

16TH ANNUAL GENERAL MEETING

BOARD OF DIRECTORS

Mr. D.P.S. Kohli	- Chairman-cum-Whole Time Director
Mr. Bhupinder Singh Sawhney	- Managing Director
Mr. Gurmeet Singh Sawhney	- Deputy Managing Director
Mr. Kailash Chandra Sharma	- Whole Time director
Mr. Krishnamurthy Santhanam	- Director
Mr. Girish Chandra Raghubir	- Director
Mr. Vinod Chander Sinha	- Director
Mr. Gurdarshan Singh Bhalla	- Director
Mr. Virendra Kumar Gupta	- Director

Company Secretary	- Poonam Chahal
Chief Financial Officer	- Ajay Mahajan
Auditors	- M/s R. Chadha & Associates Chartered Accountants New Delhi
Registered Office	- T/60/1, DCM School Road, New Rohtak Road, Karol Bagh, New Delhi - 110 005
Corporate Office	- 274-275, Udyog Vihar, Phase-VI, Sector-37, Gurgaon-122001, Haryana
Register & Transfer Agent	- Karvy Computershare Private Limited Plot No. 17 to 24, Vithalrao Nagar, Madhapur, Hyderabad – 500 081 Tel: + 91 – 4 0 – 23420815 – 824 Fax: + 91 – 4 0 – 23420814 Email: einward.ris@karvy.com Website: www.karvy.com Contact Person Mr. S.V. Raju
Bankers (Consortium Banking)	- Indian Overseas Bank - Punjab National Bank - Axis Bank Limited - ICICI Bank Limited - Standard Chartered Bank - State Bank of Travancore - HDFC Bank Limited - Punjab & Sind Bank - Barclays Bank plc.

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Koutons Retail India Limited

NOTICE OF 16th ANNUAL GENERAL MEETING

Notice is hereby given that 16th Annual General Meeting of KOUTONS RETAIL INDIA LIMITED will be held on Thursday, September 30, 2010 at 9:30 A.M at Hotel Vista Delhi, 162, M.G. Road, New Delhi-110030 to transact the following businesses:

ORDINARY BUSINESS(S) :

1. To receive, consider and adopt Audited Balance Sheet as on March 31, 2010 and the Profit and Loss Account for the financial year ended on that date together with the report of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the financial year ended March 31, 2010.
3. To appoint a director in place of Shri Krishnamurthy Santhanam, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Shri Girish Chandra Raghubir, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a director in place of Mr. V.C. Sinha, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s. R. Chadha & Associates, Chartered Accountants, the retiring statutory auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS(S) :

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

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred as “the Act”, including any statutory modification(s), or re-enactment thereof for the time being in force) and pursuant to the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as ‘the Regulations), the provisions of the Foreign Exchange Management Act, 1999, and rules and regulations made thereunder, including the Foreign Exchange management (Transfer or Issue of Securities by a person Resident outside India) Regulation, 2000, if applicable, the provisions of Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and subject to any other applicable enactments, rules and regulations (including any amendment thereto or re-enactment thereof for the time being in force) and subject to relevant provisions in the Memorandum and Articles of Association of the Company and Listing Agreements, entered into by the Company with the Stock Exchanges where the securities of the company are listed and subject to any approval, consent, permission and/or sanction of the members of the Company by way of Special Resolution, Government of India, Reserve Bank of India, Stock Exchanges, Registrar of Companies, Securities and Exchange Board of India and /or any other competent authorities, institutions or bodies, within or outside India, and subject to such conditions and modifications as may be prescribed by any of them while granting such approvals, permissions, consents and sanctions and which may be agreed by the Board of Directors (hereinafter referred to as “the Board” which term shall include any committee thereof, whether constituted or to be constituted), approval of the Company be and is hereby accorded to the Board to create, offer, issue and allot in one or more tranche(s), in the course of domestic and / or international offerings and /or Qualified Institutional Placements (“QIP”), with or without an over allotment/ green shoe issue option, in one or more foreign markets or domestic markets, to domestic institutions, foreign institutions, non-resident Indians, Indian public, companies, Body corporates, mutual funds, banks, insurance companies, pension funds, individuals, qualified institutional buyers or other persons or entities, whether shareholders of the Company or not, through a public issue and/or on a private placement basis and/or qualified institutional placement within the meaning of Chapter VIII of the Regulations and /or preferential issue and/or other kind of public issue and /or private placement or through a combination of the foregoing as may be permitted under applicable law from time to time, with or without an over allotment/ green shoe option, equity share, secured or unsecured debentures, bonds or any other securities whether convertible into equity share or not, including, but not limited to, Foreign Currency Convertible Bonds (“FCCBs”), Optionally Convertible Debentures (“OCD”), Bonds with share warranted attached, Global Depository Receipts (“GDRs”), American Depository Receipts (“ADRs”) or any

other equity related instrument of the Company or a combination of the foregoing including but not limited to a combination of equity shares with bonds and/or any other securities whether convertible into equity shares or not (hereinafter referred to as "securities") for a value upto Rs.400,00,00,000/- (Rupees Four Hundred Crores Only), whether to be listed on any stock exchange inside India or any international stock exchanges outside India, through an offer document and/or prospectus and/or offer letter, and/or offering circular, and/or on public and/or private or preferential basis, whether rupee denominated in foreign currency at such time or times, at such price or prices in such manner and on such terms and conditions including security, rate of interest etc, as may be decided by and deemed appropriate by the board as per applicable law, including the discretion to determine the categories of Investors to whom the offer, issue and allotment shall be made, considering, the prevailing market conditions and other relevant factors wherever necessary in consultation with its advisors, as the board in its absolute discretion may deem fit and appropriate".

"RESOLVED FURTHER THAT in addition to all applicable Indian laws, the securities issued in pursuance of this resolution shall also be governed by all applicable laws and regulations of any jurisdiction outside India where they are listed or that may in any other manner apply to such securities or provided in the terms of their issue".

"RESOLVED FURTHER THAT any securities that are not subscribed in issues mentioned above, may be disposed off by the board in its absolute discretion in such manner, as the board may deem fit and as permissible by the law".

"RESOLVED FURTHER THAT in case of a Qualified Institutional Placement pursuant to Chapter VIII of the Regulations, the relevant date for the determination of the price of the equity shares to be issued or issued pursuant to conversion, shall be the date on which the Board decides to open the issue of securities or such other time as may be allowed by SEBI Regulations from time to time and allotment of specified securities shall be completed within twelve months from the date of this resolution".

"RESOLVED FURTHER THAT in case of an issuance of FCCBs/ADRs/GDRs, the relevant date for the determination of the issue price of the securities offered, shall be determined in accordance with the Issue of Foreign Currency Convertible Bonds and Ordinary shares (through Depository Receipt Mechanism) Scheme, 1993 as may be amended from time to time".

"RESOLVED FURTHER THAT the issue of Securities shall be subject to the following terms and conditions:

- (a) The Securities shall be subject to the terms of the issue; and
- (b) The number and/or price of the Securities shall be appropriately adjusted for corporate actions such as bonus issue, rights issue, stock split, merger, demerger, transfer of undertaking, sale of division or any such capital or corporate restructuring".

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolutions, the Board be and is hereby authorized to do all such acts, deeds, matters and things including but not limited to determining the form and manner of the issue, including the class of investors to whom the Securities are to be issued and allotted, number of Securities to be allotted, execution of various transaction documents, creation of mortgage/ charge in accordance with Section 293(1)(a) of the Act, in respect of any Securities as may be required either on pari-passu basis or otherwise, as it may in its absolute discretion deem fit and to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities and utilization of the issue proceeds as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution".

"RESOLVED FURTHER THAT the Board be and is hereby authorized to form a committee or delegate all or any of its powers to any Directors (s) or Committee of Directors / Company Secretary / other persons authorized by the Board to give effect to the aforesaid resolutions".

"RESOLVED FURTHER THAT subject to the applicable laws the Board and/or the Committee authorized by the Board be and is hereby authorized to do such acts, deeds and things as the Board and/or the Committee in its absolute discretion deems necessary or desirable in connection with the issue of the securities, including, without limitation of the following-

- (a) Decide the date for the opening of the issue of securities;

- (b) Decide the price band for the issue;
- (c) Finalization of the Issue Price;
- (d) Finalization of the allotment of the securities on the basis of the subscriptions received;
- (e) Finalization of, signing of and arrangement for the submission of the preliminary and final offering circulars/prospectus(es)/offer document(s), and any amendments and supplements thereto, along with supporting papers needed to be filed for seeking listing approval with any applicable government and regulatory authorities, institutions or bodies as may be required;
- (f) Deciding the pricing and terms of the securities, and all other related matters, including taking any action on two-way fungibility for conversion of underlying equity shares into FCCBs/ GDRs/ ADRs, as per applicable laws, regulations or guidelines;
- (g) Appoint, in its absolute discretion, managers (including lead manager), Investment Bankers, Merchant Bankers, underwriters, guarantors, financial and /or legal advisors, depositories, custodians, principal paying/transfer/conversion agents, listing agents, registrars, trustees and all other agencies, whether in India or abroad, entering into or execution of all such agreements/ arrangements/ MoUs/ documents with any such agencies, in connection with the proposed offering of the securities;
- (h) Approval of the Deposit Agreements(s), the Purchase/Underwriting Agreement(s), the Trust Deed(s), the Indenture(s), the Master/Global GDRs/ADRs/FCCBs/Other securities, letters of allotment, listing application, engagement letter(s), memorandum of understanding and any other agreements of documents, as may be necessary in connection with the issue/offering (including amending, varying or modifying the same, as may be considered desirable or expedient), in accordance with all applicable laws, rules, regulations and guidelines;
- (i) Settle all questions, difficulties or doubts that may arise in regards to the issue, offer or allotment of securities and utilization of the proceeds of the issue in such manner and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit”.

“RESOLVED FURTHER THAT the Board and/or the Committee authorized by the Board be and is hereby authorized to accept any modification in the proposals as may be required by the authorities involved in such issues but subject to such conditions as the SEBI/GOI/RBI or such other appropriate authorities may impose at the time of their approval and as agreed to by the Board”;

“RESOLVED FURTHER THAT without prejudice to the generality of the foregoing, issue of the securities may be done upon all or any terms or combination of terms in accordance with international practices relating to the payment of interest, additional interest, premium on redemption, prepayment or any other debt service payments and all such terms as are provided customarily in an issue of securities of this nature”.

“RESOLVED FURTHER THAT the Company may enter into any arrangement with any agency or body authorized by the Company for the issue of depositary receipts representing the underlying equity shares issued by the Company in registered or bearer form with such features and attributes as are prevalent in international capital markets for instruments of this nature and to provide for the tradability of free transferability thereof as per international practices and regulations (including listing on one or more stock exchange(s) inside or outside India) and under the forms and practices prevalent in the international markets.”

Re-appointment of Mr. Banpreet Singh Kohli as Chief Executive – Marketing.

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

“RESOLVED THAT pursuant to the provisions of Section 314(1B) and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred as “the Act”, including any statutory modification(s), or re-enactment thereof for the time being in force) read with Director's Relatives (Office or Place of Profit) Rules, 2003 (hereinafter called 'the Rules') and subject to the approval of Central Government, consent of the Company be and is hereby accorded for re-appointment of Mr. Banpreet

Singh Kohli as Chief Executive, Marketing of the Company for a period of five years or such period as may be approved by the Central Government w.e.f., 20th day of August, 2010 on the remuneration as approved by the Board on recommendation of the Remuneration Committee on such terms and conditions as detailed under-

1. **Basic Pay:**
Rs.60,000/- per month.
2. **House Rent Allowance:**
The Company shall provide a rent-free accommodation for the residential purposes or House rent Allowance equal to 50% of the Basic Pay.
3. **Transport Allowance:**
The Company shall provide a transport allowance of Rs.800/- per month.
4. **Conveyance Allowance:**
The Company shall provide a conveyance allowance of Rs.25,000/- per month.
5. **Medical Benefits, Books and Periodicals:**
Reimbursement of Books and Periodicals and medical expenses actually incurred subject to a maximum allowance of Rs.9200/- per month.

In addition to the above, he shall also be entitled to a Gratuity for half month's Salary for each completed year of service."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to revise the Salary of Mr. Banpreet Singh Kohli with an increment not exceeding 10% per year of his Basic Salary of immediate preceding year, such increase shall include the proportionate increase in perquisites, benefits and amenities and sanction the promotion to next higher grade or grades during the tenure of his service."

"RESOLVED FURTHER THAT Mr. D.P.S. Kohli, Chairman-cum-Whole time Director and/or Mr. Bhupinder Singh Sawhney, Managing Director and/or Mr. Gurmeet Singh Sawhney, Dy. Managing Director and/or Ms. Poonam Chahal, Company Secretary, be and are hereby severally authorized to do all the necessary acts deeds and things, as and when required to give effect to this Resolution including filing the application to the Central Government seeking its approval for the payment of remuneration."

Re-appointment of Mr. Prabhjot Singh Sawhney as Chief Executive – Merchandising.

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

"RESOLVED THAT pursuant to the provisions of Section 314(1B) and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred as "the Act", including any statutory modification(s), or re-enactment thereof for the time being in force) read with Director's Relatives (Office or Place of Profit) Rules, 2003 (hereinafter called 'the Rules') and subject to the approval of Central Government, consent of the Company be and is hereby accorded for re-appointment of Mr. Prabhjot Singh Sawhney as Chief Executive, Merchandising of the Company, for a period of five years or such period as may be approved by the Central Government w.e.f., 20th day of August, 2010, on the remuneration as approved by the Board on recommendation of the Remuneration Committee on such terms and conditions as detailed under-

1. **Basic Pay:**
Rs.60,000/- per month.
2. **House Rent Allowance:**
The Company shall provide a rent-free accommodation for the residential purposes or House rent Allowance equal to 50% of the Basic Pay.
3. **Transport Allowance:**
The Company shall provide a transport allowance of Rs.800/- per month.
4. **Conveyance Allowance:**
The Company shall provide a conveyance allowance of Rs.25,000/- per month.

5. **Medical Benefits, Books and Periodicals:**

Reimbursement of Books and Periodicals and medical expenses actually incurred subject to a maximum allowance of Rs. 9200/- per month.

In addition to the above he shall also be entitled to a Gratuity for half month's Salary for each completed year of service."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to revise the Salary of Mr. Prabhjot Singh Sawhney with an increment not exceeding 10% per year of his Basic Salary of immediate preceding year, such increase shall include the proportionate increase in perquisites, benefits and amenities and sanction the promotion to next higher grade or grades during the tenure of his service."

"RESOLVED FURTHER THAT Mr. D.P.S. Kohli, Chairman-cum-Whole time Director and/or Mr. Bhupinder Singh Sawhney, Managing Director and/or Mr. Gurmeet Singh Sawhney, Dy. Managing Director and/or Ms. Poonam Chahal, Company Secretary, be and are hereby severally authorized to do all the necessary acts deeds and things, as and when required to give effect to this Resolution including filing the application to the Central Government seeking its approval for the payment of remuneration."

To re-appoint Mr. Davinder Pal Singh Kohli as Chairman cum Whole Time Director and to fix his remuneration.

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as 'the Act', including any statutory modifications or re-enactment thereof for the time being in force), consent of the members be and is hereby accorded for re-appointment of Mr. Davinder Pal Singh Kohli as Chairman cum Whole Time Director of the Company for the period of five years w.e.f 1st July, 2011 on the terms and conditions as recommended by the Remuneration Committee held on 1st September, 2010 and approved by the Board of Directors on 4th September, 2010 enumerated herein below:

- A. **Salary, Allowances & Perquisites:** Upto Rs.2,40,00,000/- (Rupees Two Crores Forty Lacs Only) per annum with the authority granted to the Board of Directors (hereinafter referred to as "the Board" which term shall include a Committee of Directors) to determine the Salary, Allowances & Perquisites and grant increase from time to time on the recommendation of the Remuneration Committee.
- B. **Commission:** Not exceeding 1% of the Net Profits of the Company as may be determined by the Board in accordance with the provisions of the Act.
The Board may, in its absolute discretion, pay to him lower remuneration than the remuneration stipulated hereinabove and increase it from time to time on the recommendation of the Remuneration Committee.
- C. The total remuneration including Allowances & Perquisites shall not exceed the limits specified in Schedule XIII to the Act or the amount specified by the Central Government, as the case may be."

"RESOLVED FURTHER THAT Mr. D.P.S. Kohli, Chairman-cum-Whole time Director and/or Mr. Bhupinder Singh Sawhney, Managing Director and/or Mr. Gurmeet Singh Sawhney, Dy. Managing Director and/or Ms. Poonam Chahal, Company Secretary, be and are hereby severally authorized to do all the necessary acts, deeds and things, as and when required to give effect to this Resolution."

To re-appoint Mr. Bhupinder Singh Sawhney as Managing Director and fix up his remuneration.

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as 'the Act', including any statutory modifications or re-enactment thereof for the time being in force), consent of the members be and is hereby accorded for re-appointment of Mr. Bhupinder Singh Sawhney as Managing Director of the Company for the period of five years from 1st July, 2011 on the terms and conditions as recommended by the Remuneration Committee held on 1st September, 2010 and approved by the Board of Directors on 4th September, 2010 as enumerated herein below:

- A. **Salary, Allowances & Perquisites:** Upto Rs. 2,40,00,000/- (Rupees Two Crores Forty Lacs Only) per annum with the authority granted to the Board of Directors (hereinafter referred to as "the Board" which term shall include a Committee of Directors) to determine the Salary, Allowances & Perquisites and grant increase from time to time on the recommendation of the Remuneration Committee.
- B. **Commission:** Not exceeding 1% of the Net Profits of the Company as may be determined by the Board in accordance with the provisions of the Act.
- The Board may, in its absolute discretion, pay to him lower remuneration than the remuneration stipulated hereinabove and increase it from time to time on the recommendation of the Remuneration Committee.
- C. The total remuneration including Allowances & Perquisites shall not exceed the limits specified in Schedule XIII to the Act or the amount specified by the Central Government, as the case may be."

"RESOLVED FURTHER THAT Mr. D.P.S. Kohli, Chairman-cum-Whole time Director and/or Mr. Bhupinder Singh Sawhney, Managing Director and/or Mr. Gurmeet Singh Sawhney, Dy. Managing Director and/or Ms. Poonam Chahal, Company Secretary, be and are hereby severally authorized to do all the necessary acts, deeds and things, as and when required to give effect to this Resolution."

To re-appoint Mr. Gurmeet Singh Sawhney as Dy. Managing Director and fix up his remuneration

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as 'the Act', including any statutory modifications or re-enactment thereof for the time being in force), consent of the members be and is hereby accorded for re-appointment of Mr. Gurmeet Singh Sawhney as Dy. Managing Director of the Company for the period of five years from 1st July, 2011 on the terms and conditions as recommended by the Remuneration Committee held on 1st September, 2010 and approved by the Board of Directors on 4th September, 2010 enumerated herein below:

- A. **Salary, Allowances & Perquisites:** Upto Rs. 2,40,00,000/- (Rupees Two Crores Forty Lacs Only) per annum with the authority granted to the Board of Directors (hereinafter referred to as "the Board" which term shall include a Committee of Directors) to determine the Salary, Allowances & Perquisites and grant increase from time to time on the recommendation of the Remuneration Committee.
- B. **Commission:** Not exceeding 1% of the Net Profits of the Company as may be determined by the Board in accordance with the provisions of the Act.
- The Board may, in its absolute discretion, pay to him lower remuneration than the remuneration stipulated hereinabove and increase it from time to time on the recommendation of the Remuneration Committee.
- C. The total remuneration including Allowances & Perquisites shall not exceed the limits specified in Schedule XIII to the Act or the amount specified by the Central Government, as the case may be."

"RESOLVED FURTHER THAT Mr. D.P.S. Kohli, Chairman-cum-Whole time Director and/or Mr. Bhupinder Singh Sawhney, Managing Director and/or Mr. Gurmeet Singh Sawhney, Dy. Managing Director and/or Ms. Poonam Chahal, Company Secretary, be and are hereby severally authorized to do all the necessary acts, deeds and things, as and when required to give effect to this Resolution."

To re-appoint Mr. Kailash Chandra Sharma as Whole Time Director and fix up his remuneration.

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309 and read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as 'the Act', including any statutory modifications or re-enactment thereof for the time being in force), consent of the members be and is hereby accorded for re-appointment of Mr.

Kailash Chandra Sharma as Whole Time Director of the Company for the period of five years from 1st July, 2011 on the monthly remuneration of Rs.30,000/- as recommended by the Remuneration Committee held on 1st September, 2010 and approved by the Board of Directors on 4th September, 2010.

“RESOLVED FURTHER THAT Mr. D.P.S. Kohli, Chairman-cum-Whole time Director and/or Mr. Bhupinder Singh Sawhney, Managing Director and/or Mr. Gurmeet Singh Sawhney, Dy. Managing Director and/or Ms. Poonam Chahal, Company Secretary, be and are hereby severally authorized to do all the necessary acts deeds and things, as and when required to give effect to this Resolution.”

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

“RESOLVED THAT pursuant to the provisions of Section 149(2A) of the Companies Act, 1956 and other applicable provisions, if any, consent of the members be and is hereby accorded to commence new business as detailed in Para 22 of sub clause (C) of Clause III of the Memorandum of Association of the Company as mentioned below:

22. *To carry on the business of manufacturers and dealers in textile such as man made fibres, cotton, silk, jute, woolen and synthetics*

“RESOLVED FURTHER THAT Mr. D.P.S. Kohli, Chairman-cum-Whole time Director and/or Mr. Bhupinder Singh Sawhney, Managing Director and/or Mr. Gurmeet Singh Sawhney, Dy. Managing Director and/or Ms. Poonam Chahal, Company Secretary, be and are hereby severally authorized to do all the necessary acts deeds and things, as and when required to give effect to this Resolution.”

To approve the payment of remuneration to Mr. V.K. Gupta being Non-executive director .

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

“RESOLVED THAT pursuant to the provisions of section 198, 309(4)(a) and all other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as 'the Act', including any statutory modification(s) or re-enactment(s) thereof, for time being in force), the approval from the Central Government and such other approvals as may be required in this regard, consent of members of the Company be and is hereby accorded for payment of fixed remuneration of Rs. 500,000 per annum to Mr. V.K. Gupta, being Non-executive director for a period of 3 years with effect from 1st April, 2010.

“RESOLVED FURTHER THAT the above mentioned remuneration may be paid on monthly/quarterly/annually basis as decided by the Board to Mr. V.K. Gupta and the remuneration shall be deemed to accrue from day to day basis and be paid in addition to the sitting fee for attending each meeting of the Board or a Committee thereof.”

“RESOLVED FURTHER THAT Mr. D.P.S. Kohli, Chairman-cum-Whole time Director and/or Mr. Bhupinder Singh Sawhney, Managing Director and/or Mr. Gurmeet Singh Sawhney, Dy. Managing Director and/or Ms. Poonam Chahal, Company Secretary, be and are hereby severally authorized to do all the necessary acts deeds and things, as and when required to give effect to this Resolution.”

To approve the payment of remuneration to Mr. Vinod Chander Sinha being Non-executive director .

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

“RESOLVED THAT pursuant to the provisions of section 198, 309(4)(a) and all other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as 'the Act', including any statutory modification(s) or re-enactment(s) thereof, for time being in force), the approval from the Central Government and such other approvals as may be required in this regard, consent of members of the Company be and is hereby accorded for payment of fixed remuneration of Rs. 500,000/- per annum to Mr. Vinod Chander Sinha, being Non-executive director for a period of 3 years with effect from 1st April, 2010.

“RESOLVED FURTHER THAT the above mentioned remuneration may be paid on monthly/quarterly/annually basis as decided by the Board to Mr. Vinod Chander Sinha and the remuneration shall be deemed to accrue from day to day basis and be paid in addition to the sitting fee for attending each meeting of the Board or a Committee thereof.”

“RESOLVED FURTHER THAT Mr. D.P.S. Kohli, Chairman-cum-Whole time Director and/or Mr. Bhupinder Singh Sawhney, Managing Director and/or Mr. Gurmeet Singh Sawhney, Dy. Managing Director and/or Ms. Poonam Chahal, Company Secretary, be and are hereby severally authorized to do all the necessary acts, deeds and things, as and when required to give effect to this Resolution.”

To approve the payment of remuneration to Mr. Grish Chandra Raghubir being Non-executive director .

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

“RESOLVED THAT pursuant to the provisions of section 198, 309(4)(a) and all other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as 'the Act', including any statutory modification(s) or re-enactment(s) thereof, for time being in force), the approval from the Central Government and such other approvals as may be required in this regard, consent of members of the Company be and is hereby accorded for payment of fixed remuneration of Rs. 500,000/- per annum to Mr. Grish Chandra Raghubir, being Non-executive director for a period of 3 years with effect from 1st April, 2010.

“RESOLVED FURTHER THAT the above mentioned remuneration may be paid on monthly/quarterly/annually basis as decided by the Board to Mr.Grish Chandra Raghubir and the remuneration shall be deemed to accrue from day to day basis and be paid in addition to the sitting fee for attending each meeting of the Board or a Committee thereof.”

“RESOLVED FURTHER THAT Mr. D.P.S. Kohli, Chairman-cum-Whole time Director and/or Mr. Bhupinder Singh Sawhney, Managing Director and/or Mr. Gurmeet Singh Sawhney, Dy. Managing Director and/or Ms. Poonam Chahal, Company Secretary, be and are hereby severally authorized to do all the necessary acts deeds and things, as and when required to give effect to this Resolution.”

To approve the payment of remuneration to Mr. Krishnamurthy Santhanam being Non-executive director .

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

“RESOLVED THAT pursuant to the provisions of section 198, 309(4)(a) and all other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as 'the Act', including any statutory modification(s) or re-enactment(s) thereof, for time being in force), the approval from the Central Government and such other approvals as may be required in this regard, consent of members of the Company be and is hereby accorded for payment of fixed remuneration of Rs. 500,000/- per annum to Mr. Krishnamurthy Santhanam, being Non-executive director for a period of 3 years with effect from 1st April, 2010.

“RESOLVED FURTHER THAT the above mentioned remuneration may be paid on monthly/quarterly/annually basis as decided by the Board to Mr. Krishnamurthy Santhanam and the remuneration shall be deemed to accrue from day to day basis) and be paid in addition to the sitting fee for attending each meeting of the Board or a Committee thereof.”

“RESOLVED FURTHER THAT Mr. D.P.S. Kohli, Chairman-cum-Whole time Director and/or Mr. Bhupinder Singh Sawhney, Managing Director and/or Mr. Gurmeet Singh Sawhney, Dy. Managing Director and/or Ms. Poonam Chahal, Company Secretary, be and are hereby severally authorized to do all the necessary acts, deeds and things, as and when required to give effect to this Resolution.”

To approve the payment of remuneration to Mr. Gurdarshan Singh Bhalla being Non-executive director .

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

“RESOLVED THAT pursuant to the provisions of section 198, 309(4)(a) and all other applicable provisions, if any, of the Companies Act, 1956 (hereinafter referred to as 'the Act', including any statutory modification(s) or re-enactment(s) thereof, for time being in force), the approval from the Central Government and such other approvals as may be required in this regard, consent of members of the Company be and is hereby accorded for payment of fixed remuneration of Rs. 500,000/- per annum to Mr. Gurdarshan Singh Bhalla, being Non-executive director for a period of 3 years with effect from 1st April, 2010.

“RESOLVED FURTHER THAT the above mentioned remuneration may be paid on monthly/quarterly/annually basis as decided by the Board to Mr. Gurdarshan Singh Bhalla and the remuneration shall be deemed to accrue from day to day basis) and be paid in addition to the sitting fee for attending each meeting of the Board or a Committee thereof.”

"RESOLVED FURTHER THAT Mr. D.P.S. Kohli, Chairman-cum-Whole time Director and/or Mr. Bhupinder Singh Sawhney, Managing Director and/or Mr. Gurmeet Singh Sawhney, Dy. Managing Director and/or Ms. Poonam Chahal, Company Secretary, be and are hereby severally authorized to do all the necessary acts, deeds and things, as and when required to give effect to this Resolution."

By Order of the Board
For Koutons Retail India Limited

Sd/-
POONAM CHAHAL
(Company Secretary)

Date : September 4, 2010
Place: Gurgaon

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. **THE INSTRUMENT APPOINTING A PROXY SHOULD BE DEPOSITED AT THE COMPANY'S REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE AFORESAID MEETING. A PROXY FORM IS ATTACHED HERewith.**
3. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to Special Business is annexed hereto.
4. Corporate Members intending to send their authorised representatives to attend the meeting are requested to send a certified copy of the Board Resolution authorizing their representatives to attend and vote on their behalf at the meeting.
5. The Register of Members and the Share Transfer Books of the Company will remain closed from September 24, 2010 to September 30, 2010 (both days inclusive).
6. Members who would like to ask any questions on the accounts are requested to send their questions at Corporate Office of the Company at least 10 days before the Annual General Meeting to enable the Company to answer their queries satisfactorily.
7. Members are requested to intimate change, if any, in their postal addresses immediately to:
Karvy Computershare Private Limited
(Registrar & Transfer Agent)
Plot No. 17 to 24, Vithalrao Nagar, Madhapur,
Hyderabad – 500 081
8. As a measure of economy, distribution of copies of the Annual Report at the Annual General Meeting shall not be made. Therefore, Members are requested to bring their copies of the Annual Report to the Annual General Meeting.
9. The members/proxies should bring the attendance slip duly filled in and signed for attending the meeting.
10. Pursuant to the requirements of clause 49 of the Listing Agreement entered into with stock exchanges, the information about the Directors proposed to be appointed/ reappointed is given in the Annexure to the notice.

By Order of the Board
For Koutons Retail India Limited

Sd/-
POONAM CHAHAL
(Company Secretary)

Date : September 4, 2010
Place: Gurgaon

EXPLANATORY STATEMENT

(Pursuant to section 173 (2) of the Companies Act, 1956)

Item No. 7

The Company proposes to raise funds to the tune of Rs.400,00,00,000/- (Rupees Four Hundred Crores Only) in one or more tranches through a public issues and/or on a private placement basis and/or QIP within the meaning of Chapter VIII of SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 and/or preferential issue and/or any other kind of public issue and/or private placement as may be permitted under applicable law from time to time. The resolution contained in the business of the Notice is regarding proposal to create, offer, issue and allot equity shares and/or such other Securities as stated in the Special Resolution (the "Securities") which seeks to empower the Board of Directors (hereinafter referred to as "Board" which include any Committee thereof, whether constituted or to be constituted) to undertake such issue or offer of securities.

1. Object of the issue

Expansion of Family Stores, Integration of IT operations and up gradation of network, and for General Corporate purposes as may be decided by the Board in the best interest of the Company.

2. Pricing

In case of an issue of the Securities to Qualified Institutional Buyers pursuant to Chapter VIII of the Regulations, the issue price of Securities shall be at a price, being not less than the price calculated in accordance with Chapter VIII of the Regulations as may be amended from time to time and the Relevant Date in this regard shall be the date on which the Board decides to open the issue of securities or such other time as may be allowed by the Regulations from time to time.

In case of a Qualified Institutional Placement pursuant to Chapter VIII of the Regulations, the allotment of securities shall be completed within twelve months from the date of passing of this Resolution.

In case of issue of ADRs/GDRs the issue price shall be at a price, being not less than the price calculated in accordance with applicable law including the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipts Mechanism) Scheme, 1993, as may be amended from time to time.

3. Terms and Conditions

The detailed terms and conditions for the offer will be determined by the Board in consultation with Advisors, Lead Manager/Book Runners, Underwriters and such other authority or authorities as may be required to be consulted by the Company considering the prevailing market conditions and other relevant factors.

The issue/ allotment/ conversion would be subject to the availability of regulatory approvals, if any. The conversion of securities, held by foreign investors, into shares would be subject to the applicable foreign investment limits.

The Special Resolution seeks to empower the Board and/or Committee authorized by the Board, to issue Securities in one or more tranches, at such time / times, and to such person(s) as the Board may in its absolute discretion deem fit.

Section 81(1A) of the Companies Act, 1956 and the relevant clause of the Listing Agreement with the Stock Exchanges where the Equity Shares of the Company are listed provides, inter alia, that when it is proposed to increase the issued capital of a company by allotment of further shares, such further shares shall be offered to the existing shareholders of such company in the manner laid down in Section 81 unless the shareholders in a general meeting decide otherwise. Since the Special Resolution proposed in the business of the Notice results in the issue of shares of the Company otherwise than to the members of the Company, consent of the shareholders is being sought pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956 and the Listing Agreement.

The Special Resolution, if passed, will have the effect of allowing the Board and/or the Committee authorized by the Board to issue and allot Securities to the investors who may or may not be the existing shareholders of the Company and the Board and/or the Committee authorized by the Board will have the power to decide the date of opening of the Issue.

The Directors of the Company may be deemed to be concerned or interested in the above resolution only to the extent of shares held by them in the Company.

The Board of Directors recommend the Special Resolution for your kind approval.

Item No. 8

Mr. Banpreet Singh Kohli was appointed as Chief Executive, Marketing of the Company in terms of the provisions of Section 314(1B) of the Companies Act, 1956 for a period of 3 years w.e.f 20th August, 2007 to 19th August, 2010 after obtaining the prior approval of Central Government. As the term of Mr. Banpreet Singh Kohli has expired on 19th August, 2010, therefore the Board of Directors of the Company has decided to reappoint him for a further period of 5 years or such period as may be approved by the Central Government. The said proposal of appointment of Mr. Banpreet Singh Kohli as Chief Executive, Marketing was approved by the Board subject to the approval of the Shareholders and Central Government.

Since Mr. Banpreet Singh Kohli is son of Mr. DPS Kohli, Chairman-cum-Whole Time Director of the Company and his remuneration exceeds the ceiling prescribed under section 314(1B) of the Act. Hence it requires the prior approval of Shareholders by passing a special resolution and the prior approval of the Central Government.

Please take note that Mr. Banpreet Singh Kohli who has done MBA in Marketing from AMITY and having vast and rich experience in marketing. His presence would give enough leverage to the Company to enter into new projects in the present global scenario.

The remuneration proposed to be offered to Mr. Banpreet Singh Kohli is commensurate with the qualification, experience and terms & conditions of appointment of employees in similar categories.

Your Directors therefore, recommend the Resolution as set out at item no.8 of the Notice for your kind approval.

None of the Directors of the Company except as Shareholders and except Mr. DPS Kohli being related to Mr. Banpreet Singh Kohli is concerned or interested in the above resolution

Item No. 9

Mr. Prabhjot Singh Sawhney was appointed as Chief Executive, Merchandising of the Company in terms of the provisions of Section 314(1B) of the Companies Act, 1956 for a period of 3 years w.e.f 20th August, 2007 to 19th August, 2010 after obtaining the prior approval of Central Government. As the term of Mr. Banpreet Singh Kohli has expired on 19th August, 2010, therefore the Board of Directors of the Company has decided to reappoint him for a further period of 5 years or such period as may be approved by the Central Government. The said proposal of appointment of Mr. Prabhjot Singh Sawhney as Chief Executive, Merchandising was approved by the Board subject to the approval of the Shareholders and Central Government.

Since Mr. Prabhjot Singh Sawhney is son of Mr. Bhupinder Singh Sawhney, Managing Director of the Company and his remuneration exceeds the ceiling prescribed under section 314(1B) of the Act. Hence it requires the prior approval of Shareholders by passing a Special Resolution and the prior approval of the Central Government.

Please take note that Mr. Prabhjot Singh Sawhney has done fashion designing course from a reputed Institute and having vast and rich experience in designing and merchandising. His presence would give enough leverage to the Company to enter into new projects in the present global scenario.

The remuneration proposed to be offered to Mr. Prabhjot Singh Sawhney is commensurate with the qualification, experience and terms & conditions of appointment of employees in similar categories.

Your Directors therefore, recommend the Resolution as set out at Item no.9 of the notice for your approval.

None of the Directors of the Company except as Shareholders and except Mr. Bhupinder Singh Sawhney being related to Mr. Prabhjot Singh Sawhney is concerned or interested in the above resolution

Item No. 10

Mr. Davinder Pal Singh Kohli is the promoter of the Company and has invaluable contribution towards the growth of the Company since year 1995. He was appointed as a Whole Time Director of the Company w.e.f 1st July, 2006 for a period of 5 years i.e. upto 30th June, 2011. In view of the experience and invaluable contribution by Mr. Davinder Pal Singh Kohli towards the growth of the Company and on recommendation and approval of Remuneration Committee held on 1st September, 2010, Board of Directors of the Company in its meeting held on 4th Septemeber, 2010 has reappointed Mr. Davinder Pal Singh Kohli as Chairman cum Whole Time Director of the Company for a further period of 5 years i.e up to 30th June, 2016. The re-appointment is subject to the approval of shareholders.

He will not be liable to retire by rotation during his term of office as Whole Time Director

Your Directors therefore, recommend the Resolution as set out at Item no.10 of the notice for your approval.

Mr. Davinder Pal Singh Kohli is deemed to be interested in this resolution as it concerns him.

Mr. Bhupinder Singh Sawhney, Managing Director and Mr. Gurmeet Singh Sawhney, Dy. Managing Director of the Company are deemed to be interested in the resolution as Mr. Davinder Pal Singh Kohli is their sister's husband.

No other Director is concerned or interested in passing of this Resolution.

Item No. 11

Mr. Bhupinder Singh Sawhney is the promoter of the Company and has invaluable contrbuiution towards the growth of the Company since its inception in the year 1994. He was appointed as a Managing Director of the Company w.e.f 1st July, 2006 for a period of 5 years i.e. upto 30th June, 2011. In view of the experience and invaluable contribution by Mr. Bhupinder Singh Sawhney towards the growth of the Company and on recommendation and approval of Remuneration Committee held on 1st September, 2010, Board of Directors of the Company in its meeting held on 4th September, 2010 has reappointed Mr. Bhupinder Singh Sawhney as Managing Director of the Company for a further period of 5 years i.e up to 30th June, 2016.The re-appointment is subject to the approval of shareholders.

He will not be liable to retire by rotation during his term of office as Managing Director

Your Directors therefore, recommend the Resolution as set out at Item no.11 of the notice for your approval.

Mr. Bhupinder Singh Sawhney is deemed to be interested in this resolution as it concerns him.

Mr. Gurmeet Singh Sawhney, Dy. Managing Director of the Company is deemed to be interested in the resolution as Mr. Bhupinder Singh Sawhney is his brother. Mr. Davinder Pal Singh Kohli is also interested as he is Mr. Bhupinder Singh Sawhney sister's husband.

No other Director is concerned or interested in passing of this Resolution.

Item No. 12

Mr. Gurmeet Singh Sawhney is the promoter of the Company and has invaluable contrbuiution towards the growth of the Company since year 2003. He was appointed as a Dy. Managing Director of the Company w.e.f 1st July, 2006 for a period of 5 years i.e. upto 30th June, 2011. In view of the experience and invaluable contribution by Mr. Gurmeet Singh Sawhney towards the growth of the Company and on recommendation and approval of Remuneration Committee held on 1st September, 2010, Board of Directors of the Company in its meeting held on 4th September, 2010 has reappointed Mr. Gurmeet Singh Sawhney as Dy. Managing Director of the Company for a further period of 5 years i.e. up to 30th June, 2016.The re-appointment is subject to the approval of shareholders.

He will not be liable to retire by rotation during his term of office as Dy. Managing Director

Your Directors therefore, recommend the Resolution as set out at Item no.12 of the notice for your approval.

Mr. Gurmeet Singh Sawhney is deemed to be interested in this resolution as it concerns him.

Mr. Bhupinder Singh Sawhney, Managing Director of the Company is deemed to be interested in the resolution as Mr. Bhupinder Singh Sawhney is his brother. Mr. Davinder Pal Singh Kohli is also interested as he is Mr. Bhupinder Singh Sawhney sister's husband.

No other Director is concerned or interested in passing of this resolution.

Item No. 13

Mr. Kailash Chandra Sharma is an Executive Director of the Company. and has invaluable contribution towards the growth of the Company since year 2006. He was appointed as a Whole Time Director of the Company w.e.f 1st July, 2006 for a period of 5 years i.e. upto 30th June, 2011. In view of the experience and invaluable contribution by Mr. Kailash Chander Sharma towards the growth of the Company and on recommendation and approval of Remuneration Committee held on 1st September, 2010, Board of Directors of the Company in its meeting held on 4th September, 2010 has reappointed Mr. Kailash Chander Sharma as Whole Time Director of the Company for a further period of 5 years i.e. up to 30th June, 2016. The re-appointment is subject to the approval of shareholders.

Your Directors therefore, recommend the Resolution as set out at Item no.13 of the notice for your approval.

Mr. Kailash Chandra Sharma is deemed to be interested in this resolution as it concerns him.

No other Director is concerned or interested in passing of this resolution.

Item No. 14

The Board had in its meeting held on 4th September, 2010 decided, subject to approval of members of the Company, to commence a new business so as to explore into a new business venture related to manufacturing and dealing in raw cotton.

As per provisions of Section 149(2A) of the Companies Act, 1956 a company can, alongwith its main activities, with consent of the members at general meeting by way of Special Resolution, carry on business of such other activities as are mentioned in the Other Object Clause i.e. Sub-clause (C) of Clause III of Memorandum of Association of the Company. So, the Board has placed this resolution

None of the directors of the Company is in anyway concerned or interested in the said Resolution except as member, wherever applicable.

Item No. 15, 16, 17, 18 & 19

Presently, the Company has 5 (five) Non-Executive Directors including Independent Directors on its Board, namely Mr. V.K. Gupta, Mr. Vinod Chander Sinha, Mr. Grish Chandra Raghbir, Mr. Krishnamurthy Santhanam and Mr. Gurdarshan Singh Bhalla. The role and level of involvement of Non-Executive Directors has undergone significant qualitative changes, over a period of time, with the changes in the Corporate Governance norms. Your Board is of the view that there is a need to revise their remuneration so that it is commensurate with their enhanced role and involvement in the corporate governance of the Company.

Therefore, the Company proposes to pay remuneration to Mr. V.K. Gupta, Mr. Vinod Chander Sinha, Mr. Grish Chandra Raghbir, Mr. Krishnamurthy Santhanam and Mr. Gurdarshan Singh Bhalla as detailed in the relevant resolutions.

In terms of section 309(4)(a) of the Companies Act, 1956, a Company can pay remuneration by way of monthly, quarterly or annual payments to its directors who is neither in the whole-time employment of the Company or a managing director only with approval of the Central Government.

The revised Clause 49 of the Listing Agreement dealing with Corporate Governance requires that “All fees/ compensation, if any paid to non-executive directors, including independent directors, shall be fixed by the Board of Directors and shall require previous approval of shareholders in general meeting.”

In terms of section 309(7) of the Companies Act, 1956, approval of the shareholders under section 309(4)(a) is valid for a period of five years and can be renewed from time to time, for a further period not exceeding five years.

None of the directors of the Company except Mr. V.K. Gupta, Mr. Vinod Chander Sinha, Mr. Grish Chandra Raghbir, Mr. Krishnamurthy Santhanam and Mr. Gurdarshan Singh Bhalla Directors to whom the payment of remuneration is proposed, may be deemed to be concerned or interested in the aforesaid resolutions.

The Board of Directors recommends the passing of the said resolutions.

By Order of the Board
For Koutons Retail India Limited

Sd/-
POONAM CHAHAL
Company Secretary

Date : September 4, 2010
Place: Gurgaon

DETAILS OF THE DIRECTORS SEEKING RE-APPOINTMENT

(Pursuant to clause 49 of the Listing Agreement)

Name of Director	Shri Grish Chandra Raghubir	Shri Vinod Chandra Sinha	Shri Krishnamurthy Santhanam
Date of birth & Age	17.03.1929 81 Years	31.07.1948 61 Years	07.12.1937 72 Years
Nationality	Indian	Indian	Indian
Appointed on	07.06.2006	07.06.2006	07.06.2006
Qualifications	M.A (Economics) from Allahabad University	Bachelors Degree & Chartered Accountants	M.A (Physics) from Madras University
Expertise in specific functional areas	Finance & Accounts	Finance & Accounts	Nuclear Science
Brief Resume	Shri Grish Chandra Raghubir is an independent director. He has in the past worked for M/s. Abbot Laboratories and has also served in the Indian Audit and Accounts Service. He has participated in many national and international seminars focusing on areas such as financial and project management. He was also Member (Finance) (a board level position) at Oil and Natural Gas Corporation Limited.	Shri Vinod Chandra Sinha is an independent director and he holds a bachelors degree in economics from Delhi University. He is a member of the Institute of Chartered Accountants of India and is a partner with Bansal Sinha and Co., Chartered Accountants. Mr. Sinha has been involved in the central statutory audit of various banks such as State Bank of India and Oriental Bank of Commerce.	Mr. Krishnamurthy Santhanam, is an independent director of our Company. He holds a masters degree in physics from Madras University and a certificate from the Atomic Energy Training School and a certificate from the International Institute for Nuclear Science and Engineering, Argonne National Laboratory. Prior to joining our Board he served as a scientist with the Atomic Energy Establishment, Trombay and held the positions of Deputy Director in policy analysis, Cabinet Secretary, Advisor (Science) in Ministry of External Affairs, Chief Advisor in Defence Research and Development Organization and Director General in Institute for Defence Studies and Analysis (IDSA), New Delhi. He has been involved in various defence projects and was Mission Director, Pokhran II Tests and Chairman of the Review Committee on War Gaming Software Projects. He has also been conferred with the Padma Bhushan award in 1999.
List of Directorships held in other public Companies	Sanshadow Consultants Pvt. Ltd.	1. Sapan Metal Pvt. Ltd. 2. Tulip Telecom Limited	NIL
Membership/ Chairmanship of various Board Committees	1. Koutons Retail India Limited: (a) Member – Audit Committee (b) Member – Shareholders / Investors Grievance Committee	1. Koutons Retail India Limited: (a) Member – Audit Committee (b) Member – Miscellaneous Committee 2. Tulip Telecom Limited (a) Member- Audit Committee (b) Member-Shareholders/Investors Grievances Committee	Koutons Retail India Limited Chairman- Shareholders/Investors Grievances Committee
Shareholding of Non-Executive Directors in Koutons Retail India Ltd.	NIL	NIL	NIL

DIRECTORS' REPORT

To
 The Shareholders,
 Koutons Retail India Limited

Your Directors have immense pleasure in presenting the 16th Annual Report on the business and operations of the Company together with the Audited Statements of Accounts of the Company for the year ended 31st March, 2010.

FINANCIAL HIGHLIGHTS

The financial results of the Company for the year under review are compared below with the previous year's results for your consideration:

(Rs. in Lacs)

	For the year ended 31.03.2010	For the year ended 31.03.2009
Sale & Other Income	120667.26	106313.48
Profit before Depreciation	14095.21	13612.88
Profit before Tax	12451.83	12082.85
Income Tax Provision	4313.81	4040.96
FBT Provision	0.00	38.19
Deferred Tax liability	(42.94)	46.96
Profit after Tax	8179.97	7955.71
Profit & Loss Appropriation	2266.53	462.52
Amount brought forward from previous year	17260.90	9704.77
Balance carried to Balance Sheet	23174.34	17260.90

REVIEW OF PERFORMANCE

During the year, your Company recorded growth in topline as well as in bottom line. Income from operations went up from Rs 106313.48 lacs in F.Y. 2008-09 to Rs. 120667.26 Lacs in F.Y. 2009-10 recording a growth of 13.50 percent.

Profit before depreciation, Interest and tax stood at Rs. 23161.19 Lacs in F.Y. 2009-10, an increase of 3.09 percent over the preceding year. Profit after tax for F.Y. 09-10 was Rs 8179.97 Lacs, an increase of 2.82 percent over F.Y.08-09.

DIVIDEND:

Keeping in view the current economic scenario and future fund requirements of the Company, your Directors have recommended a dividend of 20 paisa per Equity Share for the financial year ended 31st March 2010, which on approval at the forthcoming Annual General, will be paid

- (i) to those Equity Shareholders, holding shares in physical form, whose name appear on the Register of Members of the Company at the close of business hours on 23rd September, 2010 after giving effect to all valid transfers in physical form lodged with the Company or its Registrar and Share Transfer Agent before 24th September, 2010
- (ii) to those beneficial owners, holding shares in electronic form, whose name appear in the statement of beneficial owners furnished by the Depositories to the Company as at the close of business hours on 23rd September, 2010

The total proposed dividend amount shall be Rs.71,25,120/- (Rupees Seventy One Lacs Twenty Five Thousand One Hundred and Twenty Only) including Dividend tax, for the financial year 2009-10 as against total dividend payout Rs 3,57,43,607/- for the previous year.

The Register of members and share transfer books will remain closed from 24th September 2010 to 30th September 2010 (both days inclusive). The Annual General Meeting of the Company will be held on 30th September 2010.

TRANSFER TO RESERVES:

No portion of profits has been transferred to General Reserve Account during the financial year.

SUBSIDIARY COMPANY:

During the Financial Year 2009-10, the Company has only one subsidiary Company viz., M/s. DBG Retail Holdings Limited. The statement pursuant to Section 212 of the Companies Act, 1956 is attached and forms part of the Annual Report.

In accordance with Accounting Standard 21 relating to consolidated financial statements your Directors have pleasure in attaching the said consolidated financial statements, which form part of this report and accounts. These statements have been prepared on the basis of audited financial statements received from the Subsidiary Company as approved by its Board.

PRIVATE PLACEMENT:

The Company with a view to expand its business by way of opening its family stores and to integrate its IT operations and for general Corporate purposes as may be decided by the Board in the best interest of the Company, it is proposed to raise funds to the tune of Rs.4,00,00,00,000/- (Rupees Four Hundred Crores Only) in one or more tranches through a public issues and/or on a private placement basis and/or QIP within the meaning of Chapter VIII of SEBI (Issue of Capital and Disclosure Requirements) Regulations 2009 and/or preferential issue and/or any other kind of public issue and/or Foreign Currency Convertible Bonds ("FCCBs"), Optionally Convertible Debentures ("OCD"), Bonds with share warranted attached, Global Depositary Receipts ("GDRs"), American Depositary Receipts ("ADRs") or any other equity related instrument of the Company or a combination of the foregoing.

The resolution contained in the business of the Notice is regarding proposal to create, offer, issue and allot equity shares and/or such other Securities as stated in the Special Resolution (the "Securities") which seeks to empower the Board of Directors (hereinafter referred to as "Board" which include any Committee thereof, whether constituted or to be constituted) to undertake such issue or offer of securities.

The details of the issue and other particulars are as under:

- (i) **Securities to be issued:** The Resolution set out in the accompanying Notice is an enabling resolution, entitling the Board to issue equity shares or other securities convertible into or exchangeable with the equity shares as may be deemed appropriate in the best interest of the Company.
- (ii) **In case of issue of ADRs/GDRs** the issue price shall be at a price, being not less than the price calculated in accordance with applicable law including the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depositary Receipts Mechanism) Scheme, 1993, as may be amended from time to time.
- (iii) **Terms of Shares:** The equity shares to be issued as above shall rank pari-passu in all respects with the existing equity shares of the Company. The equity shares shall be subject to the Memorandum and Articles of Association of the Company.
- (iv) **Purpose of the issue:** Expansion of Family Stores, Integration of IT operations and up gradation of network, and for General Corporate purposes as may be decided by the Board in the best interest of the Company.

CORPORATE GOVERNANCE:

Committed to good corporate governance practices, your Company fully conform to standards set out by SEBI and other regulatory authorities and has implemented and complied with all of its major stipulations. Koutons Retail India Limited is committed to conduct the business of the company with the highest level of integrity and transparency. The commitment of

your company is clearly reflected in the business activities of the company. As per clause 49 of the Listing Agreement, a report on Corporate Governance along with Compliance Certificate from the Practising Company Secretary form part of this Annual Report.

Code of Conduct

As per Clause 49(I)(D), the Board of the Company has laid down Code of Conduct for all the Board members of the Company and senior management as well and the same has been posted on website of the Company. Annual Compliance Report for the year ended 31st March 2010 has been received from all the Board members and senior management of the Company regarding the compliance of all the provisions of Code of Conduct. Declaration regarding compliance by Board members and senior management personnel with the Company's Code of Conduct is hereby attached as annexure to this report.

MANAGEMENT DISCUSSION AND ANALYSIS:

Management Discussion and Analysis Report as required under the Listing Agreement is annexed to this report.

DEPOSITS:

The Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 made thereunder.

AWARDS & RECOGNITION

The following are some of the recognitions that your Company won during the year 2009-2010:

- Nominated in the Retail category for the 4th NDTV Profit Business Leadership Award.
- Award of "**Emerging Corporate**" at the Corp Excel Award 2008 for National mSME Excellence organized by Corporation Bank.
- Received "**The Star Retailer Award**" for being the Value Retailer of the Year organized by Franchise India.
- The "**Best Clothing Company of the Year**" of CMAI.
- Nominated for the Best Advertising Campaign of the year by CMAI.
- Nominated for the "**Brand of the Year**" by CMAI.

LISTING FEES:

The equity shares of your company are listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The annual listing fee for the financial year 2010-11 has been paid.

DEMATERIALISATION OF SHARES:

Your company has entered into agreements with the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for dematerialization of shares of the company. Accordingly shares of the company are available for dematerialization and can be traded in Demat form.

DEMAT SUSPENSE ACCOUNT:

As on 31.03.2010 214 Equity Shares of 12 Shareholders were lying in the Escrow Account due to non-availability of the correct particulars. Despite of the several reminders being sent at the address given in the Application form as well as captured in depository's database, by the Registrars to the Issue, viz., M/s Karvy Computershare Private Limited no response has been received. As a result the said unclaimed shares are/or being credited to the 'Koutons Retail India Limited - Demat Suspense Account' opened with Karvy Stock Broking Limited in view of compliance of the provisions of Clause 5A of the Listing Agreement. Every successful allottee who has not received the shares in its demat Account may approach the

Company or its RTA with their correct particulars and proof of identity for crediting of said shares from Demat Suspense Account to their individual Demat Account. The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

DIRECTORS:

Pursuant to provisions of the Companies Act, 1956, and Articles of Association of the Company, Mr. Krishnamurthy Santhanam, Mr. Girish Chandra Raghubir, and V.C. Sinha, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, have offer themselves for re-appointment.

Your Directors recommend their re-appointment.

Brief resume of the Directors proposed to be appointed / re-appointed, nature of their expertise in specific functional areas and names of companies in which they hold directorship and membership / chairmanship of the Board / Committees, as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report.

Further, Mr. Anil K. Khatod, Mr. Rajiv Grover and Mr. Ajay Mittal has resigned from the post of directorship.

STATUTORY DISCLOSURE:

None of the Directors of your Company is disqualified as per provision of section 274(1)(g) of the Companies Act, 1956. The Directors of the Company have made necessary disclosures, as required under various provisions of the Act and Clause 49 of the Listing Agreement.

AUDITORS

The Statutory Auditors of the Company, M/s. R. Chadha & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received a letter from M/s R. Chadha & Associates to the effect that their re-appointment, if made at the ensuing Annual General Meeting, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such reappointment within the meaning of Section 226 of the said act.

AUDITORS' REPORT

The observations made by the Auditors with reference to notes on accounts for the year ended 31st March 2010 are self-explanatory and therefore do not call for any further comments under section 217(3) of the Companies Act, 1956.

PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, the particulars of employees are set out in annexure to this Report.

DIRECTOR'S RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the Companies Act, 1956 the Directors hereby confirm that :

1. in the preparation of the Annual Accounts for the period ended as on 31st March 2010, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
2. the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for that period;
3. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. the Directors had prepared the annual accounts on a going concern basis.

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

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given below:

A. CONSERVATION OF ENERGY:

The operations of your Company are not energy intensive. However, wherever possible your company strives to curtail the consumption of energy on a continued basis by using energy-efficient equipment

As energy costs comprise a very small part of your Company's total expenses, the financial implications of these measures are not material.

B. TECHNOLOGY ABSORPTION

The particulars regarding absorption of technology is given below as per Form B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988:

Research and Development (R & D):

(1) Specific areas in which R&D is carried out by the Company:

Manufacture of fashion garments as per Indian and international trends and standards are the areas in which general research and development work pertaining to the manufacturing process is carried out by the Company.

(2) Benefits derived as a result of the above R&D:

Product Improvement

(3) Future Plan of Action:

Appropriate actions are being planned.

(4) Expenditure on R&D:

- | | |
|---|-------------------|
| (a) Capital: |) |
| (b) Recurring: |) Included in the |
| (c) Total: |) manufacturing |
| (d) Total R&D expenditure as a percentage of total turnover |) cost. |

Technology Absorption, Adaptation and Innovation:

(1) Efforts in brief made towards technology absorption, adaptation and innovation:

The Company is monitoring the technological upgradation taking place in other countries in the field of garment manufacturing and the same are being reviewed for implementation

(2) Benefit derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.

Product Improvement.

(3) In case of Imported Technology (Imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:

- | | |
|--|-------|
| (a) Technology Imported: |) |
| (b) Year of Import: |) |
| (c) Has technology been fully absorbed |) NIL |
| (d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action: |) |

C. FOREIGN EXCHANGE EARNINGS AND OUT GO:

Foreign Exchange Earning and Outgo:

(Rs. in Lacs)

a)	Imports on CIF basis	36.83
b)	Expenditure in Foreign Currency (Foreign traveling Directors)	36.08
c)	Earning in Foreign Currency	NIL

Initiatives taken to increase Exports:

The Company mainly deals in domestic market and has NIL sales on account of exports during the Financial Year 2009-10. Hence details regarding followings are not applicable:

- 1) Activities relating to exports
- 2) Development of new export markets for products and services
- 3) Export plan

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from Banks, Government Authorities and shareholders during the year under review. Your Directors wish to place on record their deep sense of appreciation for the devoted services of the executives, staff and workers of the Company for its success.

For and on behalf of the Board of Directors

Date: September 4th, 2010
Place: Gurgaon

DPS Kohli
Chairman

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2010.

Name and age	Designation and Nature of duties	Remuneration last drawn p.m.	Qualification and Experience	Date of Employment	Last Employment held & Designation	Nature of Employment	Shareholding as on 31.03.10
Mr. DPS Kohli 52 Years	Chairman-cum-Whole Time Director ; Responsible for the administration & Finance activities	20,00,000/-*	B. Tech (Mech) 29 Years	01.04.2003	Kohli & Sons Proprietor Koutons Retail India Ltd. (Formerly Charlie Creations Pvt. Ltd.) Chief Executive Officer	Regular	4459639
Mr. BS Sawhney 51 Years	Managing Director; Look after Merchandising & Marketing Activities	20,00,000/-*	B.Com 27 Years	25.11.1994	Singh Handloom Centre Proprietor	Regular	4459639
Mr. GS Sawhney 39 Years	Deputy Managing Director – Looks after Production activities	20,00,000/-*	17 Years	18.04.2003	GEE Fashions Proprietor	Regular	4434639
Mr. Ajay Mahajan 41 Years	Chief Financial Officer Responsible for overall financial activities	2,50,000/-**	Bachelors degree in Commerce and law; Member of ICWAI and ICSI; 20 years	04.11.2005	Wings Pharmaceutical Private Limited Finance Controller cum Company Secretary	Regular	2
Mr. Balvinder Singh Ahluwalia 45 Years	President Marketing Responsible for Marketing Activities	2,00,000/-***	B. Sc.;M.BA 21 Years	07.01.2008	Maral Overseas Limited Vice President	Regular	NIL

Employed for part of the year and in receipt of remuneration of not less than Rs.2,00,000/- p.m.

Notes:

- Remuneration shown above includes
 - * Basic Pay, Special Allowance, rent free Accommodation;
 - ** Basic Pay, HRA, Transport Allowance, Conveyance Allowance, Assistant Allowance, Medical Allowance and Books & Periodical Allowance
 - ***Basic Pay, HRA, Transport Allowance, Books & Periodicals Allowance, Conveyance Allowance, Child Education Allowance & Medical Allowance.
- The employees have adequate experience to discharge the responsibility assigned to them.
- Mr. Balvinder Singh Ahluwalia and Mr. Ajay Mahajan are not related to any of the employees and Directors of the Company whereas Mr. BS Sawhney and Mr. GS Sawhney are brothers and Mr. DPS Kohli is their brother-in-law.

MANAGEMENT DISCUSSION & ANALYSIS

Economic Overview:

Year 2009 started on the gloomy note; however the trend reversed from fourth quarter of the year. According to the estimates by the Ministry of Statistics and Programme Implementation, the Indian economy has registered a growth of 7.4 per cent in 2009-10, with 8.6 per cent year-on-year (y-o-y) growth in its fourth quarter. The growth is driven by robust performance of the manufacturing sector on the back of government and consumer spending.

Worldwide, there is a rapid change in consumer preferences in terms of style and fashion preferences. More and more consumers are shifting towards high end value added products. This has necessitated efficient service coupled with brand offerings which in turn has led to new opportunities for the apparel industry. Over the last couple of years the modern retail sector has emerged as one of the fastest growing sectors in the Indian economy.

India's industrial output grew by 17.6 per cent in April 2010. The manufacturing sector that accounts for 80 per cent of the index of industrial production (IIP) grew 19.4 per cent in April 2010, as against 0.4 per cent a year-ago.

INDUSTRY OVERVIEW:

Indian Retail Sector

India has been ranked as the most attractive nation for retail investment among 30 emerging markets by A T Kearney in its 8th annual Global Retail Development Index (GRDI) 2009. It is currently around 12 per cent, and is likely to reach 22 per cent by 2010. As a democratic country with high growth rates, consumer spending has risen sharply as the youth population (more than 33 percent of the country is below the age of 15) has seen a significant increase in its disposable income. Consumer spending rose an impressive 75 per cent in the past four years alone.

India continues to be among the most attractive countries for global retailers. At US\$ 511 billion in 2008, its retail market is larger than ever and drawing both global and local retailers. Foreign direct investment (FDI) inflows between April 2000 and April 2010, in single-brand retail trading, stood at US\$ 194.69 million, according to the Department of Industrial Policy and Promotion (DIPP).

Organized Retail

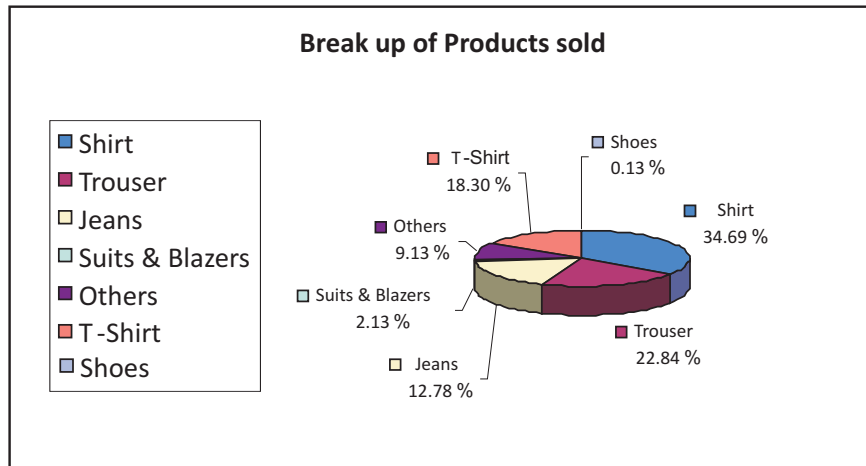
India's retail market is expected to be worth about US\$ 410 billion, with 5 per cent of sales through organised retail, meaning that the opportunity in India remains immense. Retail should continue to grow rapidly—up to US\$ 535 billion in 2013, with 10 per cent coming from organised retail, reflecting a fast-growing middle class, demanding higher quality shopping environments and stronger brands, the report added

Indian Apparel Market

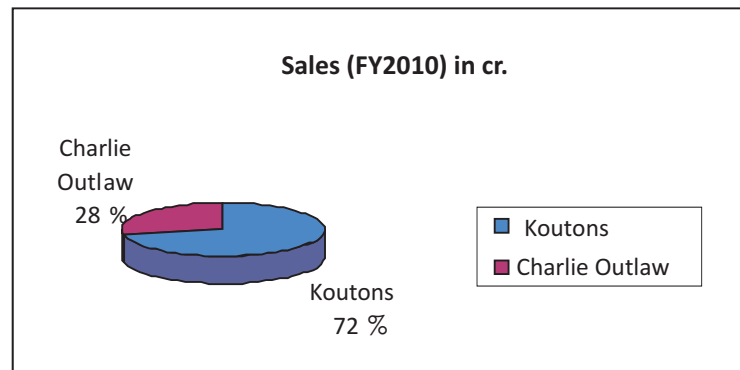
India has emerged as the third most attractive destination for apparel retailers. In India, apparel is the second largest retail category, representing 10 % of the US\$ 37 billion retail market. It is expected to grow at 12-15 % per year. Apparel, along with food and grocery, will lead the organised retailing in India. India has one of the largest numbers of retail outlets in the world. Indian apparel sales are expected to reach an estimated \$25 billion this year, having grown in excess of 10 percent over the past 5 years—a growth rate faster than that of the overall India retail market

Business Overview:

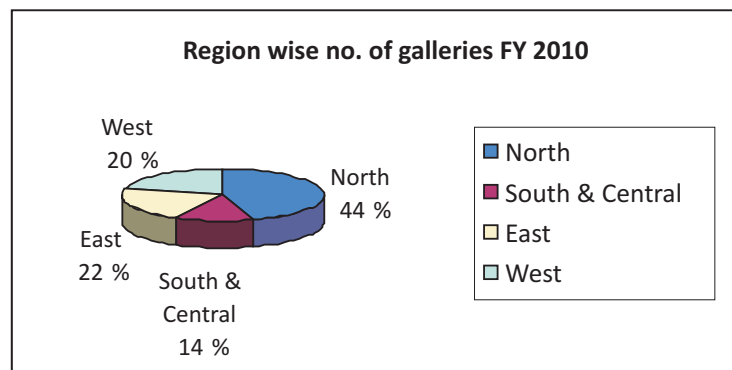
Break up of Products sold in Koutons and Charlie:



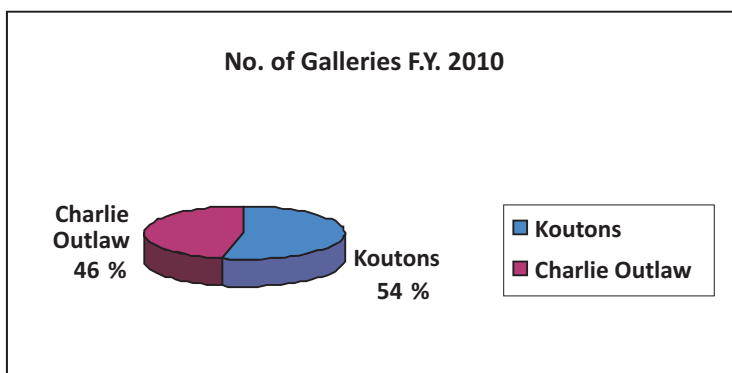
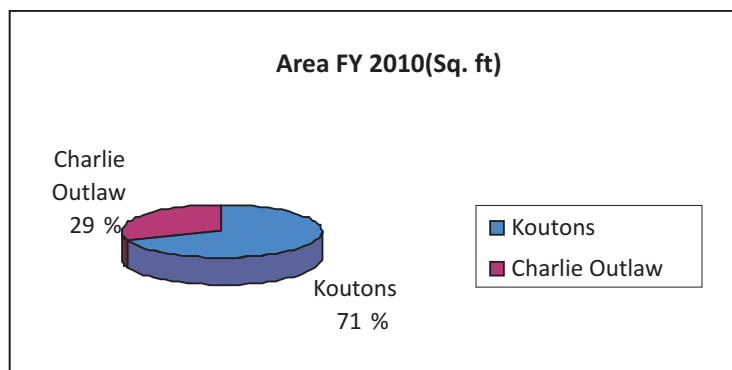
Mix of Koutons and Charlie contribution to Revenue:



Geographical Spread of Outlets :



Break up of Retail Space between Koutons and Charlie Outlaw :



Business Review:

Koutons was born with the forward visionary thought of providing affordable mens wear for masses. Today, better known as Koutons Retail India Ltd., it has two brands Koutons & Charlie Outlaw. Company moved up the value chain from a garment manufacturer to a retailer by launching its first own stores in 2002. With more than 1400 outlets across India, it has a wide range of apparel designs suited for all segments including corporate, formal and casual dressings.

Koutons Retail has extended its brand with the introduction of Les Femme (women wear) and Koutons Junior (kids wear). The collection offers a wide range of formal and casual wear for women and children. Koutons Junior caters to young boys and girls in the age group of 2-14yrs. Les femme on the other hand caters to young women in the age group of 14-34 yrs of age.

Koutons will continue to focus on maintaining and reinforcing the image of its existing exclusive brand outlets and also introduce its apparel to new geographical areas and assessing fashion trends, making fashion forecasts and offering products to match the global fashion movements will keep Koutons at the leadership position for times to come.

As of March 31, 2010, the “Koutons” brand was sold on a total floor area of approx. 969,565 sq. ft. and our “Charlie Outlaw” brand was sold on a total floor area of approx. 386,694 sq. ft.

Financial Overview:

Koutons delivered a growth of 15% in fiscal year 2010. In the last 5 years we have been growing at CAGR of 83.33%. Our ability to penetrate further into Tier II and Tier III cities has resulted in robust results during the year. Total revenue stood at Rs. 1,206.67 crore for the year ended 31st March 2010, as compared to Rs. 1063.1 cr in fiscal year 2009. Profitability of the company during the year was at Rs.81.79 crore, as compared to Rs 79.5 crore in fiscal year 2009, registered a growth of 2.82%. EPS for the fiscal year 2010 was at Rs. 26.77. As of today we have 1307 stores spread in north, south, east and west of the country, out of which we have 250 family stores. So in terms of area we have grown from 12.92 lakh sq. ft. to 13.56 lakh sq. ft.

Financial Highlights:

- For the year FY10 the company reported a 15% net sales growth with the company's Koutons format of stores posting a 15.77% sale growth and Charlie Outlaw format posting a 13.09% sales growth for the year.
- The EBITDA margins declined from 21.46% in FY09 to 19.24% in FY10.
- On YoY basis the net profit margin has decreased from 7.60% in FY09 to 6.80% in FY10 due to increase in interest expenditure.
- The EPS of the company has marginally increased by 2.82% due to marginal growth in the bottom line.

Opportunities:

- Increasing volumes under women's and children's wear
- Further penetration of stores in Tier II and Tier III cities
- Growing pie of footwear business as a percentage of total revenues
- Improved efficiency of working capital management
- Improvement in cost structure would add to operating margins of the company

Risks and Threats:

- Any slow down in consumption pattern of the consumers

Out Look

The Company intends to consolidate its stores as "Family Stores" based on the availability of demand and growing women's wear, children wear and footwear in its overall contribution to sales. The company is seeking to improve its sales and realization per sq. ft of old and new stores with a focus on young generation and tier II and tier III cities. The company is presently working on reducing stock levels by limiting to successful SKUs and also reducing inventory in transit. It has also succeeded in reducing cost of capital of its borrowings.

Internal Control System and Their Adequacies

The Company has adequate internal control procedures commensurate with the size and nature of the business. The internal control system is supplemented by extensive internal audits, regular reviews by the management and well-documented policies and guidelines to ensure reliability of financial and all other records and to prepare financial statements and other

data. Moreover, your Company continuously upgrades these systems in line with the best accounting practices. The Company has independent audit systems to monitor the entire operations and the Audit Committee of the Board reviews the findings and recommendations of the internal auditors.

It is ensured that all assets are safeguarded and protected against any loss from unauthorized use or disposition and that transaction are authorised, recorded and reported correctly, to keep constant check on the cost structures and to prevent revenue leakages. Our internal team and external auditors and periodically reviewed by the management together with the Audit Committee of the Board.

The Company is continuously upgrading its internal control systems by measuring state of controls at various locations. Controls by an ERP system have been strengthened with help of review conducted by Sanjay Abhay & Associates, Internal Auditors

Discussion of Financial Performance with respect to Operational Performance:

The financial statements have been prepared in accordance with the requirements of Companies Act, 1956 and applicable accounting standards issued by the Institute of Chartered Accountants of India. The details of the financial performance of the Company are appearing in the Balance Sheet, Profit & Loss Accounts and other financial statements forming part of this Annual Report. For financial highlights please refer heading 'FINANCIAL RESULTS' of Directors Report.

Material Developments in Human Resources

The Company regards its human resources as amongst its most valuable assets and proactively reviews policies and processes by creating a work environment that encourages initiative, provides challenges and opportunities and recognizes the performance and potential of its employees attracting and retaining the best manpower available by providing high degree of motivation, training and structured compensation was the main thrust of the Human Resources Department this year.

The total number of employees of the Company as on 31st March 2010 stood at 667.

Cautionary Statement

Statement in the Management discussion and Analysis describing Company's objective, projections, estimates, expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic markets in which the Company operates changes in the Government regulations, tax laws, statute and other incidental factors.

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2009-10

(as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

I. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

Koutons Retail India Ltd. adheres to good corporate practices and is constantly striving to make them better and adopt the best practices. It is believed that adherence to business ethics and commitment to corporate social responsibility would help the Company in achieving its goal of maximizing value of all its stakeholders. The company believes that Corporate Governance is not an end in itself but a catalyst in the process towards maximization of shareholder value. The company's philosophy on Corporate Governance enshrines the goal of achieving the highest levels of transparency, accountability and equality in all spheres of its operations and in all its dealings with the shareholders, employees, the Government and other parties. It is the company's belief that good ethics make good business sense and our business practices are in keeping with the spirit of maintaining the highest level of ethical standards.

The Company has always set high targets for growth, profitability, customer satisfaction, safety and environmental performance and continues its commitment to high standards of corporate governance practices.

Independent directors are appointed not merely to fulfill the listing requirements but for their diverse skills, experience and external objectivity that they bring to effectively perform their role to provide strategic direction and guidance and provide constructive support to management by asking the right questions and generating quality debates and discussions on major decisions.

In so far as compliance of Clause 49 of the Listing Agreement with the Stock Exchanges is concerned, the company has complied in all material respects with the requirements of Corporate Governance specified in the Listing Agreement with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

II. BOARD OF DIRECTORS:

(a) Composition of the Board:

The Board of Directors of Koutons Retail India Ltd. have an optimum combination of executive and non executive directors. As on March 31, 2010 the Board of Directors of the company comprises of 12 Directors out of which 8 directors are Non-executive. Mr. DPS Kohli, Chairman-cum-Whole Time Director, Mr. BS Sawhney, Managing Director and Mr. GS Sawhney, Deputy Managing Director, who are executive directors and promoters of the company and Mr. KC Sharma is an executive and whole time director. Besides there are two non-executive/investor directors viz. Mr. Anil K. Khatod, nominee of Argonaut Ventures and Mr. Ajay Mittal, nominee of UTI Investment Advisory Services Ltd. A/c Ascent India Fund. The Board comprises of six non-executive independent directors which accounts for fifty percent of the strength of Board. The non-executive directors are eminent professional with wide range of knowledge and experience in various spheres of business and industry, finance and law. The requisite information as per the requirement of Clause 49 of the Listing Agreement and other relevant details relating to Directors as on March 31, 2010 are given below:

Name of the Director	Director Identification Number (DIN)	Designation	Category of Directorship	** Directorship of other Companies	** Membership/ Chairmanship in Board Committees
Mr. DPS Kohli	00087996	Chairman-cum-Whole Time Director	Promoter & Executive	7	1
Mr. BS Sawhney	00086356	Managing Director	Promoter & Executive	7	0

Mr. GS Sawhney	00076546	Deputy Managing Director	Promoter & Executive	9	1
Mr. KC Sharma	00221437	Whole Time Director	Executive Director	0	0
Mr. Ajay Mittal	00025546	Director	Non Executive Investor Director of UTI Investment Advisory Services Ltd. A/c Ascent India Fund.	14	2
Mr. Anil K. Khatod	01740073	Director	Non Executive Investor Director of Argonaut Ventures	10	0
Mr. Vinod Chander Sinha	01045162	Director	Independent Non Executive	2	#(1)+2
Mr. Grish Chandra Raghubir	00579965	Director	Independent Non Executive	1	2
M. Krishnamurthy Santhanam	01095588	Director	Independent Non Executive	0	#(1)
Dr. Rajiv Grover	01408557	Director	Independent Non Executive	0	0
Mr. GS Bhalla	01350463	Director	Independent Non Executive	0	0
Mr. VK Gupta	00006461	Director	Independent Non Executive	1	2

****** Details of other directorships/committee memberships of all directors are given by way of a separate Annexure. The committee chairmanship/membership of the Directors is restricted to the chairmanship/membership of Audit Committee and Shareholders/Investors Grievance Committee of Public Limited Companies only.

The figures in parenthesis denote the number of Chairmanship(s) of Board Committees.

(b) Number of Board Meetings held and attended by Directors:

The meetings of the Board of Directors are scheduled well in advance. The Board Members are presented in advance with the detailed agenda in respect of all Board meetings. During the year under review five meetings of the Board of Directors were held and the gap between two meetings did not exceed four months. The date on which the Board Meetings were held are as follows dates:-

May 22, 2009, June 30, 2009, July 31, 2009, Oct. 31, 2009, Jan. 28, 2010.

The attendance record of each of the Directors at the Board Meetings during the year ended on March 31, 2010 and of the last Annual General Meeting are as under:-

Name of Directors	No. of Board Meetings (Attended in Person / through Audio-conferencing)	Attendance at the last AGM held on 30.09.2009. Whether Present
Mr. DPS Kohli	5	Yes
Mr. BS Sawhney	5	Yes
Mr. GS Sawhney	5	Yes
Mr. KC Sharma	5	Yes
Mr. Ajay Mittal	5	No
Mr. Anil K. Khatod	4	No
Mr. Vinod Chander Sinha	5	Yes
Mr. Grish Chandra Raghubir	4	No
M. Krishnamurthy Santhanam	2	No
Dr. Rajiv Grover	0	No
Mr. GS Bhalla	3	No
Mr. VK Gupta	4	Yes

(c) Code of Conduct

The Board of Directors of the Company has approved and adopted a Code of Conduct for the members of the Board and Senior Management of the Company. The Code of Conduct is posted on the website of the Company and the members of the Board and senior management have accepted and affirmed the annual compliance of the Code.

(d) Details of shares held in the company as on March 31, 2010

Name of Directors	Number of shares held
Mr. DPS Kohli	44,59,639
Mr. BS Sawhney	44,59,639
Mr. GS Sawhney	44,34,639
Mr. KC Sharma	Nil
Mr. Ajay Mittal	Nil
Mr. Anil K. Khatod	Nil
Mr. Vinod Chander Sinha	Nil
Mr. Grish Chandra Raghubir	Nil
Mr. Krishnamurthy Santhanam	Nil
Dr. Rajiv Grover	Nil
Mr. GS Bhalla	Nil
Mr. VK Gupta	Nil

(e) Relationship between Directors:

None of the Directors of the Company are related to each other except for Mr. BS Sawhney and Mr. GS Sawhney who are brothers and Mr. DPS Kohli who is their brother-in-law.

(f) AUDIT COMMITTEE:

Constitution of Audit Committee: -

The composition of Audit Committee meets the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The Audit Committee was constituted on July 25, 2006, thereafter it was re-constituted on December 15, 2006 and October 31, 2008 respectively in accordance with Clause 49 of the Listing Agreement, consisting of three non-executive and independent director, one being non-executive/Investor and Mr. DPS Kohli, Chairman-cum-Whole Time Director as a permanent invitee. The committee consists of the following:

Name of Members	Position Held
Mr. V.C. Sinha	Chairman
Mr. Ajay Mittal	Member
Mr. Grish Chandra Raghubir	Member
Mr. Virendra Kumar Gupta	Member

Mr. DPS Kohli, Chairman-cum-Whole Time Director is a permanent invitee.

The Secretary of the Company acts as the secretary of the Committee.

All the members of the Audit Committee are financially literate and possess financial/accounting expertise.

Meetings of Audit Committee:-

During the year ended 31st March, 2010 five Audit Committee meetings were held on May 22, 2009, June 30, 2009, July 31, 2009, Oct. 31, 2009 and Jan. 28, 2010. The attendance of each Audit Committee member is given hereunder:-

Name of the Audit Committee Member	No. of meetings held	No. of meetings attended (In person / through Audio Conferencing)
Mr. V.C. Sinha	5	5
Mr. Ajay Mittal	5	5
Mr. Grish Chandra Raghubir	5	4
Mr. Virendra Kumar Gupta	5	5

Attendees:-

Mr. DPS Kohli, Chairman-cum-Whole Time Director is a permanent invitee to the Audit Committee.

The terms of reference of the Audit Committee includes the following:

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:

- Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956, or any statutory modifications or re-enactment thereof (the Act).
- Changes, if any, in accounting policies and practices and reasons for the same.
- Major accounting entries involving estimates based on the exercise of judgment by management.
- Significant adjustments made in the financial statements arising out of audit findings.
- Compliance with listing and other legal requirements relating to financial statements.
- Disclosure of any related party transactions.
- Qualifications in the draft audit report.
- Reviewing, with the management, the quarterly and half yearly financial statements before submission to the Board for approval.
- Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the whistle blower mechanism in case the same is existing.
- Carrying out any other function as is mentioned in the terms of reference of the audit committee.

The Audit Committee has the following powers:

- To investigate any activity within its terms of reference.
- To seek information from any employee.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.
- To make rules and regulations for the conduct of its meeting and business consistent with these terms of reference.

The Audit Committee is also required to review the following information:

- Management discussion and analysis of financial condition and results of operations;
- Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- Management letters / letters of internal control weaknesses issued by the statutory auditors;
- Internal Audit Reports relating to internal control weaknesses; and
- The appointment, removal and terms of remuneration of the chief internal auditor.

INTERNAL AUDITORS

The Company has appointed Sanjay Abhay & Associates as Internal Auditors to review the internal controls system of the Company and to report thereon. The reports of the internal auditors are reviewed by the Audit committee. The audit is based on an Internal Audit plan, which is reviewed each year in consultation with the statutory auditors and the Audit Committee. The planning and conduct of internal audit is oriented towards the review of controls in the management of risks and opportunities in the Company's activities. The Internal Audit process is designed to review the adequacy of internal control checks in the system and covers all significant areas of the Company's operations.

(g) REMUNERATION COMMITTEE:**Composition of committee**

The Remuneration Committee was constituted on July 25, 2006 and reconstituted on Dec, 15, 2006. The Committee consists of three independent directors namely Mr. Grish Chandra Raghubir, Mr. Ajay Mittal, Mr. Anil K. Khatod and Mr. BS Sawhney an executive director. The details are as under:

Name of Members	Position Held
Mr. Grish Chandra Raghubir	Chairman
Mr. Ajay Mittal	Member
Mr. BS Sawhney	Member
Mr. Anil K. Khatod	Member

The Secretary of the Company acts as the secretary of the Committee.

The terms of reference of Remuneration Committee includes:

- Decision on any change in remuneration and terms and conditions of employment of whole time directors and senior key personnel of the Company drawing an annual salary of 1.5 million and above.
- Post facto approval of any change in the employment and compensation of key employees decided by the whole time director.

The remuneration committee is also required to undertake the following:

- Recommend the remuneration for non-executive Directors to the members, if any.
- Determine the terms of any compensation package in the event of early termination of the contract of any executive Director.
- Where necessary for fulfilling its duties, to obtain any outside legal or other professional advice.
- Delegate any of its powers to one or more of its members.

Meetings of Remuneration Committee:-

During the year ended 31st March, 2010 Remuneration Committee meeting was not held.

Detail of sitting fees entitlement and remuneration paid to the Directors for the year ended March 31, 2010 are furnished as under:

Name of the Director	Sitting Fees	Salary	Perquisites	Total	No. of Shares held as on 31.03.10
Mr. DPS Kohli	NIL	13440000	10473600	23913600	44,59,639
Mr. BS Sawhney	NIL	13440000	10302600	23742600	44,59,639
Mr. GS Sawhney	NIL	13440000	10373600	23813600	44,34,639
Mr. KC Sharma	NIL	160800	160200	321000	NIL
Mr. Ajay Mittal	NIL	NIL	NIL	NIL	NIL
Mr. Anil K. Khatod	NIL	NIL	NIL	NIL	NIL
Mr. Vinod Chander Sinha	50000	NIL	NIL	50000	NIL
Mr. Grish Chandra Raghubir	50000	NIL	NIL	50000	NIL
Mr. Krishnamurthy Santhanam	35000	NIL	NIL	35000	NIL
Dr. Rajiv Grover	NIL	NIL	NIL	NIL	NIL
Mr. GS Bhalla	15000	NIL	NIL	15000	NIL
Mr. VK Gupta	40000	NIL	NIL	40000	NIL

Notes:

1. The Company does not have any Stock Option Scheme or performance-linked incentives for the Directors.
2. The appointment of all the directors are made at the Board Meetings and approved at General Meetings, where required. There is no provision for notice period and severance fees for the directors.

Remuneration Policy of the company

Remuneration Policy for Executive Directors

The Board of directors of the company presently comprises of four executive directors namely Mr. DPS Kohli, Chairman-cum-Whole-Time-Director, Mr. BS Sawhney, Managing Director, Mr. GS Sawhney, Deputy Managing Director and Mr. KC Sharma, Whole-Time-Director.

The remuneration of the executive directors is governed by the Articles of Association of the company, the resolution of the Board of Directors and the members. The details of the remuneration paid to the executive directors have been given aforesaid.

Revisions, if any in the remuneration of the executive directors are deliberated by the Remuneration Committee of the board. Based on the recommendation of the Remuneration Committee, the board decides on the revision subject to the shareholders approval.

Remuneration Policy for Non Executive Directors

Non Executive Directors of a company's Board of Directors can add substantial value to the company through their contribution to the Management of the company. In addition, they can safeguard the interest of the

investors at large by playing an appropriate control role. Non executive directors bring in their long experience and expertise and add substantial value to the deliberations of the Board and its Committee.

Apart from receiving sitting fees for attending the Board/Committee meetings the non executive directors have no other pecuniary relationship or transaction with the company. The sitting fees paid to the non executive directors is within the statutory limits prescribed under the Companies Act, 1956 for payment of sitting fees without the approval of the Central Government.

V SHAREHOLDER AND INVESTORS GRIEVANCE COMMITTEE

Composition of Committee:

The Shareholders and Investors Grievance Committee has been constituted on July 25, 2006 to look into investors' complaints/queries.

Name of Member	Position Held
Mr. Krishnamurthy Santhanam	Chairman
Mr. GS Sawhney	Member
Mr. Grish Chandra Raghubir	Member

The terms of reference of Shareholders and Investors Grievance Committee are to specifically look into the redressal of shareholders and investors complaints like non receipt of refund warrants, non-credit of shares in Demat Account, non-receipt of balance sheet, non-receipt of declared dividends etc., Review of all matters connected with the transfer of securities of the Company, Review of performance of the registrars and transfer agents of the Company, Review of the measures recommended for overall improvement in the quality of investor services etc.. The Committee also monitors implementation and compliance of the Company's Code of Conduct for Prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992.

During the year ended 31st March, 2010, four Shareholders and Investors Grievance Committee meetings were held on June 30, 2009, July 30, 2009, Oct, 30, 2009 and Jan. 28, 2010 respectively. The attendance of members is given hereunder:-

Name of Member of Shareholders and Investors Grievance Committee	No. of meetings held	No. of meetings attended (In person / through Audio-Conferencing)
Mr. Krishnamurthy Santhanam	4	4
Mr. GS Sawhney	4	4
Mr. Grish Chandra Raghubir	4	3

Status report of Investors complaints for the year ended March 31, 2010

No. of complaints received	-	44
No. of complaints resolved/attended	-	44
No. of complaints pending	-	NIL

Mr. Ajay Mahajan, Chief Financial Officer is the Compliance Officer of the Company.

VI MISCELLANEOUS COMMITTEE:

Besides the Committees mentioned above another committee known as the Miscellaneous Committee has been constituted on July 25, 2006 to look after day to day operations of the Company such as leasing premises for opening exclusive outlets, approving short term loans, execution of legal documents, etc..

Composition of Committee:

Name of Member	Position Held
Mr. DPS Kohli	Chairman
Mr. BS Sawhney	Member
Mr. GS Sawhney	Member
Mr. VC Sinha	Member
Mr. KC Sharma	Member

VII. GENERAL BODY MEETINGS:

Location, time and date where the three immediately preceding Annual General Meetings of the company were held are given below:

Financial Year	Day & Date	Time	Venue	Any Special Resolutions Passed
2006-07	Thursday, August 16, 2007	10:30 A.M	T-60/1, DCM School Road, New Rohtak Road, Karol Bagh, New Delhi – 110005	Yes
2007-08	Tuesday, September 30, 2008	09:30 A.M	Hotel Vista Delhi, 162, M.G. Road, New Delhi - 110030	No
2008-09	Wednesday, September 30, 2009	09:30 A.M	Hotel Vista Delhi, 162, M.G. Road, New Delhi - 110030	Yes

The Company was not eligible to pass any resolution by Postal Ballot during 2006-07 and there was no resolution/s passed through Postal Ballot in the last Annual General Meeting of the Company held on September 30, 2009. At the ensuing AGM, also there is no resolution proposed to be passed through Postal Ballot.

VIII. DISCLOSURES:

- During the Financial Year 2009-10, there were no transactions of material nature with the directors or the management or their subsidiaries or relatives that had potential conflict with the interest of the Company. Further, details of related party transactions are presented at point No. 17 of Notes to Accounts of the Annual Report.
- The Company has complied with the requirements of the Stock Exchanges/SEBI /and other Statutory Authorities on all matters related to Capital Markets since the date of Listing. No penalties or stricture have been imposed on the Company by the Stock Exchange or SEBI or any Statutory Authorities.
- The Company has not adopted any Whistle Blower Policy. However, no personnel have been denied access to the Audit Committee.

- The Company has complied with mandatory requirements and has constituted a Remuneration Committee from the non-mandatory requirements.

IX. MEANS OF COMMUNICATION:

- The unaudited quarterly financial results are announced within 45 days of the end of the quarter as stipulated under Clause 41 of the Listing Agreement. The aforesaid financial results after being reviewed by the Audit Committee and approved by the Board of Directors are communicated to the concerned Stock Exchanges by way of hard as well as soft copy.
- The said results are normally published within 48 hours in one English National daily and one Hindi daily circulated in Delhi, being the place where registered office of the Company is situated. The Newspapers in which the results are generally published are "The Financial Express" and /or "Business Standard" and/or "Jansatta".
- The Company's website www.koutonsparivar.com contains a separate dedicated section "investor relations" where shareholders information is available. Full Annual Reports are also available on the website in a user-friendly and downloadable form.
- The Annual Report of the Company containing, inter alia, Directors' Report, Auditors' Report, Audited Annual accounts and other important information is circulated to members and others entitled thereto. The Management's Discussion and Analysis Report forms part of the Annual Report.
- The Corporate Filing and Dissemination System (CFDS) portal jointly owned, managed and maintained by BSE and NSE is a single source to view information filed by Listed Companies.
- The Company has designated the following E-mail ID exclusively for investor servicing:
ipo2007@koutons.com

X. GENERAL SHAREHOLDERS' INFORMATION :

- a) **Annual General Meeting** : Date, time and Venue
16th Annual General Meeting
- Date : September 30, 2010
- Time : 9.30 A.M.
- Venue : Hotel Vista Delhi, 162, M.G. Road, New Delhi-110030
- b) **Financial Year** : April 1, 2009 to March 31, 2010
- c) **Date of Book Closure** : September 24, 2010 to 30 September, 2010 (both days inclusive), for the purpose of 16th Annual General Meeting
- d) **Listing on Stock Exchanges:**

The Equity Shares of the company got listed on 12th October, 2007 and continued to be listed at the following Stock Exchanges: -

Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001.

National Stock Exchange of India Ltd., Exchange Plaza, Bandra-Kurla Complex Bandra (E), Mumbai – 400051.

Note:

Listing fees for the financial year 2010-11 has been paid to both the stock exchanges i.e. Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd.

e) Stock Code/Symbol:

The Stock Exchange, Mumbai : 532901
 The National Stock Exchange : KOUTONS
 ISIN No. : INE406I01014

f) Market Price Data:

The monthly high & low quotations of the company's shares traded on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited during the financial year 2009-2010 in comparison to broad based indices are as under:

g) KOUTONS vs. SENSEX

Months	KOUTONS at BSE		SENSEX	
	High	Low	High	Low
April 2009	485.00	432.00	11492.10	9546.29
May 2009	464.00	406.50	14930.54	11621.30
June 2009	452.00	400.00	15600.30	14016.95
July 2009	440.00	382.40	15732.81	13219.99
August 2009	418.90	326.55	16002.46	14684.45
September 2009	378.00	324.10	17142.52	15536.72
October 2009	392.00	328.80	17493.17	15805.20
November 2009	372.40	332.00	17290.48	15330.56
December 2009	383.90	324.10	17530.94	16577.78
January 2010	430.95	293.00	17790.33	15982.08
February 2010	451.00	305.50	16669.25	15651.99
March 2010	384.50	276.40	17793.01	16438.45

ii) KOUTONS vs. NIFTY

Months	KOUTONS at NSE		NIFTY	
	High	Low	High	Low
April 2009	509.00	413.15	3517.25	2965.70
May 2009	466.85	404.00	4509.40	3537.60
June 2009	451.00	362.65	4693.20	4143.25
July 2009	463.40	382.65	4669.75	3918.75
August 2009	424.60	308.00	4743.75	4359.40
September 2009	378.90	320.00	5087.60	4581.05
October 2009	391.90	328.50	5181.95	4738.40
November 2009	372.00	330.10	5138.00	4565.00
December 2009	382.10	324.15	5221.85	4953.35
January 2010	432.00	340.10	5310.85	4766.00
February 2010	450.00	305.00	4992.00	4712.75
March 2010	400.00	334.40	5329.55	4935.35

h) Registrar & Share Transfer Agents:

Karvy Computershare Private Limited

Plot No. 17 to 24, Vithalrao Nagar,

Madhapur, Hyderabad – 500 081

Tel: + 91 – 4 0 – 23420815 – 824

Fax: + 91 – 4 0 – 23420814

Email: einward.ris@karvy.com

Website: www.karvy.com

Contact Person: Mr. SV Raju

i) Share Transfer System :

The Company's Shares are traded compulsorily in demat mode. Shares in physical mode which are lodged for transfer, if any, are processed and returned to the shareholders within 15-20 days from the date of receipt, subject to the documents being valid and complete in all respects.

The Company obtains half-yearly Certificate of Compliance in respect of the Share Transfer formalities from M/s Sanjay Grover & Associates, practicing company secretaries, as required under clause 47C of the Listing Agreement executed with the Stock Exchanges and files a copy of the same with the Stock Exchanges.

j) Distribution Pattern of shareholding as on March 31, 2010 :

Sr. No	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in de materialized form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					% of shares (A+B)	% of shares (A+B+C)	Number of shares	% No. of shares
(A)	Shareholding of Promoter and Promoter Group							
(1)	Indian							
(a)	Individuals/ Hindu Undivided Family	46	19891798	19890298	65.11	65.11	9011675	45.3
(b)	Central Government/ State Government(s)	0	0	0	0.00	0.00	0	0
(c)	Bodies Corporate	0	0	0	0.00	0.00	0	0
(d)	Financial Institutions/ Banks	0	0	0	0.00	0.00	0	0
(e)	Any Other (specify)	0	0	0	0	0	0	0
	Sub-Total (A)(1)	46	19891798	19890298	65.11	65.11	9011675	45.30
(2)	Foreign							
(a)	Individuals (Non- Resident Individuals/ Foreign Individuals)	0	0	0	0.00	0.00	0	0
(b)	Bodies Corporate	0	0	0	0.00	0.00	0	0
(c)	Institutions	0	0	0	0.00	0.00	0	0
(d)	Any Other (specify)	0	0	0	0.00	0.00	0	0
	Sub-Total (A)(2)	0	0	0	0.00	0.00	0	0
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	46	19891798	19890298	65.11	65.11	9011675	45.30

(B) Public shareholding							
(1) Institutions							
(a) Mutual Funds/ UTI	4	122700	122700	0.40	0.40	NA	NA
(b) Financial Institutions/ Banks	3	372166	372166	1.22	1.22	NA	NA
(c) Central Government/ State Government(s)	0	0	0	0.00	0.00	NA	NA
(d) Venture Capital Funds	1	2557500	2557500	8.37	8.37	NA	NA
(e) Insurance Companies	0	0	0	0.00	0.00	NA	NA
(f) Foreign Institutional Investors	15	4417167	4417167	14.46	14.46	NA	NA
(g) Foreign Venture Capital Investors	0	0	0	0.00	0.00	NA	NA
(h) Any Other (specify)	0	0	0	0	0	0	0
Sub-Total (B)(1)	23	7469533	7469533	24.45	24.45	NA	NA
(2) Non-institutions							
(a) Bodies Corporate	345	1993042	1993042	6.52	6.52	NA	NA
(b) Individuals							
(i) Individual shareholders holding nominal share capital up to Rs. 1 lakh	14183	656869	650835	2.15	2.15	NA	NA
(ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	6	390083	390083	1.28	1.28	NA	NA
(c) Any Other (specify)							
Trusts	1	15	15	0.00	0.00	NA	NA
Huf	515	20432	20432	0.07	0.07	NA	NA
Clearing Members	81	71302	71302	0.23	0.23	NA	NA
Non-Resident Indians	327	58323	58323	0.19	0.19	NA	NA
Sub-Total(B)(2)	15458	3190066	3184032	10.44	10.44	NA	NA
Total Public Shareholding (B)= (B)(1)+(B)(2)	15481	10659599	10653565	34.89	34.89	NA	NA
TOTAL(A)+(B)	15527	30551397	30543863	100.00	100.00	9011675	29.50
(C) Shares held by Custodians and against which Depository Receipts have been issued	0	0	0	0.00	0.00	NA	NA
GRAND TOTAL (A)+(B)+(C)	15527	30551397	30543863	100.00	100.00	9011675	29.50

k) Dematerialisation of equity shares:

The shares of the company are compulsorily traded in dematerialised form and are available for trading under both the Depository Systems – NSDL (National Securities Depository Limited) and CDSL (Central Depository Services (India) Limited). Equity Shares of the Company representing 99.975% were in dematerialised form as on March 31, 2010.

l) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on Equity:

The Company has not issued any GDRs/Warrants or any other instrument which is convertible into Equity Shares of the Company.

m) Manufacturing Units and Warehouses of the company:

Manufacturing Units

Sl. No.	Location
1	126-127, Udyog Vihar, Phase-VI, Sector-37, Gurgaon (Haryana)
2	131-132, Udyog Vihar, Phase-VI, Sector-37, Gurgaon (Haryana)
3	274-275, Udyog Vihar, Phase-VI, Sector-37, Gurgaon (Haryana)
4	301, Udyog Vihar, Phase-VI, Sector-37, Gurgaon (Haryana)
5	122-123, Udyog Vihar, Phase-VI, Sector-37, Gurgaon (Haryana)
6	535, Udyog Vihar, Phase-VI, Sector-37, Gurgaon (Haryana)
7	343, Udyog Vihar, Phase-VI, Sector-37, Gurgaon (Haryana)
8	38-39, Sector-34, Gurgaon (Haryana)
9	424, Udyog Vihar, Phase-VI, Sector-37, Gurgaon
10	161, Sector-5, IMT Maneser, Gurgaon (Haryana)
11	18, Sector-6, IMT Maneser, Gurgaon (Haryana)
12	30, Sector-5, IMT Maneser, Gurgaon (Haryana)
13	27, Sector-5, IMT Maneser, Gurgaon (Haryana)

Warehouse

14	135-136, Udyog Vihar, Phase-VI, Sector-37, Gurgaon (Haryana)
15	95A, Udyog Vihar, Phase-VI, Sector-37, Gurgaon (Haryana)
16	23, Sector-7, Imt Maneser, Gurgaon (Haryana)
17	267, Sector-6, Imt Maneser, Gurgaon (Haryana)
18	268, Sector-6, IMT Maneser, Gurgaon (Haryana)
19	269, Sector-6, IMT Maneser, Gurgaon (Haryana)
20	175, Sector-4, IMT Maneser, Gurgaon (Haryana)
21	160, Sector-4, IMT Maneser, Gurgaon (Haryana)
22	155, Sector-4, IMT Maneser, Gurgaon (Haryana)
23	28, Sector-5, IMT Maneser, Gurgaon (Haryana)
24	17, Sector-4, IMT Maneser, Gurgaon (Haryana)
25	93, Sector-5, IMT Maneser, Gurgaon (Haryana)

n) Address for investor Correspondence:

Shareholders related queries

Karvy Computershare Private Limited

Plot No. 17 to 24, Vithalrao Nagar,

Madhapur,

Hyderabad – 500 081

Tel: + 91 – 4 0 – 23420815 – 824

Fax: + 91 – 4 0 – 23420814

Email: einward.ris@karvy.com

Website: www.karvy.com

o) Investors grievance redressal and any query on Annual Report:

Secretarial Department,
 Koutons Retail India Limited,
 274-275, Phase VI, Sector 37,
 Gurgaon, Haryana-122002.
 Tel: +91-124-4139300
 Fax: +91-124-4139399
 E-mail: ipo2007@koutons.com

p) Insider Trading:

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended, the Company has adopted a code of conduct for prohibition of Insider Trading. The Code is applicable to all Directors and such designated employees who are expected to have access to unpublished price sensitive information relating to the Company.

XI) SUBSIDIARY COMPANIES :

The revised Clause 49 defines a 'material non-listed Indian subsidiary' as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserve) exceed 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiary in the immediately preceding accounting year.

We do not have any material non-listed Indian subsidiaries.

XII) CERTIFICATE ON CORPORATE GOVERNANCE:

As required by Clause 49 of the Listing Agreement, a certificate issued by M/s Sanjay Grover & Associates, Company Secretaries, regarding compliance with Corporate Governance Norms is given as an Annexure to this Report.

ANNEXURE TO CORPORATE GOVERNANCE REPORT

DETAIL OF OTHER DIRECTORSHIPS/COMMITTEE MEMBERSHIPS OF ALL DIRECTORS

[1] BODIES CORPORATE OF WHICH MR. DPS KOHLI IS A DIRECTOR

Name of the Company	Board Position held
Klone Infrastructure Pvt. Ltd.	Director
DBG Retail Holdings Ltd.	Director
Gartex Concept Clothings Ltd.	Director
Venezia Leathers Ltd.	Director
JEG Hospitality Holdings Pvt. Ltd.	Director
S R Resort Pvt. Ltd.	Director
Vian Hospitality Pvt. Ltd.	Director

COMMITTEE MEMBERSHIP

Name of the Company	Name of the Committee	Position Held
Koutons Retail India Ltd.	Audit Committee	Permanent Invitee

[2] BODIES CORPORATE OF WHICH MR. BS SAWHNEY IS A DIRECTOR

Name of the Company	Board Position held
Klone Infrastructure Pvt. Ltd.	Director
DBG Retail Holdings Ltd.	Director
Gartex Concept Clothings Ltd.	Director
Venezia Leathers Ltd.	Director
JEG Hospitality Holdings Pvt. Ltd.	Director
S R Resort Pvt. Ltd.	Director
Vian Hospitality Pvt. Ltd.	Director

[3] BODIES CORPORATE OF WHICH MR. GS SAWHNEY IS A DIRECTOR

Name of the Company	Board Position held
K & S Knitwears Pvt. Ltd.	Director
Klone Infrastructure Pvt. Ltd.	Director
Klone Avinash Infrastructure Pvt. Ltd.	Director
DBG Retail Holdings Ltd.	Director
Gartex Concept Clothings Ltd.	Director
Venezia Leathers Ltd.	Director
JEG Hospitality Holdings Pvt. Ltd.	Director
S R Resort Pvt. Ltd.	Director
Vian Hospitality Pvt. Ltd.	Director

COMMITTEE MEMBERSHIP

Name of the Company	Name of the Committee	Position Held
Koutons Retail India Ltd.	Shareholders/Investors Grievance Committee	Member

[4] BODIES CORPORATE OF WHICH MR. AJAY MITTAL IS A DIRECTOR

Name of the Company	Board Position held
Semantic Space Technologies Ltd.	Director
Laqshya Media Pvt. Ltd.	Director
Laqshya Digital Media Pvt. Ltd.	Director
Laqshya Hyderabad Airport Media Pvt. Ltd.	Director
Laqshya Airport Media Pvt. Ltd.	Director
Right Angle Media FZ LLC	Director
Laqshya Media International (Mauritius)	Director
Vertigo Lanka Pvt. Ltd.	Director
Gulf Media Holding	Director
Arsin Corporation	Director
JYCC Inc.	Director
Altius Capital India Pvt. Ltd.	Director
Airport Media Holding (Mauritius)	Director
Primus Retail Private Limited	Director

COMMITTEE MEMBERSHIP

Name of the Company	Name of the Committee	Position Held
Koutons Retail India Ltd.	Audit Committee	Member
Semantic Space Technologies Limited	Audit Committee	Member

[5] BODIES CORPORATE OF WHICH MR. ANIL K. KHATOD IS A DIRECTOR

Name of the Company	Board Position held
Omni Guide Inc.	Director
Venture East Proactive Fund	Director
Siklu Networks	Director
ZikBit Systems	Director
Achronix Inc.	Director
Vallabhdas Kanji Limited	Director
Argonaut India	Director
Memjet Technologies	Director
Vandini Limited	Director
Delo Finance Limited	Director
Monaxis Limited	Director
Sodep Limited	Director
Elberino Limited	Director
Zamtec Limited	Director
Hanrick Limited	Director
Hedblom Limited	Director
Kamath Limited	Director
Levon Limited	Director
Milron Limited	Director
Verifor Limited	Director

COMMITTEE MEMBERSHIP

Name of the Company	Name of the Committee	Position Held
Omni Guide Inc.	Audit Committee	Chairman
Siklu Networks	Audit Committee	Member
ZikBit Systems	Audit Committee	Member
Vallabhdas Kanji Limited	Audit Committee	Member
Memjet Technologies	Audit Committee	Member

[6] BODIES CORPORATE OF WHICH MR. VINOD CHANDER SINHA IS A DIRECTOR

Name of the Company	Board Position held
Sapan Metal Pvt. Ltd.	Director
Tulip Telecom Limited	Director

COMMITTEE MEMBERSHIP

Name of the Company	Name of the Committee	Position Held
Koutons Retail India Ltd.	Audit Committee	Chairman
Tulip Telecom Limited	Audit Committee	Member
Tulip Telecom Limited	Shareholders/Investors Grievance Committee	Member

[7] BODIES CORPORATE OF WHICH MR. GRISH CHNADRA RAGHUBIR IS A DIRECTOR

Name of the Company	Board Position held
Sanshadow Consultants Pvt. Ltd.	Director

COMMITTEE MEMBERSHIP

Name of the Company	Name of the Committee	Position Held
Koutons Retail India Ltd.	Audit Committee	Member
Koutons Retail India Ltd.	Shareholders/Investors Grievance Committee	Member

[8] BODIES CORPORATE OF WHICH MR. V.K. GUPTA IS A DIRECTOR

Name of the Company	Board Position held
Cenlub Industries Limited	Whole Time Director

COMMITTEE MEMBERSHIP

Name of the Company	Name of the Committee	Position Held
Koutons Retail India Ltd.	Audit Committee	Member
Cenlub Industries Limited	Shareholders/Investors Grievance Committee	Member

[9] COMMITTEE MEMBERSHIP OF MR. KRISHNAMURTHY SANTHANAM

Name of the Company	Name of the Committee	Position Held
Koutons Retail India Ltd.	Shareholders/Investors Grievance Committee	Chairman

CERTIFICATION BY MANAGING DIRECTOR AND CFO FOR FINANCIAL YEAR 2009-10

To the Board of Directors
Koutons Retail India Limited,

We, the undersigned, in our respective capacities as Managing Director and Chief Financial Officer of Koutons Retail India Limited ("the company") to the best of our knowledge and belief certify that:

- a) We have reviewed the financial statements and the cash flow statement for the financial year 2009-2010 and that to the best of our knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year, which are fraudulent, illegal, or violative of the company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the auditors and the Audit committee, wherever applicable, the following:
 - i) significant changes in internal control over financial reporting during the year;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

Place: Gurgaon

Date: 20th August, 2010

(BHUPINDER SINGH)
Managing Director

(AJAY MAHAJAN)
Chief Financial Officer

CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
Koutons Retail India Limited,
New Delhi

We have examined the compliance of the conditions of Corporate Governance by Koutons Retail India Limited, for the financial year ended on March 31, 2010, as stipulated in Clause 49 of the Listing Agreements of the said Company with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanations furnished to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreements.

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 **Sanjay Grover & Associates**
Company Secretaries

Sanjay Grover
M.No. 4223

Place: New Delhi
Date : 20th August, 2010

COMPLIANCE WITH CODE OF CONDUCT

I, Bhupinder Singh, Managing Director of the Company hereby certify that the Company has adopted a Code of Conduct for all Board Members and senior Management Personnel of the Company and a copy of Code of Conduct as adopted is available on the Company's website. I further confirm that all the Directors and the Senior Management Personnel have affirmed their compliance with the Code of Conduct of the Company for the year ended 31st March, 2010.

Place: Gurgaon
Date : 20th August, 2010

BHUPINDER SINGH
Managing Director

R. CHADHA & ASSOCIATES
CHARTERED ACCOUNTANTS

A-43, NARAINA INDUSTRIAL AREA
NEW DELHI - 110028
Ph.: (O) 47549596, 41418180
(R) 25596553
E-mail: rchadhaca@yahoo.com

AUDITOR'S REPORT

The Members,
KOUTONS RETAIL INDIA LTD.
New Delhi.

We have audited the attached Balance Sheet of KOUTONS RETAIL INDIA LTD. as at 31st March 2010, the Profit & Loss Account and the Cash Flow Statement of the company for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors Report) Order 2003 as amended by the Companies (Auditors Report) (Amendment) order 2004 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act 1956, and on the basis of such checks as we considered appropriate and according to information & explanations given to us, we annexed hereto a statement on the matters specified in paragraph 4 & 5 of the said order.

Further to our comments in the annexure referred to in paragraph 3 above, we report that:

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books of account of the company;
- (c) The Balance Sheet, Profit & loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the company.

- (d) In our opinion, the Balance Sheet, Profit & Loss Account and the Cash Flow Statement complies with the mandatory Accounting Standards referred to in section 211 (3C) of the Companies Act, 1956.
- (e) On the basis of the representation received from the directors of the Company as on 31st March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director of the company in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (i) in the case of the Balance Sheet, of the state of affairs of the company as at 31st march, 2010;
- (ii) in the case of the Profit & Loss Account, of the Profit of the company for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the Cash Flow of the Company for the year ended on that date.

For R .Chadha & Associates
Chartered Accountants

Place: - New Delhi
Date: - 04/09/2010

Rakesh Chadha
(Partner)
M.No. 83135

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF KOUTONS RETAIL INDIA LTD. ON THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2010.

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that:-

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals, in a phased verification programme, 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 physical verification;
- (c) The Company has not disposed off a substantial part of its fixed assets during the year.
- ii. (a) As explained to us, inventories have been physically verified during the year by the management at reasonable intervals;
- (b) The procedures explained to us, which are followed by the management for physical verification of inventories, are, in our opinion, reasonable and adequate in relation to the size of the company and the nature of its business;
- (c) On the basis of our examination of the inventory records of the Company, we are of the opinion that, the company is maintaining proper records of its inventory. We are informed that there were no material discrepancies on physical verification as compared to books.
- iii. (a) According to the information and explanations given to us, the Company has granted loan to one party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount due during the year was Rs.100.62 lacs and the year-end balance was Rs. Nil.
- (b) The said loan is interest free. Other terms and conditions on which the loans have been given are prima facie, not prejudicial to the interest of the company;
- (c) In view of our comments in para (iii) (a) and (b) above, clauses 4 (iii) (c) and (d) of the said Order are not applicable.
- (d) The company has taken loan from one party covered in the register maintained under section 301 of the Companies Act, 1956 on call basis. The maximum amount outstanding during the year was Rs.2048.39 lacs and the year-end balance was Rs. 15.39 lacs;
- (e) The said loan is interest free. Other terms and conditions on which the loans have been taken are prima facie, not prejudicial to the interest of the company;
- (f) In view of our comments in para (iii) (d) and (e) above, clause 4 (iii) (g) of the said Order is not applicable.

- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of goods. During the course of our audit, we have not observed any major weakness in internal control.
- v. (a) The particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained in that section.
(b) The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The Company has not accepted any deposits from the public, hence the directives issued by the Reserve Bank of India and the provisions of Section 58A & 58AA of the Companies Act, 1956 are not applicable.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. The Central Government has not prescribed for maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for the Company.
- ix. (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, custom duty, cess and other material statutory dues applicable to it. The following statutory dues were in arrears as at March 31, 2010 for a period of more than six months from the date they became payable. (Refer Exhibit No. "A")
(b) According to the information and explanations given to us, particulars of outstanding dues of sales-tax, income-tax, custom duty and cess not deposited on account of any dispute are given. (Refer Exhibit No. "B")
- x. The company has no accumulated loss at the end of the financial year and it has not incurred cash loss in the current and immediately preceding financial year.
- xi. The company has defaulted in repayment of dues to some Banks and to debenture holders. The details of such defaults are as per Exhibit No. "C".
- xii. As explained to us, the company has not granted loan & advance on the basis of security by way of pledge of shares, debentures & other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4 (xiii) of the Order, are not applicable to the Company.
- Xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order, are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any Corporate Guarantee for loans taken by others from financial institution.

- xvi. In our opinion and according to the information & explanation given to us, the term loans were applied for the purpose for which the loans were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that, prima facie short term funds have not been used for long term investment.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. According to the information and explanations given to us the Company has not issued any debenture during the year. Therefore, the provision of clause 4 (xix) of the order, are not applicable to the company.
- xx. According to the information and explanations given to us, the Company has not raised money by way of public issue during the year.
- xxi. According to the information and explanations given to us and to the best of our knowledge and belief, no fraud on or by the company, has been noticed or reported by the company during the year.

For R.Chadha & Associates
Chartered Accountants

Place: - New Delhi
Date: - 04/09/2010

Rakesh Chadha
(Partner)
M.No. 83135

BALANCE SHEET AS AT 31 MARCH, 2010
Rs. in Lacs

	SCHEDULE	AS AT 31/03/2010	AS AT 31/03/2009
SOURCES OF FUNDS:			
SHAREHOLDERS' FUNDS			
SHARE CAPITAL	01	3,055.14	3,055.14
RESERVES & SURPLUS	02	47,417.01	39,464.45
LOAN FUNDS			
SECURED LOANS	03	52,617.96	52,002.25
UNSECURED LOANS	04	13,371.77	10,290.80
Deferred tax liabilities		202.79	245.73
		116,664.68	105,058.37
APPLICATION OF FUNDS:			
FIXED ASSETS			
GROSS BLOCK	05	15,399.10	14,506.10
LESS: ACCUMULATED DEPRECIATION		4,777.47	3,134.09
NET BLOCK		10,621.63	11,372.01
CAPITAL WORK-IN-PROGRESS		5,434.58	1,053.32
INVESTMENTS	06	197.16	202.36
CURRENT ASSETS, LOANS & ADVANCES			
INVENTORIES	07	68,003.33	74,775.79
SUNDRY DEBTORS	08	14,878.85	6,623.19
CASH & BANK BALANCES	09	3,705.33	3,528.35
LOANS & ADVANCES	10	33,859.16	24,094.74
		120,446.67	109,022.07
LESS: CURRENT LIABILITIES & PROVISIONS			
CURRENT LIABILITIES & PROVISIONS	11	20,314.53	16,949.29
NET CURRENT ASSETS		100,132.14	92,072.78
MISCELLANEOUS EXPENDITURE	12	279.16	357.90
(To the extent not written off or adjusted)			
		116,664.68	105,058.37
Significant Accounting Policies and Notes on Accounts	21		
Schedules referred to above form an integral part of the accounts			

As per our attached report of even date
 For **R.CHADHA & ASSOCIATES**
 Chartered Accountants

On Behalf of the Board of Directors

RAKESH CHADHA
 Partner
 No. 83135

D.P.S. KOHLI
 Chairman-Cum-Whole Time Director

BHUPINDER SINGH SAWHNEY
 Managing Director

Place: New Delhi
 Date: 04/09/2010

POONAM CHAHAL
 Company Secretary

AJAY MAHAJAN
 Chief Financial Officer

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH, 2010

Rs. in Lacs

	SCHEDULE	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
INCOME			
SALES - DOMESTIC		120,376.31	104,668.42
MISC. INCOME	13	290.94	1,645.06
INCREASE/(DECREASE) IN STOCK	14	(6,436.87)	19,655.25
		114,230.38	125,968.73
EXPENDITURE			
RAW MATERIAL CONSUMED	15	21,855.44	22,204.61
PURCHASE (FINISHED GOODS)		19,037.67	28,631.89
MANUFACTURING EXPENSES	16	20,569.59	24,177.83
PAYMENT TO & PROVISION FOR EMPLOYEES	17	1,377.41	1,490.01
ADMINISTRATIVE & GENERAL EXPENSES	18	1,788.33	1,708.87
SELLING EXPENSES	19	26,440.76	25,289.27
INTEREST & FINANCIAL CHARGES	20	9,065.98	8,853.37
DEPRECIATION		1,643.38	1,530.04
		101,778.55	113,885.89
PROFIT/(LOSS) FOR THE YEAR		12,451.83	12,082.84
INCOME TAX PROVISION (CURRENT PERIOD)		4,313.81	4,040.96
FBT PROVISION (CURRENT PERIOD)		0.00	38.19
WEALTH TAX PROVISION (CURRENT PERIOD)		0.98	1.03
DEFERRED TAX LIABILITY / (ASSETS)		(42.94)	46.96
PROFIT AFTER TAX		8,179.97	7,955.70
ADD: PROFIT/(LOSS) BROUGHT FORWARD		17,260.90	9,704.77
		25,440.87	17,660.47
PRIOR PERIOD EXPENSES		156.17	73.62
PROPOSED DIVIDEND		61.10	305.51
DIVIDEND DISTRIBUTION TAX		10.15	51.92
DEBENTURE REDEMPTION RESERVE		2,039.11	-
LEAVE ENCASHMENT REVERSED		-	31.47
		23,174.34	17,260.90
BALANCE CARRIED TO BALANCE SHEET			
Basic Earning per Share -	}	26.77	26.04
Diluted Earnings per Share -		26.77	26.04
(Face Value of Rs.10/- each)			
Significant Accounting Policies and Notes on Accounts	21		
Schedules referred to above form an integral part of the accounts			

As per our attached report of even date
For **R.CHADHA & ASSOCIATES**
Chartered Accountants

On Behalf of the Board of Directors

RAKESH CHADHA
Partner
No. 83135

D.P.S. KOHLI
Chairman-Cum-Whole Time Director

BHUPINDER SINGH SAWHNEY
Managing Director

Place: New Delhi
Date: 04/09/2010

POONAM CHAHAL
Company Secretary

AJAY MAHAJAN
Chief Financial Officer

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH' 2010
Rs. In Lacs

	For the year ended March 31, 2010	For the year ended March 31, 2009
A Cash flow from operating activities		
Net (loss)/profit before tax but after exceptional/extraordinary items	12,451.83	12,082.85
Adjustments for:-		
Depreciation	1,643.38	1,530.03
Financial Expenses	9,065.98	8,853.36
Interest Income	(20.76)	(39.13)
Foreign Exchange Gain	(41.66)	(8.86)
Provision for Diminution	5.20	-
Other Loss (TM/chit fund)	-	0.50
Loss/profit of Investment	-	(39.06)
Miscellaneous Expenditure written off	120.23	77.15
Operating Profit before working capital changes	23,224.21	22,456.85
Adjustments for changes in working capital:		
(Increase)/Decrease in Sundry Debtors	(8,255.66)	(3,170.60)
(Increase)/Decrease in other Receivable	(9,339.90)	(4,316.01)
(Increase)/Decrease in Inventories	6,772.47	(20,341.71)
Increase/(Decrease) in Trade and Other Payables	(1,020.02)	2,162.60
Cash generated from operations	11,381.10	(3,208.88)
Taxes (Paid)/Received	(427.85)	(3,633.33)
Prior Period(Expenses)/Income	(156.17)	(73.62)
Extraordinary/Exceptional Item (Transfer from reserves)	-	31.47
Net Cash used in Operating Activities	10,797.08	(6,884.34)
B Cash flow from Investing Activities		
Purchase of fixed assets	(870.25)	(6,466.72)
Proceeds from sale of fixed assets	-	1.80
Capital advance given	(4,500.00)	(365.20)
Capital advance refund	96.00	20.00
Deferred Expenditure incurred	(41.49)	(185.70)
Proceeds from sale of chit fund/ Investments	-	7.91
Derivative proceeds	-	(6.26)
interest Income	20.76	39.13
Sale of Investment (Mutual funds)	-	3,895.00
Net cash used in Investing activities	(5,294.99)	(3,060.05)

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH' 2010

Rs. In Lacs

	For the year ended March 31, 2010	For the year ended March 31, 2009
C Cash flow from Financing Activities		
Net Proceeds from long term borrowings	(4,637.22)	10,317.10
Net Proceeds from short terms borrowings	8,378.10	10,049.64
Interest Paid	(9,065.98)	(8,853.36)
Net Cash from financing Activities	(5,325.11)	11,513.37
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	176.98	1,568.98
Cash and Cash Equivalents at the beginning of the year/period	3,528.34	1,959.36
Cash and Cash Equivalents at the end of the year/period	3,705.33	3,528.34
Cash & Cash Equivalents include:		
Cash in Hand	920.31	279.20
Balances with Scheduled Banks		
- In Current Account	2,765.71	3,129.97
- In Deposit Account	19.31	119.18

Notes to financial statement -

- 1 The Cash flow statement is prepared under 'Indirect method' as set out in Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
- 2 Previous year figures have been regrouped, wherever necessary.

As per our attached report of even date
For **R.CHADHA & ASSOCIATES**
Chartered Accountants

On Behalf of the Board of Directors

RAKESH CHADHA
Partner
No. 83135

D.P.S. KOHLI
Chairman-Cum-Whole Time Director

BHUPINDER SINGH SAWHNEY
Managing Director

Place: New Delhi
Date: 04/09/2010

POONAM CHAHAL
Company Secretary

AJAY MAHAJAN
Chief Financial Officer

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE NO. 01

SHARE CAPITAL

Rs. in Lacs

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
<u>AUTHORISED</u>		
36300000 Equity shares @ Rs.10/- each.	3,630.00	3,630.00
(36300000 Equity Shares @ Rs.10/- each for previous year)		
TOTAL	3,630.00	3,630.00
<u>ISSUED & SUBSCRIBED</u>		
30551397 Equity shares @ Rs.10/- each.	3,055.14	3,055.14
(Previous year 30551397 Equity shares @ Rs.10/- each.)		
	3,055.14	3,055.14
<u>PAID UP</u>		
30551397 Equity shares @ Rs.10/- each fully paid up	3,055.14	3,055.14
(Previous year 30551397 Equity shares @ Rs.10/- each fully paid up)		
	3,055.14	3,055.14

SCHEDULE NO. 02

RESERVES & SURPLUS

<u>Profit & Loss Account</u>	<u>As on 31.03.10</u>	<u>As on 31.03.09</u>		
Opening Balance	17,260.90	9,704.77		
Add:- Profit /(Loss)	5,913.44	7,556.12	23,174.34	17,260.89
<u>Share Premium Account</u>	<u>As on 31.03.10</u>	<u>As on 31.03.09</u>		
Opening Balance	22,203.56	22,203.56		
Add:-Amount Received during the year	-	-		
Less:- Utilised against Share Issue Exp.	-	-	22,203.56	22,203.56
DEBENTURE REDEMPTION RESERVE			2,039.11	-
			47,417.01	39,464.45

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010
SCHEDULE NO. 03
SECURED LOANS
Rs in Lacs

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
NON-CONVERTIBLE DEBENTURES	8,525.04	10,958.61
<u>LOANS & ADVANCES FROM BANK</u>		
i) WORKING CAPITAL LOAN	43,627.67	40,197.01
ii) TERM LOAN	465.12	844.03
<u>LOANS & ADVANCES FROM OTHERS</u>		
i) TERM LOAN	0.14	2.60
	<u>52,617.96</u>	<u>52,002.25</u>

SCHEDULE NO. 04
UNSECURED LOANS

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
<u>LONG TERM LOANS & ADVANCES</u>		
FROM BANKS	-	-
FROM OTHERS	6,049.58	7,916.05
<u>SHORT TERM LOANS & ADVANCES</u>		
FROM BANKS / OTHERS	7,322.19	2,374.75
	<u>13,371.77</u>	<u>10,290.80</u>

SCHEDULE NO. 05
FIXED ASSETS
Rs in Lacs.

S. No.	Particulars	Dep %	GROSS BLOCK				DEPRECIATION			NET BLOCK	
			As on 01.04.2009	Addition during the year	Sales/ Transfer	As on 31.03.2010	As on 01.04.2009	Dep. for the year	Dep. writ -ten back	As on 31.03.2010	As on 31.03.2009
1	LAND - FREE HOLD	0.00	1492.19	0.00	0.00	1492.19	0.00	0.00	0.00	1492.19	1492.19
2	BUILDINGS	10.00	1427.55	15.85	0.00	1443.39	126.64	140.06	0.00	1176.69	1300.90
3	CAPITAL EXPANSIONS	10.00	455.97	117.11	0.00	573.08	73.13	47.53	0.00	452.42	382.84
4	PLANT & MACHINARIES	13.91	6073.99	244.10	0.00	6318.09	1507.93	680.46	0.00	4129.70	4566.06
5	VEHICLES	25.89	390.17	53.57	0.00	443.74	214.78	54.92	0.00	174.05	175.40
6	VEHICLE-COMMERCIAL	30.00	25.92	1.06	0.00	26.98	13.63	3.72	0.00	9.63	12.30
7	COMPUTERS	40.00	936.52	109.62	0.00	1046.14	438.08	228.21	0.00	379.84	498.44
8	FIXED ASSETS AT GALARY	13.91	2807.72	267.97	0.00	3075.69	475.02	363.46	0.00	2237.22	2332.71
9	FURNITURE & FIXTURE	18.10	896.06	83.73	0.00	979.79	284.88	125.02	0.00	569.89	611.18
TOTAL :-			14506.10	892.99	0.00	15399.10	3134.09	1643.38	0.00	4777.47	11372.02

CAPITAL WORK-IN-PROGRESS

1	ERP SOFTWARE (WIP)	0.00	17.16	17.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	CAPITAL ADVANCES	1030.58	4500.00	96.00	5434.58	0.00	0.00	0.00	0.00	5434.58	1030.58
3	GALLERY - CWIP	22.74	80.21	102.95	0.00	0.00	0.00	0.00	0.00	0.00	22.74
TOTAL :-		1053.32	4597.37	216.11	5434.58	0.00	0.00	0.00	0.00	5434.58	1053.32
GRAND TOTAL		15559.43	5490.36	216.11	20833.68	3134.09	1643.38	0.00	4777.47	16056.21	12425.34
PREVIOUS YEAR		8879.63	9267.13	2587.33	15559.43	1654.10	1530.03	50.05	3134.09	12425.34	7225.53

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010
SCHEDULE NO. 06
INVESTMENTS
Rs in Lacs

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
<u>LONG TERM INVESTMENTS</u>		
Trade Investments		
INVESTMENT IN SUBSIDIARY COMPANY (Unquoted & Fully paid-up)		
DBG Retail Holdings Ltd. -1950000 Equity Shares @ Rs.10/- each	<u>As on 31.03.10</u>	<u>As on 31.03.09</u>
Opening Balance	195.00	195.00
Less: Provision for diminution	<u>5.20</u>	<u>-</u>
	189.80	195.00
<u>CURRENT INVESTMENTS</u>		
(UNQUOTED, NON-TRADE & FULLY PAID)		
<u>MUTUAL FUND UNITS</u>		
143.462 units of UTI Liquid Cash Plan Regular - Growth Option (NAV as on 31/03/2010 - RS.2,13,792/-)	1.89	1.89
31,062.801 units of HSBC Cash Fund - Growth (NAV as on 31/03/2010 - RS.4,62,500/-)	4.07	4.07
11,95.234 units of ICICI Prudential Liquid Super Institutional Plan - Growth (NAV as on 31/03/2010 - RS.1,62,651/-)	1.40	1.40
	<u>197.16</u>	<u>202.36</u>

SCHEDULE NO. 07
INVENTORIES

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
FINISHED GOODS	47,632.10	49,841.22
SEMI FINISHED GOODS	14,947.37	19,175.11
RAW MATERIAL	3,775.83	4,448.95
CONSUMABLES STORES	1,117.50	1,183.53
SPARE PARTS (MACHINERY)	16.23	16.77
PACKING MATERIALS	514.31	110.21
	<u>68,003.33</u>	<u>74,775.80</u>

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010
SCHEDULE NO. 08
SUNDRY DEBTORS
Rs in Lacs

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
SUNDRY DEBTORS OUTSTANDING FOR A PERIOD EXCEEDING SIX MONTHS	911.91	431.10
OTHER DEBTORS	13,966.94	6,192.09
	14,878.85	6,623.19

SCHEDULE NO. 09
CASH & BANK BALANCES

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
CASH IN HAND	920.31	279.20
BALANCES WITH SCHEDULED BANKS		
CURRENT ACCOUNTS	2,765.71	3,129.97
DEPOSIT ACCOUNTS	19.31	119.18
BALANCES WITH NON-SCHEDULED BANKS	-	-
	3,705.33	3,528.34

SCHEDULE NO. 10
LOANS & ADVANCES

PARTICULARS	AS AT 31/ 03/2010	AS AT 31/ 03/2009
(Unsecured Considered as good except otherwise stated)		
ADVANCE RECOVERABLE IN CASH OR KIND	28,199.18	17,647.50
DUE FROM SUBSIDIARY COMPANY	40.00	40.00
PREPAID EXPENSES	718.73	2,264.47
SECURITY DEPOSITS WITH PARTIES	4,901.25	4,142.77
	33,859.16	24,094.74

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE NO. 11

CURRENT LIABILITIES & PROVISIONS

Rs in Lacs

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
<u>CURRENT LIABILITIES</u>		
SUNDRY CREDITORS	11,481.29	12,123.05
CREDITOR FOR PURCHASES	7,904.57	8,354.59
CREDITOR FOR EXPENSES	3,576.72	3,768.46
EXPENSES PAYABLE	8,780.49	4,810.81
ADVANCE FROM CUSTOMERS	52.75	15.43
	20,314.53	16,949.29

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

SCHEDULE NO. 12

MISCELLANEOUS EXPENDITURE

PRELIMINARY EXPENSES

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
PRELIMINARY EXPENSES (To the extent not written off)	2.79	3.38
LESS: WRITTEN OFF DURING THE YEAR	0.59	0.59
	2.19	2.79
<u>DEFERRED EXPENDITURE</u>		
DEFERRED EXPENDITURE (To the extent not written off)	396.61	431.67
LESS: WRITTEN OFF DURING THE YEAR	119.64	76.56
	276.97	355.11
TOTAL	279.16	357.90

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010
SCHEDULE NO. 13
MISCELLANEOUS INCOME
Rs. In Lacs

PARTICULARS	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
STOCK CLAIM	228.52	1,539.75
INTEREST ON F.D.R.	6.61	9.96
EXCHANGE FLUCTUATION GAIN	41.66	19.74
PROFIT ON INVESTMENT	0.00	45.32
INTEREST ON DEBTORS /FRANCHISEE	0.00	29.17
OTHER MISC.INCOME	14.15	1.12
	290.94	1,645.06

SCHEDULE NO. 14
INCREASE/(DECREASE) IN STOCK

PARTICULARS	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
OPENING STOCK:		
FINISHED GOODS	49,841.22	33,261.13
SEMI FINISHED GOODS	19,175.11	16,099.95
	69,016.34	49,361.08
LESS:		
CLOSING STOCK:		
FINISHED GOODS	47,632.10	49,841.22
SEMI FINISHED GOODS	14,947.37	19,175.11
	62,579.46	69,016.33
INCREASE/(DECREASE)	(6,436.87)	19,655.25

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010
SCHEDULE NO. 15
RAW MATERIAL CONSUMED
Rs. In Lacs

PARTICULARS	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
OPENING STOCK:	4,448.95	3,896.32
ADD: PURCHASE DURING THE YEAR	21,182.32	22,757.23
	25,631.27	26,653.55
LESS: CLOSING STOCK	3,775.83	4,448.95
	21,855.44	22,204.60

SCHEDULE NO. 16
MANUFACTURING EXPENSES

PARTICULARS	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
CONSUMABLE STORE CONSUMED	2,835.36	2,736.57
PACKING MATERIAL CONSUMED	2,603.08	3,365.57
SPARE PARTS CONSUMED(MACHINARY)	105.52	96.27
WASHING /FINISHING EXPENSES	3,338.16	4,009.99
FABRICATION EXPENSES	9,118.15	11,156.86
MACHINERY/BUILDING REPAIR & MAINTENANCE	127.87	97.90
WATER & ELECTRICITY EXPENSES	185.17	178.88
POWER & FUEL AND GENERATOR EXP.	292.66	288.81
FREIGHT & CARTAGE INWARD	200.65	218.54
FACTORY RENT	1,275.84	1,548.33
OTHER MANUFACTURING EXPENSES	487.12	480.12
	20,569.59	24,177.83

SCHEDULE NO. 17
PAYMENT TO & PROVISION FOR EMPLOYEES

PARTICULARS	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
SALARIES, WAGES & BONUS	1,284.89	1,393.33
GRATUITY, RETRENCHMENT & LEAVE ENCASHMENT	14.29	17.45
CONTRIBUTION TO PROVIDENT & OTHER FUNDS	47.19	46.68
STAFF & LABOUR WELFARE	31.04	32.56
	1,377.41	1,490.02

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010
SCHEDULE NO. 18
ADMINISTRATIVE & GENERAL EXPENSES
Rs. In Lacs

PARTICULARS	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
ADDITIONAL DEMAND OF SALES TAX & ESIC.	5.57	7.20
STATUTORY AUDIT FEES	19.85	20.19
INTERNAL AUDIT FEES	13.24	13.46
CHARITY & DONATIONS	2.81	5.70
COMMISSION ON RENT	0.07	21.60
COMPUTER RUNNING & MAINT.	31.30	25.33
CONVEYANCE EXPENSES	53.97	58.51
DIRECTOR'S REMUNERATION	721.43	543.60
DIRECTOR SITTING FEES	1.95	2.15
DIRECTOR'S FOREIGN TRAVELLING	9.52	26.03
EMPLOYEES FOREIGN TRAVELLING	26.56	22.36
WATER & ELECTRICITY EXPENSES	28.61	19.91
ENTERTAINMENT & HOSPITALITY	20.28	30.42
FEES, TAXES & SUBSCRIPTION	19.73	15.30
FESTIVAL EXPENSES	19.11	12.80
INSURANCE EXPENSES	11.29	19.35
LEGAL & PROFESSIONAL EXPENSES	214.76	204.56
MEDICAL EXPENSES	2.50	2.86
MISCELLANEOUS EXPENSES	0.71	0.67
NEWS PAPER & PERIODICALS	5.39	2.88
POSTAGE & COURIER CHARGES	20.61	27.29
TELEPHONE EXPENSES	70.08	76.57
PRELIMINARY EXPENSES WRITTEN OFF	0.59	0.59
DEFERRED EXPENDITURE WRITTEN OFF	119.64	76.56
PRINTING & STATIONARY	45.97	63.09
RENT EXPENSES	87.37	85.70
PROVISION FOR DIMINUTION	5.20	-
LOSS ON CHIT FUND	-	0.50
REPAIR & MAINTENANCE EXPENSES (OFFICE & GENERAL)	42.90	41.52
SECURITY EXPENSES	20.35	43.49
STAFF WELFARE EXPENSES	34.12	35.92
TRAINING & RECRUITMENT EXPENSES	1.52	2.32
VEHICLE RUNNING & MAINTENANCE EXPENSES	77.00	59.14
LOSS OF STOCK	35.66	93.06
INTEREST ON TDS/SERVICE TAX	15.91	37.36
CONFERENCE/SEMINAR ATTENDING FEES	0.00	0.19
LISTING EXPENSES & BOARD MEETING EXPENSES	2.76	4.43
LOSS ON DERIVATIVES	-	6.26
	1,788.33	1,708.87

SCHEDULE NO. 19

SELLING EXPENSES

Rs. In Lacs

PARTICULARS	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
ADVERTISEMENT & PUBLICITY	2,844.05	4,290.23
COMMISSION ON SALES	13,397.86	12,576.21
CONSIGNMENT EXPENSES	2,276.25	1,432.71
EMPLOYEES TRAVELLING EXPENSES	52.69	60.46
DIRECTOR'S TRAVELLING EXPENSES	19.28	7.19
RENT FOR GALLERY	5,010.66	4,068.72
DEVELOPMENT TAX, PROPERTY TAX, ENTRY TAX & OCTROI	474.82	560.98
TELEPHONE EXP. (REIMBURSEMENT)	31.88	39.85
WATER & ELECTRICITY EXP. (REIMBURSEMENT)	469.37	343.64
REPAIR & MAINTENANCE (REIMBURSEMENT)	478.47	415.31
FAIR PARTICIPATION EXPENSES	0.42	4.97
FREIGHT OUTWARDS & CLEARING CHARGES	934.75	1,187.99
SALES PROMOTION EXPENSES	192.14	105.36
RACKS SALE EXPENSES	17.66	4.74
LEGAL EXPENSES REIMBURSEMENT	2.44	5.30
SERVICE TAX REIMBURSEMENT	238.03	176.51
BAD DEBTS WRITTEN OFF	-	9.10
	26,440.76	25,289.27

SCHEDULE NO. 20

INTEREST & FINANCIAL CHARGES

PARTICULARS	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
BANK INTEREST	7,401.79	5,875.20
INTEREST ON TERM LOAN	57.22	33.54
INTEREST ON CAR LOAN	6.92	8.49
INTEREST ON DEBENTURES	959.79	958.61
OTHER INTEREST	143.81	501.10
BANK CHARGES & OTHER FINANCIAL EXPENSES	496.45	1,476.43
	9,065.98	8,853.37

SCHEDULE FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st March 2010**SCHEDULE 21****SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES.****(a) BASIS OF PREPARATION**

The Financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant disclosure requirements of Companies Act, 1956 as adopted consistently by the Company. The accounting policies have been consistently applied by the company & are consistent with those used in the previous year.

(b) Uses of estimates

The preparation of financial statements requires the management of the company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Example of such estimates include provisions for employee benefits, provision for income taxes, and the expected useful life of fixed assets.

(c) FIXED ASSETS & DEPRECIATION**FIXED ASSETS**

Fixed Assets are stated at the cost of acquisition/installation less accumulated depreciation and include directly attributable cost including installation and freight charges for bringing the assets to its working conditions for its intended use.

DEPRECIATION

Depreciation on fixed assets is provided on WDV method at the rate prescribed under schedule XIV of the Companies Act, 1956. Proportionate depreciation is charged for additions/deletions during the year. Individual asset costing less than Rs. 5,000/- are depreciated in full in the year of purchase.

(d) IMPAIRMENT OF ASSETS

The management reviews the carrying amounts of assets at each Balance Sheet date for any indication of impairment based on internal/external factors in accordance with Accounting Standard 28 "Impairment of Assets". An asset is treated as impaired when the carrying cost of the assets exceed its recoverable value. An impairment loss, if any, is charged to the Profit and Loss Account in the year, in which an asset is identified as impaired.

(e) INVESTMENTS

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 investments. Current investments are carried at lower of cost and fair value on an individual investment basis. Long term investments are carried at cost. Provision for diminution in the value of long term investment is made only if such a decline is other than temporary in the opinion of the management.

(f) INVENTORIES

Raw materials, consumables, stores and spares are valued at lower of cost and net realisable value as certified by the management.

Work-in-Progress is valued at direct raw material cost and appropriate cost of completed process.

Finished goods are valued at lower of cost and net realisable value as certified by the management. Finished goods include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost of inventories is computed on FIFO basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

(g) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

i. SALE OF GOODS

- (a) **Consignment Sales:** Revenue is recognised when consignee agents make the sales. Sales are recorded at net realisable value i.e. net of all discounts & sales tax.
- (b) **Direct Sales:** Revenue is recognised when goods are delivered which coincide with risk and rewards of ownership of goods have been passed to buyer.

ii. INTEREST

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(h) FOREIGN CURRENCY TRANSACTIONS

a) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

b) Conversion

Foreign currency monetary items are reported using the closing rate of exchange at the end of the year. Non monetary items, like fixed assets are carried in terms of historical cost using the exchange rate at the date of the transaction.

c) Exchange Differences

- i) Any gain or losses on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss Account except in cases where they relate to the acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.
- ii) Foreign currency assets & liabilities are translated at the year end rates and resultants gains / losses on foreign exchange transaction other than those relating to fixed assets are recognized in the profit and loss account.
- iii) Non-monetary foreign currency items are carried at cost.

(i) TAXATION

Income tax expense comprises of current tax and deferred tax charge or credit.

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the provisions of Income Tax Act, 1961 as applicable to the relevant assessment year.

The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet Date. Deferred tax assets arising from timing differences are recognised, subject to consideration of prudence, to the extent there is reasonable certainty that these would be realised in future. At each Balance Sheet date, the carrying amount of deferred tax assets is reviewed to reassure realisation.

(j) EMPLOYEE RETIREMENT BENEFITS

i. DEFINED CONTRIBUTION PLAN

The Company makes defined contribution to Provident Fund, which are recognised in the Profit and Loss Account on accrual basis.

ii. DEFINED BENEFIT PLAN

- i) The Company's liability under Payment of Gratuity Act is determined on the basis of actuarial valuation made at the end of financial year and accounted for on accrual basis.
- ii) Provision for leave entitlement is accrued and provided for at the end of the financial year but the same is not being determined on actuarial valuation basis.

(k) BORROWING COSTS

Borrowing costs that are attributable to the acquisition or construction of qualified assets are, capitalised as a part of the cost of such assets up to the date when such assets are ready for its intended use. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue. However during the current financial year no borrowing cost has been capitalized.

(l) OPERATING LEASES

The Company takes premises for its showroom/godown for various duration Lease/License period with Lock-in-period of One to Three Years. Escalation Clause is variable between 5% to 15% after every three years and 30-45 days rent free time is taken from the date of possession given by the landlord.

(m) CASH FLOW STATEMENT

The cash flow statement is prepared by the indirect method set out in Accounting Standard 3 on cash flow statements and presents the cash flows By Operating, Investing and Financing activities of the company. Cash and cash equivalents presented in cash flow statement consists of cash in hand, cheques in hand, bank balances & demand deposits with Banks.

(n) MISCELLANEOUS EXPENSES

i. PRELIMINARY EXPENSES

The expenses incurred on formation of Company are amortised over a period of 10 years.

ii. DEFERRED REVENUE EXPENDITURE

Expenditure incurred on factory license fees, Trade mark fee and rental paid for pre commencement of retail stores, factories are treated as Deferred revenue Expenditure and are amortised over the life period of concerned item in accordance with the AS 26(Intangible Assets) issued by the ICAI.

(o) PROVISIONS

A provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can

be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at each balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

B. NOTES ON ACCOUNTS

1. In the opinion of the Board of Directors of the company and to the best of their knowledge and belief the realisable value of current assets, loans & advances if realised in the ordinary course of business will not be less than the amount at which they are stated in the Balance Sheet as at 31st March, 2010.
2. Balance from some of the sundry debtors, sundry creditors and loans & advances are subject to confirmation and reconciliation.
3. The name of the Micro, Small and Medium Enterprises suppliers defined under the "The Micro Small and Medium Enterprises Development Act, 2006" could not be identified, as the necessary information is not in the possession of the Company.
4. The Company had made investment of Rs. 1.95 crore in the share capital of DBG Retail Holdings Ltd., a wholly owned subsidiary company in F.Y.2007-08. In view of the long term investment of the company in the said company, a provision equal to the accumulated losses in the wholly owned subsidiary company has been made in the books of accounts.
5. The Company had raised Rs. 10,822.77 Lacs through a public issue of equity shares during the financial year 2007-08 and whole amount of the proceeds are utilized as per object of the issue.
6. Term loan secured against hypothecation of machinery and collateral security of immovable properties registered in the name of company and directors & their wives and personal guarantees of directors and their wives are Rs.240.44 Lacs & Rs.602.59 Lacs for the year ended on 31.03.10 & 31.03.09 respectively.

Term loan secured against hypothecation of car are Rs.45.91 Lacs & Rs.57.40 Lacs for the year ended on 31.03.10 & 31.03.09 respectively.

Term loan secured against hypothecation of Retail Commercial Outlets are Rs.178.91 Lacs & Rs.186.64 Lacs for the year ended on 31.03.10 & 31.03.09 respectively.

Working Capital Loans from Banks are secured against hypothecation of inventories and collateral security of immovable properties registered in the name of company and directors & their wives and personal guarantees of directors and their wives.

The company has NCD which, with 10.15% redeemable at Par on 6/04/2009 for Rs 5000 lacs (Balances as on 31-03-2010 Rs 3356.45 lacs) and 13.00% redeemable at Par on 16/07/2009 for Rs 5000 lacs (Balance as on 31-03-2010 Rs 4800 lacs), are secured by post dated cheques for Principal and Interest and further secured by charge on land in Gujarat.

7. The Company has taken certain office premises, showrooms and retail commercial outlets on non-cancellable operating lease. The future minimum lease rentals payable at the Balance Sheet date, in respect of the non-cancellable operating lease, are as follows:

Rs. in Lacs

	As at 31.03.10	As at 31.03.09
For a period not later than one year	3,672.25	4,691.09
For a period later than one year and not later than five years	2,332.33	2,782.83
For a period later than five years	—	—

8. The company could not fully redeem the debentures on due dates and has asked the Debenture holder for reschedulement of repayment dates which is pending their consideration. Meanwhile the interest rate on 10.15% NCD has been revised to 13.50%.

9. **SEGMENT REPORTING**

i. **Primary- Business Segment**

In accordance with the requirements of Accounting Standard 17 “Segment Reporting” issued by the ICAI, the Company’s business consists of multiple segments like Manufacturing, Trading and Selling of Textile products, Accessories and Shoes. But the separate disclosure under the Accounting Standard 17 is not applicable.

ii. **Secondary- Geographical Segment**

Secondary Segment Reporting is performed on the basis of geographical location of the customers. The operation of the Company comprises local sales only in the current year. Hence no separate disclosure pertaining to attributable Revenues, profits, assets, Liabilities and Capital employed are given.

10. During the year the company has settled some of its creditors assignment of its receivables with mutual consent.

11. **Detail of Deferred Tax Liabilities/Assets is as below:**

Rs. in Lacs

Deferred Tax Liabilities on account of:	As at 31.03.10	As at 31.03.09
Depreciation	—	43.75
Preliminary & Deferred Exp.	0.11	0.11
Expenses allowed u/s 40(a)(ia)	—	5.95
Total	0.11	49.81

Deferred Tax Assets on account of:	As at 31.03.10	As at 31.03.09
Depreciation	34.50	—
Retirements Benefits	8.55	2.85
Total	43.05	2.85
Deferred Tax Liabilities/(Assets) (Net)	(42.94)	46.96

12. EARNINGS PER SHARE:

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

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

	As at 31.03.10	As at 31.03.09
i) Net Profit available for Equity Shareholders (In Lacs)	8,179.97	7,955.71
Opening No. of Shares (In Lacs)	305.51	305.51
Closing No. of Shares (In Lacs)	305.51	305.51
ii) Weighted average number of equity Shares Outstanding for calculation of Basic EPS (In Lacs)	305.51	305.51
Basic EPS (Rs.) (i)/ (ii)	26.77	26.04
Effect of Dilutive Securities:- Conversion of Share application Money (In Lacs)	—	—
iii) Weighted average number of Equity Shares Outstanding for calculation of Diluted EPS(In Lacs)	305.51	305.51
Diluted EPS (Rs.) (i)/ (iii)	26.77	26.04

13. Disclosure pursuant to Accounting Standard-15(Revised) "Employee Benefits"

(i) DETAILS OF DEFINED CONTRIBUTION PLAN

The Company has recognized Rs.31.64 lacs (Previous year Rs.32.02 lacs) as provident fund in the Profit & Loss Account for the year ended 31st March 2010 under Defined Contribution Plans.

(ii) DETAILS OF DEFINED BENEFIT PLAN

(a) GRATUITY

The company makes annual contribution to the employees' group-cum life assurance scheme of the Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees. The scheme provides for lumpsum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary for service more than 5 years, payable for each completed year of service or part thereof in excess of 6 months. Vesting occurs upon completion of 5 years of service.

The present value of the defined benefit obligation and the related current service cost were measured using the Projected unit credit method, with actuarial valuations being carried out at each balance sheet date.

Rs. in lacs

	As at 31.03.10	As at 31.03.09
1. Components of Employer Expense		
Current Service Cost	20.91	29.00
Interest Cost	4.08	3.50
Expected Return on Plan Assets	(6.88)	(4.59)
Actuarial (Gain)/Loss	(23.78)	(25.20)
Total expense/(gain) recognized in the Profit & Loss Account	(5.66)	2.71
2. Net Asset/(Liability) recognized in Balance Sheet		
Present Value of Obligation as at	52.27	51.05
Fair Value of Plan Assets as at	83.42	54.72
Asset/(Liability) recognized in the Balance Sheet	31.15	3.67
3. Change in Defined Benefit Obligation During the year ended as on 31.03.10		
Present Value of Obligation as at	51.05	43.75
Current Service Cost	20.91	29.00
Interest Cost	4.08	3.50
Actuarial (Gain)/Loss	(23.78)	(25.20)
Benefits paid	—	—
Present Value of Obligation as at	52.27	51.05
4. Change in the Fair value of Plan Assets		
Fair Value of Plan Assets as at	54.72	50.13
Expected Return on Plan assets	6.88	4.59
Actuarial Gain/(Loss)	0	—
Actual Company Contribution	21.82	—
Benefits Paid	0	—
Fair Value of Plan assets as at	83.42	54.72
5. Actuarial Assumptions		
Discount Rate (per annum)	8%	8%
Expected Rate of Return on Assets (per annum)	9.15%	9.15%
Salary Escalation Rate*	6%	6%

*takes into account the inflation, seniority, promotions and other relevant factors

(b) LEAVE ENCASHMENT

Provision for leave entitlement is accrued and provided for at the end of the financial year but the same is not being determined on actuarial valuation basis.

14. Capital work-in-progress include a sum of Rs. 156.84 lacs being advance paid to a real estate developer against purchase of immovable property which the Developer has given notice for forfeiture and company is contesting. In view of the fact that the Developer had failed to acquire land and/or achieve desired milestones justifying the withholding of further payments by Company as also further negotiations with the Developer, the amount is considered good for recovery.

15. Details of Statutory Auditors' Remuneration*Rs. in lacs*

	As at 31.03.10	As at 31.03.09
Audit Fees	13.24	10.00
For Taxation Matters	4.41	7.00
For Certification Work	2.21	3.19
Total	19.86	20.19

16. Contingent liabilities not provided for:*Rs. in lacs*

Particulars	As at 31.03.10	As at 31.03.09
i) Bank Guarantee O/S	12.58	91.60
ii) Claims against the company not acknowledged as debts in respect of past disputed liabilities of sales tax	93.80	93.80

iii) Landlords Mr Jai Kishan Chikara & others has filed civil suit for recovery amounting to Rs 20.00 lacs* against the company.

iv) Various workmen have filed 4 labour cases against the Company and the same are pending before different authorities as on 31.03.10

v) State government of U.P. has filed a case against the company and same are pending before Commissioner (Stamp) Meerut as on 31.03.2010.

** Based on the discussions with the solicitor/legal opinion taken, the management believes that company has strong chance of success in the above mentioned cases and hence no provision against is considered necessary.*

17. Related Party Disclosure

As per Accounting Standard 18, issued by The Institute of Chartered Accountants of India, the disclosures of transactions with related parties for the year ended 31st march, 2010 as defined in Accounting Standard are given as below:

List of Related Parties
a) Key Management Personnel

MR. D.P.S. KOHLI	Chairman
MR. BHUPINDER SINGH SAWHNEY	Managing Director
MR. GURMEET SINGH SAWHNEY	Whole-time Director
MR. KAILASH CHAND SHARMA	Whole-time Director

b) Relatives of Key Management Personnel

NAME OF RELATIVES	RELATION WITH KEY MANAGEMENT PERSONNEL
MR. BASANT SINGH SAWHNEY	Father of Mr. BHUPINDER SINGH SAWHNEY & Mr. GURMEET SINGH SAWHNEY
MR. BANPREET SINGH KOHLI	Son of Mr. D.P.S. KOHLI
MR. PRABHJOT SINGH SAWHNEY	Son of Mr. BHUPINDER SINGH SAWHNEY
MRS. SATINDER KAUR	Wife of Mr. BHUPINDER SINGH SAWHNEY
MRS. AMARJIT KAUR	Wife of Mr. D.P.S. KOHLI
MRS. PARVINDER KAUR	Wife of Mr. GURMEET SINGH SAWHNEY
MR. JASKARAN SINGH SAWHNEY	Son of Mr. BHUPINDER SINGH SAWHNEY
MRS. GURBANI KAUR	Daughter in Law of Mr. BHUPINDER SINGH SAWHNEY

c) Wholly Owned Subsidiary Company

- i) DBG Retail Holdings Ltd.

d) Companies under the same Management

- i) Klone Infrastructure Private Ltd.
 ii) K & S Knitwears Private Ltd.
 iii) PBP Marketing private Ltd.
 iv) Klone Avinash Infrastructure Private Ltd.
 v) Gartex Concept Clothings Ltd.
 vi) Venezia Leathers Pvt. Ltd.
 vii) S.R. Resorts Pvt. Ltd.
 viii) JEG Hospitality Holdings Ltd.
 ix) Vian Hospitality Pvt. Ltd.

Related Party Transactions
Rs. in Lacs

Particulars	KMP	Relatives of KMP	Subsidiary Company	Associates Enterprise	Total
Sales	--	--	--	10.24	10.24
	(—)	(—)	(—)	(—)	(—)
Purchases	--	--	--	110.22	110.22
	(—)	(—)	(—)	(331.20)	(331.20)
Rent Paid	--	223.00	--	4.50	227.50
	(—)	(225.63)	(—)	(—)	(225.63)
Job Work	--	--	--	1897.49	1897.49
	(—)	(—)	(—)	(3280.04)	(3280.04)
Advertisement	--	--	--	24.75	24.75
	(—)	(—)	(—)	(—)	(—)
Sales Promotion	--	--	--	1.55	1.55
	(—)	(—)	(—)	(—)	(—)
Asset Sold	--	--	--	--	--
	(—)	(—)	(—)	(0.46)	(0.46)
Remuneration	723.60	37.23	--	--	760.83
	(543.60)	(30.20)	--	--	(573.80)
Loans & Advances granted	--	--	--	--	--
	(—)	(—)	(25.00)	(—)	(25.00)
Loans & Advances taken	--	6018.63	--	--	6018.63
	(—)	(4302.00)	(—)	(—)	(4302.00)
Loans & Advances repaid	--	6252.62	--	--	6252.62
	(—)	(5998.10)	(—)	(—)	(5998.10)
Security deposit Received	--	--	100.00	--	100.00
	(—)	(—)	(—)	(—)	(—)
Investment in shares outstanding as on 31.03.10	--	--	195.00	--	195.00
	(—)	(—)	(195.00)	(—)	(195.00)
Loans & Advances granted outstanding as on 31.03.10	--	--	40.00	--	40.00
	(—)	(—)	(40.00)	(—)	(40.00)
Loans & Advances taken Outstanding as on 31.03.10	--	15.39	--	--	15.39
	(—)	(249.38)	(—)	(—)	(249.38)
Security deposit paid outstanding as on 31.03.10	--	138.96	--	--	138.96
	(—)	(138.96)	(—)	(—)	(138.96)
Security deposit Received outstanding as on 31.03.10	--	--	100.00	--	100.00
	(—)	(—)	(—)	(—)	(—)
Sundry Creditors outstanding as on 31.03.10	--	37.58	--	1106.74	1144.32
	(—)	(—)	(—)	(847.25)	(847.25)

*Figures in brackets relate to the previous year 2008-09.

**Related parties are as disclosed by the management and relied upon by the Auditors.

18. Managerial remuneration
(i) PARTICULARS OF REMUNERATION AND OTHER BENEFITS PROVIDED TO DIRECTORS FOR THE YEAR ENDED 31ST MARCH, 2010 AND 2009 ARE SET OUT BELOW:
Rs. in lacs

	As at 31.03.10	As at 31.03.09
Salary & Bonus	404.80	303.41
Allowances	313.49	215.94
Perquisites	2.72	21.66
Contribution to Provident Fund	2.59	2.59
Total	723.60	543.60
Sitting Fees to non executive directors	1.95	2.15
Total	725.55	545.75

**The figures do not include gratuity payable to the directors, as the same was actuarially determined for the Company as a whole.*

(ii) COMPUTATION OF MANAGERIAL REMUNERATION U/S 198 OF THE COMPANIES ACT, 1956.
Rs. in lacs

	As at 31.03.10	As at 31.03.09
Profit before tax before extraordinary Items as per P&L A/c	12,451.83	12,082.85
Add:		
(a) Directors Remuneration	723.60	543.60
(b) Loss on sale of Investments	5.20	6.75
(c) Depreciation charged to accounts	1,643.38	1,530.03
	14,824.01	14,163.24
Less:		
(a) Profit on sale of Investments	—	45.32
(b) Depreciation as per Section 350 of the Companies Act, 1956	1,643.38	1,530.03
Net Profit as per section 198 of the Companies Act, 1956	13,180.63	12,587.89
Maximum permissible remuneration to whole-time directors u/s 198 of the Companies Act, 1956 @10% of the Profits as computed above	1,318.06	1,258.79
Restricted as per shareholders' approval	720.00	540.00
Maximum permissible managerial remuneration to non-executive directors u/s 309 of the Companies Act, 1956 @1% of the Profits as computed above	131.81	125.88
Restricted as per service agreement	3.60	3.60

19. The Break-up of the expenditures on Employee getting remuneration:

Particular	As at 31.03.10		As at 31.03.09	
	No of Employees	Salary paid in lacs.	No of Employees	Salary paid in lacs.
Not less than Rs. 24.00 lacs p.a.	2	54.00	2	54.00
Not less than Rs. 2.00 lacs p.m.	—	—	—	—

20. INFORMATION PURSUANT TO PARAS 3 & 4 AND OF PART II OF SCHEDULE VI OF THE COMPANIS ACT 1956 AS CERTIFIED BY MANAGEMENT:

(a) Particulars of capacity and production

Figures in lacs

Particulars	Installed Capacity (per annum) As at		Actual Production (Pcs.) Year ending	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Garments	350.00	350.00	220.28	219.26

* Installed Capacity of the company is only indicative as it depends on product mix and level of outsourcing. Installed capacity is as certified by the management and have not been verified by the auditor as a technical matter.

(b) Particulars of stocks, Purchase and sales

I) Ready Made Garments

Particulars	Quantity (Pcs in lacs)	Value (Rs in lacs)
Opening stock	212.67	49645.09
Closing stock	181.03	47539.64
Purchases	50.94 (115.50)	18930.77 (28418.89)
Sale	302.84 (267.53)	120151.65 (104600.18)

II) Leather Goods

Particulars	Quantity (Pcs in lacs)	Value (Rs in lacs)
Opening stock	0.34	196.13
Closing stock	0.32	92.46
Purchases	0.34 (0.43)	106.90 (213.00)
Sale	0.38 (0.09)	224.66 (68.23)

* (The company is manufacturing a range of men's wear / ladies wear hence not possible to give details of each and every items in quantitative terms.)

* *Figures in bracket are of previous year 2008-09

(c) Particulars of raw materials consumed

	As at 31.03.10		As at 31.03.09	
	Quantity (Mtrs in Lacs)	Value (Rs. in Lacs)	Quantity (Mtrs in Lacs)	Value (Rs. in Lacs)
Fabric	267.60	21855.44	289.10	22204.61

(d) Value of Imported and indigenous Raw Material and packing Material:
Rs. in lacs

	Indigenous	Imported	Total
1. Raw Materials	21182.32	—	21182.32
	(22757.23)	—	(22757.23)
2. Finished Goods	19037.67	—	19037.67
	(28412.56)	(219.33)	(28631.89)
3. Consumable Stores	2732.50	36.83	2769.33
	(2834.23)	(18.62)	(2852.85)
4. Packing Materials	3007.18	—	3007.18
	(3406.37)	(4.99)	(3411.36)
5. Spare Parts	104.98	—	104.98
	(68.02)	(—)	(68.02)
Percentage	99.92	0.08	100.00
	(99.58)	(0.42)	(100.00)

* *Figures in bracket are of previous year 2008-09

(e) Foreign Exchange Earning and Outgoing
Rs. in lacs

	2009-10 (Rs.in lacs)	2008-09 (Rs.in lacs)
A) Imports on CIF basis		
i) Finished Goods	—	219.33
ii) Consumable	36.83	18.62
iii) Capital Goods	—	840.08
iv) Packing Material	—	4.99
B) Expenditure in foreign Currency (foreign traveling director & others)	36.08	48.39
C) Dividend paid to Non- resident Share Holders	54.79	—
No. Of Non-Resident Share Holders	214	—
D) Earning in Foreign Currency	—	—

- 21.** The figures of the previous year are regrouped /reclassified wherever necessary to make them comparable with that of the current year.

As per our attached report of even date
For **R.CHADHA & ASSOCIATES**
Chartered Accountants

On Behalf of the Board of Directors

RAKESH CHADHA
Partner
No. 83135

DPS KOHLI
Chairman

BHUPINDER SINGH SAWHNEY
Managing Director

Place: New Delhi
Date: 04/09/2010

POONAM CHAHAL
Company Secretary

AJAY MAHAJAN
Chief Financial Officer

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

As per Part IV of schedule VI of The Companies act 1956

I. Registration Details

State Code	55
Registration No.	U17299DL1994PLC062984
	Date Month Year
Balance Sheet Date	31 03 2010

II. Capital raised during the year (Amount in Rs. Thousands)

Public issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	13697921	Total assets	13697921
Sources of Funds			
Paid-up Capital	305514	Reserve & Surplus	4741701
Secured Loans	5261796	Unsecured Loans	1337177
Deferred Tax Liability	20279		
Application of Funds			
Net Fixed assets	1605621	Investments	19716
Net Current Assets	10013214	Misc. Expenditure	27916

IV. Performance of Company (Amount in Rs. Thousands)

Total Revenue	12066726	Total expenditure	10821543
Profit/Loss before Tax (Tick appropriate box + for Profit, - for Loss)		Profit/Loss after Tax	
	+ 1245183		+ 817997
Basic Earning per share in Rs.	26.77	Diluted Earning per share in Rs.	26.77
Dividend rate %	2		

V. Generic Names of Three Principal Products/Services of Company

Item Code No. (ITC Code)	61 & 62
Product Description	Manufacturing & Retailing of Integrated Apparels

As per our attached report of even date
 For **R.CHADHA & ASSOCIATES**
 Chartered Accountants

On Behalf of the Board of Directors

RAKESH CHADHA
 Partner
 No. 83135

DPS KOHLI
 Chairman

BHUPINDER SINGH SAWHNEY
 Managing Director

Place: New Delhi
 Date: 04/09/2010

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO THE SUBSIDIARY COMPANY

Name of the Subsidiary Company		DBG Retail Holdings Ltd.
1	Financial year of the Subsidiary ended on	31st March, 2010
2	Shares of the Subsidiary Company held on the above date and extent of holding.	
	i) Equity Shares of Rs. 10/- each (19,50,000 equity shares of Rs. 10/- each fully paid-up)	Rs. 1,95 lacs
	ii) Extent of Holding	100%
3	Net aggregate amount of losses of the Subsidiary Company for the above financial year so far as it concerns the members of Koutons Retail India Ltd.	
	i) Dealt with in Accounts of Koutons Retail India Ltd.	Nil
	ii) Not dealt with in Accounts of Koutons Retail India Ltd.	Rs.1.17 lacs
4	Net aggregate amount of losses for previous financial years of the Subsidiary Company as far as it concerns members of Koutons Retail India Ltd.	
	i) Dealt with in Accounts of Koutons Retail India Ltd.	Nil
	ii) Not dealt with in Accounts of Koutons Retail India Ltd.	Rs.3.10 lacs

For and on Behalf of the Board of Directors

DPS KOHLI
Chairman-cum-Whole Time Director**BHUPINDER SINGH SAWHNEY**
Managing Director**POONAM CHAHAL**
Company Secretary**AJAY MAHAJAN**
Chief Financial Officer

Place: New Delhi

Date: 04th September, 2010

R. CHADHA & ASSOCIATES
CHARTERED ACCOUNTANTS

A-43, NARAINA INDUSTRIAL AREA
NEW DELHI - 110028
Ph.: (O) 47549596, 41418180
(R) 25596553
E-mail: rchadhaca@yahoo.com

AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Members,
KOUTONS RETAIL INDIA LTD.
New Delhi.

We have audited the attached Consolidated Balance Sheet of KOUTONS RETAIL INDIA LTD. (the Company) and DBG Retail Holdings Ltd. (the Subsidiary) as at 31st March 2010, the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement of the company for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

1. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirement of the accounting Standards (AS) 21, Consolidated Financial Statements, issued by The Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and the Subsidiary included in the consolidated financial statements.
2. On the basis of the information and explanations given to us and on the basis of the separate audit reports on individual audited financial statements of the Company, its Subsidiary, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its Subsidiary as at 31st march, 2010;
 - (ii) in the case of the Consolidated Profit & Loss Account, of the consolidated results of operations of the Company and its Subsidiary for the year ended on that date;

- (iii) in the case of the Consolidated Cash Flow Statement, of the Consolidated Cash Flows of the Company and its Subsidiary for the year ended on that date.

For R.Chadha & Associates

Chartered Accountants

Place: - New Delhi

Date: - 04/09/2010

Rakesh Chadha

(Partner)

M.No. 83135

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH, 2010
Rs. in Lacs

	SCHEDULE	AS AT 31/03/2010	AS AT 31/03/2009
SOURCES OF FUNDS:			
SHAREHOLDERS' FUNDS			
SHARE CAPITAL	01	3,055.14	3,055.14
RESERVES & SURPLUS	02	47,417.02	39,461.67
LOAN FUNDS			
SECURED LOANS	03	52,617.96	52,002.25
UNSECURED LOANS	04	13,375.51	10,394.50
Deferred Tax Liability		203.72	245.42
		116,669.35	105,158.98
APPLICATION OF FUNDS:			
FIXED ASSETS			
GROSS BLOCK	05	15,399.14	14,506.15
LESS: ACCUMULATED DEPRECIATION		4,777.51	3,134.13
NET BLOCK		10,621.63	11,372.02
CAPITAL WORK-IN-PROGRESS		5,434.58	1,053.32
INVESTMENTS	06	182.36	282.36
CURRENT ASSETS, LOANS & ADVANCES			
INVENTORIES	07	68,003.33	74,775.80
SUNDRY DEBTORS	08	14,878.85	6,623.19
CASH & BANK BALANCES	09	3,708.19	3,531.23
LOANS & ADVANCES	10	33,870.16	24,105.74
		120,460.53	109,035.96
LESS: CURRENT LIABILITIES & PROVISIONS			
CURRENT LIABILITIES & PROVISIONS	11	20,315.36	16,949.94
NET CURRENT ASSETS		100,145.17	92,086.02
MISCELLANEOUS EXPENDITURE	12	285.60	365.26
(To the extent not written off or adjusted)			
		11,669.35	105,158.98
Significant Accounting Policies and Notes on Accounts	21		
Schedules referred to above form an integral part of the accounts			

As per our attached report of even date
 For **R.CHADHA & ASSOCIATES**
 Chartered Accountants

On Behalf of the Board of Directors

RAKESH CHADHA
 Partner
 No. 83135

D.P.S. KOHLI
 Chairman-Cum-Whole Time Director

BHUPINDER SINGH SAWHNEY
 Managing Director

Place: New Delhi
 Date: 04/09/2010

POONAM CHAHAL
 Company Secretary

AJAY MAHAJAN
 Chief Financial Officer

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH, 2010

Rs. in Lacs

	SCHEDULE	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
INCOME			
SALES - DOMESTIC		120,376.31	104,668.42
MISC. INCOME	13	290.94	1,645.06
INCREASE/(DECREASE) IN STOCK	14	(6,436.87)	19,655.25
		114,230.38	125,968.73
EXPENDITURE			
RAW MATERIAL CONSUMED	15	21,855.44	22,204.60
PURCHASE (FINISHED GOODS)		19,037.67	28,631.89
MANUFACTURING EXPENSES	16	20,569.59	24,177.83
PAYMENT TO & PROVISION FOR EMPLOYEES	17	1,377.41	1,490.55
ADMINISTRATIVE & GENERAL EXPENSES	18	1,784.30	1,710.02
SELLING EXPENSES	19	26,440.76	25,289.28
INTEREST & FINANCIAL CHARGES	20	9,065.98	8,853.37
DEPRECIATION		1,643.38	1,530.04
		101,774.52	113,887.58
PROFIT/(LOSS) FOR THE YEAR		12,455.86	12,081.15
INCOME TAX PROVISION (CURRENT PERIOD)		4,313.81	4,040.96
FBT PROVISION (CURRENT PERIOD)		-	38.19
WEALTH TAX PROVISION (CURRENT PERIOD)		0.98	1.03
DEFERRED TAX LIABILITY / (ASSETS)		(42.62)	46.95
PROFIT AFTER TAX		8,183.69	7,954.02
ADD: PROFIT/(LOSS) BROUGHT FORWARD		17,258.11	9,703.67
		25,441.80	17,657.69
PRIOR PERIOD EXPENSES		157.10	73.62
PROPOSED DIVIDEND		61.10	305.51
DIVIDEND DISTRIBUTION TAX		10.15	51.92
DEBENTURE REDEMPTION RESERVE		2,039.11	-
LEAVE ENCASHMENT REVERSED		-	31.47
BALANCE CARRIED TO BALANCE SHEET		23,174.34	17,258.11
Basic Earning per Share -	}	26.79	26.03
Diluted Earnings per Share -		26.79	26.03
(Face Value of Rs.10/- each)			
Significant Accounting Policies and Notes on Accounts	21		
Schedules referred to above form an integral part of the accounts			

As per our attached report of even date
For **R.CHADHA & ASSOCIATES**
Chartered Accountants

On Behalf of the Board of Directors

RAKESH CHADHA
Partner
No. 83135

D.P.S. KOHLI
Chairman-Cum-Whole Time Director

BHUPINDER SINGH SAWHNEY
Managing Director

Place: New Delhi
Date: 04/09/2010

POONAM CHAHAL
Company Secretary

AJAY MAHAJAN
Chief Financial Officer

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH' 2010
Rs. In Lacs

	For the year ended March 31, 2010	For the year ended March 31, 2009
A Cash flow from operating activities		
Net (loss)/profit before tax but after exceptional/extraordinary items	12,455.86	12,081.14
Adjustments for:-		
Depreciation	1,643.38	1,530.03
Financial Expenses	9,065.98	8,853.36
Interest Income	(20.76)	(39.13)
Foreign Exchange Gain	(41.66)	(8.86)
Other Loss (TM/chit fund)	-	0.50
Loss/profit of Investment	-	(39.06)
Miscellaneous Expenditure written off	121.15	78.07
Operating Profit before working capital changes	23,223.96	22,456.06
Adjustments for changes in working capital:		
(Increase)/Decrease in Sundry Debtors	(8,255.66)	(3,170.60)
(Increase)/Decrease in other Receivable	(9,439.90)	(4,316.01)
(Increase)/Decrease in Inventories	6,772.47	(20,341.71)
Increase/(Decrease) in Trade and Other Payables	(1,019.84)	2,162.80
Cash generated from operations	11,281.03	(3,209.47)
Taxes (Paid)/Received	(427.85)	(3,633.33)
Prior Period(Expenses)/Income	(156.17)	(73.62)
Extraordinary/Exceptional Item (Transfer from reserves)	-	31.47
Net Cash used in Operating Activities	10,697.00	(6,884.94)
B Cash flow from Investing Activities		
Purchase of fixed assets	(870.25)	(6,466.72)
Proceeds from sale of fixed assets	-	1.80
Capital advance given	(4,500.00)	(365.20)
Capital advance refund	96.00	20.00
Deferred Expenditure incurred	(41.49)	(185.70)
Proceeds from sale of chit fund/ Investments	100.00	(17.09)
Interest income	20.76	39.13
Derivative proceeds	-	(6.26)
Sale of Investment (Mutual funds)	-	3,895.00
Net cash used in Investing activities	(5,194.99)	(3,085.05)

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH' 2010

Rs. In Lacs

	For the year ended March 31, 2010	For the year ended March 31, 2009
C Cash flow from Financing Activities		
Net Proceeds from long term borrowings	(4,637.17)	10,342.10
Net Proceeds from short terms borrowings	8,378.10	10,049.64
Interest Paid	(9,065.98)	(8,853.36)
Net Cash from financing Activities	(5,325.06)	11,538.37
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	176.96	1,568.39
Cash and Cash Equivalents at the beginning of the year/period	3,531.22	1,962.83
Cash and Cash Equivalents at the end of the year/period	3,708.19	3,531.23
Cash & Cash Equivalents include:		
Cash in Hand	920.35	279.22
Balances with Scheduled Banks		
- In Current Account	2,768.53	3,132.83
- In Deposit Account	19.31	119.18

Notes to financial statement -

- 1 The Cash flow statement is prepared under 'Indirect method' as set out in Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.
- 2 Previous year figures have been regrouped, wherever necessary.

As per our attached report of even date
For **R.CHADHA & ASSOCIATES**
Chartered Accountants

On Behalf of the Board of Directors

RAKESH CHADHA
Partner
No. 83135

D.P.S. KOHLI
Chairman-Cum-Whole Time Director

BHUPINDER SINGH SAWHNEY
Managing Director

Place: New Delhi
Date: 04/09/2010

POONAM CHAHAL
Company Secretary

AJAY MAHAJAN
Chief Financial Officer

CONSOLIDATED SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE NO. 01

SHARE CAPITAL

Rs. in Lacs

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
<u>AUTHORISED</u>		
36300000 Equity shares @ Rs.10/- each.	3,630.00	3,630.00
(36300000 Equity Shares @ Rs.10/- each for previous year)		
	<u>3,630.00</u>	<u>3,630.00</u>
<u>ISSUED & SUBSCRIBED</u>		
30551397 Equity shares @ Rs.10/- each.	3,055.14	3,055.14
(Previous year 30551397 Equity shares @ Rs.10/- each.)		
	<u>3,055.14</u>	<u>3,055.14</u>
<u>PAID UP</u>		
30551397 Equity shares @ Rs.10/- each fully paid up	3,055.14	3,055.14
(Previous year 30551397 Equity shares @ Rs.10/- each fully paid up)		
	<u>3,055.14</u>	<u>3,055.14</u>

SCHEDULE NO. 02

RESERVES & SURPLUS

<u>Profit & Loss Account</u>	<u>As on 31.03.10</u>	<u>As on 31.03.09</u>		
Opening Balance	17,258.11	9,703.67		
Add:- Profit /(Loss)	5,916.23	7,554.44	23,174.34	17,258.11
	<u> </u>	<u> </u>		
<u>Share Premium Account</u>	<u>As on 31.03.10</u>	<u>As on 31.03.09</u>		
Opening Balance	22,203.56	22,203.56		
Add:-Amount Received during the year	-	-		
Less:- Utilised against Share Issue Exp.	-	-	22,203.56	22,203.56
	<u> </u>	<u> </u>		
DEBENTURE REDEMPTION RESERVE			2,039.11	-
			<u>47,417.02</u>	<u>39,461.67</u>

CONSOLIDATED SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010
SCHEDULE NO. 03
SECURED LOANS
Rs in Lacs

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
NON-CONVERTIBLE DEBENTURES	8,525.04	10,958.61
<u>LOANS & ADVANCES FROM BANK</u>		
i) WORKING CAPITAL LOAN	43,627.67	40,197.01
ii) TERM LOAN	465.12	844.03
<u>LOANS & ADVANCES FROM OTHERS</u>		
i) TERM LOAN	0.14	2.60
	52,617.96	52,002.25

SCHEDULE NO. 04
UNSECURED LOANS

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
<u>LONG TERM LOANS & ADVANCES</u>		
FROM BANKS	-	-
FROM OTHERS	6,053.32	8,019.75
<u>SHORT TERM LOANS & ADVANCES</u>		
FROM BANKS / OTHERS	7,322.19	2,374.75
	13,375.51	10,394.50

SCHEDULE NO. 05

FIXED ASSETS

Rs. in Lacs

S. No.	Particulars	Dep %	GROSS BLOCK				DEPRECIATION			NET BLOCK	
			As on 01.04.2009	Addition during the year	Sales/ Transfer	As on 31.03.2010	As on 01.04.2009	Dep. for the year	Dep. writ -ten back	As on 31.03.2010	As on 31.03.2009
1	LAND - FREE HOLD	0.00	1492.19	0.00	0.00	1492.19	0.00	0.00	0.00	1492.19	1492.19
2	BUILDINGS	10.00	1427.55	15.85	0.00	1443.39	126.64	140.06	0.00	1176.69	1300.90
3	CAPITAL EXPANSIONS	10.00	455.97	117.11	0.00	573.08	73.13	47.53	0.00	452.42	382.84
4	PLANT & MACHINARIES	13.91	6073.99	244.10	0.00	6318.09	1507.93	680.46	0.00	2188.39	4566.06
5	VEHICLES	25.89	390.17	53.57	0.00	443.74	214.78	54.92	0.00	269.70	175.40
6	VEHICLE-COMMERCIAL	30.00	25.92	1.06	0.00	26.98	13.63	3.72	0.00	17.35	12.30
7	COMPUTERS	40.00	936.52	109.62	0.00	1046.14	438.08	228.21	0.00	666.29	498.44
8	FIXED ASSETS AT GALARY	13.91	2807.72	267.97	0.00	3075.69	475.02	363.46	0.00	838.48	2332.71
9	FURNITURE & FIXTURE	18.10	896.10	83.73	0.00	979.83	284.92	125.02	0.00	409.94	611.18
TOTAL :-			14506.14	892.99	0.00	15399.14	3134.13	1643.38	0.00	4777.51	11372.02

CAPITAL WORK-IN-PROGRESS

1	ERP SOFTWARE (WIP)	0.00	17.16	17.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	CAPITAL ADVANCES	1030.58	4500.00	96.00	5434.58	0.00	0.00	0.00	0.00	5434.58	1030.58
3	GALLERY - CWIP	22.74	80.21	102.95	0.00	0.00	0.00	0.00	0.00	0.0	22.74
TOTAL :-		1053.32	4597.37	216.11	5434.58	0.00	0.00	0.00	0.00	5434.58	1053.32
GRAND TOTAL		15559.47	5490.36	216.11	20833.72	3134.13	1643.38	0.00	4777.51	16056.21	12425.34
PREVIOUS YEAR		8879.68	9267.12	2587.32	15559.47	1654.15	1530.04	50.06	3134.13	12425.34	7225.53

CONSOLIDATED SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE NO. 06

INVESTMENTS

Rs in Lacs

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
<u>LONG TERM INVESTMENTS</u>	—	—
<u>CURRENT INVESTMENTS</u>		
(UNQUOTED, NON-TRADE & FULLY PAID)		
<u>MUTUAL FUND UNITS</u>		
143.462 units of UTI Liquid Cash Plan Regular - Growth Option (NAV as on 31/03/2010 - RS.2,13,792/-)	1.89	1.89
31,062.801 units of HSBC Cash Fund - Growth (NAV as on 31/03/2010 - RS.4,62,500/-)	4.07	4.07
11,95.234 units of ICICI Prudential Liquid Super Institutional Plan - Growth (NAV as on 31/03/2010 - RS.1,62,651/-)	1.40	1.40
Share Application Money Paid (M/s Upper Class Fashion Ltd.)	175.00	275.00
	182.36	282.36

SCHEDULE NO. 07

INVENTORIES

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
FINISHED GOODS	47,632.10	49,841.22
SEMI FINISHED GOODS	14,947.37	19,175.11
RAW MATERIAL	3,775.83	4,448.95
CONSUMABLES STORES	1,117.50	1,183.53
SPARE PARTS (MACHINERY)	16.23	16.77
PACKING MATERIALS	514.31	110.21
	68,003.33	74,775.80

CONSOLIDATED SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE NO. 08

SUNDRY DEBTORS

Rs in Lacs

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
SUNDRY DEBTORS OUTSTANDING FOR A PERIOD EXCEEDING SIX MONTHS	911.91	431.10
OTHER DEBTORS	13,966.94	6,192.09
	14,878.85	6,623.19

SCHEDULE NO. 09

CASH & BANK BALANCES

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
CASH IN HAND	920.35	279.21
BALANCES WITH SCHEDULED BANKS		
CURRENT ACCOUNTS	2,768.53	3,132.83
DEPOSIT ACCOUNTS	19.31	119.18
BALANCES WITH NON-SCHEDULED BANKS	-	-
	3,708.19	3,531.23

SCHEDULE NO. 10

LOANS & ADVANCES

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
(Unsecured Considered as good except otherwise stated)		
ADVANCE RECOVERABLE IN CASH OR KIND	28,250.18	17,698.50
PREPAID EXPENSES	718.73	2,264.47
SECURITY DEPOSITS WITH PARTIES	4,901.25	4,142.77
	33,870.16	24,105.74

CONSOLIDATED SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE NO. 11

CURRENT LIABILITIES & PROVISIONS

Rs in Lacs

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
<u>CURRENT LIABILITIES</u>		
CREDITOR FOR PURCHASES	7,904.57	8,354.59
CREDITOR FOR EXPENSES	3,576.73	3,768.46
EXPENSES PAYABLE	8,781.31	4,811.46
ADVANCE FROM CUSTOMERS	52.75	15.43
	20,315.36	16,949.94

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund.

SCHEDULE NO. 12

MISCELLANEOUS EXPENDITURE

PRELIMINARY EXPENSES

PARTICULARS	AS AT 31/03/2010	AS AT 31/03/2009
PRELIMINARY EXPENSES (To the extent not written off)	10.15	11.66
LESS: WRITTEN OFF DURING THE YEAR	1.51	1.51
	8.63	10.15
<u>DEFERRED EXPENDITURE</u>		
DEFERRED EXPENDITURE (To the extent not written off)	396.61	431.67
LESS: WRITTEN OFF DURING THE YEAR	119.64	76.56
	276.97	355.11
	285.60	365.26

CONSOLIDATED SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE NO. 13

MISCELLANEOUS INCOME

Rs. In Lacs

PARTICULARS	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
STOCK CLAIM	228.52	1,539.75
INTEREST ON F.D.R.	6.61	9.96
EXCHANGE FLUCTUATION GAIN	41.66	19.74
PROFIT ON INVESTMENT	—	45.32
INTEREST ON DEBTORS /FRANCHISEE	—	29.17
OTHER MISC.INCOME	14.15	1.12
	290.94	1,645.06

SCHEDULE NO. 14

INCREASE/(DECREASE) IN STOCK

PARTICULARS	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
OPENING STOCK:		
FINISHED GOODS	49,841.22	33,261.13
SEMI FINISHED GOODS	19,175.11	16,099.95
	69,016.34	49,361.08
LESS:		
CLOSING STOCK:		
FINISHED GOODS	47,632.10	49,841.22
SEMI FINISHED GOODS	14,947.37	19,175.11
	62,579.46	69,016.34
INCREASE/(DECREASE)	(6,436.87)	19,655.25

CONSOLIDATED SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE NO. 15

RAW MATERIAL CONSUMED

Rs in Lacs

PARTICULARS	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
OPENING STOCK:	4,448.95	3,896.32
ADD: PURCHASE DURING THE YEAR	21,182.32	22,757.23
	25,631.27	26,653.55
LESS: CLOSING STOCK	3,775.83	4,448.95
	21,855.44	22,204.60

SCHEDULE NO. 16

MANUFACTURING EXPENSES

PARTICULARS	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
CONSUMABLE STORE CONSUMED	2,835.36	2,736.57
PACKING MATERIAL CONSUMED	2,603.08	3,365.57
SPARE PARTS CONSUMED(MACHINARY)	105.52	96.27
WASHING /FINISHING EXPENSES	3,338.16	4,009.99
FABRICATION EXPENSES	9,118.15	11,156.86
MACHINERY/BUILDING REPAIR & MAINTENANCE	127.87	97.90
WATER & ELECTRICITY EXPENSES	185.17	178.88
POWER & FUEL AND GENERATOR EXP.	292.66	288.81
FREIGHT & CARTAGE INWARD	200.65	218.54
FACTORY RENT	1,275.84	1,548.33
OTHER MANUFACTURING EXPENSES	487.12	480.12
	20,569.59	24,177.83

SCHEDULE NO. 17

PAYMENT TO & PROVISION FOR EMPLOYEES

PARTICULARS	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
SALARIES, WAGES & BONUS	1,284.89	1,393.87
GRATUITY, RETRENCHMENT & LEAVE ENCASHMENT	14.29	17.45
CONTRIBUTION TO PROVIDENT & OTHER FUNDS	47.19	46.68
STAFF & LABOUR WELFARE	31.04	32.56
	1,377.41	1,490.55

CONSOLIDATED SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE NO. 18

ADMINISTRATIVE & GENERAL EXPENSES

Rs. In Lacs

PARTICULARS	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
ADDITIONAL DEMAND OF SALES TAX & ESIC.	5.57	7.20
STATUTORY AUDIT FEES	20.03	20.37
INTERNAL AUDIT FEES	13.24	13.46
CHARITY & DONATIONS	2.81	5.70
COMMISSION ON RENT	0.07	21.60
COMPUTER RUNNING & MAINT.	31.30	25.33
CONVEYANCE EXPENSES	53.97	58.51
DIRECTOR'S REMUNERATION	721.43	543.60
DIRECTOR SITTING FEES	1.95	2.15
DIRECTOR'S FOREIGN TRAVELLING	9.52	26.03
EMPLOYEES FOREIGN TRAVELLING	26.56	22.36
WATER & ELECTRICITY EXPENSES	28.61	19.91
ENTERTAINMENT & HOSPITALITY	20.28	30.42
FEES, TAXES & SUBSCRIPTION	19.74	15.30
FESTIVAL EXPENSES	19.11	12.80
INSURANCE EXPENSES	11.29	19.35
LEGAL & PROFESSIONAL EXPENSES	214.81	204.61
MEDICAL EXPENSES	2.50	2.86
MISCELLANEOUS EXPENSES	0.71	0.67
NEWS PAPER & PERIODICALS	5.39	2.88
POSTAGE & COURIER CHARGES	20.61	27.29
TELEPHONE EXPENSES	70.08	76.57
PRELIMINARY EXPENSES WRITTEN OFF	1.51	1.51
DEFERRED EXPENDITURE WRITTEN OFF	119.64	76.56
PRINTING & STATIONARY	45.98	63.10
RENT EXPENSES	87.37	85.70
LOSS ON CHIT FUND	-	0.50
REPAIR & MAINTENANCE EXPENSES (OFFICE & GENERAL)	42.90	41.52
SECURITY EXPENSES	20.35	43.49
STAFF WELFARE EXPENSES	34.12	35.92
TRAINING & RECRUITMENT EXPENSES	1.52	2.32
VEHICLE RUNNING & MAINTENANCE EXPENSES	77.00	59.14
LOSS OF STOCK	35.66	93.06
INTEREST ON TDS/SERVICE TAX	15.91	37.37
CONFERENCE/SEMINAR ATTENDING FEES	-	0.19
LISTING EXPENSES & BOARD MEETING EXPENSES	2.76	4.43
LOSS ON DERIVATIVES	-	6.26
	1,784.30	1,710.02

CONSOLIDATED SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

SCHEDULE NO. 19

SELLING EXPENSES

Rs. In Lacs

PARTICULARS	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
ADVERTISEMENT & PUBLICITY	2,844.05	4,290.23
COMMISSION ON SALES	13,397.86	12,576.21
CONSIGNMENT EXPENSES	2,276.25	1,432.71
EMPLOYEES TRAVELLING EXPENSES	52.69	60.46
DIRECTOR'S TRAVELLING EXPENSES	19.28	7.19
RENT FOR GALLERY	5,010.66	4,068.72
DEVELOPMENT TAX, PROPERTY TAX, ENTRY TAX & OCTROI	474.82	560.98
TELEPHONE EXP. (REIMBURSEMENT)	31.88	39.85
WATER & ELECTRICITY EXP. (REIMBURSEMENT)	469.37	343.64
REPAIR & MAINTENANCE (REIMBURSEMENT)	478.47	415.31
FAIR PARTICIPATION EXPENSES	0.42	4.97
FREIGHT OUTWARDS & CLEARING CHARGES	934.75	1,187.99
SALES PROMOTION EXPENSES	192.14	105.36
RACKS SALE EXPENSES	17.66	4.74
LEGAL EXPENSES REIMBURSEMENT	2.44	5.30
SERVICE TAX REIMBURSEMENT	238.03	176.51
BAD DEBTS WRITTEN OFF	—	9.10
	26,440.76	25,289.28

SCHEDULE NO. 20

INTEREST & FINANCIAL CHARGES

PARTICULARS	YEAR ENDED 31/03/2010	YEAR ENDED 31/03/2009
BANK INTEREST	7,401.79	5,875.20
INTEREST ON TERM LOAN	57.22	33.54
INTEREST ON CAR LOAN	6.92	8.49
INTEREST ON DEBENTURES	959.79	958.61
OTHER INTEREST	143.81	501.10
BANK CHARGES & OTHER FINANCIAL EXPENSES	496.45	1,476.43
	9,065.98	8,853.37

CONSOLIDATED SCHEDULE FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st March 2010

SCHEDULE 21

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES.

(a) BASIS OF PREPARATION

The Consolidated Financial Statements are prepared under the historical cost convention and in accordance with Accounting Standard (AS) 21 on Consolidated Financial Statements issued by The Institute of Chartered Accountants of India. The Consolidated Financial Statements comprise the financial statement of Koutons Retail India Ltd. and DBG Retail Holdings Ltd. (Subsidiary).

The detail of subsidiary Company which is included in consolidation and the Parent Company's holding therein is as under:-

Name of the Company	Percentage of Holding	Place of Incorporation	Financial Year Ended on
DBG Retail Holdings Ltd.	100%	INDIA	31st March, 2008

PREVIOUS YEAR'S FIGURES

The figures of the previous year are regrouped/reclassified wherever necessary to make them comparable with that of the current year.

(b) PRINCIPLES OF CONSOLIDATION

The financial statements of the subsidiary company used in the consolidation are drawn up to the same reporting date of the Company.

The consolidated financial statements have been prepared on the following basis:

- The financial statements of the Company and its subsidiary company have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions have been fully eliminated.
- The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.
- The excess of cost to the Company of its investment in subsidiary company over its share of the equity of the subsidiary company at the date on which the investment in the subsidiary company is made, is recognised as 'Goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary company as on the date of investment, is in excess of cost of investment of the Company, it is recognised as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.

(c) FIXED ASSETS & DEPRECIATION

FIXED ASSETS

Fixed Assets are stated at the cost of acquisition/installation less accumulated depreciation and include directly attributable cost including installation and freight charges for bringing the assets to its working conditions for its intended use.

DEPRECIATION

Depreciation on fixed assets is provided on WDV method at the rate prescribed under schedule XIV of the Companies Act, 1956. Proportionate depreciation is charged for additions/deletions during the year. Individual asset costing less than Rs. 5,000/- are depreciated in full in the year of purchase.

(d) IMPAIRMENT OF ASSETS

The management reviews the carrying amounts of assets at each Balance Sheet date for any indication of impairment based on internal/external factors in accordance with Accounting Standard 28 "Impairment of Assets". An asset is treated as impaired when the carrying cost of the assets exceed its recoverable value. An impairment loss, if any, is charged to the Profit and Loss Account in the year, in which an asset is identified as impaired.

(e) INVESTMENTS

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 investments. Current investments are carried at lower of cost and fair value on an individual investment basis. Long term investments are carried at cost. Provision for diminution in the value of long term investment is made only if such a decline is other than temporary in the opinion of the management.

(f) INVENTORIES

Raw materials, consumables, stores and spares are valued at lower of cost and net realisable value as certified by the management.

Work-in-Progress is valued at direct raw material cost and appropriate cost of completed process.

Finished goods are valued at lower of cost and net realisable value as certified by the management. Finished goods include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost of inventories is computed on FIFO basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

(g) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

i. SALE OF GOODS

- (a) Consignment Sales: Revenue is recognised when consignee agents make the sales. Sales are recorded at net realisable value i.e. net of all discounts & sales tax.
- (b) Direct Sales: Revenue is recognised when goods are delivered which coincide with risk and rewards of ownership of goods have been passed to buyer.

ii. INTEREST

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(h) FOREIGN CURRENCY TRANSACTIONS

(a) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(b) Conversion

Foreign currency monetary items are reported using the closing rate of exchange at the end of the year. Non monetary items, like fixed assets are carried in terms of historical cost using the exchange rate at the date of the transaction.

(c) Exchange Differences

- i) Any gain or losses on account of exchange difference either on settlement or on translation is recognized in the Profit and Loss Account except in cases where they relate to the acquisition of fixed assets in which case they are adjusted to the carrying cost of such assets.
- ii) Foreign currency assets & liabilities are translated at the year end rates and resultants gains / losses on foreign exchange transaction other than those relating to fixed assets are recognized in the profit and loss account.
- iii) Non-monetary foreign currency items are carried at cost.

(i) TAXATION

Income tax expense comprises of current tax and deferred tax charge or credit.

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the provisions of Income Tax Act, 1961 as applicable to the relevant assessment year..

The deferred tax asset and deferred tax liability is calculated by applying tax rate and tax laws that have been enacted or substantively enacted by the Balance Sheet Date. Deferred tax assets arising from timing differences are recognised, subject to consideration of prudence, to the extent there is reasonable certainty that these would be realised in future. At each Balance Sheet date, the carrying amount of deferred tax assets is reviewed to reassure realisation.

(j) EMPLOYEE RETIREMENT BENEFITS

i. DEFINED CONTRIBUTION PLAN

The Company makes defined contribution to Provident Fund, which are recognised in the Profit and Loss Account on accrual basis.

ii. DEFINED BENEFIT PLAN

- i) The Company's liability under Payment of Gratuity Act is determined on the basis of actuarial valuation made at the end of financial year and accounted for on accrual basis.
- ii) Provision for leave entitlement is accrued and provided for at the end of the financial year but the same is not being determined on actuarial valuation basis.

(k) BORROWING COSTS

Borrowing costs that are attributable to the acquisition or construction of qualified assets are, capitalised as a part of the cost of such assets up to the date when such assets are ready for its intended use. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue. However during the current financial year no borrowing cost has been capitalized.

(l) OPERATING LEASES

The Company takes premises for its showroom/godown for various duration Lease/License period with Lock-in-period of One to Three Years. Escalation Clause is variable between 5% to 15% after every three years and 30-45 days rent free time is taken from the date of possession given by the landlord.

(m) CASH FLOW STATEMENT

The cash flow statement is prepared by the indirect method set out in Accounting Standard 3 on cash flow statements and presents the cash flows By Operating, Investing and Financing activities of the company. Cash and cash equivalents presented in cash flow statement consists of cash in hand, cheques in hand, bank balances & demand deposits with Banks.

(n) MISCELLANEOUS EXPENSES**i. PRELIMINARY EXPENSES**

The expenses incurred on formation of Company are amortised over a period of 10 years.

ii. DEFERRED REVENUE EXPENDITURE

This includes expenditure incurred on factory license fees, Trade mark fee and rental paid for pre commencement of retail stores, factories and has been amortised over the life period of concerned item in accordance with the AS 26(Intangible Assets) issued by the ICAI.

(o) PROVISIONS

A provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at each balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

B. NOTES ON ACCOUNTS

1. In the opinion of the Board of Directors of the company and to the best of their knowledge and belief the realisable value of current assets, loans & advances if realised in the ordinary course of business will not be less than the amount at which they are stated in the Balance Sheet as at 31st March, 2010.
2. Balance from some of the sundry debtors, sundry creditors and loans & advances are subject to confirmation and reconciliation.
3. The name of the Micro, Small and Medium Enterprises suppliers defined under the "The Micro Small and Medium Enterprises Development Act, 2006" could not be identified, as the necessary information is not in the possession of the Company.
4. The Company had raised Rs. 10,822.77 Lacs through a public issue of equity shares during the financial year 2007-08 and whole amount of the proceeds are utilized as per object of the issue.
5. Term loan secured against hypothecation of machinery and collateral security of immovable properties registered in the name of company and directors & their wives and personal guarantees of directors and their wives are Rs.240.44 Lacs & Rs.602.59 Lacs for the year ended on 31.03.10 & 31.03.09 respectively.

Term loan secured against hypothecation of car are Rs.45.91 Lacs & Rs.57.40 Lacs for the year ended on 31.03.10 & 31.03.09 respectively.

Term loan secured against hypothecation of Retail Commercial Outlets are Rs.178.91 Lacs & Rs.186.64 Lacs for the year ended on 31.03.10 & 31.03.09 respectively.

Working Capital Loans from Banks are secured against hypothecation of inventories and collateral security of immovable properties registered in the name of company and directors & their wives and personal guarantees of directors and their wives.

The company has NCD which, with 10.15% redeemable at Par on 6/04/2009 for Rs 5000 lacs (Balances as on 31-03-2010 Rs 3356.45 lacs) and 13.00% redeemable at Par on 16/07/2009 for Rs 5000 lacs (Balance as on 31-03-2010 Rs 4800 lacs), are secured by post dated cheques for Principal and Interest and further secured by charge on land in Gujrat.

6. The Company has taken certain office premises, showrooms and retail commercial outlets on non-cancellable operating lease. The future minimum lease rentals payable at the Balance Sheet date, in respect of the non-cancellable operating lease, are as follows:

Rs. in Lacs

	As at 31.03.10	As at 31.03.09
For a period not later than one year	3,672.25	4,691.09
For a period later than one year and not later than five years	2,332.33	2,782.83
For a period later than five years	—	—

7. The company could not fully redeem the debentures on due dates and has asked the Debenture holder for reschedulement of repayment dates which is pending their consideration. Meanwhile the interest rate on 10.15% NCD has been revised to 13.50%.

8. **SEGMENT REPORTING**

i. **Primary- Business Segment**

In accordance with the requirements of Accounting Standard 17 “Segment Reporting” issued by the ICAI, the Company’s business consists of multiple segments like Manufacturing, Trading and Selling of Textile products, Accessories and Shoes. But the separate disclosure under the Accounting Standard 17 is not applicable.

ii. **Secondary- Geographical Segment**

Secondary Segment Reporting is performed on the basis of geographical location of the customers. The operation of the Company comprises local sales only in the current year. Hence no separate disclosure pertaining to attributable Revenues, profits, assets, Liabilities and Capital employed are given.

9. During the year the company has settled some of its creditors assignment of its receivables with mutual consent.

10. **Detail of Deferred Tax Liabilities/Assets is as below:**

Rs. in Lacs

Deferred Tax Liabilities on account of:	As at 31.03.10	As at 31.03.09
Depreciation	—	43.75
Preliminary & Deferred Exp.	0.43	0.11
Expenses allowed u/s 40(a)(ia)	—	5.95
Total	0.43	49.81

Deferred Tax Assets on account of:	As at 31.03.10	As at 31.03.09
Depreciation	34.50	—
Retirements Benefits	8.55	2.85
Preliminary & Deferred Exp.	—	0.31
Total	43.05	3.16
Deferred Tax Liabilities/(Assets) (Net)	(42.62)	46.65

11. Earnings Per share:

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

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

	As at 31.03.10	As at 31.03.09
i) Net Profit available for Equity Shareholders (In Lacs)	8,183.69	7,954.02
Opening No. of Shares (In Lacs)	305.51	305.51
Closing No. of Shares (In Lacs)	305.51	305.51
ii) Weighted average number of equity Shares Outstanding for calculation of Basic EPS (In Lacs)	305.51	305.51
Basic EPS (Rs.) (i)/ (ii)	26.79	26.03
Effect of Dilutive Securities:- Conversion of Share application Money (In Lacs)	—	—
iii) Weighted average number of Equity Shares Outstanding for calculation of Diluted EPS(In Lacs)	305.51	305.51
Diluted EPS (Rs.) (i)/ (iii)	26.79	26.03

12. Disclosure pursuant to Accounting Standard-15(Revised) "Employee Benefits"

(i) DETAILS OF DEFINED CONTRIBUTION PLAN

The Company has recognized Rs.31.64 lacs (Previous year Rs.32.02 lacs) as provident fund in the Profit & Loss Account for the year ended 31st March 2010 under Defined Contribution Plans.

(ii) DETAILS OF DEFINED BENEFIT PLAN

(a) GRATUITY

The company makes annual contribution to the employees' group-cum life assurance scheme of the Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees. The scheme provides for lumpsum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary for

service more than 5 years, payable for each completed year of service or part thereof in excess of 6 months. Vesting occurs upon completion of 5 years of service.

The present value of the defined benefit obligation and the related current service cost were measured using the Projected unit credit method, with actuarial valuations being carried out at each balance sheet date.

Rs. in lacs

	As at 31.03.10	As at 31.03.09
1. Components of Employer Expense		
Current Service Cost	20.91	29.00
Interest Cost	4.08	3.50
Expected Return on Plan Assets	(6.88)	(4.59)
Actuarial (Gain)/Loss	(23.78)	(25.20)
Total expense/(gain) recognized in the Profit & Loss Account	(5.66)	2.71
2. Net Asset/(Liability) recognized in Balance Sheet		
Present Value of Obligation as at	52.27	51.05
Fair Value of Plan Assets as at	83.42	54.72
Asset/(Liability) recognized in the Balance Sheet	31.15	3.67
3. Change in Defined Benefit Obligation During the year ended as on 31.03.10		
Present Value of Obligation as at	51.05	43.75
Current Service Cost	20.91	29.00
Interest Cost	4.08	3.50
Actuarial (Gain)/Loss	(23.78)	(25.20)
Benefits paid	—	—
Present Value of Obligation as at	52.27	51.05
4. Change in the Fair value of Plan Assets		
Fair Value of Plan Assets as at	54.72	50.13
Expected Return on Plan assets	6.88	4.59
Actuarial Gain/(Loss)	—	—
Actual Company Contribution	21.82	—
Benefits Paid	—	—
Fair Value of Plan assets as at	83.42	54.72
5. Actuarial Assumptions		
Discount Rate (per annum)	8%	8%
Expected Rate of Return on Assets (per annum)	9.15%	9.15%
Salary Escalation Rate*	6%	6%

*takes into account the inflation, seniority, promotions and other relevant factors

(b) LEAVE ENCASHMENT

Provision for leave entitlement is accrued and provided for at the end of the financial year but the same is not being determined on actuarial valuation basis.

13. Capital work-in-progress include a sum of Rs. 156.84 lacs being advance paid to a real estate developer against purchase of immovable property which the Developer has given notice for forfeiture and company is contesting. In view of the fact that the Developer had failed to acquire land and/or achieve desired milestones justifying the withholding of further payments by Company as also further negotiations with the Developer, the amount is considered good for recovery.

14. Details of Statutory Auditors' Remuneration

Rs. in lacs

	As at 31.03.10	As at 31.03.09
Audit Fees	13.42	10.15
For Taxation Matters	4.41	7.00
For Certification Work	2.21	3.22
Total	20.04	20.37

15. Contingent liabilities not provided for:

Rs. in lacs

Particulars	As at 31.03.10	As at 31.03.09
i) Bank Guarantee O/S	12.58	91.60
ii) Claims against the company not acknowledged as debts in respect of past disputed liabilities of sales tax	93.80	93.80

iii) Landlords Mr Jai Kishan Chikara & others has filed civil suit for recovery amounting to Rs 20.00 lacs* against the company.

iv) Various workmen have filed 4 labour cases against the Company and the same are pending before different authorities as on 31.03.10

v) State government of U.P. has filed a case against the company and same are pending before Commissioner (Stamp) Meerut as on 31.03.2010.

** Based on the discussions with the solicitor/legal opinion taken, the management believes that company has strong chance of success in the above mentioned cases and hence no provision against is considered necessary.*

16. Related Party Disclosure

As per Accounting Standard 18, issued by The Institute of Chartered Accountants of India, the disclosures of transactions with related parties for the year ended 31st march, 2010 as defined in Accounting Standard are given as below:

List of Related Parties
a) Key Management Personnel

MR. D.P.S. KOHLI	Chairman
MR. BHUPINDER SINGH SAWHNEY	Managing Director
MR. GURMEET SINGH SAWHNEY	Whole-time Director
MR. KAILASH CHAND SHARMA	Whole-time Director

b) Relatives of Key Management Personnel

NAME OF RELATIVES	RELATION WITH KEY MANAGEMENT PERSONNEL
MR. BASANT SINGH SAWHNEY	Father of Mr. BHUPINDER SINGH SAWHNEY & Mr. GURMEET SINGH SAWHNEY
MR. BANPREET SINGH KOHLI	Son of Mr. D.P.S. KOHLI
MR. PRABHJOT SINGH SAWHNEY	Son of Mr. BHUPINDER SINGH SAWHNEY
MRS. SATINDER KAUR	Wife of Mr. BHUPINDER SINGH SAWHNEY
MRS. AMARJIT KAUR	Wife of Mr. D.P.S. KOHLI
MRS. PARVINDER KAUR	Wife of Mr. GURMEET SINGH SAWHNEY
MR. JASKARAN SINGH SAWHNEY	Son of Mr. BHUPINDER SINGH SAWHNEY
MRS. GURBANI KAUR	Daughter in Law of Mr. BHUPINDER SINGH SAWHNEY

c) Companies under the same Management

- i) Klone Infrastructure Private Ltd.
- ii) K & S Knitwears Private Ltd.
- iii) PBP Marketing private Ltd.
- iv) Klone Avinash Infrastructure Private Ltd.
- v) Gartex Concept Clothings Ltd.
- vi) Venezia Leathers Pvt. Ltd.
- vii) S.R. Resorts Pvt. Ltd.
- viii) JEG Hospitality Holdings Ltd.
- ix) Vian Hospitality Pvt. Ltd.

Related Party Transactions

Rs. in Lacs

Particulars	KMP	Relatives of KMP	Associates Enterprise	Total
<i>Sales</i>	--	--	10.24	10.24
	(—)	(—)	(—)	(—)
<i>Purchases</i>	--	--	110.22	110.22
	(—)	(—)	(331.20)	(331.20)
<i>Rent Paid</i>	--	223.00	4.50	227.50
	(—)	(225.63)	(—)	(225.63)
<i>Job Work</i>	--	--	1897.49	1897.49
	(—)	(—)	(3280.04)	(3280.04)
<i>Advertisement</i>	--	--	24.75	24.75
	(—)	(—)	(—)	(—)
<i>Sales Promotion</i>	--	--	1.55	1.55
	(—)	(—)	(—)	(—)
<i>Asset Sold</i>	--	--	--	--
	(—)	(—)	(0.46)	(0.46)
<i>Remuneration</i>	723.60	37.23	--	760.83
	(543.60)	(30.20)	--	(573.80)
<i>Loans & Advances taken</i>	0.05	6018.63	--	6018.68
	(—)	(4302.00)	(—)	(4302.00)
<i>Loans & Advances repaid</i>	--	6252.62	--	6252.62
	(—)	(5998.10)	(—)	(5998.10)
<i>Loans & Advances taken Outstanding as on 31.03.10</i>	103.74	15.39	--	119.13
	(103.69)	(249.38)	(—)	(353.07)
<i>Security deposit paid outstanding as on 31.03.10</i>	--	138.96	--	138.96
	(—)	(138.96)	(—)	(138.96)
<i>Sundry Creditors outstanding as on 31.03.10</i>	--	37.58	1106.74	1144.32
	(—)	(—)	(847.25)	(847.25)

*Figures in brackets relate to the previous year 2008-09.

**Related parties are as disclosed by the management and relied upon by the Auditors.

17. Managerial remuneration
(i) PARTICULARS OF REMUNERATION AND OTHER BENEFITS PROVIDED TO DIRECTORS FOR THE YEAR ENDED 31ST MARCH, 2010 AND 2009 ARE SET OUT BELOW:
Rs. in lacs

	As at 31.03.10	As at 31.03.09
Salary & Bonus	404.80	303.41
Allowances	313.49	215.94
Perquisites	2.72	21.66
Contribution to Provident Fund	2.59	2.59
Total	723.60	543.60
Sitting Fees to non executive directors	1.95	2.15
Total	725.55	545.75

**The figures do not include gratuity payable to the directors, as the same was actuarially determined for the Company as a whole.*

(ii) COMPUTATION OF MANAGERIAL REMUNERATION U/S 198 OF THE COMPANIES ACT, 1956.
Rs. in lacs

	As at 31.03.10	As at 31.03.09
Profit before tax before extraordinary Items as per P&L A/c	12,451.83	12,082.85
Add:		
(a) Directors Remuneration	723.60	543.60
(b) Loss on sale of Investments	5.20	6.75
(c) Depreciation charged to accounts	1,643.38	1,530.03
	14,824.01	14,163.24
Less:		
(a) Profit on sale of Investments	—	45.32
(b) Depreciation as per Section 350 of the Companies Act, 1956	1,643.38	1,530.03
Net Profit as per section 198 of the Companies Act, 1956	13,180.63	12,587.89
Maximum permissible remuneration to whole-time directors u/s 198 of the Companies Act, 1956 @10% of the Profits as computed above	1,318.06	1,258.79
Restricted as per shareholders' approval	720.00	540.00
Maximum permissible managerial remuneration to non-executive directors u/s 309 of the Companies Act, 1956 @1% of the Profits as computed above	131.81	125.88
Restricted as per service agreement	3.60	3.60

18. The Break-up of the expenditures on Employee getting remuneration:

Particular	As at 31.03.10		As at 31.03.09	
	No of Employees	Salary paid in lacs.	No of Employees	Salary paid in lacs.
Not less than Rs. 24.00 lacs p.a.	2	54.00	2	54.00
Not less than Rs. 2.00 lacs p.m.	—	—	—	—

19. INFORMATION PURSUANT TO PARAS 3 & 4 AND OF PART II OF SCHEDULE VI OF THE COMPANIS ACT 1956 AS CERTIFIED BY MANAGEMENT:
(a) Particulars of capacity and production
Figures in lacs

Particulars	Installed Capacity (per annum) As at		Actual Production (Pcs.) Year ending	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Garments	350.00	350.00	220.28	219.26

* Installed Capacity of the company is only indicative as it depends on product mix and level of outsourcing. Installed capacity is as certified by the management and have not been verified by the auditor as a technical matter.

(b) Particulars of stocks Purchase and sales
I) Ready Made Garments

Particulars	Quantity (Pcs in lacs)	Value (Rs in lacs)
Opening stock	212.67	49645.09
Closing stock	181.03	47539.64
Purchases	50.94 (115.50)	18930.77 (28418.89)
Sale	302.84 (267.53)	120151.65 (104600.18)

II) Leather Goods

Particulars	Quantity (Pcs in lacs)	Value (Rs in lacs)
Opening stock	0.34	196.13
Closing stock	0.32	92.46
Purchases	0.34 (0.43)	106.90 (213.00)
Sale	0.38 (0.09)	224.66 (68.23)

* (The company is manufacturing a range of men's wear / ladies wear hence not possible to give details of each and every items in quantitative terms.)

* *Figures in bracket are of previous year 2008-09

(c) Particulars of raw materials consumed

As at 31.03.10			As at 31.03.09	
	Quantity (Mtrs in Lacs)	Value (Rs. in Lacs)	Quantity (Mtrs in Lacs)	Value (Rs. in Lacs)
Fabric	267.60	21855.44	289.10	22204.61

(d) Value of Imported and indigenous Raw Material and packing Material:
Rs in Lacs

	Indigenous	Imported	Total
1. Raw Materials	21182.32	—	21182.32
	(22757.23)	—	(22757.23)
2. Finished Goods	19037.67	—	19037.67
	(28412.56)	(219.33)	(28631.89)
3. Consumable Stores	2732.50	36.83	2769.33
	(2834.23)	(18.62)	(2852.85)
4. Packing Materials	3007.18	—	3007.18
	(3406.37)	(4.99)	(3411.36)
5. Spare Parts	104.98	—	104.98
	(68.02)	(—)	(68.02)
Percentage	99.92	0.08	100.00
	(99.58)	(0.42)	(100.00)

* *Figures in bracket are of previous year 2008-09

(e) Foreign Exchange Earning and Outgoing

	2009-10 (Rs.in lacs)	2008-09 (Rs.in lacs)
A) Imports on CIF basis		
i) Finished Goods	—	219.33
ii) Consumable	36.83	18.62
iii) Capital Goods	—	840.08
iv) Packing Material	—	4.99
B) Expenditure in foreign Currency (foreign traveling director & others)	36.08	48.39
C) Dividend paid to Non- resident Share Holders	54.79	----
No. Of Non-Resident Share Holders	214	----
D) Earning in Foreign Currency	—	—

- 20.** The figures of the previous year are regrouped /reclassified wherever necessary to make them comparable with that of the current year.

As per our attached report of even date
For **R.CHADHA & ASSOCIATES**
Chartered Accountants

On Behalf of the Board of Directors

RAKESH CHADHA
Partner
No. 83135

DPS KOHLI
Chairman

BHUPINDER SINGH SAWHNEY
Managing Director

Place: New Delhi
Date: 04/09/2010

POONAM CHAHAL
Company Secretary

AJAY MAHAJAN
Chief Financial Officer

DIRECTORS' REPORT

To
The Shareholders,
DBG Retail Holdings Limited

Your Directors have pleasure in presenting the 3rd Annual Report together with the Audited Statements of Accounts of the Company for the period ended 31st March, 2010.

OPERATIONS

DBG Retail Holdings Limited has been incorporated on 7th of December 2007, and had entered into a Memorandum of Understanding with Upper Class Fashion Limited, whereby it agreed to acquire 51 % or more of the shareholding in the said Upper Class Fashions Limited. The said acquisition is still in process due to some certain issues which are in the process of getting sorted out.

FINANCIAL HIGHLIGHTS

During the period ended 31st March, 2010 the Financials stood as follows:

Miscellaneous Expenditure not written off : 6.44 Lacs

Loss : 5.20 Lacs

DIVIDEND

Your Directors have not recommended any dividend during the year under review.

TRANSFER TO RESERVES

The Company did not earn any revenue during the period ended 31st March 2010 as such no amount is proposed to be transferred to General Reserve.

DEPOSITS

The Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 made thereunder.

CAPITAL STRUCTURE

As on 31st March 2010, DBG Retail Holdings Limited has Authorised Capital of Rs.12,00,00,000/- (Rupees Twelve Crores Only) divided into 1,20,00,000 Equity Shares of Rs.10/- each, and paid-up/Subscribed capital of the Company stood at Rs.1,95,00,000/- (Rupees One Core Ninety Five Lacs Only) divided into 19,50,000 Equity Shares of Rs.10/- each.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Mr. BS Sawhney, Director of your Company, retire by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment.

STATUTORY AUDITORS

M/s. R. Chadha & Associates, Chartered Accountants, statutory auditors of the company, hold office until the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The Company has received a letter from M/s R. Chadha & Associates for their appointment/reappointment, 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/reappointment within the meaning of Section 226 of the said act.

PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, none of the employee is in receipt of aggregate remuneration of Rs.24,00,000/- or more if employed throughout the year or in receipt of Rs 2,00,000/- or more if employed for part of the year.

DIRECTOR'S RESPONSIBILITY STATEMENT

As required under section 217(2AA) of the Companies Act, the Directors hereby confirm:

1. that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for that period;
3. that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors had prepared the annual accounts on a going concern basis.

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

Information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo is given below:

A. CONSERVATION OF ENERGY:

The operations of your Company are not energy intensive. However, wherever possible your company strives to curtail the consumption of energy on a continued basis by using energy-efficient equipment

B. TECHNOLOGY ABSORPTION

Since the main object of your Company is to procure and adopt, purchase or in any other manner acquire Shares, Securities, brand or any interest, title right, concession, license of any individual, firm, company, body corporate, enterprise or association of persons carrying on the business of manufacturers, producer, seller, distributors or retailers of apparels, readymade garments, wearing attire and mantle, tailors, silk mercers, makers and trimmings of any kinds, the particulars in regard to technological absorption are not applicable

C. FOREIGN EXCHANGE EARNINGS AND OUT GO:

Foreign Exchange Earning and Outgo:

	(Rs. In Lacs)
a) Imports on C/F basis	NIL
b) Expenditure in Foreign Currency (Foreign traveling Directors)	NIL
c) Earning in Foreign Currency	NIL

ACKNOWLEDGEMENT

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from Banks, Government Authorities and others during the period under review. Your Directors look forward to the future with confidence.

For and on behalf of the Board of Directors

Date: 31st August, 2010

Place: Gurgaon

DPS Kohli
Chairman

R. CHADHA & ASSOCIATES
CHARTERED ACCOUNTANTS

A-43, Naraina Industrial Area,
Phase-II, New Delhi- 110028
Ph.: (O) 25891036, 41418180
(R) 25596553
E-mail: rchadhaca@yahoo.com

AUDITOR'S REPORT

The Members,
DBG RETAIL HOLDINGS LTD.
New Delhi.

We have audited the attached Balance Sheet of DBG RETAIL HOLDINGS LTD. as at 31st March 2010, the Profit & Loss Account and Cash Flow Statement of the company for the period ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors Report) Order 2003 as amended by the Companies (Auditors Report) (Amendment) order 2004 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act 1956, and on the basis of such checks as we considered appropriate and according to information & explanations given to us, we annexed hereto a statement on the matters specified in paragraph 4 & 5 of the said order.
2. Further to our comments in the annexure referred to in paragraph 1 above, we report that :
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of books of account of the company ;
 - c) The Balance Sheet, Profit & loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account of the company.
 - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement complies with the Mandatory Accounting Standards referred to in section 211 (3C) of the Companies Act, 1956.

- e) On the basis of the representation received from the directors of the Company as on 31st March 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director of the company in terms of clause (g) of sub section (1) of section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i. in the case of the Balance Sheet, of the state of affairs of the company as at 31st march, 2010;
 - ii. in the case of the Profit & Loss Account, of the loss of the company for the period ended on that date;
 - iii. in the case of the Cash Flow Statement, of the Cash Flow of the Company for the period ended on that date.

For R. Chadha & Associates
Chartered Accountants

Place: - New Delhi
Date: - 31st August, 2010

Rakesh Chadha
(Partner)
M.No. 83135

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF DBG RETAIL HOLDINGS LTD. ON THE ACCOUNTS FOR THE PERIOD ENDED MARCH 31, 2010.

On the basis of such checks as we considered appropriate and in terms of the information and explanations given to us, we state that:

- i. (a) The Company has generally maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals, in a phased verification programme, 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 physical verification;
- (c) The Company has not disposed off a substantial part of its fixed assets during the year;
- ii. (a) As explained to us, there was no inventory with the company during the year. Hence the provisions of clause (ii) (a), (b) & (c) of the Order are not applicable;
- iii. (a) According to the information and explanations given to us, 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 Companies Act, 1956. Hence clauses (iii) (b), (c) & (d) of the Order, are not applicable;
- (b) The company has taken loans from three parties covered in the register maintained under section 301 of the Companies Act, 1956 on call basis. The maximum outstanding during the year was Rs. 103.74 lacs ;
- (c) The said loans are interest free. Other terms and conditions on which the loans have been taken are prima facie, not prejudicial to the interest of the company;
- (d) In view of our comments in para (iii) (b) and (c) above, clause 4 (iii) (g) of the said order is not applicable;
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services. During the course of our audit, we have not observed any major weakness in internal control;
- v. As no contracts or arrangements in which directors are interested, as contemplated under section 297 and 299 of the Companies Act, 1956 have been entered, hence clause 4 (v) (b) of the said order is not applicable;
- vi. The Company has not accepted any deposits from the public; hence the directives issued by the Reserve Bank of India and the provisions of Section 58A & 58AA of the Companies Act, 1956 are not applicable.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business;

- viii. The Company is not required to maintain the cost records pursuant to the Rules made by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the Company.
- ix. In our opinion and according to the information and explanations given to us, clause 4(ix) (a), (b) are not applicable to the Company;
- x. The Company has accumulated losses of Rs. 5.20 lacs at the end of the financial year 2009-10 . The Company has incurred cash losses of Rs.1.17 lacs in the current financial year;
- xi. In our opinion and according to the information and explanations given to us, the company has not taken any loan from a financial institution or bank during the year, hence clause 4 (xi) of the said order is not applicable;
- xii. As explained to us, the company has not granted loan & advance on the basis of security by way of pledge of shares, debentures & other securities;
- xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/ society. Therefore, the provisions of clause 4 (xiii) of the Order, are not applicable to the Company;
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company;
- xv. According to the information and explanations given to us, the Company has not given Corporate Guarantee for loans taken by others from banks or financial institutions. Therefore, the provisions of clause 4 (xv) of the Order, are not applicable to the Company;
- xvi. In our opinion and according to the information & explanations given to us, the company has not taken any term loan during the year. Hence the provisions of clause 4 (xvi) of the Order are not applicable;
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that, prima facie short term funds have not been used for long term investment;
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956;
- xix. According to the information and explanations given to us, the Company has not issued any debentures during the year. Therefore, the provisions of clause 4 (xix) of the Order, are not applicable to the Company;
- xx. According to the information and explanations given to us, the Company has not raised any money by way of public issue during the year. Therefore, the provisions of clause 4 (xx) of the said Order are not applicable to the Company;

xxi. According to the information and explanations given to us, and to the best of our knowledge and belief, no fraud on or by the Company, has been noticed or reported by the Company during the year.

For **R.Chadha & Associates**
Chartered Accountants

Place: New Delhi
Date: 31st August, 2010

Rakesh Chadha
(Partner)
M. No. 83135

BALANCE SHEET AS AT 31 MARCH, 2010
Rs. in Lacs

	SCHEDULE	AS AT 31/3/2010	AS AT 31/03/2009
<u>SOURCES OF FUNDS:</u>			
SHAREHOLDERS' FUNDS			
SHARE CAPITAL	01	195.00	195.00
LOAN FUNDS			
UNSECURED LOANS	02	143.74	143.69
Deferred tax liabilities		0.93	-
		339.67	338.69
<u>APPLICATION OF FUNDS:</u>			
FIXED ASSETS	03		
GROSS BLOCK		0.04	0.04
LESS: ACCUMULATED DEPRECIATION		0.04	0.04
NET BLOCK		-	-
INVESTMENTS	04	175.00	275.00
DEFERRED TAX ASSETS		-	0.31
CURRENT ASSETS, LOANS & ADVANCES			
CASH & BANK BALANCES	05	2.86	2.88
LOANS & ADVANCES	06	151.00	51.00
		153.86	53.88
LESS: CURRENT LIABILITIES & PROVISIONS			
CURRENT LIABILITIES	07	0.83	0.65
NET CURRENT ASSETS		153.03	53.23
MISCELLANEOUS EXPENDITURE	08	6.44	7.36
(To the extent not written off or adjusted)			
LOSS FROM OPERATIONS		5.20	2.79
		339.67	338.69
Significant Accounting Policies and Notes on Accounts	09		
Schedules referred to above form an integral part of the accounts			

As per our attached report of even date
 For **R.CHADHA & ASSOCIATES**
 Chartered Accountants

On Behalf of the Board of Directors

RAKESH CHADHA
 Partner
 No. 83135

DPS KOHLI
 Director

BHUPINDER SINGH SAWHNEY
 Director

Place: New Delhi
 Date: 31st August, 2010

PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH, 2010

Rs. in Lacs

	SCHEDULE	YEAR ENDED 31/3/2010	YEAR ENDED 31/03/2009
INCOME		-	-
EXPENDITURE		-	-
ROC Expense		0.02	-
Staff Salary		-	0.54
Printing & Stationary		0.01	0.01
Audit Fees		0.18	0.18
Legal and professional expenses		0.05	0.05
Preliminary Expenses Written off		0.92	0.92
		<u>1.17</u>	<u>1.71</u>
Profit/(Loss) for the year		(1.17)	(1.71)
Income Tax Provision (Current Period)		-	-
Deferred Tax Liability / (Assets)		0.31	(0.01)
Profit after Tax		<u>(1.48)</u>	<u>(1.69)</u>
Profit/(loss) Brought forward		(2.79)	(1.10)
Prior period adjustment		0.93	-
Balance Carried to Balance Sheet		<u>(5.20)</u>	<u>(2.79)</u>
Basic Earning per Share -Rs.	} (Refer Note No.B (3) of Schedule 09)	(0.08)	(0.09)
Diluted Earnings per Share -Rs.		(0.08)	(0.09)
(Face Value of Rs.10/- each)			

Significant Accounting Policies and Notes on Accounts 09

Schedules referred to above form an integral part of the accounts

As per our attached report of even date
For **R.CHADHA & ASSOCIATES**
Chartered Accountants

On Behalf of the Board of Directors

RAKESH CHADHA
Partner
No. 83135

DPS KOHLI
Director

BHUPINDER SINGH SAWHNEY
Director

Place: New Delhi
Date: 31st August, 2010

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH' 2010
Rs. In Lacs

	For the year ended March 31, 2010	For the year ended March 31, 2009
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before taxation & extraordinary items	(1.17)	(1.71)
Adjustment for:		
Depreciation written off	-	-
Miscellaneous Expenses written off	0.92	0.92
Operating profit before working capital changes	(0.25)	(0.79)
Adjustment for:		
Decrease/(Increase) in Advances and other current assets	(100.00)	-
(Decrease)/Increase in Current liabilities	0.18	0.20
Cash Generated from operation	(100.07)	(0.59)
Net Cash flow from Operating Activities	(100.07)	(0.59)
B CASH FLOW FROM INVESTING ACTIVITIES:		
Decrease/(Increase) in Miscellaneous Expenditure	-	-
Purchase of fixed assets	-	-
Investments (Share Application Money)	100.00	(25.00)
Net cash used in Investing activities	100.00	(25.00)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Equity Share issued	-	-
Proceeds from Long term borrowings	0.05	25.00
Net Cash flow from Financing Activities	0.05	25.00
NET CHANGES IN CASH & CASH EQUIVALENT (A+B+C)	(0.02)	(0.59)
CASH & CASH EQUIVALENTS - OPENING BALANCES	2.88	3.47
CASH & CASH EQUIVALENTS - CLOSING BALANCES	2.86	2.88
Cash & Cash equivalents includes:		
Cash in hand	0.04	0.02
Balances with Scheduled Banks		
In current Account	2.82	2.86
	2.86	2.88

As per our attached report of even date
 For **R.CHADHA & ASSOCIATES**
 Chartered Accountants

On Behalf of the Board of Directors

RAKESH CHADHA
 Partner
 No. 83135

DPS KOHLI
 Director

BHUPINDER SINGH SAWHNEY
 Director

Place: New Delhi
 Date: 31st August, 2010

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010
SCHEDULE NO. 01
SHARE CAPITAL
Rs. in Lacs

PARTICULARS	AS AT 31-03-10	AS AT 31-03-09
<u>AUTHORISED</u>		
1,20,00,000 Equity shares @ Rs.10/- each.	1,200.00	1,200.00
TOTAL	1,200.00	1,200.00
<u>ISSUED, SUBSCRIBED & PAID UP</u>		
19,50,000 Equity shares @ Rs.10/- each fully paid up	195.00	195.00
TOTAL	195.00	195.00

SCHEDULE NO. 02
UNSECURED LOAN

PARTICULARS	AS AT 31-03-10	AS AT 31-03-09
Mr Bhupinder Singh Sawhney	50.19	50.19
Mr Gurmeet Singh Sawhney	51.19	51.19
Mr Davinder Pal Singh Kohli	2.37	2.32
M/s Koutons Retail India Limited	40.00	40.00
TOTAL	143.74	143.69

SCHEDULE NO. 03
FIXED ASSETS

PARTICULARS	AS AT 31-03-10	AS AT 31-03-09
Furniture & Fixture	0.04	0.04
Less Depreciation	0.04	0.04
TOTAL	-	-

SCHEDULE NO. 04
INVESTMENTS

PARTICULARS	AS AT 31-03-10	AS AT 31-03-09
M/s Upper Class Fashion Ltd. (Share Application Money)	175.00	275.00
TOTAL	175.00	275.00

SCHEDULES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010
SCHEDULE NO. 05
CASH & BANK BALANCE
Rs. In Lacs

PARTICULARS	AS AT 31-03-10	AS AT 31-03-09
HDFC Bank	2.82	2.86
Cash in Hand	0.04	0.02
TOTAL	2.86	2.88

SCHEDULE NO. 06
LOAN & ADVANCES

PARTICULARS	AS AT 31-03-10	AS AT 31-03-09
Mr Anil Sachdeva	51.00	51.00
M/s Koutons Retail India Limited(Security deposit)	100.00	-
TOTAL	151.00	51.00

SCHEDULE NO. 07
CURRENT LIABILITIES

PARTICULARS	AS AT 31-03-10	AS AT 31-03-09
Professional Charges Payable	0.20	0.20
Audit Fees Payable	0.53	0.36
Salary Payable	0.09	0.09
TOTAL	0.83	0.65

SCHEDULE NO. 08
MISCELLANEOUS EXPENDITURE

PARTICULARS	AS AT 31-03-10	AS AT 31-03-09
Preliminary Expenses	7.36	8.28
Less: Preliminary Expenses W/Off	0.92	0.92
TOTAL	6.44	7.36

SCHEDULE FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 31st March 2010**SCHEDULE 09****SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS****A. SIGNIFICANT ACCOUNTING POLICIES.****(a) BASIS OF PREPARATION**

The Financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards issued by the Institute of Chartered Accountants of India and relevant disclosure requirements of Companies Act, 1956 as adopted consistently by the Company. The accounting policies have been consistently applied by the company & are consistent with those used in the previous year.

(b) FIXED ASSETS & DEPRECIATION**FIXED ASSETS**

Fixed Assets are stated at the cost of acquisition/installation less accumulated depreciation and include directly attributable cost including installation and freight charges for bringing the assets to its working conditions for its intended use.

DEPRECIATION

Depreciation on fixed assets is provided on WDV method at the rate prescribed under schedule XIV of the Companies Act, 1956. Proportionate depreciation is charged for additions/deletions during the year. Individual asset costing less than Rupees 5,000/- are depreciated in full in the year of purchase.

(c) CASH FLOW STATEMENT

The cash flow statement is prepared by the indirect method set out in Accounting Standard 3 on cash flow statements and presents the cash flows By Operating, Investing and Financing activities of the company. Cash and cash equivalents presented in cash flow statement consists of cash in hand, cheques in hand, bank balances & demand deposits with Banks.

(d) MISCELLANEOUS EXPENSES**PRELIMINARY EXPENSES**

The expenses incurred on formation of Company are amortized over a period of 10 year.

(e) EARNINGS PER SHARE

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

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

B. NOTES ON ACCOUNTS

- In the opinion of the Board of Directors of the company and to the best of their knowledge and belief the realisable value of current assets, loans & advances if realised in the ordinary course of business will not be less than the amount at which they are stated in the Balance Sheet as at 31st March, 2010.

- Detail of Deferred Tax Liabilities/Assets is as below:** *Amount in Rupees*

Deferred Tax Liabilities/(Assets) on account of:	As at 31.03.10	As at 31.03.09
Depreciation	142.00	(142.00)
Preliminary Exp.	31262.00	(31,262.00)
Total	31,404.00	(31,404.00)
Deferred Tax Liabilities/(Assets) (Net)	31,404.00	(31,404.00)

- Earnings Per share :** *Amount in Rupees*

	As at 31.03.10	As at 31.03.09
i) Net Profit available for Equity Shareholders	(1,48,493.00)	(169,022.00)
Opening No. of Shares	19,50,000.00	19,50,000.00
Closing No. of Shares	19,50,000.00	19,50,000.00
ii) Weighted average number of equity Shares Outstanding for calculation of Basic EPS	19,50,000.00	19,50,000.00
Basic EPS (Rupees) (i)/ (ii)	(0.08)	(0.09)
Effect of Dilutive Securities:- Conversion of Share application Money	---	---
iii) Weighted average number of Equity Shares Outstanding for calculation of Diluted EPS	19,50,000.00	19,50,000.00
Diluted EPS (Rupees) (i)/ (iii)	(0.08)	(0.09)

- Details of Statutory Auditors' Remuneration** *Amount in Rupees*

	As at 31.03.10	As at 31.03.09
Audit Fees	17,648.00	17,978.00
Total	17,648.00	17,978.00

- Related Party Disclosure**

As per Accounting Standard 18, issued by The Institute of Chartered Accountants of India, the disclosures of transactions with related parties for the year ended 31st March, 2010 as defined in Accounting Standard are given as below:

List of Related Parties
a) Key Management Personnel

MR. D.P.S. KOHLI	Director
MR. BHUPINDER SINGH SAWHNEY	Director
MR. GURMEET SINGH SAWHNEY	Director

b) Holding Company

Koutons Retail India Ltd.

Related Party Transactions
Amount in Rupees

Particulars	KMP	Relatives of KPM	Holding Company	Associate Enterprise	Total
Loans & Advances taken	5000.00	---	---	---	5000.00
	---	---	(25,00,000.00)	---	(25,00,000.00)
Maximum Outstanding during the Year	1,03,74,241.00	---	40,00,000.00	---	1,43,74,241.00
	(1,03,69,241.00)	---	(40,00,000.00)	---	(1,43,69,241.00)
Loans & Advances repaid	---	---	---	---	---
	---	---	---	---	---
Loans & Advances taken Outstanding as on 31.03.10	1,03,74,241.00	---	40,00,000.00	---	1,43,74,241.00
	(1,03,69,241.00)	---	(40,00,000.00)	---	(1,43,69,241.00)
Security deposit paid	---	---	1,00,00,000.00	---	1,00,00,000.00
	---	---	---	---	---
Maximum Outstanding during the Year	---	---	1,00,00,000.00	---	1,00,00,000.00
	---	---	---	---	---
Security deposit paid outstanding as on 31.03.10	---	---	1,00,00,000.00	---	1,00,00,000.00

* Figures in brackets relate to the previous year 2008-09.

** Related parties are as disclosed by the management and relied upon by the Auditors.

6. INFORMATION PURSUANT TO PARAS 3 & 4 AND OF PART II OF SCHEDULE VI OF THE COMPANIES ACT 1956 AS CERTIFIED BY MANAGEMENT:

- Information requirement regarding quantitative details of purchase/production, consumption/sales/ stock of raw materials, finished goods etc. are not applicable to the Company.
- Information requirement regarding value of Imported and Indigenous Raw Materials consumed/sold during the year is not applicable to the Company.
- Information requirement regarding C.I.F. Value of Imports, Expenditure and Earnings in Foreign exchange is not applicable to the Company.

The figures of the previous year are regrouped/reclassified wherever necessary to make them comparable with that of the current year.

As per our attached report of even date

For **R.CHADHA & ASSOCIATES**

Chartered Accountants

On Behalf of the Board of Directors

RAKESH CHADHA

Partner

No. 83135

DPS KOHLI

Director

BHUPINDER SINGH SAWHNEY

Director

Place: New Delhi

Date: 31st August, 2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

As per Part IV of schedule VI of The Companies act 1956

I. Registration Details

State Code	55
Registration No.	U65923DL2007PLC171211
	Date Month Year
Balance Sheet Date	31 03 2010

II. Capital raised during the year (Amount in Rs. Thousands)

Public issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	34050	Total assets	34050
Sources of Funds		Reserve & Surplus	Nil
Paid-up Capital	19500		
Secured Loans	Nil	Unsecured Loans	14374
Deferred Tax Liability	93		
Application of Funds			
Net Fixed assets	Nil	Investments	17500
Net Current Assets	15303	Misc. Expenditure	644
Accumulated Losses	520	Deferred Tax Assets	Nil

IV. Performance of Company (Amount in Rs. Thousands)

Total Revenue	Nil	Total expenditure	117
Profit/Loss before Tax (Tick appropriate box + for Profit, -for Loss)	- 117	Profit/Loss after Tax	- 148
Basic Earning per share in Rs.	-0.08	Diluted Earning per share in Rs.	-0.08
Dividend rate %	Nil		

V. Generic Names of Three Principal Products/Services of Company

Item Code No. (ITC Code)	-
Product Description	N.A

As per our attached report of even date
 For **R.CHADHA & ASSOCIATES**
 Chartered Accountants

On Behalf of the Board of Directors

RAKESH CHADHA
 Partner
 No. 83135

DPS KOHLI
 Chairman

BHUPINDER SINGH SAWHNEY
 Managing Director

Place: New Delhi
 Date: 31st August, 2010