

**ARVIND LIFESTYLE BRANDS LIMITED**

**ANNUAL REPORT 2011- 12**



## AUDITORS' REPORT

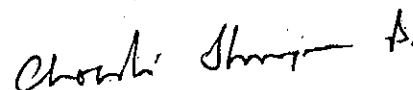
### TO THE MEMBERS OF ARVIND LIFESTYLE BRANDS LIMITED

1. We have audited the attached Balance Sheet of **ARVIND LIFESTYLE BRANDS LIMITED** ("the Company"), as at March 31, 2012, the statement of Profit and Loss and also the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 ("Order") issued by the Central Government of India in terms of sub - section (4A) of section 227 of the Companies Act, 1956, we enclose 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 above, we report that:
  - i) 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;
  - ii) 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;
  - iii) The Balance Sheet, the Statement Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv) In our opinion, the Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the applicable accounting standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956;

- v) On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2012;
- (b) In the case of the Statement of Profit and Loss, of the Profit for the year ended on that date; and
- (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Ahmedabad  
May 9, 2012

For **Sorab S. Engineer & Co.**  
Firm Registration No. 110417W  
Chartered Accountants



**CA. Chokshi Shreyas B.**  
Partner  
Membership No. 100892

## ANNEXURE TO THE AUDITORS' REPORT

### Re: ARVIND LIFESTYLE BRANDS LIMITED

Referred to in Paragraph 3 of our Report of even date,

- (i)
  - (a) The Company has generally maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
  - (b) As explained to us, the fixed assets have been physically verified by the management during the year in accordance with a phased programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. We are informed that no material discrepancies were noticed on such verification.
  - (c) In our opinion and as per the information and explanations given to us, the Company has not made any substantial disposal of fixed assets during the year and going concern status of the Company is not affected.
- (ii)
  - (a) As explained to us, the inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) The Company is maintaining proper records of inventory. As explained to us, the discrepancies noticed on verification between the physical stocks and the book records were not material having regard to the size of the Company, and the same have been properly dealt with.
- (iii) The Company has not granted/taken any loans secured or unsecured to/from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Consequently, requirement of clauses (iii,b), (iii,c), (iii,d), (iii,e), (iii,f) and (iii,g) of paragraph 4 of the order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that there were no contracts or arrangements that need to be entered in the Register maintained under section 301 of the Companies Act, 1956. Consequently, requirement of clauses (v,a) and (v,b) of paragraph 4 of the order are not applicable.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any public deposits.
- (vii) The Company has an internal audit system, which in our opinion, is commensurate with the size of the Company and the nature of its business.

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(viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 in respect of the Company's product. Consequently, requirement of clause (viii) of paragraph 4 of the order is not applicable.

(ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Value Added Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.

(b) There are no undisputed amounts outstanding as at March 31, 2012 for a period of more than six months from the date they became payable.

(c) Following amounts have not been deposited as on March 31, 2012 on account of any dispute :

Nature of the Statute	Nature of the dues	Amount Rs.	Period to which the amount relates	Forum where matter is Pending
Sales Tax Act	Sales Tax	996,490	1998-1999	Reference with High Court
		236,186	2000-2001	Reference with High Court
		2,427,660	2001-2002	Reference with High Court
		140,000	2002-2003	Appellate Tribunal
		1,732,302	2005-2006	Assistant Commissioner
Central Excise Act	Excise Duty	624,751	2005-2006	Additional Commissioner
		3,895,856	2002-2003 2003-2004	Reference with High Court
		158,000	2006-2007	Commissioner of Central Excise
Textile Committee	Textile Committee Cess	100,000	2006-2007	CESTAT
		1,094,000	2006-2007	CESTAT

(x) The Company has neither any accumulated losses nor has incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society. Consequently, the provisions of clause (xiii) of paragraph 4 of the order are not applicable.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Consequently, the provisions of clause (xiv) of paragraph 4 of the order are not applicable.

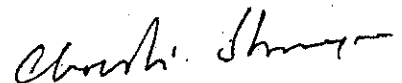
(xv) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the Company has not given any guarantee for loans taken by others from banks or financial Institutions. Consequently, the provisions of clause (xv) of paragraph 4 of the order are not applicable.

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- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, the term loans obtained during the year were, *prima facie*, applied by the Company for the purpose for which they were obtained, other than temporary deployment pending application.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that funds raised on short-term basis have not *prima facie* been used during the year for long-term investments.
- (xviii) During the year, the Company has not made any preferential allotment of shares to persons covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us and the records examined by us, the Company has not issued any Secured Debentures during the year.
- (xx) The Company has not raised any money by public issue during the year.
- (xxi) Based upon the audit procedure performed by us and as per the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

Ahmedabad  
May 9, 2012

For **Sorab S. Engineer & Co.**  
Firm Registration No. 110417W  
Chartered Accountants



**CA. Chokshi Shreyas B.**  
Partner  
Membership No. 100892

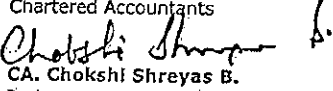
Arvind Lifestyle Brands Limited

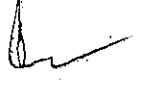
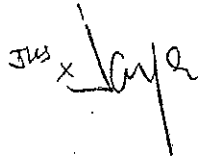
Balance Sheet

Amount in Rs.

	Note	As at	
		March 31, 2012	March 31, 2011
<b>Equity and Liabilities</b>			
<b>Shareholders' funds</b>			
Share Capital	3	200,501,000	200,501,000
Reserves and Surplus	4	1,457,522,390	1,323,824,820
<b>Non-current liabilities</b>			
Long Term Borrowings	5	536,087,842	135,945,780
Deferred Tax Liabilities (Net)	6	89,662,060	59,573,325
Other Long Term Liabilities	7	82,716,524	54,805,403
<b>Current liabilities</b>			
Short Term Borrowings	8	1,521,654,581	901,362,016
Trade Payables	9	1,765,576,735	1,629,664,024
Other Current Liabilities	10	344,931,361	207,771,008
Short Term Provisions	11	47,858,998	57,284,824
<b>Total</b>		<b>6,046,511,491</b>	<b>4,570,732,200</b>
<b>Assets</b>			
<b>Non-current assets</b>			
<b>Fixed Assets</b>			
Tangible Assets	12	724,032,590	564,713,956
Intangible Assets	13	616,492,028	656,273,718
Capital Work-in-progress		821,299	4,074,839
Non-current Investments	14	350,154,200	154,200
Long Term Loans and Advances	15	494,659,752	582,878,497
<b>Current assets</b>			
Inventories	16	1,396,796,863	1,361,727,978
Trade Receivables	17	2,185,066,435	1,195,101,181
Cash and Bank Balances	18	78,163,328	57,795,131
Short Term Loans and Advances	19	192,166,063	115,890,904
Other Current Assets	20	8,158,933	32,121,796
<b>Total</b>		<b>6,046,511,491</b>	<b>4,570,732,200</b>
<b>Significant Accounting Policies</b>	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached  
 For Sorab S. Engineer & Co.  
 Firm Registration No. 110417W  
 Chartered Accountants  
  
 CA. Chokshi Shreyas B.  
 Partner  
 Membership No.100892  
 Ahmedabad  
 May 9, 2012

X  
  
 Director  
  
 Director  
 Company Secretary

Arvind Lifestyle Brands Limited

Statement of Profit and Loss

Amount in Rs.

	Note	Year ended	
		March 31, 2012	March 31, 2011
Revenue from operations (Gross)	23	6,915,427,444	4,277,217,377
Less : Value Added Tax		159,994,571	111,896,465
Revenue from operations (Net)		6,755,432,873	4,165,320,912
Other Income	24	42,357,947	36,714,505
<b>Total Revenue</b>		<b>6,797,790,820</b>	<b>4,202,035,417</b>
<b>Expenses:</b>			
Cost of materials consumed	25	417,973,886	638,370,832
Purchases of Stock In Trade	26	2,797,197,878	1,740,669,839
Changes In Inventories of finished goods, work-in-progress and stock-in-trade	27	(189,626,365)	(558,858,342)
Employee benefits expense	28	301,781,811	216,103,205
Finance costs	29	260,017,115	122,259,274
Depreciation and amortization expense	30	144,589,419	115,254,309
Other expenses	31	2,865,070,771	1,753,120,051
<b>Total expenses</b>		<b>6,597,004,515</b>	<b>4,026,919,168</b>
<b>Profit before exceptional and extraordinary items and tax</b>		<b>200,786,305</b>	<b>175,116,249</b>
Exceptional Items		-	-
<b>Profit before extraordinary items and tax</b>		<b>200,786,305</b>	<b>175,116,249</b>
Extraordinary Items		-	-
<b>Profit before tax</b>		<b>200,786,305</b>	<b>175,116,249</b>
<b>Tax expense:</b>			
Current Tax		40,200,000	35,000,000
MAT Credit Entitlement		(3,200,000)	(35,000,000)
Deferred tax		30,088,735	72,753,241
<b>Profit for the year</b>		<b>133,697,570</b>	<b>102,363,008</b>
<b>Earnings per equity share</b>	39		
(Nominal Value per Share Rs. 10/- (Previous year Rs. 10/-):			
Basic		6.67	5.11
Diluted		6.67	5.11
<b>Significant Accounting Policies</b>	2		

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached  
For Sorab S. Engineer & Co.  
Firm Registration No. 110417W  
Chartered accountants

*Chokshi Shreyas B.*

CA. Chokshi Shreyas B.  
Partner

Membership No.100892  
Ahmedabad  
May 9, 2012

X  
Director

JTB X *Jay*

Director

Company Secretary



Arvind Lifestyle Brands Limited

Cash Flow Statement

Amount in Rs.

	Year ended	
	March 31, 2012	March 31, 2011
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before taxation	200,786,305	175,116,249
Adjustments for:		
Depreciation /Amortization	144,589,419	115,254,309
Interest Income	(38,586,871)	(29,461,660)
Interest Expenses	234,768,004	93,147,868
Provision for Retirement Benefits	10,067,973	6,902,182
Sundry Debit Written off	1,118,902	6,831,570
Foreign Exchanges (Gain)/Loss	3,927,230	(648,569)
Loss on Sale of Tangible assets	88,697	24,881
<b>Operating Profit before Working Capital Changes</b>	<b>355,973,354</b>	<b>192,050,581</b>
Working Capital Changes:	556,759,659	367,166,830
Changes in Inventories	(35,068,885)	(721,954,923)
Changes in other long term liabilities	27,911,121	20,909,967
Changes in trade payables	135,912,711	996,986,098
Changes in other current liabilities	110,330,279	83,833,051
Changes in short term provisions	(5,593,130)	(3,265,605)
Changes in long term loans and advances	(152,303,535)	(71,344,845)
Changes in trade receivables	(989,965,254)	(605,947,275)
Changes in other assets	6,459,718	(24,155,771)
Changes in short term loans and advances	(77,153,263)	(39,678,813)
<b>Net Changes in Working Capital</b>	<b>(979,470,238)</b>	<b>(364,618,116)</b>
<b>Cash Generated from Operations</b>	<b>(422,710,579)</b>	<b>2,548,714</b>
Direct Taxes paid (Net of Income Tax refund)	(54,100,669)	(17,146,831)
<b>Net Cash flow from Operating Activities</b>	<b>(476,811,248)</b>	<b>(14,598,117)</b>
<b>B Cash Flow from Investing Activities</b>		
Purchase of tangible/intangible assets	(271,657,445)	(252,512,507)
Sale of tangible assets	10,695,925	169,795
Changes in Capital Advances	(6,277,720)	(15,298,468)
Purchase of Long term investments	(350,000,000)	-
Changes in Loans & Advances	250,000,000	(37,252,750)
Changes in Loans to Employees	(240,798)	654,901
Interest Income	64,591,576	3,096,629
<b>Net cash flow from Investing Activities</b>	<b>(302,888,462)</b>	<b>(301,142,400)</b>
<b>C Cash Flow from Financing Activities</b>		
Changes in long term Borrowings	426,940,518	135,522,905
Changes in short term borrowings	616,365,335	268,887,839
Interest Paid	(234,736,386)	(93,814,497)
<b>Net Cash flow from Financing Activities</b>	<b>808,569,467</b>	<b>310,596,247</b>
<b>Net Increase/(Decrease) in cash &amp; cash equivalents</b>	<b>28,869,757</b>	<b>(5,144,270)</b>
Cash & Cash equivalents at the beginning of the period	21,257,581	26,401,851
Cash & Cash equivalents at the end of the period	50,127,338	21,257,581

Particulars	As at	
	March 31, 2012	March 31, 2011
Cash and cash equivalents comprise of: (Note 18)		
Cash on Hand	48,711	196,110
Balances with Banks	50,078,627	21,061,471
<b>Total</b>	<b>50,127,338</b>	<b>21,257,581</b>

As per our report attached  
For Sorab S. Engineer & Co.  
Firm Registration No. 110417W  
Chartered Accountants  
*Chokshi Shreyas B.*  
CA. Chokshi Shreyas B.  
Partner  
Membership No. 100892  
Ahmedabad

*J. J.*  
*Director*  
*Director*

Company Secretary

3 Share Capital

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
<b>Authorised</b> 25,000,000 Equity Shares (Previous Year 25,000,000) Par Value of Rs.10/- per share	250,000,000	250,000,000
	<b>250,000,000</b>	<b>250,000,000</b>
<b>Issued</b> 20,050,100 Equity Shares (Previous Year 20,050,100) Par Value of Rs.10/- per share	200,501,000	200,501,000
	<b>200,501,000</b>	<b>200,501,000</b>
<b>Subscribed and fully paid up</b> 20,050,100 Equity Shares (Previous Year 20,050,100) Par Value of Rs.10/- per share fully paid up	200,501,000	200,501,000
<b>Total</b>	<b>200,501,000</b>	<b>200,501,000</b>

a Reconciliation of Number of Shares

Particulars	As At			
	March 31, 2012		March 31, 2011	
	No. of Shares	Amount in Rs.	No. of Shares	Amount in Rs.
Balance at the beginning of the year	20,050,100	200,501,000	20,050,100	200,501,000
Balance at the end of the year	<b>20,050,100</b>	<b>200,501,000</b>	<b>20,050,100</b>	<b>200,501,000</b>

b Shares allotted as fully paid up pursuant to contract(s) without payment being received in cash (during 5 years immediately preceding March 31, 2012)

2,00,00,000 shares of Rs. 10 each were allotted as fully paid up in April, 2009 pursuant to the scheme of arrangement without payment being received in cash.

c Rights, Preferences and Restrictions attached to Equity Shares

The Company has one class of shares referred to as equity shares having a par value of Rs. 10 each. Each shareholder is entitled to one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.

d Shares held by Holding Company

Particulars	As at	
	March 31, 2012	March 31, 2011
Holding Company - Arvind Brands and Retail Limited	20,000,010	20,000,010

e Details of Shares held by Shareholders holding more than 5% of the aggregate shares in the Company

Particulars	As at	
	March 31, 2012	March 31, 2011
Holding Company - Arvind Brands and Retail Limited	20,000,010 99.75%	20,000,010 99.75%

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4 Reserves and Surplus

Amount in Rs.	
As at	
March 31, 2012	March 31, 2011

<b>Securities Premium Account</b>		
Balance as per last financial statements	1,200,000,000	1,200,000,000
<b>Surplus in Statement of Profit and Loss</b>		
Balance as per last financial statements	123,824,820	21,461,812
Add : Profit for the year	133,697,570	102,363,008
<b>Balance at the end of the year</b>	<b>257,522,390</b>	<b>123,824,820</b>
<b>Total</b>	<b>1,457,522,390</b>	<b>1,323,824,820</b>

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5 Long Term Borrowings

	Non- Current portion		Current Maturities	
	As At		As At	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
<b>Secured</b>				
Term Loans :				
From Banks	530,317,208	129,956,877	46,000,000	20,000,000
From Others	5,770,634	5,988,903	2,769,832	1,971,376
<b>Amount disclosed under the head "Other Current Liabilities" (Note 10)</b>	<b>53,60,87,842</b>	<b>13,59,45,780</b>	<b>4,87,69,832</b>	<b>2,19,71,376</b>
<b>Total</b>	<b>53,60,87,842</b>	<b>13,59,45,780</b>	<b>48,769,832</b>	<b>21,971,376</b>

a Nature of Security

- I Term Loans from Banks are secured by:
- First charge over the entire fixed assets and second charge over entire stock, receivables and other current assets of the Company both present and future.
  - Additionally secured by Corporate Guarantee given by Arvind Limited, the ultimate holding company.
- II Hire Purchase Loan from Others are secured by hypothecation of related vehicles.

b Rate of Interest and Terms of Repayment

Particulars	Amount in Rs.	Range of Interest	Terms of Repayment
State Bank of India	576,317,208	13.25%	Repayable in quarterly instalments ranging between 16 to 20 after moratorium of one year from the date of loan
Kotak Mahindra Prime Limited - Hire Purchase Loan	8,540,466	9% to 11%	Repayable in 48 monthly instalments from the date of release of respective loans

*Handwritten signature/initials*

**6 Deferred Tax Liabilities (Net)**

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
<b>Deferred Tax Liability</b>		
Fixed Assets	103,470,801	82,989,361
<b>Deferred Tax Asset</b>		
Expenditure allowable on payment basis	13,266,429	4,838,735
Unabsorbed loss/ Depreciation	-	17,763,833
Other timing differences	542,312	813,468
<b>Net Deferred Tax Liability</b>	<b>89,662,060</b>	<b>59,573,325</b>

**7 Other Long Term Liabilities**

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
Security Deposits	82,716,524	54,805,403
<b>Total</b>	<b>82,716,524</b>	<b>54,805,403</b>

- a Includes Rs. 3,200/- (Previous Year Rs. 3,200/-) from Aryind Limited, the ultimate holding company.

*cont*

**8 Short Term Borrowings**

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
<b>Secured</b>		
Working Capital Loans repayable on demand From Banks	1,259,762,376	847,566,707
	<b>1,259,762,376</b>	<b>847,566,707</b>
<b>Unsecured</b>		
Intercompany Deposits From Related Parties From Others	205,017,205 56,875,000	53,795,309 -
	<b>261,892,205</b>	<b>53,795,309</b>
<b>Total</b>	<b>1,521,654,581</b>	<b>901,362,016</b>

**a Nature of Security**

Loans from banks are secured by:

- i. First charge over entire stocks, receivables and other current assets and second charge over entire fixed assets of the Company both present and future.
- ii. Additionally secured by Corporate Guarantee given by Arvind Limited, the ultimate holding company.

**b Rate of Interest**

- i. Loans from banks carry interest rates ranging from 11% to 13.5% per annum.
- ii. Inter Corporate Deposits carry interest rates ranging from 12.25% to 13% per annum.

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9 Trade Payables

Amount in Rs.	
As at	
March 31, 2012	March 31, 2011

Sundry Creditors (Note a)	1,339,012,887	1,231,389,044
Acceptances	426,563,848	398,274,980
<b>Total</b>	<b>1,765,576,735</b>	<b>1,629,664,024</b>

- a The Company has not received any intimation on suppliers regarding their status under the Micro, Small and Medium Enterprise Development (MSMED) Act, 2006 and hence disclosures as required under Section 22 of The Micro, Small and Medium Enterprise Small Enterprise regarding
- (a) Amount due and outstanding to suppliers as at the end of accounting year;
  - (b) Interest paid during the year;
  - (c) Interest payable at the end of the accounting year; and
  - (d) Interest accrued and unpaid at the end of the accounting year
- have not been given. The Company is making efforts to get the confirmations from the suppliers regarding their status under the said act.

*cont.*

10 Other Current Liabilities

Amount in Rs.	
As at	
March 31, 2012	March 31, 2011

Current maturities of long-term borrowings (Note 5)	48,769,832	21,971,376
Interest accrued but not due on borrowings	41,449	9,831
Advance from Customers	129,278,548	109,227,053
Statutory dues including Provident Fund and Tax deducted at Source	74,698,131	38,971,231
Others	92,143,401	37,591,517
<b>Total</b>	<b>344,931,361</b>	<b>207,771,008</b>

*auth.*



**11 Short Term Provisions**

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
Provision for Employee Benefits	14,227,367	9,752,524
Provision for Taxation (Net of Advance Tax of Rs. 71,247,500/-, Previous year Rs. 17,146,831/-)	5,487,313	19,387,982
Provision for Wealth tax	19,766	19,766
Provision for Litigation/Disputes (Note a)	28,124,552	28,124,552
<b>Total</b>	<b>47,858,998</b>	<b>57,284,824</b>

**a Provision for Litigation/Disputes**

The Company has made provisions for pending disputed matters in respect of Indirect Taxes like Sales Tax, Excise Duty and Custom Duty, the liability which may arise in the future, the quantum whereof will be determined as and when the matters are disposed off. The movement in the provision account is as under:

Particulars	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
Balance as per last financial statements	28,124,552	28,124,552
<b>Balance at the end of the year</b>	<b>28,124,552</b>	<b>28,124,552</b>

*ccvt.*

12 Tangible Assets

Particulars	Amount in Rs.											
	Gross Block					Depreciation / Amortization					Net Block	
	As on 01.04.2011	Additions	Disposals	As on 31.03.2012	As on 01.04.2011	For the year	Deductions	As on 31.03.2012	As on 31.03.2012	As on 31.03.2011		
Own Assets	52,288,900	29,887,765	851,095	81,325,590	3,895,630	3,247,799	53,568	7,089,861	74,235,729	48,393,270		
Plant and Equipments	173,513,193	64,510,895	5,167,633	232,956,455	16,868,621	13,037,095	543,517	29,362,199	203,594,256	156,744,572		
Furniture and Fixtures	13,094,400	4,750,000	2,427,246	15,417,154	2,952,303	3,697,768	760,810	5,889,261	9,527,893	10,142,097		
Vehicles	14,508,991	3,658,712	13,500	18,154,203	1,277,496	872,796	1,171	2,149,121	16,005,082	13,231,495		
Office Equipments	373,035,441	132,868,770	3,884,542	502,019,669	70,931,951	47,871,175	415,085	118,388,041	383,631,628	302,103,490		
Leasehold Improvements	66,312,294	17,377,331	265,790	83,423,835	32,213,262	14,223,604	51,033	46,385,833	37,038,002	34,099,032		
Data Processing Equipments												
<b>Total</b>	<b>692,853,219</b>	<b>253,053,493</b>	<b>17,609,806</b>	<b>932,296,906</b>	<b>128,139,263</b>	<b>82,950,237</b>	<b>1,825,184</b>	<b>209,264,316</b>	<b>724,032,590</b>	<b>564,713,956</b>		
Previous Year	458,909,868	235,425,041	1,481,690	692,853,219	56,770,079	72,656,198	1,287,014	128,139,263	564,713,956	402,139,789		

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13 Intangible Assets

Particular	Gross Block				Amortization			Amount in Rs.		
	As on 01.04.2011	Additions	Disposals	As on 31.03.2012	As on 01.04.2011	For the Year	Deductions	As on 31.03.2012	As on 31.03.2012	As on 31.03.2011
License Brands	640,957,210	-	-	640,957,210	49,673,989	39,892,399	-	89,566,388	551,390,822	591,283,221
Computer Software	20,462,590	21,857,492	-	42,320,082	3,486,691	5,741,917	-	9,228,608	33,091,474	16,975,899
Jobworkers' Network	17,295,984	-	-	17,295,984	6,918,394	3,459,197	-	10,377,591	6,918,393	10,377,590
Vendors' Network	62,728,346	-	-	62,728,346	25,091,338	12,545,669	-	37,637,007	25,091,339	37,637,008
<b>Total</b>	<b>741,444,130</b>	<b>21,857,492</b>	<b>-</b>	<b>763,301,622</b>	<b>85,170,412</b>	<b>61,639,182</b>	<b>-</b>	<b>1,46,809,594</b>	<b>616,492,028</b>	<b>656,273,718</b>
Previous Year	728,258,828	13,185,302	-	741,444,130	42,572,301	42,598,111	-	85,170,412	656,273,718	685,686,527

*cut*

14 Non Current Investments.

Particulars	Face Value Per Share	No of Shares	Amount in Rs.	
			As at	
			March 31, 2012	March 31, 2011
<b>Trade Investments (At Cost)</b>				
Investments in Government Trust Securities National Saving Certificates (Lodged with Sales Tax Authorities)			154,200	154,200
Investments in Equity Shares (Unquoted- Fully paid up) In fellow subsidiary Arvind Retail Limited (Acquired during the year)	Rs. 10/-	700,000	350,000,000	-
<b>Total</b>			<b>350,154,200</b>	<b>154,200</b>

a

Aggregate amount of quoted investments	-	-
Market value of quoted investments	-	-
Aggregate amount of unquoted investments	350,154,200	154,200

b Disclosure as per AS 13 - Accounting for Investments

Long Term Investments	350,154,200	154,200
Current Investments	-	-
<b>Total</b>	<b>350,154,200</b>	<b>154,200</b>

*auth.*

**15 Long Term Loans and Advances**  
(Unsecured, Considered good unless otherwise stated)

Amount in Rs.	
As at	
March 31, 2012	March 31, 2011

Capital Advances	30,825,208	24,547,488
Security Deposits	425,634,544	273,331,009
Loans to Fellow Subsidiary - Arvind Retail Limited	-	250,000,000
MAT Credit Entitlement	38,200,000	35,000,000
<b>Total</b>	<b>494,659,752</b>	<b>582,878,497</b>

*cont.*

**16 Inventories**

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
Raw Materials and Accessories	122,012,606	205,469,189
Raw Materials in Transit	6,481,092	83,746,198
Work-in-Progress	-	63,677,095
Finished Goods	467,747,955	291,297,557
Stock-in-trade	787,929,825	711,076,763
Stock-in-trade in Transit	9,287,318	1,029,364
Packing Materials	3,338,067	5,431,812
<b>Total</b>	<b>1,396,796,863</b>	<b>1,361,727,978</b>

**a Details of Inventory**

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
<b>Finished Goods (Manufactured)</b>		
Garments	467,747,955	291,297,557
<b>Total</b>	<b>467,747,955</b>	<b>291,297,557</b>
<b>Stock-in-trade (Traded)</b>		
Garments	787,929,825	711,076,763
<b>Total</b>	<b>787,929,825</b>	<b>711,076,763</b>
<b>Work-in-Progress</b>		
Garments	-	63,677,095
<b>Total</b>	<b>-</b>	<b>63,677,095</b>

*cut:*

**17 Trade Receivables**  
(Unsecured, considered good unless otherwise stated)

Amount in Rs.	
As at	
March 31, 2012	March 31, 2011

Outstanding for a period exceeding six months from the date they are due for payment	113,536,094	107,252,541
Others	2,071,530,341	1,087,848,640
<b>Total</b>	<b>2,185,066,435</b>	<b>1,195,101,181</b>

*cont.*

18 Cash and Bank Balances

Amount in Rs.	
As at	
March 31, 2012	March 31, 2011

<b>Cash and Cash Equivalents:</b>		
<b>Cash on Hand</b>	48,711	196,110
<b>Balances with Banks</b>		
In Current Account	40,078,627	21,061,471
In Deposit Account (with original maturity up to 3 months)	10,000,000	-
	<b>50,127,338</b>	<b>21,257,581</b>
<b>Other Bank Balances</b>		
Deposits held as Margin Money (Under lien against bank guarantees)	28,035,990	36,537,550
	<b>28,035,990</b>	<b>36,537,550</b>
<b>Total</b>	<b>78,163,328</b>	<b>57,795,131</b>

*correct*



**19 Short Term Loans and Advances**  
(Unsecured, Considered good unless otherwise stated)

Amount in Rs.	
As at	
March 31, 2012	March 31, 2011

Loans to Employees	658,293	417,495
Advances recoverable in cash or in kind or for value to be receive	127,617,221	80,936,826
Prepaid Expenses	63,890,549	34,536,583
<b>Total</b>	<b>192,166,063</b>	<b>115,890,904</b>

*cont.*

20 Other Current Assets

Amount in Rs.	
As at	
March 31, 2012	March 31, 2011

Duty Drawback Receivable	7,798,607	5,756,765
Interest Accrued	360,326	26,365,031
<b>Total</b>	<b>8,158,933</b>	<b>32,121,796</b>

*auth.*

**21 Contingent Liabilities**  
(to the extent not provided for)

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
Claims against the Company not acknowledged as debts	20,266,443	20,266,443
Disputed Demands in respect of		
Excise Duty	4,153,856	4,153,856
Sales Tax	16,059,766	13,092,239
Textile Committee Cess	1,094,000	1,094,000

- a It is not practicable for the Company to estimate the timings of cash outflows, if any, in respect of the above pending resolution of the respective proceedings.

**22 Capital and Other Commitments**

	Amount in Rs.	
	As at	
	March 31, 2012	March 31, 2011
<b>Capital Commitments</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for	23,316,198	32,402,189
<b>Other Commitments</b>	-	-

*cont*

**23 Revenue from Operations**

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
<b>Sale of Products</b>		
Own Merchandise	6,853,741,521	4,261,873,291
Less : Value Added Tax	159,994,571	111,896,465
	6,693,746,950	4,149,976,826
<b>Other operating revenues</b>		
Duty Drawback Income	12,339,372	8,156,976
Commission Income	11,523,872	4,989,362
Royalty Income	37,215,885	1,512,000
Others	606,794	685,748
<b>Total</b>	<b>6,755,432,873</b>	<b>4,165,320,912</b>

**a Details of Sales (Net of VAT)**

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Garments	6,631,759,303	4,135,906,653
Others	61,987,647	14,070,173
<b>Total</b>	<b>6,693,746,950</b>	<b>4,149,976,826</b>

**24 Other Income**

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Interest Income	38,586,871	29,461,660
Net gain on foreign currency transaction	-	648,569
Profit on sale of fixed Assets	-	663,513
Miscellaneous Income	3,771,076	5,940,763
<b>Total</b>	<b>42,357,947</b>	<b>36,714,505</b>

**25 Cost of Materials Consumed**

**(a) Consumption of Raw Materials**

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Fabrics	269,291,841	499,520,319
Others	148,682,045	138,850,513
<b>Total</b>	<b>417,973,886</b>	<b>638,370,832</b>

**(b) Value of imported and Indigenous materials consumed**

	Raw Materials	
	Year ended	
	March 31, 2012	March 31, 2011
Imported (Rs.)	2,779,663	4,922,736
(%)	0.67%	0.77%
Indigenous (Rs.)	415,194,223	633,448,096
(%)	99.33%	99.23%
<b>Total</b>	<b>417,973,886</b>	<b>638,370,832</b>

*cut*

26 Purchase of Stock-in-Trade

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Garments	2,797,197,878	1,740,669,839
<b>Total</b>	<b>2,797,197,878</b>	<b>1,740,669,839</b>

27 Changes in Inventories of Finished Goods, Work-in-progress and Stock-in-Trade

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
<b>(Increase)/Decrease in stocks</b>		
Stock at the end of the year		
Finished Goods	467,747,955	291,297,557
Work-In-Progress	-	63,677,095
Stock-in-trade	787,929,825	711,076,763
	1,255,677,780	1,066,051,415
Stock at the beginning of the year		
Finished Goods	291,297,557	117,087,541
Work-In-Progress	63,677,095	17,090,839
Stock-in-trade	711,076,763	373,014,693
	1,066,051,415	507,193,073
<b>(Increase)/Decrease in stocks</b>	<b>(189,626,365)</b>	<b>(558,858,342)</b>

28 Employee Benefits Expense

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Salaries and Wages	267,427,740	195,828,438
Contribution to Provident Fund and Other Funds	15,135,704	9,907,839
Staff Welfare Expenses	19,218,367	10,366,928
<b>Total</b>	<b>301,781,811</b>	<b>216,103,205</b>

29 Finance Costs

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Interest		
On Term Loans	38,002,925	6,202,626
On Cash Credit Facilities	37,849,775	57,717,884
Others	158,915,304	29,227,358
Other Borrowing Costs	25,249,111	29,111,406
<b>Total</b>	<b>260,017,115</b>	<b>122,259,274</b>

30 Depreciation / Amortization Expense

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Depreciation on Tangible assets	8,29,50,237	7,26,56,198
Amortization on Intangible assets	6,16,39,182	4,25,98,111
<b>Total</b>	<b>14,45,89,419</b>	<b>11,52,54,309</b>

*audit*

**31 Other Expenses**

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Power and fuel	35,653,922	25,749,682
Insurance	2,250,632	2,345,286
Processing Charges	94,479,007	172,643,646
Printing, Stationary & Communication	22,534,915	19,203,937
Rent	405,081,032	221,302,728
Commission, Brokerage and Discounts	534,455,425	420,037,142
Rates and taxes	35,114,020	19,716,992
Repairs to Buildings	5,824,034	5,428,582
Repairs to Others	59,120,221	27,653,717
Royalty on Sales	178,661,396	138,986,080
Freight, Insurance and Clearing Charges	70,583,224	40,243,168
Octroi	53,516,452	33,012,883
Excise Duty borne by Company	505,211,762	13,005,565
Legal and Professional Fees	19,862,585	5,498,778
Housekeeping Charges	10,992,677	6,061,463
Security Charges	12,257,182	8,178,282
Computer Expenses	7,304,558	4,723,098
Conveyance and Travelling Expenses	50,188,873	40,694,055
Advertisement and Publicity	327,566,764	291,965,542
Design Fees	10,036,595	10,838,067
Sales Promotion	3,071,004	9,280,343
Charges for Credit Card Transactions	13,600,219	7,714,118
Packing Materials	34,192,622	28,118,212
Contract Labour Charges	228,927,023	139,522,317
Sampling and Testing Expenses	52,444,753	26,066,248
Sundry Debits written off	1,118,902	6,831,570
Payments to the auditor as		
(a) Auditor	1,458,022	1,000,000
(b) For taxation matters	248,175	225,000
(c) For reimbursement of expenses	93,803	35,000
Loss on sale of Fixed Assets	88,697	24,881
Business Conducting Fees	650,118	2,736,960
Foreign Exchange Loss	2,170,710	-
Warehouse Charges	43,769,451	-
Miscellaneous expenses	42,541,996	24,276,709
<b>Total</b>	<b>2,865,070,771</b>	<b>1,753,120,051</b>

**32 CIF Value of Imports**

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Raw Materials	16,328,612	5,016,339
Accessories	14,124,591	16,206,224
Finished Goods purchased	165,068,208	44,963,336

**33 Expenditure in Foreign Currency**

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Advertisement and Sales Promotion Expenses	6,369,786	23,254,664
Royalty (Net of Tax)	140,055,829	96,791,809
Rent	17,789,334	15,337,849
Design Fees	10,339,901	4,766,425
Professional and Consultation Fees	670,529	137,297
Travel	6,540,370	4,048,091
Other Matters	10,120,744	218,111

**34 Earning in Foreign Currency**

	Amount in Rs.	
	Year ended	
	March 31, 2012	March 31, 2011
Revenue from Exports on FOB Basis	235,936,656	147,997,735

*audit*

## Arvind Lifestyle Brands Limited

### Notes to the financial statements

#### 1. COMPANY BACKGROUND

Arvind Lifestyle Brands Ltd (ALBL) is engaged in the business of retailing Apparels. ALBL is the pioneers of Apparel Value retailing business in India. With close to 280 stores panning the length and breadth of the country, ALBL showcases some of the best known international brands, the likes of ARROW, GANT, U. S. POLO, IZOD, ENERGY, ELLE apart from our very own FLYING MACHINE.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### (A) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company follows the accrual method of accounting. The financial statements have been prepared in accordance with the historical cost convention and accounting principles generally accepted in India and the provisions of the Companies Act, 1956.

##### (B) USE OF ESTIMATES

The preparation of Financial Statements requires the management to make estimates and assumptions in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

##### (C) INFLATION

Assets and liabilities are recorded at historical cost to the Company except so far as they relate to assets acquired under the Scheme of Arrangement which are valued at their fair value. These costs are not adjusted to reflect the changing value in the purchasing power of money.

##### (D) REVENUE RECOGNITION

Sales are recognized based on passage of title to goods which generally coincides with dispatch. Revenue from export sales are recognized on shipment basis. Sales are stated net of returns, discount, sales tax/VAT. Export incentives are accounted on accrual basis at the time of export of goods, if the entitlement can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

In respect of gift vouchers and point award schemes operated by the Company, sales are recognized when the gift vouchers or points are redeemed and the merchandise is sold to the customer.

##### (E) VALUATION OF INVENTORY

The stock of raw material, work-in-progress, finished goods and packing material of the Company has been valued at the lower of cost and net realizable value. Cost includes cost of materials and cost of conversion. The cost of raw material and finished goods has been measured on the Weighted Average Cost basis.

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## **(F) FIXED ASSETS & DEPRECIATION/AMORTISATION**

### **Tangible Assets**

The Fixed Assets acquired under the scheme of demerger are stated at their fair value less accumulated depreciation.

The addition to the fixed assets is stated at their original cost of acquisition less accumulated depreciation. Cost comprises of all costs incurred to bring the assets to their location and working condition and includes all expenditure incurred up to the date of opening new stores to the extent they are attributable to the new store.

### **Intangible Assets**

Intangible assets acquired are stated at their fair value, less accumulated amortisation and impairment losses. An intangible asset is recognised, where it is probable that the future economic benefits attributable to the asset will flow to the enterprise and where its value/cost can be reliably measured.

The Company capitalizes software and related implementation costs where it is reasonably estimated that the software has an enduring useful life.

### **Depreciation on Tangible Assets**

Depreciation on Fixed Assets acquired under the Scheme of Arrangement is provided, pro rata for the period of use, by the straight line method (SLM) at the rates based on management's estimate of residual useful lives of the fixed assets or at the rates specified in the Schedule XIV to the Companies Act, 1956 whichever is higher.

Depreciation on addition to Fixed Assets is provided, pro rata for the period of use, by the straight line method (SLM), as per the rates prescribed in Schedule XIV to the Act except for the following which are based on management's estimate of useful lives of the fixed assets:

Vehicles	25%
Leasehold Improvements	10%
Furniture given to Employees	18%

Individual assets costing less than Rs. 5,000/- have been depreciated at the rate of 100%.

### **Amortisation of Intangible Assets**

Job Workers' Network Value and Vendors' Network Value have been amortized on Straight Line basis over the period of five years. Value of License Brands has been amortized in the ratio of revenue expected to be generated from these brands over the period of ten years.

Software is depreciated over management estimate of its useful life of 5 years.

## **(G) IMPAIRMENT OF ASSETS**

An asset is considered as impaired in accordance with Accounting Standard 28 on Impairment of Assets when at balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognized as an impairment loss in the Statement of profit and loss.

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## **(H) INVESTMENTS**

Long Term investments are stated at cost. Fall in the value, other than temporary, has been charged to the Statement of Profit and Loss.

## **(I) FOREIGN CURRENCY TRANSACTIONS**

Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of the transaction.

The foreign currency monetary items consisting of trade receivables, payables and balances in bank accounts at the end of the year have been restated at the year end rate. The difference arising as a result has been accounted as income/ expense as per the Accounting Standard 11 (Revised 2003) on "Accounting for the Effects of Changes in Foreign Exchange Rates" notified by Companies (Accounting Standards) Rule, 2006.

## **(J) RETIREMENT BENEFITS**

The Company has Defined Contribution Plans for post employment benefits namely Provident Fund and Superannuation Fund. The Company's contributions thereto are charged to revenue every year. The Company also pays insurance premiums to fund a post-employment medical assistance scheme, a Defined Contribution Plan administered by Oriental Insurance Company Limited which is charged to revenue every year. The Company's Contribution to State Plans namely Employee's State Insurance Fund and Employee's Pension Scheme are charged to revenue every year.

The Company has Defined Benefit Plans namely leave encashment / compensated absences and Gratuity for all the employees, the liability for which is determined on the basis of an actuarial valuation at the year end and incremental liability, if any, is provided for in the books. The actuarial valuation is done based on Projected Unit Credit Method. Gratuity scheme is administered by Life Insurance Corporation of India.

Actuarial Gains and Losses comprise of experience adjustments and the effects of changes in actuarial assumptions and are recognized immediately in the statement of Profit and Loss as income or expense.

## **(K) BORROWING COST**

Borrowing costs include interest, fees and other charges incurred in connection with the borrowing of funds and considered as revenue expenditure and charged to profit and loss for the year in which it is incurred.

## **(L) LEASE ACCOUNTING**

Lease Rentals for assets acquired under operating lease are recognized as an expense in the statement of Profit and Loss on a straight line basis over the lease term.

## **(M) TAXES ON INCOME**

Tax expense consists of both current as well as deferred tax liability. Current tax represents amount of income tax payable including the tax payable u/s 115JB, if any, in respect of taxable income for the year.

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Minimum Alternate Tax Credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax within the specified period.

Deferred tax is recognized on timing difference between the accounting income and the taxable income for the year that originates in one period and is capable of reversal in one or more subsequent periods. Such deferred tax is 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 virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

#### **(N) EARNING PER SHARE**

The Company reports basic and diluted Earnings Per Share (EPS) in accordance with Accounting Standard 20 on Earnings Per Share. Basic EPS is computed by dividing the net profit or loss for the year by the weighted average number of Equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

#### **(O) PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the accounts by way of a note. Contingent assets are neither recognized nor disclosed in the financial statements.

*with*

### 35. Employee Benefits

Consequent to the adoption of Accounting Standard on Employee Benefits (AS 15 Revised 2005) notified by Companies (Accounting Standards) Rule, 2006, the following disclosures have been made as required by the Standard:

#### (i) Defined Contribution Plans

The Company has recognized the following amounts in the statement of Profit and Loss for Defined Contribution Plans:

Amount in Rs.

Particulars	2011-2012	2010-2011
Provident Fund	6,783,008	3,975,106
Superannuation Fund	649,767	581,266

#### (ii) State Plans

The Company has recognized the following amounts in the statement of Profit and Loss for Contribution to State Plans:

Amount in Rs.

Particulars	2011-2012	2010-2011
Employee's State Insurance	165,921	180,310
Employee's Pension Scheme	2,659,909	1,871,463

#### (iii) Defined Benefit Plans

##### (a) Leave Encashment/Compensated Absences

Salaries and Wages includes Rs. 4,550,887 (Rs. 3,029,330) towards provision made as per actuarial valuation in respect of accumulated leave encashment/compensated absences.

##### (b) Contribution to Gratuity Funds

The details of the Company's Gratuity Fund for its employees including Managing Director are given below which is certified by the actuary and relied upon by the auditors:

Amount in Rs.

Particulars	2011-12	2010-11
<b>Change in the Benefit Obligations :</b>		
Liability at the beginning of the year	6,422,357	3,533,458
Interest Cost	545,900	199,040
Current Service Cost	3,970,116	3,252,952
Benefits Paid	(1,326,989)	(524,368)
Actuarial Gain	(1,396,899)	(38,725)
Liability at the end of the year	<b>8,214,485</b>	<b>6,422,357</b>
<b>Fair Value of Plan Assets :</b>		
Fair Value of Plan Assets at the beginning of the year	2,670,950	2,825,414
Expected Return on Plan Assets	227,031	240,160
Contributions	1,978,265	250,000
Benefits Paid	(1,326,989)	(524,368)
Actuarial gain/(loss) on Plan Assets	(650,422)	(120,256)
Fair Value on Plan Assets at the end of the year	<b>2,898,835</b>	<b>2,670,950</b>
Total Actuarial gain to be recognized	746,477	(81,531)

*certified*

<b>Actual Return on Plan Assets :</b>		
Expected Return on Plan Assets	227,031	240,160
Actuarial gain/(loss) on Plan Assets	(650,422)	(120,256)
Actual Return on Plan Assets	<b>(423,391)</b>	<b>119,904</b>
<b>Amount Recognized in the Balance Sheet :</b>		
Liability at the end of the year	8,214,485	6,422,357
Fair Value of Plan Assets at the end of the year	2,898,835	2,670,950
Amount recognized in the Balance Sheet under " Provision for Employee Benefits."	<b>5,315,650</b>	<b>3,751,407</b>
<b>Expense Recognized in the Statement of Profit and Loss :</b>		
Interest Cost	545,900	199,040
Current Service Cost	3,970,116	3,252,952
Expected Return on Plan Assets	(227,031)	(240,160)
Net Actuarial gain to be recognized	(746,477)	81,531
Expense recognized in the Statement of Profit and Loss under "Employee Benefits Expense"	<b>35,42,509</b>	<b>3,293,363</b>
<b>Reconciliation of the Liability Recognized in the Balance Sheet :</b>		
Opening Net Liability	3,751,407	708,044
Expense Recognized	3,542,509	3,293,363
Contribution by the Company	1,978,265	250,000
Amount recognized in the Balance Sheet under " Provision for Employee Benefits "	<b>5,315,650</b>	<b>3,751,407</b>

Based on the above allocation and the prevailing yields on these assets, the long term estimate of the expected rate of return on fund assets has been arrived at.

Principal Assumptions:

Particulars	Current Year (%)	Previous Year (%)
Discount Rate	8.5	8
Return on Plan Assets	8.5	8.65

### 36. Lease Rent:

Rent expense includes lease rental payments towards office premises, showrooms and other facilities. Such lease agreements are generally for a period of 11 to 108 months with the option of renewal against increased rent.

The particulars of these leases are as follows:

Amount in Rs.

Particulars	2011-12	2010-11
Future Minimum lease payments obligation on non-cancellable operating leases :		
Not later than one year	514,259,658	218,245,240
Later than one year and not later than five years	1,446,554,690	659,410,905
Later than five years	588,944,202	346,283,601
Lease Payment recognised in the Statement of Profit and Loss	405,081,032	221,302,728

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### 37. Segment Reporting:

The company is primarily engaged in the business of retail trade through retail and departmental store facilities, which in the context of Accounting Standard 17 on 'Segment Reporting' notified by Companies (Accounting Standards) Rule, 2006, constitutes a single reportable primary segment.

#### Secondary Segment (Geographical by Customers) Amount in Rs.

PARTICULARS	2011-12	2010-11
<b>Segment Revenue</b>		
a) In India	6,519,496,217	4,017,323,177
b) Outside India	235,936,656	147,997,735
<b>Total</b>	<b>6,755,432,873</b>	<b>4,165,320,912</b>
<b>Carrying Cost of Assets by location of Assets</b>		
a) In India	6,043,511,491	4,570,732,200
b) Outside India	-	-
<b>Total</b>	<b>6,043,311,489</b>	<b>4,570,732,200</b>
<b>Addition to Assets</b>		
a) In India	271,657,445	252,082,973
b) Outside India	-	-
<b>Total</b>	<b>271,657,445</b>	<b>252,512,507</b>

### 38. Related Party Disclosures:

As per the Accounting Standard on "Related Party Disclosures" (AS 18) notified by Companies (Accounting Standards) Rule, 2006, the related parties of the Company are as follows:

#### List of Related Parties & Relationship:

Ultimate Holding Company (1A)	Holding Company (1B)	Fellow Subsidiaries (1C)	Joint venture of Ultimate Holding Company (1D)	Key Managerial Personnel (1E)
Arvind Limited	Arvind Brands and Retail Limited	Arvind Retail Limited	Arvind Murjani Brands Private Limited	Mr. J. Suresh
		Asman Investment Limited		
		Aura Securities Private Limited		

Note: Related party relationship is as identified by the Company and relied upon by the Auditors.

*certified*

**Related Party Transactions:**
**Amount in Rs.**

Nature of Transactions	Referred in 1(A) Above		Referred in 1(B, C and D) Above	
	2011-12	2010-11	2011-12	2010-11
<b>Purchases</b>				
Goods and Materials	337,436,601	617,087,253	10,307,635	9,261,814
<b>Sales</b>				
Goods and Materials	42,102,506	7,918,924	373,462,789	392,671,174
<b>Expenses</b>				
Rent Expenses	-	-	-	35,000
Processing charges	-	2,124,187	-	-
Others	6,073	912,910	30,211,596	20,371,924
<b>Income</b>				
Others	-	3,071,999	500,000	31,528,263
<b>Finance</b>				
Loan given / (taken) (Net)	(141,221,896)	(3,722,878)	-	37,252,750
Interest Income/(Expense)	44,272,045	(7,177,219)	-	26,155,578
<b>Outstanding :</b>				
Receivable, in respect of Current Assets	12,725,324	77,44,463	225,651,487	33,331,882
Receivable /(Payable) in respect of Loans	(195,017,205)	(53,795,309)	612,257	250,000,000
Payable in respect of Current Liabilities	230,198,403	303,607,104	100,00,000	59,992,446

**39. Earning Per Share (EPS):**

Particulars		2011-12	2010-11
Profit available to Equity Shareholder	Rs.	133,697,570	102,363,008
Weighted average no. of Equity Shares for Basic/Diluted EPS	No.	20,050,100	20,050,100
Nominal value of Equity Shares	Rs.	10	10
Basic / Diluted Earning per Equity Share	Rs.	6.67	5.11

**40. Unhedged Foreign Currency Exposure:**

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

PARTICULARS	As at March 31, 2012		As at March 31, 2011	
	INR	FC	INR	FC
Payable towards royalty	60,522,219 3,247,302	\$ 1,027,178 SEK 364,968	39,610,752 2,171,217	\$ 888,233 SEK 305,913
Payable for purchase of merchandise	21,172,596 221,817	\$ 416,169 EUR 3268	5,885,836 3,258,556	\$ 131,984 EUR 51,411
Receivable on sale of Merchandise	42,795,119	\$ 841,182	41,950,567	\$ 940,701
Payable towards Foreign Currency Loans	53,315,182	\$ 1,047,964	-	-

*cont.*

41. Sundry Debtors, Sundry Creditors and Loans and Advances include certain accounts which are subject to confirmation/reconciliation and consequential adjustments if any, the effect of which is not ascertainable.

42. **Impairment of Fixed Assets**

In accordance with the Accounting Standard (AS -28) on 'Impairment of Assets', there is no indication of impairment based on internal or external factors and hence no impairment is considered to be necessary at the year end.

43. **Previous Years' Figures**

The financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended March 31, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification. The adoption of Revised Schedule VI for previous year figures does not impact recognition and measurement principles followed for preparation of financial statements.

As per our report of even date attached.  
For **Sorab S. Engineer & Co.**  
Firm Registration No. 110417W  
Chartered Accountants

*Chokshi Shreyas B.*

**CA.Chokshi Shreyas B.**  
Partner  
Membership No.100892  
Ahmedabad  
May 9, 2012

*[Signature]*  
Director

*[Signature]*  
Director

Company Secretary

# **ARVIND LIFESTYLE BRANDS LIMITED**

**A MEMBER OF THE LALBHAI GROUP**

**Du Parc, Trinity, 10th Floor, 17, M.G. Road, Bangalore - 560 001**

**Tel : 91-80-41550650, Fax : 91-80-41550651**

**Website : <http://www.arvindmills.com>**

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**NOTICE** is hereby given that the Sixteenth Annual General Meeting of the Members of Arvind Lifestyle Brands Limited will be held on Friday, the 28<sup>th</sup> September, 2012 at 10 a.m. at the Registered Office of the Company at Arvind Mills Premises, Naroda Road, Railwaypura Post, Ahmedabad - 380 025 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March 2012 and the Report of the Directors and the Auditors thereon.
2. To declare dividends.
3. To appoint Auditors to hold office from the conclusion of the ensuing Annual General Meeting up to the conclusion of the next Annual General Meeting and to fix their remuneration.

M/s. Sorab S. Engineer & Co., Chartered Accountants, Mumbai, Statutory Auditors of the Company retire at the conclusion of this Annual General Meeting and being eligible offer themselves for reappointment.

4. To appoint a Director in place of Mr. Jayesh K. Shah, who retires by rotation in terms of Article 135 of the Articles of Association of the Company and being eligible, offers himself for reappointment.

**ARVIND**

REGD. OFFICE : Arvind Ltd., Naroda Road, Railwaypura Post, Ahmedabad - 380 025.



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A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND ON POLL VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS PRIOR TO THE TIME FOR HOLDING THE AFORESAID MEETING.

*By order of the Board*

For ARVIND LIFESTYLE BRANDS LIMITED



Suresh Jayaraman  
Managing Director

Place: Ahmedabad

Date : 9<sup>th</sup> May 2012

Arvind

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## ***DIRECTORS REPORT***

To,  
The Members,

Your Directors have pleasure in presenting the Directors Report of the Company together with the audited accounts for the period from 1<sup>st</sup> April 2011 to 31<sup>st</sup> March 2012.

## ***FINANCIAL RESULTS***

Particulars	For the period ended 31 <sup>st</sup> March 2012 (Amount in rupees)	For the period ended 31 <sup>st</sup> March 2011 (Amount in rupees)
Sales & Services	6,755,432,873	4,165,320,912
Other Income	42,357,947	36,714,505
Total Income	6,797,790,820	4,202,035,417
Profit/Loss before interest and depreciation	605,392,839	412,629,832
Interest	260,017,115	122,259,274
Profit before depreciation	345,375,724	290,370,558
Depreciation/Amortization	144,589,419	115,254,309
Profit/(Loss) before tax	200,786,305	175,116,249
Tax	67,088,735	72,753,241
Profit/(Loss) after Tax	133,697,570	102,363,008
Profit/(Loss) after tax carried over to Balance Sheet	257,522,390	123,824,820
Proposed Dividend	-	-

**ARVIND**

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## *OPERATIONS*

Your Company has posted a sales turnover of Rs. 6,755,432,873/- during the year under review. The operating profit before interest and depreciation stands at Rs. 605,392,839/-.

## *DIVIDEND*

With a view to conserve the resources, Directors decided not to declare any dividend for the year under review.

## *DIRECTOR*

Mr. Jayesh K. Shah, who retires by rotation in terms of Article 135 of the Articles of Association of the Company, but being eligible offers himself for reappointment as the director of the Company.

## *PERSONNEL*

The Statement of Particulars pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is NIL.

## *FIXED DEPOSITS*

The Company has not accepted any deposits from the public during the period.

## *INFORMATION AS PER SECTION 217 (1) (e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988*

### *A. Conservation of Energy*

The energy consumption is insignificant so as to take steps for the conservation of energy.

### *B. Research and Development and Technology Absorption*

#### *a. Research and Development*

The Company has not undertaken any research and development work.

**ARVIND**

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## *b. Absorption of Technology*

The Company has not absorbed any technology.

## *C. Foreign Exchange Earning and Outgo.*

During the period under reference, the Company has incurred the following:

Expenditure - Rs 191,886,493/-

Income - Rs 235,936,656/-

## *AUDITORS*

The Auditors of the Company, M/s Sorab, S. Engineer, Chartered Accountants retire at the conclusion of the Sixteenth Annual General Meeting and are eligible for re-appointment. The Company has received a certificate from them to the effect that the re-appointment, if made, would be within the limits prescribed under Section 224 (1B) of the Companies Act, 1956.

## *DIRECTORS RESPONSIBILITY STATEMENT*

The Directors hereby make the following Responsibility Statement as required by the Companies (Amendment) Act, 2000:

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

**ARVIND**

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# ARVIND LIFESTYLE BRANDS LIMITED


A MEMBER OF THE LALBHAI GROUP

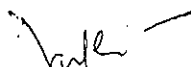
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## ACKNOWLEDGEMENT

The Directors wish to place on record their thanks for the continued support received from the Customers, Employees and the Bankers of the Company.

For and on behalf of the Board

  
Suresh Jayaraman  
Managing Director

  
Jayesh K. Shah  
Director

Place: Ahmedabad  
Date: 9<sup>th</sup> May 2012

ARVIND

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