

KDDL LIMITED

DIRECTORS' REPORT

TO
THE MEMBERS

Your Directors have pleasure in presenting this 31st Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March 2011.

OPERATIONS AND PROSPECTS

Financial Results

The summary of operating results for the year 2010-11 and appropriation of divisible profits is given below:

(Figures in Millions of Rupees)

Particulars	2010-11	2009-10
Gross Operating Income	803.7	546.6
Profit before interest and depreciation	170.3	30.7
Less : Interest	45.2	39.3
Depreciation	39.8	78.2
Profit before tax	85.3	(47.5)
Provision for Income Tax, Deferred tax	22.4	(13.7)
Profit after tax	62.9	(33.8)
Profit/(Loss) brought forward from previous year	2.9	36.7
Net Profit/(Loss)	65.8	2.9
Appropriated as under :		
Proposed Dividend	22.2	–
Corporate Dividend Tax	3.7	–
Transfer to General Reserve	6.3	–
Surplus carried to Balance Sheet	33.6	2.9
Total	65.8	2.9

PERFORMANCE AND PROJECTIONS

The financial year saw a handsome bounce-back from the previous year which had been severely impacted due to the global economic slowdown of 2009. During the year under review, the Company achieved sales of Rs. 804 Million against Rs. 547 million in the previous year, thereby registering an increase of 47%. The Company earned a net profit of Rs.63 million against a net loss of Rs. 34 million in the previous year. The better performance was due to multiple reasons mainly the several recovery measures initiated by the management, which was further helped by the improved market conditions.

All the watch component manufacturing units reported improved revenues and profitability during the current year. The watch hands business saw an especially encouraging increase in export sales owing to opening of several new client accounts. The Company expects and visualizes growth of market in the coming year also and continuation of the satisfactory performance.

The Precision Stamping Division, Eigen Engineering, has performed better than the last year by registering a growth of 22% in sales. This division is further working on improving the performance by working on internal efficiencies and serving new customers in the growing demand for its products in the electrical, automobile, telecommunications, medical and aerospace industries.

The Company's Swiss subsidiary, Pylania, SA in Switzerland also improved its performance during the year and recorded a growth of 112% in its top line. Although the Company is still not profitable, however the loss was lower by 32% as compared to the previous year. The prospects in the coming years are expected to be good as the Company establishes its name for high quality and the "Swiss Made" label.

Satva Jewellery and Design Ltd., the 50:50 Joint Venture with Pascal Vincent Vaucher, SA of Switzerland, specializing in jewel setting on watch cases and dials, made a loss of Rs. 3.7 millions against a loss of Rs.10 Millions in the previous year. The sales improved by 96% during the year.

The watch retail and distribution business of the group, managed mainly through our subsidiary company Kamla Retail Limited also showed improved performance. During the last financial year, Kamla Retail Limited and Mahen Boutiques Limited were merged. The aggregate turnover of the retail and distribution companies improved from Rs.600 millions to Rs 890 millions registering a growth of 48%. Company expects the rate of growth and improvement in the financial performance to continue in the coming years as the Company plans to open new stores in line with the growth in demand of luxury and premium brand watches.

DIVIDEND

In view of the improved results, your Directors are pleased to recommend for approval of the shareholders a dividend of 30% i.e. Rs 3/- per share on equity shares of the Company in respect of the financial year 2010-11. The Dividend shall be paid after the approval of shareholders at the ensuing Annual General Meeting.

The total outgo of the dividend to be paid to shareholders will be Rs 25.9 millions (inclusive of Corporate Dividend Tax).

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

TRANSFER TO RESERVE

The Company proposes to transfer Rs 6.3 millions to the General Reserve out of the amount available for appropriations and an amount of Rs. 33.6 millions is proposed to be retained in the Profit and Loss Account.

DIRECTORS

The tenure of Mr. R K Saboo, Chairman of the Company ended on 30th November, 2010, and the Board has re-appointed him for a further period of three years w.e.f. 1st December, 2010. Also, the terms of Mr. Yashovardhan Saboo as Chief Executive Officer ended on 31st March, 2011, and the Board has re-appointed him for a period of three years, respectively, w.e.f. 1st April, 2011, subject to approval of shareholders in the General Meeting and subject to such other approvals of Central Government, financial institutions or other statutory authorities, as may be necessary.

Mr. Anil Khanna and Mr. Jagesh Khaitan retire by rotation, and being eligible, offer themselves for re-appointment.

CONSOLIDATED ACCOUNTS

In accordance with the requirements of Accounting Standard AS-21-Consolidated Financial Statements read with Accounting Standard-23 – Accounting for Investment in Associates issued by the Institute of Chartered Accountants of

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India, your Directors have pleasure in attaching the Consolidated financial statements, which forms part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) That in the preparation of the accounts for the financial year ended 31st March, 2011, the applicable accounting standards have been followed and that there has been no material departures;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) That the Directors have taken proper and sufficient care in the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2011 on a 'going concern' basis.

LISTING OF SHARES

The Equity Shares of the Company are listed on the Bombay Stock Exchange Limited and the Company has paid the annual listing fees to the Stock Exchange for the financial year 2010-11.

During the period under report, the Company had filed listing application with the Bombay Stock Exchange Limited for 421950 equity shares of the Company upon conversion of equal number of Zero Coupon Convertible Warrants issued on preferential basis to the promoters and others and the same has since been obtained.

SUBSIDIARIES

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet and Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the Subsidiary Companies and the related detailed information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept open for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

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

FIXED DEPOSITS

All provisions of Sections 58A and 58AA of the Companies Act, 1956 have been complied with. The unclaimed deposit due for payment at the close of the financial year is Rs. 0.65 Millions.

The aggregate amount of fixed deposits as on 31st March, 2011 is Rs. 87.13 millions

INTERNAL CONTROL SYSTEM

The Company has a proper and adequate system of internal control. An extensive programme of internal audits and management reviews supplement the process of internal control. Properly documented policies, guidelines and procedures are laid down for this purpose.

The Company has an Audit Committee comprising of majority of Independent, non Executive and professionally qualified Directors, who interact with the statutory auditors and internal auditors in dealing with matters within its terms of reference. During the year under review, the Committee met six times.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

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

CORPORATE GOVERNANCE

The Company has been practicing the principles of good Corporate Governance over years. The Board of Directors supports the broad principles of Corporate Governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

The Company has complied with all the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchange during the year ended on 31.03.2011 as per Report on Corporate Governance annexed and a Certificate from the Auditors to this effect for the year ending on 31.03.2011 is also enclosed to this report.

AUDITORS

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

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

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

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the declared dividends and interest on fixed deposits which remained unpaid or unclaimed for a period of seven years, if any, have been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the said Act.

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

The information required under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 relating to "Conservation of Energy, Technology Absorption

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and Foreign Exchange Earnings and Outgo" is given in the Annexure and forms an integral part of this Report.

PARTICULARS OF EMPLOYEES

Pursuant to the amendment in the Companies (Particulars of Employees) Rules, 2011 vide notification No. GSR 289(E) dated 31.03.2011 issued by the Ministry of Corporate Affairs, no employee of the Company was in receipt of Rupees Sixty Lacs per annum or Rupees Five Lacs per month during the year under review. Accordingly, no particulars of employees are given pursuant to the provisions of Section 217(2A) of the Companies Act, 1956.

CASH FLOW ANALYSIS

In conformity with the provisions of clause 32 of the Listing Agreement, the Cash Flow Statement for the year ending on 31.03.2011 is annexed hereto.

PERSONNEL

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

TRADE RELATIONS

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

ACKNOWLEDGEMENT

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

for and on behalf of the Board

Date : 28.07.2011
Place : Chandigarh

R.K. SABOO
Chairman

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

A. CONSERVATION OF ENERGY :

- a) **Energy conservation measures taken:** The Company continues to give high priority to conservation of energy on an on-going basis. A few significant measures taken are:
 - i) Periodical and preventive maintenance of electric equipments and ensured optimum utilization of electric energy.
 - ii) Phased balancing of heating and lighting load.
- b) **Additional investments and proposals:** Energy conservation is planned through replacement of and modification of inefficient equipments and by

providing automatic controls to reduce idle running of equipments as an ongoing exercise.

- c) **Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on cost of production of goods:** Cost of power is negligible in total cost of production.
- d) Total energy consumption and energy consumption per unit of production as per 'Form A' not given as the Company is not covered under the list of specified industries.

B. TECHNOLOGY ABSORPTION:

1. **Research and Development (R & D):**
 - a) **Specific areas on which R & D carried on by the Company:** Research and Development has been carried out for quality improvement and development of new products.
 - b) **Benefits derived as a result of the above R & D:** Increase in overall efficiency, productivity and quality of outgoing product and a wider range of watch components.
 - c) **Future plan of action:** Further improvement in production processes, to develop new dial finishes and new types of index would continue.
 - d) **Expenditure on R&D:** No separate account is being maintained by the Company for the expenditure incurred on R&D. However, the Company is incurring recurring expenditure towards development activities.

2. Technology Absorption, Adaptation & Innovation:

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

Benefits derived as a result of the above efforts: Due to continuous developmental efforts, the Company has been able to produce much more complicated dials for catering to customers both in domestic and export markets.

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

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	(Rupees in Millions)
	2010-11
Foreign Exchange earnings	Rs.421
Foreign Exchange outgo	Rs.307

for and on behalf of the Board

Date : 28.07.2011
Place : Chandigarh

R.K. SABOO
Chairman