

# KDDL LIMITED

## **BANKERS**

Bank of India  
Corporation Bank  
IDBI Bank Limited

## **CHIEF FINANCIAL OFFICER**

Mr. Sanjeev Kumar Masown

## **COMPANY SECRETARY AND COMPLIANCE OFFICER**

Mr. Pawan Kumar Goyal

## **AUDITORS**

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

## **CORPORATE OFFICE**

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

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

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

## **UNIT – II**

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

## **UNIT – III**

Plot No. 17, HSIIDC,  
Industrial Area Alipur,  
Barwala – 134 118 (Haryana)

## **HANDS UNIT**

### **UNIT – I**

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

### **UNIT – II**

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

## **ASSEMBLY UNITS**

### **UNIT – I**

Windsmoor Complex, Plot No. 2,  
Sector 2, Parwanoo – 173 220 (H.P.)

## **UNIT – II**

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

## **PACKAGING UNIT**

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

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

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

## **E-COMMERCE DIVISION**

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

## **BOARD OF DIRECTORS:**

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

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## KDDL LIMITED

### NOTICE

NOTICE is hereby given that the 33rd Annual General Meeting of the Company will be held on **Monday, the 9th day of September, 2013 at 12:30 p.m. at Hotel Timber Trail Resorts, Parwanoo 173 220 (H.P.)** to transact the following businesses:

#### Ordinary Business:

1. To receive, consider and adopt the audited accounts of the Company for the financial year ended 31st March, 2013 and the reports of the Directors' and Auditors' thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Jagesh Khaitan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Anil Khanna, who retires by rotation and being eligible, offers himself for re-appointment.
5. To re-appoint M/s. Walker, Chandiook & Co., Chartered Accountants, as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting of the Company and to authorize the Board to fix their remuneration.

#### Special Business:

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

**"RESOLVED THAT** pursuant to the provisions of Section 198, 269, 309, 310 and other applicable provisions of the Companies Act, 1956, read with Schedule XIII and subject to the approval of the Central Government and such other statutory authorities, if any, as may be required, the consent of the Company, be and is hereby, accorded to the re-appointment of Mr. Dinesh Agrawal as the Whole time Director with functional designation of Chief Operating Officer of the Company, w.e.f. 1st April, 2013, for a further period of 3 (three) years, i.e. upto 31st March 2016, upon terms and conditions as set out in the Explanatory Statement appended herewith, with a liberty to the Board to alter and vary any of the terms and conditions of the said re-appointment and/or agreement, if any, entered into with Mr. Dinesh Agrawal, after incorporating changes prescribed by the Central Government and acceptable to Mr. Dinesh Agrawal and the Board."

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

**"RESOLVED THAT** in accordance with the provisions of section 372A and other applicable provisions, if any, of the Companies Act, 1956, approval of the Company, be and is hereby, accorded

to the Board of Directors of the Company for having provided guarantee to the following in respect of loans advanced by the Bank to the Company's subsidiary company, M/s Ethos Limited, in addition to the Corporate Guarantee of Rs. 447.50 million provided earlier notwithstanding that the aggregate amount of all investments /loans /securities /guarantees together with the below mentioned guarantee exceeds 60% of the aggregate of paid up capital and free reserves or 100% of the free reserves, whichever is higher, of the Company:-

S. No.	Name of the Bank	Amount of Corporate Guarantee given (Rs. in Million)
1.	IDBI Bank Limited	81.00

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

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

**Date: 29.05.2013**

**P.K. Goyal**

**Place: Chandigarh**

**Company Secretary**

#### **NOTES:-**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON A POLL ONLY TO VOTE ON HIS/HER BEHALF. SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the special businesses of the Notice, as set out above, is annexed hereto.
3. Members are requested to bring their copy of the Annual Report to the meeting and Members/proxies should fill the attendance slip for attending the meeting. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID nos. and those who hold the shares in physical form are requested to write their Folio nos. in the Attendance Slips for attending the Meeting.

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4. The Company has not included the financial statements and other details of its subsidiaries viz. Ethos Limited, Mahen Distribution Limited, Kamla International Holding SA and Pylania SA, in its financial statements in terms of exemption granted by the Ministry of Corporate Affairs under General Circular No. 2/2011 dated February 8, 2011 and as per Board Resolution dated 29.05.2013. However, annual accounts of the subsidiary companies and the related detailed information will be made available to the investors of KDDL Limited or its subsidiary companies seeking such information at any point of time on specific request in writing to the Company. The Annual Accounts of the subsidiary companies are open for inspection at the Registered Office of KDDL Limited and at the registered offices of the respective subsidiary companies on all working days from Monday to Friday between 11 a.m. to 2 p.m. upto the date of Annual General Meeting.
5. During the current financial year, the Company will be required to transfer to "Investor Education and Protection Fund", the unpaid/unclaimed Dividend for the year ended March 31, 2006 under section 205A of the Companies Act, 1956.
- Those members who have not encashed their dividend warrants so far for the financial year ended 31st March, 2006 or any subsequent years are requested to immediately return the outdated warrants to the Company to enable the Company to issue Demand Drafts in lieu thereof. Otherwise no claim shall lie against the Company or the said fund in respect of individual amounts which remained unclaimed or unpaid for a period of seven years from the date of payment and no payment shall be made in respect of any such claims.
6. Action required to be taken by the members in case of non-receipt/non-encashment of dividends:
- In case of non-receipt/non-encashment of dividend warrants, members are requested to correspond with the Company's Corporate Office/Registrar of Companies, as mentioned hereunder:-
- | Dividend Year | Contact Office   | Action to be taken   |
|---------------|------------------|--|
| 2007-2012     | Corporate Office | Request letter on a plain paper  |
| 2006          | Corporate Office | Request letter on a plain paper. Members are requested to apply before 25th October, 2013 in any case. |
7. The Register of Members and Share Transfer books of the Company will remain closed from 2nd September, 2013 to 9th September, 2013 (both days inclusive) for the purpose of payment of Dividend, if approved by the Members.
8. Members having any queries relating to the Annual Report are requested to send their questions to the Corporate Office/Registered Office of the Company at least seven days before the date of the Annual General Meeting.
9. The equity shares of the Company have been dematerialized w.e.f. 24th May, 2001. The ISIN No. of the Company is INE291D01011. The Company has tied up with the National Securities Depository Limited and Central Depository Services (I) Limited. **In case your shares are in physical form, we also request you to have your shares dematerialized by approaching Depository Participant of your choice.** Please intimate change of address if any to your depository participants if holding shares in dematerialized form and directly to the Registrar in case of holding in physical form.
10. Pursuant to MCA Circular Nos. 17/2011 and 18/2011 dated 21.04.2011 and 29.04.2011 respectively, **members are requested to register/update their E-MAIL ADDRESSES, in respect of shares held in dematerialized form with their respective depository participants and in respect of shares held in physical form by filling the E-Communication Registration Form (as available in the link "Green Initiative" on the website of the Company i.e. [www.kddl.com](http://www.kddl.com)) & sending the same to the Share Transfer Agent of the Company namely Karvy Computershare Private Limited, 17-24, Vithal Rao Nagar, Madhapur, Hyderabad 500 081.**

### ANNEXURE TO NOTICE

As required by Section 173 of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the businesses mentioned under Item Nos. 6 and 7 of the accompanying notice dated 29th May, 2013

#### Item No. 6

The Board of Directors at its meeting held on 11th February, 2013, has re-appointed Mr. Dinesh Agrawal as Whole Time Director with the functional designation of Chief Operating Officer, w.e.f. 1st April, 2013 for a further period of 3 (three) years i.e., upto 31st March, 2016.

The particulars of general information required under Part II of Schedule XIII are annexed.

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

- I. **Salary** : Rs. 1,17,200/- per month (with annual increment of 10%)

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### II. Other Benefits

Perquisites/Allowances to be considered in the computation of ceilings of remuneration in Part II of Schedule XIII:-

- |                              |  |
|------------------------------|--|
| i) House Rent Allowance      | Rs. 70,320/- per month (being 60% of the basic salary)   |
| ii) Special Allowance        | Rs. 18,500/-per month (with annual increment of 10%)   |
| iii) Leave Travel Concession | For self and family, once in a year incurred in accordance with the rules of the Company, subject to maximum of one month's salary in a year or three month's salary over a period of three years. |
| iv) Medical reimbursement    | For self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.   |
| v) Medical Insurance         | Maximum of Rs. 5,000/- per annum   |
| vi) Club Fees                | Annual fee for maximum of Rs. 10,000/- per annum for two clubs   |

### III. Performance Bonus/Exgratia

He shall be entitled to performance related Bonus/Exgratia or any other allowance/perquisite as may be approved by the Board of Directors and Remuneration Committee subject to maximum of Rs. 15,00,000/- in a year.

IV. Following Perquisites/Allowances shall not be considered in the computation of ceilings of remuneration specified in Part II of Schedule XIII. All these benefits are subject to the rules of the Company.

- Company's contribution towards provident fund
- Company's contribution towards superannuation fund
- Gratuity not exceeding half month's salary for each completed year of service
- Earned leave entitlement and encashment of unavailed leaves, subject to maximum amount allowed as per rules of the Company
- Group Insurance and Personal Accident Insurance as per policy of the Company.

V. Provision of car for use on company's business and telephone(s) or mobile(s) at residence will not be considered as perquisites. Personal long distance calls on telephone(s), if any, for private purpose and private use of car (at perquisite value under Income Tax Act) shall be billed by the Company and recovered through his imprest account from time to time or at the end of the year.

In the event of absence or inadequacy of profits during

the period, Mr. Dinesh Agrawal shall be paid the above remuneration as minimum remuneration subject to the limits prescribed under section II, Part II (C) of the Schedule XIII to the Companies Act, 1956.

None of the Directors, except for Mr. Dinesh Agrawal himself, is in any way, concerned or interested in the resolution.

The Directors recommend this special resolution for your approval.

### Item No. 7

The Company has executed the following Corporate Guarantee under section 372A of the Companies Act, 1956, in favour of IDBI Bank Limited for credit facilities availed by M/s Ethos Limited, subsidiary company.

The IDBI Bank Limited had sanctioned financial assistance in the form of enhanced Working Capital Facility of Rs. 181 million which is being availed by the subsidiary company namely, M/s Ethos Limited, for which the Board of Directors approved execution of Corporate Guarantee in favour of the Bank at its Board meeting held on 8th December, 2012. As the Company had earlier given guarantee to the bank for Rs 100 Million for the working capital facilities which had already been approved by the members in the Annual General Meeting held on 26th September, 2009, so now the approval of the shareholders for the balance enhancement of Rs 81 Million is sought for.

In view of the urgency of the matter, the Board of Directors accorded its consent for the execution of the aforesaid guarantee of Rs 81 Million pursuant to the proviso 2 to sub section (1) of Section 372A of the Companies Act, 1956. The Company had provided guarantee in respect of above subsidiary company earlier also for cumulative value of Rs 447.50 million with the approval of the shareholders in past (in 2009 -Rs 210 million, in 2011 - Rs 220 million and in 2012 – Rs. 17.5 million). With the provision of aforesaid guarantee of Rs. 81 million in 2012-13, the total guarantee provided for the Company stands at Rs. 528.5 million as on date which exceeds 60% of the aggregate of paid up capital and free reserves or 100% of the free reserves, whichever is higher, of the Company.

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

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

The Directors recommend the resolution for your approval.

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

**Date: 29.05.2013  
Place: Chandigarh**

**P.K. Goyal  
Company Secretary**

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### DETAILS OF THE DIRECTORS SEEKING RE-APPOINTMENT/APPOINTMENT IN ANNUAL GENERAL MEETING TO BE HELD ON 29.05.2013

Name of the Director	:	<b>Mr. Jagesh Khaitan</b>		
Date of Birth	:	10th February, 1945		
Date of first Appointment	:	26th February, 1990		
Qualification and experience in specific functional areas	:	Graduate and having over 44 years of experience in management of manufacturing industries. He is also associated with various trade associations and Chamber of Commerce and Industry. He is Chairman and Managing Director of Kuantum Papers Limited, a large agro based Paper Mill in Punjab.		
List of companies in which outside Directorships held	:	Kuantum Papers Limited Purple Entertainment Limited		
Chairman/Member of the Committees of the Board of the Company	:	Audit Committee	Member	
	:	Remuneration Committee	Member	
	:	Sub-Committee for finalizing terms with Dream Digital Technology Limited regarding E-Commerce	Member	
Chairman/Member of the Committees of Board of other companies in which he is a Director	:	Kuantum Papers Limited	Finance Committee	Chairman
	:	Kuantum Papers Limited	Shareholders'/Investors' Grievance Committee	Member
	:	Kuantum Papers Limited	Security Transaction Committee	Chairman
	:	Kuantum Papers Limited	Audit Committee	Member

Name of the Director	:	<b>Mr. Anil Khanna</b>		
Date of Birth	:	20th March, 1959		
Date of first Appointment	:	22nd December, 2004		
Qualification and experience in specific functional areas	:	Chartered Accountant Information System Auditor (DISA) from ICAI Bachelor of Arts (Economics, Mathematics) He is a Certified 'Arbitrator' by the Institute of Chartered Accountants of India and 'Business Counsellor' by Entrepreneur Development Institute (EDI), Ahmedabad. He is in practice and has over 29 years of post qualification experience in Corporate audits, taxation and management consultancy. He has worked in SAP, Mfg Pro, JD Edworks Environment and has chaired implementation of Microsoft Navision.		
List of companies in which outside Directorships held	:	Ethos Limited		
Chairman/Member of the Committees of the Board of the Company	:	Audit Committee	Member	
	:	Remuneration Committee	Member	
	:	Shareholders'/Investors' Grievance Committee	Chairman	
Chairman/Member of the Committees of Board of other companies in which he is a Director	:	Ethos Limited	Audit Committee	Chairman

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### Statement giving information required under Part-II Section-II (B) Sub-Clause (iv) to the Schedule XIII of the Companies Act, 1956 for payment of remuneration to Mr. Dinesh Agrawal, Chief Operating Officer

I. General Information	Remarks										
(1) Nature of Industry	The Company operates in light engineering industry and is engaged principally in manufacture of watch components.										
(2) Date or expected date of commencement of commercial production	Commercial production started in 1983.										
(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus.	N.A.										
(4) Financial performance based on given indicators	<p>The financial performance is given in the enclosed Balance Sheet and Statement of Profit and Loss of the Company. The performance of the Company as on 31.03.2013 is given below</p> <table><thead><tr><th></th><th>(Rs. in Million as on 31.03.2013)</th></tr></thead><tbody><tr><td>Net Worth</td><td>466.19</td></tr><tr><td>Turnover (gross)</td><td>992.77</td></tr><tr><td>Net profit/(loss) after tax</td><td>(3.57)</td></tr><tr><td>Dividend declared</td><td>10%</td></tr></tbody></table>		(Rs. in Million as on 31.03.2013)	Net Worth	466.19	Turnover (gross)	992.77	Net profit/(loss) after tax	(3.57)	Dividend declared	10%
	(Rs. in Million as on 31.03.2013)										
Net Worth	466.19										
Turnover (gross)	992.77										
Net profit/(loss) after tax	(3.57)										
Dividend declared	10%										
(5) Export performance and net foreign exchange collaborations	FOB value of export and earnings in foreign exchange from other operations during the financial year ended 31.03.2013 was Rs 538.28 million.										
(6) Foreign investments or collaborations, if any	<p>There is no foreign technical collaboration in operation at present. Investment by financial collaborators at present is as under:</p> <table><thead><tr><th></th><th>Shares of Rs. 10/-</th></tr></thead><tbody><tr><td>Radexpo AG</td><td>50,000</td></tr><tr><td>Total</td><td><u>50,000</u></td></tr></tbody></table>		Shares of Rs. 10/-	Radexpo AG	50,000	Total	<u>50,000</u>				
	Shares of Rs. 10/-										
Radexpo AG	50,000										
Total	<u>50,000</u>										
<b>II. Information about the appointee</b>	Mr. Dinesh Agrawal, Chief Operating Officer										
(1) Background details	He is B.E. (Mech.) Hons. and has vast experience of 38 years including 31 years experience in our Company.										
(2) Past remuneration (2012-13)	<table><tbody><tr><td>Salary</td><td>12,77,760</td></tr><tr><td>Perquisites</td><td>12,31,529</td></tr><tr><td>Performance Bonus</td><td>5,00,000</td></tr><tr><td>Total</td><td><u>30,09,289</u></td></tr></tbody></table>	Salary	12,77,760	Perquisites	12,31,529	Performance Bonus	5,00,000	Total	<u>30,09,289</u>		
Salary	12,77,760										
Perquisites	12,31,529										
Performance Bonus	5,00,000										
Total	<u>30,09,289</u>										
(3) Recognition or awards	-										
(4) Job Profile and his suitability	He is incharge of all the manufacturing units of the Company.										
(5) Remuneration proposed	Proposed remuneration is for 3 (three) years starting from 1st April, 2013. Details given in the explanatory statement of the accompanying notice.										

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|--|---|
| (6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin) | Remuneration package is commensurate with his competencies and responsibilities in the Company and also with remuneration paid by comparable companies for similar positions. |
| (7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any.   | No relationship   |

### III. Other Information:

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

### IV. Disclosures:

- |  |  |
|--|--|
| (1) The shareholders of the Company shall be informed of the remuneration package of the managerial person   | The detail of remuneration package of Mr. Dinesh Agrawal is enclosed in the explanatory statement of the accompanying notice.  |
| (2) Disclosures required to be mentioned in the Board of Director's report under the heading "Corporate Governance", if any, attached to the annual report | Necessary particulars of remuneration of all Working Directors under required heads are given in Corporate Governance Report forming part of the Director's Report for the year 2012-13. |

**DIRECTORS' REPORT**

TO

THE MEMBERS

Your Directors have pleasure in presenting this 33rd Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2013.

**OPERATIONS AND PROSPECTS****Financial Results**

The summary of operating results for the year 2012-13 and appropriation of divisible profits is given below:

(Figures in Millions of Rupees)

Particulars	2012-13	2011-12
Gross Operating Income	<b>992.77</b>	1041.52
Profit before interest and depreciation	<b>124.45</b>	228.73
Less : Interest	<b>71.04</b>	50.75
Depreciation	<b>56.83</b>	<u>43.47</u>
Profit/(Loss) before tax	<b>(3.42)</b>	134.51
Provision for Income Tax, Deferred tax	<b>0.15</b>	46.42
Profit/(Loss) after tax	<b>(3.57)</b>	88.09
Profit/(Loss) brought forward from previous year	<b>76.71</b>	33.58
<b>Net Profit/(Loss)</b>	<b>73.14</b>	121.67
<b>Appropriated as under :</b>		
Proposed Dividend	<b>9.04</b>	27.11
Corporate Dividend Tax	<b>1.46</b>	4.40
Transfer to General Reserve	<b>0.00</b>	12.20
Dividend and Dividend Tax for prior year	<b>0.00</b>	1.25
Adjustment pursuant to merger	<b>6.07</b>	0.00
<b>Surplus carried to Balance Sheet</b>	<b>56.57</b>	76.71

**PERFORMANCE AND PROJECTIONS**

During the year under review, the company achieved sales revenue of Rs. 993 Million against Rs. 1042 million in the previous year, thereby registering a decline of 5%. The company earned net loss after tax of Rs. 3.6 million against a net profit of Rs. 88 million in the previous year. The decline in turnover and profitability was due to the deep and persistent slow-down and recession in exports market, which is a strategic and key focus area for the company. The year commenced with the healthy trend in the market, however, quarter by quarter, the market position witnesses the impact of inventory accumulations in Asia region, which is a major consumption centre for the Swiss watches. The economic turmoil in European region, another vital market for luxury watches, had also impact on the industry. The profitability of the company was also affected by the one time impact of the manpower rationalization in the dials manufacturing units and impact of the merger of Himachal Fine Blank Limited during the year.

The turnover decline was witnessed in all the watch component business segments; however, the decline in watch dials was more significant as compared to watch hands. During the current year, the major international brands in the watch segment deferred their new product developments and the decline in the international market was more in the low and medium priced watches whereas the premium and high priced watches continued to witness growth. This trend was visible in both the domestic and export markets. This year the impact of the recession was more severe compared to the previous recession as the order position from domestic major players was also on decline, a trend different from the previous period.

Company has taken the necessary corrective steps in the watch components segment for cost reduction, restructuring and capacity consolidation. The Company is also focussing on some new customer segments and for further improving manufacturing excellence.

The outlook for the watch components segment has turned positive as the inevitable corrections in global inventory levels have started correcting. The company has started getting enquiries and orders for the new product developments across product categories including high profit segments. The company's efforts of tie-ups with the new customers and market segments is also moving with requisite pace. We are confident that this will help in further improving the turnover and performance of the company.

Another positive development in the Swiss exports market is that the Swiss parliament has deferred the passage and implementation of the "Swiss Origin" law, which will lead to continued imports of watch components from the low cost manufacturing countries like India and China. The efforts of the company during last few years to upgrade the capabilities for moving up the value chain by offering high featured more complex components will also yield the results in the coming quarters and company remains confident of improved performance and recovery at a fast and healthy pace.

In the precision stamping division, Eigen engineering, business turnover was better than the last year by registering a growth of 36% in sales. The company is now moving to enhance the profitability of the business and also working on increasing exports which has proven to be more beneficial.

The business of Packaging division was also significantly impacted by the decline in order position from the watch segment in domestic market. During the year the sales turnover of this division declined by 14%. In order to overcome the impact of high dependence on the watch segment for the business, the company accelerated its efforts for broad basing the market segments and utilized the resources for



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enhancing the market in export markets and the jewellery and accessories segments. The result of these efforts is encouraging and the company was in a position to increase the exports by more than 300%. The company has reduced the dependence on the watch segment and is confident that in the coming periods the business will witness healthy growth and return.

The Company's Swiss subsidiary, Pylania SA in Switzerland was also impacted by the recession in the watch industry and its turnover declined by 22% over the previous year. The reduced turnover led to higher operational losses of CHF 0.69 million during the year. The company took the necessary steps for major reduction in the costs and operational expenses and has made alternate plans for healthy recovery and sustainable development in the Swiss markets for other watch products. Company facilities will be also utilized for alternate uses and the company is in the process of discussions with other watch players for further enhancing the business.

The operations of the Joint venture Company Satva Jewellery and Design Limited, the 50:50 Joint Venture with Pascal Vincent Vaucher, SA of Switzerland remained suspended during the year due to no orders. The company recorded a loss of Rs. 2.67 million during the year. The Company increased its paid-up capital by Rs. 5.21 million during the year and is in discussion with the JV partner for finding out the alternatives for restructuring / realigning the business of the company.

The watch retail and distribution business of the group, being managed through our subsidiary company Ethos Limited showed improved performance. The turnover of the Ethos Limited improved from Rs. 1246 million (billing of Rs. 1401 million) to Rs.1724 million (billing of Rs. 1944 million) registering a growth of nearly 39%.

The company continues to focus on increasing the turnover and profitability by enhancing the presence in the growing market and introducing new brands and improved performance. The company is poised for substantial growth in turnover and also improvement in financial parameters in the coming years.

During the year, the company initiated the efforts for setting up the e-commerce platform and systematic introduction and placement of the desired systems and processes. The project for e-commerce setup is moving in the right direction and the company will enhance the efforts and venture into full fledged e-commerce venture for one or more lifestyle brands.

### **CHANGES IN CAPITAL STRUCTURE**

During the year under review, pursuant to the order of the High Court of Himachal Pradesh at Shimla for the amalgamation of Himachal Fine Blank Limited with the

Company, the un-issued Authorised Share Capital of Himachal Fine Blank Limited i.e. Rs. 48,00,000/- (Rupees Forty eight lacs only) has been merged with the Authorised Share Capital of the Company. Therefore, the Authorised Share Capital of the Company has increased from Rs. 12,00,00,000/- (Rupees Twelve crores only) consisting of 1,20,00,000 Equity Shares of Rs. 10 each to Rs. 12,48,00,000/- (Rupees Twelve crores and forty eight lacs only) consisting of 1,24,80,000 Equity Shares of Rs. 10 each. There has been no change in the Issued and Subscribed share capital of the Company.

### **DIVIDEND**

Your Directors have recommended a dividend of 10% i.e. Rs. 1/- per share on equity shares of the Company for the financial year ended 31st March, 2013. The Dividend shall be paid after the approval of the shareholders at the ensuing Annual General Meeting.

The total outgo of the dividend to be paid to shareholders will be Rs 10.50 million (inclusive of Corporate Dividend Tax).

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

### **DIRECTORS**

The tenure of the appointment of Mr. Dinesh Agrawal, Chief Operating Officer of the Company, ended on 31st March, 2013 and the Board has re-appointed him for a further period of 3 (three) years w.e.f. 1st April, 2013, subject to approval of shareholders in the General Meeting and subject to such other approvals of the Central Government, financial institutions or other statutory authorities, as may be necessary.

Mr. Jagesh Khaitan and Mr. Anil Khanna, Directors, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting.

### **CONSOLIDATED ACCOUNTS**

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

### **DIRECTORS' RESPONSIBILITY STATEMENT**

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

- (i) That in the preparation of the accounts for the financial year ended 31st March, 2013, the applicable accounting standards have been followed and that there has been no material departures;

- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) That the Directors have taken proper and sufficient care in the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2013 on a 'going concern' basis.

**LISTING OF SHARES**

The Equity Shares of the Company are listed on the Bombay Stock Exchange Limited (BSE) and the Company has paid the Annual Listing Fees to BSE for the financial year 2012-13.

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

**SUBSIDIARIES**

In accordance with the general circular no. 02/2011 dated February 8th, 2011, issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet and Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance sheet of the Company. A statement pursuant to section 212 of the Companies Act, 1956, relating to subsidiary companies is attached to the Accounts. The Company will make available the Annual Accounts of the subsidiary Companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

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

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

The Company had proposed a Scheme of Arrangement for the amalgamation of Himachal Fine Blank Limited, a wholly owned subsidiary company with the Company. The said scheme of arrangement was approved by the Hon'ble High Court of Himachal Pradesh at Shimla vide its Order dated 3rd January, 2013. The Appointed Date for the purpose of the Scheme of Arrangement was 1st April, 2011 and the Effective Date of the Scheme was 8th January, 2013.

Accordingly, Himachal Fine Blank Limited stands amalgamated with the Company as on date.

**EMPLOYEE STOCK OPTION PLAN**

The information relating to the "KDDL Employee Stock Option Plan – 2011" required to be disclosed in terms of the provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is enclosed as per Annexure - A to this report.

**FIXED DEPOSITS**

All the provisions of Sections 58A and 58AA of the Companies Act, 1956 have been complied with. Fixed Deposits from the public, shareholders and employees as on 31st March, 2013 stood at Rs. 107.77 million. There were unclaimed deposits amounting to Rs. 4.67 million pertaining to 38 depositors as on 31st March, 2013 and out of the above, 10 depositors having deposits aggregating to Rs. 1.64 million have subsequently claimed refund or renewed their deposits. If the unclaimed deposits are not claimed/renewed in future, it shall be deposited in the Investor Education and Protection Fund in due course, as per the provisions of the Companies Act, 1956.

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

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

**CORPORATE GOVERNANCE**

The Company has complied with all the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited during the year ended on 31st March, 2013 as per Report on Corporate Governance annexed as Annexure - D and a Certificate from the Auditors to this effect for the year ended on 31st March, 2013 is also enclosed with this report.

### APPOINTMENT OF COST AUDITORS

Pursuant to the Cost Audit Order No.F.No.52/26/CAB-2010 dated 06.11.2012 and on the recommendations of the Audit Committee, the Board of Directors of your Company have appointed M/s Khushwinder Kumar & Associates, Cost Accountants, Ludhiana, as the Cost Auditor to carry on the Cost Audit of the Packaging Division and Precision Stamping Unit of the Company for the year 2012-13. The due date for filing Cost Audit report for the year FY 12-13 is 27.09.2013 and this will be filed within due date. Cost Audit Report of the Financial year 2011-12 was filed on 16.01.2013 (Due date-28.02.2013)

### AUDITORS

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

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

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

Pursuant to the provisions of Section 205 C of the Companies Act, 1956, the relevant amounts which remained unpaid or unclaimed for a period of seven years, have been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the said Act.

### PARTICULARS OF EMPLOYEES

None of the employee has received salary of Rs. 60.00 lacs per annum or Rs. 5.00 lacs per month or more during the financial year 2012-13. Accordingly, no particulars of employees are to be given pursuant to the provisions of section 217(2A) of the Companies Act, 1956.

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

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

### CASH FLOW ANALYSIS

In conformity with the provisions of Clause 32 of the Listing Agreement, the Cash Flow Statement for the year ended on 31st March, 2013 is annexed hereto.

### PERSONNEL

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

### TRADE RELATIONS

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

### ACKNOWLEDGEMENT

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

**For and on behalf of the Board**

**Date : 29.05.2013**  
**Place : Chandigarh**

**R.K. SABOO**  
**Chairman**

**STATEMENT AS AT 31ST MARCH, 2013, PURSUANT TO CLAUSE 12 (DISCLOSURES IN THE DIRECTORS' REPORT) OF SEBI (EMPLOYEE STOCK OPTION SCHEME AND EMPLOYEE STOCK PURCHASE SCHEME) GUIDELINES, 1999**

**A. Summary of Status of ESOPs granted**

The position of the existing scheme is summarized as under:

S. No.	Particulars	Details
1.	Details of the meeting	Authorized by the shareholders of the Company on September 15, 2011.
2.	Approved limit	Upto 1,10,000 stock options in aggregate
3.	The Pricing Formula	Exercise Price is Rs. 120/- per option.
4.	Options granted	1,00,500
5.	Options vested and exercisable	0
6.	Options exercised	0
7.	Options cancelled	0
8.	Options lapsed	10,500
9.	Total number of options in force	90,000
10.	Variation in terms of ESOP	Not Applicable
11.	Total number of shares arising as a result of exercise of options	0
12.	Money realized by exercise of options (Rs. in lacs)	0

**B. Employee-wise details of options granted during the financial year 2012-13 to:**

(i)	Senior managerial personnel	None
(ii)	Employees who were granted, during any one year, options amounting to 5% or more of the options granted during the year	None
(iii)	Identified employees who were granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	None

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

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

Weighted average Exercise price of Options granted during the year whose

(a)	Exercise price equals market price	Not applicable
(b)	Exercise price is greater than market price	Yes
(c)	Exercise price is less than market price	No

D. The stock based compensation cost calculated as per the intrinsic value method for the financial year 2012-13 is Rs. 4,92,702/-. If the stock based compensation cost was calculated as per the fair value method, the total cost to be recognized in the financial statements for the year 2012-13 would be Rs. 21,63,991/-. Had the Company adopted the fair value method, net loss after tax would have been higher by Rs. 16,71,289/- for the financial year 2012-13.

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

<b>Earnings Per Share: Basic</b>	
- As reported	(0.41)
- Adjusted Proforma	(0.58)
<b>Earnings Per Share: Diluted</b>	
- As reported	(0.41)
- Adjusted Proforma	(0.58)

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

**A. CONSERVATION OF ENERGY :**

- a) **Energy conservation measures taken:**  
The Company continues to give high priority to conservation of energy on an on-going basis. A few significant measures taken are:
  - i) Periodical and preventive maintenance of electric equipments and ensured optimum utilization of electric energy.
  - ii) Phased balancing of heating and lighting load.
  - iii) Increase in power factor by installing capacitor at the individual machines.
- b) **Additional investments and proposals:**  
Further energy conservation is planned through replacement of and modification of inefficient equipments and by providing automatic controls to reduce idle running of equipments.
- c) **Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on cost of production of goods:** Cost of power is negligible in total cost of production.
- d) Total energy consumption and energy consumption per unit of production as per 'Form A' not given as the Company is not covered under the list of specified industries.

**B. TECHNOLOGY ABSORPTION:**

- 1. **Research and Development (R & D):**
  - a) **Specific areas on which R & D carried on by the Company:** Research and Development has been carried out for quality improvement, new product developments and productivity improvement.
  - b) **Benefits derived as a result of the above R & D:** Increase in overall efficiency, productivity and quality of outgoing product

and a wider range of watch components alongwith incremental business from customers.

- c) **Future plan of action:** Further improvement in production processes, to develop new dial finishes, new types of index, development of tools and components and reduction of costs would continue.
- d) **Expenditure on R&D:** No separate account is being maintained by the company for the expenditure incurred on R&D. However, the Company is incurring recurring expenditure towards development activities.

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

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

**Benefits derived as a result of the above efforts:** Due to continuous developmental efforts, the Company has been able to produce much more complicated dials which were being imported until now.

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

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

	<b>2012-13</b>
Foreign Exchange earnings	Rs. 538
Foreign Exchange outgo	Rs. 39

**For and on behalf of the Board**

**Date : 29.05.2013**  
**Place : Chandigarh**

**R.K. SABOO**  
**Chairman**

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

### AN OVERVIEW OF THE ECONOMY

The global economies continued to witness a sharp slowdown. The fall in faster growing emerging economies like BRICS (Brazil, Russia, India, China and South Africa) was more severe but the other developed economies Germany and Japan also faced major slowdown due to global weaknesses. The US economy remained stagnant but the other European countries like Italy, Spain, Poland were affected significantly due to Euro-zone issues.

While India's recent slowdown is partly rooted in external causes, domestic causes are also important. The strong post-financial-crisis stimulus led to stronger growth in 2009-10 and 2010-11. However, the boost to consumption, coupled with supply side constraints, led to higher inflation and tightening of monetary policy. The consequent slowdown, especially in 2012-13, has been across the board, with no sector of the economy unaffected.

During the year, the Indian economy had to face the challenge of managing growth and price stability. The Indian economy growth slowed down from 6.9% in 2011-12 to 5% in 2012-13 and the major reason was rate of growth in manufacturing sector decline to 1.9%.

The delayed policy decisions and required corrective actions for improving corporate and infrastructure investments and creating conducive environment by removing the bottlenecks and uniformity and clarity on key policies affected the economy.

The government's selective efforts in recent months are aimed at restoring the fiscal health and improving the growth rate. The fiscal consolidation corrective measures and policies like controlling subsidies on petroleum products and permitting the FDI in multiple brands will help the economy in the coming periods. However, other important matters like goods and service tax (GST), Direct Tax code (DTC) would help in eliminating multiple taxes and improving the efficiencies and make India more of a national integrated market. Similarly the direct cash benefit transfer scheme will result in containing wasteful expenditure.

While the current environment is difficult, the future holds promise. With the global economy also likely to recover somewhat in 2013, the selective measures announced by government should help in improving the Indian economy's outlook for 2013-14.

### THE WATCH INDUSTRY

#### Swiss Watch Industry

Against a fluctuating economic background around the world in 2012, Swiss watch exports commenced the year by confirming their robust health by maintaining a very strong momentum. However the general trend showed a significant slowdown of the growth which

declined to 5.6% in December and into negative territory in the first quarter of 2013. The major reason of decline in growth was inventory accumulations in China and Far East. The decline is perceived as temporary and as inventory levels correct themselves, the market and growth will stabilize.

During the year the volume declined from 29.8 Million watches to 29.2 million, whereas the value increased by 11.5% from CHF 18.1 billion to CHF 20.2 billion, primarily on account of increase in the high value gold watches.

#### Exports of Finished Watches by Main Countries

China exported fewer watches than in 2011 (-2.9%). With 662.5 million timepieces however, it remains by far the world's leading exporter in volume terms.

#### Main watch exporting countries (Direct exports)

Countries	Units in millions	Change in %
China	662.5	-2.9%
Hong Kong	354.4	-12.0%
Switzerland	29.2	-2.2%
Germany	16.3	+9.2%
USA	8.6	+15.3%
France	6.4	-12.9%

Hong Kong recorded a far steeper decline. Its watch exports fell by 12.0%, to 354.4 million units. Switzerland occupied third place, exporting 29.2 million timepieces in 2012, with a downturn of 2.2% as mentioned above already.

#### Indian Watch Market

Globally, Swiss Watch exports stood at CHF 20.2 billion compared to CHF 18.1 billion in the previous year. However, the impact of the slowdown is beginning to be felt, especially in the last quarter of the financial year 2012-13. The Hong Kong and Chinese markets, that account for more than 25% of the total Swiss Watch exports, have shown a decline.

In India, however, despite continued global economic slowdown, the luxury market continues to grow at a healthy pace. A recent study conducted jointly by ASSOCHAM and Yes Bank pegs the growth of the luxury market at 25 per cent in 2013 till 2015 and likely to touch \$15 billion from the current level of \$8 billion. The number of ultra-high net worth households, with a minimum net worth of Rs. 25 crore is expected to triple to 2.86 lakh in the next five years with a five-fold increase in their net worth to Rs. 235 lakh crore, the study said.

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

### Outlook 2013 onwards

The weaknesses and slowdown in the world economic situation had impacted the watch industry during 2012. However Swiss watch players are optimistic about the growth outlook in many countries. Asia particularly is the fast growing and important market for Swiss watches, followed by U.S.A. There is a clear upturn in leading indicators pointing to a recovery and rebound during 2nd half of 2013.

### BUSINESS OVERVIEW

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

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

#### Turnover

The turnover of the company during the year was impacted by the recession in the watch industry and declined by 5%. The international watch markets continued to witness decline in the orders position which lead to substantial decline in the turnover of the company. The domestic market witnessed growth of 6.7%, primarily due to growth in the business of precision components whereas the exports declined by 15.3%.

The watch components businesses witnessed decline of 12% in value terms primarily on account of decline in exports by 18% over previous year. The current year of recession was different from recession 2 years back as the domestic markets order position also declined which was not the case earlier.

The non-watch components business witnessed growth of 30% in domestic markets and 4% in exports markets due to lower base during 2012. The main growth was from precision components business, wherein the company was successful in inducting new customers.

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

#### Dial Units

During the year, the dial units were significantly impacted by the slow-down, both in the International and domestic markets. All dial manufacturing units operated below the installed capacities. The company could not get the advantage of the capability to manufacture dials with high and complex features, as the new product developments by the customers was deferred due to sluggish demand in market. The year witnessed decline in order position from domestic

customers also as the manufacturing of watches by TIMEX (one of the main customer) remained suspended after October, 2012. The turnover of the company from Dial business declined by 14% in aggregate with exports declining by 18% and domestic business by 8%.

#### Hands Unit

The watch hands segment turnover declined by 11%, primarily on account of decline in exports market by 18%, whereas the domestic market witnessed growth of 16%.

During 2011-12, company had set up additional facilities for manufacture of Hands for exporting to Switzerland. The new unit commenced commercial production w.e.f September 2012, however due to reduced order position, both the plants operated below the installed capacities.

#### Precision Components

Our precision components manufacturing unit at Bangalore witnessed growth in turnover of 30%, as the additional business from both existing and new customers was introduced. The growth in business was mainly in domestic market, whereas the exports market declined by 5%. Company is strategically re-positioning its customers and market segments by putting additional focus on the profitable market segments.

#### Other Businesses

During the year, the packaging business of the company was also impacted by the recession in watch segment and its revenue declined by 15%, the domestic market declining by 23%, whereas the exports turnover increased due to efforts of the company to establish the products in overseas markets.

#### Strategic Initiatives

As the watch industry witnessed slow-down during the year, it led to significant decline in revenue and profitability of the company. The depressed market conditions necessitated the need for business realigning, repositioning and restructuring as per the prevailing conditions.

The company has initiated the process and efforts for increasing the revenue by developing watch dials with additional new features for new and existing customers. These features are in line with emerging future direction and will help the company in increasing the average realization and capturing the growing market segments. The Company has also initiated the efforts for capturing a slice of the vast market in Hong Kong and other niche European markets like Germany.

In addition to this, the management has initiated the process for consolidation of dial manufacturing units to reduce costs. The company has also set up an exclusive Quality Assurance Cell in an arrangement with key customers, wherein the customer's

representatives validates and approves the products before dispatch and delivery. This will help in further improving the confidence level of customers and increasing the revenue for dials segment. The company has also taken up the services of Frost & Sullivan, renowned consultants in the field of manufacturing excellence for improving the internal processes and productivity.

The marketing function has been sharpened by engaging the services of international professional with strong selling skills.

The efforts of the company during last year for introducing the packaging business in export market segment has started showing encouraging results and the company is steadily increasing the volume and turnover from these exports customers. Company is confident that with some additional efforts and focus, the growth in this business can be rapid and exponential. Company has already initiated the efforts for introducing the packaging business in other segments like jewellery and other accessories and reducing the dependence on the watch segment.

The company views precision engineering and components manufacturing business as one with huge potential for growth. We have increased our efforts for capturing additional profitable markets and segments both in domestic and exports market.

The company is moving ahead with a calibrated strategy in the e-commerce business with the ultimate objective of establishing a life-style brand for watches and fashion accessories.

We have satisfactorily extended the implementation of SAP during the year. The full integration of all modules will help the company in long term by optimizing resources and standardising best practices and processes.

### **BUSINESS PERFORMANCE REVIEW**

#### **Revenue**

The gross operating income of the company declined from Rs. 1042 million to Rs. 993 million, a decrease of 5% over the previous year. Despite, the suppressed market conditions, global recession and the economic turmoil in the European markets, which is a major source of revenue for the company, company managed to protect any rapid decline in the turnover. This was possible as the company efforts in the previous years of supplying quality products and competitive prices helped in retaining the confidence and trust of the reputed customers, both in domestic and Export markets. Company could not fully insulate itself from the subdued market conditions.

The watch segment gross operating income declined from Rs. 784 million to Rs. 689 million, a decrease of 12%. The other segments revenue increased from Rs. 190 million to Rs. 230 million reflecting an increase of 21%.

The domestic sales of the company improved from Rs. 387 million to Rs. 413 million representing a growth of 7%, whereas the exports market declined from Rs. 599 million to Rs. 508 million, decline of almost 15%, which re-establishes the fact that the global recession impacted the performance in the exports markets. However, we are confident that the market is turning for the better and will witness growth in next 2 quarters. The efforts of the company in re-positioning and capturing new customers and market segments will also help in improving the revenue in the coming periods.

#### **Margins**

The margins of the company were drastically affected due to decline in turnover after witnessing healthy growth in last 2 years.

The earnings before interest, depreciation, taxes and appropriations declined from Rs. 247 million to Rs. 124 million, decline by almost 50% over previous year. The earning for the year was also impacted by Rs. 15 million, on account of payment of one time exit costs to employees for realigning the workforce in line with the market requirements and Rs. 6 million, the impact of merger of subsidiary company M/s Himachal Fine Blank Limited during the year. During the year, the company had initiated the steps for setting up the e-commerce business for encashing the opportunities in this segment and during the year, the initial losses were around a million. The operating EBIDTA earning after considering these onetime abnormal costs was 15.7%, decline of 7.6% from the previous years.

#### **Shareholders Funds**

During the year, the Company allotted 200100 fully paid up Equity Shares of Rs. 10 each (on pari-passu basis) pursuant to conversion of equal number of Zero Coupon convertible warrants. As a result of the above said conversion, the paid up capital of the Company has increased from Rs. 8,97,37,600 to Rs. 9,03,67,200 comprising 90,36,720 equity shares of Rs. 10 each fully paid up.

The company's reserves declined from Rs. 388 million as on 31st March 2012 to Rs. 375 million as on 31st March 2013, on account of impact of the merger of subsidiary company M/s Himachal Fine Blank Limited and the financial loss during the year.

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

The cost of funds as a percentage to total revenue increased from 4.4% to 6.0% in 2012-13. The increase in cost of funds was due to decline in the turnover and the lower internal accruals. During the year, the impact for full year was absorbed for the loan funds inducted at the end of the last year.

During the year, the interest rates in the financial market continued to remain high; this also affected the borrowing costs of the company. However, with better management of net working capital and effective



## KDDL LIMITED

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utilization of financing tools the overall simple average cost of debt was contained at 13% against a level of 11.7% reached during the previous year.

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

### Fixed Assets

Fixed Assets of the company including Capital work in progress and Capital Advances during the year increased from Rs. 999 million to Rs. 1100 million on account of normal capital expenditure in the different units for increasing productivity, new product developments and addition of other assets for quality, safety, Information technology and administrative functions.

### Subsidiary Companies and Joint Ventures

#### Ethos Limited

During the course of the year, the Company continued its topline growth. The company's billings grew from Rs. 140 crores in FY11-12 to Rs. 194 crores in FY12-13, a growth of approximately 39%. The growth in billings has been achieved on the back of very healthy like-to-like growth of billings at store level. Continuing the trend of FY11-12 of like to like growth at 28%, the Company achieved a like-to-like growth in billings of 29% in FY12-13.

During the year, the Company has opened five new stores. The Company has become much focused on achieving profitable growth and has started taking a close look at stores that are not profitable. In FY12-13, four stores were shut down. The total number of stores as at the end of FY 2012-13 is thirty seven.

The Company also inducted equity of Rs. 12.1 crores during the year. The equity induction was done with the issue of compulsorily convertible cumulative preference shares of Rs.110 each, which will be converted into one share having a face value of Rs. 10 each. In addition to this, the Company also obtained sanctions for debt of Rs. 9.8 crores.

The Company's overall risk profile has improved considerably. The average inventory carrying periods have improved from 10 months in the FY11-12 to 8.6 months in FY12-13. In addition to this, the current ratio has undergone improvement from 1.22 to 1.36. Not only this, Total Outstanding Liabilities as a percentage of the Total Net Worth (TOL/TNW) has improved considerably from 2.8 to around 2.04.

Ethos has also established an internet presence through its Holding Company – KDDL Limited and is reaching out to customers through its website, through facebook groups and microsites. The tremendous internet presence now translates to more than 1 lakh unique visitors every month to its website, more than 25000 members to its various online groups and specific alliances with companies such as Jet Airways,

Miles and More, etc. With this presence, Ethos is now able to cost effectively transcend the limitations of presence at its stores to all over India.

While the Company continues to grow in topline, the improvement in margins remains the key area of improvement. The Gross margins in FY11-12 were 26.5% and in FY12-13 was 26.8%. Similarly EBIDTA margins was 5.1% in FY11-12 and in FY12-13 was slightly lower at 4.5%.

### Going Forward

The key areas for improvement that the Company has identified for improvement are margins and stock turn.

The Company has managed to substantially improve gross margins over the past five years. The Company is now endeavouring to improve this further over the next 4 years to around 30%. The Company is optimistic on this growth due to a number of measures adopted by brands for control of discounts. Further, improvement in margins and profitability will also come through an increased scale of operations. This will happen in two ways: progressively better negotiating power with brands and spreading fixed costs (back end as well as front end) over a larger base.

In addition to this, the Company has, over the past three years, built the proportion of House Brands in its billings. From almost negligible levels, the proportion of House Brand sales has increased to around 6% of total billings. The Company plans to increase this to around 20% in the next four years.

The Company has established rigorous controls on inventory management. The Company has already constituted a merchandising team for accurate requirement assessment, centralized processing and volume-based ordering for superior negotiation. The Company has also implemented an ERP system that helps optimizing inventory levels. This has helped the Company in bringing down the inventory level over the past three years and hope to continue improving over the future.

### Himachal Fine Blank Limited

During the year, the operations of this company were merged with KDDL Limited and all production facilities were shifted to other dial manufacturing units. The merger was effective from 1st April 2011; however, the impact of the merger is reflected in the year after the receipt of merger order from Hon'ble High Court of Himachal Pradesh, Shimla and its filing with Registrar of Companies, Himachal Pradesh.

### Pylania SA

During the current year the watch dials business witnessed impact of the slow down in the economy leading to decline in orders and new product developments from the watch brands.

The revenue of the company declined from CHF 1.8 million to CHF 1.4 million, decline of 22% and the loss

## KDDL LIMITED

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from company increased from CHF 0.35 million during 2011-12 to CHF 0.69 million during the year.

The deferment by Swiss Watch Federation (FHS) and the Swiss Parliament to arrive on a consensus on the issue of "SWISS MADE" in Horology has further confirmed that the shift of watch brands away from import of dials will be slower than was envisaged. The implementation of the "SWISS MADE", was the fundamental basis of setting up Pylania factory. In the present scenario now, many watch brands will continue sourcing dials from outside Switzerland, at least for some more time.

The prevailing soft market conditions therefore compelled the management to down size Pylania operations so as to avoid cash losses. Management expects the current softness to end with a market revival by the middle of 2014, though some recovery will be evident in second half of the year.

However, in order to overcome the impact of the uncontrollable factors, management took various steps for downsizing the operations to restrict the losses. Management has also initiated efforts for improving the financial performance by taking up the business development activities for other products in the watch and jewellery industry, which are not much affected by the "SWISS MADE" regulations. Management is confident that there is a huge untapped potential in these market segments and company can take advantage of its business relations, association and contacts with the major brands.

The Board and Shareholders of the company are confident that with the new initiatives, restructuring of the business, downsizing the operations, the financial performance of the business will be healthy during the current year and it will be in a position to gradually reduce its loans and meet financial obligations of all stake-holders.

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

This is joint venture company with 50:50 ownership between KDDL and Pascal Vaucher Holding, SA of Switzerland in the field of Jewellery setting. During the year, the operations of the company remained suspended as no orders were received from the JV partner. The company is exploring all available options acceptable to both the joint venture partners for recovery / restructuring of the business. KDDL is also working on alternatives for effective utilization of the assets of this joint venture company. The non participation of the other joint venture partners is delaying any final resolution for the company.

### **HUMAN RESOURCE MANAGEMENT**

The skills and capabilities of our team remain our most valuable asset. KDDL seeks to attract and retain the best talent available. Human Resource Management incorporates a process driven approach that invests regularly in the training and development needs of

employees through succession planning, job rotation, on the job training and extensive training workshops and programs.

The Company's Talent Management process focused on building talent at various levels in the organization. A number of Management Trainees had been hired keeping in mind the company's future needs to build a leadership pipeline. Also, new people had been hired to build capabilities in new areas and to fill any gaps. As such, the Company has focused on developing internal talent through a robust identification process and with a clear development plan designed for each such talent.

During the year the Company held various employee engagement programs in order to bolster employee morale, inculcate a feeling of team work and camaraderie and create a mechanism to recognize individual and team contributions to the organizations. Programs such as Chairman's Annual Awards and Star Performer Awards recognize and reward individual and team achievements across the Group. The total number of employees of the Company was over 1000 during the year under review.

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

The Company conducts its business with integrity and high standards of ethical behavior and in compliance with the laws and regulations that govern its business. The Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed in accordance with Companies (Auditor's Report) Order, 2003 and to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies.

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

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

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

Our framework for combating risks recognizes that risks

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

### **Risks of General Nature**

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

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

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

### **Specific Risks**

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

#### **Risks due to decline in overall demand for watches:**

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

#### **Risks pertaining to over dependence on few customers:**

The Company has enjoyed a close and mutually beneficial association with several leaders in the watch business most notably Titan, Timex in India and the Swatch Group and many of the other leading brands in Switzerland. This inevitably has led to a substantial part of the Company's business being related to these groups.

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

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

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

**Foreign Exchange Risks:** More than 55% of the Company's manufacturing turnover comes from exports, denominated in Swiss Francs and US Dollars. The fall and rise in these currencies can seriously impact the working of the Company in the short and medium term. In the current year, the fall in the value of these currencies will have a significant impact on the export earnings in Rupee terms and thereby on the profitability of the Company. This risk is mitigated with several measures which include:

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

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

### **CAUTIONARY STATEMENT**

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

**REPORT ON CORPORATE GOVERNANCE**

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

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

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

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

**II. BOARD OF DIRECTORS**

**(a) Composition and attendance in meetings**

The Board of Directors of the Company has an optimum combination of executive and non-executive directors. The Board of Directors presently comprises of 9 (nine) members including 3 (three) Whole-Time directors, i.e., the Chairman, the Vice Chairman-cum-Chief Executive Officer and the Chief Operating Officer. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

During the financial year ended on 31st March 2013, 8 (Eight) Board Meetings were held and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

30th April, 2012	03rd August, 2012	17th September, 2012	08th December, 2012
12th May, 2012	07th September, 2012	10th November, 2012	11th February, 2013

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

Name of the Director	Business Relationship	Category of Directorship	No. of Board Meetings attended	Attendance at the last AGM held on 17.09.2012	No. of Directorships in other Public Limited Companies	*No. of mandatory Committee positions held in other Companies	
						Chairman	Member
Mr. R.K. Saboo	Chairman	Promoter-Executive	7	Yes	2	-	-
Mr. Yashovardhan Saboo	Vice Chairman cum Chief Executive Officer (CEO)	Promoter-Executive	7	No	9	-	1
Mr. Dinesh Agrawal	Chief Operating Officer (WCG)	Executive	3	No	3	-	-
Dr. T.N. Kapoor	Director	Independent-Non Executive	7	Yes	4	4	4
Mr. Jagesh Khaitan	Director	Independent-Non Executive	7	Yes	2	-	2
Mr. Anil Khanna	Director	Independent-Non Executive	8	Yes	1	1	-
Mr. Chandra Mohan	Director	Independent-Non Executive	7	Yes	6	-	4
Mr. Mannil Venugopalan	Director	Independent-Non Executive	4	No	7	-	6
Mr. Marc Bernhardt	Director	Independent-Non Executive	Nil	No	-	-	-

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

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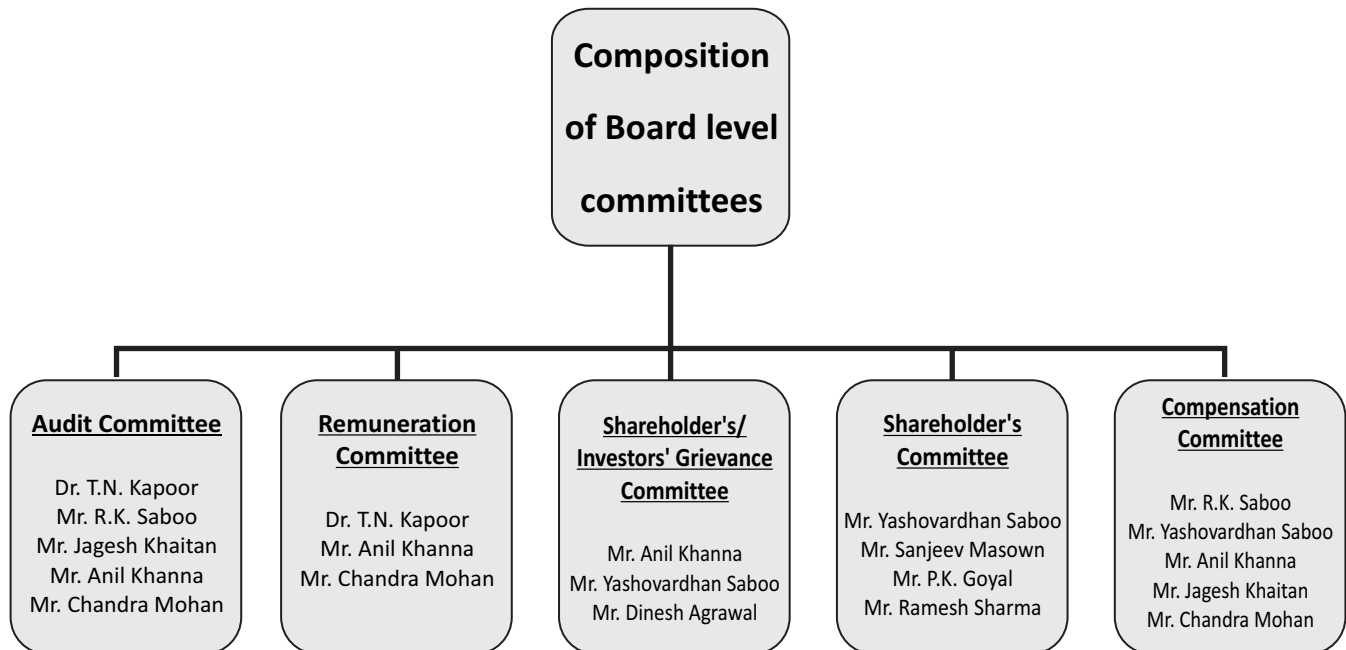
Since the Chairman of the Board is an Executive Chairman, the Board of Directors comprises of more than 50% of Directors who are Independent.

### Notes:

- During the year, the Board of Directors at its meeting held on 17th September 2012, has approved the re-designation of **Mr. Yashovardhan Saboo as the Vice Chairman-cum-Chief Executive Officer** of the Company.

### III. COMMITTEES OF BOARD

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



#### 1. AUDIT COMMITTEE

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

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

During the financial year ended on 31st March 2013, 4 (Four) meetings of the Audit Committee were held. The dates on which the meetings of the Audit Committee were held, are as under:

12th May, 2012	10th November, 2012
03rd August, 2012	11th February, 2013

## KDDL LIMITED

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

<b>Attendance of Members at Meetings of the Audit Committee</b>			
<b>Name of the Director</b>	<b>Category</b>	<b>Designation</b>	<b>Meetings attended</b>
Dr. T.N. Kapoor	Independent Non Executive	Chairman	4
Mr. R.K. Saboo	Promoter Executive	Member	4
Mr. Jagesh Khaitan	Independent Non Executive	Member	3
Mr. Anil Khanna	Independent Non Executive	Member	4
Mr. Chandra Mohan	Independent Non Executive	Member	3

The Audit Committee invites such Executives as it considers appropriate to be present at its meetings. The Chief Financial Officer attended all the meetings. The Company Secretary attended all the meetings except for the meeting held on 12th May, 2012. The Statutory Auditors are invited to the meetings in which Quarterly/Annual Accounts are considered. The Internal Auditors are also invited to the meetings in which Internal Audit Reports are discussed. The Company Secretary acts as the Secretary of the Committee.

## 2. REMUNERATION COMMITTEE

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

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

During the financial year ended on 31st March 2013, 2 (two) meetings of the Remuneration Committee were held on 17th September, 2012 and 11th February, 2013.

The composition of the Remuneration Committee is as given below:

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

### Remuneration Policy

#### ● Management Staff

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

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

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

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

#### ● Non Executive Directors

The Non-Executive Directors are paid remuneration by way of sitting fees of Rs. 15,000/- for attending the meetings of the Board of Directors. The Non-Executive Directors are also paid remuneration by way of sitting fees of Rs. 5000/- for attending the meetings of Committees.

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

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Name of the Director	Sitting Fees paid (Gross) (Rs.)
Mr. Anil Khanna	1,50,000/-
Dr. T.N. Kapoor	1,35,000/-
Mr. Chandra Mohan	1,30,000/-
Mr. Jagesh Khaitan	1,20,000/-
Mr. Marc Bernhardt	Nil
Mr. Mannil Venugopalan	60,000/-

### ● Working Directors

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

Details of remuneration paid/payable to the Chairman, Vice Chairman-cum-Chief Executive Officer and Chief Operating Officer (WCG) during the financial year ended on 31st March, 2013 are as follows:

Name	Salary	Perquisites & Allowances	Amount in Rupees	
			Bonus paid/provided in 2012-13	Total
Mr. R.K. Saboo	17,05,000	13,50,459	0	30,55,459
Mr. Yashovardhan Saboo	29,04,000	14,05,639	10,00,000	53,09,639
Mr. Dinesh Agrawal	12,77,760	12,31,529	5,00,000	30,09,289

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

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

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

### 4. SHAREHOLDERS' COMMITTEE

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

The present composition of Shareholders' Committee is as under:

Name	Designation
Mr. Yashovardhan Saboo	Vice Chairman-cum-Chief Executive Officer
Mr. Sanjeev Masown	Chief Financial Officer
Mr. P.K. Goyal	Company Secretary
Mr. Ramesh Sharma	General Manager – Accounts

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

#### Shareholders'/Investors' complaints

Complaints pending as on 1st April, 2012	Nil
During the period from 1st April, 2012 to 31st March, 2013, complaints identified and reported under Clause 41 of the Listing Agreement	16
Complaints disposed off to the satisfaction of shareholders during the year ended 31st March, 2013	16
Complaints unresolved as on 31st March, 2013	Nil

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### 5. COMPENSATION COMMITTEE

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

- a) The quantum of Options to be granted under the plan to an Employee per year and in aggregate.
- b) The conditions under which Option vested in Employees may lapse in case of termination of employment for misconduct.
- c) The Exercise Period within which the employee should exercise the Option and that Option would lapse on failure to exercise the Option within the Exercise Period.
- d) The specified time period within which the Employees shall exercise the Vested Options in the event of termination or resignation of an Employee.
- e) The right of an Employee to exercise all the Options vested in him at one time or at various points of time within the Exercise Period.
- f) The procedure for making a fair and reasonable adjustment to the number of Options and to the Exercise Price in case of rights issues, bonus issues, merger, sale of division and other corporate actions.
- g) The Grant, Vesting and Exercise of Option in case of Employees who are on long leave.
- h) The procedure for cashless exercise of Options and
- i) To frame suitable policies and systems to ensure that there is no violation by any Employee of: -

Securities and Exchange Board of India (Insider Trading) Regulations, 1992; and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995.

During the financial year ended on 31st March, 2013, no meeting of the Compensation Committee was held.

### IV. SHAREHOLDERS INFORMATION

#### General Body Meetings

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

Financial year	Details of Location	Date	Time	Special resolutions passed
2011-12	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	17th September, 2012	12.30 p.m.	Provide corporate guarantees to Banks/Financial Institution for providing loan to M/s Ethos Limited (formerly known as M/s Kamla Retail Limited), Subsidiary Company.
2010-11	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	15th September, 2011	12.30 p.m.	a. Provide corporate guarantees to Banks/Financial Institution for providing loan to M/s Kamla Retail Limited, Subsidiary Company. b. Grant of 1,10,000 (one lacs and ten thousand) stock options, in aggregate under the "KDDL Employee Stock Option Plan 2011". c. Extension in the benefit of ESOP 2011 to the employees of subsidiary companies. d. Issuance of total options under ESOP 2011 to exceed 1% of the issued capital of the Company. e. Re-appointment of Mr. Rajendra Kumar Saboo as the Chairman of the Company, w.e.f. 1st December, 2010, for a further period of three years, i.e., upto 30th November, 2013. f. Re-appointment of Mr. Yashovardhan Saboo as the Managing Director with functional designation of Chief Executive Officer of the Company, w.e.f., 1st April, 2011, for a further period of three years, i.e., upto 31st March, 2014.
2009-10	Hotel Timber Trail Resorts, Parwanoo-173 220 (HP)	30th September, 2010	12.30 p.m.	a. Re-appointment of Mr. Rajendra Kumar Saboo as Chairman of the Company w.e.f. 1st December, 2009 for a further period of one year, i.e. upto 30th November, 2010.



b. Re-appointment of Mr. Yashovardhan Saboo as the Managing Director with functional designation of Chief Executive Officer of the Company, w.e.f. 1st April, 2010, for a period of one year, i.e., upto 31st March, 2011.

c. Re-appointment of Mr. Dinesh Agrawal as Whole Time Director with functional designation of Chief Operating Officer (WCG) of the Company, w.e.f., 1st April, 2010, for a further period of three years, i.e., upto 31st March, 2013.

d. Appointment of Mr. Pranav Shankar Saboo as Business Head, Packaging Division of the Company, w.e.f., 1st February, 2010.

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

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

## **V. CODE OF CONDUCT**

The Company has formulated and implemented a Code of Conduct for all Board members and Senior Management personnel of the Company in compliance with clause 49(1)(D) of the Listing Agreement. All the Board members and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct for the financial year ended 31st March, 2013. A declaration to this effect, duly signed by the Chief Executive Officer is given at the end of Corporate Governance Report.

## **VI. DISCLOSURES**

During the year, there were no materially significant transactions with related parties that may have potential conflict with the interests of the Company in large. The transactions with related parties, as per requirements of Accounting Standard 18, are disclosed in the Balance Sheet (See Note 35 to the financial statements in the Annual Report). Also, there has not been any non-compliance by the Company in this regard.

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

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) have certified to the Board in accordance with Clause 49 of the Listing Agreement pertaining to CEO/CFO certification for the financial year ended 31st March, 2013.

The Company follows Accounting Standards issued by the Institute of Chartered Accountants of India in the preparation of financial statements and the Company has not adopted a treatment different from that prescribed in the Accounting Standards or revised Schedule VI of the Companies Act, 1956.

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

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

<b>Name of the Director</b>	<b>No. of equity shares held as on date of Board meeting i.e. 29.05.2013</b>
Mr. R.K. Saboo	2054560
Dr. T.N. Kapoor	Nil
Mr. Jagesh Khaitan	466
Mr. Anil Khanna	2332
Mr. Chandra Mohan	Nil
Mr. Mannil Venugopalan	Nil
Mr. Marc Bernhardt	Nil
Mr. Yashovardhan Saboo	1505630
Mr. Dinesh Agrawal	34449

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### VII. SECRETARIAL AUDIT

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

### VIII. MEANS OF COMMUNICATION

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

### IX. GENERAL SHAREHOLDER INFORMATION

#### (a) Annual General Meeting

Date	: 9th September, 2013
Venue	: Hotel Timber Trail Resorts, Parwanoo 173 220 (H.P.)
Time	: 12:30 p.m.

#### (b) Financial Calendar

Financial year: 1st April to 31st March

For the financial year ended 31st March, 2013, results were announced on:

- 30th June, 2012 : 03rd August, 2012
- 30th September, 2012 : 10th November, 2012
- 31st December, 2012 : 11th February, 2013
- 31st March, 2013 : 29th May, 2013

For the year ending 31st March, 2014, the tentative dates for announcement of the results:

- 30th June, 2013 : Last week of July, 2013
- 30th September, 2013 : Second week of November, 2013
- 31st December, 2013 : Second week of February, 2014
- 31st March, 2014 : Fourth week of May, 2014

#### (c) Date of Book Closure

Book Closure – 2nd September, 2013 to 9th September, 2013 (both days inclusive)

#### (d) Dividend Payout

Subject to approval of the members of the Company, the Directors have recommended 10% i.e. Rs. 1/- per share as dividend for the financial year 2012-13.

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### (e) Listing on Stock Exchanges

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

### (f) Stock Code

Bombay Stock Exchange Limited – 532054

### (g) Market Price Data

Month	Quote at BSE (Amount in Rs.)		BSE Sensex Close
	High	Low	
April, 2012	154.00	116.40	17,318.81
May, 2012	149.00	123.00	16,218.53
June, 2012	153.95	118.05	17,429.98
July, 2012	151.90	126.05	17,236.18
August, 2012	153.50	120.40	17,429.56
September, 2012	134.50	111.05	18,762.74
October, 2012	130.00	110.15	18,505.38
November, 2012	126.90	94.90	19,339.90
December, 2012	116.50	90.00	19,426.71
January, 2013	126.00	91.00	19,894.98
February, 2013	108.00	75.10	18,861.54
March, 2013	86.00	63.00	18,835.77

### (h) Distribution of Shareholding

Distribution of shareholding as on 31st March, 2013					
Shareholding of Nominal Value of		Shareholders		Share amount Nominal value	
From	To	No. of Cases	% of Cases	Amount	% of Amount
Upto	- 5000	2908	86.44	3859280	4.27
5001	- 10000	197	5.86	1532460	1.70
10001	- 20000	89	2.65	1375930	1.52
20001	- 30000	40	1.19	1039630	1.15
30001	- 40000	28	0.83	982660	1.09
40001	- 50000	19	0.56	866710	0.95
50001	- 100000	29	0.86	2202100	2.44
100001 and above		54	1.61	78508430	86.88
<b>Total:</b>		<b>3364</b>	<b>100.00</b>	<b>90367200</b>	<b>100.00</b>

## KDDL LIMITED

### (i) Categories of Shareholding as on 31st March,2013

KDDL LIMITED				
Shareholding Pattern as on 31/03/2013 (Total)				
S.No.	Description	No. of Cases	Total Shares	% Equity
1	BANKS	1	50	0.00
2	CLEARING MEMBERS	4	61	0.00
3	DIRECTORS	3	37947	0.42
4	DIRECTORS AND RELATIVES	9	28929	0.32
5	FOREIGN COLLABORATORS	2	50000	0.55
6	FOREIGN INSTITUTIONAL INVESTORS	1	100951	1.12
7	H U F	45	27532	0.30
8	BODIES CORPORATES	83	1877923	20.78
9	MUTUAL FUNDS	1	2900	0.03
10	NON RESIDENT INDIANS	29	65901	0.73
11	OVERSEAS CORPORATE BODIES	3	257018	2.84
12	PROMOTERS BODIES CORPORATE	1	33183	0.37
13	PROMOTERS	18	4741799	52.47
14	RESIDENT INDIVIDUALS	3164	1812526	20.06
	<b>Total:</b>	<b>3364</b>	<b>9036720</b>	<b>100.00</b>

### (j) Registrar and Share Transfer Agent

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

Karvy Computershare Private Limited

**UNIT: KDDL LIMITED**

Plot No. 17-24, Vittal Rao Nagar

Madhapur, Hyderabad-500 081

Ph : +91-40 23420818-828

Fax : +91-40 23420814

Website : www.karvy.com

Contact Person : Mr. Mahendra Singh

### (k) Share Transfer System

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

### (l) Dematerialization of shares and liquidity

As on 31st March, 2013, 81,69,616 equity shares equivalent to about 90.40% of the Company's paid up equity capital is held in dematerialized form with NSDL and CDSL. Trading in equity shares of the Company is permitted only in dematerialized form w.e.f. 24th May, 2001 as per the notification issued by the Securities and Exchange Board of India. The Company has duly complied with the SEBI Circular No. SEBI/Cir/ISD/3/2011 dated June 17, 2011 regarding 100% promoters holding in dematerialized form.

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

## KDDL LIMITED

### (m) Unclaimed dividend

Pursuant to the provisions of section 205A of the Companies Act, 1956, the amount of dividend which remains unclaimed for a period of seven years from the date of transfer to unclaimed/unpaid dividend account would be transferred to the "Investor Education and Protection Fund" and the shareholders would not be able to make any claims to the amount of dividend so transferred to the Fund. The unclaimed dividend for the years till 2004-05 has already been transferred to the fund. As such, shareholders who have not yet encashed their dividend warrants are requested in their own interest to write to the Company immediately for claiming outstanding dividends declared by the Company during the years 2005-06 onwards.

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

Year	Dividend No.	Dividend unclaimed (Rs.) as on 31st March, 2013	Date of declaration	Due date for transfer on
2005-2006	14	172662.00	23.09.2006	29.10.2013
2006-2007 (Interim)	15	155023.00	20.02.2007	26.03.2014
2006-2007 (Final)	16	93957.00	29.08.2007	04.10.2014
2007-2008	17	221926.00	30.07.2008	05.09.2015
2010-2011	18	401326.00	15.09.2011	21.10.2018
2011-2012	19	426000.00	17.09.2012	23.10.2019

### (n) Plant/Business Locations

<b>Dial Units</b>	1.	Plot No. 3, Sector III, Parwanoo (H.P.) INDIA
	2.	Haibatpur Road, Saddomajra, Derabassi INDIA
	3.	Plot No. 17, HSIIDC, Industrial Area Alipur, Barwala, Haryana, INDIA
<b>Assembly Units</b>	1.	Windsmoor Complex, Plot No. 2, Sector 2, Parwanoo (H.P.) INDIA
	2.	Village Dhana, Bagbania, P.O Manpura, Tehsil Baddi, Distt. Solan (H.P), INDIA
<b>Hands Unit</b>	1.	296-97, 5th Main, 11th Cross, Peenya Industrial Area, Bangalore, INDIA
	2.	408, 2nd Floor, 4th Main, 11th Cross, Peenya Industrial Area, Bangalore, INDIA
<b>Precision Stamping Unit (EIGEN)</b>		408, 4th Main, 11th Cross, Peenya Industrial Area, Bangalore, INDIA
<b>Packaging Unit</b>		25/1, Industrial Area, Phase-II, Chandigarh, INDIA
<b>E-Commerce Division</b>		Shop No. 204 to 206, SquareOne Shopping Complex, District Centre, Saket Place, Saket, New Delhi, INDIA

### (o) Address for correspondence

Shareholders are requested to contact the following:-

#### Mr. P.K. Goyal

Company Secretary and Compliance Officer

#### KDDL Limited

Corporate Office: 'Kamla Centre', SCO 88-89

Sector 8-C, Chandigarh-160 009

Tel: 0172-2544378

Fax: 0172- 2548302

Website: www.kddl.com

Email: pawan.goyal@kddl.com

## **KDDL LIMITED**

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### **Declaration by the CEO under Clause 49 of the Listing Agreement regarding adherence to the Code of Conduct.**

In accordance with Clause 49 sub-clause I(D) of the Listing Agreement with the Stock Exchange, I hereby confirm that, all Directors and the Senior Management personnel of the Company have affirmed compliance to the KDDL's Code of Conduct, for the financial year ended 31st March, 2013.

**For KDDL Limited**

**Yashovardhan Saboo  
Chief Executive Officer**

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### **Auditors' Certificate on Corporate Governance under Clause 49 of the Listing Agreement**

**To the Members of  
KDDL Limited**

We have examined the compliance of conditions of corporate governance by KDDL Limited ("the Company"), for the year ended on 31 March 2013, as stipulated in Clause 49 of the Listing Agreement of the said company with the stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

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

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

Place: New Delhi  
Date: 29 May 2013

## Independent Auditors' Report

### To the Members of KDDL Limited

#### Report on the Financial Statements

1. We have audited the accompanying financial statements of KDDL Limited, ("the Company"), which comprise the Balance Sheet as at 31 March 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

2. Management is responsible for the preparation of these financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;
  - ii) in the case of Statement of Profit and Loss, of the loss for the year ended on that date; and
  - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

#### Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by Section 227(3) of the Act, we report that:
  - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the financial statements dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the financial statements comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act; and
  - e. on the basis of written representations received from the directors, as on 31 March 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

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

per **B.P. Singh**

Partner

**Place :** Chandigarh  
**Dated :** 29 May 2013

Membership No.: 70116

**Annexure to the Independent Auditors' Report of even date to the members of KDDL Limited, on the financial statements for the year ended 31 March 2013**

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit and stock lying with third parties at year end, written confirmations have been performed by the management.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies between physical inventory and book records were noticed on physical verification.
- (iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to 4(iii) (d) of the Order are not applicable.
- (e) The Company has taken unsecured loans from seven parties covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is ₹ 25,110,000 and the year-end balance is ₹ 25,110,000.
- (f) In our opinion, the rate of interest and other terms and conditions of loans taken by the Company are not, *prima facie*, prejudicial to the interest of the Company.
- (g) In respect of loans taken, repayment of the principal amount and the interest is regular.
- (iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for

the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

- (v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.
- (b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at the prevailing market prices at the relevant time.
- (vi) In our opinion, the Company has complied with the directives issued by the Reserve Bank of India, the provisions of Sections 58A and 58AA and other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975, as applicable, with regard to the deposits accepted from the public. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal, in this regard.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act in respect of Company's products/services and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.



## KDDL LIMITED

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

Name of the statute	Nature of dues	Amount (in Rs.)	Amount paid Under protest (in Rs.)	Period to which the amount relates	Forum where dispute is pending
Finance Act, 1994	Service tax	985,582	-	January 2005-June 2005	CESTAT, New Delhi
Central Excise Act, 1944	Central Excise	8,164,882	-	July 2000-Feb 2003	CESTAT, New Delhi
Central Excise Act, 1944	Central Excise	91,340	-	July 2002-June 2004	CESTAT, New Delhi
Finance Act, 1994	Service tax	219,309	-	July 2004-March 2005	CESTAT, New Delhi
Income-tax Act, 1961	Income tax	4,046,108	4,046,108	AY 2004-05	ITAT, New Delhi
Income-tax Act, 1961	Income tax	13,203,431	-	AY 2005-06	ITAT, New Delhi
Income-tax Act, 1961	Income tax	10,625,400	10,625,400	AY 2006-07	ITAT, New Delhi
Income-tax Act, 1961	Income tax	13,437,820	-	AY 2007-08	Commissioner of Income-tax (Appeals), New Delhi
Income-tax Act, 1961	Income tax	11,683,230	7,300,000	AY 2008-09	Commissioner of Income-tax (Appeals), New Delhi

- (x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (xi) In our opinion, the Company has not defaulted in repayment of dues to any bank or financial institution during the year. The Company did not have any outstanding debentures during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not, *prima facie*, prejudicial to the interest of the Company.
- (xvi) In our opinion, the Company has applied the
- (xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment by the Company.
- (xviii) During the year, the Company has made preferential allotment of shares to parties covered in the register maintained under Section 301 of the Act. In our opinion, the price at which shares have been issued is not, *prima facie*, prejudicial to the interest of the Company.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

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

per **B.P. Singh**

Partner

Membership No.: 70116

**Place :** Chandigarh  
**Dated :** 29 May 2013

# KDDL LIMITED

## Balance sheet as at 31 March 2013

(All amount in rupees, unless stated otherwise)

	Note	As at 31 March 2013	As at 31 March 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	91,238,600	89,237,600
Reserves and surplus	3	374,958,244	388,405,753
Money received against zero coupon convertible warrants	4	-	2,052,051
		<b>466,196,844</b>	479,695,404
<b>Non-current liabilities</b>			
Long-term borrowings	5	193,875,898	184,499,695
Deferred tax liabilities (net)	6	44,612,912	40,326,576
Other long term liabilities	7	22,976,000	25,677,000
Long term provisions	8	22,550,510	17,124,857
		<b>284,015,320</b>	267,628,128
<b>Current liabilities</b>			
Short-term borrowings	9	252,388,973	196,445,182
Trade payables	10	148,146,398	101,693,356
Other current liabilities	11	160,577,997	195,000,472
Short-term provisions	12	20,211,944	40,296,177
		<b>581,325,312</b>	533,435,187
<b>Total</b>		<b>1,331,537,476</b>	<b>1,280,758,719</b>
<b>ASSETS</b>			
Non-current assets			
Fixed assets			
Tangible assets	13	572,879,583	467,521,715
Intangible assets	13	14,464,584	6,698,587
Capital work-in-progress		7,690,752	85,514,419
Intangible assets under development		2,240,904	6,806,896
Non-current investments	14	180,941,573	180,697,968
Long term loans and advances	15	43,290,619	38,633,077
Other non-current assets	16	120,000	240,000
		<b>821,628,015</b>	786,112,662
<b>Current assets</b>			
Inventories	17	217,419,956	184,306,891
Trade receivables	18	169,597,143	185,042,212
Cash and bank balances	19	38,690,522	33,839,775
Short-term loans and advances	20	83,290,531	90,902,451
Other current assets	21	911,309	554,728
		<b>509,909,461</b>	494,646,057
<b>Total</b>		<b>1,331,537,476</b>	<b>1,280,758,719</b>

Notes 1 to 47 form an integral part of these financial statements

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

**R.K. SABOO**  
Chairman

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

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

**P.K. GOYAL**  
Company Secretary

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

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

Place : Chandigarh  
Dated : 29 May 2013

Per **B.P. Singh**  
Partner

# KDDL LIMITED

## Statement of Profit and loss for the year ended 31 March 2013

(All amount in rupees, unless stated otherwise)

	Note	Year ended 31 March 2013	Year ended 31 March 2012
<b>REVENUE</b>			
Revenue from operations (gross)	22	992,770,325	1,041,524,164
Less: Excise duty		36,849,349	30,807,677
Revenue from operations (net)		955,920,976	1,010,716,487
Other income	23	11,563,742	32,797,790
<b>Total Revenue</b>		<b>967,484,718</b>	<b>1,043,514,277</b>
<b>EXPENDITURE</b>			
Cost of materials consumed	24	254,413,427	256,868,472
Purchases of traded goods	25	15,154,343	11,079,208
Change in inventories	26	(11,757,544)	(4,577,724)
Employee benefit expenses	27	312,909,445	292,880,962
Finance costs	28	71,044,875	50,756,667
Depreciation and amortisation expense	29	56,830,952	43,472,996
Other expenses	30	264,615,967	238,475,769
Prior period expenditure	31	726,813	572,028
<b>Total expenses</b>		<b>963,938,278</b>	<b>889,528,378</b>
<b>Profit before exceptional items and tax</b>		<b>3,546,440</b>	<b>153,985,899</b>
Exceptional items	32	6,970,165	19,474,017
<b>(Loss)/Profit before tax</b>		<b>(3,423,725)</b>	<b>134,511,882</b>
Tax expense:			
Current tax		1,405,944	45,926,871
Current tax - earlier years		(2,341,352)	431,821
Minimum alternate tax credit entitlement		(1,405,944)	-
Minimum alternate tax credit adjustment - earlier years		-	(431,821)
Deferred tax		2,489,861	494,554
<b>(Loss)/Profit after tax</b>		<b>(3,572,234)</b>	<b>88,090,457</b>
Earnings per share	37		
Earnings per share-before exceptional items and after tax			
Basic		0.38	13.43
Diluted		0.38	13.43
(Loss)/Earnings per share-after exceptional items and tax			
Basic		(0.41)	11.00
Diluted		(0.41)	11.00

### Notes 1 to 47 form an integral part of these financial statements

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

**R.K. SABOO**  
Chairman

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

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

**P.K. GOYAL**  
Company Secretary

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

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

Place : Chandigarh  
Dated : 29 May 2013

Per **B.P. Singh**  
Partner

## KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2013	Year ended 31 March 2012
<b>A. Cash flow from operating activities:</b>		
Net profit before extraordinary items and tax	(3,423,725)	134,511,882
Adjustments for:		
Depreciation	56,830,952	43,472,996
Loss on sale/disposal of fixed assets (net)	804,330	956,168
Fixed assets written off	-	74,455
Expense on employee stock option scheme	492,702	240,472
Interest expense	64,903,812	44,961,153
Interest Income	(4,925,131)	(5,699,284)
Dividend income	-	(277,695)
Net (gain)/loss on sale of investments	(1,121,400)	(4,844,582)
Provisions written back	-	-
Provision for other than temporary diminution in value of investments	6,970,165	19,474,017
Provision for doubtful debts and advances	3,449,787	4,365,939
Bad debts written off	30,772	330,916
Provision for warranty	(66,964)	600,000
<b>Operating profit before working capital changes</b>	<b>123,945,300</b>	<b>238,166,437</b>
Adjustments for movement in:		
Inventories	(22,639,228)	(43,013,978)
Trade receivables	14,649,341	(22,676,603)
Short-term loans and advances	(3,336,848)	(33,514,117)
Long-term loans and advances	2,579,607	(2,537,822)
Other non-current assets	120,000	240,221
Trade payables	42,386,831	(3,003,691)
Other current liabilities	(51,866,789)	51,197,767
Other long-term liabilities	(2,701,000)	25,677,000
Short-term provisions	742,286	1,434,553
Long-term provisions	4,571,800	3,838,268
Income tax paid	(4,852,682)	(52,543,704)
<b>Net cash flow from operating activities</b>	<b>103,598,618</b>	<b>163,264,331</b>
<b>B. Cash flow from investing activities:</b>		
Capital expenditure on fixed assets, including capital advances	(70,796,635)	(193,655,833)
Proceeds from sale of fixed assets	583,826	1,976,030
Movement in restricted cash	(7,162,012)	(15,282,613)
Purchase of long-term investments of subsidiaries	(14,077,709)	(66,288,000)
Proceeds from sale of long-term investments of associates	-	7,385,292
Loans given to joint venture	(5,364,672)	(6,352,168)
Loans given to associates	-	(428,885)
Loans realised from subsidiaries	-	1,013,556
Interest received from subsidiaries	937,237	3,804,875
Interest received from joint venture	1,294,352	222,507
Interest received from others	2,336,961	1,733,581
Dividend received from associates	-	277,695
<b>Net cash utilised in investing activities</b>	<b>(92,248,652)</b>	<b>(265,593,963)</b>

## KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2013	Year ended 31 March 2012
<b>C. Cash flow from financing activities:</b>		
Proceeds from issue of share capital (including premium, on conversion of warrants)	6,153,075	32,762,588
Issue of share warrants on preferential basis (yet to be converted into shares)	-	-
Proceeds from long-term borrowings	17,828,000	94,052,119
Repayment of long term borrowings	(13,497,725)	(5,057,420)
Proceeds from borrowings from related parties	18,300,000	-
Proceeds from short-term borrowings	56,508,599	60,168,987
Repayment of short-term borrowings	(4,755,961)	(7,372,000)
Interest paid	(62,831,567)	(43,757,898)
Dividend paid	(27,110,160)	(23,313,510)
Tax on dividend	(4,397,946)	(3,872,083)
<b>Net cash (utilised)/from financing activities</b>	<b>(13,803,685)</b>	<b>103,610,783</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2,453,719)</b>	<b>1,281,151</b>
<b>Opening cash and cash equivalents</b>	<b>11,086,813</b>	<b>9,805,662</b>
<b>Transfer of cash and bank balances pursuant to the scheme of merger (refer Note 43)</b>	<b>142,454</b>	<b>-</b>
<b>Closing cash and cash equivalents</b>	<b>8,775,548</b>	<b>11,086,813</b>
<b>Note:</b>		
Cash and cash equivalents include:		
Cash in hand	561,781	401,847
Balance with banks	8,213,767	10,684,966
	<b>8,775,548</b>	<b>11,086,813</b>
Excluding the following:		
- Pledged in fixed deposit accounts	28,454,961	21,551,209
- In equity dividend accounts	1,460,013	1,201,753
<b>Balance as per books of account</b>	<b>38,690,522</b>	<b>33,839,775</b>

### Notes 1 to 47 form an integral part of these financial statements

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

**R.K. SABOO**  
Chairman

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

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

**P.K. GOYAL**  
Company Secretary

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

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

Place : Chandigarh  
Dated : 29 May 2013

Per **B.P. Singh**  
Partner

# KDDL LIMITED

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

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### 1. Significant accounting policies

#### a. Basis of preparation

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

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

#### b. Use of estimates

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

#### c. Revenue recognition

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

#### d. Fixed assets

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

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

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

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

#### e. Depreciation and amortisation

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

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

### f. Inventories

Inventories are valued as follows:

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

### g. Investments

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

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

### h. Foreign currency transactions

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

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

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

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

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

### i. Employee benefits

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

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

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

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

**j. Employee Stock Option Scheme (ESOS)**

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

**k. Taxes on income**

Tax expense comprises current tax and deferred income tax.

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

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

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

**l. Earnings per share**

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

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

**m. Leases**

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

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

**n. Contingent liabilities and provisions**

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

**o. Impairment of assets**

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



## KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013		As at 31 March 2012	
	Number	Amount	Number	Amount
<b>2. Share capital</b>				
<b>Authorised share capital*</b>				
Equity shares of Rs. 10 each	12,480,000	124,800,000	12,000,000	120,000,000
<b>Issued, subscribed and fully paid up</b>				
Equity shares of Rs. 10 each	9,036,720	90,367,200	8,836,620	88,366,200
<b>Issued, subscribed and not fully paid up</b>				
Equity shares of Rs. 10 each, Rs. 5 paid up	174,280	871,400	174,280	871,400
	<b>9,211,000</b>	<b>91,238,600</b>	9,010,900	89,237,600
<b>Forfeited shares</b>	<b>174,280</b>	<b>871,400</b>	174,280	871,400

The increase in authorised share capital vis-à-vis previous year is on account of merger of Himachal Fine Blanks Limited (HFBL) with the Company (refer note 43)

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

#### b. Reconciliation of equity share capital

	As at 31 March 2013		As at 31 March 2012	
	Number	Amount	Number	Amount
<b>Equity share capital of Rs. 10 each fully paid up</b>				
Balance at the beginning of the year	8,836,620	88,366,200	7,771,170	77,711,700
Add: Shares issued pursuant to conversion of zero coupon convertible warrants	200,100	2,001,000	1,065,450	10,654,500
<b>Balance at the end of the year</b>	<b>9,036,720</b>	<b>90,367,200</b>	8,836,620	88,366,200

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

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

	Number	Amount	Number	Amount
R. K. Saboo	2,054,560	20,545,600	1,954,560	19,545,600
Y. Saboo	1,472,448	14,724,480	1,472,448	14,724,480
U. Saboo*	-	-	451,180	4,511,800
	<b>3,527,008</b>	<b>35,270,080</b>	3,878,188	38,781,880

Persuant to the increase in paid up share capital of the Company during the year ended 31 March 2013, the shareholding has declined to below 5%, accordingly, figures for the year ended 31 March 2013 have not been stated.

# KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>3. Reserves and surplus</b>		
<b>Capital reserve</b>		
Central investment subsidy	2,500,000	2,500,000
State investment subsidy	3,000,000	3,000,000
Profit on re-issue of forfeited shares	9,125	9,125
Forfeiture of zero coupon convertible warrants	1,025	-
<b>Securities premium reserve</b>		
Balance at the beginning of the year	180,446,050	147,417,100
Add: Additions made during the year on allotment of equity shares on conversion of zero coupon convertible warrants	6,203,100	33,028,950
Balance at the end of the year	<u>186,649,150</u>	<u>180,446,050</u>
<b>Employee stock option</b>		
Options outstanding at beginning of the year	1,396,950	-
Add: Options granted during the year	-	1,396,950
Less: Options expired during the year	(145,950)	-
Employee stock option at the end of the year (i)	<u>1,251,000</u>	<u>1,396,950</u>
<b>Deferred employee stock option expense</b>		
At the commencement of the year	1,156,478	-
Add: Options granted during the year	-	1,396,950
Less: Amortisation and other movements during the year ##	(638,652)	(2,404,72)
At the end of the year (ii)	<u>517,826</u>	<u>1,156,478</u>
(i)-(ii)	<u>733,174</u>	<u>240,472</u>
## Employee stock option expense net off impact of options expired during the year (Refer note 27)	<u>492,702</u>	<u>240,472</u>
<b>General reserve</b>		
Balance at the beginning of the year	125,500,000	113,297,864
Add: Transferred from statement of profit and loss	-	12,202,136
Balance at the end of the year	<u>125,500,000</u>	<u>125,500,000</u>
<b>Surplus in the statement of profit and loss</b>		
Balance at the beginning of the year	76,710,106	33,575,470
Add : Adjustment pursuant to merger (refer note 43)	(6,069,626)	-
Add: Transferred from statement of profit and loss	(3,572,234)	88,090,457
Less: Appropriations		
Proposed dividend for current year	9,036,720	27,110,160
Tax on proposed dividend for current year	1,465,756	4,397,946
Transfer to general reserve	-	12,202,136
Proposed dividend for prior year	-	1,068,169
Tax on proposed dividend for prior year	-	177,410
Balance at the end of the year	<u>56,565,770</u>	<u>76,710,106</u>
	<u>374,958,244</u>	<u>388,405,753</u>

### 4. Money received against zero coupon convertible warrants

a. During 2010-2011, the Company issued 1,687,600 zero coupon convertible warrants on preferential basis upon payment of a consideration of Rs.10.25 per warrant. Each zero coupon convertible warrant is convertible into one equity share of Rs.10 each at a premium of Rs.31 per share on payment of remaining consideration. Holders of such warrants had the option to convert these warrants into equity shares upon payment of aforesaid consideration on or before eighteen months from the date of allotment of warrants, viz., 02 November 2010. During the year, holders of 200,100 (previous year 1,065,450) zero coupon convertible warrants exercised the option of conversion of warrants into equity shares and 100 zero coupon convertible warrants has been forfeited on account of non payment of balance on due date. Amount outstanding as at year end is Nil.

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

	As at 31 March 2013	As at 31 March 2012
Balance unutilized at the end of the previous year	10,000	22,863
Add: Proceeds received during the year	6,153,075	32,762,588
Less: Utilised for purchase of capital assets and working capital requirements	6,163,075	32,775,451
Balance unutilized at the end of the current year*	<u>-</u>	<u>10,000</u>

\* Balance unutilised amount is lying in the current account.

# KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>5. Long term borrowings</b>		
<b>Secured</b>		
Term loans		
- from banks	94,539,182	115,952,762
Vehicle loan		
- from banks	6,287,716	10,192,588
Hire purchase finance	-	75,345
<b>Unsecured</b>		
Inter corporate deposits		
- from related party (refer note 35)	15,000,000	-
- from others	15,000,000	-
Public deposit		
- from related parties (refer note 35)	4,800,000	1,200,000
- from others	58,249,000	57,079,000
	<u>193,875,898</u>	<u>184,499,695</u>

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

**Term loans from banks amounting to Rs. 145,982,759 (previous year Rs. 153,982,046) (including current maturities of long term debt amounting to Rs. 51,443,577 (previous year Rs. 38,029,284) as referred to in Note 11) are secured as under:**

- Term loans from Bank of India amounting to Rs. 89,756,813 (previous year 96,870,039)(including current maturities of long term debt amounting to Rs. 27,256,577(previous year Rs. 22,167,284) and buyers credit Rs 11,668,202 (previous year nil) availed as a sub limit to term loan), carrying interest rate of 2.5% over the bank base rate are secured by way of first pari passu charge on all the plant & machinery and furniture & fixtures of the Company excluding the fixed assets installed at packaging division at Chandigarh (KPAC), hands division at Bengaluru (KHAN-2), dials division at Barwala (KHAR) and the plant & machinery and furniture & fixtures of dials division at Parwanoo (TTPA) acquired before 31 March 2005 and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Company's bankers for securing the working capital limits. The term loan is further secured by way of first pari passu mortgage charge on land and building of dials division at Derabassi (KDER). The loan includes construction loan for dials unit at Parwanoo (TTPA) which is secured by first pari passu charge on land and building of TTPA. The term loans are also personally guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.

- Term loans from IDBI amounting to Rs. 17,275,000 (previous year Rs. 22,575,000)(including current maturities of long term debt amounting to Rs. 13,075,000 (previous year Rs. 4,750,000)), carrying interest rate of 2.5% over the bank base rate, are secured by way of first pari passu charge on all the plant & machinery and furniture & fixtures of KDER, tool room division at Bengaluru (EIGEN) and hands division at Bengaluru (KHAN-1) and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Company's bankers for securing the working capital limits. The term loan is further secured by way of first pari passu mortgage charge on land and building of KDER. The term loans are also personally guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.

-Term loan from Corporation Bank amounting to Rs. 38,950,746 (previous year Rs. 34,537,007) (including current maturities of long term debt amounting to Rs. 11,112,000 (previous year Rs 11,112,000) and buyers credit Rs 15,525,738 (previous year nil) availed as a sub limit to term loan), carrying interest rate of 14.65% p.a., are secured by way of first exclusive charge on all the plant & machinery and furniture & fixtures of KHAR and KHAN-2 and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Company's bankers for securing the working capital limits. The loan is further secured by exclusive mortgage charge on land and building of KHAN-1.

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

- Term loan from IDBI amounting to Rs. 1,875,000 is repayable in 3 quarterly instalments of Rs. 625,000.

- Term loan from IDBI amounting to Rs. 15,400,000 (sanctioned amount being Rs. 45,000,000) is repayable in 5 quarterly instalments of Rs. 2,800,000 and last instalment of Rs. 1,400,000.

- Term loan from Bank of India amounting to Rs.1,428,577 is repayable in single quarterly instalment of Rs. 1,428,577.

- Term loan from Bank of India amounting to Rs. 6,134,000 is repayable in 8 quarterly instalments of Rs. 682,000 and last instalment of Rs. 678,000.

- Term loan from Bank of India amounting to Rs. 23,238,432 is repayable in 18 quarterly instalments of Rs. 1,250,000 and last instalment of Rs. 738,432.

- Term loan from Bank of India amounting to Rs. 12,271,687 is repayable in 8 quarterly instalments of Rs. 1,400,000 and last instalment of Rs.1,071,687.

- Term loan from Corporation Bank amounting to Rs. 38,950,745 (sanctioned amount being Rs. 50,000,000) is repayable in 14 quarterly instalments of Rs. 2,778,000 and last instalment of Rs.58,745.

- Term loan from Bank of India amounting to Rs. 46,684,117 (sanctioned amount Rs. 50,000,000) is repayable in 14 quarterly instalments of Rs. 3,125,000 and last instalment of Rs. 2,934,117.

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

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

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

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

## KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>6. Deferred tax liabilities (net)</b>		
In accordance with accounting standard 22 on Accounting for Taxes on Income, deferred tax charge has been recognised in the statement of profit and loss. Tax effect of significant timing differences that reverses in one or more subsequent years gave rise to the following net deferred tax items. During the year, pursuant to the merger of Himachal Fine Blanks Limited with the Company, Rs. 1,796,475 has been recognised as an adjustment to opening balance of deferred tax liability as on 1 April 2012 (refer note 43).		
<b>Deferred tax liabilities</b>		
Timing difference on depreciation and amortisation of tangible and intangible assets	<b>658,86,414</b>	51,548,050
<b>Deferred tax assets</b>		
Allowance for bad and doubtful debts	<b>3,860,902</b>	2,806,509
Provision for employee benefits	<b>8,239,924</b>	6,279,838
Provision for bonus	<b>2,253,720</b>	2,135,127
Unabsorbed depreciation	<b>6,918,956</b>	-
<b>Deferred tax liabilities (net)</b>	<b>44,612,912</b>	40,326,576
<b>7. Other long term liabilities</b>		
Advances received from customers	<b>22,976,000</b>	25,677,000
	<b>22,976,000</b>	25,677,000
<b>8. Long term provisions</b>		
Provision for employee benefits (Also refer note 8 (a))	<b>22,017,474</b>	16,524,857
Provision for warranty (Also refer note 8 (b))	<b>533,036</b>	600,000
	<b>22,550,510</b>	17,124,857
<b>8 (a) Provision for employee benefits</b>		
(i) <b>Defined Contribution Plan:</b> Expenditure on account of Superannuation Scheme taken by the Company with LIC of India in respect of its employee provided in the statement of profit and loss	<b>1,020,540</b>	807,763
<b>(ii) Defined benefit plan/ other long term benefit plans</b>		
a. Gratuity		
b. Leave encashment		

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

## KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

Particulars	As at 31 March 2013		As at 31 March 2012		
	Leave Encashment	Gratuity	Leave Encashment	Gratuity	
Discount rate	8%	8%	8%	8%	
Rate of increase in compensation levels	5%	5%	5%	5%	
Rate of return of plan assets	-	8%	-	8%	
		<b>Gratuity</b>		<b>Gratuity</b>	
<b>Change in the present value of obligation :</b>					
Present value of obligation as at the beginning of the year		<b>23,923,388</b>		18,652,741	
Adjustment pursuant to merger (refer note 43)		<b>1,316,856</b>		-	
Interest cost		<b>974,151</b>		1,457,385	
Current service cost		<b>2,247,354</b>		2,021,462	
Benefits paid/payable		<b>(3,640,094)</b>		(1,705,462)	
Actuarial loss on obligations		<b>3,248,778</b>		3,497,262	
Present value of obligation as at the end of the year		<b><u>28,070,433</u></b>		<b><u>23,923,388</u></b>	
<b>Change in the fair value of plan assets:</b>					
Fair value of plan assets at the beginning of the year		<b>12,070,098</b>		11,898,093	
Adjustment pursuant to merger (refer note 43)		<b>754,484</b>		-	
Expected return on plan assets		<b>259,395</b>		964,857	
Contributions		<b>1,797,270</b>		912,610	
Benefits paid		<b>(3,640,094)</b>		(1,705,462)	
Fair value of plan assets at the end of the year		<b><u>11,241,153</u></b>		<b><u>12,070,098</u></b>	
<b>Reconciliation of present value of defined benefit obligation and the fair value of assets:</b>					
Present value of funded obligation as at the end of the year		<b>28,070,433</b>		23,923,388	
Fair value of plan assets as at the end of the period funded status		<b>11,241,153</b>		12,070,098	
Unfunded/funded net liability recognized in balance sheet*		<b><u>16,829,280</u></b>		<b><u>11,853,290</u></b>	
*includes short term provision of Rs. 2,657,637 (previous year Rs. 2,021,462)					
<b>Expenses recognised in the statement of profit and loss:</b>					
Current service cost		<b>2,247,354</b>		2,021,462	
Interest cost		<b>974,151</b>		1,457,385	
Expected return on plan assets		<b>259,395</b>		964,857	
Net actuarial loss recognized in the year		<b>3,248,778</b>		3,497,262	
Total expenses recognized in the statement of profit and loss		<b><u>6,210,888</u></b>		<b><u>6,011,252</u></b>	
<b>Amounts for the current and previous four years are as follows:</b>					
	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>	<b>2009-10</b>	<b>2008-09</b>
<b>Gratuity</b>					
Defined benefit obligation	28,070,433	23,923,388	<b>18,652,741</b>	16,550,838	15,535,058
Plan assets	11,241,153	12,070,098	<b>11,898,093</b>	10,380,073	11,400,827
<b>Net liability</b>	<b>16,829,280</b>	<b>11,853,290</b>	<b>6,754,648</b>	<b>6,170,765</b>	<b>4,134,231</b>
<b>8 (b) Reconciliation of provision for warranty</b>					
Provision at the beginning of the year			<b>600,000</b>		-
Add: Provided during the year			-		600,000
Less: Reversed during the year			<b>66,964</b>		-
Provision at the end of the year			<b><u>533,036</u></b>		<b><u>600,000</u></b>

## KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>9. Short term borrowings</b>		
Secured (Also refer note (a) below)		
Working capital borrowings from banks	223,157,342	164,964,590
Buyers credit from banks	16,794,631	21,550,592
Unsecured		
Inter corporate deposits		
- from related party	-	500,000
Public deposits	12,437,000	9,430,000
	<u>252,388,973</u>	<u>196,445,182</u>
<b>a. Details of security of short term secured loans</b>		
- Working capital borrowings are secured by hypothecation of stocks of stores and spares, raw materials and components, finished goods and stock-in-process and book debts and other assets of the Company (both present and future), on pari passu basis and are further secured by a second charge on the entire fixed assets of the Company. These loans are also guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.		
- Buyers credit is secured against hypothecation of inventory and receivables.		
<b>10. Trade payables</b>		
Acceptances	-	10,436,959
Dues to micro, small and medium enterprises (Also refer note (a) below)	-	-
Dues to others	148,146,398	91,256,397
	<u>148,146,398</u>	<u>101,693,356</u>
<b>a. Dues to micro, small and medium enterprises pursuant to section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006</b>		
Amount due to entities covered under Micro, Small and Medium Enterprises as defined in the Micro, Small, Medium Enterprises Development Act, 2006, have been identified on the basis of information available with the Company. There was no amount due to any such entities which needs to be disclosed. This has been relied upon by the auditors.		
<b>11. Other current liabilities</b>		
Current maturities of long term debts		
Public deposits		
- From related parties (refer note 35)	200,000	-
- from others	32,088,000	30,430,000
Term loan from banks	51,443,577	38,029,284
Vehicle loan from banks	3,905,036	3,964,984
Current maturities of hire purchase finance	1,874,795	3,333,068
Interest accrued but not due on borrowings	12,245,485	10,173,240
Unpaid dividend in Investor Education and Protection Fund*	1,460,013	1,201,716
Other payables		
Statutory dues	8,942,672	8,356,628
Creditors for capital expenditure	738,457	24,122,954
Advances from customers	24,925,747	45,011,842
Employee related payables	22,754,215	29,395,622
Book overdraft	-	981,134
	<u>160,577,997</u>	<u>195,000,472</u>
* Not due for deposit		
<b>12. Short term provisions</b>		
Provision for employees benefits (Also refer note 8(a))	9,435,090	8,698,071
Others		
Provision for wealth tax	274,378	90,000
Proposed dividend	9,036,720	27,110,160
Tax on proposed dividend	1,465,756	4,397,946
	<u>20,211,944</u>	<u>40,296,177</u>

## KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

#### 13. Fixed assets

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

	Gross block					Depreciation/amortisation					Net block	
	As at 1 April 2012	Adjustment pursuant to merger (refer note 43)	Additions	Disposals / Adjustments	As at 31 March 2013	As at 31 March 2012	Adjustment pursuant to merger (refer note 43)	Charge for the year	Sales / adjustments during the year	As at 31 March 2013	As at 31 March 2012	
<b>Tangibles</b>												
Land	225,746	566,913	-	-	792,659	-	-	-	-	792,659	225,746	
-Leasehold	8,263,231	-	-	-	8,263,231	-	-	-	-	8,263,231	8,263,231	
-Freehold	124,105,407	7,606,715	15,803,190	-	147,515,312	41,065,767	3,257,252	4,119,550	-	99,072,743	83,039,640	
Buildings	2,402,439	-	546,270	-	2,948,709	112,255	-	371,482	-	2,464,972	2,290,184	
Leasehold improvements	65,936,544	27,932,961	117,765,428	2,814,714	798,820,219	332,171,002	15,469,844	40,016,220	1,902,248	413,065,401	323,765,542	
Plant and machinery	48,626,871	2,819,120	5,748,939	40,554	57,154,376	28,603,794	2,121,713	4,074,201	38,819	34,760,889	22,393,487	
Furniture and fixtures	10,312,304	229,269	827,788	105,496	11,263,865	4,481,412	158,544	573,279	100,350	6,150,980	5,830,892	
Office Equipment	32,813,377	52,814	59,890	1,453,027	31,473,054	8,729,974	43,735	2,886,281	863,046	20,676,110	24,083,403	
Vehicles												
<b>Total</b>	<b>882,685,919</b>	<b>39,207,792</b>	<b>140,751,505</b>	<b>4,413,791</b>	<b>1,058,231,425</b>	<b>415,164,204</b>	<b>21,051,088</b>	<b>52,041,013</b>	<b>2,904,463</b>	<b>572,879,583</b>	<b>467,521,715</b>	
<b>Intangibles</b>												
Know-how	6,724,722	-	277,966	-	7,002,688	2,179,506	-	1,711,651	-	3,891,157	4,545,217	
Software	11,408,136	-	7,716,050	-	19,124,186	9,307,704	-	2,483,048	-	11,790,752	2,100,432	
Web portal	100,000	-	4,561,921	-	4,661,921	47,062	-	595,240	-	642,302	52,938	
<b>Total</b>	<b>18,232,858</b>	<b>-</b>	<b>12,555,937</b>	<b>-</b>	<b>30,788,795</b>	<b>11,534,272</b>	<b>-</b>	<b>4,789,939</b>	<b>-</b>	<b>16,324,211</b>	<b>4,664,584</b>	
<b>Total</b>	<b>900,918,777</b>	<b>39,207,792</b>	<b>153,307,442</b>	<b>4,413,791</b>	<b>1,089,020,220</b>	<b>426,698,476</b>	<b>21,051,088</b>	<b>56,830,952</b>	<b>2,904,463</b>	<b>587,344,167</b>	<b>474,220,302</b>	

##### For the year ended 31 March 2012

	Gross block					Depreciation/amortisation					Net block	
	As at 1 April 2011	Adjustment pursuant to merger (refer note 43)	Additions	Disposals / Adjustments	As at 31 March 2012	As at 31 March 2011	Adjustment pursuant to merger (refer note 43)	Charge for the year	Sales / adjustments during the year	As at 31 March 2012	As at 31 March 2011	
<b>Tangibles</b>												
Land	225,746	-	-	-	225,746	-	-	-	-	225,746	225,746	
-Leasehold	8,263,231	-	-	-	8,263,231	-	-	-	-	8,263,231	8,263,231	
-Freehold	107,587,440	-	16,517,967	-	124,105,407	37,734,253	-	3,331,514	-	83,039,640	69,853,187	
Buildings	292,668	-	2,198,703	88,932	2,492,439	29,993	-	120,104	37,842	2,290,184	262,675	
Leasehold improvements	577,952,001	-	80,135,450	2,150,907	655,936,544	303,959,286	-	29,727,785	1,516,069	332,171,002	273,992,715	
Plant and machinery	46,780,345	-	8,149,760	6,303,234	48,626,871	30,736,145	-	3,779,771	5,912,122	28,603,794	20,023,077	
Furniture and fixtures	8,774,184	-	1,680,498	142,378	10,312,304	4,074,869	-	510,103	103,560	4,481,412	4,699,315	
Office Equipment	19,250,044	-	17,364,356	3,801,023	32,813,377	7,969,039	-	2,671,162	1,910,227	8,729,974	11,281,005	
Vehicles												
<b>Total</b>	<b>769,125,659</b>	<b>-</b>	<b>126,046,734</b>	<b>12,486,474</b>	<b>882,685,919</b>	<b>384,503,585</b>	<b>-</b>	<b>40,140,439</b>	<b>9,479,820</b>	<b>415,164,204</b>	<b>384,622,074</b>	
<b>Intangibles</b>												
Know-how	6,724,722	-	295,207	-	6,724,722	1,599,325	-	580,181	-	2,179,506	5,125,397	
Software	11,112,929	-	100,000	-	11,408,136	6,462,450	-	2,845,254	-	9,307,704	4,650,479	
Web portal	-	-	395,207	-	100,000	47,062	-	47,062	-	52,938	-	
<b>Total</b>	<b>17,837,651</b>	<b>-</b>	<b>395,207</b>	<b>-</b>	<b>18,232,858</b>	<b>8,061,775</b>	<b>-</b>	<b>3,472,497</b>	<b>-</b>	<b>11,534,272</b>	<b>9,775,876</b>	
<b>Total</b>	<b>786,963,310</b>	<b>-</b>	<b>126,441,941</b>	<b>12,486,474</b>	<b>900,918,777</b>	<b>392,565,360</b>	<b>-</b>	<b>43,612,936</b>	<b>9,479,820</b>	<b>474,220,302</b>	<b>394,397,950</b>	

#### Notes :

- The borrowing costs capitalized during the year ended 31 March 2013 was Rs.2,303,775 (previous year Rs. 3,342,858). The Company capitalized interest amounting to Rs.1,959,236 under Plant & Machinery and Rs.344,539 under Buildings.
- Plant and machinery with a gross value of Rs. 9,638,774 (previous year Rs.10,549,963), depreciation and accumulated depreciation of Rs. 1,058,070 (previous year Rs.655,027) and net book value of Rs. 8,580,704 (previous year Rs. 9,894,936) included in the above statement have been acquired on hire purchase arrangement by the Company.
- Depreciation during the year includes Rs. Nil (Previous year Rs. 139,940) charged on plant & machinery at EIGEN unit which was utilised for development of in-house tools. Accordingly, such amount has been capitalised under plant & machinery.

## KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>14. Non current investments</b>		
<b>Trade investments</b>		
(valued at cost unless stated otherwise, unquoted)		
<b>Subsidiaries</b>		
Nil (previous year 1,520,000) equity shares of Rs. 10 each fully paid up of Himachal Fine Blank Limited	-	15,200,000
655 (previous year 655) equity shares of Swiss Franc (CHF) 1,000 each fully paid up, of Pylania SA, Switzerland	<b>23,438,435</b>	23,438,435
6,887,418 (previous year 6,887,418) equity shares of Rs. 10 each fully paid up of Kamla Retail Limited	<b>69,040,850</b>	69,040,850
136,363 (previous year Nil) 12% cumulative preference shares of Rs. 110 each fully paid up of Kamla Retail Limited	<b>14,999,930</b>	-
5,700,000 (previous year 5,700,000) equity share of Rs 10 each fully paid up of Mahen Distribution Limited	<b>57,000,000</b>	57,000,000
Advance paid for 100 (previous year 100) equity shares of Swiss Franc (CHF) 1,000 each fully paid up, of Pylania SA, Switzerland (these shares are pending allotment by Pylania SA, Switzerland)	<b>4,685,500</b>	4,685,500
Advance paid for 2,250 (previous year 2,000) equity shares of Swiss Franc (CHF) 100 each fully paid up of Kamla International Holdings AG (these shares are pending allotment by Kamla International Holdings AG)	<b>12,749,064</b>	11,288,000
<b>Associates</b>		
300,000 (previous year 300,000) equity shares of Rs. 10 each fully paid up of Kamla Tesio Dials Limited.	<b>3,000,000</b>	3,000,000
<b>Joint Venture</b>		
1,500,000 (previous year 1,239,420) equity shares of Rs. 10 each fully paid up of Satva Jewellery and Design Limited	<b>15,000,000</b>	12,394,200
	<b><u>199,913,779</u></b>	<b><u>196,046,985</u></b>
<b>Less:</b>		
Provision for diminution in the value of investment, other than temporary in:		
-Kamla Tesio Dials Limited	<b>1,000,000</b>	1,000,000
-Satva Jewellery and Design Limited	<b>13,303,829</b>	11,958,451
-Pylania SA, Switzerland	<b>9,843,377</b>	4,218,590
-Himachal Fine Blank Limited	-	3,296,976
<b>Aggregate of trade investments</b>	<b><u>175,766,573</u></b>	<b><u>175,572,968</u></b>
<b>Non-trade investments</b>		
(valued at cost unless stated otherwise, unquoted)		
500,000 (previous year 500,000) equity shares of Rs. 10 each fully paid up of Karolview Developers Private Limited **	<b>5,000,000</b>	5,000,000
17,500 (previous year 12,500) equity shares of Rs. 10 each fully paid up of Shivalik Waste Management Limited	<b>175,000</b>	125,000
<b>Aggregate value of non-trade investments</b>	<b><u>5,175,000</u></b>	<b><u>5,125,000</u></b>
	<b><u>180,941,573</u></b>	<b><u>180,697,968</u></b>
Aggregate amount of quoted investments	<b>Nil</b>	Nil
Aggregate amount of unquoted investments	<b>205,088,779</b>	201,171,985
Aggregate provision for diminution in value of investments	<b>24,147,206</b>	20,474,017
** 490,000 ( previous year 490,000 ) shares are pending allotment		



# KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>15. Long term loans and advances</b>		
(unsecured, considered good, unless otherwise stated)		
<b>Capital advances</b>		
Unsecured, considered good	994,593	5,325,155
Doubtful	200,000	200,000
	<u>1,194,593</u>	<u>5,525,155</u>
Less: Provision for doubtful capital advance	<u>(200,000)</u>	<u>(200,000)</u>
	994,593	5,325,155
Security deposits	5,029,756	5,204,135
Prepaid income taxes [net of provision Rs. 67,348,114 (previous year Rs. 66,593,144)]	30,789,693	24,750,569
Income tax refundable	2,341,352	-
Other loans and advances		
Employee loans and advances	4,135,225	3,353,218
	<u>43,290,619</u>	<u>38,633,077</u>
<b>16. Other non current assets</b>		
Prepaid expenses	120,000	240,000
	<u>120,000</u>	<u>240,000</u>
<b>17. Inventories</b>		
(valued at lower of cost and net realisable value, unless otherwise stated)		
Raw material	106,734,343	101,937,677
Raw material (in transit)	15,120,365	4,998,723
Work-in-progress	65,207,277	45,566,821
Finished goods	4,936,763	9,143,508
Stores & spares	24,669,431	22,569,802
Others (valued at estimated realisable value)		
Scrap	751,777	90,360
	<u>217,419,956</u>	<u>184,306,891</u>
<b>18. Trade receivables</b>		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, Considered good	3,102,480	4,040,000
Unsecured, Considered doubtful	8,312,023	6,615,691
	<u>11,414,503</u>	<u>10,655,691</u>
Less : Allowances for bad and doubtful debts	<u>8,312,023</u>	<u>6,615,691</u>
	3,102,480	4,040,000
Other debts		
Unsecured, considered good	166,494,663	181,002,212
Unsecured, Considered doubtful	3,587,815	1,834,360
	<u>170,082,478</u>	<u>182,836,572</u>
Less : Allowances for bad and doubtful debts	<u>3,587,815</u>	<u>1,834,360</u>
	166,494,663	181,002,212
	<u>169,597,143</u>	<u>185,042,212</u>

## KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>19. Cash and bank balances</b>		
Cash and cash equivalents		
- Cash in hand	561,781	401,847
- Cheques and drafts in hand	381,136	-
- Balances with banks		
in current account	7,832,631	10,684,966
	<u>8,775,548</u>	<u>11,086,813</u>
Other bank balances		
- Unpaid dividend account	1,460,013	1,201,753
- Fixed deposits with banks held as margin money	28,454,961	21,551,209
	<u>29,914,974</u>	<u>22,752,962</u>
	<u>38,690,522</u>	<u>33,839,775</u>
a. Cash and bank balances which are restricted in use:		
Fixed Deposits with banks in deposit accounts held as margin money	28,454,961	21,551,209
Unpaid dividend account	1,460,013	1,201,753
<b>20. Short-term loans and advances</b>		
(Unsecured, considered good, unless otherwise stated)		
Loans and advances to related parties		
Subsidiaries	993,241	14,034,995
Joint venture	11,854,238	6,489,566
Entities in which significant influence is exercised (refer note 35)	428,699	428,885
Others		
Employee loans and advances	10,865,453	7,840,446
Security deposits	745,800	-
Prepaid expenses	3,424,596	3,938,469
Minimum alternate tax credit entitlement	3,873,312	2,467,368
Balances with government and statutory authorities	41,246,964	43,089,776
Advance to suppliers	9,858,228	7,206,329
Consideration recoverable on sale of investment in associate	-	5,406,617
	<u>83,290,531</u>	<u>90,902,451</u>
<b>21. Other current assets</b>		
Interest accrued on fixed deposits	911,309	554,728
	<u>911,309</u>	<u>554,728</u>

# KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2013	Year ended 31 March 2012
<b>22. Revenue from operations</b>		
Sale of products	920,782,368	986,348,337
Sale of services	18,304,817	9,177,904
Other operating income		
Export incentives	14,449,155	24,480,691
Miscellaneous sales	35,187,984	21,020,729
Liabilities no longer required written back	3,979,037	165,587
Provisions written back	66,964	330,916
	<u>992,770,325</u>	<u>1,041,524,164</u>
<b>a. Details of products sold</b>		
<b>- Manufactured goods</b>		
Watch dials	358,200,131	415,894,978
Watch hands	330,455,398	368,203,902
Blank components	128,255,708	90,216,244
Press tools	19,739,164	21,066,016
Ornamental packaging boxes	67,467,723	78,716,105
Indexes	-	23,849
	<u>904,118,124</u>	<u>974,121,094</u>
<b>- Traded goods</b>		
Watches	16,664,244	12,227,243
	<u>16,664,244</u>	<u>12,227,243</u>
<b>b. Details of services</b>		
Job charges	6,710,720	1,411,608
Tool development charges	11,594,097	7,766,296
	<u>18,304,817</u>	<u>9,177,904</u>
<b>23. Other income</b>		
Interest income from		
- Banks	2,573,562	1,032,711
- Others	2,351,569	4,666,573
Dividend income	-	277,695
Profit on sale of investments	1,121,400	4,844,582
Profit on forward contracts	1,328,645	-
Other non operating income		
Rent	612,000	612,000
Net gain on foreign exchange fluctuation	3,576,566	21,364,229
	<u>11,563,742</u>	<u>32,797,790</u>
<b>24. Cost of materials consumed</b>		
Raw material consumed		
Opening inventories	101,937,677	69,058,784
Add : Adjustment pursuant to merger (refer note 43)	139,050	-
Add: Purchases during the year	259,071,043	289,747,365
Less: Closing inventories	106,734,343	101,937,677
	<u>254,413,427</u>	<u>256,868,472</u>
<b>a. Details of raw materials and components</b>		
Brass and metal	113,944,749	91,781,780
Components	37,113,001	10,408,082
Others	103,355,677	154,678,610
	<u>254,413,427</u>	<u>256,868,472</u>

## KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2013	Year ended 31 March 2012
<b>25. Purchases of traded goods</b>		
Watches	15,154,343	11,079,208
	<u>15,154,343</u>	<u>11,079,208</u>
<b>26. Change in inventories</b>		
<b>Opening stock</b>		
*Finished goods (including Rs 817,807 (previous year Nil) pursuant to merger)	9,961,315	5,776,672
*Work in process (including Rs 4,105,473 (previous year Nil) pursuant to merger)	49,672,294	43,844,529
Scrap	90,360	144,322
<b>Closing stock</b>		
Finished goods	4,936,763	9,143,508
Work in process	65,207,277	45,566,821
Scrap	751,777	90,360
Impact of excise duty on opening/closing stock	(585,696)	457,442
<b>Increase in stocks</b>	<u>(11,757,544)</u>	<u>(4,577,724)</u>
* (refer note 43)		
<b>27. Employee benefit expenses</b>		
Salaries and wages	258,014,993	242,005,275
Contractual labour expenses	18,042,970	16,190,619
Contribution to provident and other funds	20,539,744	16,084,212
Staff welfare expenses	15,819,036	18,360,384
Employee stock option charge	492,702	240,472
	<u>312,909,445</u>	<u>292,880,962</u>
<b>28. Finance costs</b>		
Interest expense	64,903,812	44,961,153
Other borrowing cost	6,141,063	5,795,514
	<u>71,044,875</u>	<u>50,756,667</u>
<b>29. Depreciation and amortisation expense</b>		
Depreciation (Also, refer note 13)	52,041,013	40,000,499
Amortisation (Also, refer note 13)	4,789,939	3,472,497
	<u>56,830,952</u>	<u>43,472,996</u>

## KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2013	Year ended 31 March 2012
<b>30. Other Expenses</b>		
Stores and spares consumed	59,937,978	55,774,178
Power, fuel and water charges	29,890,146	25,051,629
Insurance	916,021	247,321
Rent		
- Machinery	1,690,885	1,580,000
- Office and factory premises	12,520,724	8,699,567
Rates and taxes	2,220,975	2,236,008
Repair and maintenance		
- Plant and machinery	11,062,715	10,554,070
- Buildings	3,306,961	3,265,193
- Others	9,393,852	6,416,830
- Vehicle	1,009,686	434,268
Legal and professional	14,882,824	14,781,811
Payment to auditors		
- Audit fee	675,000	675,000
- Tax audit fee	75,000	75,000
- Certification (including limited reviews)	430,500	431,000
- Out of pocket expenses	412,884	408,804
Travel and conveyance	25,910,354	26,697,497
Job charges	34,832,376	20,595,475
Printing and stationery	3,772,605	3,824,237
Postage, telephone and telex	5,692,048	5,077,569
Subscription and annual fees	1,118,192	1,329,469
Selling and distribution expenses		
-Commission	21,386,334	21,888,652
-Discount	-	306,825
-Others	8,683,815	11,002,140
Loss on sale of fixed assets (net)	804,330	956,168
Development charges	884,554	627,449
Recruitment expenses	550,400	1,175,228
Provision for bad and doubtful debts	3,449,787	4,365,939
Donation	325,000	540,000
Bad debts written off	30,772	330,916
Provision for warranty	-	600,000
Directors' sitting fees	595,000	470,000
Miscellaneous expenses	8,154,249	7,983,071
	<u>264,615,967</u>	<u>238,475,769</u>
<b>31. Prior period expenditure</b>		
Repair and maintenance	706,813	-
Professional fee	20,000	-
Interest on income tax	-	572,028
	<u>726,813</u>	<u>572,028</u>
<b>32. Exceptional item</b>		
Provision for other than temporary diminution*	6,970,165	19,474,017
	<u>6,970,165</u>	<u>19,474,017</u>

\*During the year ended 31 March 2013, the Company has provided for other than temporary diminution in the value of its investment in its subsidiary company, Pylania SA and in its joint venture, Satva Jewellery and Design Limited, aggregating to Rs. 6,970,165, considering the erosion of their net worth based on the their financial results as per management estimate and future projections.

# KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>33. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)</b>	<b>1,093,246</b>	2,672,359
<b>34. Contingent liability not provided for exists in respect of:</b>		
a) Bank guarantees outstanding	<b>2,164,700</b>	1,262,500
b) Bonds in favour of central excise and customs authorities	<b>1,425,000</b>	5,000,000
c) Guarantee given to scheduled banks and non banking financial company (NBFC) in relation to cash-credit and non-fund based facilities of Rs. 423,500,000 (previous year Rs. 290,000,000) and term loans of Rs.95,000,000 (previous year Rs.95,000,000) provided by banks and NBFC to subsidiary companies. Overdraft outstanding as of 31 March 2013 is Rs. 299,118,186 (previous year Rs. 323,718,175) and term loan Rs.101,160,314 (previous year Rs. 102,255,677) respectively against the facilities availed by subsidiary companies. The Company has also created charge over its various fixed assets with respect to such loans availed by its subsidiary.		
d) Demand raised for Service Tax against which appeals have been filed	<b>1,204,891</b>	1,204,891
e) Demand raised by Punjab State Electricity Board for payment of penalty for usage of additional power against sanctioned load. Amount paid under protest Rs. 296,000 (previous year Rs. 296,000)	<b>372,818</b>	372,818
f) Case for AY 2005-06, for which a demand of Rs.13,203,431 (previous year Rs.13,203,431) was raised by the income tax department, was decided by the Commissioner of Income Tax (Appeals) in favour of the Company and the amount refundable has been adjusted against dues for subsequent assessment years. However, the income tax department has preferred an appeal with Income Tax Appellate Tribunal. Demands raised by Income Tax Authorities in respect of disallowances for AY 2006-07, 2007-08 and 2008-09 are identical to AY 2005-06, which have been challenged by the Company before Income Tax Authorities (Income Tax Appellate Tribunal for AY 2006-07 and Commissioner of Income Tax (Appeals) for AY 2007-08 and 2008-09) and the Company had deposited Rs.18,919,847 (previous year Rs.17,419,847) under protest.	<b>35,746,450</b>	35,746,450
g) Demands raised by the income tax authority for AY 2004-05 against which appeals have been filed. Amount paid under protest Rs.4,046,108 (previous year Rs. 4,046,108)	<b>4,046,108</b>	4,046,108
h) Demand made by central excise authority	<b>8,256,222</b>	8,256,222
i) Surety bonds in favour of sales tax department	<b>100,000</b>	100,000

### 35. Related party disclosures

#### A. Relationships

##### I. Subsidiary companies

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

##### II. Associates

Kamla Tesio Dials Limited

##### III. Joint venture

Satva Jewellery and Design Limited

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

Saboo Coatings Limited., Dream Digital Technology Ltd  
VBL Innovations Private Limited, Vardhan Properties & Investments Limited., Vardhan International Ltd, Smt. Kamla Devi Saboo Charitable Trust, Shri M.K. Saboo Charitable Trust  
Tara Chand Mahendra Kumar (HUF), Y Saboo (HUF)  
Saveeka Family Trust

##### V. Key management personnel

##### Relatives \*\*

- |  |  |
|--|--|
| a. Mr. R.K. Saboo (Chairman)                                   | Ms. U. Saboo (wife),<br>Mr. Y. Saboo (son), Ms. Asha Devi Saboo (brother's wife) |
| b. Mr. Y. Saboo<br>(Chief Executive Officer and Vice Chairman) | Mr. R.K. Saboo (father), Ms. A. Saboo (Wife)                                     |
| c. Dinesh Agrawal (Chief Operating Officer)                    | Ms Shashi Agrawal (Wife)   |

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

# KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

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

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

# KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
<b>12</b>	<b>Reimbursement of expenses paid by the Company</b>						
	Pylania SA	9,301	-	-	-	-	-
	Ethos Limited	161,700	-	-	-	-	-
	Dream Digital Technology Limited	-	-	-	68,636	-	-
<b>13</b>	<b>Management consultancy fees paid</b>						
	Dream Digital Technology Limited	-	-	-	1,755,000	-	-
<b>14</b>	<b>Investments made</b>						
	Kamla International Holdings AG	1,461,064	-	-	-	-	-
	Ethos Limited	14,999,930	-	-	-	-	-
	Satva Jewellery & Design Limited	-	-	2,605,800	-	-	-
<b>15</b>	<b>ICD received</b>						
	VBL Innovations Private Limited	-	-	-	15,000,000	-	-
<b>16</b>	<b>Dividend paid</b>						
	Mr. R.K. Saboo	-	-	-	-	6,163,680	-
	Mr. Y. Saboo	-	-	-	-	4,417,344	-
	Others	-	-	-	99,549	-	3,644,373
<b>17</b>	<b>Donation</b>						
	Smt. Kamla Devi Saboo Charitable Trust	-	-	-	300,000	-	-
<b>18</b>	<b>Balance at the end of the year</b>						
	<b>a. Loans</b>						
	Satva Jewellery and Design Limited	-	-	10,394,200	-	-	-
	<b>b. Other receivables/ advances</b>						
	Pylania SA	12,078,707	-	-	-	-	-
	Ethos Limited	4,477,612	-	-	-	-	-
	Satva Jewellery and Design Limited	-	-	1,460,038	-	-	-
	Saboo Coatings Limited	-	-	-	284,699	-	-
	Vardhan Properties and Investment Limited	-	-	-	144,000	-	-
	<b>c. Payables</b>						
	Kamla Tesio Dials Limited	-	1,426,063	-	-	-	-
	Saboo Coatings Limited	-	-	-	773,880	-	-
	Pylania SA	4,410,990	-	-	-	-	-
	Dream Digital Technology Ltd.	-	-	-	1,654,183	-	-
	<b>d. Guarantees taken</b>						
	Mr. R.K. Saboo	-	-	-	-	192,967,366	-
	Mr Y. Saboo	-	-	-	-	192,967,366	-
	<b>e. Guarantees provided</b>						
	Ethos Limited	400,278,500	-	-	-	-	-
	<b>f. Public deposits outstanding</b>						
	Ms. Asha Devi Saboo	-	-	-	-	-	1,000,000
	Ms. Shashi Agrawal	-	-	-	-	-	200,000
	Saveeka family Trust	-	-	-	3,000,000	-	-
	Vardhan Properties and Investment Limited	-	-	-	800,000	-	-
	<b>g. Inter Corporate Deposits received</b>						
	VBL Innovations Pvt. Ltd.	-	-	-	15,000,000	-	-



# KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

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

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
<b>1</b>	<b>Purchase of raw material and components</b>						
	Himachal Fine Blank Limited	24,617,028	-	-	-	-	-
	Satva Jewellery & Design Limited	-	-	211,810	-	-	-
	Saboo Coatings Limited	-	-	-	3,122,886	-	-
	Pylania SA	4,928,263	-	-	-	-	-
	Vardhan International Limited	-	-	-	1,561,458	-	-
<b>2</b>	<b>Sale of goods</b>						
	Pylania SA	15,936,070	-	-	-	-	-
	Himachal Fine Blank Limited	1,351,194	-	-	-	-	-
	Saboo Coatings Limited	-	-	-	6,004	-	-
	Ethos Limited	7,970,907	-	-	-	-	-
<b>3</b>	<b>Purchase of fixed assets</b>						
	Himachal Fine Blank Limited	260,847	-	-	-	-	-
	Pylania SA	553,739	-	-	-	-	-
<b>4</b>	<b>Sale of fixed assets</b>						
	Himachal Fine Blank Limited	539,783	-	-	-	-	-
	Ethos Limited	76,156	-	-	-	-	-
<b>5</b>	<b>Job work charges paid</b>						
	Himachal Fine Blank Limited	480,475	-	-	-	-	-
<b>6</b>	<b>Commission paid on sales</b>						
	Taratec SA	-	21,888,651	-	-	-	-
	Ethos Limited	4,028,029	-	-	-	-	-
<b>7</b>	<b>Rent paid by the Company</b>						
	Kamla Tesio Dials Limited	-	800,000	-	-	-	-
	Saboo Coatings Limited	-	-	-	50,000	-	-
	Mr. R.K. Saboo	-	-	-	-	276,948	-
	Mr. Y. Saboo	-	-	-	-	1,054,772	-
	Ms A. Saboo	-	-	-	-	-	138,600
	Ms U. Saboo	-	-	-	-	-	55,440
	Satva Jewellery & Design Limited	-	-	294,000	-	-	-
<b>8</b>	<b>Salary of employees paid</b>						
	Mr. Pranav S. Saboo	-	-	-	-	-	499,040
<b>9</b>	<b>Directors remuneration</b>						
	Mr. R.K. Saboo	-	-	-	-	3,216,124	-
	Mr. Y. Saboo	-	-	-	-	6,078,992	-
	Mr. Dinesh Agrawal	-	-	-	-	3,591,626	-
<b>10</b>	<b>Interest received</b>						
	Himachal Fine Blank Limited	1,754,794	-	-	-	-	-
	Satva Jewellery & Design Limited	-	-	451,164	-	-	-
	Pylania SA	29,920	-	-	-	-	-
	Ethos Limited	1,951,780	-	-	-	-	-
<b>11</b>	<b>Interest paid/ accrued</b>						
	Vardhan Properties and Investment Limited	-	-	-	55,150	-	-
	Ms. Asha Devi Saboo	-	-	-	-	-	122,836
	Kamla Retail Limited	437,913	-	-	-	-	-
	Other	-	-	-	-	-	28,039
<b>12</b>	<b>Expenses incurred by the Company reimbursed</b>						
	Ethos Limited	2,712,724	-	-	-	-	-
	Satva Jewellery and Design Limited	-	-	463,085	-	-	-
	Kamla Tesio Dials Limited	-	100,740	-	-	-	-
	Saboo Coatings Limited	-	-	-	1,326,389	-	-
	Himachal Fine Blank Limited	546,341	-	-	-	-	-
	VBL Innovations Private Limited	-	-	-	35,406	-	-
	Vardhan Properties and Investment Limited	-	-	-	132,000	-	-
	Pylania SA	200,983	-	-	-	-	-
<b>13</b>	<b>Loans and advances given by the Company</b>						
	Ethos Limited	20,000,000	-	-	-	-	-
	Satva Jewellery & Design Limited	-	-	5,500,000	-	-	-
<b>14</b>	<b>Repayment of loans given by the Company</b>						
	Ethos Limited	20,000,000	-	-	-	-	-

# KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

S. No.	Particulars	Subsidiaries	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
<b>15</b>	<b>Reimbursement of expenses paid by the Company</b>						
	Pylania SA	165,988	-	-	-	-	-
	Himachal Fine Blank Limited	7,540	-	-	-	-	-
	Ethos Limited	180,005	-	-	-	-	-
<b>16</b>	<b>Expenses Recovered</b>						
	Himachal Fine Blank Limited	171,116	-	-	-	-	-
	Ethos Limited	134,234	-	-	-	-	-
	Saboo Coatings Limited	-	-	-	147,928	-	-
	Pylania SA	139,512	-	-	-	-	-
	Dream Digital Technology Ltd.	-	-	-	1,801,323	-	-
<b>17</b>	<b>Investments made</b>						
	Kamla International Holdings AG	11,288,000	-	-	-	-	-
	Mahen Boutiques Limited	55,000,000	-	-	-	-	-
<b>18</b>	<b>Investments sold</b>						
	Mr. R.K. Saboo	-	-	-	-	225,000	-
	Mr. Y. Saboo	-	-	-	-	1,800,000	-
	Ms A. Saboo	-	-	-	-	-	45,000
	Ms U. Saboo	-	-	-	-	-	157,500
	Y Saboo HUF	-	-	-	22,500	-	-
<b>19</b>	<b>Dividend paid</b>						
	Tara Chand Mahendra Kumar (HUF)	-	-	-	209,460	-	-
	Mr. R.K. Saboo	-	-	-	-	4,747,821	-
	Mr. Y. Saboo	-	-	-	-	4,382,844	-
	Others	-	-	-	213,849	-	3,197,376
<b>20</b>	<b>Dividend received</b>						
	Taratec SA	-	277,695	-	-	-	-
<b>21</b>	<b>Balance at the end of the year</b>						
	<b>a. Loans</b>						
	Himachal Fine Blank Limited	14,000,000	-	-	-	-	-
	Satva Jewellery and Design Limited	-	-	5,500,000	-	-	-
	<b>b. Other receivables/ advances</b>						
	Pylania SA	4,562,340	-	-	-	-	-
	Ethos Limited	142,069	-	-	-	-	-
	Satva Jewellery and Design Limited	-	-	989,566	-	-	-
	Saboo Coatings Limited	-	-	-	342,266	-	-
	Himachal Fine Blank Limited	214,184	-	-	-	-	-
	Vardhan Properties and Investment Limited	-	-	-	72,000	-	-
	Dream Digital Technology Limited	-	-	-	14,619	-	-
	<b>c. Payables</b>						
	Himachal Fine Blank Limited	1,399,413	-	-	-	-	-
	Taratec SA	-	9,554,657	-	-	-	-
	Kamla Tesio Dials Limited	-	482,000	-	-	-	-
	Satva Jewellery & Design Limited	-	-	1,229,251	-	-	-
	Saboo Coatings Limited	-	-	-	370,178	-	-
	Pylania SA	1,390,226	-	-	-	-	-
	Vardhan Properties and Investment Limited	-	-	-	62,379	-	-
	Ethos Limited	1,295,622	-	-	-	-	-
	<b>d. Guarantees taken</b>						
	Mr. R.K. Saboo	-	-	-	-	284,409,629	-
	Mr Y. Saboo	-	-	-	-	284,409,629	-
	<b>e. Guarantees provided</b>						
	Ethos Limited	421,282,699	-	-	-	-	-
	Himachal Fine Blank Limited	4,691,153	-	-	-	-	-
	<b>f. Public deposits outstanding</b>						
	Ms. Asha Devi Saboo	-	-	-	-	-	1,000,000
	Ms. Shashi Agrawal	-	-	-	-	-	200,000
	<b>g. Inter Corporate Deposits received</b>						
	Vardhan Properties and Investment Limited	-	-	-	500,000	-	-

## KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

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

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

Raw Material and components	Year ended 31 March 2013		Year ended 31 March 2012	
	Rupees	Percentage	Rupees	Percentage
Imported	128,182,966	50.38%	124,079,401	48.21%
Indigenous	126,230,461	49.62%	132,789,071	51.79%
	<b>254,413,427</b>	<b>100.00%</b>	<b>256,868,472</b>	<b>100.00%</b>
<b>Stores and Spares</b>				
Imported	24,955,961	41.64%	19,868,435	35.62%
Indigenous	34,982,017	58.36%	35,905,743	64.38%
	<b>59,937,978</b>	<b>100.00%</b>	<b>55,774,178</b>	<b>100.00%</b>

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

a) Capital goods	13,196,875	71,744,728
b) Raw material and components	127,518,023	153,965,433
c) Stores and spares	28,270,842	22,831,122
d) Others	4,976	626,133

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

a) Travelling	3,303,900	5,235,490
b) Technician fee (net of tax)	2,801,488	3,311,620
c) Commission on exports	13,622,636	17,000,728
d) Others	19,888,498	4,091,472

#### D. Earnings in foreign exchange

FOB value of exports	526,845,815	623,475,334
Others	11,429,442	7,199,856

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

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

Period to which it relates	2011-12	2010-2011
- Number of non-resident shareholders	38	2
- Number of equity shares held on which dividend was due	589,809	427,018
- Amount remitted (in USD)	1,769,427	26,048

# KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2013	Year ended 31 March 2012
<b>37. Earnings per share</b>		
Net profit attributable to equity shareholders		
Profit before exceptional items and after tax	3,397,931	107,564,474
(Loss)/Profit after exceptional items and tax	(3,572,234)	88,090,457
<b>Number of weighted average equity shares</b>		
Basic	9,020,045	8,011,697
Diluted	9,020,045	8,011,697
<b>Nominal value of equity share (Rs.)</b>	<b>10</b>	<b>10</b>
Earnings per share-before exceptional items and after tax		
Basic	0.38	13.43
Diluted	0.38	13.43
(Loss)/Earnings per share-after exceptional items and tax		
Basic	(0.41)	11.00
Diluted	(0.41)	11.00

### 38. Leases

#### Operating leases

The Company has leased some of its premises and some of its fixed assets to a third party under a lease agreement that qualifies as an operating lease. Rental income for operating leases for the years ended 31 March 2013 and 31 March 2012 aggregate to Rs. 612,000 and Rs. 612,000 respectively.

The Company is a lessee under various operating leases. Rental expense for operating leases for the years ended 31 March 2013 and 31 March 2012 was Rs. 14,211,609 and Rs. 10,279,567 respectively. The Company has not executed any non-cancelable operating leases. Expected future minimum lease payments in respect of leases are as follows:

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
<b>Year ending after balance sheet date:</b>		
Upto one year	13,207,206	11,777,216
One to five years	37,825,069	19,520,399
More than five years	42,111,370	4,250,000

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

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

Satva Jewellery and Design Limited	10,394,200	5,500,000
* Loans are re-payable on demand		

### 40. Dividend from investments:

Long term		
Taratec SA	-	277,695

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

Total Assets	45,974,876	45,855,389
50% share of the Company in Joint Venture	22,987,438	22,927,695
Total Liabilities	45,974,876	45,855,389
50% share of the Company in Joint Venture	22,987,438	22,927,695
Income	986,115	631,952
50% share of the Company in Joint Venture	493,058	315,976
Expenses	3,600,596	7,252,650
50% share of the Company in Joint Venture	1,800,298	3,626,325

## KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

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

- a. The Company has established an Employee Stock Option Plan ('ESOP') in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, which has been approved by the Board of Directors and the shareholders. A compensation committee comprising promoter executive and independent non-executive members of the Board of Directors administer the ESOP. All options under the ESOP are exercisable for equity shares. The Company plans to grant upto 110,000 options to eligible employees and directors of the Company and subsidiaries of the Company.
- b. Fifty percent of the options which have been granted under ESOP 2011 shall vest with the guarantee on 1 April 2014 ('first tranche') and the balance options shall vest on the date when the turnover (excluding excise duty thereon) of the Company would exceed Rs. 1,500,000,000 ('second tranche'). The exercise period for the options is within six months from the date of vesting of the options. Each option is exercisable for one equity share of Rs. 10 each fully paid up on payment of exercise price of share determined with respect to the date of grant. The Company has granted 100,500 options upto 31 March 2013.
- c. The movement in the scheme is set out as under:

Particulars	ESOP 2011		ESOP 2011	
	Year ended 31 March 2013		Year ended 31 March 2012	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	Number	Amount	Number	Amount
Outstanding at the beginning of year	100,500	120	Nil	Nil
Granted options	Nil	Nil	100,500	120
Exercised during the year	Nil	Nil	Nil	Nil
Forfeited during the year	Nil	Nil	Nil	Nil
Expired during the year	10,500	120	Nil	Nil
Outstanding at the end of the year	90,000	120	100,500	120
Exercisable at the end of the year	Nil	Nil	Nil	Nil
Number of equity shares of Rs. 10 each fully paid up to be issued on exercise of option	90,000	120	100,500	120
Weighted average share price at the date of exercise	Not applicable	Not applicable	Not applicable	Not applicable
Weighted average remaining contractual life (years)	1.5 years	Not applicable	2.5 years	Not applicable

- d. Pro forma accounting for stock option grants

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

## KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

S. No.	Particulars	Year ended 31 March 2013 Amount	Year ended 31 March 2012 Amount
1.	Net profit as reported	(3,572,234)	88,090,457
2.	Add: Stock based employee compensation expense debited to statement of profit and loss	492,702	240,472
3.	Less: Stock based employee compensation expense based on fair value	2,163,991	1,056,172
4.	Difference between (2) and (3)	(1,671,289)	(815,700)
5.	Adjusted pro forma profit	(5,243,523)	87,274,757
6.	Difference between (1) and (5)	1,671,289	815,700
7.	Basic (loss)/earnings per share as reported after exceptional items and tax	(0.41)	11.00
8.	Pro forma basic (loss)/earnings per share after exceptional items and tax	(0.58)	10.89
9.	Diluted (loss)/earnings per share as reported after exceptional items and tax	(0.41)	11.00
10.	Pro forma diluted (loss)/earnings per share after exceptional items and tax	(0.58)	10.89

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

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Risk free interest rates (in %)	8.50%	8.50%
Expected life (in months)	29	29
Volatility (in %)	66.49%	66.49%
Dividend yield (in %)	1.58%	1.58%

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

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

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Total options granted outstanding	90,000	100,500
Weighted average exercise price (in Rs.)	120	120
Weighted average fair value (in Rs.)	61.05	61.05

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

A wholly owned subsidiary of KDDL Limited ('Transferee Company'), namely, Himachal Fine Blank Limited ('HFBL' or 'Transferor Company') has merged with the transferee company vide order dated 27 December 2012 of the Hon'ble High Court of Himachal Pradesh, with appointed date 1 April 2011. Such order was filed with the Registrar of Companies on 8 January 2013. The effect of merger has been given during the year ended 31 March 2013 as per the scheme of merger approved by the Hon'ble High Court. Accordingly, the financial statements of the Company for the year ended 31 March 2013 are not strictly comparable with those of the previous year ended 31 March 2012.

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

# KDDL LIMITED

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

(All amounts in rupees, unless stated otherwise)

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

Particulars	Amount as at 1 April 2012 (in Rs)
<b>Assets</b>	
Tangible assets	18,156,704
Non-current investments	1,850,000
Long term loans and advances	1,198,000
Inventories	10,868,557
Trade receivables	2,684,831
Cash and cash equivalents	142,454
Short-term loans and advances	539,232
Other current assets	1,357,087
<b>Total assets (A)</b>	<b>36,796,865</b>
<b>Liabilities</b>	
Non-current liabilities	2,717,292
Current liabilities	24,554,472
<b>Total liabilities (B)</b>	<b>27,271,764</b>
Net adjustment to opening reserves of KDDL Limited [after taking effect of the inter-company eliminations (net) of Rs. 394,727]	(6,069,626)
Equity share capital adjusted against investments	15,200,000

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

Particulars	Amount outstanding as at 31 March 2013	Amount outstanding as at 31 March 2012
Receivables	70,495,946	104,671,548
Payables	37,732,739	32,226,832
Buyer's credit	43,988,572	21,550,592
Advances from customers	45,952,000	68,472,000

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

Units of foreign currency	No. of contracts	Amount outstanding as at 31 March 2013		Amount outstanding as at 31 March 2012	
		(in Foreign currency)	(in Rupees)	(in Foreign currency)	(in Rupees)
CHF	5	498,000	30,789,350	-	-

45. Segment information, as required under AS-17 "Segment Reporting", has been provided in the consolidated financial statements of the Company and therefore no separate disclosure on segment information is given in these standalone financial statements.
46. As per the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961, the Company is required to use certain specific methods in computing arm's length prices of transactions with associated enterprises and maintain adequate documentation in this respect. Since law requires existence of such information and documentation to be contemporaneous in nature, the Company is in the process of appointing independent consultants for conducting a Transfer Pricing Study (the 'Study') to confirm that the transactions with associate enterprises undertaken during the financial year are on an "arms length basis". Management is of the opinion that the Company's transactions are at arm's length and that the results of the proposed study will not have any impact on the financial statements and that they do not expect any transfer pricing adjustments.
47. Previous year figures have been regrouped/recasted, wherever considered necessary to make them comparable with those of the current year.

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

**R.K. SABOO**  
Chairman

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

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

**P.K. GOYAL**  
Company Secretary

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

Place : Chandigarh  
Dated : 29 May 2013

Per **B.P. Singh**  
Partner

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of KDDL Limited

1. We have audited the accompanying consolidated financial statements of KDDL Limited, ("the Company") and its subsidiaries, associate and joint venture (hereinafter collectively referred to as the "Group"), which comprise the consolidated Balance Sheet as at 31 March 2013, the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

**Auditors' Responsibility**

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

6. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries, associate and joint venture as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2013;
  - ii) in the case of the consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and
  - iii) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

**Other Matter**

- 7.(a) We did not audit the financial statements of certain Indian subsidiaries and a joint venture, included in the consolidated financial statements whose financial statements reflect total assets (after eliminating intra-group transactions) of Rs. 1,304,326,718 as at 31 March 2013; total revenues (after eliminating intra-group transactions) of Rs. 1,712,436,361 and net cash flows aggregating to Rs. 4,700,543 for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the management, and our opinion on the consolidated financial statements of the Group for the year then ended to the extent they relate to the financial statements not audited by us as stated in this paragraph is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.
- (b) We did not audit the financial statements of two foreign subsidiaries, included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of Rs. 91,307,786 as at 31 March 2013; total revenues (after eliminating intra-group transactions) of Rs. 69,930,957 and net cash flows aggregating to Rs. 497,178 for the year then ended. The financial statements of these subsidiaries have been prepared in accordance with the generally accepted accounting principles in Switzerland and have been examined by the other auditors in accordance with Swiss Standards on Limited Statutory Examination whose reports have been furnished to us by the management. The management has converted these examined financial statements of the Company's subsidiaries to comply with accounting principles generally accepted in India, for the purpose of preparation of the Company's consolidated financial statements under accounting principles generally accepted in India, and our opinion on the consolidated financial statements of the Group for the year then ended to the extent they relate to the financial statements not audited by us as stated in this paragraph is based solely on the reports of the other auditors and the aforesaid conversion undertaken by the management. Our opinion is not qualified in respect of this matter.

We did not audit the financial statements of an Indian associate, included in the consolidated financial statements, whose financial statements reflects total assets (after eliminating intra-group transactions) of Rs. 8,717,577 as at 31 March 2013; total revenues (after eliminating intra-group transactions) of Rs. 800,000; net losses (after eliminating intra-group transactions) of Rs 425,032 and net cash flows aggregating to Rs. 214,045 for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the management, and our opinion on the consolidated financial statements of the Group for the year then ended to the extent they relate to the financial statements not audited by us as stated in this paragraph is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

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

per **B.P. Singh**  
Partner

Place : Chandigarh  
Dated : 29 May 2013

Membership No.:70116



## KDDL LIMITED (Consolidated)

### Consolidated balance sheet as at 31 March 2013

(All amounts in rupees, unless stated otherwise)

	Note	As at 31 March 2013	As at 31 March 2012
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	91,238,600	89,237,600
Reserves and surplus	3	343,998,164	385,563,793
Money received against zero coupon convertible warrants	4	-	2,052,051
		<b>435,236,764</b>	476,853,444
Minority interest		<b>184,722,766</b>	76,930,602
<b>Non-current liabilities</b>			
Long-term borrowings	5	392,253,131	347,852,660
Deferred tax liabilities (net)	6	44,612,909	42,123,048
Other long term liabilities	7	22,976,000	25,677,000
Long-term provisions	8	35,581,129	32,102,138
		<b>495,423,169</b>	447,754,846
<b>Current liabilities</b>			
Short-term borrowings	9	562,288,619	528,794,287
Trade payables	10	478,808,044	397,078,382
Other current liabilities	11	255,690,924	290,811,246
Short-term provisions	12	40,700,736	50,875,499
		<b>1,337,488,323</b>	1,267,559,414
<b>Total</b>		<b><u>2,452,871,022</u></b>	<b><u>2,269,098,306</u></b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	13	739,753,357	651,431,831
Intangible assets	13	19,239,337	17,257,899
Capital work-in-progress		8,948,523	85,514,421
Intangible assets under development		2,240,904	6,806,896
Non-current investments	14	7,779,196	9,631,706
Long-term loans and advances	15	172,520,666	150,633,616
Other non-current assets	16	2,043,798	1,211,046
		<b>952,525,781</b>	922,487,415
<b>Current assets</b>			
Inventories	17	1,135,540,657	968,338,077
Trade receivables	18	172,792,789	202,459,641
Cash and bank balances	19	79,272,754	69,556,232
Short-term loans and advances	20	110,546,647	105,568,653
Other current assets	21	2,192,394	688,288
		<b>1,500,345,241</b>	1,346,610,891
<b>Total</b>		<b><u>2,452,871,022</u></b>	<b><u>2,269,098,306</u></b>

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

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

**R.K. SABOO**  
Chairman

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

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

**P.K. GOYAL**  
Company Secretary

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

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

Place : Chandigarh  
Dated : 29 May 2013

Per **B.P. Singh**  
Partner

## KDDL LIMITED (Consolidated)

### Consolidated statement of profit & loss for the year ended 31 March 2013

(All amounts in rupees, unless stated otherwise)

	Note	Year ended 31 March 2013	Year ended 31 March 2012
<b>REVENUE</b>			
Revenue from operations (gross)	22	2,755,090,399	2,366,836,323
Less: Excise duty		36,849,349	33,756,200
Revenue from operations (net)		2,718,241,050	2,333,080,123
Other income	23	11,242,360	20,032,321
Total revenue		2,729,483,410	2,353,112,444
<b>EXPENDITURE</b>			
Cost of materials consumed	24	258,393,521	243,682,025
Purchase of traded goods	25	1,410,076,494	1,128,180,241
Cost of services rendered		1,855,558	1,166,383
Changes in inventories	26	(154,717,623)	(212,588,675)
Employee benefit expenses	27	476,121,184	439,175,539
Finance costs	28	132,503,998	113,998,640
Depreciation and amortisation expense	29	86,335,381	69,569,985
Other expenses	30	543,359,086	450,541,456
Prior period expenditure	31	1,670,644	1,147,802
Total expenses		2,755,598,243	2,234,873,396
<b>(Loss)/profit before tax</b>		<b>(26,114,833)</b>	<b>118,239,048</b>
Tax expense:			
Current tax		1,420,086	45,934,206
Current tax - earlier years		(2,341,352)	431,821
Minimum alternate tax credit entitlement		(1,405,945)	-
Minimum alternate tax credit adjustment - earlier years		-	(431,821)
Deferred tax		2,489,861	258,784
<b>(Loss)/Profit after tax before minority interest / share of profit (loss) in associates</b>		<b>(26,277,483)</b>	<b>72,046,058</b>
Share in loss of associates		(52,510)	(3,319,502)
Adjustment for minority interest		(1,727,110)	(9,067,714)
<b>Net (loss)/profit for the year</b>		<b>(28,057,103)</b>	<b>59,658,842</b>
(Loss)/Earning per equity share of face value of Rs. 10 each	39		
(1) Basic		(3.11)	7.45
(2) Diluted		(3.11)	7.45

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

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

**R.K. SABOO**  
Chairman

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

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

**P.K. GOYAL**  
Company Secretary

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

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

Place : Chandigarh  
Dated : 29 May 2013

Per **B.P. Singh**  
Partner

## KDDL LIMITED (Consolidated)

### Consolidated cash flow statement for the year ended 31 March 2013

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2013	Year ended 31 March 2012
<b>A. Cash flow from operating activities</b>		
Net (loss)/profit before tax	(26,114,833)	118,239,048
Adjustments for:		
Depreciation and amortisation	86,335,381	69,569,985
Loss on sale / write off of assets	2,383,676	1,751,211
Expense on employee stock option scheme	492,702	240,472
Finance costs	119,304,553	93,169,242
Interest income	(4,070,034)	(2,175,817)
Dividend income	-	(277,695)
Net (gain) / loss on sale of investments	(3,921,600)	(4,188,400)
Liabilities no longer required written back	4,060,609	(3,590,226)
Provisions written back	-	(330,916)
Adjustment on forfeiture of warrants	1,025	-
Bad debts written off	30,772	330,916
Provision for doubtful debts	3,449,787	4,396,963
Provision for warranty	-	600,000
Foreign exchange translation reserve arising on consolidation	(315,073)	(5,996,351)
<b>Operating profit before working capital changes</b>	<b>181,636,965</b>	<b>271,738,432</b>
Adjustments for movement in:		
Inventories	(167,202,580)	(258,497,372)
Trade receivables	26,186,293	(38,719,434)
Short-term loans and advances	(3,342,581)	(46,544,859)
Long-term loans and advances	(26,229,693)	(6,347,917)
Other current assets	(1,034,643)	-
Other non-current assets	(784,923)	488,825
Trade payables	77,669,053	107,746,692
Other current liabilities	(14,655,024)	67,563,141
Other long-term liabilities	(2,701,000)	25,677,000
Short-term provisions	1,342,100	2,444,492
Long-term provisions	3,478,991	6,481,572
Net income tax (paid) / refunds	691,826	(51,773,742)
<b>Net cash flow from operating activities</b>	<b>75,054,784</b>	<b>80,256,829</b>
<b>B. Cash flow from investing activities:</b>		
Capital expenditure on fixed assets, including capital advance	(122,930,730)	(250,307,026)
Proceeds from sale of fixed assets	5,736,442	3,246,159
Impact of translation on assets of foreign subsidiary	(488,414)	(9,429,910)
Proceeds from sale of long-term investments	5,721,600	1,978,675
Interest received	3,552,692	2,197,906
Dividend Received	-	277,695
Proceeds from restricted cash	(3,500,744)	(15,496,684)
<b>Net cash used in investing activities (B)</b>	<b>(111,909,154)</b>	<b>(267,533,184)</b>

## KDDL LIMITED (Consolidated)

### Consolidated cash flow statement for the year ended 31 March 2013

(All amounts in rupees, unless stated otherwise)

	Year ended 31 March 2013	Year ended 31 March 2012
<b>C. Cash flow from financing activities:</b>		
Proceeds from issue of equity shares	6,300,414	-
Proceeds from issue of share capital to minority	106,017,673	19,765
Proceeds from issue of share warrants	-	32,940,473
Proceeds from long-term borrowings (including current maturities)	78,650,030	172,519,701
Repayment of long-term borrowings (including current maturities)	(29,928,053)	11,892,300
Net Proceeds from other short-term borrowings	33,494,331	91,674,032
Finance cost	(119,956,141)	(87,842,602)
Dividend paid (including tax thereon)	(31,508,106)	(27,185,593)
<b>Net cash flow from financing activities</b>	<b>43,070,148</b>	<b>194,018,076</b>
<b>Net increase in cash and cash equivalents</b>	<b>6,215,778</b>	<b>6,741,721</b>
Cash and cash equivalents at the beginning of the year	42,714,477	35,972,756
<b>Cash and cash equivalents at the end of the year</b>	<b>48,930,255</b>	<b>42,714,477</b>
Reconciliation of Cash and cash equivalents with the Balance Sheet:		
<b>Cash and bank balances as per Balance Sheet</b>	<b>79,272,754</b>	<b>69,556,232</b>
Less: Bank balances not considered as Cash and cash equivalents	30,342,499	26,841,755
<b>Net Cash and cash equivalents</b>	<b>48,930,255</b>	<b>42,714,477</b>

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

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

**R.K. SABOO**  
Chairman

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

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

**P.K. GOYAL**  
Company Secretary

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

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

Place : Chandigarh  
Dated : 29 May 2013

Per **B.P. Singh**  
Partner

## KDDL LIMITED (Consolidated)

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Notes forming part of the consolidated financial statements for the year ended 31 March 2013

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### Note-1

#### SIGNIFICANT ACCOUNTING POLICIES

##### a. Principles of Consolidation

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

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

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

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

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

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

##### b. Basis of preparation

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

##### c. Use of estimates

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

##### d. Revenue recognition

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

## KDDL LIMITED (Consolidated)

Notes forming part of the consolidated financial statements for the year ended 31 March 2013

### Note-1

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

#### e. Fixed assets

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

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

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

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

#### f. Depreciation

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

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

Description	Rates
Buildings – factory	1.5% to 8.5%
Plant and machinery	10% to 15%
Office equipment	8.5% to 15%
Motor vehicles	48%

#### g. Inventories

Inventories are valued as follows:

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

#### h. Investments

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

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

#### Note-1

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

##### i. Employee Stock Option Scheme (ESOS)

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

##### j. Foreign currency transactions

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

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

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

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

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

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

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

##### k. Employee benefits

Contribution to provident fund, being a defined contribution plan, is recognised in the statement of profit and loss. Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognized as a liability determined based on actuarial valuation using the Projected Unit Credit Method at the Balance Sheet date.

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

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

#### Note-1

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

##### I. Taxes on income

Tax expense comprises current tax and deferred income tax.

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

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

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

##### m. Earnings per share

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

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

##### n. Leases

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

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

##### o. Contingent liabilities and provisions

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

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

##### p. Impairment of assets

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

##### q. Segment reporting policies

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

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



## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013		As at 31 March 2012	
	Number	Amount	Number	Amount
<b>2. Share capital</b>				
<b>Authorised Share Capital*</b>				
Equity shares of Rs. 10 each	12,480,000	124,800,000	12,000,000	120,000,000
<b>Issued, subscribed and fully paid up</b>				
Equity shares of Rs. 10 each	9,036,720	90,367,200	8,836,620	88,366,200
<b>Issued, subscribed and not fully paid up</b>				
Equity shares of Rs. 10 each, Rs. 5 paid up	174,280	871,400	174,280	871,400
<b>Total</b>	<b>9,211,000</b>	<b>91,238,600</b>	<b>9,010,900</b>	<b>89,237,600</b>
<b>Forfeited shares</b>	<b>174,280</b>	<b>871,400</b>	<b>174,280</b>	<b>871,400</b>

\* The increase in authorised share capital vis-à-vis previous year is on account of merger of Himachal Fine Blanks Limited (HFBL) with the Company (Refer Note 32 (h)).

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

#### b. Reconciliation of equity share capital

	Number	Amount	Number	Amount
<b>Equity share capital of Rs. 10 each fully paid up</b>				
Balance at the beginning of the year	8,836,620	88,366,200	7,771,170	77,711,700
Add: Shares issued pursuant to conversion of zero coupon convertible warrants	200,100	2,001,000	1,065,450	10,654,500
<b>Balance at the end of the year</b>	<b>9,036,720</b>	<b>90,367,200</b>	<b>8,836,620</b>	<b>88,366,200</b>

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

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

	Number	Amount	Number	Amount
R. K. Saboo	2,054,560	20,545,600	1,954,560	19,545,600
Y. Saboo	1,472,448	14,724,480	1,472,448	14,724,480
U. Saboo**	-	-	451,180	4,511,800
	<b>3,527,008</b>	<b>35,270,080</b>	<b>3,878,188</b>	<b>38,781,880</b>

\*\* Pursuant to the increase in paid up share capital of the Company during the year ended 31 March 2013, the shareholding has declined to below 5%, accordingly, figures for the year ended 31 March 2013 have not been stated.

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>3. Reserves and surplus</b>		
<b>Central investment subsidy</b>	<b>2,500,000</b>	2,500,000
<b>State investment subsidy</b>	<b>3,000,000</b>	3,000,000
<b>Profit on re-issue of forfeited shares</b>	<b>9,125</b>	9,125
<b>Profit on forfeiture of zero coupon convertible warrants</b>	<b>1,025</b>	-
<b>Capital reserve</b>		
Balance at the beginning of the year	132,536	166,670
Less: Amount transferred to minority interest	(19)	(34,134)
Balance at the end of the year	<u>132,517</u>	<u>132,536</u>
<b>Securities premium reserve</b>		
Balance at the beginning of the year	288,101,742	258,977,198
Add: Additions made during the year on allotment of equity shares on conversion of zero coupon convertible warrants	6,351,465	33,206,835
Less: Amount transferred to minority interest	(52,956)	(4,082,291)
Balance at the end of the year	<u>294,400,251</u>	<u>288,101,742</u>
<b>Employee stock options outstanding</b>		
At the commencement of the year	1,396,950	-
Add: Options granted during the year	-	1,396,950
Less: Options expired during the year	(145,950)	-
Employee stock option at the end of the year (i)	<u>1,251,000</u>	<u>1,396,950</u>
<b>Deferred employee stock option expense</b>		
At the commencement of the year	1,156,478	-
Add: Options granted during the year	-	1,396,950
Less: Amortisation and other movements during the year ##	(638,652)	(240,472)
At the end of the year (ii)	<u>517,826</u>	<u>1,156,478</u>
(i)-(ii)	<u>733,174</u>	<u>240,472</u>
## Employee stock option expense net off impact of options expired during the year (Refer note 27)	<u>492,702</u>	<u>240,472</u>
<b>Foreign currency translation reserve</b>		
As per last balance sheet	(339,133)	3,705,478
Less: Adjustment during the year	(315,073)	(5,996,351)
Add: Transferred from minority interest	-	1,951,740
Balance at the end of the year	<u>(654,206)</u>	<u>(339,133)</u>
<b>General reserve</b>		
Balance at the beginning of the year	122,833,159	110,631,023
Add: Transferred from statement of profit and loss	-	12,202,136
Balance at the end of the year	<u>122,833,159</u>	<u>122,833,159</u>

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>Deficit in the statement of profit and loss</b>		
Balance at the beginning of the year	(44,619,920)	(54,874,149)
Add: Transfer to/(from) minority interest out of reserves	5,575	(1,771,350)
Add: Transferred (from)/to statement of profit and loss	(28,057,103)	59,658,842
Less: Appropriations		
Dividend on cumulative preference shares	(9,488,769)	(2,677,442)
Proposed dividend on equity shares	(9,036,720)	(27,110,160)
Tax on proposed dividend	(1,465,756)	(4,397,946)
Transfer to general reserve	-	(12,202,136)
Proposed dividend for prior year	-	(1,068,169)
Tax on proposed dividend for prior year	-	(177,410)
Balance at the end of the year	<u>(92,662,693)</u>	<u>(44,619,920)</u>
<b>Revaluation reserve</b>		
As per last balance sheet	13,705,812	-
Add: Adjustment during the year (refer note (a) below)	-	13,705,812
Balance at the end of the year	<u>13,705,812</u>	<u>13,705,812</u>
<b>Total</b>	<u><u>343,998,164</u></u>	<u><u>385,563,793</u></u>

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

#### 4. Money received against zero coupon convertible warrants

a. During 2010-2011, the Company issued 1,687,600 zero coupon convertible warrants on preferential basis upon payment of a consideration of Rs.10.25 per warrant. Each zero coupon convertible warrant is convertible into one equity share of Rs.10 each at a premium of Rs.31 per share on payment of remaining consideration. Holders of such warrants had the option to convert these warrants into equity shares upon payment of aforesaid consideration on or before eighteen months from the date of allotment of warrants, viz., 02 November 2010. During the year, holders of 200,100 (previous year 1,065,450) zero coupon convertible warrants exercised the option of conversion of warrants into equity shares and 100 zero coupon convertible warrants has been forfeited on account of non payment of balance on due date. Amount outstanding as at year end is Nil.

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

Balance unutilized at the end of the previous year	10,000	22,863
Add: Proceeds received during the year	6,153,075	32,762,588
Less: Utilised for purchase of capital assets and working capital requirements	6,163,075	32,775,451
Balance unutilised at the end of the current year*	<u>-</u>	<u>10,000</u>

\* Balance unutilised amount is lying in the current account.

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>5. Long term borrowings</b>		
<b>Secured</b>		
Term loans from		
- banks	187,024,038	195,670,837
- others	18,676,754	5,586,442
Vehicle loan		
- from banks	8,180,184	12,123,991
Hire purchase finance	6,850,438	13,095,175
Bank mortgage	9,348,360	9,286,515
<b>Unsecured</b>		
Public deposit		
- from related parties (refer Note 42)	4,800,000	1,200,000
- from others	58,249,000	57,079,000
Inter corporate deposits		
- from related party (refer Note 42)	15,000,000	-
- from others	15,000,000	-
Loans		
- from related parties (refer Note 42)	12,000,000	-
- from others	56,884,861	51,433,124
External commercial borrowing (includes Rs. 66,212 (previous year Rs. 618,166) on account of exchange rate fluctuation)	239,496	2,377,576
<b>Total</b>	<b>392,253,131</b>	<b>347,852,660</b>

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

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

- Term loans from Bank of India amounting to Rs. 89,756,813 (previous year 96,870,039) (including current maturities of long term debt amounting to Rs. 27,256,577 (previous year Rs. 22,167,284) and buyers credit Rs 11,668,202 (previous year nil) availed as a sub limit to term loan), carrying interest rate of 2.5% over the bank base rate are secured by way of first pari passu charge on all the plant & machinery and furniture & fixtures of the Company excluding the fixed assets installed at packaging division at Chandigarh (KPAC), hands division at Bengaluru (KHAN-2), dials division at Barwala (KHAR) and the plant & machinery and furniture & fixtures of dials division at Parwanoo (TTPA) acquired before 31 March 2005 and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Company's bankers for securing the working capital limits. The term loan is further secured by way of first pari passu mortgage charge on land and building of dials division at Derabassi (KDER). The loan includes construction loan for dials unit at Parwanoo (TTPA) which is secured by first pari passu charge on land and building of TTPA. The term loans are also personally guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.

- Term loans from IDBI by Parent Company amounting to Rs. 17,275,000 (previous year Rs. 22,575,000) ((including current maturities of long term debt amounting to Rs. 13,075,000 (previous year Rs. 4,750,000)), carrying interest rate of 2.5% over the bank base rate, are secured by way of first pari passu charge on all the plant & machinery and furniture & fixtures of KDER, tool room division at Bengaluru (EIGEN) and hands division at Bengaluru (KHAN-1) and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Company's bankers for securing the working capital limits. The term loan is further secured by way of first pari passu mortgage charge on land and building of KDER. The term loans are also personally guaranteed by the Chairman and Chief Executive Officer (CEO) of the Company.

-Term loan from Corporation Bank by Parent Company amounting to Rs. 38,950,746 (previous year Rs. 34,537,007) (including current maturities of long term debt amounting to Rs. 11,112,000 (previous year Rs. 11,112,000) and buyers credit Rs 15,525,738 (previous year nil) availed as a sub limit to term loan), carrying interest rate of 14.65% p.a., are secured by way of first exclusive charge on all the plant & machinery and furniture & fixtures of KHAR and KHAN-2 and second charge on all the current assets (save and except the book debts) subject to the first charge in favour of the Company's bankers for securing the working capital limits. The loan is further secured by exclusive mortgage charge on land and building of KHAN-1.

-Term loans from The Jammu & Kashmir Bank Limited taken by subsidiary, Ethos Limited amounting to Rs.70,652,173 (previous year Rs. 81,359,300 (including current maturities amounting to Rs.18,996,000 (previous year Rs. 18,996,000))),

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

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carrying interest rate of 13.25% p.a. are secured by first charge on entire fixed assets, both present and future, of the subsidiary. These limits are also secured by first charge on fixed assets of KPAC unit at Chandigarh of Parent Company. This is further secured by the first and exclusive charge over land and building, plant and machinery and office equipment of the Parwanoo unit of Parent Company, excluding the assets purchased after 1 April 2005. These loans are also guaranteed by the Parent Company and the director of the subsidiary.

-Secured loans from others (India Infoline Investment Services Limited) taken by subsidiary, Ethos Limited amounting to Rs.30,508,341 (previous year Rs. 20,896,377 ((including current maturities amounting to Rs.11,831,587 (previous year Rs. 15,309,935))), carrying interest rate of 14.50% p.a. are secured by exclusive mortgage and charge on personal property of the director and relatives of the director of the subsidiary. These limits are also guaranteed by the Parent Company, director of the subsidiary and relatives of the director.

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

- Term loan taken by subsidiary, Pylania SA include loan taken from Bank of India amounting to Rs. 40,828,883 (previous year Rs. 15,856,355) is carrying interest rate of 3.50%. The loan is secured against bank guarantee given by the Parent Company.

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

-Bank mortgage taken by subsidiary, Pylania SA amounting to Rs. 9,980,200 (previous year Rs. 9,914,175)((including current maturities amounting to Rs.631,840 (previous year Rs. 627,660) is carrying interest rate of 5.75% and secured against land and building situated in Pylania.

- Loan from others taken by subsidiary, Pylania SA include subordinated loans taken from shareholders amounting to Rs. 56,884,861 (previous year Rs. 51,433,124) is carrying interest rate of 5%.

- External commercial borrowing taken by joint venture company (JV), Satva Jewellery & Design Limited amounting to Rs. 2,039,120 (previous year Rs. 3,328,538) ((including current maturities amounting to Rs. 1,799,624 (previous year Rs. 950,962)) is carrying interest rate of 2% above LIBOR.

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

- Term loan from IDBI amounting to Rs. 1,875,000 is repayable in 3 quarterly instalments of Rs. 625,000.

- Term loan from IDBI amounting to Rs. 15,400,000 (sanctioned amount being Rs. 45,000,000) is repayable in 5 quarterly instalments of Rs. 2,800,000 and last instalment of Rs 1,400,000.

- Term loan from Bank of India amounting to Rs. 1,428,577 is repayable in single quarterly instalment of Rs. 1,428,577.

- Term loan from Bank of India amounting to Rs. 6,134,000 is repayable in 8 quarterly instalments of Rs. 682,000 and last instalment of Rs. 678,000.

- Term loan from Bank of India amounting to Rs. 23,238,432 is repayable in 18 quarterly instalments of Rs. 1,250,000 and last instalment of Rs. 738,432.

- Term loan from Bank of India amounting to Rs. 12,271,687 is repayable in 8 quarterly instalments of Rs. 1,400,000 and last instalment of Rs. 1,071,687.

- Term loan from Corporation Bank amounting to Rs. 38,950,745 (sanctioned amount being Rs. 50,000,000) is repayable in 14 quarterly instalments of Rs. 2,778,000 and last instalment of Rs. 58,745.

- Term loan from Bank of India amounting to Rs. 46,684,117 (sanctioned amount Rs. 50,000,000) is repayable in 14 quarterly instalments of Rs. 3,125,000 and last instalment of Rs. 2,934,117.

- Term Loans from The Jammu & Kashmir Bank Limited amounting to Rs. 70,651,973 is repayable in 45 monthly instalments of Rs. 1,583,000 each.

- The loans from India Infoline Investment Services Limited amounting to Rs. 30,508,341 outstanding as on 31 March 2013 will be repaid in 28 monthly instalments as per repayment schedule.

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

- Bank mortgage amounting to Rs. 9,348,360 is repayable in 59 quarterly instalments of Rs. 157,960 and last instalment of

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

Rs. 118,720.

- Subordinated loans taken from shareholders amounting to Rs. 56,884,861 are to be repaid at the time of repayment to equity shareholders.

- Loan taken from Bank of India amounting to Rs. 40,828,883 is to be repaid in a bullet repayment after the bank guarantee is withdrawn by the Parent Company.

- External commercial borrowing taken by joint venture company (JV), Satva Jewellery & Design Limited amounting to Rs. 2,039,120 is repayable in 9 quarterly instalments of Rs. 239,324 each.

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

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

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

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

	As at 31 March 2013	As at 31 March 2012
<b>6. Deferred tax liabilities (net)</b>		
<b>Deferred tax liabilities</b>		
Timing difference on depreciation and amortisation of tangible and intangible assets	65,886,410	54,462,497
<b>Deferred tax assets</b>		
Provision for bad and doubtful debts	3,860,902	2,806,509
Provision for employee benefits	8,239,924	6,623,006
Provision for bonus	2,253,720	2,135,127
Unabsorbed business losses & depreciation	6,918,955	774,807
<b>Total</b>	<b>44,612,909</b>	<b>42,123,048</b>
<b>7. Other long term liabilities</b>		
Advances received from customers	22,976,000	25,677,000
<b>Total</b>	<b>22,976,000</b>	<b>25,677,000</b>
<b>8. Long term provisions</b>		
Provision for employee benefits (Also refer note 8 (a))	26,509,091	21,356,285
Provision for warranty (Also refer note 8 (b))	533,036	600,000
Deferred payment liability due to lease straightlining	8,539,002	10,145,853
<b>Total</b>	<b>35,581,129</b>	<b>32,102,138</b>
<b>8 (a) Provision for employee benefits</b>		
<b>(i) Defined Contribution Plan:</b> Expenditure on account of Superannuation Scheme with LIC of India in respect of its employee provided in the statement of profit and loss	5,114,752	4,313,549
<b>(ii) Defined benefit plan/ other long term benefit plans</b>		
a. Gratuity		
b. Leave encashment		

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

		As at 31 March 2013	As at 31 March 2012	
The following table set out the status of the plan for gratuity and leave encashment as required under Accounting Standard (AS) - 15 (R) - Employee benefits and the reconciliation of opening and closing balances of the present value of the defined benefit obligation:				
<b>Particulars</b>	<b>Leave Encashment</b>	<b>Gratuity</b>	<b>Leave Encashment</b>	<b>Gratuity</b>
Discount rate	8%	8%	8%-8.5%	8%-8.5%
Rate of increase in compensation levels	5%	5%	5%-7%	5%-7%
Rate of return of plan assets	-	8%	-	8%-8.5%
<b>Change in the present value of obligation :</b>			<b>Gratuity</b>	<b>Gratuity</b>
Present value of obligation as at the beginning of the year			27,807,157	21,050,362
Interest cost			1,179,504	1,655,371
Current service cost			3,008,152	2,723,291
Benefits paid/ payable			(3,640,094)	(1,705,462)
Actuarial loss/(gain) on obligations			3,396,074	4,083,595
Present value of obligation as at the end of the year			<u>31,750,793</u>	<u>27,807,157</u>
<b>Change in the fair value of plan assets :</b>				
Fair value of plan assets at the beginning of the year			14,081,176	13,655,882
Expected return on plan assets			381,806	1,115,961
Contributions			2,355,099	1,014,305
Benefits paid			(3,640,094)	(1,705,462)
Actuarial gain on plan assets			(3,923)	490
Fair value of plan assets at the end of the year			<u>13,174,064</u>	<u>14,081,176</u>
<b>Reconciliation of present value of defined benefit obligation and the fair value of assets</b>				
Present value of funded obligation as at the end of the year			31,750,793	27,807,157
Fair value of plan assets as at the end of the period funded status			13,174,064	14,081,176
Unfunded/ Funded Net Liability recognized in Balance Sheet			<u>18,576,729</u>	<u>13,725,981</u>
<b>Expenses recognised in the statement of profit and loss:</b>				
Current service cost			3,008,152	2,723,291
Interest cost			1,179,504	1,655,371
Expected return on plan assets			381,806	1,115,961
Net actuarial loss/(gain) recognized in the year			3,399,997	4,083,105
Total expenses recognized in the statement of profit and loss			<u>7,205,847</u>	<u>7,345,806</u>

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

Amounts for the current and previous years are as follows:

	2012-13	2011-12	2010-11	2009-10	2008-09
<b>Gratuity</b>					
Defined benefit obligation	31,750,793	27,807,157	21,050,362	18,383,729	17,057,686
Plan Assets	13,174,064	14,081,176	13,655,882	11,348,466	12,449,724
<b>Net liability</b>	<b>18,576,729</b>	<b>13,725,981</b>	<b>7,394,480</b>	<b>7,035,263</b>	<b>4,607,962</b>

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>8 (b) Reconciliation of provision for warranty</b>		
Provision at the beginning of the year	600,000	-
Add: Provided during the year	-	600,000
Less: Reversed during the year	66,964	-
Provision at the end of the year	<u>533,036</u>	<u>600,000</u>

### 9. Short term borrowings

Secured (Also refer note (a) below)		
Working capital borrowings from banks	519,546,313	497,313,695
Buyers credit	30,305,306	21,550,592
Unsecured		
Inter corporate deposits		
- from related party (refer Note 42)	-	500,000
Public deposits	12,437,000	9,430,000
<b>Total</b>	<u>562,288,619</u>	<u>528,794,287</u>

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

- Working capital borrowings amounting to Rs. 223,157,342 are secured by hypothecation of stocks of stores and spares, raw materials and components, finished goods and stock-in-process and book debts and other assets of the Parent Company (both present and future), on pari passu basis and are further secured by a second charge on the entire fixed assets of the Parent Company. These loans are also guaranteed by the Chairman and Chief Executive Officer (CEO) of the Parent Company.

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

-The working capital loans taken by subsidiary company, Ethos Limited amounting to Rs. 98,545,714 are secured by first pari passu charge on the current assets, both present and future, and second pari passu charge on the fixed assets of the subsidiary, both present and future. These limits are also secured by exclusive mortgage and charge on all the immovable assets of the tool room unit (Eigen) at Bangalore of the Parent Company. These limits are guaranteed by the Parent Company and director of the subsidiary and his relative.

-The working capital loans taken by subsidiary company, Ethos Limited amounting to Rs. 99,364,274 are secured by first pari passu charge on current assets of the subsidiary including stock in trade and receivables. These limits are also secured by a second pari passu charge on the fixed assets of the subsidiary. These limits are guaranteed by the Parent Company and the director of the subsidiary and his relative.

-The working capital loans taken by subsidiary company, Ethos Limited amounting to Rs. 87,697,524 are secured by first pari passu charge on the stock, receivables and other current assets of the subsidiary. These limits are also secured by first charge on fixed assets of KPAC unit at Chandigarh of the Parent Company. This is further secured by the first and exclusive charge over land and building, plant and machinery and office equipment of the Parwanoo unit of the Parent Company, excluding the assets purchased after 1 April 2005. These loans are also guaranteed by the Parent Company and the director of the subsidiary.

-Working capital loans taken by subsidiary company, Pylania SA amounting to Rs.10,781,459 is secured by hypothecation of current assets of the subsidiary including stock in trade and receivables.

### 10. Trade payables

Acceptances	-	10,436,959
Dues to micro and small enterprises (Also refer note (a) below)	-	-
Due to related Party (refer Note 42)	5,466,846	14,923,112
Dues to others	473,341,198	371,718,311
<b>Total</b>	<u>478,808,044</u>	<u>397,078,382</u>



## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>a. Dues to micro, small and medium enterprises pursuant to section 22 of the Micro, Small and Medium Enterprises Development Act (MSMED), 2006</b>		
Amount due to entities covered under Micro, Small and Medium Enterprises as defined in the Micro, Small, Medium Enterprises Development Act, 2006, have been identified on the basis of information available with the Group. There was no amount due to any such entities which needs to be disclosed. This has been relied upon by the auditors.		
<b>11. Other current liabilities</b>		
Current maturities of long term debts		
Public deposits		
- from related party (refer Note 42)	200,000	-
- from others	32,088,000	30,430,000
Term loan from banks	70,439,577	58,024,228
Term loan (others)	11,831,587	15,309,935
Vehicle loan from banks	4,550,001	4,537,876
Unsecured loans from others	-	4,564,800
Bank mortgage	631,840	627,660
External commercial borrowings (includes Rs. 497,529 (previous year Rs. 224,324) on account of exchange rate fluctuation)	1,799,624	950,962
Current maturities of hire purchase finance	6,590,497	7,506,159
Interest accrued but not due on borrowings	13,645,038	14,296,626
Unpaid dividend in Investor Education and Protection Fund*	1,460,013	1,201,716
Other payables		
Statutory dues	34,221,906	24,021,627
Creditors for capital expenditure	738,457	24,873,672
Advances from customers	43,041,467	64,251,850
Interest free security deposit	5,400,000	-
Forward contract payable	461,828	-
Employee related payables	28,154,895	36,304,626
Book overdraft	-	981,134
Other liabilities	436,194	2,928,375
<b>Total</b>	<b>255,690,924</b>	<b>290,811,246</b>
* Not due for deposit		
<b>12. Short term provisions</b>		
Provision for employees benefits (Also refer note 8(a))	10,785,432	9,317,507
Others		
Provision for wealth tax	274,378	90,000
Proposed dividend	9,036,720	27,110,160
Tax on proposed dividend	1,465,756	4,397,946
Echo club provision (refer note 37)	4,076,131	3,469,991
Deferred payment liability due to lease straightlining	-	916,343
Dividend on cumulative preference shares (refer note 45)	15,062,319	5,573,552
<b>Total</b>	<b>40,700,736</b>	<b>50,875,499</b>

# KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

### 13- Fixed Assets

For the year ended 31 March 2013

Particulars	As at	Gross Block		As at	Upto	Depreciation		Translation adjustment	Upto	Net Block	
	01 April 2012	Additions	Disposals	31 March 2013	31 March 2012	Charge for the year	Adjustments (Net)		31 March 2013	As at 31 March 2013	As at 31 March 2012
<b>Tangible</b>											
Land											
- Leasehold	792,659	-	-	792,659	-	-	-	-	-	792,659	792,659
- Freehold	12,041,431	-	-	12,041,431	(786,600)	-	-	(30,400)	(817,000)	12,858,431	12,828,031
Buildings	171,868,200	15,803,002	-	187,671,202	41,355,969	8,195,750	-	(1,613,887)	47,937,832	139,733,370	130,512,231
Leasehold improvements	48,916,365	11,953,375	1,765,578	59,104,162	24,980,064	8,787,103	187,163	-	33,580,004	25,524,158	23,936,301
Plant and machinery	741,441,529	121,693,142	6,261,164	856,873,507	363,855,404	44,179,789	1,902,248	(162,374)	405,970,571	450,902,936	377,586,125
Furniture and Fixtures	123,524,957	15,096,497	44,630	138,576,824	53,321,900	9,701,894	38,819	(12,046)	62,972,929	75,603,895	70,203,057
Office equipment	13,027,407	2,532,446	105,496	15,454,357	5,945,896	826,673	100,348	-	6,672,221	8,782,136	7,081,511
Vehicles	38,167,804	1,043,014	1,471,625	37,739,193	9,675,888	3,386,165	878,214	(418)	12,183,421	25,555,772	28,491,916
	1,149,780,352	168,121,476	9,648,493	1,308,253,335	498,348,521	75,077,374	3,106,792	(1,819,125)	568,499,978	739,753,357	651,431,831
<b>Intangibles</b>											
ERP software	20,754,388	9,730,057	-	30,484,445	12,649,521	3,981,816	-	-	16,631,337	13,853,108	8,104,867
Goodwill	4,947,500	-	-	4,947,500	4,947,500	-	-	-	4,947,500	-	-
Know how	13,527,963	277,966	-	13,805,929	4,427,869	6,680,951	-	1,330,499	12,439,319	1,366,610	9,100,094
Web portal	100,000	4,561,921	-	4,661,921	47,062	595,240	-	-	642,302	4,019,619	52938
	39,329,851	14,569,944	-	53,899,795	22,071,952	11,258,007	-	1,330,499	34,660,458	19,239,337	17,257,899
<b>TOTAL</b>	<b>1,189,110,203</b>	<b>182,691,420</b>	<b>9,648,493</b>	<b>1,362,153,130</b>	<b>520,420,473</b>	<b>86,335,381</b>	<b>3,106,792</b>	<b>488,626</b>	<b>603,160,436</b>	<b>758,992,694</b>	<b>668,689,730</b>

For the year ended 31 March 2012

Particulars	As at	Gross Block		As at	Upto	Depreciation		Translation adjustment	Upto	Net Block	
	01 April 2011	Additions	Disposals	31 March 2012	31 March 2011	Charge for the year	Adjustments (Net)		31 March 2012	As at 31 March 2012	As at 31 March 2011
<b>Tangible</b>											
Land											
- Leasehold	792,659	-	-	792,659	-	-	-	-	-	792,659	792,659
- Freehold	10,044,331	1,997,100	-	12,041,431	(382,500)	-	-	(404,100)	(786,600)	12,828,031	10,426,831
Buildings	143,510,727	28,357,473	-	171,868,200	40,947,504	5,377,569	-	(4,969,104)	41,355,969	130,512,231	102,563,223
Leasehold improvements	34,701,146	14,304,151	88,932	48,916,365	19,004,243	6,013,663	37,842	-	24,980,064	23,936,301	15,696,903
Plant and machinery	645,038,741	99,002,496	2,599,708	741,441,529	332,702,533	36,454,793	1,516,070	(3,785,853)	363,855,404	377,586,125	312,336,208
Furniture and Fixtures	114,141,721	17,203,593	7,820,357	123,524,957	51,291,052	8,425,575	6,738,141	343,414	53,321,900	70,203,057	62,850,669
Office equipment	11,501,733	1,874,453	348,779	13,027,407	5,385,840	840,535	280,478	-	5,945,896	7,081,511	6,115,893
Vehicles	21,331,809	20,663,303	3,827,308	38,167,804	8,504,601	3,099,025	1,910,227	(17,511)	9,675,888	28,491,916	12,827,208
	981,062,867	183,402,568	14,685,084	1,149,780,352	457,453,273	60,211,160	10,482,757	(8,833,154)	498,348,521	651,431,831	523,609,594
<b>Intangibles</b>											
ERP software	20,330,359	424,029	-	20,754,388	8,441,675	4,207,846	-	-	12,649,521	8,104,867	11,888,684
Goodwill	4,947,500	-	-	4,947,500	3,128,945	2,423,477	-	(604,922)	4,947,500	-	1,818,555
Know how	6,724,722	6,803,241	-	13,527,963	1,599,324	2,820,379	-	(8,166)	4,427,869	9,100,094	5,125,398
Web portal	-	100,000	-	100,000	-	47,062	-	-	47,062	52,938	-
	32,002,581	7,327,270	-	39,329,851	13,169,944	9,498,764	-	(596,756)	22,071,952	17,257,899	18,832,637
<b>TOTAL</b>	<b>1,013,065,448</b>	<b>190,729,838</b>	<b>14,685,084</b>	<b>1,189,110,203</b>	<b>470,623,217</b>	<b>69,709,924</b>	<b>10,482,757</b>	<b>(9,429,910)</b>	<b>520,420,473</b>	<b>668,689,730</b>	<b>542,442,231</b>

#### Notes:

- The borrowing costs capitalized during the year ended 31 March 2013 was Rs.2,303,775 (previous year Rs. 3,342,858). The Company capitalized interest amounting to Rs. 1,959,236 under Plant & Machinery and Rs.344,539 under Buildings.
- Plant and machinery with a gross value of Rs. 9,638,774 (previous year Rs.10,549,963), depreciation and accumulated depreciation of Rs. 1,058,070 (previous year Rs.655,027) and net book value of Rs. 8,580,704 (previous year Rs.9,894,936) included in the above statement have been acquired on hire purchase arrangement by the Company.
- Depreciation during the year includes Rs. Nil (Previous year Rs. 139,939) charged on plant & machinery at EIGEN unit of the Parent Company which was utilised for development of in-house tools. Accordingly, such amount has been capitalised under plant & machinery.
- Additions made during the year ended 31 March 2013 includes Rs. Nil (previous year Rs. 13,705,812) on account of revaluation of fixed assets in Pylania SA.

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>14. Non current investments</b>		
<b>Trade investments</b>		
(valued at cost unless stated otherwise, unquoted)		
Nil (previous year 180,000) equity shares of Rs. 10 each fully paid up of Saboo Coatings Limited	-	1,800,000
<b>Associates</b>		
Nil (previous year 51) equity shares of Swiss Franc (CHF) 1,000 each fully paid up of Taratec SA, Switzerland	-	1,540,710
Add : Share in opening reserves	-	4,007,086
Add : Share in current year loss	-	(3,350,904)
Less: Sale of investment in Taratec SA	-	(2,196,892)
	<u>-</u>	<u>-</u>
300,000 (previous year 300,000) equity shares of Rs. 10 each fully paid up of Kamla Tesio Dials Limited.	<b>3,000,000</b>	3,000,000
Add : Share in opening reserves	<b>(343,294)</b>	(374,696)
Add : Share in current year (loss)/profit	<b>(52,510)</b>	31,402
	<u><b>2,604,196</b></u>	<u>2,656,706</u>
<b>Aggregate of trade investments</b>	<u><b>2,604,196</b></u>	<u>4,456,706</u>
<b>Non trade investments</b>		
(valued at cost unless stated otherwise, unquoted)		
500,000 (previous year 500,000 ) equity shares of Rs. 10 each fully paid up of Karolview Developers Private Limited**	<b>5,000,000</b>	5,000,000
17,500 (previous year 17,500) equity shares of Rs. 10 each fully paid up of Shivalik Waste Management Limited	<b>175,000</b>	175,000
<b>Aggregate value of non trade investments</b>	<u><b>5,175,000</b></u>	<u>5,175,000</u>
<b>Total</b>	<u><b>7,779,196</b></u>	<u>9,631,706</u>
Aggregate amount of unquoted investments	<u><b>7,779,196</b></u>	<u>9,631,706</u>
** 490,000 (previous year 490,000) shares are pending allotment		
<b>15. Long term loans and advances</b>		
(Unsecured, considered good, unless otherwise stated)		
Capital advances		
Unsecured, considered good	<b>8,162,008</b>	12,504,651
Considered doubtful	<b>200,000</b>	200,000
	<u><b>8,362,008</b></u>	<u>12,704,651</u>
Less: Provision for doubtful advances	<b>(200,000)</b>	(200,000)
	<u><b>8,162,008</b></u>	<u>12,504,651</u>
Security deposits and other deposit	<b>109,399,250</b>	89,505,842
Prepaid income taxes [net of provision Rs. 66,593,144 (previous year Rs. 21,600,353)]	<b>33,131,045</b>	26,941,696
Other loans and advances		
Employee loans and advances	<b>4,716,053</b>	4,569,117
Minimum alternate tax credit entitlement	<b>112,310</b>	112,310
Claim receivable [refer note 35]	<b>17,000,000</b>	17,000,000
<b>Total</b>	<u><b>172,520,666</b></u>	<u>150,633,616</u>

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>16. Other non current assets</b>		
Prepaid expenses	536,383	747,659
Interest accrued on deposits	200,627	152,798
Fixed deposit held as margin money* (due to mature after 12 months from reporting date)	1,306,788	310,589
<b>Total</b>	<b>2,043,798</b>	<b>1,211,046</b>
*pledged as security for bank guarantees		
<b>17. Inventories</b>		
(valued at lower of cost and net realisable value, unless otherwise stated)		
Raw material	113,680,483	110,716,576
Raw material (in transit)	15,120,365	5,007,381
Work-in-progress	65,207,277	49,672,294
Finished goods	910,015,243	773,052,538
Finished goods (in transit)	6,096,081	5,123,259
Stores and spares	24,669,431	24,675,669
Others (valued at estimated realisable value)		
-Scrap	751,777	90,360
<b>Total</b>	<b>1,135,540,657</b>	<b>968,338,077</b>
<b>18. Trade receivables</b>		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, Considered good	4,512,919	5,052,662
Unsecured, Considered doubtful	8,343,047	6,646,715
	<b>12,855,966</b>	<b>11,699,377</b>
Less: Allowance for bad and doubtful debts	8,343,047	6,646,715
	<b>4,512,919</b>	<b>5,052,662</b>
Other debts		
Unsecured, considered good		
Related parties (refer Note 42)	3,518,278	909,049
Others	164,761,592	196,497,930
Unsecured, considered doubtful (others)	3,587,815	1,834,360
	<b>171,867,685</b>	<b>199,241,339</b>
Less: Allowance for bad and doubtful debts	3,587,815	1,834,360
	<b>168,279,870</b>	<b>197,406,979</b>
<b>Total</b>	<b>172,792,789</b>	<b>202,459,641</b>

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>19. Cash and bank balances</b>		
Cash and cash equivalents		
- Cash in hand	8,941,631	11,128,598
- Cheques and drafts in hand	12,022,836	2,359,049
- Credit cards receivable	12,032,624	5,766,422
Balances with banks		
-in current account	15,933,164	23,460,408
Other bank balances		
- Unpaid dividend account	1,460,013	1,201,753
- Balances with banks in deposit accounts held as margin money	28,882,486	25,640,002
<b>Total</b>	<b>79,272,754</b>	<b>69,556,232</b>
a. Cash and bank balances which are restricted in use:		
Fixed deposits with banks in deposit accounts held as margin money	28,882,486	25,640,002
Unpaid dividend account	1,460,013	1,201,753
<b>20. Short-term loans and advances</b>		
(Unsecured, considered good, unless otherwise stated)		
Loans and advances to related parties		
Joint venture	5,927,119	3,244,783
Entities in which significant influence is exercised	428,699	428,885
Employees loans and advances	14,107,308	11,835,474
Security deposits	5,618,550	5,918,460
Prepaid expenses	8,782,353	7,888,572
Minimum alternate tax credit entitlement	3,873,313	2,467,368
Balances with government and statutory authorities	52,797,245	54,432,658
Advances to suppliers	16,903,849	13,215,586
Consideration recoverable on sale of investment	-	5,406,617
Other advances recoverable	2,108,211	730,250
<b>Total</b>	<b>110,546,647</b>	<b>105,568,653</b>
<b>21. Other current assets</b>		
Interest accrued on deposits	1,157,800	688,288
Unamortised premium on forward contracts	1,034,594	-
<b>Total</b>	<b>2,192,394</b>	<b>688,288</b>
<b>22. Revenue from operations</b>		
Sale of products	2,671,935,778	2,292,493,806
Sale of services		
Job charges received	6,710,720	1,411,608
Tool development charges received	11,594,097	7,766,296
Support services income	-	4,057,650
Services income	8,754,784	2,269,986
Other operating income		
Liabilities no longer required written back	4,060,609	3,590,226
Provisions written back	2,590,158	330,916
Export incentives	14,449,155	24,480,691
Commission income	83,040	194,948
Miscellaneous sales	28,098,508	24,418,681
Discount received	5,713,550	5,821,515
Rental income	1,100,000	-
<b>Total</b>	<b>2,755,090,399</b>	<b>2,366,836,323</b>

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>23. Other income</b>		
Interest income from		
- Banks	3,194,347	1,431,663
- Others	875,687	744,155
Dividend income	-	277,695
Profit on sale of investments (net)	3,921,600	4,188,400
Other non operating income		
Rent	624,500	612,000
Other	534,611	378,487
Net gain or loss on foreign exchange fluctuation	2,091,615	12,399,921
<b>Total</b>	<b>11,242,360</b>	<b>20,032,321</b>
<b>24. Cost of material consumed</b>		
Raw material consumed		
Opening inventories	110,716,576	75,715,652
Add: Purchases during the year	261,357,428	278,682,949
Less: Closing inventories	113,680,483	110,716,576
<b>Total</b>	<b>258,393,521</b>	<b>243,682,025</b>
<b>25. Purchases of traded goods</b>		
Watches	1,410,076,494	1,128,180,241
	<b>1,410,076,494</b>	<b>1,128,180,241</b>
<b>26. Change in inventories</b>		
<b>Opening Stock</b>		
Finished goods		
-own manufactured	9,961,314	6,712,665
-traded	768,214,483	560,487,214
Work in process	49,672,294	47,520,756
Scrap	90,360	176,282
<b>Closing Stock</b>		
Finished goods		
-own manufactured	4,936,763	9,961,314
-traded	911,174,561	768,214,483
Work in process	65,207,277	49,672,294
Scrap	751,777	90,360
Impact of excise duty on opening/closing stock	(585,696)	452,859
<b>Increase in stocks</b>	<b>(154,717,623)</b>	<b>(212,588,675)</b>
<b>27. Employment benefit expenses</b>		
Salaries and wages	410,294,045	379,947,952
Contractual labour expenses	18,042,970	16,190,619
Contribution to provident and other funds	25,773,325	20,964,238
Staff welfare expenses	21,518,142	21,832,258
Employee stock option scheme	492,702	240,472
<b>Total</b>	<b>476,121,184</b>	<b>439,175,539</b>

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>28. Finance costs</b>		
Interest expense	119,304,553	93,169,242
Other borrowing cost	13,199,445	20,829,398
<b>Total</b>	<b>132,503,998</b>	<b>113,998,640</b>
<b>29. Depreciation and amortisation expense</b>		
Depreciation (Also, refer note 13)	75,077,374	60,071,221
Amortisation (Also, refer note 13)	11,258,007	9,498,764
<b>Total</b>	<b>86,335,381</b>	<b>69,569,985</b>
<b>30. Other expenses</b>		
Stores and spares consumed	59,937,978	58,378,018
Power, fuel and water charges	39,435,029	32,787,892
Insurance	3,120,793	1,743,868
Rent		
- Office and factory premises (net of reimbursements)	180,890,132	132,561,085
- Machinery	1,690,885	8,699,567
Lease straightlining	-	752,784
Rates and taxes	3,044,029	2,798,897
Repair and maintenance		
- Plant and machinery	12,960,572	12,822,541
- Buildings	3,405,662	3,335,547
- Others	11,883,629	8,391,522
- Vehicle	1,009,686	434,268
Legal and professional	20,718,870	20,989,935
Payment to auditors of Parent Company		
- Audit fee	675,000	675,000
- Tax audit fee	75,000	75,000
- Certification (including limited reviews)	430,500	431,000
- Out of pocket expenses	412,884	408,804
Fee and payment to auditors of other group companies	965,060	1,338,579
Travel and conveyance	37,581,095	37,789,926
Job charges	34,832,376	21,168,907
Printing and stationery	4,719,566	5,391,166
Postage, telephone and telex	14,020,613	10,349,363
Subscription and annual fees	1,118,192	1,334,369
Selling and distribution expenses (Net)		
-Commission	21,386,334	21,888,652
-Discount	-	306,825
-Others	31,266,615	29,074,476
Loss on sale of fixed assets	805,260	956,168
Sundry assets written off	1,578,416	795,043
Development charges	884,554	627,449
Recruitment expenses	2,190,786	2,421,408
Provision for doubtful debts and advances	3,449,787	4,396,963
Donation	325,000	541,100
Bad debts written off	30,772	330,916
Amount written off	7,881,386	8,880
Amortisation of premium on forward exchange contracts	560,180	-
Bank charges	14,473,915	-
Provision for warranty	-	600,000
Directors sitting fees	644,937	511,000
Miscellaneous expenses	24,953,593	25,424,538
<b>Total</b>	<b>543,359,086</b>	<b>450,541,456</b>
<b>31. Prior period expenses</b>		
Repairs and maintenance	726,813	-
Interest on income tax	-	572,028
Rent	943,831	575,774
<b>Total</b>	<b>1,670,644</b>	<b>1,147,802</b>

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

32. In compliance with Accounting Standard — 21 "Consolidated Financial Statements", Accounting Standard — 23 "Accounting for Investments in Associates in Consolidated Financial Statements" and Accounting Standard — 27 "Financial Reporting of Interests in Joint Ventures" referred to in the Companies (Accounting Standard) Rule 2006 issued by the Central Government in exercise of the power conferred under sub-section(1)(a) of Section 642 and the relevant provisions of the Companies Act, 1956 (the 'Act'), KDDL Limited ('KDDL') has prepared the accompanying consolidated financial statements, which include the financial statements of KDDL, its subsidiary, joint venture and the results of operations of its associates listed below:

a) Detail of the subsidiaries are as under:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
Ethos Limited	India	79.51% *
Mahen Distribution Limited	India	100%
Pylania S.A.	Switzerland	65.50%
Kamla International Holdings AG	Switzerland	100%

\* Include 19.58% held through Mahen Distribution Limited

b) Details of associates are as under:

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

\*\* KDDL Limited owned 34% in Taratec SA till 17 January 2012.

c) Detail of joint venture is as under:

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

d) The consolidated financial statements of the Group have been based on a line by line consolidation of statement of profit and loss and balance sheet of KDDL and its subsidiaries. The effects of inter-company transactions between consolidated companies are eliminated on consolidation. Unrealised profit on unsold stock, if any, is eliminated while valuing inventories. These eliminations have been considered in the consolidated financial statement on the basis of figures provided and certified by the management and the auditors have relied on the same.

e) In accordance with the applicable provisions of Accounting Standard - 23 on "Accounting for Investments in Associates in Consolidated Financial Statements", equity method of accounting has been followed to incorporate the results of the operations of the associates in the consolidated financial statements.

f) On 4 December 2004, the Parent Company entered into a shareholders agreement with Pascal Vincent Vaucher SA to jointly control and manage the operations of Satva Jewellery and Design Limited ('Satva'). Pursuant to this agreement, the Parent Company made its contribution of 50% of the equity share capital of Satva during the year. These investments have accordingly been accounted for using proportionate consolidation in the consolidated financial statements of the Group in accordance with Accounting Standard -27. 'Financial Reporting of Interests in Joint Venture'.

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

h) A wholly owned subsidiary of KDDL Limited ('Transferee Company'), namely, Himachal Fine Blank Limited ('HFBL' or 'Transferor Company') has merged with the transferee company vide order dated 27 December 2012 of the Hon'ble High Court of Himachal Pradesh, with appointed date 1 April 2011. Such order was filed with the Registrar of Companies on 8 January 2013. The effect of merger has been given during the year ended 31 March 2013 as per the scheme of merger approved by the Hon'ble High Court. Accordingly, the financial statements of the Company for the year ended 31 March 2013 are not strictly comparable with those of the previous year ended 31 March 2012.



## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>33 Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)</b>	<b>6,952,114</b>	5,743,079
<b>34 Contingent liability not provided for exists in respect of :</b>		
a) Bank guarantees outstanding.	<b>21,296,950</b>	23,279,750
b) Bonds in favour of central excise and customs authorities	<b>1,425,000</b>	6,425,000
c) Demand raised for Service Tax against which appeals have been filed.	<b>1,204,891</b>	1,204,891
d) Demand raised by Punjab State Electricity Board for payment of penalty for usage of additional power against sanctioned load. Amount paid under protest Rs.296,000 (previous year Rs. 296,000)	<b>372,818</b>	372,818
e) Case for AY 2005-06, for which a demand of Rs.13,203,431 (previous year Rs.13,203,431) was raised by the income tax department, was decided by the Commissioner of Income Tax (Appeals) in favour of the Company. However, the income tax department has preferred an appeal with Income Tax Appellate Tribunal. Demands raised by Income Tax Authorities in respect of disallowances for AY 2006-07, 2007-08 and 2008-09 are identical to AY 2005-06, which have been challenged by the Company before Income Tax Authorities (Income Tax Appellate Tribunal for AY 2006-07 and Commissioner of Income Tax (Appeals) for AY 2007-08 and 2008-09) and the Company had deposited Rs.18,919,847 (previous year Rs.17,419,847) under protest.	<b>35,746,450</b>	35,746,450
f) Demands raised by the income tax authority for AY 2004-05 against which appeals have been filed. Amount paid under protest Rs.4,046,108 (previous year Rs.4,046,108)	<b>4,046,108</b>	4,046,108
g) Demand made by central excise authority	<b>8,256,222</b>	8,256,222
h) Surety bonds in favour of sales tax department	<b>100,000</b>	100,000
i) Demand made by sales tax authorities ( Ludhiana) against which appeals have been filed	<b>5,208,715</b>	5,208,715
j) Custom duty saved against EPCG licences, pending redemption	<b>2,115,725</b>	2,115,725

**35** During the year 2011-2012, pursuant to the visit of the officers of Directorate general of Central excise intelligence (DGCEI) in the premises of the subsidiary company 'Ethos Limited' on 18 August 2011, the subsidiary company had reversed the input service tax credit of Rs. 17,000,000 by utilising the service tax credit availed by it. The above amount was reversed as per the opinion of the officials of DGCEI. The subsidiary company, on the basis of legal opinion obtained, is of the view that it is entitled to this input service tax credit. Since, the amount was reversed under protest and without prejudice to the legal rights of the subsidiary company, it has shown the above amount of Rs. 17,000,000 reversed as claim receivable under the head "long term loans and advances". Further, in the current year, the subsidiary company has received a notice from DGCEI whereby, the subsidiary company has been called upon to show cause as to why service tax amounting to Rs.663,452 which has been short paid CENVAT credit amounting to Rs.24,276,671 wrongly availed should not be demanded and recovered. The subsidiary company has filed the reply to the show cause notice and the matter is sub-judice before the Commissioner-Central Excise and Service tax, Chandigarh. Due to pending adjudication of the show cause notice and on the basis of legal opinion obtained, liability on this account has not been provided in the accounts.

**36** The Company is a lessee under various operating leases. Rental expense for operating leases for the years ended 31 March 2013 and 31 March 2012 was Rs. 12,911,609 and Rs. 10,187,067 respectively. The Company has not executed any non-cancelable operating leases.

Ethos Limited, a subsidiary company has taken showrooms under operating lease arrangements, with an option of renewal at the end of the lease term and escalation clauses in some of the cases. Lease payments (net of reimbursements) charged during the year to the statement of profit and loss aggregate Rs.169,669,408 (previous year Rs.131,073,585) [including Rs.117,841,503 towards cancellable lease (previous year Rs.89,264,434)].

The future minimum lease payments under non-cancellable operating leases are as follows:

<b>Future Minimum lease payments due</b>	<b>As at 31 March 2013</b>	<b>As at 31 March 2012</b>
Within one year	<b>66,430,462</b>	54,329,568
Later than one year and not later than five years	<b>205,635,728</b>	78,189,880
More than 5 years	<b>96,882,027</b>	12,553,200
	<b><u>368,948,217</u></b>	<b><u>145,072,648</u></b>

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

	As at 31 March 2013	As at 31 March 2012
<b>37 Movement in provision for points accrued under Club Echo Loyalty Programme is as under:</b>		
Opening provision	3,469,991	2,526,978
Add: amount provided during current year	4,192,793	3,166,965
Less: amount utilised/reversed during current year	3,586,653	2,223,952
Closing provision	<u>4,076,131</u>	<u>3,469,991</u>
<b>38</b>	Subject to regulatory approvals, the shareholders of Pylania SA, a subsidiary company agreed to decrease the share capital of subsidiary by CHF 500,000 and increase share capital by CHF 460,000 compensating their loans. The subsidiary is incurring losses, however, the directors of the Company are confident that the subsidiary will turn around to profitability with a strong recovery starting from the current fiscal year considering the revised business plans. This is reflected in the steady rise of enquiries and concrete projects received at Pylania from prestigious Swiss brands.	
<b>39 Earnings per share</b>		
Net profit attributable to equity shareholders		
Profit after tax and minority interests (Rs.)	(28,057,103)	59,658,842
Number of equity shares at the beginning of the year	8,836,620	7,771,170
Shares issued during the year.	200,100	1,065,450
Total equity shares outstanding at the end of the year	9,036,720	8,836,620
No. of weighted average equity shares		
Basic	9,020,045	8,011,697
Diluted	9,020,045	8,011,697
Nominal value of equity share (Rs.)	10	10
Earnings per share (Rs.)		
Basic (Rs.)	(3.11)	7.45
Diluted (Rs.)	(3.11)	7.45
<b>40</b>	During the year, following shares were issued outside the group:	
	-Ethos Limited issued Nil (previous year 3,625) equity shares of Rs. 10 each at a price of Rs. Nil (previous year Rs. 100 per share).	
	-Ethos Limited issued 963,647 (previous year Nil) preference shares of Rs. 110 each at a price of Rs 110 per share (previous year Nil).	
	Accordingly adjustments have been carried out to take the effect of minority interest in the consolidated financial statements.	
<b>41 Segment information</b>		
Identification of segments:		
The Group has disclosed business segment as primary segment. The Group's operations predominantly relate to manufacture of precision watch components and trading of watches and accessories. Other business segments primarily comprising of ornament packaging are very small and are reported under 'others' category. The segments have been identified taking into account:		
<ul style="list-style-type: none"> <li>- the nature and use of the products,</li> <li>- the differing risks and returns,</li> <li>- the organisation structure, and</li> <li>- the internal financing reporting systems.</li> </ul>		
The secondary segments considered for disclosure are as follows:		
<ul style="list-style-type: none"> <li>- Sales within India include sales to customers located within India.</li> <li>- Sales outside India include sales to customers located outside India.</li> </ul>		

**KDDL LIMITED (Consolidated)****Notes to the financial statements for the year ended 31 March 2013**

(All amounts in rupees, unless stated otherwise)

**Note 41 (Contd.)****Segment information - Primary Segment (Business Segment)**

(Figures in parentheses are for the previous year)

<b>Particulars</b>	<b>Precision and watch components</b>	<b>Watch and accessories</b>	<b>Others</b>	<b>Total</b>
<b>Revenue</b>				
Gross operating and other income*	<b>966,038,944</b> (1,030,427,694)	<b>1,714,216,476</b> (1,253,649,197)	<b>74,306,686</b> (79,015,303)	<b>2,754,562,106</b> (2,363,092,194)
<b>Results</b>				
Segment result	<b>122,973,490</b> (223,492,116)	<b>51,972,172</b> (58,496,758)	<b>(7,438,402)</b> (2,694,726)	<b>167,507,260</b> (284,683,600)
Unallocated corporate expenses (net)				<b>(63,517,489)</b> (53,473,927)
Operating profit				<b>103,989,771</b> (231,209,673)
Interest income				<b>4,070,034</b> (2,175,817)
Interest expenses				<b>132,503,998</b> (113,998,640)
Prior period expenses				<b>1,670,644</b> (1,147,802)
Current income tax (net of tax earlier years)				<b>1,420,086</b> (45,934,206)
Minimum alternate tax credit entitlement				<b>(1,405,945)</b> (431,821)
Current tax - earlier years				<b>(2,341,352)</b> (431,821)
Deferred tax				<b>2,489,861</b> (258,784)
Net Profit				<b>(26,277,482)</b> (72,046,058)
<b>Other information</b>				
Segment assets	<b>886,828,611</b> (883,251,543)	<b>1,206,436,175</b> (1,027,488,017)	<b>51,110,324</b> (49,968,273)	<b>2,144,375,110</b> (1,960,707,833)
Unallocated corporate assets				<b>308,495,912</b> (308,390,472)
Total assets				<b>2,452,871,022</b> (2,269,098,305)
Segment liabilities	<b>350,775,982</b> (350,379,019)	<b>816,751,769</b> (766,266,967)	<b>26,565,686</b> (18,643,291)	<b>1,194,093,437</b> (1,135,289,277)
Unallocated corporate liabilities & loans				<b>638,818,055</b> (580,024,983)
Total liabilities**				<b>1,832,911,492</b> (1,715,314,260)
Capital expenditure	<b>63,359,027</b> (233,370,813)	<b>27,688,704</b> (26,068,604)	<b>6,691,812</b> (3,995,387)	<b>97,739,543</b> (263,434,804)
Unallocated capital expenditure				<b>3,819,987</b> (12,030,530)
Depreciation and amortisation	<b>66,279,956</b> (53,227,094)	<b>15,522,859</b> (11,810,325)	<b>1,050,503</b> (1,050,503)	<b>82,853,318</b> (66,087,922)
Unallocated depreciation and amortisation				<b>3,482,063</b> (3,482,063)
Other non cash expenses	<b>13,366,021</b> (6,415,999)	-	<b>129,618</b> (240,965)	<b>13,495,639</b> (6,656,964)
Unallocated non cash expenses				<b>280,753</b> (422,126)

\*Excluding unallocated corporate income Rs.7,700,619 (previous year Rs 21,600,631) and interest income Rs.4,070,034 (previous year Rs.2,175,817). Segment revenues are gross of excise duty.

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

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

#### Note 41 (Contd.)

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

The following tables present revenue and profit information regarding industry segments for the year ended 31 March 2013 and asset and liability information regarding industry segments at 31 March 2013.

(Figures in parentheses are for the previous years)

##### Secondary Segment information :

Particulars	India	Outside India	Total
Segment revenue	<b>2,153,527,659</b> (1,644,814,686)	<b>601,034,447</b> (718,277,509)	<b>2,754,562,106</b> (2,363,092,194)
Segment assets	<b>2,065,146,031</b> (1,849,356,810)	<b>79,229,079</b> (111,351,024)	<b>2,144,375,110</b> (1,960,707,833)
Capital expenditure	<b>94,786,309</b> (226,177,979)	<b>2,953,234</b> (37,256,825)	<b>97,739,543</b> (263,434,804)

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

#### 42. Related party disclosures

##### A. Relationships

###### I. Associates

Kamla Tesio Dials Limited  
Taratec SA\*

###### II. Joint Venture

Satva Jewellery and Design Limited

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

Saboo Coatings Limited, Dream Digital Technology Limited, Vardhan International Limited, VBL Innovations Private Limited, Vardhan Properties Investments Limited, Shri M.K. Saboo Charitable Trust, Smt. Kamla Devi Saboo Charitability Trust, Tara Chand Mahendra Kumar (HUF) Trust, Y. Saboo HUF, Saveeka Family Trust, Swadesh Capital LLC

###### IV. Key Management Personnel

###### Relatives \*\*

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

Ms. U. Saboo (wife),  
Mr. Y. Saboo (son),  
Ms. Asha Devi Saboo (brother's wife)

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

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

c. Mr. Dinesh Agrawal  
(Chief Operating Officer)

Ms. Shashi Agrawal (Wife)

\* Taratec SA is related party till 17 January 2012

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

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

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

Sr. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
<b>1</b>	<b>Purchase of raw material and components</b>					
	Saboo Coatings Limited	-	-	2,889,271	-	-
	Vardhan International Limited	-	-	817,182	-	-
<b>2</b>	<b>Sale of goods</b>					
	Saboo Coatings Limited	-	-	36,284	-	-
<b>3</b>	<b>Purchase of services</b>					
	Dream Digital Technology Limited	-	-	9,537,595	-	-
<b>4</b>	<b>Rent paid</b>					
	Kamla Tesio Dials Limited	800,000	-	-	-	-
	Saboo Coatings Limited	-	-	146,000	-	-
	Mr. R.K. Saboo	-	-	-	290,796	-
	Mr. Y. Saboo	-	-	-	1,367,588	-
	Ms. A. Saboo	-	-	-	-	145,536
	Ms. U. Saboo	-	-	-	-	58,212
	Satva Jewellery and Design Limited	-	300,000	-	-	-
<b>5</b>	<b>Rent income</b>					
	VBL Innovations Private Limited	-	-	2,100,000	-	-
<b>6</b>	<b>Salary of employees paid</b>					
	Saboo Coatings Limited	-	-	200,000	-	-
	Vardhan Properties and Investment Limited	-	-	144,000	-	-
<b>7</b>	<b>Directors remuneration</b>					
	Mr. R.K. Saboo	-	-	-	3,055,459	-
	Mr. Y. Saboo	-	-	-	5,309,639	-
	Mr. Dinesh Agrawal	-	-	-	3,009,289	-
<b>8</b>	<b>Interest received</b>					
	Satva Jewellery and Design Limited	-	647,176	-	-	-
<b>9</b>	<b>Interest paid/ accrued</b>					
	Mr. R.K. Saboo	-	-	-	2,021,944	-
	Mr. Y. Saboo	-	-	-	484,381	-
	Ms. U. Saboo	-	-	-	-	571,643
	Swadesh Capital LLC	-	-	129,245	-	-
	Vardhan Properties and Investment Limited	-	-	99,383	-	-
	Ms. A. Saboo	-	-	-	-	125,000
	Saveeka Family Trust	-	-	329,108	-	-
	VBL Innovations Private Limited	-	-	650,959	-	-
	Other	-	-	-	-	31,634
<b>10</b>	<b>Expenses incurred by the Company reimbursed</b>					
	Satva Jewellery and Design Limited	-	65,913	-	-	-
	Kamla Tesio Dials Limited	10,995	-	-	-	-
	Saboo Coatings Limited	-	-	907,145	-	-
	Dream Digital Technology Limited	-	-	564,053	-	-
<b>11</b>	<b>Loan taken</b>					
	Mr. R.K. Saboo	-	-	-	29,000,000	-
	Ms. U. Saboo	-	-	-	-	10,000,000
	Mr. Y. Saboo	-	-	-	10,000,000	-
<b>12</b>	<b>Loan repaid</b>					
	Mr. R.K. Saboo	-	-	-	11,999,950	-
	Ms. U. Saboo	-	-	-	-	10,000,000
	Mr. Y. Saboo	-	-	-	4,999,950	-
<b>13</b>	<b>Advances against supplies received</b>					
	Swadesh Capital LLC	-	-	11,084,000	-	-
<b>14</b>	<b>Advances against supplies returned</b>					
	Swadesh Capital LLC	-	-	10,843,600	-	-
<b>15</b>	<b>Management Consultancy fee paid</b>					
	Dream Digital Technology Limited	-	-	1,755,000	-	-
<b>16</b>	<b>Reimbursement of expenses paid by the Company</b>					
	Dream Digital Technology Limited	-	-	68,636	-	-
<b>17</b>	<b>Public deposits accepted</b>					
	Saveeka Family Trust	-	-	3,000,000	-	-
<b>18</b>	<b>Dividend paid</b>					
	Mr. R.K. Saboo	-	-	-	6,163,680	-
	Mr. Y. Saboo	-	-	-	4,417,344	-
	Others	-	-	99,549	-	3,644,373
<b>19</b>	<b>Donation</b>					
	Smt Kamla Devi Saboo Charitable trust	-	-	300,000	-	-
<b>20</b>	<b>Inter Corporate Deposits received</b>					
	VBL Innovations Private Limited	-	-	15,000,000	-	-

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

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

Sr. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
<b>21 Investments made</b>						
	Satva Jewellery and Design Limited	-	1,302,900	-	-	-
<b>22 Guarantees taken</b>						
	Mr. R K Saboo	-	-	-	88,500,000	-
	Mr. Y Saboo	-	-	-	48,500,000	-
	Ms. U. Saboo	-	-	-	-	7,500,000
<b>23 12% Compulsory Convertible Preference Shares issued</b>						
	Mr. R K Saboo	-	-	-	5,000,050	-
	Mr. Y Saboo	-	-	-	5,000,050	-
	Ms. A. Saboo	-	-	-	-	2,500,080
<b>24 Balance at the end of the year</b>						
<b>a. Loans given</b>						
	Satva Jewellery and Design Limited	-	5,197,100	-	-	-
<b>b. Loans taken</b>						
	Mr. R.K. Saboo	-	-	-	12,000,000	-
<b>c. Interest payable</b>						
	Mr. R.K. Saboo	-	-	-	983,014	-
<b>d. Other receivables/ advances</b>						
	Satva Jewellery and Design Limited	-	730,019	-	-	-
	Saboo Coatings Limited	-	-	284,699	-	-
	Vardhan Properties and Investment Limited	-	-	144,000	-	-
	VBL Innovations Private Limited	-	-	2,359,560	-	-
<b>e. Payables</b>						
	Kamla Tesio Dials Limited	1,426,063	-	-	-	-
	Saboo Coatings Limited	-	-	950,971	-	-
	Dream Digital Technology Limited	-	-	3,089,812	-	-
<b>f. Guarantees taken</b>						
	Mr. R.K. Saboo	-	-	-	521,467,366	-
	Ms. U. Saboo	-	-	-	-	37,500,000
	Mr. Y. Saboo	-	-	-	711,467,366	-
<b>g. 12% Cumulative Compulsory Convertible Preference Shares</b>						
	Mr. R.K. Saboo	-	-	-	5,000,050	-
	Mr. Y. Saboo	-	-	-	5,000,050	-
	Ms. A. Saboo	-	-	-	-	2,500,080
<b>h. Public deposits outstanding</b>						
	Ms. A. Saboo	-	-	-	-	1,000,000
	Ms. Shashi Agrawal	-	-	-	-	200,000
	Saveeka Family Trust	-	-	3,000,000	-	-
	Vardhan Properties and Investment Limited	-	-	800,000	-	-
<b>i. Inter Corporate Deposits outstanding</b>						
	VBL Innovations Private Limited	-	-	15,000,000	-	-

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

Sr. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
<b>1 Purchase of raw material and components</b>						
	Satva Jewellery & Design Limited	-	105,905	-	-	-
	Saboo Coatings Limited	-	-	3,522,235	-	-
	Vardhan International Ltd..	-	-	1,561,458	-	-
<b>2 Sale of goods</b>						
	Saboo Coatings Limited	-	-	109,249	-	-
<b>3 Purchase of services</b>						
	Saboo Coatings Limited	-	-	96,000	-	-
	Dream Digital Technology Ltd.	-	-	9,817,089	-	-
<b>4 Commission paid on sales</b>						
	Taratec SA	21,888,651	-	-	-	-
<b>5 Rent paid</b>						
	Kamla Tesio Dials Limited	800,000	-	-	-	-
	Saboo Coatings Limited	-	-	50,000	-	-
	Mr. R.K. Saboo	-	-	-	276,948	-
	Mr. Y. Saboo	-	-	-	1,054,772	-
	Ms A. Saboo	-	-	-	-	138,600
	Ms U. Saboo	-	-	-	-	55,440
	Satva Jewellery & Design Limited	-	147,000	-	-	-

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

Sr. No.	Particulars	Associates	Joint Venture	Entities over which significant influence is exercised	Key Management Personnel	Relatives of Key Management Personnel
<b>6</b>	<b>Salary of employees paid</b>					
	Mr. Pranav S. Saboo	-	-	-	-	499,040
<b>7</b>	<b>Directors remuneration</b>					
	Mr. R.K. Saboo	-	-	-	3,216,124	-
	Mr. Y. Saboo	-	-	-	6,078,992	-
	Mr. Dinesh Agrawal	-	-	-	3,591,626	-
<b>8</b>	<b>Interest received</b>					
	Satva Jewellery & Design Limited	-	225,582	-	-	-
<b>9</b>	<b>Interest paid/ accrued</b>					
	Vardhan Properties and Investment Ltd.	-	-	55,150	-	-
	Ms. Asha Devi Saboo	-	-	-	-	122,836
	Other	-	-	-	-	28,039
<b>10</b>	<b>Expenses incurred by the Company reimbursed</b>					
	Satva Jewellery & Design Limited	-	231,543	-	-	-
	Kamla Tesio Dials Limited	100,740	-	-	-	-
	Saboo Coatings Limited	-	-	1,326,389	-	-
	VBL Innovations Pvt. Ltd.	-	-	35,406	-	-
	Vardhan Properties and Investment Ltd.	-	-	132,000	-	-
<b>11</b>	<b>Loans and advances given</b>					
	Satva Jewellery & Design Limited	-	2,750,000	-	-	-
<b>12</b>	<b>Expenses Recovered</b>					
	Saboo Coatings Limited	-	-	147,928	-	-
	Dream Digital Technology Ltd.	-	-	1,801,323	-	-
<b>13</b>	<b>Investments sold</b>					
	Mr. R.K. Saboo	-	-	-	225,000	-
	Mr. Y. Saboo	-	-	-	1,800,000	-
	Ms A. Saboo	-	-	-	-	45,000
	Ms U. Saboo	-	-	-	-	157,500
	Y Saboo HUF	-	-	22,500	-	-
<b>14</b>	<b>Dividend paid</b>					
	Tara Chand Mahendra Kumar (HUF )	-	-	209,460	-	-
	Mr. R.K. Saboo	-	-	-	4,747,821	-
	Mr. Y. Saboo	-	-	-	4,382,844	-
	Others	-	-	213,849	-	3,197,376
<b>15</b>	<b>Dividend received</b>					
	Taratec SA	277,695	-	-	-	-
<b>16</b>	<b>Guarantees taken</b>					
	Mr. R K Saboo	-	-	-	40,000,000	-
	Mr. Y Saboo	-	-	-	70,000,000	-
	Mrs. Usha Saboo	-	-	-	-	30,000,000
<b>17</b>	<b>Balance at the end of the year</b>					
	<b>a. Loans</b>					
	Satva Jewellery & Design Limited	-	2,750,000	-	-	-
	<b>b. Other receivables/ advances</b>					
	Satva Jewellery & Design Limited	-	494,783	-	-	-
	Saboo Coatings Limited	-	-	342,266	-	-
	Vardhan Properties and Investment Limited	-	-	72,000	-	-
	Dream Digital Technology Ltd.	-	-	14,619	-	-
	<b>c. Payables</b>					
	Taratec SA	9,554,657	-	-	-	-
	Kamla Tesio Dials Limited	482,000	-	-	-	-
	Satva Jewellery & Design Limited	-	614,626	-	-	-
	Saboo Coatings Limited	-	-	493,749	-	-
	Vardhan Properties and Investment Limited	-	-	62,379	-	-
	Dream Digital Technology Ltd.	-	-	3,715,702	-	-
	<b>d. Guarantees taken</b>					
	Mr. R.K. Saboo	-	-	-	524,409,629	-
	Mrs. Usha Saboo	-	-	-	-	30,000,000
	Mr Y. Saboo	-	-	-	754,409,629	-
	<b>f. Public deposits outstanding</b>					
	Ms. Asha Devi Saboo	-	-	-	-	1,000,000
	Others	-	-	-	-	200,000
	<b>g. Inter Corporate Deposits received</b>					
	Vardhan Properties and Investment Limited	-	-	500,000	-	-

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

#### 43. Employee Stock Option Plans

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

- a. The Company has established an Employee Stock Option Plan ('ESOP') in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, which has been approved by the Board of Directors and the shareholders. A compensation committee comprising promoter executive and independent non-executive members of the Board of Directors administer the ESOP. All options under the ESOP are exercisable for equity shares. The Company plans to grant upto 110,000 options to eligible employees and directors of the Company and subsidiaries of the Company.
- b. Fifty percent of the options which have been granted under ESOP 2011 shall vest with the guarantee on 1 April 2014 ('first tranche') and the balance options shall vest on the date when the turnover (excluding excise duty thereon) of the Company would exceed Rs. 1,500,000,000 ('second tranche'). The exercise period for the options is within six months from the date of vesting of the options. Each option is exercisable for one equity share of Rs. 10 each fully paid up on payment of exercise price of share determined with respect to the date of grant. The Company has granted 100,500 options upto 31 March 2013.
- c. The movement in the scheme is set out as under:

Particulars	ESOP 2011		ESOP 2011	
	Year ended 31 March 2013		Year ended 31 March 2012	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	Number	Amount	Number	Amount
Outstanding at the beginning of year	100,500	120	Nil	Nil
Granted during the year	Nil	Nil	100,500	120
Exercised during the year	Nil	Nil	Nil	Nil
Forfeited during the year	Nil	Nil	Nil	Nil
Expired during the year	10,500	120	Nil	Nil
Outstanding at the end of the year	90,000	120	100,500	120
Exercisable at the end of the year	Nil	Nil	Nil	Nil
Number of equity shares of Rs. 10 each fully paid up to be issued on exercise of option	90,000	120	100,500	120
Weighted average share price at the date of exercise	Not applicable	Not applicable	Not applicable	Not applicable
Weighted average remaining contractual life (years)	1.5 years	Not applicable	2.5 years	Not applicable

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

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Risk free interest rates (in %)	8.50%	8.50%
Expected life (in months)	29	29
Volatility (in %)	66.49%	66.49%
Dividend yield (in %)	1.58%	1.58%

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

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

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Total options granted	90,000	100,500
Weighted average exercise price (in Rs.)	120	120
Weighted average fair value (in Rs.)	61.05	61.05

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

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

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

As per the scheme, the Compensation Committee grants the options to the employees deemed eligible. The exercise price of each option shall be equal to the "Market Price" as defined in the Scheme. The options granted vest as follows.



## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

Options may be exercised within two years of vesting.

- 50 % of the options granted to the selected employee shall vest on 1 April 2014 in case there is continuation of his service till the date of vesting.
- 50 % on the first day of the financial year subsequent to the achievement of billing of Rs. 300 crores in any financial year by the subsidiary, subject to the continuation of service till the date of vesting. However there shall remain a gap of minimum one year between the date of grant and the date of vesting under this clause. The compensation committee shall declare such date as and when it is triggered.

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

The difference between the market price of the share underlying the options granted on the date of grant of option and the exercise price of the option (being the intrinsic value of the option) representing stock compensation expense is expenses over the vesting period.

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

Particulars	KRL ESOP		KRL ESOP	
	Year ended 31 March 2013		Year ended 31 March 2012	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	Number	Amount	Number	Amount
Outstanding at the beginning of year	81,500	100	Nil	Nil
Granted during the year	2,500	100	81,500	100
Exercised during the year	Nil	Nil	Nil	Nil
Forfeited during the year	Nil	Nil	Nil	Nil
Expired during the year	Nil	Nil	Nil	Nil
Outstanding at the end of the year	84,000	100	81,500	100

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

Particulars	Year ended 31 March 2013	Year ended 31 March 2012
Risk free interest rates (in %)	8.00%	8.50%
Expected life (in years)	2.24	3.55
Volatility (in %)	-	-
Dividend yield (in %)	-	-

#### Pro forma accounting for stock option grants

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

S. No.	Particulars	Year ended 31 March 2013	Year ended 31 March 2012
		Amount	Amount
1.	Net profit as reported	(28,057,103)	59,658,842
2.	Add: Stock based employee compensation expense debited to statement of profit and loss	492,702	240,472
3.	Less: Stock based employee compensation expense based on fair value*	(3,041,406)	(1,529,673)
4.	Difference between (2) and (3)	(2,548,704)	(1,289,201)
5.	Adjusted pro forma profit	(30,605,807)	58,369,641
6.	Difference between (1) and (5)	2,548,704	1,289,201
7.	Basic earnings per share as reported	(3.11)	7.45
8.	Pro forma basic earnings per share	(3.39)	7.28
9.	Diluted earnings per share as reported	(3.11)	7.45
10.	Pro forma diluted earnings per share	(3.39)	7.28

## KDDL LIMITED (Consolidated)

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

(All amounts in rupees, unless stated otherwise)

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

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

	Amount outstanding as at 31 March 2013	Amount outstanding as at 31 March 2012
Receivables	71,525,064	104,671,548
Payables	58,676,297	116,164,838
Buyer's credit	43,988,572	21,550,592
Advances from customers	45,952,000	68,472,000

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

		Amount outstanding as at 31 March 2013		Amount outstanding as at 31 March 2012	
Units of foreign currency	No. of contracts	(in Foreign currency)	(in Rupees)	(in Foreign currency)	(in Rupees)
CHF	7	1,723,744	102,250,225	-	-

45. In terms with the provisions of Accounting Standard – 21 “ Consolidated Financial Statements ”, the Parent Company has computed its share of losses after adjusting for the cumulative dividends on preference share capital issued by the subsidiary companies, though, dividends have not been declared by such subsidiaries.

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

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

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

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

**R.K. SABOO**  
Chairman

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

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

**P.K. GOYAL**  
Company Secretary

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

Place : Chandigarh  
Dated : 29 May 2013

Per **B.P. Singh**  
Partner

## KDDL LIMITED

### Financial Performance of Subsidiaries during the period April 1, 2012 to March 31, 2013

Sr. No.	Name of Subsidiary Company	Ethos Ltd	Mahen Distribution Ltd.	Pylania S.A.	Kamla International Holding SA
1	Financial! Accounting year of the Subsidiary Companies	31.03.2013	31.03.2013	31.03.2013	31.03.2013
2	Country of incorporation	India	India	Switzerland	Switzerland
3	Reporting currency	INR	INR	CHF	CHF
4	Exchange rate to INR -Balance Sheet -Profit and loss			CHF=Rs. 57.44 CHF=Rs. 57.25	CHF=Rs. 57.44 CHF=Rs. 57.25
5	Share Capital (Incl. advances towards capital where applicable)	240,437,330	74,812,200	38,962,833	12,749,064
6	Reserve & surplus	157,823,952	(1,453,736)	(114,001,699)	146,337
7	Total assets	1,211,587,288	73,404,820	95,442,250	13,115,753
8	Total liabilities	813,326,006	46,356	170,481,116	220,351
9	Investments (other than subsidiaries)	-	-	-	-
10	Turnover	1,735,720,245		79,579,166	503,929
11	Profit/(Loss) before Tax	5,903,720	(20,354)	(39,552,972)	213,028
12	Tax Expenses / (Credited)	-	-	14,141	-
13	Profit/ (Loss) after tax	5,903,720	(20,354)	(39,567,113)	213,028
14	Proposed dividend and tax therein	-	-	-	-

**R. K. SABOO**  
Chairman

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

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

**P.K. GOYAL**  
Company Secretary

**KDDL LIMITED**

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

**PROXY**

DPID/Client ID No .....

Folio No.....

I/We .....

of .....

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

.....of .....

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

.....of .....

as my/our proxy to attend and vote for me/us on my/our behalf at the 33rd ANNUAL GENERAL MEETING of the Company to be held at Hotel Timber Trail Resorts, Parwanoo, Distt. Solan (H.P.) on Monday, the 9th day of September, 2013 at 12:30 p.m.

Affix  
Revenue  
Stamp

Dated the ..... day of ..... 2013

Signature

**KDDL LIMITED**

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

**ADMISSION CARD**

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

Member's Folio Number/ .....No. of Shares.....  
DPID/Client ID No:

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

I, hereby record my presence at the 33rd ANNUAL GENERAL MEETING at Hotel Timber Trail Resorts, Parwanoo, Distt. Solan (H.P.) on Monday, the 9th day of September, 2013 at 12:30 p.m.

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

Member's/Proxy Signature\*