

## **RUPA & COMPANY LIMITED**

### **BOARD OF DIRECTORS**

Mr. P. R Agarwala  
*Chairman*

Mr. G. P Agarwala  
*Vice Chairman*

Mr. K. B Agarwala  
*Managing director*

Mr. S. P. Saraf  
*Executive Director*

Mr. S. K Kaitan

Mr. R. S Agarwal

Mr. S. Patwari

Mr. D. C Jain

Mr. Vinod Kothari  
*Independent Directors*

### **COMPANY SECRETARY**

Ms. Priya Punjabi

### **AUDITORS**

M/s K. Agarwal & Co.  
*Chartered Accountants*  
34, Ezra Street, Kolkata- 700 001

### **BANKERS**

Citibank  
Indusind Bank Ltd.  
Standard Chartered Bank  
State Bank of India.

### **REGISTERED OFFICE**

Metro Plaza, 8th Floor  
1, Ho Chi Minh Sarani  
Kolkata- 700 071  
Email: [info@rupa.co.in](mailto:info@rupa.co.in)

### **REGISTRAR & SHARE TRANSFER AGENTS**

Maheshwari Datamatics Pvt Ltd  
6, Mangoe Lane, 2<sup>nd</sup> Floor  
Kolkata-700 001

## CHAIRMAN'S LETTER TO SHAREHOLDERS

It gives me great pleasure and satisfaction to share with you yet another year of robust growth and **strong performance** of your company despite severe market competitions, dollar depletion, rising inflations and volatile market conditions.

The foundations that we have laid over time by investing in R & D, technology and innovation continue to drive growth in your Company's business, providing a strong momentum for a secure future.

### FINANCIAL PERFORMANCE

Gross Sales & Income for the year grew by 17% to Rs. 35179.42 lacs. Gross profit before Depreciation and Tax profit increased by 18 % to 2958.13 lacs, whereas post-tax profit increased to 1161.60 lacs. Earnings per Share for the year stand at Rs. 25.37.

**The shareholders, can draw even greater satisfaction from the fact that these financial results rest on a strong foundation of trust earned by your Company's diverse brands, products and services and the enduring relationships formed with millions of our loyal consumers over several years.** It is on this bedrock of trust, competencies, innovation and partnerships that we have built our aspiration to be a leader in the business segment we are engaged in.

### SUSTAINABLE AND INCLUSIVE GROWTH

We have, over the years, pursued relentless innovation to forge unique business models that synergize long-term shareholder value enhancement with the sole purpose of creating greater societal capital. **You will appreciate the fact that RUPA has been able to achieve greater goals both in terms of volumes and revenue and now Rupa ventures into a whole new business segment of Realty under the name and style of Rupa Realty Limited.**

Since RBI deregulated FDI investment norms for the real estate sector in India in 2005, the amount of money in the sector has grown significantly over the years. And 2008 will be no different. According to the Associated Chambers of Commerce and Industry of India (Assocham), **the Indian realty sector is likely to see a growth rate of 40-45% in 2008.** The organization also believes that the rate of growth is likely to be stable for the next three years and is here to stay for next few years.

A responsible growth is imperative and must occupy a larger space in the future business strategies. As a step towards the achievement of this goal Rupa has :

- Successfully implemented of dyeing and processing unit at Domjur featuring the world's best machinery: This state of art machinery is designed to produce 5 tons of dyed knitted fabric daily.
- Introduced new product range under all brands to meet the emerging market trends and demands.
- Set up new retail stores and distribution channels in the deep interiors of the eastern region with the support of our dedicated sales and distribution staff, to meet the ever growing demands.
- Has Set up Realty division under the Name Rupa Realty Limited, thus capitalizing on our goodwill.

**We at Rupa incessantly strive to bring the best to our consumers and I feel proud to mention that For five years in a row, we have achieved and sustained our status as a 'Largest Hosiery Manufacturers' in India by The Limca Book of records.**

It is for this reason that we measure our accomplishments not only in terms of financial performance but in winning customer loyalty. At RUPA it has been our endeavor to synergize basics with fashion statement and also deliver world class comfort to the consumers.

Today Rupa has the largest market share of knitted undergarments and casual wear in the entire Indian sub continent and Middle East. Its Annual growth has soared high with almost 5, 00,000 pieces of Rupa products being sold every day. Rupa's competitive advantage lies in its huge production capacity, a large product line, a formidable reputation of great quality at great price and the fact that it adheres to buyer's specifications. Rupa & Co Ltd. is now climbing the value chain by offering design services as per buyer's specifications and preserving the dedicated support from our stakeholders.

#### ENLISTING CONSUMER SUPPORT

**Our key, therefore, lies in mobilising market participants - the most potent being the consumer - and enhancing awareness amongst them, so as to empower their decisions.** To make 'consumer choice' a compelling market driver we would need to create a supportive **institutional framework** to facilitate the process of making an informed choice by market participants. Let me briefly elaborate on some of these enablers :

To be able to stand tall amidst adversity, to live our convictions and know that our actions and beliefs have transformed the lives of millions is at once a humbling and enriching experience. **Your company is indeed privileged to gain and retain the continuous support of its customers, dealers, business Associates, bankers, financial institutions, government and employees**

Thank you, Ladies and Gentlemen.

## DIRECTORS' REPORT

Your Directors have pleasure in presenting the Twenty Third Annual Report of your Company alongwith the audited Statement of Accounts for the financial year ended on March 31, 2008.

### FINANCIAL RESULTS

The highlights of the financial results for the year 2007-08 are as follows :

Rs. in Lacs

	Year Ended 31.03.2008	Year Ended 31.03.2007
Sales & Other Income	35179.42	30096.56
Total Expenditure	32221.29	27597.05
Gross Profit before Interest, depreciation & Tax	2958.13	2499.51
Less: Interest & Finance Charges	863.22	725.66
Gross Profit after Interest but before Depreciation and Taxation	2094.91	1773.85
Less : Depreciation	290.58	262.23
<b>Profit before tax</b>	<b>1804.33</b>	<b>1511.62</b>
Less :		
Provision for Taxation	585.00	375.00
Provision for Fringe Benefit Tax	22.13	21.44
Income Tax for earlier year	5.07	—
Provision for Deferred Tax	30.52	138.07
<b>Profit after Tax</b>	<b>1161.60</b>	<b>977.11</b>
Add :		
Surplus brought forward	1666.20	976.60
Surplus Available	2827.81	1953.71
Appropriation :		
Transfer to General Reserve	120.00	100.00
Transfer to Debenture Redemption Reserve	—	—
Proposed Dividend	160.27	160.27
Tax on Proposed Dividend	27.24	27.24
Balance carried to Balance Sheet	2520.30	1666.20

### OPERATIONS

The Company has achieved a growth of 17% in Sales & Income from Operations during the year under review over the previous year. The Sales & Income from Operations including other income during the year under review were Rs. 35179.42 lacs as against Rs. 30096.56 lacs in the previous year. Your Company has also achieved a growth of 18% in Gross Profit before Interest, Depreciation and Tax & Profit after Tax respectively during the period under review over the previous year. The Gross Profit before Interest, Depreciation and Tax during the year under review is Rs.2958.13 Lacs as compared to Rs. 2499.51 lacs in the previous year. The Profit after Tax for the year under review is Rs. 1161.60 lacs as against Rs. 977.11 lacs in the previous year.

### SUBSIDIARY

Your Company has Wholly Owned Subsidiaries M/s Euro Fashion Inners International Private Ltd, (which is engaged in selling hosiery products under the brand name "EURO") and Rupa Reality Limited. The products sold under the "EURO" brand are premium products designed for the taste of upper-class consumers. The

## **DIRECTORS' REPORT (Contd.)**

subsidiary "Euro Fashion Inners International Private Ltd," achieved turnover of Rs 2687.48 lacs during the year under review.

### **DIVIDEND**

Considering the financial performance of your Company during the FY 2007-08 and with a view to meet the twin objectives of rewarding shareholders adequately and retaining resources to meet your Company's business requirements, your Directors are pleased to recommend a dividend of Rs. 3.5 /- per share 35% for the FY 2007-08 (previous year 35%). The outflow on account of the equity dividend would be Rs. 88187.51 lacs including tax on dividend.

### **DEPOSITS**

Your Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 and the rules made thereunder.

### **AUDITORS' REPORT**

The notes to the accounts referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further comments.

### **DIRECTORS**

Shri S.K.Khaitan and Shri R.S.Agarwal retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

### **REPORT ON CORPORATE GOVERNANCE**

**Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, the following form part of this Annual Report :**

- i) Management Discussion and Analysis ;
- ii) Corporate Governance Report ;
- iii) Auditors' Certificate regarding compliance of conditions of Corporate Governance.
- iv) Declaration duly signed by Mr. K.B Agarwala Managing Director to the effect that all Board Members and Senior Management Personnel of the company have affirmed compliance with the code of conduct as laid down by the Company.

### **AUDITORS**

The Auditors M/s. K. Agrawal & Co. Chartered Accountants retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, Your Directors state that :

- (a) In the preparation of the Annual Accounts, the applicable accounting standards have been followed and that there are no material departures ;
- (b) They have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the State of Affairs of the Company at the end of the financial year 2007 – 2008, and of the profit of the Company for that period ;
- (c) They have 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
- (d) The Annual Accounts have been prepared on a going concern basis.

### **DIRECTORS' REPORT (Contd.)**

Remuneration of Chairman is given under Corporate Governance Report. Except Chairman none of the employees of the Company, was in receipt of remuneration which requires disclosures under Section 217(2A) of the Companies Act, 1956 and the Rules made therein.

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

As required under Section 217(1)(e) of the Companies Act, 1956 and the Rules made therein, the concerned details relating to energy conservation, technology absorption, foreign exchange earnings and outgo are given in Annexure – I attached hereto, which forms part of this Directors' Report.

### **PARTICULARS REQUIRED AS PER LISTING AGREEMENT WITH STOCK EXCHANGE**

A statement containing necessary information as required under the Listing Agreements with the Stock Exchanges, is annexed hereto as Annexure 'II'.

### **ACKNOWLEDGEMENTS**

Your Directors express their deep and sincere appreciation for the continued cooperation and support extended to the Company by the Government authorities, Company's Bankers, Financial Institutions, vendors, customers and shareholders during the year under review. Your Directors also express and convey their warm appreciation to all employees for their diligence and contribution to the growth of the Company.

For and on behalf of the board of Directors

**P. R. AGARWALA**  
*Chairman*

Place : Kolkata  
Dated : the 25<sup>th</sup> day of June, 2008

## ANNEXURE – I TO THE DIRECTORS' REPORT

Information as required under Section 217(1)(e) read with Companies (Disclosure of Particulars in respect of Board of Directors) Rules, 1988

### Energy Conservation and Technology Absorption

Research and Development is being carried out by the Company in the areas of product design & marketing. Due to continuous efforts and development, products of your Company enjoy premium position in the market. Other provisions of Section 217(1)(e) of the Company Act, 1956 with regards to conservation of energy & technology absorption are not applicable to your Company.

### Foreign Exchange Earnings & Outgo

(Rs. in Lacs)

Foreign Exchange Earning	1190.54
Foreign Exchange Outgo	56.30

## ANNEXURE – II TO THE DIRECTORS' REPORT

The Securities of the Company are listed in the Stock Exchanges as stated below and the annual listing fees have been paid to each of the Exchange:

The Calcutta Stock Exchange  
Association Limited  
7, Lyons Range  
Kolkata – 700 001

Jaipur Stock Exchange Ltd  
Stock Exchange Building  
Jawaharlal Nehru Marg  
Malvia Nagar, Jaipur – 302 017

## CORPORATE GOVERNANCE REPORT

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

Corporate Governance is a systemic process by which companies are directed and controlled in order to enhance their wealth-generating capacity. Since large corporations employ a vast quantum of societal resources, we believe that the governance process should ensure that these resources are utilized in a manner that meets stakeholders' aspirations and societal expectations.

A sound governance process consists of a combination of business practices, which result in enhancement of Shareholders' value and enable the Company to fulfill its obligations to customers, employees, financiers and to the society at large. We at Rupa aim to increase and sustain its corporate value through growth and innovation. The Company has proactive measures to periodically review and revise the Corporate Governance practices by subjecting business processes to audits and checks that measure up to the required standards. The Company believes that Corporate Governance is not just limited to creating checks and balances. It is more about creating organization excellence leading to increasing employee and customer satisfaction and shareholder value. The Company always endeavors to leverage its human and capital resources to translate opportunities into reality, create awareness of corporate vision and spark dynamism and entrepreneurship at all levels.

### 2. BOARD OF DIRECTORS :

The Company Board comprises of nine directors as on 31<sup>st</sup> March, 2008. With the Chairman being Executive, more than half of the Board consists of Independent Directors. During the financial year ended 31<sup>st</sup> March, 2008, four Board Meetings were held on 29<sup>th</sup> June, 2007, 30<sup>th</sup> July, 2007, 29<sup>th</sup> October, 2007 and 30<sup>th</sup> January, 2008.

The Composition of the Board of Directors as at 31<sup>st</sup> March, 2008 & the attendance of each Director at the Board Meetings and also at the last Annual General Meeting (AGM) and the number of other Directorships and Board Committee Memberships/Chairmanships including changes since the last report are as follows :

Name of Director	Category	Attendance Particulars		Number of Other Directorships and Committee Memberships / Chairmanships #		
		Board Meetings	Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
Shri P.R.Agarwala (Chairman)	Executive & Not Independent	4	No	2	—	—
Shri G.P.Agarwala (Vice-Chairman)	Executive & Not Independent	4	No	1	—	—
Shri K.B.Agarwala (Managing Director)	Executive & Not Independent	4	Yes	1	—	—
Mr. Shiv Prakash Saraf (Executive Director)	Executive & Not Independent	4	Yes	3	2	1
Mr.S.K.Khaitan	Non-executive & Independent	4	No	5	2	1
Mr. Radheshyam Agarwal	Non-executive & Independent	4	No	4	1	—
Mr.Dharam Chand Jain	Non-executive & Independent	3	No	—	—	—
Mr.Sushil Patwari	Non-executive & Independent	2	No	4	2	—
Mr. Vinod Kr. Kothari	Non-executive & Independent	1	No	3	4	—

# Excludes Directorships held in Indian private limited companies / foreign companies / Chambers of Commerce and trusteeship / membership of various trusts, managing committees and other bodies. Only membership/ Chairman of Committees under clause 49 of Listing Agreement considered



None of the above Directors is a Director in more than 15 companies or a member in more than 10 Board Committees or acts as the Chairman of more than 5 such Committees across all companies in which he is a Director.

### DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT AT ENSUING AGM

Shri S.K.Khaitan and Shri R.S.Agarwal, Directors retire by rotation at the ensuing Annual General Meeting and being eligible, have offered themselves for re-appointment.

The particulars of directors seeking reappointment at the ensuing Annual General Meeting is mentioned below :

Name of Director	Shri S.K.Khaitan	Shri R.S.Agarwal
Date of Birth	15.12.1939	06.01.1946
Qualification	B.Com	F.C.A.,F.C.S.,M.Com., LLB.
Date of appointment	14.02.2000	01.02.2003
Expertise in specific functional areas	Industrialist, Fan Manufacturing and Sugar	Industrialist, Finance and Legal
List of other Public Ltd Companies in which directorship held	1) Khaitan (India) Ltd	1) Emami Papers Mills Limited
	2) Khaitan Lefin Ltd	2) Emami Limited
	3) Khaitan Electricals Limited	3) South City Project (Kolkata)
	4) Emami Paper Mills Limited	Limited
	5) Murlidhar Ratanlal Exports	4) Advance Medicare & Research Institute Limited Limited
Chairman/ Member of the committees of the Board of Directors of other Companies in which he is a Director	<b>Audit Committee :</b> None	<b>Audit Committee :</b> Emami Paper Mills Limited
	<b>Remuneration Committee</b> Emami Paper Mills Ltd	<b>Remuneration Committee</b> None
	<b>Shareholders/ Investors Grievance Committee</b> Khaitan (India) Ltd	<b>Shareholders/ Investors Grievance Committee</b> None

### 3. AUDIT COMMITTEE :

As on 31<sup>st</sup> March, 2008 the Audit Committee comprised of four members, three of them Non-Executive & independent. All members are having financial and accounting background.

The Terms of Reference include :

- Overseeing the Company's Financial reporting process and the disclosure of its Financial information to ensure that the Financial statements are correct.
- Recommending the appointment and removal of External auditors & fixation of Audit Fees.
- Review with management the annual financial statements before submission to the Board focusing on :
  - Any change in accounting policies and practices.
  - Major accounting entries
  - Accounting standards
  - Qualifications in draft audit report.
  - Review compliance with accounting standards, stock exchange and legal requirements concerning financial statements.

- iv) Reviewing with the management the quarterly financial statement before submission to the Board for approval.
- v) Reviewing with the management Statutory audit and Internal Audit Reports and findings
- vi) The scope of the Audit Committee is inclusive of matters as specified in Clause 49 II D of the Listing Agreements with Stock Exchanges and such additional functions as may be decided by the Board of Directors from time to time.

The following table shows the composition, names of members and Chairman and the details of meetings and attendance during the year :

Name Of Member	Status	Category	Meetings held during the year and Attendance			
			28 <sup>th</sup> June 2007	30 <sup>th</sup> July 2007	29 <sup>th</sup> October 2007	30 <sup>th</sup> January 2008
r. S.K.Khaitan	Chairman	Non-executive & Independent	Attended	Attended	Attended	Attended
Mr. Sushil Patwari	Member	Non-executive & Independent	Attended	Attended	Attended	Absent
Mr. Vinod Kr. Kothari	Member	Non-executive & Independent	Absent	Absent	Absent	Attended
Mr. S. P. Saraf	Member	Executive & Not-Independent	Attended	Attended	Attended	Attended

#### 4. REMUNERATION COMMITTEE :

The Remuneration Committee of Directors has been constituted mainly for the purpose of recommending the Company's policy on Remuneration Package for the Managing /whole-time Directors. The remuneration is fixed based on experience, designation & financial position of the Company. The Non-Executive Directors do not draw any remuneration from the Company except sitting fees for each meeting of the Board/committees. No meeting of the Remuneration Committee was held during the financial year ended 2008.

The following table shows the composition & names of members during the year :

Name Of Member	Category
Mr. S.K.Khaitan	Non-executive & Independent
Mr. Sushil Patwari	Non-executive & Independent
Mr. Vinod Kr. Kothari	Non-executive & Independent

Details of Remuneration of Directors for The Financial Year Ended 31<sup>st</sup> March,2008 are given below :

Name(s)	Salary & Allowances (Rs.)	Commission (Rs.)	Other Perquisites (Rs.)	Sitting Fees (Rs.)	Total (Rs.)
Sri P.R.Agarwala	24,00,000	12,00,000	2,18,688		38,18,688
Sri G.P.Agarwala	18,00,000		1,16,002		19,16,002
Sri K.B.Agarwala	18,00,000		1,14,667		19,14,667
Sri S.P.Saraf	6,27,133				6,27,133
Sri S.K.Khaitan				80,000	80,000
Sri Radheshyam Agarwal				40,000	40,000
Sri Dharam Chand Jain				30,000	30,000
Sri Sushil Patwari				50,000	50,000
Sri Vinod Kr. Kothari				15,000	15,000
<b>Total :</b>					<b>84,91,490</b>

## 5. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE :

The Shareholders' / Investors' Grievance Committee was set up with the following role, functions and powers :

- ▣ Supervise the redressal of shareholders / investors ' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc.
- ▣ Monitor the approval of transfer of shares, transmission of shares, dematerialization of shares, transposition of shares, issuance of duplicate share certificates etc.
- ▣ Delegate any of its responsibilities to any of the officer of the Company or to the registrar and transfer agents and to supervise it.

The Composition of the committee and the details of meetings and attendance of members during 2007-08 :

Sl.No(s).	Name of Directors	Status	Category	No. of Meetings Attended
1	Mr.S.K.Khaitan	Chairman	Non-Executive & Independent	4
2	Mr. Sushil Patwari	Member	Non-Executive & Independent	3
3	Mr. S. P. Saraf	Member	Executive & Not-Independent	4

No. of Committee Meetings Held During The Year : Four

Date on which the Meetings of the committee were held are 28<sup>th</sup> June, 2007, 30<sup>th</sup> July, 2007, 29<sup>th</sup> October, 2007 and 30<sup>th</sup> January, 2008.

Company Secretary & Executive Director are the Compliance Officer of the committee

During the financial year ended 31<sup>st</sup> March,2008, 2 correspondences were received from the Shareholders/ Investors. All the correspondences were replied / resolved to the satisfaction of the Shareholders / Investors. The Company attends to the investor grievances/correspondences expeditiously and usually a reply is sent within 10 days from the date of receipt of the same. No request for transfer was pending for approval as on 31<sup>st</sup> March, 2008.

## 6. ANNUAL GENERAL MEETINGS :

Year	Location	Date	Time
2004 - 2005	Merchants Chamber of Commerce Somani Confererence Hall 15B Hemanta Basu Sarani Kolkata – 700 001	29.08.2005	11.00 A.M
2005 – 2006	Merchants Chamber of Commerce Somani Confererence Hall 15B Hemanta Basu Sarani Kolkata – 700 001	28.08.2006	11.00 A.M
2006 – 2007	Merchants Chamber of Commerce Somani Confererence Hall 15B Hemanta Basu Sarani Kolkata – 700 001	14.09.2007	11.00 A.M

There is also no special resolution passed in the previous Annual General Meetings.

No such resolution was passed in last year's AGM that was required to be put through postal ballot. No such resolution is proposed at the forthcoming AGM , which is required to be put through postal ballot as per applicable rules.

## 7. DISCLOSURES :

Related parties and transactions with them as required under Accounting Standard 18 (AS – 18) are furnished

under Note No. 14 of the Notes to Accounts attached with the financial statement for the year ended 31<sup>st</sup> March, 2008. There are no other pecuniary relationship or transactions with the Non – executive Independent Directors.

## 8. MEANS OF COMMUNICATION :

As half yearly results as well as quarterly and annual results are published in newspapers, submitted to the Stock Exchanges in accordance with the Listing Agreement, the half – yearly reports are not sent to each household of shareholders. These results are normally published in The Business Standard & Dainik Lipi. Management Discussion and Analysis forms a part of the Annual Report.

## 9. GENERAL SHAREHOLDER INFORMATION :

### i) Annual General Meeting

Date	:	30 <sup>th</sup> September, 2008
Day	:	Tuesday
Time	:	11.00 A.M.
Venue	:	Somani Conferernce Hall Merchants Chamber of Commerce 15B Hemanta Basu Sarani Kolkata – 700 001

### ii) Financial Calendar for F.Y 2008-08

a) 1 <sup>st</sup> Quarterly Results	:	On or before 31.07.2008
b) 2 <sup>nd</sup> Quarterly / half-yearly Results	:	On or before 31.10.2008
c) 3 <sup>rd</sup> Quarterly Results	:	On or before 31.01.2009
d) 4 <sup>th</sup> Quarterly & Yearly Audited Results.	:	On or before 30.06.2009

### iii) Date of Book Closure

: 23<sup>rd</sup> September, 2008 to 30th September, 2008  
(both days inclusive)

### iv) Record date for Dividend payment

: 23<sup>rd</sup> September, 2008

### v) Listing on Stock Exchanges

: i) The Calcutta Stock Exchange Association Ltd.,  
7, Lyons Range,  
Kolkata – 700 001

ii) The Jaipur Stock Exchange Ltd.,  
Stock Exchange Building,  
Jawaharlal Nehru Marg,  
Malviya Nagar,  
Jaipur – 302017

\*Listing Fees for the Current Year 2008-2009 have been paid for both the Stock Exchanges

### vi) Stock Codes :

The Calcutta Stock Exchange	-	028161
The Jaipur Stock Exchange	-	811
Demat ISIN Numbers ( NSDL / CDSL )	-	INE895B01013

### vii) Market Price Data :

High/Low Share price data during the Last Financial Year 2007 –08 :  
No trading during the year.

### viii) Registrar and Share Transfer Agents :

M/s.Maheshwari Datamatics Pvt.Ltd.,  
6,Mangoe Lane,  
2<sup>nd</sup> Floor,  
Kolkata – 700 001  
Phone :(033) 2243 5809/2243 5029  
Fax : (033) 2248 4787

**ix) Share Transfer System :**

Trading in equity shares of the Company is permitted only in dematerialised form. The applications for transfer of shares in physical form are processed by the Company's Registrar & Transfer Agents, M/s. Maheshwari Datamatics Pvt.Ltd. The Shareholders'/Investors' Committee (Share Transfer Committee) constituted for transfer / transmission of shares and allied matters has during the year under review approved the transfer of share subject to transfer instrument being valid and complete in all respects.

**x) Distribution of Shareholding as on 31.03.2008 :**

No. of Shares	Shareholders		Shares	
	Number	% of Total	No.	% of Total
1	2	3	4	5
1 - 500	513	84.65	56766	1.24
501 - 1000	47	7.76	41900	0.91
1001 - 2000	9	1.49	13580	0.30
2001 - 3000	9	1.48	21180	0.46
3001 - 4000	3	0.49	12000	0.26
4001 - 5000	1	0.17	4900	0.11
5001 - 10000	4	0.66	32512	0.71
10001 and above	20	3.30	4396262	96.01
Total	606	100.00	4579100	100.00

**xi) Category of Shareholders as on 31.03.2008 :**

Range of shareholding	Number Of Shareholders	% of Shareholders	Number Of Shares Held	% of Shareholding
Indian Promoters	27	4.51	4010283	87.58
Private Corporate Bodies	18	3.01	426160	9.31
Indian Public	561	92.48	142657	3.11
Total :	606	100.00	4579100	100.00

**xii) Dematerialization of shares and liquidity :**

36,92,381 Equity Shares and 10,439 Equity Shares of the Company representing 80.64% & 0.23 % respectively of the total Equity Share Capital of the Company are held in dematerialized form with National Securities Depository Ltd.(NSDL) and Central Depository Services (India) Ltd.(CDSL) as on 31.03.2008 respectively.

The Equity Shares of the Company are listed on The Calcutta Stock Exchange Association Ltd. and The Jaipur Stock Exchange Ltd.

**xiii) Outstanding GDRs /ADRs /Warrants or any Convertible Instruments, conversion date and likely impact on Equity :** The company has not issued any GDRs / ADRs / Warrants or any other Convertible instruments.

**xiv) Plant Locations :**

- Jalan Industrial Complex,  
Bombay Road ( National Highway 6)  
P.O.- Begri, Vill.- Biprannapara  
Howrah – 711411, (W.B.)

- b) 16, Shastri Nagar  
3<sup>rd</sup> Street, Angeripalayam Road  
Tirupur – 640 602

**xv. Address for correspondence :**

With The Company : M/s.Rupa & Company Limited  
Metro Tower, 8<sup>th</sup> Floor,  
1, Ho Chi Minh Sarani,  
Kolkata – 700 071  
Tel : (033) 2288 1357 – 60  
Fax : (033) 2288 1362/3  
E-mail : [info@rupa.co.in](mailto:info@rupa.co.in)

With The Registrars : M/s. Maheshwari Datamatics Pvt.Ltd.,  
& Transfer Agents 6, Mangoe Lane,  
2<sup>nd</sup> Floor,  
Kolkata – 700 001  
Tel. : (033) 2243 5809/2243 5029  
Fax : (033) 2248 4787  
E-mail : [mdpl@cal.vsnl.net.co](mailto:mdpl@cal.vsnl.net.co)

**xvi. Compliance Officer** : Company Secretary  
M/s.Rupa & Company Limited  
Metro Tower, 8<sup>th</sup> Floor,  
1, Ho Chi Minh Sarani,  
Kolkata – 700 071  
Tel : (033) 2288 1357 – 60  
Fax : (033) 2288 1362/3  
E-mail : [info@rupa.co.in](mailto:info@rupa.co.in)

## CODE OF CONDUCT DECLARATION

To  
The Members  
Rupa & Company Limited

I, K. B. Agarwala, Managing Director of the Company do hereby declare that all the directors and senior management personnel of the company have affirmed compliance with the Code of Conduct as laid down by the Company in terms of Clause 49 of the Listing Agreement.

Place : Kolkata  
Date : 25<sup>th</sup> June, 2008

**K. B. Agarwala**  
*Managing Director*

## MD AND CFO CERTIFICATION

We, K.B Agarwala, Managing Director and M.P Damani, Chief Financial Officer, certify that :

- a) We have reviewed the financial statements and cash flow statement for the year ended 31st March, 2008 and 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) To the best of our knowledge and belief, no transactions entered into by the Company during the year ended 31st March, 2008 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 we have evaluated the effectiveness of internal control systems of the Company, pertaining to financial reporting. Deficiencies in the design or operation of such internal controls, if any, of which we are aware, have been disclosed to the auditors and the Audit Committee and steps have been taken to rectify these deficiencies.
- d)
  - i) There has not been any significant change in internal control over financial reporting during the year under reference ;
  - ii) There has not been any significant change in accounting policies during the year requiring disclosure in the notes to the financial statements; and
  - iii) We are not aware of any instance during the year of significant fraud with involvement therein of the management or any employee having a significant role in the Company's internal control system over financial reporting.

Kolkata,  
25<sup>th</sup> June, 2008

**M. P. Damani**  
*Chief Financial Officer*

**K. B. Agarwala**  
*Managing Director*

## MANAGEMENT DISCUSSION & ANALYSIS

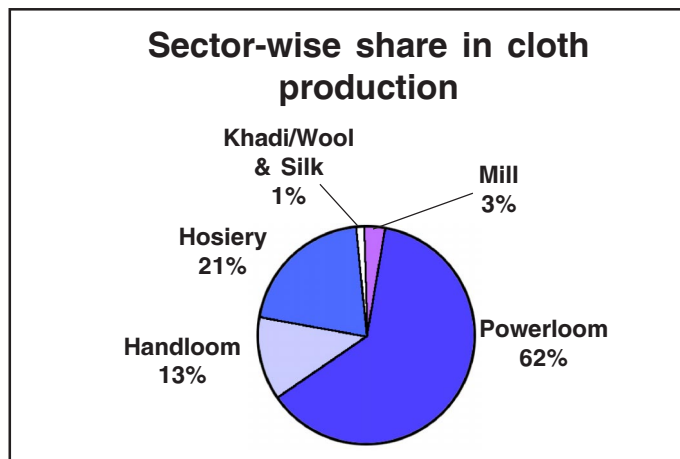
### Industry Structure & Developments

Textiles Sector is the **Sunrise Sector** of the Indian economy and has been identified as one of the priority sectors having high growth potential and higher multiplier effects for employment generation. Timely policy intervention can boost the competitiveness of this sector manifold, as the growth impetus prevailing in the sector is vibrant. Textile and Clothing industry plays a dominant role in the country's economy and has a prominent position in the textile world. It has a total market size of US \$52 billion and accounts for 26% of the manufacturing sector, 20% of industrial production and 18% of industrial employment. It contributes 15% to gross export earnings and 4% to national GDP. It provides direct employment to about 35 million persons. Besides, another 50 million people are engaged in allied activities. Market size potential for the industry is envisaged at USD 115 billion by FY 2012.

One of the major events that took place during the year under review was the organization of the two-day Tex-Summit 2007 by the Ministry of Textiles, actively supported by industry associations, etc. The aim was to involve the stake holders in formulating the appropriate programmes and policies, consistent with the emerging global challenges. The Summit was held not only to highlight the critical issues the textile industries had been faced with but to suggest the ways and means to surmount the perilous industry situation as well as to gear up for the global competitive trade requisites.

Textile exports too continued to witness growth. During April-December 2007-08, it saw a growth of 9.33 per cent. Exports were worth US\$12002.10 million during the period as against US\$10977.60 million during the same period of 2006-07.


Of the overall Textile industry, Hosiery sector has emerged as a fast growing sector.



Hosiery /Knitwear though having great potential did not receive the attention of the government and has evolved & survived on individual strength of each unit. The sector was reserved for SSI till 2005 and as such large scale units did not evolve. The sector which had a modest share of 16% has now increased to 21 per cent of the total industry. Export-wise the share of knitted garments in value terms is about 38 percent in over all export on clothing, while in quantum term it is about 53%. There is no doubt that the knitted sector is emerging as the faster growing sector. Global investment and capacity creation is also following similar trend.

### OPPORTUNITIES & THREATS

#### Opportunities :

- Government aid :** The Ministry of Textiles, announced in November 2007 a 10% reduction on export credit guarantee premiums, a 10% to 40% increase in prevailing duty drawback rates, and a 2% reduction in pre-shipment and post-shipment credit interest rates. The government also released about Rs 6 billion to clear all arrears of terminal excise duties and central sales tax reimbursements.
- Facilitating growth :** An additional 10% capital subsidy was allowed for processing machines under the Technology Up gradation Fund Scheme (TUFS). The additional subsidy shall encourage more processors to opt for the scheme. This will help the company in up gradation of machinery and will be beneficial for the processing sector in the long term.
- Brand Value :** The Company has strong Brand image along with inherent advantage of having wide range of product portfolio, catering to the fashion needs of all segments of customers/buyers thereby enabling the company to have broad-based market. The brand  has become synonymous to style & comfort.



The company has ensured the same by adhering to strict quality control & at the same time by providing the consumer world class comfort & style.

- d) **Distribution** : The company has always given due importance to its distribution channel partners viz. dealers & retails and has maintained loyal & cordial relationship with them. As such the company enjoys a wide national distribution network which has been continuously increasing. The company's distribution network has ensured that its products are available at all regions and almost all markets in India.
- e) **Technology** : The Company has one of the most technologically advanced processing units, which overcomes the major problem faced by the industry as a whole. The company has made further expansion of the said unit which in value term is Rs 11.67 crores.

#### Threats:

The United States is the largest buyer of Indian textiles and apparel, at 19% and 33%, respectively. That helps explain the degree of pain the dollar's fall has inflicted. Apparel and textiles together contribute more than 30% of India's net export earnings. While the rupee has appreciated more than 15% compared with the dollar over the last year and a half, competing countries' currencies have not appreciated correspondingly.

- a) **Dollar debacle**: The troubles come amid slackened demand from the Western consumer. With U.S. economic growth slowing, U.S. retailers have offered deep discounts. That has left the company squeezed by customers who want more for less and by a currency whose appreciation provides less when we do make sales.
- b) **Logistical pains**: India also has logistic disadvantage due to its geographical location, which is distant from major markets as compared to its global competitors like Mexico, Turkey and China, which are relatively located in close vicinity to global markets like the US, Europe and Japan. As a result, the cost of shipments is higher. Therefore we face Threat in Export market in the form of increase of competition from countries like China & weakening of dollar.
- c) Competition from Foreign brands in domestic markets.
- d) The crashing of Stock Markets thereby reducing purchasing power in semi-urban & rural market.
- e) Company is also trying to add niche value-added material to our product mix to stabilize our margins. But we are finding rising commercial real estate prices an impediment to our ability to roll out with the speed necessary to attain critical mass.
- f) Lack of government attitude to resolve problems faced by the industry.

#### Future Outlook

During the year the company has achieved growth of 17% in Sales & Income from operations. The Company targets a growth rate of 30% for the current financial year. Further if the economy continues to grow at the same trend and if the agricultural and industrial growth rate continues to improve it will increase the market avenues for the company.

The company has been constantly following emerging market trends and has accordingly from time to time revamped its marketing strategies and product portfolios. The advent of institutional retail in India has opened up avenues Of channels of distribution. The company has already made arrangements with some of the major institutional retail outlets to market its product.

The company realizes the potential of knitwear in outwear garment and is aggressively marketing its Outwear range of Bermudas, T-Shirts, Lounges under 'Bumchums' Brand.

Kidswear range of products is being re-launched with new product portfolio under its 'Kidline' brand.

#### Segment-wise Performance

The Company broadly has three primary segments viz., sales, services & power generation and two Secondary Geographical Segments viz domestic and exports. The revenues generated under each segment have been narrated in Schedule to the Accounts.

## **Risk & Concerns**

### **How we manage risks at Rupa**

#### **Cost risk**

Hosiery is a price-sensitive sector. Any increase in the cost of cotton and cotton yarn may need to be passed on in a business where end-realizations have been generally static for the last four years. This shows that the Company may need to absorb the cost increase.

#### **Mitigation**

The Company is evolving the product mix from the mid-segment to the value-added segment. The latter enjoys a larger ability to pass on the cost increases to customers.

#### **Competition risk**

Nearly 70% of the Indian market is accounted for by unorganized players who undercut organized players.

#### **Mitigation**

Rupa has countered the threats from the unorganised industry through several initiatives like:

- ▣ Outsourced its manufacturing capacity, controlling costs.
- ▣ Commissioned in-house dyeing and bleaching at Domjur, improving the softness and shrinkage characteristics.
- ▣ Widened its portfolio of branded products.
- ▣ Commissioned a husk-fired boiler to minimise costs through renewable energy means; the boiler is CDM-approved, generating carbon credits that are marketed to generate additional revenues.

#### **Customer risk**

The market and competition are growing concurrently. An inability to sustain the demand for the Company's products could affect growth.

#### **Mitigation**

The Company embarked on the following initiatives to drive demand :

- ▣ Introduced new varieties across all three segments.
- ▣ Marketed aggressively, enhanced brand visibility and increased product availability.
- ▣ Introduced value-packs to cater to cost-conscious urban working class professionals.
- ▣ Ensured presence at every price point, providing all varieties of innerwear with impeccable quality.

#### **Quality risk**

A negative quality perception could affect the health of the brand.

#### **Mitigation**

The company has enhanced quality through the following initiatives:

- ▣ The Company possesses the ISO 9001:2000 quality certification, indicating process consistency.
- ▣ It instituted manual quality checks at all stages of the manufacturing process.
- ▣ It instituted quality parameters for every stage, failing which products were rejected.
- ▣ It used imported equipment and chemicals guaranteeing colour fastness and durability.
- ▣ Its R&D laboratory sampled colours according to requirements and checked colour fastness.

#### **Environment risk**

Stringent pollution control norms in India could invite censure in the event of transgression.

#### **Mitigation**

The company embarked on the following initiatives :

- Imported most of its dyes and chemicals from Germany and Switzerland, ensuring that they were free of prohibited chemicals and carcinogenic substances.
- Installed a clarifier and carbon filter to capture the particulate matter being released from the husk boiler at its Domjur plant.
- Treated the chemical discharge in the waste treatment section of the plant.
- Ensured that the sludge generated was consumed by a downstream user in Haldia.
- Treated waste was constantly monitored; independent test reports were done by reputed agencies, sent regularly to the Pollution Control Board for approval.

#### Distribution risk

A weak distribution channel will generate inadequate revenues.

#### Mitigation

The company reported the following initiatives :

- Invested in TV, print and wall advertisements to create a consumer pool.
- Expanded across the country with its 700+ distributor network
- Deployed exclusive dealers for its sub-brands, resulting in adequate product availability in areas of growing demand.
- Entered into distribution tie-ups with recognised retail formats resulting in growing off-take.

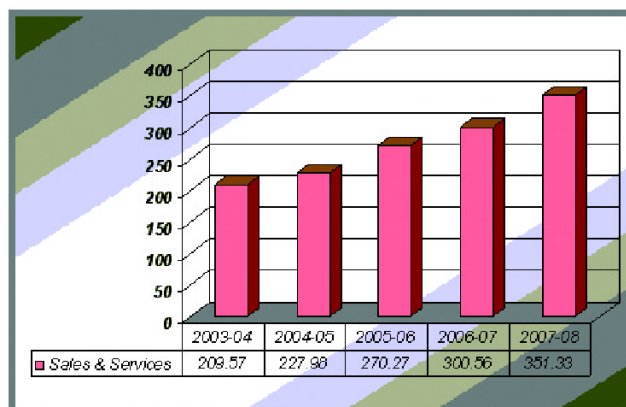
#### Globalisation risk

In the post-WTO era, India could lose out to China, Bangladesh, Vietnam, Cambodia and Indonesia in terms of hosiery exports.

#### Mitigation

The company enjoys the following competitive advantages:

- Achieved international recognition.
- Dedicated customer base in the Middle East.
- Supplied products to prominent global companies like Benetton, Pierre Cardin and Calvin Klein.



#### Operational Review

##### i) Sales & Income from operations

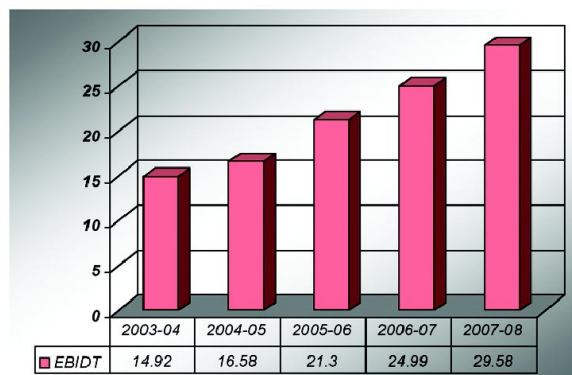
The gross income from sales and operations during the year under review improved by 16% and was Rs 35133.63 lacs as compared to Rs 30056.13 lacs as on 31<sup>st</sup> March, 2007

##### ii) Profit before Depreciation, Interest & Tax

Profit before Depreciation, Interest & Tax for the year under review increased by 17% and is Rs 2958.13 lacs as compared to Rs 2499.51 lacs for the previous year.

##### iii) Depreciation

Depreciation provided during the year under review is Rs 290.58 lacs as compared to Rs 262.23 lacs in the previous year.



iv) **Finance Charges**

Finance Charges during the year under review is Rs 863.22 lakhs as compared to Rs 725.66 lakhs in the previous year.

v) **Profit before Tax**

Profit before tax for the year ended 31<sup>st</sup> March, 2008 is Rs 1804.33 lacs as compared to Rs 1511.62 lacs for the previous year.

vi) **Provision for Tax**

Rs 585.00 lacs has been provided as tax, Rs 22.13 lacs as Fringe Benefit Tax and Rs 30.52 lacs as deferred tax for the year under review as compared to Rs 375.00 lacs, Rs 21.43 lacs and Rs 138.06 lacs respectively for the previous year.

vii) **Profit after Tax**

Profit after Tax for the year under review is Rs 1161.60 lacs as compared to Rs 977.11 lacs for the previous year.

**Internal Control Systems and their adequacy**

The Company places prime importance to effective internal controls as well as good internal audit system. The internal control is supplemented by an extensive programme of internal audit headed by an internal audit firm of Chartered Accountants to monitor adherence to all internal policies and procedures as well as compliance with all external regulatory guidelines, review by management, and policies, guidelines and procedures duly approved by the Audit Committee of the Board of Directors.

The Company has a system of internal control comprising authority levels, Supervision, checks and balances and procedures. The system is reviewed and updated on an on going basis with an objective to improve systems and efficiency of operations. It is designed to ensure that financial and other records are reliable for preparing financial information and other data, and for maintaining accountability of assets.

**Human Resources**

The Company recognizes the need to have optimum level of human resource and orientation towards team efforts for sustained growth and performance. Your Company believes that people constitutes the strength of an organization and has established systems that reduces hierarchy and fosters performance, transparency, fairness and empowerment at all levels.

The relations with Company's work force continue to be very cordial and their unstinted co-operation has enabled the unit to achieve continuous growth, both quantitatively and qualitatively. The Commitment of the workforce is one of the strong pillars for the sustenance of growth in the years ahead

**CAUTIONARY STATEMENT**

*Statements in this 'Management Discussion and Analysis' detailing the Company's objectives, estimates, expectations or predictions 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 demand-supply condition, cost of inputs, finished goods prices, changes in government regulations, tax regimes etc.*

## AUDITORS CERTIFICATE

To The Members of Rupa & Company Limited

We have examined the compliance of conditions of Corporate Governance by RUPA & COMPANY LIMITED, for the year ended on 31<sup>st</sup> March 2008, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our Examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

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

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

For **K. AGRAWAL & CO.**  
*Chartered Accountants*

**K. C. AGRAWAL**  
*Partner*  
Membership No. 10277

Dated : 25<sup>th</sup> day of June, 2008  
Place : Kolkata

## AUDITOR'S REPORT

### TO THE MEMBERS OF RUPA & COMPANY LIMITED

1. We have audited the attached Balance Sheet of RUPA & COMPANY LIMITED as at March 31<sup>st</sup>, 2008 and the related Profit and Loss Account and Cash Flow Statement on that date of which we have signed under reference to this report. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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 statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 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 the information and explanations given to us, we set out in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. 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 purposes of our audit ;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. The Balance Sheet and the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. In our opinion, these financial statements have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Companies Act, 1956 ;
  - e. Based on the representations made by all the Directors of the Company as on March 31<sup>st</sup>, 2008 and taken on record by the Board of Directors of the Company and in accordance with the information and explanations as made available, the Directors of the Company do not, prima facie, have any disqualification as referred to in Clause (g) of subsection (1) to 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 Balance Sheet and Profit and Loss Account together with the Notes thereon give in the prescribed manner the information required by the Companies Act, 1956 and also give respectively, a true and fair view in conformity with the accounting principles generally accepted in India ;
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31<sup>st</sup>, 2008 ;
    - (ii) in case of the Profit and Loss Account, of the profit of the Company for the year ended on that date, and
    - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **K. AGRAWAL & CO.**  
*Chartered Accountants*

**K. C. AGRAWAL**  
*Partner*

Membership No. 10277

Dated : 25<sup>th</sup> day of June, 2008  
Place : Kolkata

## ANNEXURE TO THE AUDITORS REPORT

Referred to in Paragraph 3 of our report of even dated on the accounts for the year ended on 31<sup>st</sup> March, 2008 of RUPA & COMPANY LIMITED

- (i) In respect of its fixed assets :
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
  - b. Some of the fixed assets have been physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals having regard to the size of the Company and the nature of its assets. According to the information and explanations given to us no material discrepancies were noticed on such verification.
  - c. The fixed assets disposed off during the year, in our opinion, do not constitute substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- (ii) In respect of its inventories :
  - a. As explained to us, the inventories of finished and semi finished goods and raw materials were physically verified during the year by the Management. In our opinion, having regard to the nature and location of stocks, the frequency of verification is reasonable. In the case of materials lying with third parties, certificates confirming stocks have been received in respect of a substantial portion of the stocks held.
  - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
  - c. In our opinion and according to the information and explanations given to us, the company has maintained proper records of its inventories. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) In respect of loans taken by the Company from companies, firms or other parties covered in the register maintained under section 301 of the companies Act, 1956, according to the information and explanations given to us : -
  - a. The Company has taken unsecured loans of Rs **2490** lakh from one company and repaid loan of Rs. **4346** lakhs. At the year end the outstanding balance of such loans taken was Rs. **33** lakhs and the maximum amount involved during the year was Rs. **1922** lakhs.
  - b. In our opinion, the rate of interest and other terms and conditions of such loans are prima facie not prejudicial to the interest of the company.
  - c. The receipt and payment of principal amounts and interest have been regular during the year.
  - d. There were no overdue amounts of principal or interests in respect of above loans.
  - e. The company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to information and explanations given to us, there are adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of inventory, fixed assets and for sale of goods. Further based on our checking we have not come across any major weakness in the internal control.
- (v) In respect of contracts or arrangements enter in the register maintained in pursuance of section 301 of the Companies Act, 1956., to the best of our knowledge and belief and according to the information and explanations given to us :
  - a. The particulars of contract or arrangements referred to in section 301 that needed to be entered into the register, maintained under the said section have been so entered.



- b. In our opinion the transactions [excluding loans reported under paragraph (iii) above] exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are prima facie reasonable having regard to prevailing market prices at the relevant time where such prices are available.
- (vi) As explained to us, the Company has not accepted any deposit from the public in the meaning of the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956.
- (vii) In our opinion, the company has an adequate internal audit system commensurate with the size and nature of its business.
- (viii) The Central government has not prescribed the maintenance of cost records under section 209 (1)(d) of the Companies Act 1956 for any products of the Company.
- (ix) In respect of statutory dues :
- According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income- Tax, Sales-Tax, Wealth-Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities during the year.
  - According to the information and explanations given to us, no undisputed amounts payable in respect of Income-Tax, Sales-Tax, Wealth-Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it were in arrears, as at 31st March, 2008 for a period of more than six months from the date they become payable.
  - According to the information and explanations given to us, details of dues of Sales Tax, Income Tax and Central Excise which have not been deposited as on 31<sup>st</sup> March, 2008 on account of dispute are given below : -

Name of the Statute	Forum where dispute is pending	Amount (Rs. Lakhs)
Sales Tax/Value Added Tax	Appellate Assistant Commissioner of Commercial Taxes , Coimbatore	240.22
	Deputy Commissioner, Commercial Taxes, Kolkata	35.04
	Assistant Commissioner, Commercial Taxes, Patna	0.75
	Deputy Commissioner, Value Added Tax, Delhi	75.50
Income Tax	High Court, Kolkata	25.19

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanation given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, bank or debenture holders.
- (xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of securities by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us the nature of activities of the company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/ societies.
- (xiv) According to the information and explanations given to us the company is dealing in securities and is maintaining proper records of such transactions. The shares and other investments are held by the Company in its own name.
- (xv) According to the information and explanations given to us the company has not given any guarantee for loans taken by others from banks or financial Institutions.



- (xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) We have been informed by management that the fund raised for short term basis have not been used for long term investment.
- (xviii) The company has not made any preferential allotment of shares during the year to parties or companies covered in register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debenture during the year and it has created proper securities or charges in respect of outstanding debentures.
- (xx) The Company has not raised any money through a public issues during the year.
- (xxi) To the best of our knowledge and belief and according to information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For **K. AGRAWAL & CO.**  
*Chartered Accountants*

**K. C. AGRAWAL**  
*Partner*  
Membership No. 10277

Dated : 25<sup>th</sup> day of June, 2008  
Place : Kolkata

## BALANCE SHEET as at 31st March 2008

			(Amount in Rs.)	
SOURCES OF FUNDS	Schedule	Rs.	31st March, 2008 Rs.	31st March, 2007 Rs.
<b>Shareholders' Funds</b>				
Share Capital	1		45,895,500	45,895,500
Reserves and Surplus	2		406,297,589	308,887,587
<b>Loan Funds</b>				
Secured Loans	3		713,726,125	747,960,588
Unsecured Loans	4		393,025,422	578,055,185
Deferred Tax Liability			61,976,323	58,924,042
<b>TOTAL</b>			<b>1,620,920,959</b>	<b>1,739,722,902</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>	5			
Gross Block		561,343,152		547,846,678
Less : Depreciation		125,767,111		97,315,721
Net Block		435,576,041		450,530,957
Capital Work in Progress		25,243,025		15,732,921
			<b>460,819,066</b>	<b>466,263,878</b>
<b>Investments</b>	6		<b>41,600,000</b>	<b>41,100,000</b>
<b>Current Assets, Loans &amp; Advances</b>				
Inventories	7	910,318,086		860,255,369
Sundry Debtors	8	537,110,697		502,942,691
Cash and Bank Balances	9	32,668,502		41,053,608
Loans, Advances & Deposits	10	367,455,373		278,248,127
		<b>1,847,552,658</b>		<b>1,682,499,795</b>
<b>Less: Current Liabilities &amp; Provisions</b>				
Current Liabilities	11	706,712,052		431,245,117
Provisions	12	22,338,713		18,895,654
		<b>729,050,765</b>		<b>450,140,771</b>
Net Current Assets			1,118,501,893	1,232,359,024
<b>TOTAL</b>			<b>1,620,920,959</b>	<b>1,739,722,902</b>

Notes Forming Part of the Accounts 21

As per our Report of even date.

**For K. AGRAWAL & CO.**

Chartered Accountants

**K. C. AGRAWAL**

Partner

Membership No.10277

**G. P. AGARWALA**

Vice-Chairman

**P. R. AGARWALA**

Chairman

Place : Kolkata

Dated : The 25<sup>th</sup> day of June, 2008

**PRIYA PUNJABI**

Company Secretary

**K. B. AGARWALA**

Managing Director

## PROFIT & LOSS ACCOUNT for the year ended 31st March, 2008

Schedule		(Amount in RS.)	
		31st March, 2008 Rs.	31st March, 2007 Rs.
<b>INCOME</b>			
Sales / Income from Operations	13	3,513,363,553	3,005,613,403
Other Income	14	4,578,660	4,042,758
Increase (Decrease) in Stock	15	53,787,293	(76,009,891)
		<b>3,571,729,506</b>	<b>2,933,646,270</b>
<b>EXPENDITURE</b>			
Purchases (Finished Goods)		34,679,648	8,257,148
Raw Materials Consumed	16	1,606,631,692	1,292,695,571
Manufacturing Expenses	17	823,978,883	645,838,730
Payments to and Provision for Employees	18	20,572,545	19,491,648
Selling , Distribution, Administration and Other Expenses	19	790,052,761	717,411,554
Finance Charges	20	86,322,454	72,566,188
Depreciation		29,058,131	26,223,647
		<u>3,391,296,114</u>	<u>2,782,484,486</u>
<b>Profit Before Tax</b>		<b>180,433,392</b>	<b>151,161,784</b>
Less : Provision for Taxation		58,500,000	37,500,000
Less : Provision for Fringe Benefit Tax		2,213,294	2,143,824
Less : Provision for Deferred Tax		3,052,281	13,806,797
Less : Prior Period Adjustment		507,202	—
Profit After Tax		116,160,615	97,711,163
Balance Brought from Previous Year		166,620,296	97,659,746
		<b>282,780,911</b>	<b>195,370,909</b>
<b>APPROPRIATIONS</b>			
General Reserve		12,000,000	10,000,000
Proposed Dividend		16,026,850	16,026,850
Corporate Dividend Tax		2,723,763	2,723,763
Balance Carried to Balance Sheet		252,030,298	166,620,296
		<b>282,780,911</b>	<b>195,370,909</b>
Notes Forming Part of the Accounts Earning per share-basic and diluted (Rs.)	21	25.37	21.34

As per our Report of even date.

**For K. AGRAWAL & CO.**  
Chartered Accountants

**K. C. AGRAWAL**  
Partner  
Membership No.10277

**G. P. AGARWALA**  
Vice-Chairman

**P. R. AGARWALA**  
Chairman

Place : Kolkata  
Dated : The 25<sup>th</sup> day of June, 2008

**PRIYA PUNJABI**  
Company Secretary

**K. B. AGARWALA**  
Managing Director

## SCHEDULES TO THE ACCOUNTS

Schedules 1 to 21 annexed to and forming part of Balance Sheet as at 31st March, 2008 and Profit and Loss Account for the year ended on that date.

(Amount in Rs.)

### SCHEDULE -1

#### SHARE CAPITAL

##### Authorised

200,00,000 (200,00,000) Equity Shares of Rs. 10/- each

##### Issued

46,00,000 Equity Shares of Rs. 10/- each

##### Subscribed & Paid Up

45,79,100 Equity Shares of Rs. 10 each

Add : Forfeited Shares (20,900 nos)

Note : Of the above 50000 Equity Shares of Rs. 10 each have been allotted as fully paid up bonus shares by capitalisation of General Reserve.

### SCHEDULE - 2

#### RESERVES AND SURPLUS

i) Share Premium Account Brought forward

Add : Received during the year

ii) Debenture Redemption Reserve Brought forward

iii) General Reserve :

As per last Balance Sheet

Add : Transferred from Profit & Loss Account

iv) Balance in Profit & Loss Account

	31, March, 2008 Rs.	31, March, 2007 Rs.
<b>SCHEDULE -1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>	200,000,000	200,000,000
200,00,000 (200,00,000) Equity Shares of Rs. 10/- each		
<b>Issued</b>		
46,00,000 Equity Shares of Rs. 10/- each	46,000,000	46,000,000
<b>Subscribed &amp; Paid Up</b>		
45,79,100 Equity Shares of Rs. 10 each	45,791,000	45,791,000
Add : Forfeited Shares (20,900 nos)	104,500	104,500
	<b>45,895,500</b>	<b>45,895,500</b>
<b>SCHEDULE - 2</b>		
<b>RESERVES AND SURPLUS</b>		
i) Share Premium Account Brought forward	47,093,250	47,080,500
Add : Received during the year		12,750
	<b>47,093,250</b>	<b>47,093,250</b>
ii) Debenture Redemption Reserve Brought forward	70,000,000	70,000,000
	<b>70,000,000</b>	<b>70,000,000</b>
iii) General Reserve :		
As per last Balance Sheet	25,174,041	15,174,041
Add : Transferred from Profit & Loss Account	12,000,000	10,000,000
	<b>37,174,041</b>	<b>25,174,041</b>
iv) Balance in Profit & Loss Account	252,030,298	166,620,296
<b>Total (i) +(ii) + (iii) + (iv)</b>	<b>406,297,589</b>	<b>308,887,587</b>

## SCHEDULES TO THE ACCOUNTS (Contd.)

(Amount in Rs.)

### SCHEDULE - 3

#### SECURED LOANS

From Bank

Working Capital Account

Foreign Currency Loan

From Industrial Development Bank of India

Term Loan

31, March, 2008  
Rs.

31, March, 2007  
Rs.

524,864,756

633,021,699

100,966,921

—

87,894,448

114,938,889

713,726,125

747,960,588

Note : a) The Working Capital is secured by hypothecation of the entire current assets of the company, equitable mortgage of certain property at Tirupur and Property at Kolkata of Rupa Global (P) Ltd and corporate guarantee of Rupa Global (P) Ltd and second charge on Domjur Unit.

b) The term loan is secured by all movable & immovable Assets of domjur and Tirupur units of the Company and first charge on Wind Turbine Generator including Land & Building at Dhule in the State of Maharastra

c) The above loans are further secured by personal guarantee of Promoter Directors of the Company.

### SCHEDULE -4

#### UNSECURED LOANS

(i) Deep Discount Debentures convertible into Equity shares (Note-8)

389,675,874

389,675,874

(ii) Short Term Loans  
'From Body Corporates

3,349,548

188,379,311

393,025,422

578,055,185

Note : As per the consent of the Debentureholders, the Board has decided to convert Deep Discount Debentures aggregate amounting to Rs. 38,96,75,874 into Equity Shares at the rate to determined as per SEBI Guidelines. In View of the same, no discount has been written off during the year.

## SCHEDULES TO THE ACCOUNTS (Contd.)

### SCHEDULE-5

#### FIXED ASSETS

Amount in Rs.

Particulars	GROSS BLOCK			DEPRECIATION AND AMORTISATION				NET BLOCK		
	As at 01.04.2007	Addition	Sale	As at 31.03.2008	Upto 31.03.2007	For the year	Adjust ment	As at 31.03.2008	As at 31.03.2007	As at 31.03.2008
<b>INTANGIBLE ASSETS</b>										
Copy write & Trade Mark	65,000,000	—	—	65,000,000	24,001,370	6,500,000	—	30,501,370	40,998,630	34,498,630
Computer Software	15,968,790	30,000	—	15,998,790	4,827,569	1,599,207	—	6,426,776	11,141,221	9,572,014
<b>TANGIBLE ASSETS</b>										
Land	27,204,347	2,418,018	—	29,622,365	—	—	—	—	27,204,347	29,622,365
Furniture & Fixture	28,456,316	1,576,065	—	30,032,381	10,072,377	1,836,302	—	11,908,679	18,383,939	18,123,702
Office Building	122,314,004	818,800	—	123,132,804	11,941,457	2,780,868	—	14,722,325	110,372,547	108,410,479
Plant & machinery	196,508,831	4,819,944	51,130	201,277,645	29,198,509	9,432,212	16,765	38,613,956	167,310,322	162,663,689
Office Equipment	16,116,140	2,242,343	74,812	18,283,671	8,237,047	2,022,918	5,760	10,254,205	7,879,093	8,029,466
Vehicles	18,399,694	2,849,607	1,132,361	20,116,940	5,973,032	1,830,636	584,216	7,219,452	12,426,662	12,897,488
Wind Turbine Generator	57,878,556	—	—	57,878,556	3,064,360	3,055,988	—	6,120,348	54,814,196	51,758,208
<b>Total</b>	<b>547,846,678</b>	<b>14,754,777</b>	<b>1,258,303</b>	<b>561,343,152</b>	<b>97,315,721</b>	<b>29,058,131</b>	<b>606,741</b>	<b>125,767,111</b>	<b>450,530,957</b>	<b>435,576,041</b>
Previous Year	429,864,837	121,823,787	3,841,946	547,846,678	72,216,744	26,223,647	1,124,670	97,315,721	279,151,683	357,648,093
Capital Work in Progress									15,732,921	25,243,025

(Amount in Rs.)

### SCHEDULE - 6

#### INVESTMENTS

##### LONG TERM-TRADED

##### QUOTED

##### In Mutual Fund

Morgan Stanley Growth Fund

##### UNQUOTED(In Subsidiary Company)

Rupa Realty Ltd

Euro Fashion Inners International (P) Ltd

#### Aggregate Market Value of Quoted Investment

	31, March, 2008 Rs.	31, March, 2007 Rs.
Morgan Stanley Growth Fund	100,000	100,000
Rupa Realty Ltd	500,000	—
Euro Fashion Inners International (P) Ltd	41,000,000	41,000,000
	<b>41,600,000</b>	<b>41,100,000</b>
Aggregate Market Value of Quoted Investment	<b>490,000</b>	<b>427,000</b>

## SCHEDULES TO THE ACCOUNTS (Contd.)

	31, March, 2008 Rs.	31, March, 2007 Rs.
<b>SCHEDULE - 7</b>		
<b>INVENTORIES</b>		
( As taken, valued and certified by the management )		
Finished Goods	493,825,347	440,038,054
Raw Materials	335,182,239	381,984,161
Materials under process	61,323,431	22,461,121
Packing materials	19,987,069	15,772,033
	<b>910,318,086</b>	<b>860,255,369</b>
<b>SCHEDULE - 8</b>		
<b>SUNDRY DEBTORS ( UNSECURED )</b>		
Debtors outstanding for a period exceeding six month -		
Considered Good	28,991,563	29,128,935
Other Debts -		
Considered Good	508,119,134	473,813,756
	<b>537,110,697</b>	<b>502,942,691</b>
<b>SCHEDULE - 9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash Balance in Hand ( including cheque of Rs.7,57,046/- )		
( Previous Year Rs.15,49,494/- )	5,404,431	1,662,803
Balance with Schedule Banks		
In Current Account	19,782,989	32,563,496
In Unpaid Dividend Account	460,794	330,995
On Fixed Deposit including interest accrued thereon	7,020,288	6,496,314
	<b>32,668,502</b>	<b>41,053,608</b>
<b>SCHEDULE - 10</b>		
<b>LOANS, ADVANCES &amp; DEPOSITS</b>		
( Unsecured, Considered Good )		
Advance and Loan to Subsidiary Company	12,654,200	97,564,379
Advances - Recoverable in cash or in kind or		
for value to be received	301,360,795	152,885,332
Advances for Capital Goods	43,779,328	15,593,241
Advance Income Tax (Net of Payments)	—	3,653,497
Advance Fringe Benefit Tax (Net of payments)	188,365	—
Security Deposits	9,472,685	8,551,678
	<b>367,455,373</b>	<b>278,248,127</b>

## SCHEDULES TO THE ACCOUNTS (Contd.)

	(Amount in Rs.)	
	31st March, 2008 Rs.	31st March, 2007 Rs.
<b>SCHEDULE - 11</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors		
For Goods	216,841,896	195,614,358
For Expenses	128,611,381	145,556,292
For Advances, Deposits & Credit Balances	360,820,734	89,766,225
Unclaimed Dividend (Refer Note No 6.)	438,041	308,242
	<b>706,712,052</b>	<b>431,245,117</b>
<b>SCHEDULE - 12</b>		
<b>PROVISIONS</b>		
For Fringe Benefit Tax( Net of Payments)	—	145,041
For Income Tax (Net of payments)	3,588,100	—
For Proposed Dividend	16,026,850	16,026,850
For Corporate Dividend Tax	2,723,763	2,723,763
	<b>22,338,713</b>	<b>18,895,654</b>
<b>SCHEDULE - 13</b>		
<b>SALES / INCOME FROM OPERATIONS</b>		
Sales	3,432,676,653	2,935,160,291
Services (Tax Deducted at Source Rs.12,00,234 Previous Year Rs. 11,77,798/=)	65,031,362	56,266,897
Export Incentives	10,947,265	7,860,708
Electricity Charges	4,708,273	6,325,507
	<b>3,513,363,553</b>	<b>3,005,613,403</b>
<b>SCHEDULE-14</b>		
<b>OTHER INCOME</b>		
Interest ( Tax Deducted at Source Rs.118314 Previous Year Rs.1,45,283/=)	2,588,268	2,156,368
Liability no longer required written back	720,706	276,924
Miscellaneous Income	1,269,686	1,609,466
	<b>4,578,660</b>	<b>4,042,758</b>
<b>SCHEDULE - 15</b>		
<b>INCREASE (DECREASE ) IN STOCKS</b>		
Opening Stock	440,038,054	516,047,945
Less : Closing Stock	493,825,347	440,038,054
	<b>53,787,293</b>	<b>(76,009,891)</b>



## SCHEDULES TO THE ACCOUNTS (Contd.)

(Amount in Rs.)

### SCHEDULE - 16

#### RAW MATERIALS CONSUMED

Opening Stock	404,445,282	283,802,201
(Includes Materials under Process Rs.2,24,61,121 Previous Year Rs. 76,316,391)		
Add : Purchases	1,598,692,080	1,413,338,652
	2,003,137,362	1,697,140,853
Less : Closing Stock	396,505,670	404,445,282
( Includes materials under process Rs.6,13,23,43 Previous Year Rs.22,461,121)		

1,606,631,692

1,292,695,571

### SCHEDULE - 17

#### MANUFACTURING EXPENSES

Processing Charges	762,597,548	589,023,956
Store & Spares	433,778	612,024
Power & Fuel	23,290,380	21,636,919
Carriage Inwards	28,488,852	26,720,141
Factory maintenance	9,168,325	7,845,690

823,978,883

645,838,730

### SCHEDULE - 18

#### PAYMENT TO AND PROVISION FOR EMPLOYEES

Salaries, Wages, Bonus & Leave Pay	18,401,752	18,308,835
Contribution to Provident Fund	794,150	608,231
Contribution to Gratuity Fund	950,500	243,536
Staff Welfare	426,143	331,046

20,572,545

19,491,648

### SCHEDULE - 19

#### SELLING, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES

##### A) Selling and Distribution Expenses

Packing Materials Consumed	308,850,410	243,568,577
Carriage Outward	30,198,641	27,279,486
Brokerage & Commission	48,798,759	45,499,925
Advertisement	286,676,429	282,569,423
Marketing Expenses	19,953,840	16,843,013
Royalty	—	14,415,452

694,478,079

630,175,876

## SCHEDULES TO THE ACCOUNTS (Contd.)

	(Amount in Rs.)	
	31st March, 2008 Rs.	31st March, 2007 Rs.
<b>SCHEDULE - 19</b>		
<b>B) Administration and Other Expenses</b>		
Rent, Rates & Taxes	3,816,318	3,353,175
Insurance	953,290	1,277,158
Telephone , Telex & Fax	3,599,903	3,770,760
Electricity Charges	1,302,685	1,599,416
Printing & Stationery	3,136,018	4,344,668
Postage & Courier	2,375,091	2,466,414
Travelling & Conveyance	7,107,610	3,726,867
Legal & Professional Charges	10,672,116	10,306,317
Repair and Maintenance		
For Machinery	3,256,755	2,892,040
For Building	—	38,791
For Other	4,407,862	2,744,843
Vehicles Maintenance Expenses	2,860,785	3,010,413
Subscription and Membership	1,392,663	1,816,990
Directors' Sitting fees	216,700	292,500
Directors' Remuneration	8,276,490	8,253,969
Auditors' Remuneration		
As Audit Fees	134,832	134,832
As Tax Audit Fees	22,472	22,472
Office Maintenance	2,596,289	1,829,060
Other Expenses	6,232,907	5,321,363
Foreign Exchange Difference	2,601,577	860,320
Loss on sale of Fixed assets	357,702	868,276
Quality Development Expenses	2,055,902	3,616,123
Bad debts	527,567	1,347,631
Dealers' Incentive	23,921,308	14,941,490
Business Convention	3,749,840	8,399,790
	95,574,682	87,235,678
<b>TOTAL (A) + (B)</b>	<b>790,052,761</b>	<b>717,411,554</b>
<b>SCHEDULE - 20</b>		
<b>FINANCE CHARGES</b>		
Interest		
To Bank	77,435,302	55,049,902
To Others	5,118,502	13,757,618
Other Financial Charges	3,768,650	3,758,668
	<b>86,322,454</b>	<b>72,566,188</b>

## **SCHEDULES TO THE ACCOUNTS (Contd.)**

### **SCHEDULE -21**

#### **NOTES FORMING PART OF THE ACCOUNTS**

##### **A. SIGNIFICANT ACCOUNTING POLICIES**

###### **a) Basis of Accounting Policies**

The accounts of the company are prepared under the historical cost convention and on the basis of the accounting principles of a going concern to comply with the applicable accounting standards. For recognition of income and expenses, accrual basis of accounting is followed.

###### **b) Revenue Recognition**

Revenue from sale of goods and services are recognized upon passage of title to the customers.

###### **c) Fixed Assets**

Fixed assets are stated at cost less accumulated depreciation. Cost of an asset comprises its purchase price and incidental expenses related thereto. Capital Work in Progress comprises the cost of fixed assets that are not yet ready for their intended use as on the balance sheet date.

###### **d) Intangible Assets**

Intangible Assets are stated at cost of acquisition less accumulated amortization.

###### **e) Depreciation & Amortization**

(i) Depreciation on fixed assets is provided on Straight Line method at the rate prescribed in Schedule XIV of the Companies Act, 1956. Depreciation for assets purchase/sold during the period is proportionately charged.

(ii) Copy Right & Trade Marks and Computer software are amortized over a period of ten years.

###### **f) Investments**

Long Term Investments are stated at cost and provision for diminution in value is made only if such decline is other than temporary.

Current Investments are stated at lower of cost and fair value. Decline in the value of current Investment are charged to the profit and loss account.

###### **g) Inventories**

Inventories are valued using FIFO method on the basis mentioned below -

Raw Materials, Packing Materials and Materials under process are valued at cost or net realizable value whichever is lower.

Finished goods are valued at cost or net realizable value whichever is lower.

Cost of Material under process comprises cost of materials and proportionate Manufacturing Expenses.

###### **h) Government Grants**

i) Capital Grant relating to Fixed Assets are reduced from the gross value of the respective Fixed assets.

ii) Revenue Grant are recognized in the profit and loss account on confirmation of reasonable assurance of the receipt.

###### **i) Sales**

Sales are recorded net of value added tax, sales tax, sales return and discounts.

###### **j) Exports Incentives :**

Benefits on account of duty drawback are being accounted in the year of export.

## **SCHEDULES TO THE ACCOUNTS (Contd.)**

### **k) Employees Benefits**

- i) Company's contributions to Provident Fund are charged to Profit & Loss Account.
- ii) Gratuity liability is actuarially ascertained and is charged to Profit & loss Account and covered by appropriate scheme with Life Insurance corporation of India.
- iii) Leave encashment benefits are accounted for on accrual basis.

### **l) Deferred Revenue Expenditure**

Discount on issue of Deep Discount Debentures is amortised during the tenure of the debentures i.e 10 years from the date of allotment.

### **m) Foreign Currency Transactions**

- i) Transactions in Foreign Currencies are recorded at exchange rate prevailing at the time of the transaction.
- ii) Foreign Currency assets and liabilities covered by forward contracts are stated at forward contract exchange rate. The cost of the forward exchange contract is amortised over the period of the contract.
- iii) Exchange difference relating to fixed assets is adjusted in the cost of assets. Other assets and liabilities are valued at rates prevailing at the end of the year. Any income or expense on account of exchange difference is recognized in the Profit & loss Account.

### **n) Borrowing Cost**

Borrowing Cost that are attributable to the acquisition, construction or production of qualifying assets are capitalized as part of cost of such assets till such time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

### **o) Taxes on Income**

Tax on income for the current period is determined on the basis of taxable income and tax credit computed in accordance with the provisions of the Income Tax Act 1961.

Deferred tax is recognized on timing difference between the accounting income and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognized and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

### **p) Segment Reporting**

The accounting policies applicable to the reportable segments are the same as those as used in the preparation of the financial statements as set out above.

Segment revenue and expenses include amount, which can be directly identifiable to the segment or allocable on a reasonable basis.

Assets and liabilities relate to the company as a whole and do not relate to any other segment, are not allocated.

### **q) Prior Period Adjustments**

Income/expenditure pertaining to prior periods are reflected as "Prior Period Adjustment".

### **r) Provisions, Contingent Liabilities and Contingent Assets**

- (i) The Company recognizes as Provisions, the liabilities being present obligations arising from past events, the settlement of which is expected to result in an outflow of resources and which can be measured only by using a substantial degree of estimation.

## SCHEDULES TO THE ACCOUNTS (Contd.)

(ii) Contingent liabilities are disclosed by way of a note to the financial statements after careful evaluation by the management of the facts and legal aspects of the matters involved.

(iii) Contingent Assets are neither recognized nor disclosed.

### s) Impairment of Assets.

If the carrying amount of fixed assets exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of estimated future cash flow.

## B. NOTES ON ACCOUNTS

### 1. Contingent Liabilities not provided for in respect of -

	Rs. 31.03.2008	Rs. 31.03.2007
i) Bank Guarantee	44,89,000	47,04,000
ii) Letter of Credit	NIL	NIL
iii) Sales Tax Demand (under appeal)	3,51,50,125	2,07,82,515
iv) Income Tax Demand (under appeal)	25,18,740	25,18,740
v) Central Excise(Appeal)	NIL	1,18,59,815.

### 2. Managing and Whole time Directors' remuneration :

	Current Year	Previous Year
Salaries & Allowances	66,27,133	66,12,029
Other Perquisites	14,63,414	11,35,355
Commission	12,00,000	12,00,000
	92,90,547	89,47,384

### 3. Calculation of Net Profit in accordance with Section 349 of the Companies Act,1956 for the purpose of calculating Managing Director's Commission :

Profit as Per Profit & Loss Account	18,04,33,392	15,11,61,784
Add : Directors' Remuneration	82,76,490	82,53,969
Loss on sale of Fixed Assets	3,57,702	8,68,276
	18,90,67,584	16,02,84,029
Net Profit for calculating managing Director's Commission	18,90,67,584	16,02,84,029
Commission payable to Managing Director (@ 1 % of Net Profit)	18,90,675	16,02,840
Commission Payable restricted to	12,00,000	12,00,000

### 4. Sales tax incentives of Rs. 73,46,295/- (Previous year Rs 60,27,946/-) granted by the Government of West Bengal, Finance (Taxation) department under West Bengal Industrial Promotion (Assistant to Industrial Unit) scheme 1994 against payment of Value Added Tax under the West Bengal Value Added Tax Act,2003 and Central Sales Tax Act, 1956, has been taken in sales.

### 5. In the absence of any intimation from vendors regarding the status of their registration under the "Micro, Small and Medium Enterprises Development Act 2006" the Company is unable to comply with the disclosure required under the said Act

### 6. Unpaid dividend does not include any amount to be credited to Investor Education and Protection Fund.

### 7. Bank Guarantee issued in favour of the Company are secured against bank fixed deposit and other Current Assets.

## SCHEDULES TO THE ACCOUNTS (Contd.)

### 8. Particulars of Deep Discount Debentures

Series - I issued during Financial year 1997-98 aggregating Rs4000 Lacs at discounted price of Rs800 lacs redeemable at par at the end of 10 years from the date of allotment i.e 1st September, 1997.

Series-II issued during Financial year 1998-99 aggregating Rs1000 Lacs at discounted price of Rs200 Lacs redeemable at par at the end of 10 year from the date of allotment i.e 15<sup>th</sup> June, 1998.

Less : Discount on issue of debenture to the extent not  
Not written off or adjusted

31.03.2008	31.03.2007
400,000,000	400,000,000
100,000,000	100,000,000
500,000,000	500,000,000
110,324,126	110,324,126
<b>389,675,874</b>	<b>389,675,874</b>

9. Figures of Previous year have been regrouped / rearranged wherever considered necessary.

10. The Institute of Chartered Accountant of India (ICAI) has made Accounting Standard-Impairment of Assets- AS 28 mandatory and the company has carried out comprehensive exercise to assess the impairment loss of Assets. Based on such exercise, there is no impairments of Assets. Accordingly, no adjustment in respect of loss on impairment of Assets is required to be made in the Accounts.

### 11. Deferred Tax Liabilities

Calculation of Deferred Tax Liabilities as at 31<sup>st</sup> March, 2008 and 31<sup>st</sup> March, 2007 is as given below :

Arising on account of difference between Book Value of Depreciable assets as per books of Account and Written Down value for tax purpose

Expenses charged but allowable in the future year on Payment or under other provisions of the Income Tax Act.

Net Deferred Tax Liability

Deferred tax Liabilities as on 31.3.2008	Deferred tax Liabilities as On 31.3.2007
6,37,36,912	5,89,24,042
(17,60,589)	NIL
6,19,76,323	5,89,24,042
<b>Net Impact taken into Profit &amp; Loss Account</b>	<b>30,52,281</b>
	<b>1,38,06,797</b>

### 12. Earning Per Shares (EPS)

Calculation of earning per shares as given below :

(Amount in Rs)

a. Net profit after tax available for equity shareholder

b. Weighted average number of Equity Share outstanding during the year

c. Basic / diluted Earning Per shares

d. Nominal Value Per Shares

2007-2008	2006-2007
116,160,615	97,711,163
4579100	4579100
25.37	21.34
10.00	10.00

Note : Diluted EPS for the current year cannot be ascertained due to finalisation of Numbers of Equity shares to be converted from Deep Discount Debentures.

## SCHEDULES TO THE ACCOUNTS (Contd.)

### 13. Segment information :

#### i) Primary Segment (Business Segments) :

Particulars	Sales	Services Charges	Electricity	Elimination	Total
Revenue (Sales & services)	3,443,623,918 (2,943,020,999)	65,031,362 (56,266,897)	4,708,273 (6,325,507)		3,513,363,553 (3,005,613,403)
Inter Segment services		60,042,381 (47,701,556)		60,042,381 (47,701,556)	
Segment Result (PBIT)	234,685,168 (200,593,673)	28,302,028 (19,375,631 )			262,987,196 (219,969,304)
Interest	77,089,158 (62,396,492 )	5,464,646 (6,411,028)			8,25,53,804 (68,807,520 )
Profit Before Tax					18,04,33,392 (151,161,784)
Provision for Taxation					5,85,00,000 (37,500,000)
Provision for Fringe Benefit Tax					22,13,294 (2,143,824)
Provision for Deferred Tax					30,52,281 (13,806,797)
Profit After Tax					11,61,60,615 (97,711,163)
<b>Other Information</b>					
Assets					2,34,99,71,724 (2,189,863,673 )
Liabilities					1,89,77,78,635 (1,835,080,586)
Depreciation	16,430,266 (15,289,713)	9,571,877 (7,877,946)	3,055,988 (3,055,988)		2,90,58,131 (26,223,647)

#### ii) Secondary Geographical segment - Revenue

	Domestic	Export	Total
Revenue	3,38,33,61,820 (2,893,375,222)	13,00,01,733 (112,238,181)	3,513,363,553 (3,005,613,403)

Note : a) Assets used in the company's operations or liabilities contracted have not been identified to any of the reportable segments, as the assets and liabilities are used interchangeably between segments.

b) Previous year figures are given under current year figures.

## SCHEDULES TO THE ACCOUNTS (Contd.)

14. As per the Accounting Standard on 'Related Party Disclosure' issued by the Institute of Chartered Accountants of India, the related parties of the Company are as follows :

Key Management Personnel	:	Mr. P.R.Agarwala, Mr. G.P.Agarwala Mr. K.B.Agarwala Mr. S.P.Saraf
Relatives of Key Managerial Person	:	Shri Baijnath Agarwal Mr Ramesh Agarwal Mr.Mukesh Agarwal Mr.Manish Agarwal Mr.Ravi Agarwal Mr. Vikash Agarwal Mr. Rajnish Agarwal Smt Puspa Devi Agarwal
Subsidiary		1. Euro Fashion Inners International (P) Ltd. 2. Rupa Realty Ltd.
Other Associates	:	M/s Binod Hosiery M/s Salasar Projects and Estates Pvt. Ltd M/s Siddhant Flats & Apartments Pvt Ltd. M/s Sidhant Credit Capital Ltd

### Information on related party transactions as required by Accounting Standards (AS-18) for the year ended 31st March, 2008

Particulars	Key Management Personnel		Relative of key Management Personnel		Other Associates		Subsidiary Company	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Rent	309600	309600	192000	192000	96000	96000		
Salary & Perquisites	7076490	7053969	5400000	5400000				
Commission	1200000	1200000	0	0				
Royalty					0	14415452		
Copy Right & Trade Marks					0	5000000		
Loan Repayment					434640000	355838850		
Loan Taken					248964000	456184000		
Interest Paid					835584	9028101		
Balance standing					3349547	188379306		
Sales							7582189	13560444
Purchase							51326956	14611474
Processing charges recd								244279
Rent Recd							480000	480000



## **SCHEDULES TO THE ACCOUNTS (Contd.)**

### **15. Disclosure pursuant to Accounting Standard - 15 : Employee Benefit**

#### **A. Defined Benefits Plan (Gratuity)**

##### **i. Change in the Present Value of the Defined Benefit Obligation**

1. Present value of obligations as at 01.04.2007	1,622,448
2. Current Service Cost	248,124
3. Actuarial loss on Obligations	702,376
<b>Present value of obligations as at 31.03.2008</b>	<b><u>2,572,948</u></b>

##### **ii. Liability recognised in the Balance Sheet**

1. Present Value of obligations as at 31.03.2008	2,572,948
2. Fair value of plan assets at the end of the year (funded with the LIC under group gratuity scheme)	1,622,448
<b>Net (Assets) / Liability recognised in Balance Sheet</b>	<b><u>950,500</u></b>

##### **iii. Expenses recognised in Profit & Loss Account**

1. Current Service Cost	248,124
2. Net Actuarial (Gain) / Loss recognised during the year	702,376
<b>Total Expenses recognised in Profit &amp; Loss Account</b>	<b><u>950,500</u></b>

##### **iv. Actuarial Assumption**

1. Discount Rate	8.00%
2. Expected rate of future salary increase	5.50%

## SCHEDULES TO THE ACCOUNTS (Contd.)

16. Additional information pursuant to Part II of Schedule VI of the Companies Act, 1956 :

### INFORMATION IN RESPECT OF GOODS MANUFACTURED

#### A) RawMaterials Consumed — All Indigenous

i) Yarn	Quantity in Kg.		Amount in Rs.	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
Opening Stock	421,030	290,451	52,057,205	37,466,486
Purchases	8,464,223	7,718,827	997,679,773	965,159,766
	8,885,253	8,009,278	1,049,736,978	1,002,626,252
Consumption	8,466,334	7,588,248	1,000,076,532	950,569,047
Sales	—	—	—	—
Closing Stock	418,919	421,030	49,660,446	52,057,205

i) Than	Quantity in Kg.		Amount in Rs.	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
Opening Stock	2,090,036	1,010,773	321,236,729	143,078,323
Purchases	2,196,681	998,632	290,892,477	161,340,365
Production	8,466,334	7,588,248	1,000,076,532	950,569,047
	12,753,051	9,597,653	1,612,205,738	1,254,987,735
Consumption	10,772,013	7,499,206	1,313,534,497	932,697,391
Sales	326,350	8,411	56,458,304	1,053,615
Closing Stock	1,654,688	2,090,036	242,212,937	321,236,729

iii) Elastic	Quantity in Mtrs.		Amount in Rs.	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
Opening Stock	4,087,677	4,104,499	8,716,572	10,163,958
Purchases	74,157,879	48,368,533	162,974,321	132,892,688
	78,245,556	52,473,032	171,690,893	143,056,646
Consumption	72,852,548	48,385,355	157,213,395	134,340,074
Closing Stock	5,393,008	4,087,677	14,477,498	8,716,572

iv) Electricity	Quantity in Kwh		Amount in Rs.	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
Opening Stock	—	—	—	—
Production	1,289,938	1,809,047	4,708,273	6,325,507
	1,289,938	1,809,047	4,708,273	6,325,507
Sale	1,289,938	1,809,047	4,708,273	6,325,507
Closing Stock	—	—	—	—

#### B) Finished Products – Knitwear

	Quantity in Dzs.		Amount in Rs.	
	31.03.2008	31.03.2007	31.03.2008	31.03.2007
Opening Stock	1,532,443	2,194,978	440,038,054	516,047,945
Production	10,956,299	9,708,564	2,739,460,985	1,938,534,301
Purchases	98,522	21,393	34,679,648	8,257,148
Sales	10,738,814	10,392,522	3,376,218,349	2,934,106,676
Closing Stock	1,848,450	1,532,443	498,825,347	440,038,054

## SCHEDULES TO THE ACCOUNTS (Contd.)

### OTHER INFORMATION

		Current Year Rs.	Previous Year Rs.
a)	Expenditure in Foreign Currency		
	Professional Fee	NIL	58,510
	Traveling Expenses	2,241,464	422,020
	Finance Charges	2,689,569	491,626
	Business Promotional Expenses	NIL	1,1189,025
b)	C.I.F Value of Imports		
	Repairs & Maintenance(Machinery)	655,249	666,054
	Machinery	NIL	57,569,220
	Product Accessories	45,086	NIL
c)	Earning in Foreign Currency		
	FOB Value of Export	119,054,468	104,377,473

SIGNATURES TO SCHEDULES 1 TO 21

As per our Report of even date.

**For K. AGRAWAL & CO.**

*Chartered Accountants*

**K. C. AGRAWAL**

*Partner*

Membership No.10277

**G. P. AGARWALA**

*Vice-Chairman*

**P. R. AGARWALA**

*Chairman*

Place : Kolkata

Dated : The 25<sup>th</sup> day of June, 2008

**PRIYA PUNJABI**

*Company Secretary*

**K. B. AGARWALA**

*Managing Director*

## ADDITIONAL INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

### BALANCE SHEET ABSTRACT AND COMPANY 'S GENERAL BUSINESS PROFILE

**i) Registration Details**

Registration No. : L17299WB1985PLC038517 State Code - 21  
Balance Sheet Date : 31.03.2008

**ii) Capital Raised During the Year (Amount in Rs. Thousands)**

Public Issue	—	NIL	Rights Issue	—	NIL
Bonus Issue	—	NIL	Private Placement	—	NIL

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

Total Liabilities	—	2349971	Total Assets	—	2349971
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**Sources of Funds**

Paid up Capital	—	45895	Reserve & Surplus	—	406298
Secured Loans	—	713726	Unsecured Loans	—	393026
			Deferred Tax Liabilities	—	61976

**Application of Funds**

Net Fixed Assets	—	460819	Investments	—	41600
Net Current Assets	—	1118502	Misc. Expenditure	—	Nil
Accumulated Losses	—	NIL			

**iv) Performance of Company (Amount in Rs Thousands)**

Turnover and Other Income	—	3517942	Total Expenditure	—	3337509
Profit /(Loss) before Tax	—	180433	Profit / (Loss) after Tax	—	116160
Earning per Share (in Rs.)	—	25.37	Dividend Rate (%)	—	35

**v) Generic Name of Principal Products /Services of the Company**

(As per monetary terms)

Item Code No. (ITC Code)	:	610711.01	Product Description	:	Gents Undergarments
Item Code No. (ITC Code)	:	610821.01	Product Description	:	Ladies Undergarments
Item Code No. (ITC Code)	:	610910.02	Product Description	:	T- Shirts

**G. P. AGARWALA**  
Vice-Chairman

**P. R. AGARWALA**  
Chairman

Place : Kolkata  
Dated : The 25<sup>th</sup> day of June, 2008

**PRIYA PUNJABI**  
Company Secretary

**K. B. AGARWALA**  
Managing Director

## STATEMENT RELATING TO SUBSIDIARY COMPANY

### PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

1	Name of the Subsidiary	:	Euro Fashion Inners International Pvt. Ltd	Rupa Realty Limited
2	Financial Year of the Subsidiary	:	31st March, 2008	31st March, 2008
	ended on			
3	Share of the Subsidiary held by the Company on the above date			
	(a) Number and Face Value	:	41,00,000 of Rs10/- each	50,000 of Rs10/- each
	(b) Extent of holding	:	100%	100%
4	Net aggregate amount of Profit / (Loss) of the subsidiary for the above financial year so far as it concerns members of the Company			
	(a) Dealt with in the accounts of the Company for the year ended 31st March, 2008	:	—	—
	(b) Not dealt with in the accounts of the Company for the year ended 31st March, 2008	:	Rs 41,64,696/-	(16,225)
5	Net aggregate amount of profit / (losses) of the Subsidiary for the previous years of the subsidiary since it became a subsidiary so far as they concern Members of the Company			
	(a) Dealt with in the accounts of the Company for the year ended 31st March, 2008	:	—	—
	(b) Not dealt with in the accounts of the Company for the year ended 31st March, 2008	:	Rs 78,79,794/-	(16,225)

**G. P. AGARWALA**  
Vice-Chairman

**P. R. AGARWALA**  
Chairman

Place : Kolkata  
Dated : The 25<sup>th</sup> day of June, 2008

**PRIYA PUNJABI**  
Company Secretary

**K. B. AGARWALA**  
Managing Director

## CASH FLOW STATEMENT for the year ended 31st March, 2008

### A. CASH FLOW ARISING FROM OPERATING ACTIVITIES

#### Net Profit Before Tax & Extra-ordinary Items

<b>Adjustment :</b>	(a) Depreciation Charges	290.58		
	(b) Interest Charges	825.54		
	(c) Loss on Sale of Fixed Assets	3.58		

1,804.33

1,119.70

2,924.03

<b>Adjustment :</b>	(a) Interest Income	(25.88)		
	(b) Rent Income	(4.80)		

(30.68)

2,893.35

#### Operating Profit before Working Capital Changes

<b>Adjustment :</b>	(a) Increase in Trade & other Receivable	(1,245.83)		
	(b) Increase in Inventories	(500.63)		

(1,746.46)

1146.89

2,668.47

<b>Adjustment :</b>	(a) Increase in Trade Payables			
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#### Cash Inflow / (Outflow) form Operations

<b>Adjustment :</b>	(a) Interest Paid	(782.71)		
	(b) Direct Taxes Paid	(522.31)		

(1,305.02)

2510.34

<b>Adjustment :</b>	(a) Interest received from operating activities			
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24.81

#### Net Cash Inflow / (Outflow) from Operating Activities

2535.15

### B. CASH FLOW ARISING FROM INVESTING ACTIVITIES

<b>Inflow</b>	(a) Sale of Fixed Assets	2.94		
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2.94

<b>Outflow</b>	(a) Purchase of Fixed Assets	(242.65)		
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(242.65)

#### Net Cash Inflow/(Outflow) from Investing Activities

(239.71)

### CASH FLOW STATEMENT

for the year ended 31st March, 2007(Contd.)

### C. CASH FLOW ARISING FORM FINANCING ACTIVITIES

<b>Inflow</b>	(a) Proceeds from Share Capital	—		
	(b) Dividend and dividend Tax paid	(187.51)		
	(c) Interest received form financing activities	1.07		
	(d) Rent Income	4.80		
	(e) Increase/(Decrease) in borrowing Capital	(2,192.64)		
	(f) Investment in subsidiary	(5.00)		

0.21

(183.13)

6.85

4.80

2,893.48

2,722.21

#### Net Cash Inflow / (Outflow) from Financing Activities

(2379.28)

#### Net Increase / (Decrease) in Cash/Cash Equivalent (A+B+C)

(83.84)

#### Cash / Cash Equivalents at the beginning of the year

410.53

#### Cash / Cash Equivalents at the end of the year

326.69

### Notes

- 1) The above Cash Flow Statement has been prepared pursuant to Clause 31 of Listing Agreement with Stock Exchange and under the indirect method set out in AS-3 issued to Chartered Accountants of India.
- 2) Significant Accounting Policies and other Notes to Accounts (Schedule 21) form an integral part of the Cash Flow Statement.
- 3) Previous year figures have been regrouped/reclassified to confirm to current year's classification.

As per our Report of even date.

**For K. AGRAWAL & CO.**  
Chartered Accountants

**K. C. AGRAWAL**  
Partner  
Membership No.10277

**G. P. AGARWALA**  
Vice-Chairman

**P. R. AGARWALA**  
Chairman

Place : Kolkata  
Dated : The 25<sup>th</sup> day of June, 2008

**PRIYA PUNJABI**  
Company Secretary

**K. B. AGARWALA**  
Managing Director