan  
Chairman

Dr. K.R.S. Murthy  
Member

A.K. Dasgupta  
Member

### Risk Management Committee

Dr. K.R.S. Murthy  
Chairman

Aditya Himatsingka  
Member

Shrikant Himatsingka  
Member

Pradeep Mukherjee

K.P. Pradeep

Amit Jain

Ashutosh Halbe

### Senior Executives

G. Ravichandran  
President (Group Operations)

Pradeep Mukherjee  
President (Global Sales & Marketing)

Jayshree Poddar  
Head of Design

K.P. Pradeep  
Chief Financial Officer

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

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

S Shanmuga Sundram  
Vice President (Bed Linen Operations)

### Company Secretary

Amit Jain

### Bankers

Canara Bank

Export Import Bank of India

The Hongkong & Shanghai  
Banking Corporation of India Ltd

### Auditors

Messrs Deloitte Haskins & Sells

### Registered Office

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

## Directors' Report

### Himatsingka Seide Limited

Your Directors are pleased to present the Twenty - Fifth Annual Report on the operations and performance of your Company, together with audited financial statements and auditors' report for the year ended 31st March, 2010.

#### Year in retrospect

##### Financials

The year 2009-10 has seen a relatively stable business environment for your company as compared to the previous year. The world economy also seems to be showing signs of improvement this year, as compared to the previous year. The company's Bedlinen business showed signs of stability on the strength of a good order book position. The Silk business however was significantly impacted in the previous year, given the nature of the business and the stress in our primary markets in Europe and the United States. The situation in the current year however seems to be gradually improving.

A significant area of concern was the unprecedented increase in the cost of our raw materials from the second half of the year, in both the Bedlinen and Silk business. The increase was in the region of 40 % to 50 % over the previous year costs. Consequently there has been a contraction of margin by 10.71 %.

During the year your Company set up a 12.5 MW thermal (coal based) captive co-generation power plant (CPP) at its Bedlinen manufacturing facility located at the Hassan SEZ. The CPP was commissioned in two phases – on January 15, 2010 and April 8, 2010. Post Commissioning, the power and steam costs are expected to be significantly lower.

During the year the Company accounted for a mark to market gain of Rs.853.18 lakhs as an exceptional item in the profit and loss account, on settlement of a foreign exchange derivative contract.

During the year, the market for the silk and silk blended fabric business, has reported a negative sales growth of 24.48 % year on year. Appreciation of Rupee vis-à-vis other currencies, during the year resulted in lower realization. The Bedlinen business however showed a growth in sales of 32.92 % on the strength of orders received from the US markets.

For 2009-10, overall sales grew by 11.74% to Rs.45,624.77 lakhs, as compared to Rs.40,830.53 lakhs in 2008-09. The Bedlinen division reported a loss of Rs.1,787.01 lakhs on a turnover of Rs.35,996.24 lakhs, as compared to a loss of Rs. 3,888.06 lakhs on a turnover of Rs. 27,080.40 lakhs in the previous year.

Other income stood at Rs.1,968.04 lakhs as against Rs. 1,833.43 lakhs in the previous year.

For the year under review, the Company reported a profit of Rs. 820.54 lakhs as against a loss of Rs. 3,297.80 lakhs in the previous year.

##### Dividend

Your Directors have recommended dividend of 5% (Rs 0.25 per share) on the Equity Shares.

(Rs. in lakhs)

Financial Results (Stand-alone)	2009-10	2008-09
Sales	45,624.77	40,830.53
Other income	1,968.04	1,833.43
Total income	47,592.81	42,663.96
EBIDTA before Exceptional item	6,852.15	7,611.02
Profit Before Tax	810.97	(3,329.56)
Provision for Taxation	(9.57)	(31.76)
Profit After Tax	820.54	(3,297.80)
Profit brought forward from Previous Year	6,159.20	9,457.00
Profit available for Appropriation	6,979.74	6,159.20
<b>Appropriations</b>		
Proposed dividend	246.14	Nil
Tax on distributed profits	40.88	Nil
Profit carried to Balance Sheet	6,692.72	6,159.20

##### Consolidated Financial Results

The Company's consolidated total income grew marginally and stood at Rs.108,330.39 lakhs as compared to Rs. 103,959.73 lakhs in the previous year. As mentioned earlier, consolidated numbers were also impacted by loss from the Bedlinen division.

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As a result, the consolidated profit for the year was Rs 1,179.22 lakhs as compared to loss of Rs 7,441.82 lakhs in the previous year.

### **Prospects**

USA and Europe are the key markets for the Company's products. The economic data being released from these two markets are stable in nature but we continue to see a new crisis erupt occasionally and get addressed by their respective governments in the larger interest. We need to be cautious from our company's standpoint while continuing to take the advantage of opportunities that the global revival will create.

### **Growth initiatives during the year**

#### **Captive Power Plant**

The Company has invested in setting up a 12.5 MW thermal (coal based) captive co- generation power plant at its Bedlinen manufacturing facility located at the Hassan SEZ.

In the first phase, the Company commissioned its first Boiler with effect from January 15, 2010, which will ensure power generation of 6.25 MW along with the requisite steam.

The second boiler has been commissioned with effect from 8th April, 2010, which will take the total power generation to 12.5 MW. The total investment is Rs. 8794.94 Lakhs and has been funded through a term loan of Rs. 6000 lakhs and the balance through internal accruals.

### **Performance of subsidiary companies**

#### **Himatsingka Wovens Private Limited (HWPL)**

The retail initiative under the brand name "ATMOSPHERE" is undertaken by Himatsingka Wovens Private Limited, a wholly owned subsidiary. HWPL recorded a marginal decline in sales by 5% to Rs.3,982.98 lakhs in the current year on account of the stressful market conditions. However as a result of higher realizations, EBIDTA was Rs.899.76 lakhs as compared to Rs. 883.94 lakhs in the previous year. During the year, the made-ups facility at Apparel Park – Dodaballapur contributed Rs.690.96 lakhs to total income. Profit before tax was lower at Rs.253.72 lakhs as compared to Rs. 383.35 lakhs in the previous year.

#### **Himatsingka America Inc. (HimA)**

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

For the year ended 31st March, 2010, HimA recorded sales of USD 3.55 Million (Rs.1,686.74 lakhs) as compared to USD 4.78 Million (Rs 2,147.84 lakhs) in the previous year. It incurred a loss before tax of USD 2.14 Million (Rs.1,023.33 lakhs) as compared to the loss of USD 2.82 Million (Rs.1,350.89 lakhs) for the previous year. The company received a dividend of USD 0.88 million in the previous year from Divatex Home Fashions Inc.

#### **Divatex Home Fashions Inc.**

For the year ended 31st March, 2010, Divatex Home Fashions Inc. recorded sales of USD 118.89 Million (Rs.56,041.86 lakhs) compared to USD 113.87 Million (Rs.52,464.04 lakhs) in the previous year and profit before tax of USD 3.29 million (Rs.1,540.37 lakhs) compared to USD 2.14 million (Rs. 985.88 lakhs) for the previous year. The sales performance has been stable and significant cost optimization initiatives during the previous year have resulted in the higher bottom line.

#### **DWI Holdings Inc.**

For the year ended 31st March, 2010, DWI Holding Inc. recorded sales of USD 49.96 Million (Rs.23,709.93 lakhs) compared to USD 39.55 Million (Rs. 18,215.62 lakhs) in the previous year and profit before tax of USD 0.32 million (Rs.162.28 lakhs) compared to a loss before tax of USD 2.39 million (Rs. 1,126.15 lakhs) for the previous year. Given the branded nature of the business the margins continue to be under stress. However, significant cost optimization initiatives undertaken during the year has resulted in a better performance vis –a –vis previous year.

#### **Giuseppe Bellora SpA (GB)**

For the year ended March 31, 2010, Giuseppe Bellora SpA recorded sales of Euro 19.19 million (Rs.12,822.38 lakhs) compared to Euro 20.29 Million (Rs. 13,275.48 lakhs) in the previous year and a loss before tax of Euro 1.45 Million (Rs.972.22 lakhs) compared to Euro 2.16 Million (Rs.1,421.26 lakhs) for the previous year. The results for the year have been impacted by the recessionary conditions in the European markets. The company has however initiated several cost optimization measures and these are expected to reflect in the performance going forward.

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### **Twill & Oxford LLC**

Twill & Oxford LLC is a subsidiary of the Company, which operates the ATMOSPHERE store at Dubai. For the year ended March 31, 2010, the Company recorded sales of AED 8.67 Million (Rs.1,132.61 lakhs) as compared to AED 10 Million (Rs. 1,285.88 lakhs) and made a profit before tax of AED 0.46 Million (Rs.110.58 lakhs) as compared to loss before tax of AED 0.79 Million (Rs.183.36 lakhs) for the previous year.

### **Himatsingka Singapore Pte Limited (HSPL)**

HSPL is a wholly owned subsidiary of HWPL and operates a store at Singapore, retailing the ATMOSPHERE brand. For the year ended March 31, 2010, the Company recorded sales of SGD 1.1 Million (Rs. 367.34 lakhs) as compared to SGD 1.34 Million (Rs. 441.74 lakhs) in the previous year and incurred a loss before tax of SGD 0.93 Million (Rs.262.39 lakhs) as compared to SGD 1.16 Million (Rs.425.84 lakhs) for the previous year.

### **Annual Accounts of the Subsidiaries :**

In response to the Company's application, the Central Government has granted exemption (under Section 212(8) of the Companies Act, 1956) from attaching to the balance sheet of the Company, the accounts and other documents of all its subsidiaries. However, the consolidated financial statements of the Company, which include results of the said subsidiaries, are included in this Annual Report. Further, a statement containing the particulars prescribed under the terms of the said exemption for each of the Company's subsidiaries, is also enclosed. Copies of the audited annual accounts of the Company's subsidiaries for the year ended 31st March, 2010, can be sought by any member of the Company or its subsidiaries on making a written request to the Company in this regard. The Annual Accounts of the subsidiary companies are also available for inspection of any member at the Company's and/ or its subsidiaries registered office and are also available on the Company's website i.e www.himatsingka.co.in

### **Finance**

The Company's surplus funds continue to be invested prudently. As on March 31, 2010, the Company had invested Rs. 459.43 lakhs in various schemes of mutual funds.

In accordance with the provisions of the Investor Education and Protection Fund (awareness and protection of investor) Rules, 2001, unpaid and unclaimed dividend (final dividend 2001-02) amounting to Rs. 2.34 lakhs was transferred to the Investor Education and Protection Fund.

### **Personnel**

Industrial relations were cordial throughout the year. We continue to train and motivate our workforce, to increase their contribution to the growth of the Company. A new wage agreement effective April 2009 was entered into with workmen at the Silk unit at Dodaballapur, and is valid for 3 years.

### **Research and Development**

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

### **Awards**

The Company received the "Largest Silk Exporter" Award for the years 2006-07 and 2007-08 from the Indian Silk Export Promotion Council for the Twentieth consecutive year.

### **Environment, Safety, Energy Conservation and Technology Absorption**

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

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

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

### **Corporate Governance**

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

## Auditors' Report

The auditors in their report for the year ended 31st March, 2010, has drawn attention to Note 23(3)(ii) of Schedule 18 to the accounts. In this regard, Directors submit as under:

The Company being predominantly in exports is exposed to foreign currency fluctuations on foreign currency assets and forecasted cash flows denominated in foreign currency. The company has a Risk Management Policy and manages the foreign exchange risks under the supervision and guidance of the Risk Management Committee of the Board. As on 31st March, 2010, apart from forward contracts, the Company has one outstanding foreign exchange derivative contract on which attention has been drawn by the auditors. The determination of the liability on this contract is dependent on the occurrence of a future uncertain event and accordingly, no provision has been made in the accounts for the above contract. The Company will continue to monitor the contract within its duration.

## Insurance

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

## Directors' Responsibility Statement

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

## Foreign Exchange Earnings and Outgoings

(Rs. in lakhs)

Earnings – Export (FOB Value)		43,063.88
Interest earned		527.88
Outgo - Import of Raw Material and other Inputs	16,055.35	
Other Expenditure	411.68	16,467.03
Net Foreign Exchange Earnings from Operations		27,124.73
Import of Capital Goods		766.66

## Directors

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

## Group :

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

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

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

## Particulars of Employees

Information as per Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, is given as an Annexure, forming part of this report.

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**Public Deposits**

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

**Auditors**

Messrs Deloitte Haskins & Sells., Chartered Accountants, the Company's Auditors, retire at the ensuing Annual General Meeting and are eligible for re-appointment. Members are requested to appoint the auditors and fix their remuneration for the current year.

**Cost Auditors**

Pursuant to the directives of the Central Government under the provisions of Section 233B of the Companies Act, 1956, in respect of the audit of Cost Records of the Company, M/s. Rao, Murthy & Associates, Cost Accountants, have been appointed as the Cost Auditor for the financial years 2009 – 2010 & 2010 - 2011.

**Acknowledgement**

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

For and on behalf of the Board

Place : Bangalore  
Date : 3rd July, 2010

Dilip J Thakkar  
Chairman



## Annexures to the Directors' Report

**Himatsingka Seide Limited**

### **Directors' Responsibility Statement**

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

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

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

That the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

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

For and on behalf of the Board

Place : Bangalore  
Date : 3rd July, 2010

**Dilip J Thakkar**  
Chairman

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

**Conservation of Energy:**

<b>(A) Power &amp; Fuel Consumption:</b>		Current Year	Previous Year
1. a) Electricity Purchased	Units	33,918,297	43,607,397
Total Amount	Rs	161,641,962	207,815,506
Rate/Unit	Rs	4.77	4.77
b) Own Generation			
i) Through Diesel Generator	Units	136,824	214,807
Units/Ltr. Of Diesel Oil	Units	3.30	3.16
Cost/Unit	Rs	8.22	9.95
ii) Through Steam Turbine/Generator	Units	11,470,373	NIL
Cost/Unit	Rs.	4.78	
2. Coal			
Quantity	Tons	14,250.82	Nil
Total Amount	Rs.	54,859,390	
Average Rate per Ton	Rs.	3,850	
3. Furnace Oil			
Quantity	KL	5,816	6,897
Total Amount	Rs	142,440,079	167,045,192
Average Rate per KL	Rs	24,493	24,220
4. Other/Internal Generation			
a. Liquefied Petroleum Gas			
Quantity	Kg	250,212	189,982
Total Amount	Rs	9,458,446	7,634,722
Average Rate per kg	Rs	37.80	40.19
<b>(B) Consumption:</b>			
Product –(a) Natural Silk/Blended Fabrics (per meter)			
Electricity	Unit	7.30	8.05
Furnace Oil	Litre	0.89	0.94
Coal/Others		NIL	NIL
Reasons for variation: Due to changes in product-mix.			
- (b) Spun Silk/ Blended Yarns (per Kg)			
Electricity	Units/Kg	24.72	22.85
Furnace Oil		NIL	NIL
Liquefied Petroleum Gas	Rs /Kg	32.11	26.56
Coal/Others		NIL	NIL
Reasons for variation: Due to changes in product-mix. LPG costs are impacted due to higher prices.			
- (c) Bedlinen sets			
Electricity	Unit/set	9.43	15.66
Furnace Oil	Litre/set	1.82	2.89
Liquefied Petroleum Gas	Rs./set	2.79	2.12
Coal / others	Rs./set	60.08	Nil

C. 1) Energy Conservation Measures taken:

- i. Regular preventive maintenance of electric motors
- ii. Installation of additional power capacitors
- iii. Lighting energy savers installed
- iv. Installation of high efficiency and low power-consuming light fittings. Timers were installed for streetlights
- v. Installation of capacitors & VFD drives at load centers
- vi. Modification of motor circuit and lowering the capacity (HP) of twisting machines
- vii. Modification of Compressed air lines, inter linking & Grid of compressed lines
- viii. Optimizing/ Adjusting the humidity plant fans blade angle.
- ix. Installation of Investor for Humidity plant
- x. Installation of CFL wherever feasible
- xi. Initiatives taken to recover heat energy wasted from process house & Boilers
- xii. Light fitting were fixed on loom sphere duct to increase the lux level and here by reducing number of light fittings in weaving.
- xiii. All the pipelines of Caustic Soda recovery plant, hotwater tanks and other connected pipelines are insulated to save heat energy thereby reducing the consumption of fuels.

2) Impact of the measures taken for reduction of energy consumption and consequent impact on the cost of production:

- i. Improvement in productivity
- ii. Improvement in the life of electrical equipments
- iii. Improved efficiency and product quality
- iv. Reduction in electrical energy consumption and better illumination
- v. Better power factor, better utilization of power plant and lower demand in Kva
- vi. Optimization of compressor utilization.
- vii. Reduction in power requirement & Better utilization of the plants.

**Research & Development (R&D)**

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

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

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

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

**c) Future Plan of Action:**

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

**d) Expenditure on R&D**

(Rs. in lakhs)

Capital	-
Recurring	250.80
Total	250.80
Total R&D expenditure as a percentage of turnover	0.55%

**Technology Absorption :**

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

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

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

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

**c) Information regarding imported technology:**

Not Applicable

**Statement of Particulars of Employees pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956.**

**Employed for the Full Year:**

Name(Age)	Designation/ Nature of Duties	Remuneration received (Rs in lakhs )	Qualification (Experience)	Date of commencement of employment	Previous employment
Sri. G. Ravichandran (57)	President (Group Operations)	56.39	B.Tech (32years)	12.09.2008	General Manager, GER Group of Industries
Ms. Jayshree Poddar (53)	Head of Design	44.54	B.Sc. Diploma in Textile Designing (33 years)	03.08.1987	Chief Designer, Bihar Mercantile Union Ltd.
Sri. Pradeep Mukherjee (61)	President (Global Sales & Marketing)	58.91	B.Tech. (Mech). DMS (37 years)	18.09.2006	Vice-President –Planning, Product Development & Exports, Bombay Dyeing & Manufacturing Ltd.
Sri .K.P. Pradeep (39)	CFO	41.64	ACA, AICWA, B.Com (17 years)	02.11.2007	Director, Finance Fidelity Business Services India Ltd
Sri. Y.R Wilson Maria Doss. (51)	Vice-President – Corporate HR	45.17	MSW (25 years)	01.09.2006	Vice-President – Human Resources, Arvind Brands Ltd.
Sri. Amit Jain (39)	Asso. Vice President – Treasury, Taxation & Company Secretary	25.56	B. Com (H), ACS, ACIS (UK) (17 years)	01.07.1993	-

Note: The remuneration includes Salaries, Commission, Allowances, Contribution to Provident/Pension/Superannuation Fund, Reimbursement of Medical Expenses and Perquisites as per I.T.Rules.

Certificate
Himatsingka Seide Limited

**TO THE MEMBERS OF HIMATSINGKA SEIDE LIMITED**

We have examined the compliance of conditions of Corporate Governance by **Himatsingka Seide Limited** ("the company"), for the year ended on March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

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

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

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

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

Place : Bangalore  
Date : July 3, 2010

V. Srikumar  
Partner  
Membership No. : 84494

## Auditors' Report

Himatsingka Seide Limited

### TO THE MEMBERS OF HIMATSINGKA SEIDE LIMITED

1. We have audited the attached Balance Sheet of **HIMATSINGKA SEIDE LIMITED** ("the Company") as at March 31, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We draw attention to Note 23 (3) (ii) of Schedule 18 to the accounts. As explained, the liability, if any, that may arise under the referenced contract with a Bank is dependent on the exchange rate between two currencies during a specified period in the future. Because of this significant uncertainty the Company has not provided for any liability that may arise of this contract in the financial statements.
4. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. Further to our comments in the Annexure referred to in paragraph 4 above, we report that:
  - (a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31 2010;
    - (ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date and
    - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
6. On the basis of the written representations received from the Directors as on March 31, 2010 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2010 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

For Deloitte Haskins & Sells  
Chartered Accountants  
Registration No. 008072S

V. Srikumar  
Partner  
Membership No.84494

Place : Bangalore  
Date : May 30, 2010

## Annexure to the Auditors' Report

(Referred to in paragraph 4 of our report of even date)

### Himatsingka Seide Limited

- i. Having regard to the nature of the Company's business/activities, clauses vi, xii, xiii, xiv, xix, xx of CARO are not applicable.
- ii. In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- iii. In respect of its inventory:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) *In our opinion and according to the information and explanation given to us, the procedures of physical verification of inventories followed by the Management need to be strengthened to identify and cover all inventory locations.*
  - (c) In our opinion and according to the information and explanations given to us, except for sample stock, the Company has maintained proper records of its inventories, and other than sample stocks, where in the absence of records, we are unable to determine discrepancies, if any, no material discrepancies were noticed on physical verification.
- iv. In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
  - (a) The Company has granted loans aggregating Rs. 605.30 lakhs to one subsidiary during the year. At the year-end, the outstanding balances of such loans aggregated to Rs.7,273.44 lakhs (from three subsidiaries) and the maximum amount involved during the year was Rs.14,583.80 lakhs (from four subsidiaries).
  - (b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie*, not prejudicial to the interests of the Company.
  - (c) The receipts of principal amounts and interest have been as per stipulations.
  - (d) There is no overdue amount in respect of loans granted to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956.

In respect of loans, secured or unsecured, taken by the Company from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:

  - (a) The Company has taken loans aggregating Rs.1,625.00 lakhs from one party during the year. At the year-end, the outstanding balance of such loans taken aggregated Rs.2,390.30 lakhs and the maximum amount involved during the year was Rs.4,015.30 Lakhs.
  - (e) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie*, not prejudicial to the interests of the Company.
  - (c) The payments of principal amounts and interest in respect of such loans are as per stipulations.
- v. In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources are not readily available for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in such internal control system.
- vi. In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of contracts or arrangements referred to Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.

- (b) Where each of such transaction is in excess of Rs.5 lakhs in respect of any party, the transactions have been made at prices which are, *prima facie*, reasonable having regard to the prevailing market prices at the relevant time except in respect of certain purchases for which comparable quotations are not available and in respect of which we are unable to comment.
- vii. In our opinion, the Company has an adequate internal audit system commensurate with the size and nature of its business.
- viii. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 in respect of textile and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records for any other product of the Company.
- ix. In our opinion and according to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2010 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on March 31, 2010 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. in lakhs)
Income Tax Act	Income tax	Commissioner of Income Tax (Appeals)	FY 2003-04	51.31
Customs Act	Export Duty	High Court of Karnataka	May 10, 2008 to Aug 23, 2008	20.14
KVAT Act	Karnataka VAT	Commissioner of Commercial Taxes	FY 2007-2008	40.20

- x. The Company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses in the financial year and in the immediately preceding financial year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks and financial institutions.
- xii. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are not, *prima facie*, prejudicial to the interests of the Company.
- xiii. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
- xiv. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet, we report that funds raised on short-term basis have, *prima facie*, not been used during the year for long-term investment.
- xv. In our opinion and according to the information and explanations given to us, the Company has not made any allotment of shares during the year.
- xvi. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no fraud on the Company has been noticed or reported during the year.

For Deloitte Haskins & Sells  
Chartered Accountants  
Registration No. 008072S

V. Srikumar  
Partner  
Membership No.84494

Place : Bangalore  
Date : May 30, 2010



<b>Balance Sheet</b>	
<b>Himatsingka Seide Limited</b>	As at March 31, 2010

	Sch No	As at 31.03.2010 Rs. in lakhs	As at 31.03.2009 Rs. in lakhs
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share capital	1	4,922.86	4,922.86
Monies received against share warrants		-	620.88
Reserves and surplus	2	51,727.03	50,572.63
		<b>56,649.89</b>	<b>56,116.37</b>
<b>Loan Funds</b>			
Secured loans	3	49,418.02	41,767.82
Unsecured loans		2,390.30	2,390.30
		<b>51,808.32</b>	<b>44,158.12</b>
<b>TOTAL</b>		<b>108,458.21</b>	<b>100,274.49</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	4	73,565.73	66,022.45
Less : Accumulated Depreciation		23,953.90	19,584.14
Net block		49,611.83	46,438.31
Capital work in progress [includes capital advances of Rs. 631.70 lakhs(Previous year: Rs.1513.69 lakhs)]		2,756.47	5,627.71
		<b>52,368.30</b>	<b>52,066.02</b>
<b>Investments</b>	5	27,708.09	24,056.33
<b>Current assets, Loans and advances</b>			
Inventories	6	19,682.91	12,068.87
Sundry debtors	7	5,325.99	5,456.91
Cash and bank balances	8	843.98	328.17
Loans and advances	9	16,588.27	21,080.09
		<b>42,441.15</b>	<b>38,934.04</b>
<b>Less: Current Liabilities and Provisions</b>	10		
Current liabilities		11,871.43	6,824.18
Provisions		2,187.90	7,957.72
<b>Net Current Assets</b>		<b>28,381.82</b>	<b>24,152.14</b>
<b>TOTAL</b>		<b>108,458.21</b>	<b>100,274.49</b>
Notes forming part of accounts	18		
Significant accounting policies	19		

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

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

for and on behalf of the Board of Directors

Dilip J. Thakkar  
Chairman

A.K.Himatsingka  
Vice-Chairman

D. K. Himatsingka  
Managing Director

V. Srikumar  
Partner  
Bangalore, May 30, 2010

Pradeep K.P.  
Chief Financial Officer  
Bangalore, May 30, 2010

Amit Jain  
Company Secretary

## Profit And Loss Account

**Himatsingka Seide Limited** For the year ended March 31, 2010

	Sch No	For the year ended 31.03.2010 Rs. in lakhs	For the year ended 31.03.2009 Rs. in lakhs
<b>INCOME</b>			
Export sales	I	43,741.36	39,132.11
Local sales		2,156.87	1,960.35
Less: Excise duty		273.46	261.93
	II	1,883.41	1,698.42
Net sales	(I+II)	45,624.77	40,830.53
Other income	11	1,968.04	1,833.43
		<b>47,592.81</b>	<b>42,663.96</b>
<b>EXPENDITURE</b>			
Materials consumed	12	30,478.82	22,449.05
Increase in work in process and finished goods	13	(3,345.33)	(2,695.81)
Manufacturing expenses	14	5,860.23	5,999.03
Personnel expenses	15	4,934.39	4,665.29
Administration, selling and other expenses	16	3,353.13	4,740.12
		<b>41,281.24</b>	<b>35,157.68</b>
<b>Profit before depreciation, interest, exceptional items, pre-operative expenses capitalised and tax</b>		<b>6,311.57</b>	<b>7,506.28</b>
Interest (Net)	17	2,715.51	2,148.03
Depreciation		4,456.04	4,727.62
Exceptional item (Refer Note 23(3) of Schedule 18)		(853.18)	4,255.81
<b>Profit/(loss) before pre-operative expenses capitalised and tax</b>		<b>(6.80)</b>	<b>(3,625.18)</b>
<b>Less: Pre-operative expenses (net of income) capitalised (Refer Note 10 of Schedule 18)</b>		<b>(817.77)</b>	<b>(295.62)</b>
<b>Profit/(loss) before tax</b>		<b>810.97</b>	<b>(3,329.56)</b>
Provision for taxation			
Current tax		369.72	61.00
Fringe benefit tax		-	71.00
Minimum alternate tax credit availed		(369.72)	(61.00)
Reversal of excess provision of earlier years		(9.57)	(102.76)
<b>Profit/ (loss) after tax</b>		<b>820.54</b>	<b>(3,297.80)</b>
Balance brought forward		6,159.20	9,457.00
Profit available for appropriation		6,979.74	6,159.20
Proposed Dividend		246.14	-
Tax on distributed profits		40.88	-
<b>Balance carried to Balance Sheet</b>		<b>6,692.72</b>	<b>6,159.20</b>
Weighted average number of equity shares		98,457,160	98,457,160
Basic and diluted earnings per equity share (Rs) (Face value of Rs 5 per share)		0.83	(3.35)
Notes forming part of accounts	18		
Significant accounting policies	19		

The schedules referred to above and the notes thereon form an integral part of the Profit and Loss Account

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

for and on behalf of the Board of Directors

Dilip J. Thakkar  
Chairman

A.K.Himatsingka  
Vice-Chairman

D. K. Himatsingka  
Managing Director

V. Srikumar  
Partner  
Bangalore, May 30, 2010

Pradeep K.P.  
Chief Financial Officer  
Bangalore, May 30, 2010

Amit Jain  
Company Secretary

<b>Statement of Cash Flows</b>	
<b>Himatsingka Seide Limited</b>	For the year ended March 31, 2010

	Sch No	For the year Ended 31.03.2010 Rs. in lakhs	For the year Ended 31.03.2009 Rs. in lakhs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Profit/(loss) before tax		810.97	(3,329.56)
(Profit)/loss on sale of assets		(47.60)	(48.21)
(Profit)/loss on sale of investments		(83.32)	30.77
Depreciation [Net of depreciation capitalised Rs.Nil (Previous year: Rs.9.61 lakhs)]		4,456.04	4,718.02
Diminution in value of investments		(1.95)	(22.14)
Exchange loss/(gain)		(148.25)	(942.14)
Exceptional item		-	3,332.65
Interest income		(847.15)	(1,366.60)
Dividend income		-	(18.14)
Interest expense [Net of interest capitalised Rs.277.19 lakhs (Previous year: Rs.181.27 lakhs)]		2,438.31	1,966.76
<b>Operating profit before working capital changes</b>		<b>6,577.05</b>	<b>4,321.41</b>
Decrease/(increase) in sundry debtors		(156.55)	590.82
(Increase) in inventories		(7,614.04)	(2,023.78)
Decrease/(increase) in loans and advances		60.14	154.81
Increase in current liabilities and provisions		(1,666.85)	1,711.11
Cash generated from operations		(2,800.25)	4,754.37
Income tax paid (including fringe benefit tax)		(471.82)	(60.62)
<b>Net cash from operations</b>		<b>(3,272.07)</b>	<b>4,693.75</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Investment in wholly owned subsidiary		(5,376.83)	-
Purchase of investments		(5,020.00)	(5,722.90)
Sale of investments		7,558.39	4,580.55
Loans given to subsidiaries (Net)		5,892.19	67.96
Share application money given		(727.93)	(567.52)
Purchase of fixed assets		(3,954.28)	(6,694.73)
Sale proceeds of fixed assets		65.24	125.87
Interest received		347.39	434.53
Dividend received		-	18.14
<b>Net cash from investing activities</b>		<b>(1,215.83)</b>	<b>(7,758.10)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Interest paid		(4,369.38)	(3,575.09)
Subsidy/subvention received		1,534.39	2,201.23
Proceeds of long term borrowings		2,434.67	3,173.28
Repayment of long term borrowings		(1,778.46)	(1,543.47)
Proceeds of short term borrowings		7,186.52	2,287.78
Dividends paid		(4.03)	(7.29)
<b>Net cash from financing activities</b>		<b>5,003.71</b>	<b>2,536.44</b>
Total decrease in cash and cash equivalents		515.81	(527.91)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>328.17</b>	<b>856.08</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>843.98</b>	<b>328.17</b>
Notes forming part of accounts	18		
Significant accounting policies	19		

The schedules referred to above and the notes thereon form an integral part of the Cash Flow Statement.

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

for and on behalf of the Board of Directors

**Dilip J. Thakkar**  
Chairman

**A.K.Himatsingka**  
Vice-Chairman

**D. K. Himatsingka**  
Managing Director

**V. Srikumar**  
Partner  
Bangalore, May 30, 2010

**Pradeep K.P.**  
Chief Financial Officer  
Bangalore, May 30, 2010

**Amit Jain**  
Company Secretary

## Schedules To Balance Sheet

Himatsingka Seide Limited As at March 31, 2010

	As at 31.03.2010 Rs. in lakhs	As at 31.03.2009 Rs. in lakhs
<b>Schedules to Accounts</b>		
<b>Schedule 1</b>		
<b>SHARE CAPITAL</b>		
Authorised 104,000,000 equity shares of Rs. 5 each (Previous year: 104,000,000 equity shares of Rs.5 each)	5,200.00	5,200.00
Issued 98,496,160 equity shares of Rs. 5 each fully called up (Previous year: 98,496,160 equity shares of Rs. 5 each)	4,924.81	4,924.81
Subscribed and Paid up 98,457,160 equity shares of Rs. 5 each fully paid up (Previous year: 98,457,160 equity shares of Rs.5 each) (Out of the above 63,723,800 shares of Rs.5 each have been issued as Bonus shares by capitalisation of Reserves)	4,922.86	4,922.86
	<b>4,922.86</b>	<b>4,922.86</b>
<b>Schedule 2</b>		
<b>RESERVES AND SURPLUS</b>		
Share premium account	27,675.71	27,675.71
General Reserve	16,737.72	16,737.72
Capital Reserve (Refer Note 25 of Schedule 18)	620.88	-
Profit and loss account	6,692.72	6,159.20
	<b>51,727.03</b>	<b>50,572.63</b>
<b>Schedule 3</b>		
<b>SECURED LOANS</b>		
Term Loan from financial institution (Secured by charge over moveable and certain immovable fixed assets, both present and future) [Repayable within one year - Rs.1548.01 lakhs (Previous year: Rs. 1093.47 lakhs)]	13,830.33	14,923.79
Term loan from bank (Secured by charge over moveable and certain immovable fixed assets, both present and future) [Repayable within one year - Rs.1283 lakhs (Previous year: Rs.911.99 lakhs)]	19,472.95	17,723.27
Working capital loan from banks (Working capital limits other than Buyer's credit secured against present and future stock and book debts on pari-passu basis. Buyer's credit secured by equitable mortgage on land and building situated at Midford Gardens, M.G. Road , Bangalore)	16,114.74	9,052.54
Interest accrued and due	-	68.22
	<b>49,418.02</b>	<b>41,767.82</b>

**Schedule 4**  
**FIXED ASSETS**

Rs. in lakhs

Particulars	Gross block			Depreciation			Net block			
	As at 01.04.2009	Additions (Deletions)	Other adjustments	As at 31.03.2010	Up to 31.03.2009	For the year	On deletions	Adjustments	As at 31.03.2010	As at 31.03.2009
Land*	747.38	-	-	747.38	-	-	-	-	747.38	747.38
Leasehold land	1,115.20	34.80	(0.69)	1,149.31	50.27	(5.35)	-	(9.61)	1,114.00	1,064.93
Buildings	11,762.61	1,790.55 (16.27)	-	13,536.89	1,298.21	396.35	(2.14)	-	11,844.47	10,464.40
Plant and machinery	50,759.32	5,745.32 (18.80)	(11.31)	56,474.53	17,450.96	3,857.21	(18.80)	-	35,185.16	33,308.36
Furniture and fixtures	615.29	18.11 (41.27)	-	592.13	222.36	58.41	(41.27)	-	352.63	392.93
Leasehold improvements	92.13	-	-	92.13	50.75	18.43	-	-	22.95	41.38
Office equipments	773.02	55.60	-	828.62	469.71	109.44	-	-	249.47	303.31
Vehicles	157.50	5.21 (17.97)	-	144.74	41.88	21.55	(14.46)	-	95.77	115.62
<b>Total</b>	<b>66,022.45</b>	<b>7,555.28</b>	<b>(12.00)</b>	<b>73,565.73</b>	<b>19,584.14</b>	<b>4,456.04</b>	<b>(76.67)</b>	<b>(9.61)</b>	<b>49,611.83</b>	<b>46,438.31</b>
Capital work in progress									2,756.47	5,627.71
Previous Year	59,454.30	6,568.14	-	66,022.44	14,928.41	4,727.62	(71.89)	-	46,438.31	44,525.88

\* Land includes Rs.17.91 lakhs (Previous year Rs. 17.91 lakhs) being the share in land jointly owned with others.  
Capital Work In Progress includes Rs.Nil (Previous year Rs.9.61 lakhs) towards depreciation on assets put to use for the Bed Linen project.  
Additions to plant and machinery is net of capital subsidy of Rs.Nil (Previous year Rs.90.85 lakhs) under TUF scheme.

	As at 31.03.2010		As at 31.03.2009	
	Numbers	Rs. in lakhs	Numbers	Rs. in lakhs
<b>Schedule 5</b>				
<b>INVESTMENTS (Refer note 16 of schedule 18)</b>				
<b>Long term, trade, unquoted</b>				
In subsidiary companies				
Himatsingka Wovens Private Limited				
Equity shares of Rs. 100 each fully paid up	1,250,000	1,164.12	1,250,000	1,164.12
Himatsingka America Inc.				
Equity shares of USD 10,000 each fully paid up	3,800	16,362.04	2,700	10,985.21
Twill & Oxford LLC				
Equity shares of AED 100 each fully paid up	1,470	37.35	1,470	37.35
Giuseppe Bellora S.p.A.				
Equity shares of Euro 1 each fully paid up	7,515,501	6,875.50	7,515,501	6,875.50
Share application money		2,809.65		2,081.72
Current, non-trade, quoted				
6.60% US64 (Tax Free) Bonds, Units of Rs. 100 each	-	-	50,000	52.50
<b>Current, non-trade, unquoted</b>				
(Units of mutual funds)				
Birla Sunlife Savings Fund - Institutional Plan - (Growth Option)	795,042	136.80	609,853	100.00
HDFC Cash Management Fund Treasury Advantage Plan Whole Sale - (Growth Option)	655,128	130.25	2,900,567	553.00
ICICI Prudential Institutional Liquid Plan Super Institutional Plan - (Growth Option)	-	-	4,218,951	544.74
Templeton India Treasury Management Account Super Institutional Plan - (Growth Option)	-	-	42,930	558.14
Tata Floater Fund - (Growth Option)	640,211	86.52	4,262,676	553.00
UTI Treasury Advantage Fund Institutional Plan - (Growth Option)	8,689	105.86	47,354	553.00
		27,708.09		24,058.28
Less: Diminution in value of investments		-		1.95
		<b>27,708.09</b>		<b>24,056.33</b>
Total unquoted		27,708.09		24,005.78
Total quoted (Market value: Rs. Nil, Previous year: Rs. 50.55 lakhs)		-		50.55
<b>Schedule 6</b>				
<b>INVENTORIES</b>				
Raw materials		5,517.50		2,303.43
Stores and spares		1,965.60		910.96
Work-in-process		10,772.59		7,800.50
Finished goods		1,427.22		1,053.98
		<b>19,682.91</b>		<b>12,068.87</b>
<b>Schedule 7</b>				
<b>SUNDRY DEBTORS (UNSECURED CONSIDERED GOOD)*</b>				
Outstanding for more than six months		1,798.33		729.85
Other debts		3,527.66		4,727.06
		<b>5,325.99</b>		<b>5,456.91</b>
* Sundry debtors include dues from subsidiaries:				
Himatsingka Wovens Private Limited		231.40		752.24
Himatsingka America Inc. [includes outstanding for more than 180 days Rs. 249.33 lakhs (previous year Rs. Nil )]		717.19		168.69
Giuseppe Bellora S.p.A. [includes outstanding for more than 180 days Rs. 1492.19 lakhs (previous year Rs.506.81 lakhs)]		2,102.38		1,611.30
Divatex Home Fashions, Inc. [includes outstanding for more than 180 days Rs. 0.27 lakhs (previous year Rs.222.94 lakhs)]		956.64		1,038.93
DWI Holdings, Inc.		70.13		580.88
		<b>4,077.74</b>		<b>4,152.04</b>

	As at 31.03.2010 Rs. in lakhs	As at 31.03.2009 Rs. in lakhs
<b>Schedule 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash and stamps in hand	16.01	8.83
Cheques in hand	-	7.00
With scheduled banks in current accounts	825.47	309.84
in deposit account [includes security against ECGC premium Rs.2.50 lakhs (Previous year: Rs.2.50 lakhs)]	2.50	2.50
	<b>843.98</b>	<b>328.17</b>
<b>Schedule 9</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured considered good)		
Advance taxes	2,314.95	2,042.79
Minimum alternate tax credit entitlement	559.75	190.03
Loans to subsidiaries		
Himatsingka Wovens Private Limited [Maximum amount outstanding during the year Rs.3545 lakhs (Previous year: Rs.3550.59 lakhs)]	3,089.00	3,545.00
Twill & Oxford LLC [Maximum amount outstanding during the year Rs.289.51 lakhs (Previous year: Rs.358.44 lakhs)]	121.90	289.51
Himatsingka America Inc. [Maximum amount outstanding during the year Rs. 10144 lakhs (Previous year: Rs.10144 lakhs)]	4,062.55	10,144.00
Interest accrued on loans to subsidiaries		
Twill & Oxford LLC [Maximum amount outstanding during the year Rs.25.59 lakhs (Previous year: Rs.25.59 lakhs)]	14.51	25.59
Himatsingka America Inc. [Maximum amount outstanding during the year Rs.1236.65 lakhs (Previous year: Rs.862.24 lakhs)]	1,236.65	862.24
Himatsingka Wovens Private Limited [Maximum amount outstanding during the year Rs.328.21 lakhs (Previous year: Rs.232.68 lakhs)]	230.15	232.68
Giuseppe Bellora S.p.A. [Maximum amount outstanding during the year Rs.39.85 lakhs (Previous year: Rs.Nil)]	39.85	-
Advances to subsidiaries		
Himatsingka Wovens Private Limited [Maximum amount outstanding during the year Rs.34.89 lakhs (Previous year: Rs.1.17 lakhs)]	35.30	1.59
Giuseppe Bellora S.p.A. [Maximum amount outstanding during the year Rs.26.33 lakhs (Previous year: Rs.10.29 lakhs)]	26.33	10.29
Himatsingka America Inc. [Maximum amount outstanding during the year Rs. 393.76 lakhs (Previous year: Rs.Nil)]	393.76	-
Receivable from Directors [Maximum outstanding during the year Rs.113.99 lakhs (Previous year: Rs.49.49 lakhs)]	113.99	3.72
Advances recoverable in cash or in kind or for value to be received	3,734.75	3,149.35
Deposits	614.83	583.30
	<b>16,588.27</b>	<b>21,080.09</b>
<b>Schedule 10</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current liabilities</b>		
Sundry creditors		
Micro and Small Enterprises (Refer note 16 of Schedule 18)	329.29	36.50
Others *	10,930.50	6,474.95
Advances received	221.30	18.69
Interest accrued but not due on loans	237.98	146.59
Other liabilities	101.26	92.32
Unpaid dividend	51.10	55.13
A	<b>11,871.43</b>	<b>6,824.18</b>
* Sundry creditors include dues to subsidiaries		
Himatsingka Wovens Private Limited	132.39	120.12
Himatsingka America Inc.	28.61	109.43
<b>Provisions</b>		
Gratuity	66.15	41.69
Dividend	246.14	-
Compensated absences	250.01	382.17
Provision for loss on derivatives	-	6,109.63
Tax (Including fringe benefit tax)	1,584.72	1,424.23
Tax on distributed profits	40.88	-
B	<b>2,187.90</b>	<b>7,957.72</b>
TOTAL (A + B)	<b>14,059.33</b>	<b>14,781.90</b>

## Schedules To Profit and Loss Account

**Himatsingka Seide Limited** For the year ended March 31, 2010

	For the year ended 31.03.2010 Rs. in lakhs	For the year ended 31.03.2009 Rs. in lakhs
<b>Schedule 11</b>		
<b>OTHER INCOME</b>		
Operating Income	885.91	372.75
Exchange fluctuation (net)	88.78	-
Interest from banks [ TDS Rs.0.30 lakhs (Previous year: Rs.Nil)]	1.02	-
Interest from ICD [TDS Rs.46 lakhs (Previous year: Rs.68.17 lakhs)]	804.03	1,188.68
Interest on refund of income tax	31.52	170.47
Dividend from others [TDS Rs.1 lakh (Previous year: Rs.1 lakh)]	10.58	7.45
Dividend from current non trade investment	-	18.14
Profit on sale of assets	47.60	48.21
Profit on sale of current investments	83.32	-
Miscellaneous income	13.33	5.59
Reversal of Excess Provision	1.95	22.14
	<b>1,968.04</b>	<b>1,833.43</b>
<b>Schedule 12</b>		
<b>MATERIALS CONSUMED</b>		
Raw materials		
Opening stock	2,303.43	3,065.95
Add: Purchases	28,804.77	18,000.93
Total	31,108.20	21,066.88
Less: Closing stock	5,517.50	2,303.43
Raw materials consumed	25,590.70	18,763.45
Dyes, chemicals and accessories consumed	4,661.15	3,685.60
	<b>30,251.85</b>	<b>22,449.05</b>
Consumption of Material towards traded goods	<b>226.97</b>	-
<b>Schedule 13</b>		
<b>INCREASE IN WORK IN PROCESS AND FINISHED GOODS</b>		
Opening stock		
Work in process	7,800.50	5,026.53
Finished goods	1,053.98	1,132.14
	8,854.48	6,158.67
Closing stock		
Work in process	10,772.59	7,800.50
Finished goods	1,427.22	1,053.98
	12,199.81	8,854.48
	<b>(3,345.33)</b>	<b>(2,695.81)</b>
<b>Schedule 14</b>		
<b>MANUFACTURING EXPENSES</b>		
Power and fuel	3,888.79	3,844.74
Stores and spares consumed	566.78	617.74
Repairs and maintenance - Buildings	74.43	143.27
Repairs and maintenance - Machinery	233.69	242.04
Other manufacturing expenses	1,096.54	1,151.24
	<b>5,860.23</b>	<b>5,999.03</b>



	For the year ended 31.03.2010 Rs. in lakhs	For the year ended 31.03.2009 Rs. in lakhs
<b>Schedule 15</b>		
<b>PERSONNEL EXPENSES</b>		
Wages, salaries and other allowances	4,068.95	3,865.50
Contribution to Provident and other funds	362.98	264.82
Workmen and staff welfare expenses	502.46	534.97
	<b>4,934.39</b>	<b>4,665.29</b>
<b>Schedule 16</b>		
<b>ADMINISTRATION, SELLING AND OTHER EXPENSES</b>		
Rent	262.67	278.28
Travelling and conveyance	557.22	480.76
Communication expenses	81.77	92.45
Printing and stationery	52.91	52.88
Insurance	96.58	102.24
Rates and taxes	51.75	41.71
Professional and service charges [Refer Note 11 of Schedule 18]	526.24	348.84
Bank charges	172.07	139.98
Contribution and donation	3.15	24.06
Freight outward	941.84	840.08
Commission on sales	201.89	374.96
Other selling expenses	236.22	144.18
Exchange fluctuation (net)	-	1,658.14
Other expenses	168.82	130.79
Loss on sale of current investments	-	30.77
	<b>3,353.13</b>	<b>4,740.12</b>
<b>Schedule 17</b>		
<b>INTEREST</b>		
Fixed loans [net of subsidy under TUFS Rs.1677.03 lakhs (Previous year Rs.1548.82 lakhs )]	1,138.27	1,040.03
Others [net of interest subvention Rs. 62.23 lakhs (Previous year Rs.20.10 lakhs)]	1,577.24	1,108.00
	<b>2,715.51</b>	<b>2,148.03</b>

**Schedule 18****NOTES ON ACCOUNTS**

1. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)

130.89

2,957.05

Note : The above amount does not include value of materials to be supplied to the ongoing civil work.

2. Contingent liabilities

i) Contingent liabilities not provided for:

-Income tax

1,938.99

238.10

-Entry tax

10.00

10.00

-Excise duty

9.72

9.72

-Customs duty

20.15

20.15

-Value Added Tax

140.20

-

-Claims against the company not acknowledged as debts

-

176.09

ii) Corporate guarantee given towards credit facilities on behalf of subsidiaries

- Financial institutions

909.09

969.70

- Banks

21,425.02

3,034.22

- Others

143.84

10,392.53

iii) Bills discounted

1,514.05

2,814.05

3. Production data:

Class of goods

i) Fabrics

Installed capacity (Meters)\*

2,218,770

2,218,770

Production (Meters) @

928,631

1,189,047

@ includes

Samples (Meters)

1,661

2,074

Internal consumption (Meters)

-

808

ii) Yarns

Installed capacity (Kgs)\*

250,000

250,000

Production (Kgs) \$

56,647

127,558

\$ includes internal consumption (Kgs)

23,260

30,675

iii) Bed Linen

Production process

Process	Weaving	Process house	Made-ups
Input	Yarn	Grey fabric	Processed fabric
Output	Grey fabric	Processed fabric	Sheet sets

	31.03.2010		31.03.2009	
	Quantity	Rs. in lakhs	Quantity	Rs. in lakhs
<b>Schedule 18</b>				
<b>NOTES ON ACCOUNTS</b>				
a) Fabric:				
i) Weaving (Meters)				
Installed capacity*	15,660,000		15,660,000	
Production (grey fabric)	12,790,692		10,130,737	
ii) Process house (Meters)				
Installed capacity*	20,880,000		20,880,000	
Production (processed fabric)	16,938,681		12,200,977	
b) Sheet sets:				
Made-ups (Nos)				
Installed capacity*	2,958,000		2,958,000	
Production @	3,289,315		2,137,149	
@ Includes: Production by jobworkers	335,675		138,647	
Samples	9,177		6,295	
iv) 12.5 MW Captive power plant				
I. Installed Capacity (MW):	47,250		-	
II. Actual Production (MW)**	8,753		-	

\* As certified by management based on the current product mix and relied on by the Auditors, being a technical matter.

\*\* Commercial production started from 15th Jan 2010

4. Raw materials and chemicals consumed				
i) Silk yarn (Kgs)	156,066	1,984.49	181,648	2,072.79
ii) Silk waste/ tops (Kgs)	47,752	412.64	155,753	1,315.31
iii) Cotton fabric (Mtrs)	4,895,959	8,441.32	2,695,549	4,554.51
iv) Cotton yarn (Kgs)	5,573,133	14,578.88	4,598,533	10,583.46
v) Others	-	4,834.52	-	3,922.98
		<b>30,251.85</b>		<b>22,449.05</b>
Traded Goods purchased - Bed linen (Sheet sets)		226.97		-
		<b>226.97</b>		

	31.03.2010		31.03.2009	
	%	Rs. in lakhs	%	Rs. in lakhs
5. Value of imported and indigenous raw materials and chemicals consumed and percentage of each to the total consumption				
-Imported	48%	14,591.74	19%	4,212.57
-Indigenous	52%	15,887.08	81%	18,236.48
Total	<b>100</b>	<b>30,478.82</b>	<b>100%</b>	<b>22,449.05</b>

6. Value of imported and indigenous stores and spares consumed and percentage of each to the total consumption				
-Imported	47%	264.00	39%	240.83
-Indigenous	53%	302.78	61%	376.91
Total	100%	566.78	100%	617.74

	31.03.2010	31.03.2009
	Rs. In lakhs	Rs. In lakhs
7. CIF value of imports		
Capital goods	766.66	2,363.13
Components, spares and others*	236.99	348.73
Raw materials and chemicals*	15,818.36	4,022.32

\* Does not include goods-in-transit as at the date of Balance sheet.

	31.03.2010		31.03.2009	
	Quantity	Rs. in lakhs	Quantity	Rs. in lakhs
<b>Schedule 18</b>				
<b>NOTES ON ACCOUNTS</b>				
8. Turnover, opening and closing stock				
i) Turnover				
Silk Division				
Fabrics - Manufactured (Metres)	913,756	8,967.90	1,159,954	11,875.96
Yarns (Kgs)	39,050	660.63	86,942	1,874.17
Bed Linens Division				
Fabrics - Manufactured (Metres)	611,321	1,126.71	690,240	1,376.83
Sheet sets - Traded (Nos)	34,342	241.61	-	-
Sheet sets (Nos)	3,034,395	34,627.92	2,161,810	25,703.57
		45,624.77		40,830.53
ii) Opening stock				
Silk Division				
Fabrics - Manufactured (Metres)	100,428	522.47	74,324	385.69
Yarns (Kgs)	19,277	258.33	9,445	93.49
Bed Linens Division				
Sheet sets (Nos)	21,558	273.18	52,514	652.97
	-	1,053.98		1,132.15
ii) Closing stock				
Silk Division				
Fabrics - Manufactured (Metres)	111,638	682.10	100,428	522.47
Yarns (Kgs)	13,614	176.58	19,277	258.33
Bed Linens Division				
Sheet sets (Nos)	53,175	568.54	21,558	273.18
		1,427.22		1,053.98
9. Foreign currency earnings and expenditure				
<b>EARNINGS</b>				
Exports on FOB basis - net of returns (includes deemed export sales)		43,063.88		38,451.71
Interest from others		527.88		887.83
Reimbursement of expenses relating to trade fair sampling activity		-		53.57
<b>EXPENDITURE</b>				
Foreign travel		114.67		59.89
Commission on export sales		201.48		336.75
Professional and other service charges		33.98		11.55
Interest		14.70		27.35
Others		46.85		78.75

	31.03.2010 Rs. in lakhs	31.03.2009 Rs. in lakhs
<b>Schedule 18</b>		
<b>NOTES ON ACCOUNTS</b>		
10.The Company has set up a captive power plant at Hassan, Karnataka. The following costs arising during the project period are capitalised.		
Power and Fuel	217.15	12.49
Other manufacturing expenses	26.09	15.71
Salary, wages and other allowances	106.25	32.00
Workmen and staff welfare expenses	0.13	0.52
PF contribution	9.81	-
Rent	4.26	4.35
Travelling and conveyance	17.39	11.87
Communication expenses	0.66	0.49
Rates and taxes	4.71	5.92
Bank charges	0.63	0.81
Insurance	5.18	14.11
Printing and stationery	0.04	0.05
Professional and other service charges	136.27	2.52
Other expenses	12.01	3.90
Depreciation	-	9.61
Borrowing costs ( net of subsidy under TUFS Rs.19.18 lakhs (previous year Rs.18.12 lakhs)	277.19	181.27
<b>Total expenses</b>	<b>817.77</b>	<b>295.62</b>
11. Professional and other services charges include payments made to		
i) Statutory auditor:		
Audit fees	38.00	30.00
Tax audit fees	3.00	3.00
Taxation matters	24.70	-
Other services	2.00	5.88
Service tax	6.43	4.81
Out of pocket expenses	1.39	1.31
ii) Cost auditor:		
Audit fees	1.97	1.96
Service tax	0.20	0.24
12. Design and development expenditure of revenue nature accounted in the respective heads of the Profit & Loss Account.	250.80	319.72
13. Advances recoverable in cash or in kind or for value to be received includes Rs. Nil (Previous year: Rs 7.95 lakhs). Maximum amount outstanding during the year Rs.7.95 lakhs (Previous year: Rs 9.75 lakhs)		
Dues from officers -		
Secretary	-	7.95
Maximum amount outstanding during the year -		
Secretary	7.95	9.75
14.Leases		
The Company's significant leasing agreement is mainly in respect of the corporate office premises, accomodation & vehicles provided to employees and guest houses.		
i) the total of future minimum lease payments under non-cancellable operating leases due:		
not later than one year	70.53	65.23
later than one year and not later than five years	109.99	135.75
later than five years	-	-

	31.03.2010 Rs. in lakhs	31.03.2009 Rs. in lakhs
ii) lease payments recognised in the statement of profit and loss for the year (includes pre-operative expenses capitalised Rs.4.26 lakhs (previous year Rs.4.35 lakhs).	262.67	278.28
15. Deferred tax		
Deferred tax liability:		
Depreciation	(2,255.97)	(2,074.06)
Deferred tax asset:		
Unabsorbed depreciation (restricted to the extent of deferred tax liability on depreciation on account of virtual certainty)	2,255.97	2,074.06
Net Deferred Tax	-	-
16. The information related to Micro and Small Enterprises.		
a) i) The principal amount remaining unpaid to any supplier at the end of accounting year.	314.68	35.51
ii) The interest due on above.	2.23	0.16
The total of (i) & (ii)	316.91	35.67
b) The amount of interest paid by the buyer in terms of section 16 of the Act.	-	-
c) The amount of interest accrued and remaining unpaid at the end of the financial year. (including interest in (d) below)	14.61	0.83
d) The amount of further interest remaining due and payable.	1.00	0.03
The above information and that given in Schedule 10(A) - "Current Liabilities & Provisions" regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information collected by the Management based on enquiries made with the vendors. This has been relied upon by the auditors.		
17.Details of investments bought and sold during the year		
	31.03.2010	31.03.2009
	Numbers	Numbers
	Cost Rs. in lakhs	Cost Rs. in lakhs
Birla Sunlife Liquid Plus - IP (G)	5,978,952	1,008.20
HSBC Cash Fund - Institutional Plus (G)	-	-
Tata Floater Fund (G)	5,188,756	690.48
HDFC Cash Management Fund Treasury Advantage Plan WS - (G)	2,796,712	546.75
ICICI Prudential Institutional Liquid Plan (G)	-	-
ICICI Prudential Liquid Plan Institutional Plus (G)	-	-
ICICI Prudential Institutional Liquid Plan Super Institutional (G)	2,445,685	867.00
Templeton India TMA Institutional Plan - (G)	-	-
Templeton India TMA Super nstitutional Plan - (G)	60,605	807.00
UTI Treasury Advantage Fund Institutional Plan - (G)	53,545	641.14
	4,560.57	2,860.90

**Schedule 18**

Notes on Accounts

18. Related party transactions

Rs. in lakhs

Particulars	Wholly Owned Subsidiaries		Other Subsidiaries		Key Management Personnel/ Relatives		Enterprises owned or significantly influenced by key management personnel / Directors or their relatives		Total	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
<b>Purchase of Fixed Assets</b>										
DWI Holdings, Inc.	-	1.77	-	-	-	-	-	-	-	1.77
Himatsingka Wovens Private Limited	9.08	2.32	-	-	-	-	-	-	9.08	2.32
<b>Purchase of Goods</b>										
Himatsingka Wovens Private Limited	107.71	9.43	-	-	-	-	-	-	107.71	9.43
<b>Sale of Fixed Assets</b>										
Himatsingka Wovens Private Limited	1.52	2.28	-	-	-	-	-	-	1.52	2.28
<b>Sale of Goods (Net)</b>										
Himatsingka America Inc.	1,124.03	1,647.82	-	-	-	-	-	-	1,124.03	1,647.82
Himatsingka Wovens Private Limited	1,634.13	1,619.72	-	-	-	-	-	-	1,634.13	1,619.72
Satin Reed (America) Inc	-	-	-	-	-	-	131.56	-	131.56	-
Giuseppe Bellera S.p.A.	-	-	1,541.21	1,514.28	-	-	-	-	1,541.21	1,514.28
DWI Holdings, Inc.	6,121.30	2,965.06	-	-	-	-	-	-	6,121.30	2,965.06
Divatex Home Fashions, Inc.	-	-	27,562.76	21,983.08	-	-	-	-	27,562.76	21,983.08
<b>Allocation Of Expenses</b>										
DWI Holdings, Inc.	-	20.21	-	-	-	-	-	-	-	20.21
Divatex Home Fashions, Inc.	-	-	-	33.37	-	-	-	-	-	33.37
<b>Job work charges</b>										
Himatsingka Wovens Private Limited	535.93	472.27	-	-	-	-	-	-	535.93	472.27
<b>Sales Commission</b>										
Himatsingka America Inc.	115.94	154.01	-	-	-	-	-	-	115.94	154.01
<b>Claims</b>										
Divatex Home Fashions, Inc.	-	-	16.04	2.12	-	-	-	-	16.04	2.12
DWI Holdings, Inc.	20.17	0.08	-	-	-	-	-	-	20.17	0.08
<b>Rent received</b>										
Himatsingka Wovens Private Limited	3.00	3.00	-	-	-	-	-	-	3.00	3.00
<b>Remuneration including commission</b>										
A K Himatsingka	-	-	-	-	7.79	27.06	-	-	7.79	27.06
D K Himatsingka	-	-	-	-	14.73	26.88	-	-	14.73	26.88
Aditya Himatsingka	-	-	-	-	6.96	27.06	-	-	6.96	27.06
Shrikant Himatsingka	-	-	-	-	9.59	15.73	-	-	9.59	15.73
<b>Lease Rent Paid</b>										
Bihar Mercantile Union Limited	-	-	-	-	-	-	0.04	0.07	0.04	0.07
A K Himatsingka	-	-	1.69	0.85	-	-	-	-	1.69	0.85
D K Himatsingka	-	-	2.59	1.30	-	-	-	-	2.59	1.30
D K Himatsingka HUF	-	-	-	-	-	-	1.73	0.86	1.73	0.86
Aditya Himatsingka	-	-	1.94	0.97	-	-	-	-	1.94	0.97
Shrikant Himatsingka	-	-	3.20	1.60	-	-	-	-	3.20	1.60
Aniatabh Himatsingka	-	-	1.94	0.97	-	-	-	-	1.94	0.97
Rajshree Himatsingka	-	-	1.73	0.86	-	-	-	-	1.73	0.86

Particulars	Wholly Owned Subsidiaries		Other Subsidiaries		Key Management Personnel/ Relatives		Enterprises owned or significantly influenced by key management personnel / Directors or their relatives		Total	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Ranjana Himatsingka	-	-	-	-	0.72	-	-	-	0.72	-
Supriya Himatsingka	-	-	-	-	0.72	-	-	-	0.72	-
Priyadarshini Himatsingka	-	-	-	-	1.73	-	-	-	1.73	-
Samples purchased	-	-	-	-	-	-	-	-	-	-
Himatsingka Wovens Private Limited	3.18	4.43	-	-	-	-	-	-	3.18	4.43
Professional Fees	-	-	-	-	-	-	-	-	-	-
Khaitan & Co	-	-	-	-	4.38	-	-	2.82	4.38	2.82
Gherzi Eastern Limited	-	-	-	-	-	-	-	13.39	-	13.39
Reimbursement of Expenses received	-	-	-	-	-	-	-	-	-	-
Himatsingka Wovens Private Limited	27.46	5.16	-	-	-	-	-	-	27.46	5.16
Himatsingka America Inc.	393.76	98.62	-	-	-	-	-	-	393.76	98.62
Giuseppe Bellora S.p.A.	-	-	18.73	10.29	-	-	-	-	18.73	10.29
Reimbursement of Expenses incurred by	-	-	-	-	-	-	-	-	-	-
Himatsingka Wovens Private Limited	0.10	-	-	-	-	-	-	-	0.10	-
Divatex Home Fashions, Inc.	-	-	64.22	-	-	-	-	-	64.22	-
Share Application Money Given	-	-	-	-	-	-	-	-	-	-
Giuseppe Bellora S.p.A.	-	-	727.93	567.52	-	-	-	-	727.93	567.52
Inter Corporate Loans given during the year	-	-	-	-	-	-	-	-	-	-
Himatsingka Wovens Private Limited	-	100.00	-	-	-	-	-	-	-	100.00
Himatsingka America Inc.	-	-	676.27	-	-	-	-	-	676.27	-
Inter Corporate Loans recovered during the year	-	-	-	-	-	-	-	-	-	-
Himatsingka Wovens Private Limited	456.00	105.59	-	-	-	-	-	-	456.00	105.59
Himatsingka America Inc.	5,293.78	-	-	-	-	-	-	-	5,293.78	-
Twill & Oxford LLC	-	-	146.65	54.82	-	-	-	-	146.65	54.82
Interest received on Inter Corporate Loan	-	-	-	-	-	-	-	-	-	-
Twill & Oxford LLC	-	-	14.51	25.59	-	-	-	-	14.51	25.59
Himatsingka Wovens Private Limited	276.15	300.85	-	-	-	-	-	-	276.15	300.85
Himatsingka America Inc.	473.52	862.24	-	-	-	-	-	-	473.52	862.24
Giuseppe Bellora S.p.A.	-	-	39.85	-	-	-	-	-	39.85	-
Inter Corporate Loans received during the year	-	-	-	-	-	-	-	-	-	-
Credit Himatsingka Pvt Ltd	-	-	-	-	-	-	1,625.00	2,390.30	1,625.00	2,390.30
Inter Corporate Loans repaid during the year	-	-	-	-	-	-	-	-	-	-
Credit Himatsingka Pvt Ltd	-	-	-	-	-	-	1,625.00	-	1,625.00	-
Interest Payable on Inter Corporate Loan	-	-	-	-	-	-	-	-	-	-
Credit Himatsingka Pvt Ltd	-	-	-	-	-	-	261.89	104.14	261.89	104.14
Investments made during the year	-	-	-	-	-	-	-	-	-	-
Himatsingka America Inc.	5,376.83	-	-	-	-	-	-	-	5,376.83	-
Lease deposit refund received during the year	-	-	-	-	-	-	-	-	-	-
Bihar Mercantile Union Limited	-	-	-	-	-	-	3.60	-	3.60	-
Guarantee given	-	-	-	-	-	-	-	-	-	-
Giuseppe Bellora S.p.A.	-	-	-	1,011.41	-	-	-	-	-	1,011.41
Himatsingka America Inc.	10,989.27	-	-	-	-	-	-	-	10,989.27	-



Particulars	Wholly Owned Subsidiaries		Other Subsidiaries		Key Management Personnel/ Relatives		Enterprises owned or significantly influenced by key management personnel / Directors or their relatives		Total
	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009	
Outstanding as on 31 March 2010									
Amounts Receivable									
Himatsingka America Inc.	717.19	168.69	-	-	-	-	-	-	168.69
Himatsingka Wovens Private Limited	231.40	752.24	-	-	-	-	-	-	752.24
Satin Reed (America) Inc	-	-	-	-	-	-	27.11	-	27.11
Divatex Home Fashions, Inc.	-	-	956.64	1,038.93	-	-	-	-	956.64
Giuseppe Bellora S.p.A.	-	-	2,102.38	1,611.30	-	-	-	-	2,102.38
DWT Holdings, Inc.	70.13	580.88	-	-	-	-	-	-	70.13
Interest receivable on Inter Corporate Loan									
Twill & Oxford LLC	-	-	14.51	25.59	-	-	-	-	14.51
Himatsingka Wovens Private Limited	230.15	232.68	-	-	-	-	-	-	230.15
Himatsingka America Inc.	1,236.65	862.24	-	-	-	-	-	-	1,236.65
Giuseppe Bellora S.p.A.	-	-	39.85	-	-	-	-	-	39.85
Interest Payable on Inter Corporate Loan									
Credit Himatsingka Pvt Ltd	-	-	-	-	-	-	45.58	12.56	45.58
Advances Recoverable									
Himatsingka Wovens Private Limited	35.30	1.59	-	-	-	-	-	-	35.30
Giuseppe Bellora S.p.A.	-	-	26.33	10.29	-	-	-	-	26.33
Himatsingka America Inc.	393.76	-	-	-	-	-	-	-	393.76
Inter coporate Loan receivable									
Himatsingka Wovens Private Limited	3,089.00	3,545.00	-	-	-	-	-	-	3,089.00
Twill & Oxford LLC	-	-	121.90	289.51	-	-	-	-	121.90
Himatsingka America Inc.	4,062.55	10,144.00	-	-	-	-	-	-	4,062.55
Inter coporate Loan payable									
Credit Himatsingka Pvt Ltd	-	-	-	-	-	-	-	-	-
Share Application Money									
Giuseppe Bellora S.p.A.	-	-	2,809.65	2,081.72	-	-	-	-	2,809.65
Lease Rent Deposit									
Bihar Mercantile Union Limited	-	-	-	-	-	-	-	3.60	3.60
Receivable									
A K Himatsingka	-	-	26.70	-	-	-	-	-	26.70
D K Himatsingka	-	-	54.40	-	3.72	-	-	-	54.40
Aditya Himatsingka	-	-	26.03	-	-	-	-	-	26.03
Shrikant Himatsingka	-	-	6.86	-	-	-	-	-	6.86
Amounts Payable									
Himatsingka Wovens Private Limited	132.39	120.12	-	-	-	-	-	-	132.39
Khaitan & Co	-	-	3.19	-	-	-	-	-	3.19
Himatsingka America Inc.	28.61	109.43	-	-	-	-	-	-	28.61
A K Himatsingka	-	-	-	-	0.12	-	-	-	0.12
D K Himatsingka	-	-	-	-	0.18	-	-	-	0.18
D K Himatsingka HUF	-	-	-	-	-	-	0.12	-	0.12
Aditya Himatsingka	-	-	-	-	0.13	-	-	-	0.13

Particulars	Wholly Owned Subsidiaries		Other Subsidiaries		Key Management Personnel/ Relatives		Enterprises owned or significantly influenced by key management personnel / Directors or their relatives		Total	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Shrikant Himatsingka	-	-	-	-	-	0.22	-	-	-	0.22
Amitabh Himatsingka	-	-	-	-	-	0.13	-	-	-	0.13
Rajshree Himatsingka	-	-	-	-	-	0.12	-	-	-	0.12
Ranjana Himatsingka	-	-	-	-	-	0.06	-	-	-	0.06
Supriya Himatsingka	-	-	-	-	-	0.06	-	-	-	0.06
Priyadarshini Himatsingka	-	-	-	-	-	0.12	-	-	-	0.12
<b>Dues towards bills discounted with banks</b>										
Himatsingka America Inc.	-	245.67	-	-	-	-	-	-	-	245.67
Divatex Home Fashions, Inc.	-	-	1,458.18	1,951.51	-	-	-	-	1,458.18	1,951.51

## Notes:

- 1) Related party relationship is as identified by the company on the basis of information available with them and accepted by the auditors.
- 2) No amount is/has been written back during the year in respect of debts due/from/to a related party.

## Names of the Related Parties:

## Wholly Owned Subsidiaries

Himatsingka Wovens Private Limited  
Himatsingka America Inc.  
DWI Holdings, Inc.

## Other Subsidiaries:

Giuseppe Bellora S.p.A.  
Giuseppe Bellora America Inc.  
GBT S1

Twill & Oxford LLC

Himatsingka Singapore Pte  
Divatex Home Fashions, Inc.

## Key Management Personnel

Whole time directors  
A.K.Himatsingka (Vice-chairman)  
D.K.Himatsingka (Managing Director)  
Aditya Himatsingka (Executive Director)  
Shrikant Himatsingka (Executive Director)

## Relatives of Key Management Personnel

Amitabh Himatsingka  
Rajshree Himatsingka  
Ranjana Himatsingka  
Supriya Himatsingka  
Priyadarshini Himatsingka  
Akanksha Himatsingka

Enterprises owned or significantly influenced  
by key management personnel/Directors  
or their relatives

Bihar Mercantile Union Limited  
Satin Reed (America) Inc  
Gherzi Eastern Limited (Upto 25 Jan 09)  
Khatian & Co  
D.K.Himatsingka HUF  
Credit Himatsingka Pvt Ltd

**Schedule 18****NOTES ON ACCOUNTS**

	31.03.2010 Rs. in lakhs	31.03.2009 Rs. in lakhs
19.(a) Computation of net profit in accordance with section 349 of the Companies Act, 1956 and commission payable to directors		
Profit/(Loss) before taxation	810.97	(3,329.56)
<b>Add:</b>		
Managerial remuneration	44.87	99.18
Loss on sale of investments/ assets	-	30.77
Diminution in value of investments	(1.95)	(22.14)
	853.89	(3,221.75)
<b>Less:</b>		
Profit on sale of assets/ investments	130.92	48.21
Net profit	<b>722.97</b>	<b>(3,269.96)</b>
<b>Remuneration to Whole Time Directors:</b>		
Eligible under Section 309	72.30	
Eligible under Schedule XIII of Companies Act (including PF @ 12% of Basic)		107.09
Restricted to	39.07	96.73
<b>Remuneration to Non Whole Time Directors:</b>		
Eligible under section 309	7.23	
Restricted to commission payable	3.50	
<b>(b) Managerial remuneration</b>		
<b>(i) to Whole Time Directors*</b>		
Salary and allowances	18.00	85.64
Commission	-	-
Perquisites	7.51	-
Contribution to provident fund	10.56	8.09
Contribution to superannuation fund	3.00	3.00
	<b>39.07</b>	<b>96.73</b>
<b>(ii) to Non Whole Time Directors</b>		
Sitting fees	2.30	2.45
Commission	3.50	-
	<b>44.87</b>	<b>99.18</b>
*Exclusive of provision for future liabilities in respect of Gratuity (which is based on actuarial valuation done on overall company basis).		

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

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

**Schedule 18****NOTES ON ACCOUNTS**

## 22. Notes relating to cash flow statement

1. The cash flow statement has been prepared under the "Indirect Method" as set out in the Companies (Accounting Standards) Rules, 2006.
2. Cash and cash equivalents include balances with scheduled banks on dividend account Rs. 51.10 lakhs (Previous year Rs. 55.13 lakhs) which are not available for use by the company.
3. Cash and cash equivalents include restricted cash of Rs. 2.50 lakhs (Previous year Rs.2.50 lakhs) being security deposit with bank against ECGC premium.
4. Interest paid is inclusive of and purchase of Fixed Assets excludes, interest capitalised Rs.277.19 lakhs (Previous year Rs.181.27 lakhs).

## 23. Details of Forward covers, Options and Derivative transactions:

- 1) a. The following are the outstanding Forward Exchange Contracts entered into by the company as on 31st March, 2010:

**Current year****Export of goods**

Currency	Amount	Buy/Sell	Rs. In lakhs equivalent
USD * INR	40,828,639	Sell	19,062.30
EURO * INR	3,000,000	Sell	2,055.61
GBP * INR	2,080,000	Sell	1,586.42

**Import of goods**

Currency	Amount	Buy/Sell	Rs. In lakhs equivalent
USD * INR	11,099,908	Buy	5,093.10

**Previous year****Export of goods**

Currency	Amount	Buy/Sell	Rs. In lakhs equivalent
USD * INR	31,800,000	Sell	15,539.29
EURO * INR	3,750,000	Sell	2,535.40

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

**- Current year**

- a) To sell USD 2.50 lakhs every month If USD \* INR spot at every monthly expiry < 44.10, else to sell USD 5 lakhs @ 44.10 till July 2012

Currency option	CHF put	INR call	Equivalent USD
No. of contracts	1	1	
Notional principal	14,759,723	500,000,000	12,385,435

- b) To sell USD 1.30 lakhs in April 2010

Currency option	USD Put	INR Call
No. of contracts		1
Notional principal	130,000	6,012,500

**- Previous Year**

- a) To sell USD 1 million every month If USD \* INR spot at every monthly expiry < 44.50, else to sell USD 2 Million @ 44.50 till August '09 ( except July 09)

Currency option	USD Put	CHF Call	Equivalent INR
No. of contracts	1	1	
Notional principal	37,128,713	44,379,950	1,500,000,000

**Schedule 18****NOTES ON ACCOUNTS**

- b) To sell USD 2.50 lakhs every month If USD \* INR spot at every monthly expiry < 44.10, else to sell USD 5 lakhs @ 44.10 till July 2012.

Currency Option	CHF put	INR call	Equivalent USD
No. of contracts:	1	1	
Notional principal	14,759,723	500,000,000	12,385,435

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

- a. Amounts receivable in foreign currency on account of the following:

Particulars	Foreign currency	31.03.2010		31.03.2009	
		Amount	INR equivalent in lakhs	Amount	INR equivalent in lakhs
Inter corporate loan	AED	1,000,000	121.90	2,100,000	289.51
	EURO	1,000,000	605.30	-	-
	USD	9,050,000	4,062.55	20,000,000	10,144.00
Interest receivable on Inter corporate loan	AED	119,036	14.51	185,622	25.59
	EURO	65,834	39.85	-	-
	USD	2,754,850	1,236.65	1,700,000	862.24
Receivables	EURO	1,100,653	666.23	-	-
	GBP	-	-	299,257	216.81
	CHF	5,091	2.16	-	-
Bank balance	USD	33,592	15.14	24,921	11.89
	EURO	100	0.07	100	0.07

- b. Amounts payable in foreign currency on account of the following:

Particulars	Foreign Currency	31.03.2010		31.03.2009	
		Amount	INR Equivalent	Amount	INR Equivalent
Import of goods and services	USD	-	-	660,581	335.05
	EURO	31,659	19.16	40,835	27.53
	PND	22,821	15.52	32,170	23.31
Import of Capital goods	USD	145,130	65.15	-	-

- 3) Derivative contracts

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

- i) During the year the Company accounted for a mark to market gain of Rs.853.18 lakhs as an exceptional item in the profit and loss account, on settlement of a foreign exchange derivative contract.
- ii) The only existing foreign exchange derivative contract has a duration of 60 months, to sell US Dollars on a monthly basis at fixed rate subject to certain conditions. The contract also obligates the Company to pay a notional amount of Swiss Franc and receive notional amount of Rupees based on the Swiss Franc to US Dollar exchange rates during a specified monitoring period in the year 2012. There is significant uncertainty regarding the exchange rates that may be prevalent at that time and consequently the liability, if any, under the contract. Due to this uncertainty, as in the previous year, no provision has been made in the financial statements as at 31 March 2010.

The marked to market valuation, as indicated by the bank, is a loss of Rs 1136.68 lakhs (previous year Rs.2188.45 lakhs) as on March 31, 2010.

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**Schedule 18****NOTES ON ACCOUNTS**

## 24. A) Defined benefit obligations:

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

Change in the benefit obligation	31.03.2010 Rs. in lakhs	31.03.2009 Rs. in lakhs
Projected Benefit Obligation (PBO) at the beginning of the year	511.10	559.55
Service cost	60.70	75.95
Interest cost	37.57	48.64
Benefits paid	(22.84)	(27.10)
Actuarial loss/(gain)	31.41	(145.94)
PBO at the end of the year	617.94	511.10
<b>Change in plan assets</b>		
Fair value of plan assets at the beginning of the year	469.41	479.90
Expected return on plan assets	34.37	34.97
Employer contributions	16.00	-
Benefits paid	(22.84)	(27.10)
Actuarial gain/(loss)	54.85	(18.36)
Fair value of plan assets at the end of the year	551.79	469.41
Present value of unfunded obligation	66.15	41.69
Recognised liability	66.15	41.69
<b>Net gratuity cost for the year ended is as follows:</b>		
Service cost	60.70	75.95
Interest cost	37.57	48.64
Expected return on plan assets	(34.37)	(34.97)
Actuarial loss/(gain)	(23.44)	(127.58)
<b>Net gratuity cost</b>	<b>40.46</b>	<b>(37.96)</b>

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**Schedule 18****NOTES ON ACCOUNTS****Financial Assumptions at the valuation date:**

	31-03-2010	31-03-2009
a) Discount Rate ( p.a.)	7.40%	7.00%
b) Expected Rate of Return on Assets ( p.a.)	7.50%	7.50%
c) Salary Escalation Rate	6.00%	6.00%
d) Retirement Age	58yrs	58yrs
e) Mortality : Published rates under the LIC (1994-96) mortality tables has been used.		
f) Rates of leaving service are as shown below:		

	Withdrawal Rates p.a. (%)	
Category	31.03.2010	31.03.2009
Seide Staff	10.00%	10.00%
Seide Workmen	2.00%	2.00%
Linens Staff	13.00%	13.00%
Linens Workmen	25.00%	25.00%

**Note:**

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

B) Defined Contribution obligation	31-03-2010	31-03-2009
	Rs. in lakhs	Rs. in lakhs
i) Provident Fund	284.18	270.79
ii) Superannuation Fund	28.53	31.99

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

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

26. The disclosure of Segmental information has not been made since the same is reported in the Consolidated financial statements.
27. Previous year figures have been regrouped/recast, wherever necessary.

# Significant Accounting Policies

Himatsingka Seide Limited

## Schedule 19

### SIGNIFICANT ACCOUNTING POLICIES

#### 1. System of accounting

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

#### 2. Use of estimates

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

#### 3. Fixed assets

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

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

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

#### 4. Depreciation

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

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

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

4.3 Leasehold land is amortised over the period of lease.

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

EDP & Electronic Office Equipments	-	25%
Other Office Equipments	-	15%
Furniture and Fixtures	-	10%
Vehicles	-	15%

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

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

#### 5. Impairment of assets

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

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



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**Schedule 19**  
**SIGNIFICANT ACCOUNTING POLICIES**

**6. Investments**

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

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

**7. Inventories**

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

**8. Government grants**

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

**9. Revenue recognition**

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

Excise duty on turnover is reduced from turnover.

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

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

**10. Employee benefits**

**a. Post-employment benefit plans :**

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

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

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

**b. Short term employee benefits :**

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

**11. Derivative Contracts**

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

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

**12. Foreign currency**

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

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

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

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**Schedule 19**  
**SIGNIFICANT ACCOUNTING POLICIES**

**13. Earnings per share**

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

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

**14. Income tax**

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

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

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

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

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

**15. Provisions and contingencies**

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

# Balance Sheet Abstract and Company's General Business Profile

## Himatsingka Seide Limited

### 1 Registration Details

Registration No.	6647
State Code	08
Balance Sheet Date	31.03.2010

### 2 Capital raised during the year (Rs Thousands)

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

### 3 Position of Mobilisation and Deployment of Funds (Rs Thousands)

Total Liabilities	10,845,821		Total Assets	10,845,821
Sources of Funds			Application of Funds	
Paid up Capital	492,286		Net Fixed Assets	5,236,830
Reserves & Surplus	5,172,703		Investments	2,770,809
Secured Loans	4,941,802		Net Current Assets	2,838,182
Unsecured Loans	239,030			
Deferred Tax	-		Misc. Expenditure	-

### 4 Performance of Company (Rs Thousands)

Turnover (Including other income)	4,759,281
Total Expenditure	4,678,184
Profit/(Loss) Before Tax	81,097
Profit/(Loss) After Tax	82,054
Earnings Per Share (Rs.)	0.83
Dividend Rate (%)	5

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

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

#### Disclosure under clause 32 of the listing agreement:

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

#### A) Loans and advances in the nature of loans

Name of the Company	Rate of Interest p.a.	As at 31.03.2010	(Rs Thousands) Maximum Balance During the year
Himatsingka Wovens Private Limited	8.50%	308,900	354,500
Twill & Oxford LLC	8.00%	12,190	28,951
Himatsingka America Inc	8.50%	406,255	1,014,400

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

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

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

Dilip J. Thakkar  
Chairman

A.K.Himatsingka  
Vice-Chairman

D. K. Himatsingka  
Managing Director

Pradeep K.P.  
Chief Financial Officer

Amit Jain  
Company Secretary

Bangalore,  
Date : May 30, 2010

## Statement Regarding Subsidiary Companies

<b>Himatsingka Seide Limited</b>	As of March 31, 2010
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Name of the Subsidiary	Himatsingka Wovens Private Limited	Twill & Oxford LLC	Himatsingka Singapore Pte Ltd.	DWI Holdings Inc.	Himatsingka America Inc.	Divatex Home Fashions Inc.	Giuseppe Bellora SpA
1 Capital (Including preference capital)	1,250.00	37.35	288.74	0.00005	17,058.20	0.22	6,498.76
2 Reserves	498.37	(322.25)	(916.29)	6,827.07	(2,942.83)	7,450.70	(9,934.03)
3 Total Assets	6,766.53	(163.00)	(94.58)	7,015.47	36,156.36	7,450.92	4,000.77
4 Total Liabilities (excluding Capital and Reserves)	5,018.16	121.90	532.97	188.40	22,040.99	-	7,436.04
5 Investments (Other than in subsidiaries)	-	-	-	-	-	-	316.80
6 Turnover	3,982.98	1,132.61	367.34	23,709.93	1,686.74	56,041.86	12,822.38
7 Profit/(Loss) Before Tax	253.72	110.58	(262.39)	162.28	(1,023.33)	1,540.37	(972.22)
8 Provision for Taxation	92.15	-	-	3.67	1.38	1.38	-
9 Profit/(Loss) After Tax	161.57	110.58	(262.39)	158.61	(1,024.71)	1,538.99	(972.22)
10 Proposed Dividend	-	-	-	-	-	-	-
11 Exchange Rate	-	Rs. 12.19/ AED	Rs.32.01/ Singapore dollar	Rs. 44.89/ USD	Rs. 44.89/ USD	Rs. 44.89/ USD	Rs. 60.53/ Euro

Note: GBT S.r.l. (a subsidiary of Giuseppe Bellora S.p.A) is under liquidation and hence is not considered in the preparation of the above statement.

# Auditors' Report on Consolidated Financial Statements

Himatsingka Seide Limited

TO THE BOARD OF DIRECTORS OF HIMATSINGKA SEIDE LIMITED

1. We have audited the attached Consolidated Balance Sheet of **HIMATSINGKA SEIDE LIMITED** ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at March 31, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets (net) of Rs.2,189,991,989/- as at March 31, 2010, total revenues of Rs. 9,576,085,094/- and net cash outflows amounting to Rs. 98,649,372/- for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements have been audited by other auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of the other auditors.
4. We draw attention to Note 11 (3) (ii) of Schedule 18 to the accounts. As explained, the liability, if any, that may arise under the referenced contract with a Bank is dependent on the exchange rate between two currencies during a specified period in the future. Because of this significant uncertainty the Company has not provided for any liability that may arise of this contract in the financial statements.
5. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements) as notified under the Companies (Accounting Standards) Rules, 2006.
6. Based on our audit and on consideration of the separate audit reports on individual financial statements and on other financial information of the components of the Company and its aforesaid subsidiaries and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2010;
  - ii) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date and
  - iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For Deloitte Haskins & Sells  
Chartered Accountants  
Registration No. 008072S

V. Srikumar  
Partner  
Membership No.84494

Place : Bangalore  
Date : May 30, 2010

# Consolidated Balance Sheet

**Himatsingka Seide Limited** As at March 31, 2010

	Schedule	As at 31.03.2010 Rs. in lakhs	As at 31.03.2009 Rs. in lakhs
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	4,922.86	4,922.86
Monies received against share warrants and share application		-	620.88
Reserves and surplus	2	49,227.36	49,894.32
		<b>54,150.22</b>	<b>55,438.06</b>
<b>Loan funds</b>			
Secured loans	3	76,678.95	52,560.89
Unsecured loans	4	2,531.07	12,750.07
		<b>79,210.02</b>	<b>65,310.96</b>
Deferred tax liability (net)		130.34	86.19
Minority interest		504.92	729.40
<b>TOTAL</b>		<b>133,995.50</b>	<b>121,564.61</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	5	89,313.90	83,350.99
Less: Accumulated depreciation		32,342.33	28,184.47
Net block		56,971.57	55,166.52
Capital work in progress (including capital advances)		2,863.44	5,622.91
		<b>59,835.01</b>	<b>60,789.43</b>
Goodwill (on consolidation)		38,189.16	42,981.25
<b>Investments</b>	6	776.23	3,264.57
<b>Current assets, Loans and advances</b>			
Inventories	7	39,170.87	34,727.65
Sundry debtors	8	10,921.39	10,505.00
Cash and bank balances	9	1,784.79	2,229.62
Loans and advances	10	9,822.09	8,215.51
		<b>61,699.14</b>	<b>55,677.78</b>
<b>Less: Current liabilities and provisions</b>	11		
Current liabilities		22,712.47	31,476.53
Provisions		3,791.57	9,671.89
		<b>26,504.04</b>	<b>41,148.42</b>
<b>Net current assets</b>		<b>35,195.10</b>	<b>14,529.36</b>
<b>TOTAL</b>		<b>133,995.50</b>	<b>121,564.61</b>
Notes forming part of accounts	18		
Significant accounting policies	19		

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

In terms of our report attached

for and on behalf of the Board of Directors

for Deloitte Haskins & Sells  
Chartered Accountants

Dilip J. Thakkar  
Chairman

A. K. Himatsingka  
Vice-Chairman

D.K.Himatsingka  
Managing Director

V.Srikumar  
Partner

Pradeep K. P.  
Chief Financial Officer

Amit Jain  
Company Secretary

Place : Bangalore  
Date : May 30, 2010

Place : Bangalore  
Date : May 30, 2010

<b>Consolidated Profit and Loss Account</b>	
<b>Himatsingka Seide Limited</b>	For the year ended March 31, 2010

	Schedule	For the year ended 31.03.2010 Rs. in lakhs	For the year ended 31.03.2010 Rs. in lakhs
<b>INCOME</b>			
Sales (Gross)		105,898.26	101,951.92
Less: Excise duty		26.81	23.46
Net sales		105,871.45	101,928.46
Other income	12	2,458.94	2,031.27
<b>TOTAL</b>		<b>108,330.39</b>	<b>103,959.73</b>
<b>EXPENDITURE</b>			
Materials consumed	13A	30,542.16	23,925.78
Purchase of traded goods	13B	32,055.57	36,803.72
(Increase) in work in process and finished goods	13C	(540.47)	(3,087.91)
Manufacturing expenses	14	7,033.48	7,656.42
Personnel expenses	15	15,063.73	15,577.83
Administration, selling and other expenses	16	15,018.68	17,061.32
<b>TOTAL</b>		<b>99,173.15</b>	<b>97,937.16</b>
<b>Profit before interest, depreciation, exceptional item and tax</b>		<b>9,157.24</b>	<b>6,022.57</b>
Interest	17	4,296.54	3,853.39
Depreciation and amortisation	5	5,470.70	5,997.15
Exceptional item (Refer Note 11 (3) of Schedule 18)		(853.18)	4,255.81
<b>Profit/(loss) before pre-operative expenses capitalised and tax</b>		<b>243.18</b>	<b>(8,083.78)</b>
Less: Pre-operative expenses (net of income) capitalised (Refer note 7 of Schedule 18)		(817.77)	(295.62)
<b>Profit/(loss) before tax</b>		<b>1,060.95</b>	<b>(7,788.16)</b>
Provision for taxation			
- Current tax		424.14	235.61
- Deferred tax		44.15	(86.97)
- Fringe Benefit Tax		-	76.00
- Minimum alternate tax credit availed		(369.72)	(46.50)
- Reversal of provision of earlier years		(9.57)	(102.76)
<b>Profit/(loss) after tax before share of minority interest</b>		<b>971.95</b>	<b>(7,863.54)</b>
Less: Share of profit of minority interest (net)		(207.27)	(421.72)
<b>Profit/(loss) after minority interest</b>		<b>1,179.22</b>	<b>(7,441.82)</b>
Balance brought forward		1,471.10	8,912.92
<b>Profit available for appropriation</b>		<b>2,650.32</b>	<b>1,471.10</b>
Appropriation:			
Proposed Dividend		246.14	-
Tax on distributed profits		40.88	-
<b>Balance carried to Balance sheet</b>		<b>2,363.30</b>	<b>1,471.10</b>
Weighted average number of equity shares		98,457,160	98,457,160
Basic and diluted earnings per equity share (Rs.) (Face value of Rs.5 per share)		1.20	(7.56)
Notes forming part of accounts	18		
Significant accounting policies	19		

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

In terms of our report attached

for and on behalf of the Board of Directors

for Deloitte Haskins & Sells  
Chartered Accountants

Dilip J. Thakkar  
Chairman

A. K. Himatsingka  
Vice-Chairman

D.K.Himatsingka  
Managing Director

V.Srikumar  
Partner

Pradeep K. P.  
Chief Financial Officer

Amit Jain  
Company Secretary

Place : Bangalore  
Date : May 30, 2010

Place : Bangalore  
Date : May 30, 2010

# Consolidated Statement of Cash Flows

**Himatsingka Seide Limited** For the year ended March 31, 2010

	Sch No	For the year ended 31.03.2010 Rs. in lakhs	For the year ended 31.03.2009 Rs. in lakhs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Profit before tax		1,060.95	(7,788.16)
(Profit)/loss on sale of assets		(230.97)	(390.02)
(Profit)/loss on sale of investments		(83.32)	30.77
Depreciation and amortisation [Net of depreciation capitalised Rs.nil (Previous year: Rs. 960,689)]		5,470.70	5,987.54
Exchange loss/(gain)		(111.54)	1,058.78
Diminution in value of investments		(1.95)	4.95
Provision for foreign exchange derivative contract		-	3,332.65
Interest income		(65.91)	(190.84)
Dividend income		(0.06)	(21.17)
Interest expense [Net of interest capitalised Rs. 27,719,263 (Previous year: Rs.18,127,099)]		4,023.20	3,672.12
<b>Operating profit before working capital changes</b>		<b>10,061.10</b>	<b>5,696.62</b>
(Increase) in sundry debtors		(1,801.59)	(7,751.09)
(Increase) in inventories		(6,179.90)	(2,361.54)
Decrease / (increase) in loans and advances		272.73	(63.48)
Increase in current liabilities and provisions		(13,374.29)	14,659.66
<b>Cash generated from operations</b>		<b>(11,021.95)</b>	<b>10,180.17</b>
Income tax (paid)/refund received (including fringe benefit tax) net		(336.18)	132.89
<b>Net cash from operations</b>		<b>(11,358.13)</b>	<b>10,313.06</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Purchase of investments		(5,020.87)	(5,749.68)
Sale of investments		7,558.39	4,609.14
Purchase of fixed assets		(4,652.14)	(7,256.14)
Sale proceeds of fixed assets		724.00	605.20
Interest received		140.34	189.39
Dividend received		0.06	21.17
<b>Net cash from investing activities</b>		<b>(1,250.22)</b>	<b>(7,580.92)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Share application money received from minority in subsidiaries		-	141.74
Interest paid		(5,842.40)	(5,389.54)
Subsidy/subvention received		1,534.39	2,201.23
Proceeds of long term borrowings		11,893.69	4,184.68
Repayment of long term borrowings		(3,264.97)	(2,594.30)
Proceeds / (repayments) of short term borrowings (net)		8,076.25	998.46
Dividend paid		(4.03)	(7.29)
<b>Net cash from financing activities</b>		<b>12,392.93</b>	<b>(465.02)</b>
Total increase/(decrease) in cash and cash equivalents		(215.42)	2,267.12
Effect of exchange rates changes		(229.41)	(1,571.79)
Cash and cash equivalents at the beginning of the period		2,229.62	1,534.29
<b>Cash and cash equivalents at the end of the period</b>		<b>1,784.79</b>	<b>2,229.62</b>
Notes forming part of accounts	18	-	-
Significant accounting policies	19	-	-

In terms of our report attached

for and on behalf of the Board of Directors

for Deloitte Haskins & Sells  
Chartered Accountants

Dilip J. Thakkar  
Chairman

A. K. Himatsingka  
Vice-Chairman

D.K.Himatsingka  
Managing Director

V.Srikumar  
Partner

Pradeep K. P.  
Chief Financial Officer

Amit Jain  
Company Secretary

Place : Bangalore  
Date : May 30, 2010

Place : Bangalore  
Date : May 30, 2010



# Schedules To Consolidated Balance Sheet

**Himatsingka Seide Limited** As at March 31, 2010

	As at 31.03.2010 Rs. in lakhs	As at 31.03.2009 Rs. in lakhs
<b>Schedule 1</b>		
<b>SHARE CAPITAL</b>		
Authorised :		
104,000,000 equity shares of Rs. 5 each (Previous year: 104,000,000 equity shares of Rs.5 each)	5,200.00	5,200.00
Issued:		
98,496,160 equity shares of Rs. 5 each fully called up (Previous year: 98,496,160 equity shares of Rs. 5 each)	4,924.81	4,924.81
Subscribed and paid up:		
98,457,160 equity shares of Rs. 5 each fully paid up (Previous year: 98,457,160 equity shares of Rs.5 each) (Out of the above 63,723,800 shares of Rs.5 each have been issued as Bonus shares by capitalisation of Reserves)	4,922.86	4,922.86
	<b>4,922.86</b>	<b>4,922.86</b>
<b>Schedule 2</b>		
<b>RESERVES AND SURPLUS</b>		
Capital reserve on consolidation	66.74	66.74
Capital reserve	620.88	-
Share premium account As per last balance sheet	27,675.71	27,675.71
General reserve As per last balance sheet	16,737.32	16,737.32
Legal reserve As per last balance sheet	7.20	6.78
Add:		
- Movement in foreign exchange	(0.74)	0.42
	6.46	7.20
Foreign currency translation reserve (on consolidation) As per last balance sheet	3,936.25	625.49
Add:		
- Movement during the period	(2,179.30)	3,310.76
	1,756.95	3,936.25
Profit and loss account	2,363.30	1,471.10
	<b>49,227.36</b>	<b>49,894.32</b>
<b>Schedule 3</b>		
<b>SECURED LOANS</b>		
Loans		
a. From financial institutions	14,739.42	15,893.49
b. From banks	61,939.53	36,568.63
(Loans are secured against certain moveable and immovable assets of the parent company or concerned subsidiary)		
Interest accrued and due	-	98.77
	<b>76,678.95</b>	<b>52,560.89</b>
<b>Schedule 4</b>		
<b>UNSECURED LOANS</b>		
Loans		
a. From banks	139.11	10,144.00
b. From others	2,391.96	2,606.07
	<b>2,531.07</b>	<b>12,750.07</b>

**Schedule 5  
FIXED ASSETS**

(Rs. in lakhs)

Particulars	Gross block				Depreciation				Net block			
	As at 01/04/2009	Additions	(Deletions)	Other Adjustments	As at 31/03/2010	Up to 31/03/2009	For the year	On deletions	On other adjustments	Up to 31/03/2010	As at 31/03/2010	As at 31/03/2009
<b>Tangible assets</b>												
Land (Note 1)	1,068.36	-	-	(5.21)	1,063.15	-	-	-	-	-	1,063.15	1,068.36
Leasehold land	1,250.66	34.80	-	(0.69)	1,284.77	50.27	(5.35)	-	(9.61)	35.31	1,249.46	1,200.39
Buildings	18,654.79	1,849.08	(279.42)	(487.94)	19,736.51	3,093.45	582.69	(2.63)	(179.48)	3,494.03	16,242.48	15,561.34
Leasehold buildings	556.95	-	-	(64.02)	492.93	556.71	0.17	-	(64.00)	492.88	0.05	0.24
Plant and machinery	53,282.71	5,754.23	(23.63)	(156.52)	58,856.79	19,051.00	3,991.01	(22.77)	(137.27)	22,881.97	35,974.82	34,231.71
Furniture and fixtures	2,017.23	39.15	(194.80)	(129.82)	1,731.76	896.41	159.92	(183.14)	(104.00)	769.19	962.57	1,120.82
Leasehold improvements	1,691.40	191.38	(130.20)	(82.38)	1,670.20	1,173.13	265.50	(130.20)	(58.43)	1,250.00	420.20	518.27
Office equipments	4,029.21	130.65	(99.71)	(330.12)	3,730.03	2,987.12	384.10	(98.04)	(276.75)	2,996.43	733.60	1,042.09
Vehicles	285.12	34.99	(17.97)	(13.89)	288.25	141.04	35.82	(14.46)	(11.93)	150.47	137.78	144.08
<b>Intangible assets</b>												
Goodwill and other intangibles	514.56	-	(2.42)	(62.63)	459.51	235.34	56.84	-	(20.13)	272.05	187.46	279.22
<b>Total</b>	<b>83,350.99</b>	<b>8,034.28</b>	<b>(748.15)</b>	<b>(1,323.22)</b>	<b>89,313.90</b>	<b>28,184.47</b>	<b>5,470.70</b>	<b>(451.24)</b>	<b>(861.60)</b>	<b>32,342.33</b>	<b>56,971.57</b>	<b>55,166.52</b>
<b>Capital work in progress including capital advances</b>												
<b>Previous Year</b>	<b>77,450.86</b>	<b>7,211.65</b>	<b>(2,890.31)</b>	<b>1,578.79</b>	<b>83,350.99</b>	<b>23,839.84</b>	<b>5,997.15</b>	<b>(2,675.12)</b>	<b>1,022.60</b>	<b>28,184.47</b>	<b>55,166.52</b>	<b>53,611.02</b>

**Note:**

1. Land includes Rs. 17.91 lakhs (Previous year Rs. 17.91 lakhs) being the share in land jointly owned with others
2. Fixed assets include Rs. 1005.28 lakhs (Previous year Rs. 1388.04 lakhs) representing the net realisable value of the fixed assets held for disposal.
3. Other adjustments include exchange fluctuation arising on account of conversion of fixed assets from foreign currency to reporting currency.

**Schedule 6**  
**INVESTMENTS**

Long term investments

Trade, unquoted

Milano Confezioni S.r.l.

BP Venture S.r.l.

Industria e Universita S.r.l.

Consorzio Tutela Lino

Less: Provision for diminution in value of investments

Current investments -

Non-trade, quoted

Investments in units of US-64 Bonds

Less: Diminution in value of investments

Total quoted (Market value: Rs. Nil, Previous year : Rs. 50.55 Lakhs)

Non-trade, Unquoted

Investments in units of mutual funds

Total unquoted

Total Short term investments

**Total**

**Schedule 7**

**INVENTORIES**

Raw materials

Stores and spares

Work in process

Finished goods

**Schedule 8**

**SUNDRY DEBTORS**

Unsecured considered good

Unsecured considered doubtful

Less: Provision for doubtful debts

**Schedule 9**

**CASH AND BANK BALANCES**

Cash and stamps on hand

Cheques in hand

Cash in transit

With banks

in current account

in deposit account [includes security against ECGC premium

Rs.2.5 lakhs (Previous year: Rs.2.5 lakhs)

	As at 31.03.2010 Rs. in lakhs	As at 31.03.2009 Rs. in lakhs
	873.51	972.16
	556.71	620.14
A	<u>316.80</u>	<u>352.02</u>
	-	52.50
	-	1.95
	-	50.55
	459.43	2,862.00
	459.43	2,862.00
	459.43	2,912.55
B	<u>459.43</u>	<u>2,912.55</u>
A+B	<b><u>776.23</u></b>	<b><u>3,264.57</u></b>
	6,743.04	3,888.54
	2,020.55	972.30
	11,409.30	8,542.85
	18,997.98	21,323.96
	<b><u>39,170.87</u></b>	<b><u>34,727.65</u></b>
	10,921.39	10,505.00
	216.56	260.35
	11,137.95	10,765.35
	216.56	260.35
	<b><u>10,921.39</u></b>	<b><u>10,505.00</u></b>
	53.91	27.11
	7.16	7.00
	-	40.50
	-	-
	1,695.43	2,126.73
	28.29	28.28
	<b><u>1,784.79</u></b>	<b><u>2,229.62</u></b>

	As at 31.03.2010 Rs. in lakhs	As at 31.03.2009 Rs. in lakhs
<b>Schedule 10</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured considered good)		
Advance taxes (Inclusive of Minimum Alternate Tax credit entitlement)	3,495.09	3,036.72
Advances recoverable in cash or in kind or for value to be received	5,160.22	4,121.32
Deposits	1,166.78	1,057.47
	<b>9,822.09</b>	<b>8,215.51</b>
<b>Schedule 11</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current liabilities:</b>		
Sundry creditors	20,646.34	29,181.60
Advances received	328.83	131.54
Interest accrued but not due on loans	363.04	438.01
Other liabilities	1,323.16	1,670.25
Unpaid dividend	51.10	55.13
A	<b>22,712.47</b>	<b>31,476.53</b>
<b>Provisions:</b>		
Gratuity	958.60	1,034.93
Dividend	246.14	-
Tax on distributed profits	40.88	-
Compensated absences	442.20	624.36
Provision for loss on derivatives	-	6,109.63
Other provisions	40.99	41.45
Tax (including fringe benefit tax)	2,062.76	1,861.52
B	<b>3,791.57</b>	<b>9,671.89</b>
TOTAL (A + B)	<b>26,504.04</b>	<b>41,148.42</b>

## Schedules to Consolidated Profit and Loss Account

**Himatsingka Seide Limited** For the year ended March 31, 2010

	For the year ended 31.03.2010 Rs. in lakhs	For the year ended 31.03.2009 Rs. in lakhs
<b>Schedule 12</b>		
<b>OTHER INCOME</b>		
Interest	65.91	190.84
Dividend	0.06	21.17
Profit on sale of assets (net)	230.97	390.02
Profit on sale of investments (net)	83.32	-
Miscellaneous income	1,280.33	667.74
Commission income	615.09	759.95
Income from services	93.52	1.55
Exchange fluctuation gain (net)	89.74	-
	<b>2,458.94</b>	<b>2,031.27</b>
<b>Schedule 13</b>		
<b>MATERIALS CONSUMED</b>		
<b>Raw materials</b>		
Opening stock	3,888.54	4,717.36
Add: Purchases	30,873.08	20,746.81
Total	34,761.62	25,464.17
Less: Closing stock	6,743.04	3,888.54
Raw materials consumed	28,018.58	21,575.63
Dyes and chemicals consumed	2,523.58	2,350.15
13A	<b>30,542.16</b>	<b>23,925.78</b>
Purchase of traded goods	13B <b>32,055.57</b>	<b>36,803.72</b>
<b>(Increase)/ decrease in Work in Progress and Finished Goods</b>		
Opening stock		
Work in process	8,542.85	6,108.34
Finished goods	21,323.96	20,670.56
	29,866.81	26,778.90
Closing Stock		
Work in process	11,409.30	8,542.85
Finished goods	18,997.98	21,323.96
	30,407.28	29,866.81
13C	<b>(540.47)</b>	<b>(3,087.91)</b>
<b>Schedule 14</b>		
<b>MANUFACTURING EXPENSES</b>		
Power and fuel	3,488.85	3,878.69
Stores and spares consumed	574.13	667.15
Repairs and maintenance - Building	79.61	143.52
Repairs and maintenance - Machinery	260.15	250.15
Other manufacturing expenses	2,630.74	2,716.91
	<b>7,033.48</b>	<b>7,656.42</b>

**Schedule 15**  
PERSONNEL EXPENSES

	For the year ended 31.03.2010 Rs. in lakhs	For the year ended 31.03.2009 Rs. in lakhs
Wages, salaries and other allowances	13,171.14	13,739.22
Contribution to provident and other funds	1,115.38	1,033.74
Workmen and staff welfare expenses	777.21	804.87
	<b>15,063.73</b>	<b>15,577.83</b>

**Schedule 16**  
ADMINISTRATION, SELLING AND OTHER EXPENSES

Rent	2,576.77	2,798.04
Travelling and conveyance	1,222.31	1,159.24
Communication expenses	339.16	366.78
Printing and stationery	115.29	107.72
Insurance	380.74	413.68
Rates and taxes	556.96	580.48
Professional and other service charges	2,269.36	2,158.42
Bank charges	1,065.18	667.62
Contribution and donation	11.52	29.35
Freight outward	1,241.76	1,124.79
Commission on sales	1,000.00	1,389.40
Other selling expenses	791.67	981.13
Repairs and maintenance - Buildings and others	235.57	248.74
Loss on sale of investments	-	30.77
Exchange fluctuation loss (net)	-	1,758.33
Power and fuel	227.84	250.43
Advertisement and publicity	798.93	951.73
Other expenses	527.12	545.63
Royalty	1,574.90	1,363.84
Diminution in value of investments - Current investments	23.34	4.95
Provision for doubtful debts	60.26	130.25
	<b>15,018.68</b>	<b>17,061.32</b>

**Schedule 17**  
INTEREST

Fixed loans [net of subsidy under TUFS Rs.1723.96 lakhs (Previous year Rs.1598.49 lakhs)]	962.68	1,103.09
Others [net of interest subvention Rs. 62.23 lakhs (Previous year Rs.20.10 lakhs)]	3,333.86	2,750.30
	<b>4,296.54</b>	<b>3,853.39</b>

<b>Schedules To Consolidated Financial Statements</b>
<b>Himatsingka Seide Limited</b>

**Schedule 18**

**Notes Forming Part of Accounts**

A) a) Information on subsidiary companies and associates :

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

Name of the entity	Country of incorporation	% ownership held either directly or through subsidiaries	
		as at March 31, 2010	as at March 31, 2009
Himatsingka Wovens Private Limited	India	100%	100%
Himatsingka America Inc.	United States of America	100%	100%
Giuseppe Bellora S.p.A.	Italy	70%	70%
Giuseppe Bellora America, Inc.	United States of America	-	70%
Twill & Oxford LLC	United Arab Emirates	49%	49%
Divatex Home Fashions, Inc.	United States of America	80%	80%
DWI Holdings, Inc.	United States of America	100%	100%
Himatsingka Singapore Private Limited	Singapore	100%	100%

- i In respect of Giuseppe Bellora America, Inc., ownership was held through Giuseppe Bellora S.p.A (GB).
- ii In terms of the Memorandum and Articles of Association, the composition of the Board of Directors of Twill & Oxford LLC is controlled by the Company and hence it has been considered as subsidiary for the purpose of consolidation.
- iii In respect of Divatex Home Fashions, Inc. and DWI Holdings Inc., ownership is held through Himatsingka America Inc.
- iv In respect of Himatsingka Singapore Private Limited, ownership is held through Himatsingka Wovens Private Limited
- v GBT S.r.L. (a subsidiary of Giuseppe Bellora S.p.A.) is under liquidation and therefore has not been considered for consolidation. Provisions for losses of GBT S.r.L. has been made in the financial statements.
- vi The dissolution of Giuseppe Bellora America, Inc. was authorised at a meeting of shareholders and approved by appropriate authority on May 26, 2009.

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

		31.03.2010 Rs in lakhs	31.03.2009 Rs in lakhs
B)	<b>Notes forming part of accounts:</b>		
1	Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances).	130.89	2,957.05
2	Contingent liabilities not provided for :		
	i) -Income tax	1,938.99	238.10
	-Entry tax	10.00	10.00
	-Excise duty	9.72	9.72
	-Customs duty	20.15	20.15
	-Value added tax	140.20	-
	-Claims against the Group not acknowledged as debt	-	176.09
	ii) Corporate guarantee given towards credit and other facilities on behalf of subsidiaries and various government authorities and others		
	- Financial Institutions	909.09	-
	- Banks	27,735.41	25.79
	- Others	147.91	3.91
	iii) Bills Discounted	1,514.05	616.86
	iv) Open Letters of credit	22.54	32.46

3 Deferred tax

a) Deferred tax liability as at 31st March 2010 represents the tax effect of temporary differences substantially on account of difference in written down value of fixed assets on account of differing depreciation methods and rates and other timing differences.

**Schedule 18**

**NOTES FORMING PART OF ACCOUNTS**

	31.03.2010	31.03.2009
	Rs in lakhs	Rs in lakhs
b) Deferred tax liabilities (Net) as at 31st March 2010, comprises		
- Timing differences on account of depreciation	(2,109.38)	2,180.40
- Timing differences on account of unabsorbed tax depreciation	-	-
- Unabsorbed depreciation (restricted to the extent of deferred tax liability on depreciation on account of virtual certainty)	2,255.97	(2,074.06)
- Other timing differences	(16.25)	(20.15)
	130.34	86.19
4 Segment reporting		
a) Primary segment : Business segment		
The Group is mainly engaged in the business of manufacturing, marketing and distribution of textiles consisting of fabric and yarn. Considering the nature of business and financial reporting of the Group, the Group has only one business segment viz; Home textile as primary reportable segment.		
b) Information about secondary segment		
Geographic segment		
	31.03.2010	31.03.2009
	Rs in lakhs	Rs in lakhs
Distribution of the Group's consolidated sales by geographic location:		
USA	83,359.21	68,295.27
Europe	15,500.03	18,919.47
India	3,436.99	3,177.08
Others	3,575.22	11,536.64
	105,871.45	101,928.46
Carrying amount of segment assets based on their location:		
India	95,407.50	77,082.57
USA	50,063.48	64,967.07
Europe	11,262.03	26,196.88
Others	264.16	468.81
	156,997.17	168,715.33
Additions to fixed assets:		
India	7,713.58	6,819.45
USA	185.94	110.27
Europe	134.76	276.42
Others	-	5.51
	8,034.28	7,211.65
5 Leases:		
The Group's significant leasing agreement is mainly in respect of the showrooms, corporate office premises, accomodation and vehicles provided to employees and guest houses.		
	31.03.2010	31.03.2009
	Rs in lakhs	Rs in lakhs
a) The total of future minimum lease payments under non-cancellable operating leases due:		
not later than one year	750.75	842.14
later than one year and not later than five years	2,087.04	788.96
later than five years	-	-
b) lease payments recognised in the statement of profit and loss for the year:	1,745.45	2,793.28



## 6. Related Party Transactions:

Rs in lakhs

Particulars	Key Management Personnel/Relatives		Enterprises owned or significantly influenced by key Management Personnel / Directors or their relatives		Total	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Sale of goods	-	-	131.56	-	131.56	-
Satin Reed (America) Inc	-	-	-	-	-	-
Remuneration including commission	-	-	-	-	-	-
A K Himatsingka	7.79	27.06	-	-	7.79	27.06
D K Himatsingka	14.73	26.88	-	-	14.73	26.88
Aditya Himatsingka	6.96	27.06	-	-	6.96	27.06
Shrikant Himatsingka	9.59	15.73	-	-	9.59	15.73
Lease rent paid	-	-	-	-	-	-
Bihar Mercantile Union Limited	-	-	0.04	0.07	0.04	0.07
A K Himatsingka	1.69	0.85	-	-	1.69	0.85
D K Himatsingka	2.59	1.30	-	-	2.59	1.30
D K Himatsingka HUF	-	-	1.73	0.86	1.73	0.86
Aditya Himatsingka	1.94	0.97	-	-	1.94	0.97
Shrikant Himatsingka	3.20	1.60	-	-	3.20	1.60
Amitabh Himatsingka	1.94	0.97	-	-	1.94	0.97
Rajshree Himatsingka	1.73	0.86	-	-	1.73	0.86
Ranjana Himatsingka	0.72	0.36	-	-	0.72	0.36
Supriya Himatsingka	0.72	0.36	-	-	0.72	0.36
Priyadarsini Himatsingka	1.73	0.86	-	-	1.73	0.86
Professional fees	-	-	-	-	-	-
Khaitan & Co	4.38	-	-	2.82	4.38	2.82
Gherzi Eastern Limited	-	-	-	13.39	-	13.39
Inter Corporate Loans received during the year	-	-	-	-	-	-
Credit Himatsingka Pvt Ltd	-	-	1,625.00	2,390.30	1,625.00	2,390.30
Inter Corporate Loans repaid during the year	-	-	-	-	-	-
Credit Himatsingka Pvt Ltd	-	-	1,625.00	-	1,625.00	-
Interest payable on Inter Corporate Loan	-	-	-	-	-	-
Credit Himatsingka Pvt Ltd	-	-	261.89	104.14	261.89	104.14
Lease deposit refund received during the year	-	-	-	-	-	-
Bihar Mercantile Union Limited	-	-	3.60	-	3.60	-
Outstanding as on 31 March 2010	-	-	-	-	-	-
Amounts receivable	-	-	-	-	-	-
Satin Reed (America) Inc	-	-	27.11	-	27.11	-
Interest Payable on Inter Corporate Loan	-	-	-	-	-	-
Credit Himatsingka Pvt Ltd	-	-	45.58	12.56	45.58	12.56
Inter Corporate Loan payable	-	-	-	-	-	-
Credit Himatsingka Pvt Ltd	-	-	2,390.30	2,390.30	2,390.30	2,390.30
Lease rent deposit	-	-	-	-	-	-
Bihar Mercantile Union Limited	-	-	-	3.60	-	3.60

Rs in lakhs

## 6. Related Party Transactions:

Particulars	Key Management Personnel/Relatives		Enterprises owned or significantly influenced by key Management Personnel / Directors or their relatives		Total	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
<b>Receivable</b>						
A K Himatsingka	26.70	-	-	-	26.70	-
D K Himatsingka	54.40	3.72	-	-	54.40	3.72
Aditya Himatsingka	26.03	-	-	-	26.03	-
Shrikant Himatsingka	6.86	-	-	-	6.86	-
<b>Amounts payable</b>						
Khaitan & Co	3.19	-	-	-	3.19	-
A K Himatsingka	-	0.12	-	-	-	0.12
D K Himatsingka	-	0.18	-	-	-	0.18
D K Himatsingka HUF	-	-	-	0.12	-	0.12
Aditya Himatsingka	-	0.13	-	-	-	0.13
Shrikant Himatsingka	-	0.22	-	-	-	0.22
Amitabh Himatsingka	-	0.13	-	-	-	0.13
Rajshree Himatsingka	-	0.12	-	-	-	0.12
Ranjana Himatsingka	-	0.06	-	-	-	0.06
Supriya Himatsingka	-	0.06	-	-	-	0.06
Priyadarshini Himatsingka	-	0.12	-	-	-	0.12

## Notes:

- 1) Related party relationship is as identified by the company on the basis of information available with them and accepted by the auditors.
- 2) No amount is/has been written back during the year in respect of debts due/from/to a related party.

Names of the related parties  
Key Management Personnel

Whole time directors  
A.K.Himatsingka  
D.K.Himatsingka  
Aditya Himatsingka  
Shrikant Himatsingka

Relatives of Key Management Personnel

Amitabh Himatsingka  
Rajshree Himatsingka  
Ranjana Himatsingka  
Supriya Himatsingka  
Priyadarshini Himatsingka  
Akanksha Himatsingka

Enterprises owned or significantly influenced by key management personnel/Directors or their relatives

Bihar Mercantile Union Limited  
Satin Reed (America) Inc  
Gherzi Eastern Limited (till January 25, 2009)  
Khaitan & Co  
Credit Himatsingka Pvt Ltd

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**Schedule 18****NOTES FORMING PART OF ACCOUNTS**

- 7 The Company has set up a captive power plant at Hassan, Karnataka. The following costs arising during the project period are capitalised.

	31.03.2010	31.03.2009
	Rs in lakhs	Rs in lakhs
Power and Fuel	217.15	12.49
Other manufacturing expenses	26.09	15.71
Salary, wages and other allowances	106.25	32.00
Workmen and staff welfare expenses	0.13	0.52
PF contribution	9.81	-
Rent	4.26	4.35
Travelling and conveyance	17.39	11.87
Communication expenses	0.66	0.49
Rates and taxes	4.71	5.92
Bank charges	0.63	0.81
Insurance	5.18	14.11
Printing and stationery	0.04	0.05
Professional and other service charges	136.27	2.52
Other expenses	12.01	3.90
Depreciation	-	9.61
Borrowing costs ( net of subsidy under TUFS Rs.19.18 lakhs (previous year Rs.18.12 lakhs)	277.19	181.27
Total expenses	<b>817.77</b>	<b>295.62</b>

- 8 Professional and other services charges include payments (excluding service tax) made to the statutory auditors of the respective companies :

- a) Remuneration to the auditors of the Company

Audit fees	44.00	36.00
Tax audit fees	4.00	4.00
Taxation matters	25.45	0.75
Other services	4.50	6.28
Service tax	7.51	-
Out of pocket expenses	1.49	1.31
Total expenses	<b>86.95</b>	<b>48.34</b>

- b) Remuneration to other auditors for the subsidiaries

Audit fees	140.69	125.37
Tax audit fees	0.76	-
Taxation matters	-	2.08
Other services	6.01	16.51
Service tax	-	-
Out of pocket expenses	-	1.59
Total	<b>147.46</b>	<b>145.55</b>

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

- b) Defined benefit :

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

**Schedule 18**

**NOTES FORMING PART OF ACCOUNTS**

	31.03.2010	31.03.2009
	Rs in lakhs	Rs in lakhs
<b>Change in the benefit obligation</b>		
Projected Benefit Obligation (PBO) at the beginning of the year	528.73	574.56
Service cost	66.13	82.94
Interest cost	39.11	50.41
Benefits paid	(23.32)	(29.72)
Actuarial (gain)/loss	31.19	(149.46)
PBO at the end of the year	641.84	528.73
<b>Change in plan assets</b>		
Fair value of plan assets at the beginning of the year	469.42	479.90
Expected return on plan assets	34.37	34.97
Employer contributions	16.00	2.62
Benefits paid	(22.84)	(29.71)
Actuarial (loss)/gain	54.85	(18.36)
Fair value of plan assets at the end of the year	551.80	469.42
Present value of unfunded obligation	90.04	59.31
Recognised liability	90.04	59.31
<b>Net gratuity cost for the year ended is as follows:</b>		
Service cost	66.13	82.94
Interest cost	39.11	50.41
Expected return on plan assets	(34.37)	(34.97)
Actuarial (gain)/loss	(23.66)	(131.10)
<b>Net gratuity cost</b>	<b>47.21</b>	<b>(32.72)</b>

	31.03.2010	31.03.2009
Financial assumptions at the valuation date:		
a) Discount rate ( p.a.)	7.40%	7.00%
b) Expected rate of return on assets ( p.a.)	7.50%	7.50%
c) Salary escalation rate	6.00%	6.00%
d) Retirement age	58 years	58 years
e) Mortality : Published rates under the LIC (1994-96) mortality tables have been used.		
f) Rates of leaving service at specimen ages are as shown below:		

Withdrawal Rates p.a. (%)

Category	31.03.2010	31.03.2009
Seide Staff	10.00%	10.00%
Seide Workmen	2.00%	2.00%
Linens Staff	13.00%	13.00%
Linens Workmen	25.00%	25.00%

Note:

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

**Schedule 18**

**NOTES FORMING PART OF ACCOUNTS**

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

The movement in the accrued liability towards the end of service benefit is as follows:

	31.03.2010 Rs in lakhs	31.03.2009 Rs in lakhs
Opening balance	12.97	4.21
Exchange fluctuation	(1.68)	1.13
Provision during the year	2.69	7.63
Closing balance	13.98	12.97
b) Defined contribution obligation (Parent and Indian Subsidiaries)		
i) Provident fund	316.28	300.52
ii) Superannuation fund	30.53	33.99
iii) Others*	(349.50)	729.56

\* includes defined contributions obligations of companies incorporated outside India

10 Notes relating to cash flow statement

- a. The cash flow statement has been prepared under the "Indirect Method" as set out in the Companies (Accounting Standards) Rules, 2006.
- b. Cash and cash equivalents include balances with scheduled banks on dividend account Rs.51.10 lakhs (Previous year Rs. 55.13 lakhs) which are not available for use by the company.
- c. Cash and cash equivalents include restricted cash of Rs. 28.29 lakhs (Previous year Rs. 28.28 lakhs) being margin money in respect of bank guarantee issued by banks and the security deposit with bank against ECGC premium.
- d. Interest paid is inclusive of and purchase of fixed assets excludes, interest capitalised Rs.431.29 lakhs (Previous year Rs. 181.27 lakhs).

11 Details of Forward covers, Options and Derivative transactions:

- 1) a. The following are the outstanding Forward Exchange Contracts entered into by the company as on 31st March, 2010:

- Current year

Export of goods

Currency	Amount	Buy/Sell	Rupee equivalent in lakhs
USD * INR	40,828,639	Sell	19,062.30
EURO * INR	3,000,000	Sell	2,055.61
GBP * INR	2,080,000	Sell	1,586.42

Import of goods

Currency	Amount	Buy/Sell	Rupee equivalent in lakhs
USD * INR	11,099,908	Buy	5,093.10

- Previous year

Export of goods

Currency	Amount	Buy/Sell	Rupee equivalent in lakhs
USD * INR	31,800,000	Sell	15,539.29
EURO * INR	3,750,000	Sell	2,535.40

**Schedule 18**

**NOTES FORMING PART OF ACCOUNTS**

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

- Current year :

- a) To sell USD 2.5 lakhs every month If USD \* INR spot at every monthly expiry < 44.10, else to sell USD 5 lakhs @ 44.10 till July 2012

Currency option	CHF Put	INR Call	Equivalent USD
No. of contracts	1	1	
Notional principal	14,759,723	500,000,000	12,385,435

- b) To sell USD 1.3 lakhs in April 2010

Currency option	USD put	INR call
No. of contracts		1
Notional principal	130,000	6,012,500

- Previous year

- a) To sell USD 10 lakhs every month If USD \* INR spot at every monthly expiry < 44.50, else to sell USD 20 lakhs @ 44.50 till August '09 (except July 09)

Currency option	USD Put	CHF Call	Equivalent INR
No. of contracts	1	1	
Notional principal	37,128,713	44,379,950	1,500,000,000

- b) To sell USD 2.5 lakhs every month If USD \* INR spot at every monthly expiry < 44.10, else to sell USD 5 lakhs @ 44.10 till July 2012.

Currency Option	CHF put	INR call	Equivalent USD
No. of contracts:	1	1	
Notional principal	14,759,723	500,000,000	12,385,435

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

- a. Amounts receivable in foreign currency on account of the following:

Particulars	31.03.2010			31.03.2009		
	Foreign Currency	Amount	INR equivalent (in lakhs)	Foreign Currency	Amount	INR equivalent (in lakhs)
Export of goods and services	USD	729,226	327.35	USD	725,753	368.10
	EURO	-	-	EURO	131	0.09
	GBP	-	-	GBP	300,080	12.48
	SGD	234,969	75.21	SGD	46,265	15.41
Inter Corporate Loan	AED	1,000,000	121.90	AED	2,100,000	289.51
	EURO	1,000,000	605.30	EURO	-	-
	USD	9,050,000	4,062.55	USD	20,000,000	10,144.00
	SGD	1,665,000	532.97	SGD	1,565,000	521.25
Receivables	EURO	1,100,653	666.23	EURO	-	-
	CHF	5,091	2.16	CHF	-	-
Interest receivable on Inter Corporate Loan	AED	119,036	14.51	AED	185,622	25.59
	EURO	65,834	39.85	EURO	-	-
	USD	2,754,850	1,236.65	USD	1,700,000	862.24
	SGD	153,270	49.06	SGD	145,797	48.56
Bank balance	USD	33,592	15.14	USD	24,921	11.89
	EURO	100	0.07	EURO	100	0.07

**Schedule 18****NOTES FORMING PART OF ACCOUNTS**

b. Amounts payable in foreign currency on account of the following:

Particulars	31.03.2010			31.03.2009		
	Foreign Currency	Amount	INR equivalent (in lakhs)	Foreign Currency	Amount	INR equivalent (in lakhs)
Import of goods and services	USD			USD	928,517	470.94
	EURO	45,326	27.44	EURO	52,686	35.52
	PND	22,821	15.52	SGD	32,170	23.31
Import of Capital goods	USD	145,130	65.15	PND	-	-

3) Derivative instruments

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

- i) During the year the Company accounted for a mark to market gain of Rs. 853.18 lakhs as an exceptional item in the profit and loss account, on settlement of a foreign exchange derivative contract.
- ii) The only existing foreign exchange derivative contract has a duration of 60 months, to sell US Dollars on a monthly basis at fixed rate subject to certain conditions. The contract also obligates the Company to pay a notional amount of Swiss Franc and receive notional amount of Rupees based on the Swiss Franc to US Dollar exchange rates during a specified monitoring period in the year 2012. There is significant uncertainty regarding the exchange rates that may be prevalent at that time and consequently the liability, if any, under the contract. Due to this uncertainty, as in the previous year, no provision has been made in the financial statements as at 31 March 2010.

The marked to market valuation, as indicated by the bank, is a loss of Rs 1136.68 lakhs (previous year Rs.2188.45 lakhs) as on March 31, 2010.

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

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

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

14 During the year Design and development expenditure of Rs. 250.80 lakhs (Previous year Rs. 319.72 lakhs) which is revenue in nature is accounted in the respective heads of the Profit and Loss Account.

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

# Significant Accounting Policies

## Himatsingka Seide Limited

### Schedule 19

#### 1. System of accounting

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

The financial statements of the entities in the Group used in the consolidation are drawn up to the same reporting date as of the Company i.e. March 31, 2010.

#### 2. Principles of consolidation

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

#### 3. Use of estimates

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

#### 4. Fixed assets

Fixed assets and intangibles are stated at cost less accumulated depreciation. Cost includes all costs relating to acquisition and installation of fixed assets including incidental costs of bringing the assets to their working condition for their intended use. Borrowing costs directly attributable to acquisition or construction of fixed assets, which necessarily take a substantial period of time to get ready for their intended use are capitalised.

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

#### 5. Depreciation

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

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



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## Schedule 19

### SIGNIFICANT ACCOUNTING POLICIES

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

#### 6. Impairment of assets

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

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

#### 7. Investments

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

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

#### 8. Inventories

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

#### 9. Government grants

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

#### 10. Revenue recognition

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

Excise duty on turnover is reduced from turnover.

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

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

#### 11. Retirement benefits

##### a. Post-employment benefit plans :

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

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

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

##### b. Short term employee benefits :

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

#### 12. Derivative Contracts

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

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

### 13. Foreign currency

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

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

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

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

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

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

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

### 14. Earnings per share

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

### 15. Income tax

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

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

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

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

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

### 16. Provisions and contingencies

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

## Financial Highlights - Consolidated

### Himatsingka Seide Limited

(Rs. in lakhs)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<b>Revenue Account</b>										
Total Income	13006.89	12948.28	12946.32	14596.56	15580.32	17715.53	24458.17	89231.43	103959.73	108330.39
EBIDTA before exceptional item	5983.08	5563.51	5725.12	6614.35	6251.89	6785.66	8665.47	6468.66	6127.31	9697.82
Interest	100.58	32.80	16.75	13.13	119.58	114.99	96.41	2479.80	3672.12	4019.35
Depreciation	1273.04	1291.22	1396.91	1499.78	1344.51	1502.33	1570.09	3587.71	5987.54	5470.70
Exceptional Item (Gain)/ loss	-	-	-	-	-	-	-	2565.25	4255.81	(853.18)
Profit Before Tax	4609.46	4239.49	4311.46	5101.44	4869.85	5168.34	6998.96	(2164.11)	(7788.17)	1060.95
Taxes	392.39	430.00	301.25	400.00	323.78	305.83	687.53	539.46	75.38	89.00
Minority interest - share of profit / (loss)	-	-	-	-	-	-	168.43	(304.86)	(421.72)	(207.27)
Net Profit after minority interest	4217.07	3809.49	4010.21	4701.44	4546.07	4862.52	6143.00	(2398.71)	(7441.83)	1179.22
Dividends	1147.03	1147.03	1338.20	1911.72	1911.72	2435.83	2435.83	-	-	246.14
<b>Capital Account</b>										
Share Capital	1911.72	1911.72	1911.72	1911.72	1911.72	4871.66	4871.66	4922.86	4922.86	4922.86
Money received against share warrant	-	-	-	-	-	-	-	897.19	620.88	-
Reserves	18054.56	20471.52	23038.81	25583.60	26425.42	52142.84	54585.75	54024.97	49894.32	49227.36
Secured Loans	-	-	-	1376.55	5850.00	3975.00	26756.19	51256.35	52560.88	76678.95
Unsecured Loans	-	-	-	-	-	-	5127.57	8379.84	12750.07	2531.07
Average capital employed	18535.36	21174.76	23666.89	26911.20	31529.51	47588.32	73601.55	98657.49	109550.16	119414.05
Gross block	16483.46	19226.82	20340.35	21346.08	21105.48	22720.64	33990.39	77450.86	83350.99	89313.90
Net block	10921.01	12381.94	12116.92	11684.84	10193.24	10341.18	14859.69	53611.02	55166.52	56971.57
EPS (Annualised) - Rs	22.06	19.93	20.98	24.59	23.78	5.91	6.30	(2.46)	(7.56)	1.20
Face Value per share (Rs.)	10.00	10.00	10.00	10.00	10.00	5.00	5.00	5.00	5.00	5.00
Dividend per share - Rs	6.00	6.00	7.00	10.00	10.00	2.50	2.50	-	-	0.25
Net worth per share - Rs	104.44	117.08	130.51	143.83	148.23	58.52	61.02	60.78	56.31	55.00
Employee Cost	1132.38	1197.58	1391.40	1552.05	1737.77	2122.60	3352.55	12433.30	15545.32	14947.54

#### Notes :

1. The figures for the year 2000-01 and 2001-02 are on Standalone basis since there was no Subsidiary
2. The figures for the year 2007-08 to 2009-10 are net of the pre-operative expenses capitalised during the year

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

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

