

Exporting

Bulk Supplies  
& Retailing

Manufacturing

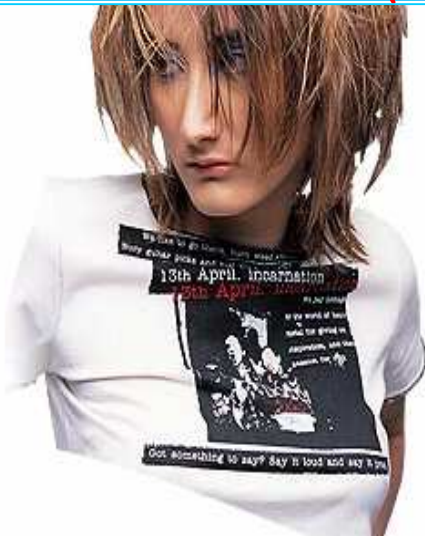
Exploring New  
Frontiers in  
Knitted  
Garmenting

17th Annual Report  
2009-10



**Bhandari Hosiery Exports Limited**

(A W.R.A.P., BSCI and C-TPAT Certified Company)



Much More Than Just Fashion





Entering the domestic retail market with opening of some showrooms in Punjab, Rajasthan and Himachal Pradesh with a vision to excel into Retail Market in the times to come





## Dear Shareholders,

I have great pleasure in presenting the Seventeenth Annual Report and Audited Financial Statements for the financial year ended 31st March 2010. The year 2009-10 was quite a tough year but there was respite compared to the preceding year. Due to the worldwide financial crisis resulting in a major contraction in global demand, the Indian economy faced quite a few uncertainties. Business sentiment was weak and growth had started decelerating, threatening the capacity of the economy to sustain and improve on the high levels experienced over several years. The only hope arose when the current year rolled out.

The world trade in textile and clothing in the year also witnessed a decline over the previous year. But in the later part of the year, the exports looked up and capacity utilization in the Industry improved considerably. Garment exports from India dropped 2.64 per cent to 10.64 billion dollars in 2009-10 compared to 10.93 billion dollars in the previous financial year as per data of Apparel Export Promotion Council (AEPC). Apparel exports totaled Rs 50,479 crore in 2009-10 compared to Rs 50,293 crore in 2008-09. But in dollar terms, all months of 2009-10 except July, August and November showed a painful downslide. The stimulus package of and other steps taken by Govt. of India for textile industry definitely helped this Industry to tide over the difficult year. The depreciation of Indian Rupee also supported the export of Textiles including yarn. Off course towards the end of 2009-10 rupee tended to appreciate against dollar to some extent.

Overall the end part year 2009-10 has shown a considerable improvement in the Indian Textiles because of robust domestic demand and better export orders. Indian economy definitely was more insulated from the effects of world recession partly due to domestic demand and partly the timely policy changes brought in by the Government of India to cope with the situation. Fortunately, India has achieved a good break through in cotton production. In both the years 2008 and 2009, the production was more than the consumption in the country. Though the prices in the year 2009 tended to increase due to uncontrolled exports causing imbalance in the demand and supply, yet the situation improved as soon as the new crop started picking up towards October-November, 2009. The year 2010-11 started with a great degree of optimism. The demand for yarn which is a raw material for knitted fabric, turned strong and there has been commensurate increase in the yarn prices because of good demand.

Despite all swings, your Company recorded a good performance in terms of increased Turnover, Exports and profitability. During year 2009-10, your Company was able to achieve an increased turnover of Rs. 8689.09 Lacs as against Rs 8039.37 Lacs, thus registering an increase of around 8.08%. The Profits after Tax of the Company for the year ended 31.03.2010 has been Rs. 111.12 Lacs as against Rs. 93.65 Lacs in the previous year thus showing a significant increase of around 18.66% over the previous year Net Profits after tax. The Exports of the Company for the financial year ended 31.03.2010 were to the tune of Rs. 3472.17 Lacs as compared to Rs. 2673.88 Lacs (regrouped figures) in the previous year showing an increase of 29.86% over the previous. Whereas the global slow down of the economies hit the garments exports from India also, the Company was still able to show a good performance in terms of increased exports.

Alongwith the impressive strides in business, we are eagerly working towards playing a committed role in the area of Corporate Social Responsibility. We proudly state that your Company is a **W.R.A.P., B.S.C.I and C-TPAT Certified Company**.

Your Company, last years entered the Indian Retail Segment by opening Retail Outlets/ Showrooms in Punjab, Rajasthan and Himachal Pardesh. We are endeavoring to add more retail showrooms within India.

Our success and growth greatly depends on the skills and dedication of our employees, co-operation of our Bankers, and other business constituents, whom I would like to thank sincerely. I am looking forward to another exciting year ahead.

Finally, I take this opportunity to thank all the Company's stakeholders for their confidence in Bhandari Hosiery and I look forward for their continued support in the years to come.

Warm Regards

Sd/-  
NITIN BHANDARI  
CHAIRMAN & MG. DIRECTOR





## From the Desks of Chief Financial Officer and Company Secretary

Dear Shareholders



**Shri Surinder Kumar**  
(Chief Financial Officer)

At the outset, we feel the pleasure in presenting you, the 17<sup>th</sup> Annual Report of the Company. Due to the worldwide financial crisis during the year 2009-10 resulting in a major contraction in global demand, the Indian economy had to pass through many uncertainties. Business sentiment was weak and growth started decelerating, threatening the capacity of the economy to sustain and improve on the high levels experienced over several years. Due to a number of measures taken by the Government to cope with the slowdown and the earlier than expected recovery which started world wide, the Indian economy shows signs of improvement and it is expected that it will accelerate the trajectory of high growth. In the background of the above adverse business environment, the performance of our Company is considered reasonably satisfactory.



**Shri Gurinder Makkar**  
(Company Secretary)

The global economy is showing signs of a turnaround with Asian economies experiencing a relatively stronger rebound. The global economic performance improved during the latter half of the calendar year 2009. India's growth-inflation dynamics are in contrast to the overall global scenario. The Indian Economy is recovering steadily from the growth slowdown, but inflationary pressures, triggered by the supply side factors, have developed into a wider inflationary cycle.

Although the growth momentum of the Indian economy was substantially impacted with the onset of the global economic slowdown, the severity of the impact was considerably less when compared to most developed economies. The fiscal and monetary policies implemented by the Government of India helped the economy to weather the downturn phase. The outlook of the Indian economy turned positive towards the end of 2009, driven by the uptrend in industrial production and recuperating consumption and investment demand.

The future again seems to be good for the Indian Textile Industry both at domestic and international levels as despite recession, India is still maintaining itself as an attractive destination for retail industry and foreign investments. While it is not possible to fully escape the impact of the global uncertainties, the Indian economy is better placed than many to withstand the shock.

Despite all thick and thins prevailing in India and globally, the Company was able to show a satisfactory performance in terms of improved sales, exports and profits as compared to previous year. The Company is well poised and geared for coming good times of Indian Textile Industry.

Wishing an eventful and prosperous year ahead

Regards  
Sd/-  
Surinder Kumar  
Chief Financial Officer

Sd/-  
Gurinder Makkar  
(Company Secretary)



## Board of Directors

SR.	NAME	DIN	DESIGNATION
1	Shri Nitin Bhandari	01385065	Chairman & Mg. Director
2	Sh. R.C. Singal	00739667	Director
3	Sh. M.M. Sikka	01194696	Director
4	Sh. Ashish Thapar	00077281	Director
5	Sh. Vikas Nayyar	00071047	Director

### COMPANY SECRETARY

Mr. Gurinder Makkar

### AUDITORS

M/S VIPAN KUMAR AGGARWAL & CO.  
K-206, KISMAT COMPLEX,  
LUDHIANA- 141003 (PUNJAB)

### BANKERS

STATE BANK OF INDIA  
PAHAWA HOSPITAL BRANCH, LUDHIANA

### REGISTERED OFFICE

BHANDARI HOUSE, VILLAGE MEHARBAN,  
RAHON ROAD, LUDHIANA- 141007  
(PUNJAB) INDIA  
PHONES: +91-161-3260742-44  
FAX: +91-161-2690394  
EMAIL: [bhandari@bhandariexport.com](mailto:bhandari@bhandariexport.com)

### WEBSITE:

[www.bhandariexport.com](http://www.bhandariexport.com)

### REGISTRAR & SHARE TRANSFER AGENTS

#### M/S LINK INTIME INDIA PVT. LTD.

A-40, 2 FLOOR , NARAINA INDUSTRIAL  
AREA, PHASE II, NEAR BATRA BANQUET  
HALL, NEW DELHI- 110028  
PHONES: 011- 41410592-94  
FAX: 011- 41410591  
EMAIL: [delhi@intimespectrum.com](mailto:delhi@intimespectrum.com)

### CONTENTS

### PAGE NO.

➤ General Information	6
➤ Notice	8
➤ Directors' Report	12
➤ Management Discussion and Analysis Report	18
➤ Corporate Governance Report	22
➤ Auditors' Report	30
➤ Balance Sheet	33
➤ Profit & Loss Account	34
➤ Schedules	35
➤ Accounting Policies & Notes	39
➤ Balance Sheet Abstract	42
➤ Cash Flow Statement	43





# Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)



## Our Vision

To be a global Knitted Garments Company and create an example through continuous innovation, focused services and enhanced customer satisfaction.

## Our Mission

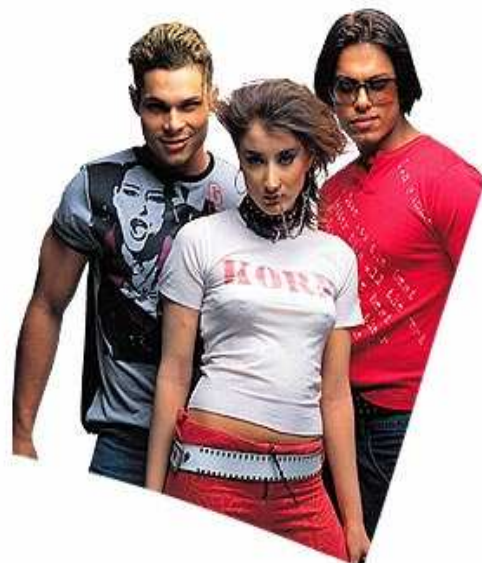
Deliver in time, anywhere in the world.

Keep a sharp eye on product quality. Put in all efforts to raise the bar....constantly.

Comply flawlessly with all statutory regulations required by our customers in any country.

Augmenting a logistic infrastructure that adheres the highest levels of efficiency that seamlessly blends with our customers' own supply chain.

Ensure escalating productivity standards at the lowest operating costs, thus offering our customers a product of highest quality at the most competitive price.





**Bhandari Hosiery Exports Limited**  
(A W.R.A.P., BSCI and C-TPAT Certified Company)

**At Bhandari Hosiery, We take care of  
Trends Styles Comforts**



**Much More than just Fashion**





**Bhandari Hosiery Exports Limited**  
(A W.R.A.P., BSCI and C-TPAT Certified Company)

## Bhandari Hosiery at a Glance

Bhandari Hosiery Exports Limited is a garment manufacturing company having vertical production facility to produce High Fashion Knitted Garments. With more than 17 years experience and state of the art manufacturing facilities, Bhandari Hosiery manufactures garments for leading international and overseas brands and some overseas retail chains. In the international market, we have a presence in around 18 countries including quality conscious markets like USA, Canada, UK and the European Union.

The Company's Unit is spread in an area of around 30000 Sq. Meters with constructed area approximating 35% of the Total Area. The Company has all in house facilities from yarn and knitting to final finishing and packing. The Company has the requisite state of the art infrastructural facilities to produce high end fashion garments.

The Company is engaged primarily in the manufacture and export of knitted hosiery garments such as T-Shirts, Pull Overs, Sweat Shirts, Bermudas, Polo shirts, Track Suits, Payjamas, Lowers, ladies knitted tops with embroidery, and prints etc..

Our products are targeted towards trendy fashion oriented line for both sex of the upper middle class segment. Our garments are exported to many of the European and North American Countries. We conform to International standards in Human Resource Practices and adopt Eco- friendly standards in production.

Bhandari Hosiery aims to be the best knitted garment manufacturing and exporting Company. We continuously incorporate the latest technological advances in manufacturing processes to ensure that our esteemed customers receive top-of-line quality products. Our objective is to be the pioneer in implementing new manufacturing technologies, which translate into an even superior product for our customers.

Frequent changes in fashion trends make it imperative for suppliers to deliver newer styles quickly to their customers. Understanding the need for timely delivery we always aim to provide our customers an efficient and satisfying service.

Bhandari Products have met the international quality standards and are being exported to the competitive markets in Europe, U.S.A and Australia. Some of our esteemed clients are Charles Voegle, Adler, Arcadia, MGL Metro, Metro Cash, Cortefiel Commercial S.A., B.J.D. INC., Galeria Kaufhof, The Fielding Group, BHS Ltd., Kitaro etc.



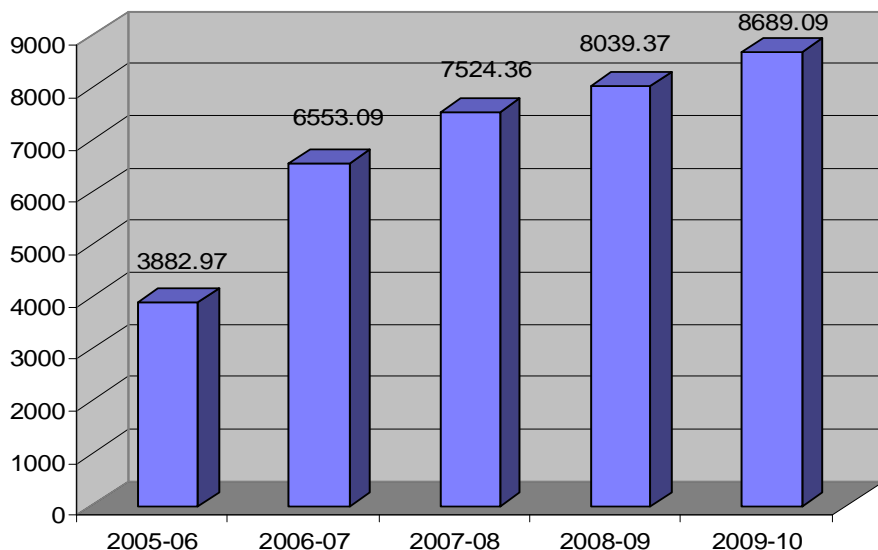




# Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)

## FINANCIAL HIGHLIGHTS



TURNOVER GRAPH OF THE COMPANY (RS. IN LACS)

➤ The Turnover of the Company increased to Rs. 8689.09 Lacs as against Rs. 8039.37 Lacs in previous year, thus registering an increase of around 8.08%.

➤ The Profits after Tax of the Company has been Rs. 111.12 Lacs as against Rs. 93.65 Lacs in the previous year showing a significant increase of around 18.66 %

➤ Exports of the Company increased to Rs. 3472.17 Lacs from Rs. 2673.87 Lacs in the previous year showing an increase of 29.86%.

### NOTE :

#### CURRENCY ONVERSION

Please note that the financial figures in this Annual report are given as Rupees (Rs.) in Lacs or in absolute figures of Rupees. Rs. 1 Lac= Rs. 0.10 Million. Figures can be accordingly read in Rs. Lacs or converted into Millions by the Reader)





## NOTICE

Notice is hereby given that the 17th Annual General Meeting of the Members of the Company will be held on Monday, the 27<sup>th</sup> day of September, 2010 at 9.00 A.M. at the Registered Office of the Company at Bhandari House, Village Meharban, Rahon Road, Ludhiana-141007 to transact the following business:-

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2010, Profit and Loss Account for the year ended on that date together with the Reports of the Auditors and Directors thereon.
2. To appoint a Director in place of Sh. Manmohan Sikka, who retires by rotation at this meeting and being eligible, offers himself for re-appointment.
3. To appoint Auditors for the Year 2010-11 and to fix their remuneration.

### SPECIAL BUSINESS

4. TO CONSIDER, AND IF THOUGHT FIT, TO PASS, WITH OR WITHOUT MODIFICATION(S), THE FOLLOWING RESOLUTION AS AN ORDINARY RESOLUTION:

“Resolved that Shri Nitin Bhandari, who was appointed as Additional Director to hold Office upto the date of this Annual General Meeting of the Company, and in respect of whose candidature, a notice as required u/s 257 of the Companies Act, 1956 has been received alongwith the requisite deposit, be and is hereby appointed as the Director of the Company.”

5. TO CONSIDER, AND IF THOUGHT FIT, TO PASS, WITH OR WITHOUT MODIFICATION(S), THE FOLLOWING RESOLUTION AS A SPECIAL RESOLUTION:

“RESOLVED THAT subject to the provisions of Sections 198, 269, 309, and other applicable provisions, if any, read with Schedule XIII, of the Companies Act, 1956, as amended from time to time, Shri Nitin Bhandari be and is hereby appointed as the Chairman cum Mg. Director of the Company for a period of five years w.e.f. 23.11.2009 on following terms and conditions:

1	PERIOD	Five years w.e.f. 23.11.2009
2	SALARY AND/OR COMMISSION	Rs. One Lac per month  Commission At the rate of 1% of the Net profits of the Company within above ceiling of salary of Rs.12,00,000/- p.a. i.e. amount of Rs. 12,00,000/- p.a. is inclusive of Commission, if any.
3	PERQUISITES	Additionally Allowable Perquisites as specified in para 2 of Section II of Part II of Schedule XIII to the Companies Act, 1956 will be allowed in addition to salary and commission, restricted to an amount equal to the annual salary or Rs.12,00,000/- per annum, whichever is less.
4	MINIMUM REMUNERATION	In the event of loss or inadequacy of profits, the remuneration as above shall be paid as minimum remuneration but no commission is payable in such a year.
5	OVERALL CEILING	In any event, the aggregate of salary and perquisites shall be within the overall limits specified in Schedule XIII to the Companies Act, 1956, as applicable to the Company.
6	POWER TO VARY	The Board shall have the powers to vary or enhance the remuneration from time to time at its discretion on the recommendations of Remuneration Committee within the overall limits specified in Schedule XIII to the Companies Act, 1956 as amended from time to time, without referring the same again to General Meeting.
7	GENERAL	a) No Sitting Fees is payable b) Perquisites shall be valued at cost to the Company and when such cost is undeterminable, as per Income Tax Rules.





"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to alter, reduce, increase and vary such terms and conditions relating to the appointment and payment of remuneration as may be permissible in terms of the Act and Schedule thereto or any future amendment as may be applicable from time to time and agreed to by the Board and Mr. Nitin Bhandari, without referring the matter again to the General Meeting."

"FURTHER RESOLVED THAT for the purpose of giving effect to this Resolution, the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds, and things as it may deem expedient in the interest of the Company."

**6. TO CONSIDER, AND IF THOUGHT FIT, TO PASS, WITH OR WITHOUT MODIFICATION(S), THE FOLLOWING RESOLUTION AS A SPECIAL RESOLUTION:**

"RESOLVED THAT pursuant to the provisions of Section 314 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof for the time being in force) read with Directors Relatives (Office or Place of Profit) Rules, 2003, consent be and is hereby accorded to the appointment of Shri Naresh Bhandari who is father of Shri Nitin Bhandari, Mg. Director of the Company, as President of the Company, w.e.f. 01.08.2010 at a consolidated salary of Rs. 49000/- (Rs. Forty Nine Thousand) Per Month to discharge such duties as may be assigned to him in that capacity."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take, perform and execute such further steps, acts, deeds and matters, as may be necessary, proper or expedient to give effect to this resolution."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to grant from time to time, Shri Naresh Bhandari, such increment or increments as the Directors may, in their absolute discretion think fit, but so that his total remuneration shall not exceed the maximum permissible under the Act/Rules as prescribed from time to time."

Place : Ludhiana  
Dated : 13.08.2010

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING. THE BLANK PROXY FORM IS ENCLOSED.
2. The Register of Members and the Share Transfer Books of the Company shall remain closed from Friday, the 24<sup>th</sup> September, 2010 to Monday, the 27<sup>th</sup> day of September, 2010 (both days inclusive)
3. The Members are requested to notify the changes, if any, in their registered addresses, at the earliest and may also intimate their E-mail address(es), if any, to the Company.
4. Members desiring any information as regards the accounts are requested to write to the Company at its Registered Office at least 10 days before the date of Annual General Meeting so as to enable the Management to keep information ready.
5. The copies of the relevant documents can be inspected at the Registered Office of the Company on any working day between 10.30 A.M. to 12.30 P.M.
6. The members are requested to bring their copy of Annual Report alongwith attendance slip with them to the Annual General Meeting.
7. Members may please note that "NO GIFTS" will be distributed at the Meeting.

For & On behalf of the Board

Sd/-  
(NITIN BHANDARI)  
Chairman & Mg. Director



**ANNEXURE TO THE NOTICE**

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN  
RESPECT OF ITEMS OF SPECIAL BUSINESS:**

**\*For Item No. 4 of the Special Business:**

Mr. Nitin Bhandari was appointed as Additional Director on the Board of Directors of the Company to hold Office up to the date of this Annual General Meeting. Now it is proposed to appoint him as a Director on the Board of Directors of the Company. A notice and requisite Deposit as required under section 257 of the Companies Act, 1956 has been received in respect of his candidature. The said appointment is to be made at Annual General Meeting, so Resolution/ Item No. 4 is put up before the Members for their Notice, consideration and approval.

**MEMORANDUM OF INTEREST**

None of the Directors except Sh. Nitin Bhandari, the appointee is interested in this Resolution.

**\*For Item No. 5 of the Special Business:**

As the members are aware that Shri Naresh Bhandari had resigned from the post of Director and Mg. Director of the Company and the Board of Directors accepted his resignation w.e.f 23.11.2009. So it was necessary to appoint someone in his place as Chairman cum Mg. Director under the provisions of Companies Act, 1956 and Listing Agreement, by the appointment of some suitable person with experience in the field of export, merchandising, production scheduling, exploring foreign buyers and handling existing customer base. Accordingly, the Board of Directors of the Company at its meeting held on 23<sup>rd</sup> November, 2009, appointed Shri Nitin Bhandari as the Additional Director and also appointed him as the Chairman cum Managing Director of the Company (in place of Shri Naresh Bhandari who has resigned from the post of Director and Mg. Director of the Company) for a period of Five years w.e.f. November 23, 2009 under the provisions of Sections 198, 269, 309, 311, and other applicable provisions, read with Schedule XIII of the Companies Act, 1956.

Mr. Nitin Bhandari aged 27 years has done Master of Business Administration in Entrepreneurial Management from European Business School, London, U.K. He had already been working as the President of the Company and has developed vast experience in the fields of production management, merchandising, marketing, cost & wastage control etc. In view of his experience and contribution made, the Board of Directors, in its Meeting held on 23.11.2009, has approved his appointment as Chairman cum Managing Director of the Company for a period of five years and now recommend the same for approval of Members of the Company.

The appointment and remuneration of Shri Nitin Bhandari, as approved by Remuneration Committee was approved by the Board of Directors, which is further subject to the approval of shareholders at a General Meeting. Hence Resolution/Item No. 5 of Special Business is put up before the Members as a Special Resolution for their consideration and approval.

**MEMORANDUM OF INTEREST**

None of the Directors except Sh. Nitin Bhandari, the appointee is interested in this Resolution.

**\*For Item No. 6 of the Special Business:**

Shri Naresh Bhandari is father of Shri Nitin Bhandari- Chairman cum Mg. Director of the Company and already had been Mg. Director of the Company upto 23.11.2009. After his resignation, in view of the increased turnover and exports and to ensure uninterrupted production schedule, the Board, in its Meeting held on 13.08.2010 has decided to appoint him as President of the Company w.e.f. 01.08.2010 at a monthly consolidated salary of Rs. 49000/- (Rs. Forty Nine Thousand) only, subject to the approval of the Shareholders at Annual General Meeting. Shri Naresh Bhandari, aged about 62 years has been a renowned Industrialist with an experience of more than 30 years in manufacture and export of knitted hosiery garments. It was all due to his efforts and wisdom that the Company witnessed growth in Annual Turnover, exports and profitability. He has to his credit, consistency of performance and entrepreneurship.

He shall be responsible to discharge the duties of President of the Company initially or with such designation as the Board of Directors of the Company may, from time to time, decide. The appointment shall be subject to termination by one month advance notice in writing on either side. All other terms and conditions of appointment as are applicable to other whole time key employees of the Company are also applicable to him.

As Shri Naresh Bhandari is a relative of Shri Nitin Bhandari, Mg. Director of the Company, his appointment is subject to the approval of the Shareholders by way of Special Resolution at Annual General Meeting. Accordingly Resolution/Item No. 6 is put up before the Members as a Special Resolution, for their consideration and approval.

**MEMORANDUM OF INTEREST**

Except Shri Nitin Bhandari, Mg. Director, being relative of the appointee, none of the other Directors is concerned or interested in the Special Resolutions at Item No. 6 of Special Business.





# Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)

## INFORMATION PURSUANT TO CORPORATE GOVERNANCE CLAUSE OF THE LISTING AGREEMENT(S) REGARDING THE DIRECTORS SEEKING RE-APPOINTMENT IN THE ANNUAL GENERAL MEETING.

1

NAME OF DIRECTOR	SH. NITIN BHANDARI
DATE OF BIRTH	24.08.1983
DATE OF APPOINTMENT	23.11.2009
QUALIFICATION	MASTER OF BUSINESS ADMINISTRATION IN ENTREPRENEURIAL MANAGEMENT FROM EUROPEAN BUSINESS SCHOOL, LONDON, U.K.
DIRECTORSHIP IN OTHER PUBLIC COMPANIES	CHAIRMANSHIP (0), DIRECTORSHIP (Unlisted Co.) (1)
CHAIRMANSHIP/MEMBERSHIP OF BOARD/COMMITTEE OF OTHER PUBLIC LISTED COMPANIES	NIL
EXPERTISE	Mr. Nitin Bhandari aged about 27 years is an MBA in Entrepreneurial Management from U.K. He has developed vast experience in the fields of production management, merchandising, procuring new foreign buyers, optimizing costing and reducing wastage and contributed a lot to the growth of the company He has the experience of bringing production in line with the requirements of foreign buyers. He is experienced with all the procedures right from sampling to timely dispatch/export.

2

NAME OF DIRECTOR	SH. MANMOHAN SIKKA
DATE OF BIRTH	07.06.1942
DATE OF APPOINTMENT	27.01.2007
QUALIFICATION	B. TECH. (TEXTILES)
DIRECTORSHIP IN OTHER PUBLIC COMPANIES	1 (Unlisted Company)
CHAIRMANSHIP/MEMBERSHIP OF BOARD/COMMITTEE OF OTHER PUBLIC LISTED COMPANIES	NIL
EXPERTISE	Shri ManMohan Sikka, Ex-General Manager , IFCI, aged about 68 years is a Life Member of Textile Association of India (Delhi Unit) and had been a Nominee Director of IFCI on many assisted concerns during his 28 years service tenure with IFCI. He has vast experience in the fields of preparing Reports for sanction of loans, debt restructurings, production, Maintenance and Erection of Textile units, Project appraisals, reporting, analysis, assessing project costs, Financial services and Industry research.



## DIRECTORS' REPORT

To

The Members,

### BHANDARI HOSIERY EXPORTS LIMITED

Your Directors have pleasure in presenting their 17th Annual Report together with Audited Accounts of the Company for the year ended 31st March, 2010.

#### FINANCIAL RESULTS

(RS. IN LACS)

PARTICULARS	2009-10	2008-09
GROSS PROFIT before interest depreciation and tax	482.70	473.21
Less: Financial expenses	228.17	236.67
Less: Depreciation and preliminary exp. written off	82.37	76.41
PROFIT BEFORE TAX	172.16	160.13
Less: Provision for tax	61.04	66.48
PROFIT AFTER TAX	111.12	93.65
Add: Balance brought forward	656.96	545.66
Amount available for appropriation(s)	768.08	639.31
Excess Provision of Income Tax Written Back	-	17.65
Balances written off net	0.16	-
Provision for Bad and Doubtful Debts, Unrecoverable Receivables & Advances	66.75	-
Balance carried to Balance Sheet	701.17	656.96

#### PERFORMANCE REVIEW

Your Company recorded a good performance despite global financial crisis and uncertainties. Despite odds, your Company was able to achieve an increased turnover of Rs. 8689.09 Lacs as against Rs 8039.37 Lacs, thus registering an increase of around 8.08%. The net profits before tax of the Company during the Year ended on 31.03.2010 improved and became Rs. 172.16 Lacs as against Rs. 160.13 Lacs in the previous year. The Profits after Tax of the Company for the year ended 31.03.2010 has been Rs. 111.12 Lacs as against Rs. 93.65 Lacs in the previous year thus showing a significant increase of around 18.66 % over the previous year Net Profits after tax.

#### EXPORTS

During the year under review, the exports position of the Company was good as compared to previous year and that too in those circumstances when global demand was on contraction due to global financial uncertainties. The Exports of the Company for the financial year ended 31.03.2010 were to the tune of Rs. 3472.17 Lacs as compared to Rs. 2673.88 Lacs (regrouped figures) in the previous year. Whereas the global slow down of the economies hit the garments exports from India also, the Company was still able to show a good performance in terms of increased exports.





## ● **OVERVIEW OF TEXTILE INDUSTRY AND EXPORTS**

The Indian Textile Industry is one of the leading textile industries in the world. The textiles and apparels sector is a major contributor to the Indian economy in terms of gross domestic product (GDP), industrial production and the country's total export earnings. India earns about 27 per cent of its total foreign exchange through textile exports. Besides, the Indian Textile industry contributes 14 per cent of the total industrial production of the Country. This sector provides employment to over 35 million people and it is expected that the textile industry will generate new jobs during the ensuing years.

The industry went through a challenging year 2009-10, with the global meltdown ravaging economies. The collapse in consumer sentiments, weak exports, noteworthy drop in discretionary spending in textiles/apparels and down trading by the consumers put immense pressure on both the top-line and the bottom-line of textile companies. After the close of financial year 2009-10, the World economy has shown initial indications of recovery after a severe spell of recession. The world economy is expected to grow by 4.2 percent in 2010 and projected to maintain the growth momentum in the next 5 years. However, the consumer confidence in major importing countries like USA and EU has been lagging behind economic growth projections and may take some more time before showing any convincing revival. Though some growth has been seen in the world trade of textile and clothing especially post Sept. 2009. The USA textile and clothing imports, which declined by 13 percent in 2009 over 2008 has been on increase since last some months. The partial explanation of increase in textile and clothing imports may be attributed to the pressure on retailers caused by very low inventory levels. It has resulted into creation of demand for textile and clothing products in international market. The domestic market is also showing some signs of improvement leading to overall increase in textile manufacturing in the country. The industry has attracted investment to the tune of Rs. 2 lacs crore under TUF for capacity expansion and modernization, which has started paying yield.

### **Future Outlook for Indian Textile Industry and Exports**

The global economy is showing signs of a turnaround with Asian economies experiencing a relatively stronger rebound. The global economic performance improved during the latter half of the calendar year 2009, prompting the IMF to reduce the projected rate of economic contraction in 2009 from 1.1 per cent to 0.8 per cent in January 2010. Consequently, the IMF also revised the projection of global growth for 2010 from 3.1 per cent to 3.9 per cent. However, significant risks remain: (1) in many economies, the recovery is largely driven by government spending whilst consumer sentiments remain fragile; (2) high levels of global liquidity have led to steep increases in commodity prices; (3) emerging markets are likely to face increased inflationary pressures and (4) developed economies are facing large budget deficits. There are concerns that the global recovery phase may be fragile, as economies of developed countries, particularly USA and Europe, continue to be beset with the problems of high unemployment, low consumer spending and depressed housing markets. Besides, the recent crisis in Portugal, Ireland, Spain and Greece indicate that there would be many pitfalls along the road to recovery and that normalcy is still some time away. India's growth-inflation dynamics are in contrast to the overall global scenario. The Indian Textile Industry is recovering steadily from the growth slowdown, but inflationary pressures, triggered by the supply side factors, have developed into a wider inflationary cycle. Although the growth momentum of the Indian textile industry was substantially impacted with the onset of the global economic slowdown, the severity of the impact was considerably less when compared to most developed economies. The fiscal and monetary policies implemented by the Government of India helped the economy to weather the downturn phase. The outlook of the Indian economy turned positive towards the end of 2009, driven by the uptrend in industrial production and recuperating consumption and investment demand. The Reserve Bank of India has projected the final real GDP growth for 2009-10 in the range of 7.2 per cent to 7.5 per cent with a forecast of 8.0 per cent for 2010-11. In view of these factors, the future for the Indian Textile Industry seems to be quite satisfactory.

## ● **DIVIDEND**

Your Directors do not recommend any dividend due to plough back of funds for normal capital expenditure to enable it to effectively compete in the global markets.

## ● **SHARE CAPITAL**

There was no change in the Subscribed, Issued and Paid Up Share Capital of the Company which was the same as in previous year i.e. Rs. 74557000/- divided into 7455700 fully paid equity shares of Rs. 10/- each.



## **RIGHTS ISSUE**

The Board of Directors of the company in its Meeting held on 30.04.2010 has Withdrawn/cancelled, the proposal to make a Rights issue of 2609495 equity shares of Rs. 10/- each for which no Draft Letter of Offer was filed, in view of the changed scenario and changed working capital requirements.

## **CORPORATE GOVERNANCE REPORT**

Pursuant to Clause 49 of the Listing Agreement with Bombay Stock Exchange Limited (BSE), a Report on Corporate Governance is given as a part of this Directors' Report.

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Management Discussion and Analysis Report is given at the end of Directors' Report and forms part of this Report.

## **DIRECTORS**

Sh. Manmohan Sikka, Director of the Company retires by rotation and being eligible offers himself for re-appointment. During the year 2009-10, Shri Nitin Bhandari was appointed as the Chairman Cum Managing Director of the Company subject to the approval of Shareholders at Annual general Meeting.

## **AUDITORS**

M/s Vipin Kumar Aggarwal & Company, Chartered Accountants, the Statutory Auditors of the Company, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment. The Company has received a Certificate to the effect that their appointment, if made, would be within limits prescribed under Section 224 (1-B) of the Companies Act, 1956.

## **AUDITORS' REPORT**

The notes on Accounts referred to in the Auditors' Report are self-explanatory and do not call for further comments as there are no adverse remarks in the Auditors' Report.

## **LISTING OF SECURITIES**

The securities of the Company are listed on Bombay Stock Exchange Ltd. (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai. The Company has duly paid the Listing Fees to BSE upto the financial year 2010-11.

## **INDUSTRIAL RELATIONS**

The industrial relations remained very cordial and responsive during the year under review.

## **CASH FLOW STATEMENT**

In conformity with the provisions of Clause 32 of the Listing Agreement with Stock Exchanges, the Cash Flow Statement for the year ended 31st March 2010 is annexed at the end of Financial Statements.

## **RELATED PARTY TRANSACTION:**

Related party transactions have been disclosed in the notes to accounts.

## **CORPORATE SOCIAL RESPONSIBILITY**

The Company has an innate desire and zeal to contribute towards the welfare and social upliftment of the community. The Company continues to abide by its Corporate Social Responsibility and maintain following certifications:

### **W.R.A.P. CERTIFICATION**

The Company's core values on safety, occupational health, environmental stewardship and respect for people permeate all of its actions and will continue to guide its decisions and actions in the future. The Company's





commitment to environmental, health and safety processes is practised by the leadership and at all levels of management. The Company takes all reasonable and practicable steps to protect occupational health and safety of employees, community, and the environment affected by its process, products and services. It is all due to the emphasis on Social Responsibility that the Company gets Certification from Worldwide Responsible Apparel Production (W.R.A.P.) USA, a Voluntary Non Profit Organisation which certifies Health, Safety, Welfare measures and compliance with Govt. and other Regulatory Authorities laws and bye laws by a Apparel/Textile Unit.

#### **BSCI (Business Social Compliance Initiative) CERTIFICATION**

The Company heading towards good Corporate Social Responsibility, also got in the previous years BSCI (Business Social Compliance Initiative) CERTIFICATION. European retail companies and associations have developed a common monitoring system simplifying and standardizing the requirements and individual monitoring

procedures. The BSCI is based on the labour standards of the International Labour Organization (ILO) and other important international regulations like the UN Charta for Human Rights, as well as on national regulations. The Initiative aims at continuously improving the social performance of suppliers, leading to Best Practice like SA8000 certification or equivalents and thus sustainably enhancing working conditions in factories worldwide. The Certification achieved by the Company in the true sense reflects the true spirit of the Company in improving working conditions, social health, safety, welfare and good Corporate practices. Besides the company would be able to get the confidence of EU based customers by ensuring good social compliance.

#### **C-TPAT CERTIFICATION**

During the last years, the Company got C-TPAT Certification and achieved another important milestone. C-TPAT (Customs - Trade Protection Against Terrorism) is a voluntary US government-business initiative to build cooperative relationships that improve overall international supply chain and U.S. border security. This initiative was launched to assist the trading community in the war against Terrorism some criteria such as Business Partner Requirements (Security Procedures), Container Security (Seals, Container Inspection etc), Physical Access Control, Procedural Security, Security Training and Awareness, Physical Security, Information Technology.

C-TPAT stands for Customs Trade Partnership Against Terrorism and it is just that: a partnership, or relationship, that a company voluntarily builds with customs to ensure the movement of it's supply chain on the company's side and to reassure customs that the company is not importing anything hazardous into the U.S. C-TPAT focuses on "securing company's supply chains with regards to terrorism." It has no doubt its imperative benefits as the Foreign buyer get more relied about the Company's Risk Management System and Safety and Security procedures adopted.

#### **● FIXED DEPOSITS**

The Company has not invited/ received any deposits during the period under review as per Section 58-A of the Companies Act, 1956 read with Companies (Acceptance of deposits) Rules, 1975 as amended and the directives of the Reserve Bank of India.

#### **● GRATUITY**

The provision for gratuity has been made as provided under the Payment of Gratuity Act.

#### **● PARTICULARS OF THE EMPLOYEES**

There is no employee drawing salary in excess of the limits prescribed under Section 217 (2A) of the Companies Act, 1956. As such, this information is nil.

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

##### **A. CONSERVATION OF ENERGY**

- 1. TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION AS PER FORM-A OF THE ANNEXURE IN RESPECT OF INDUSTRIES SPECIFIED IN THE SCHEDULE THERETO.**



S.No.	Particulars	Unit	Current Year	Previous Year
<b>2.1</b>	<b>Power &amp; Fuel consumption</b>			
2.1.1	Electricity			
	A. Purchased Units	Kwh	<b>1228630</b>	968256
	Total Amount	Rs.	<b>5291826</b>	4220857
	Rate per Unit	Rs./Kwh	<b>4.31</b>	4.36
	B} Own Generation Through Diesel Generator			
	Units	Kwh	<b>1238083</b>	872955
	Units per Ltr. of diesel	Kwh	<b>5.76</b>	5.00
	Total Amount	Rs.	<b>6933267</b>	5710872
	Cost per unit of Kwh	Rs./Kwh	<b>5.60</b>	6.54
2.1.2	Coal		<b>NIL</b>	NIL
2.1.3	Furnace Oil		<b>NIL</b>	NIL
2.1.4	Other Internal Generation		<b>NIL</b>	NIL
2.1.5	Husk (Kg) for Steam		<b>3913531</b>	3958891
	Amount (Rs.)		<b>12596571</b>	15360497
	Rate per kg. (Rs.)		<b>3.22</b>	3.88
2.1.6	Fuel ( Diesel for Steam)		<b>NIL</b>	NIL
	Rate Per Ltr.		<b>NIL</b>	NIL
<b>2.2</b>	<b>Consumption/unit Production</b>			
	Electricity Consumed	Kwh/Pcs.	<b>1.36</b>	1.42
	Husk Consumed	Kg./Pcs.	<b>2.16</b>	3.05

# **1. PARTICULARS AS PER FORM 'B'**

## **1.1 : Research & Development (R & D)**

1.1.1 Continuous efforts are being made for developing new products and processes and to bring improvement in existing products and processes in Research & Development Wing.

1.1.2 Expenditure on Research & Development.

Expenditure on running and maintenance of R & D activities are being made.

1.2 Technology absorption, adaptation and innovation.

Efforts are being made on continuous basis to explore new areas for energy saving.

## **B. TECHNOLOGY ABSORPTION**

Your Company has the modern and the state of art technology for the manufacture/fabrication of garments. The Company has necessary research and quality control facilities.

## **C. PARTICULARS OF FOREIGN EXCHANGE EARNING AND OUTGO (RS. IN LACS)**

Exports position of the Company was good as compared to previous year and that too in those circumstances when global demand was on contraction due to global financial uncertainties. The Management has laid continuous thrust for exploring new markets and as a result , the Company was also able find some new foreign customers. The position of Foreign Exchange earnings and Outgo for the financial year 2009-10 is as under:





<b>FOREIGN EXCHANGE EARNING AND OUTGO (RS. IN LACS)</b>	<b>Year ended</b>
<b>Particulars</b>	<b>31.03.2010</b>
Earnings	<b>2970.77</b>
Outgo	<b>150.22</b>
Net foreign exchange earnings	<b>2820.55</b>

#### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the directors confirm that:

- In the preparation of annual accounts, the applicable accounting standards have been followed;
- Appropriate accounting policies have been selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as on 31st March, 2010 and profit of the Company for the year ended 31st March, 2010.
- Proper and sufficient care has been taken 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.
- The Annual Accounts have been prepared on a going concern basis.

#### **DECLARATION**

As per the provisions of Clause 49 of the Listing Agreement entered with the Stock Exchanges, I hereby declare that all the Board Members and Senior Managerial Personnel have affirmed the compliance of the Code of Conduct of the Company for the financial year ended 31st March 2010.

#### **ACKNOWLEDGEMENTS**

Your Directors place on record their appreciation of the continued assistance and co-operation extended to the Company by the Government of India, Government of Punjab, State Bank of India, the large family of shareholders, business associates/customers/buyers, the dedicated employees and all other business constituents, who are continuing to assist your Company.

Place : Ludhiana  
Date : 13.08.2010

On behalf of the Board of Directors  
Sd/-  
(Nitin Bhandari)  
Chairman & Managing Director

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

*Readers are cautioned that this discussion and analysis contains forward looking statements that involve risks and uncertainties. The Company undertakes no obligation to publicly update or revise any forward looking statements whether as a result of new information, future events or otherwise. Actual results, performance or achievements and risks and opportunities could differ materially from those expressed or implied in these statements. Readers are cautioned not to place undue reliance on these statements that speak only as of their date. The following discussion and analysis should be read in conjunction with the Company's financial statement included herein and notes thereto.*

### a. **INDUSTRY STRUCTURE AND FUTURE OUTLOOK/ DEVELOPMENTS**

The Indian Textile Industry is one of the leading textile industries in the world. The textiles and apparels sector is a major contributor to the Indian economy in terms of gross domestic product (GDP), industrial production and the country's total export earnings. India earns about 27 per cent of its total foreign exchange through textile exports. Besides, the Indian Textile industry contributes 14 per cent of the total industrial production of the Country. This sector provides employment to over 35 million people and it is expected that the textile industry will generate new jobs during the ensuing years. The industry went through a challenging FY 2010, with the global meltdown ravaging economies. The collapse in consumer sentiments, weak exports, noteworthy drop in discretionary spending in textiles/apparels and down trading by the consumers put immense pressure on both the top-line and the bottom-line of textile companies.

India is one of the largest economies of the world in terms of Purchasing Power Parity (PPP). Despite global uncertainties, India is trying to maintain itself as an attractive destination for textiles/garments and foreign investments. While it is not possible to fully escape the impact of the global financial meltdown, the Indian economy is better placed than many to withstand the shock, given that it is driven more by low labour cost, has a sound banking system, a young population, and a strong savings culture.

#### **Concerns and Threats**

Indian garment exports declined 2.64 per cent in 2009-10 to \$10.64 billion compared with \$10.93 billion in 2008-09. The fall in exports to European markets, a flat growth to the US and price competition from countries like Bangladesh and Vietnam are the key counted reasons for the dip.

The first two months of the current financial year 2010-11 also showed a 5.23 per cent decline in rupee terms, as compared with 2009-10. In fact India is becoming a high cost economy and apparel is very price sensitive. At the retail level in America and Europe, the prices have not risen in the last 5-10 years and India has not been able to hold prices. So the buying is shifting to other cheaper or cost efficient countries like Bangladesh, Vietnam and others. Bangladesh exports 30 per cent more garments than India does in terms of value, which is almost \$13 billion. Increase of raw material prices i.e. cotton and yarn prices is also affecting cost of exported garments/apparels adversely.

After a positive trend in April India's apparel export, impacted by events in Europe, dropped by an annual 6.8 per cent to \$820 million in May. The Europe accounts for over 30 per cent of the country's total garment export. A sharp erosion in the euro value has also reduced the margins for exporters. The euro has depreciated by about 17.5 per cent against the rupee since last November. The spiraling debt crisis in many parts of Europe has threatened to derail the fragile global economic recovery. Even though, countries such as Greece, Portugal and Spain have embarked on widespread austerity measures, concerns continue to remain about the health of European economy.

#### **Opportunities**

The good thing about Indian economy and textile industry is that both are more insulated from the effects of world recession. Fortunately, India has achieved a good break through in cotton production. In last two years, the production of cotton and yarn was more than the consumption in the country though at later stages the Government has to stop over exports of cotton from India. To reduce dependence on traditional markets like the US and Europe, apparel exporters are exploring new markets in Japan, West Asia, Africa and Australia.





Retail boom in India is credited more to domestic consumers and it is not export driven. Internal consumption of India is very strong, compared to China which depends largely on exports, which has the potential danger of turning into a threat. 60 percent of retail sales in India catering to the domestic market, in fact acts as a shield to the Indian retailer at large.

The need is now that the Government should support in terms of higher duty draw back rates to offset cost disadvantages in India side by side it should go for a faster implementation of the Indo-EU Free Trade Agreement. It is expected that the Govt. of India will take suitable steps and adopt suitable policies to boost the Indian textile industry. The Textiles Ministry has set a \$12 billion apparel export target for the current fiscal. The apparel industry provides employment to about seven million people, out of which almost half of them are engaged in the export sector. Still there are wide opportunities available to Indian industry not only to grow in international markets but also domestically.

#### **b. COMPANY'S GROWTH PROSPECTS AND NEAR TERM OUTLOOK**

Although the growth momentum of the Indian economy was substantially impacted with the onset of the global economic slowdown, the severity of the impact was considerably less when compared to most developed economies. The fiscal and monetary policies implemented by the Government of India helped the economy to weather the downturn phase. The outlook of the Indian economy turned positive towards the end of 2009, driven by the uptrend in industrial production and recuperating consumption and investment demand.

The future again seems to be good for the Indian Textile Industry both at domestic and international levels as despite recession, India is still maintaining itself as an attractive destination for retail industry and foreign investments. While it is not possible to fully escape the impact of the global uncertainties, the Indian economy is better placed than many to withstand the shock..

Despite all swings, your Company recorded a good performance in terms of increased Turnover, Exports and profitability. During year 2009-10, your Company was able to achieve an increased turnover of Rs. 8689.09 Lacs as against Rs 8039.37 Lacs, thus registering an increase of around 8.08%. The Profits after Tax of the Company for the year ended 31.03.2010 has been Rs. 111.12 Lacs as against Rs. 93.65 Lacs in the previous year thus showing a significant increase of around 18.66 % over the previous year Net Profits after tax. The Exports of the Company for the financial year ended 31.03.2010 were to the tune of Rs. 3472.17 Lacs as compared to Rs. 2673.88 Lacs (regrouped figures) in the previous year. Whereas the global slow down of the economies hit the garments exports from India also, the Company was still able to show a good performance in terms of increased exports.

#### **c. FINANCIAL ANALYSIS AND REVIEW OF OPERATIONS:**

The financial results of the Company during the year are as under: (Rs. In Lacs)

PARTICULARS	2009-10	2008-09
TURNOVER	8689.09	8039.37
GROSS PROFIT before interest depreciation and tax	482.70	473.21
Less: Financial expenses	228.17	236.67
Less: Depreciation and preliminary exp. written off	82.37	76.41
PROFIT BEFORE TAX	172.16	160.13
Less: Provision for tax	61.04	66.48
PROFIT AFTER TAX	111.12	93.65

#### **TURNOVER AND PROFITS**

Your Company recorded a good performance despite global financial crisis and uncertainties. Despite odds, your Company was able to achieve an increased turnover of Rs. 8689.09 Lacs as against Rs 8039.37 Lacs, thus registering an increase of around 8.08%. The net profits before tax of the Company



during the Year ended on 31.03.2010 improved and became Rs. 172.16 Lacs as against Rs. 160.13 Lacs in the previous year. The Profits after Tax of the Company for the year ended 31.03.2010 has been Rs. 111.12 Lacs as against Rs. 93.65 Lacs in the previous year thus showing a significant increase of around 18.66 % over the previous year Net Profits after tax.

## **FIXED ASSETS**

During the year under review, there was additions in the Plant and Machinery, Furniture & fixture and Electric Fitting & Equipment of the Company. Net fixed assets stood to Rs 1104.85 Lacs as against Rs. 1150.74 Lacs in the previous year.

## **INVESTMENTS**

Investments of the Company in unquoted shares have been valued at Nil.

## **CURRENT ASSETS**

The liquidity of the Company improved and net current assets have shown a good increase. The net Current Assets of the Company stood at Rs. 2904.59 Lacs in the current year as against Rs. 2493.16 Lacs in the previous year.

## **LIABILITIES AND CAPITAL**

The paid up share capital of the Company remained unchanged during the period under review. Reserves and surplus amounted to Rs. 1250.17 Lacs as against Rs. 1205.96 Lacs in the previous year. Secured loans stood to the extent of Rs. 1842.61 Lacs as against Rs. 1525.77 Lacs in the previous year.

### **d. INTERNAL CONTROL SYSTEMS**

Your Company has well defined business processes with effective control systems to ensure that assets and interests of company are safeguarded. The Company has special task force working on budgetary controls. Considering the size and nature of operations of the Company, the overall control systems are adequate to meet the requirements.

The Company has its own internal audit team comprising of qualified professional as well as external audit firm retained by the Company to monitor business processes and risks associated with them.

### **e. DEVELOPMENTS ON HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

The year under review has seen changes in the policies and procedures to make the organization high performing and successful. The Company has always valued its human resources and believes in optimum potential of each employee. During the period under review, the industrial relations were cordial without any disruptions of manufacturing activities. Additional appointments were made and annual increments were granted to salaries of employees during the period under review.

### **f. RISKS, THREATS AND RISK MANAGEMENT**

Your Company faces general risks inherent in any business including political, legal, geographical, economical, environmental and competition risks and takes appropriate steps to mitigate them and reduce their impact to the extent possible. The exports of the company are subject to set legal procedures and Govt. Rules, approvals and regulations and any change in them may affect the business of the Company. Raw material prices also affect the financial performance of the company.

## **RISKS AND THREATS**

The opening of the international markets has thrown a host of opportunities with unique set of challenges. Today we can take justifiable pride in having joined the ranks of the US\$ trillion economies of the world. The change being witnessed can be attributed to several factors including increasing purchasing power of the masses, shifts in the buying behavior, demography dynamics, and growing urbanisation, opening up of the retail segment to private and foreign players and changing trends/lifestyle. Investments in the textile sector have increased significantly over the last three to four years.

The Indian textile sector faces a number of challenges, foremost being infrastructure and inflexible labour laws. Inflow into India of spurious fabric material, counterfeit, fake and misleading selvedge descriptions continues. However, recognizing the threat these spurious imports poses, if continued unchecked, the government has taken a number of steps to check the inflow of such products.

International players are seeking manufacturers with vertically integrated product development facilities and ability for managing quality and costs. Though India is being recognised in this regard and sourcing of value-added products from India is increasing, China continues to be a dominant player in the market with





## Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)

better infrastructure facilities. With its currency in an advantageous position, China is a stronger competitor in exports as well as in the domestic market. The Company is experiencing pressure on margins due to severe competition from other low-cost countries.

Textile being a labour intensive industry, rising labor and skilled human resource costs can put pressure on margins. In order to take advantage of quota-free era, textile and apparel industry require huge investments in infrastructure and also Government's support by various incentives, relaxation and promotions etc, to improve efficiencies and productivity and reduce costs.

### **g. SUBSIDIARY**

There is no Subsidiary of the Company..

### **h. SEGMENT WISE PERFORMANCE**

The operations of the Company comprise of only one segment i.e. Textile Manufacturing, therefore the whole position as depicted are in respect of the said segment. In respect of other commercial disclosures, the Notes on Accounts and the Schedules are self explanatory and can be referred to.

### **i. EXPORTS**

During the year under review, the exports position of the Company was good as compared to previous year and that too in those circumstances when global demand was on contraction due to global financial uncertainties. The Exports of the Company for the financial year ended 31.03.2010 were to the tune of Rs. 3472.17 Lacs as compared to Rs. 2673.88 Lacs (regrouped figures) in the previous year. Whereas the global slow down of the economies hit the garments exports from India also, the Company was still able to show a good performance in terms of increased exports.



## CORPORATE GOVERNANCE REPORT

The Company aims to be an exporter of variety of knitted garments. Despite the tough competition in hosiery/textile industry, the Company has been making its continuous efforts to increase its sales and profitability by manufacturing good quality and variety of products. The Company is committed to increase long term shareholders' value through its efforts and emphasis upon governance process. The Company is committed to manage business effectively in compliance with the legal requirements and best practices in governance. There is harmonious and transparent functioning amongst Board of Directors, its committees and executive management to meet the challenges. This section is given in compliance of the mandatory Clauses on Corporate Governance of the Listing Agreement and also depicts the process of functioning of the Company.

### 1. COMPANY'S PHILOSOPHY

- Production of good quality and variety products in line with the fashion, requirements, tastes and demand
- Global orientation.
- Accepting change as a way of life
- Believing individual potential and valuing humanity
- Total customer focus in operational areas
- Apprehending our role as a responsible corporate citizen

### 2. BOARD OF DIRECTORS

**a.COMPOSITION:** At present, the Board of Directors of the Company is consist of 5 Directors including on Executive Chairman cum Mg. Director. During the year 2009-10 Shri Naresh Bhandari resigned from the post of Chairman cum Mg. Director and in his place Shri Nitin Bhandari was appointed as such. After the close of Financial year 2009-10, Shri Parveen Malhotra , Whole Time Director cum CFO resigned . The Composition of the Board is as per stipulated requirements.

**b. BOARD MEETINGS:** During the financial year 2009-10, the Board met 6 times on 30.04.2009, 31.07.2009, 25.08.2009, 31.10.2009, 23.11.2009 and 30.01.2010. Following is the composition of the Board, attendance and other memberships of the directors of the Company:

Name of Director	Designation	Category	No. of B.M. Attended	Attendance At last AGM	No. of Chairmanship/membership on the Board of other Public Companies	No. of Chairmanship/membership on the Committees of other Public Companies	Remarks
Shri Naresh Bhandari	Chairman and Mg. Director	Promoter Director	4	Yes	1 Chairmanship	1	Resigned on 23.11.2009
Shri Nitin Bhandari	Chairman and Mg. Director	Promoter Director	1	N.A.	1 Membership	1 Membership	Appointed as Chairman Cum Mg. Director on 23.11.2009
Shri R.C. Singal	Director	Non Executive and Independent	6	Yes	9 Directorships	9 Memberships 5 Chairmanships	
Shri Ashish Thapar	Director	Non Executive and Independent Director	5	Yes	—	—	
Shri Vikas Nayyar	Director	Non Executive and Independent	1	No	—	—	
Shri Parveen Malhotra	W.T. Director	Executive Director	6	Yes.	—	—	Resigned on 30.04.2010
Shri ManMohan Sikka	Director	Non Executive and Independent Director	6	No	1 Membership	1 Membership	

There are no Nominee or institutional Directors on the Board of Directors of the Company as on date.

### INFORMATION AVAILABLE TO BOARD

The Board has complete access to all the relevant information within the Company, and to all our employees. The information regularly supplied to the Board specifically includes:





- Annual operating plans, budgets and any updates therein;
- Capital budgets and any updates therein;
- Quarterly results for the Company and its operating / business segments;
- Minutes of meetings of Audit Committee and other committees of the Board of the Company
- Information on recruitment/remuneration of senior officers just below board level;
- Material show cause, demand, prosecution notices and penalty notices, if any;
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any;
- Any material default in financial obligations to and by the Company.
- Any issue which involves possible public or product liability claims of substantial nature, if any;
- Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations like signing of wage agreement, implementation of Voluntary Retirement Scheme etc;
- Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business;
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material;
- Status of compliance of any regulatory, statutory nature or listing requirements and shareholders service;
- All proposals requiring strategic decisions;
- Regular business updates.

The above information is generally provided as part of the agenda papers of the board meeting and/or is placed at the table during the course of the meeting.

### **COMPLIANCE WITH CODE OF CONDUCT**

The Company has adopted a "Code of Conduct for Directors and Senior Management Personnel". The Directors and Senior Management Personnel have given an Annual Affirmation during the year 2009-10, to this Code. The said Code has also been placed by the Company on its website i.e. [www.bhandariexport.com](http://www.bhandariexport.com)

### **3. COMMITTEES OF THE BOARD**

- a. Audit Committee:** The Audit committee at present consists of 3 directors viz. Shri Ashish Thapar, Shri R. C. Singal and Shri Manmohan Sikka, all being Non Executive and Independent Directors. Sh. Ashish Thapar acts as Chairman of this Committee. The Company Secretary acts as Secretary to the Meetings of Audit Committee.

The Audit Committee met five times during the financial year on 30.04.2009, 31.07.2009, 25.08.2009, 31.10.2009 and 30.01.2010. The Meetings were attended to by all the members.

**Whistle Blower Policy :** The Audit Committee has also framed Whistle Blower Policy. The said policy is an extension of Code of Conduct of the Company. The employees of the Company have been made acquainted with the policy and the said Policy has also been placed at the Company's Website i.e. [www.bhandariexport.com](http://www.bhandariexport.com)

**b. Shareholders/Investors Grievance Committee**

The Company has constituted Shareholders' Grievance Committee to redress the investors' complaints. The Committee consists of 3 directors viz Shri Ashish Thapar, Shri R. C. Singal and Shri Vikas Nayyar, all being Non Executive and Independent Directors . Mr Vikas Nayyar acts as Chairman of this Committee. The Company Secretary of the Company is the Compliance Officer for this Committee. During the year 2009-10, the Grievance Committee met 4 times on 20.04.2009, 21.07.2009, 24.10.2009 and 23.01.2010. which were attended to by all the Directors except Sh. R.C. Singal, to whom the Leave of absence was granted at Meetings.

During the financial year, the Company had not received any complaints relating to share transfers/interim dividend , non receipt of acquisition price etc. The Company's complaint redressal systems are in order. There is no pendency in respect of shares received for transfer during the year 2009-10. The Company has its designated Email Address exclusively for redressal of investors Complaints i.e. [investor@bhandariexport.com](mailto:investor@bhandariexport.com) and the same is also mentioned at the Company's Website .

**c. Remuneration Committee**

The Remuneration Committee presently consists of 3 directors viz. Shri Vikas Nayyar, Shri R.C. Singal and Shri Ashish Thapar. Sh. Ashish Thapar is the Chairman of this Committee. The Company Secretary acts as Secretary to the Meetings of this Committee. During the year 2009-10, only one Meetings was held on 23.11.2009 .

### **4. DIRECTORS' REMUNERATION:**

The Company pays remuneration to Chairman & Managing Director and Whole time directors. The Details of remuneration paid to Directors during the financial year is as given below:



**a. Managing/Whole Time Directors**

Name	Designation	Salary	Commis- sion	Contribution to PF and other funds	Other Perquisites	Total (Rs.) 2009-10	Remarks
<b>Shri Naresh Bhandari</b>	Chairman& Mg. Director	966667/-	NIL	9280/-	NIL	975947/-	Resigned on 23.11.2009
<b>Shri Nitin Bhandari</b>	Chairman& Mg. Director	426666/-	NIL	32000/-	NIL	458666/-	Appointed as Chairman cum Mg. Director on 23.11.2009
<b>Shri Parveen Malhotra</b>	Whole time Director	304140/-	NIL	NIL	136860/-	441000/-	Resigned on 30.04.2010

**b. Non Executive Directors**

Non executive directors have not been paid any remuneration except for their sitting fees of Rs. 2500/- for each Meeting of the Board of Directors or Audit Committee attended by them and for such number of respective Meetings attended as stated in the previous paragraphs.

**5. GENERAL BODY MEETINGS:**

Details of last three Annual General Meetings is as follows:

Meeting	Day	Date	Time	Venue	No. of Special Resolutions
16th AGM	Tuesday	29.09.2009	9.00 A.M.	Bhandari House, Village Meharban, Rahon Road Ludhiana- 141007	3
15th AGM	Monday	29.09.2008	9.00 A.M.	Bhandari House, Village Meharban, Rahon Road Ludhiana- 141007	Nil
14th AGM	Friday	28.09.2007	9.00 A.M.	Bhandari House, Village Meharban, Rahon Road Ludhiana- 141007	1

- No Extra Ordinary general Meeting was held during the year 2009-10.
- Number of resolutions passed through postal ballot during the financial year 2009-10 was Nil..
- At the ensuing Annual General Meeting, there is no resolution which is proposed to be passed by postal ballot.

**6. CEO/CFO CERTIFICATION**

The Managing Director and Chief Financial Officer have certified to the Board, inter-alia, the accuracy of Financial Statements and adequacy of Internal Controls for the financial reporting purpose as required under Clause 49(V) of the Listing Agreement, for the year ended 31 March, 2010

**7. DISCLOSURES:**

7.1 During the year, there was no material/significant transaction with the directors or the management, their subsidiaries or relatives etc./ related party transactions, having any potential conflict with interest of the Company at large. The Board hereby confirms that no personnel have been denied access to the Audit Committee. The company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. There has not been any non compliance by the Company in respect of which penalties or strictures were imposed by the Stock Exchanges or SEBI or other authority on any matter related to capital market during the last 3 years.

7.2 **Disclosure of relationship between Directors inter-se:** None of the Director is related to each other.





**7.3 Disclosure of shares/ convertible instruments held by Non- Executive Directors on 31.03.2010**

**A. SHARES**

1. Shri Ashish Thapar	Nil	
2. Shri Vikas Nayyar	Nil	
3. Shri Manmohan Sikka	Nil	
4. a) Shri R.C. Singal		600
*b) RCS Financial Technology Ltd.		2971
*c) RCS Securities Pvt. Ltd.		5000

\* In RCS Financial Technology Ltd. and RCS Securities Pvt. Ltd, Sh. R.C. Singal is a Director.

**B. CONVERTIBLE INSTRUMENTS**

There are no outstanding convertible Instruments as at 31.03.2010.

**7.4 Disclosure as to Public/ Rights/Preferential Issues etc.**

There were no fresh Public/ Rights / Preferential issues of Shares or convertible instruments during the period under review. The Board of Directors of the company in its Meeting held on 30.04.2010 has Withdrawn/cancelled, in view of the changed scenario and changed working capital requirements, the proposal to make a Rights issue of 2609495 equity shares of Rs. 10/- each for which no Draft Letter of Offer was filed.

**8. MEANS OF COMMUNICATION:**

The Company communicates with the shareholders through its Annual Reports, Publication of quarterly Results, press releases and reports and returns filed with Stock Exchanges and Registrar of Companies etc. All information including business updates, product, process, financials such as Annual Reports, Quarterly results, Shareholding Patterns, different codes are also available on the Company's Website i.e www.bhandariexport.com and information about it is also given in the Annual Reports and publications made by the Company.

**9. GENERAL SHAREHOLDERS INFORMATION:**

**A. 17TH ANNUAL GENERAL MEETING**

<b>DATE</b>	27.09.2010
<b>TIME</b>	9.00 A.M.
<b>DAY</b>	Monday
<b>VENUE</b>	Regd.Office At Bhandari House, Village Meharban, Rahon Road, Ludhiana- 141007

**B. FINANCIAL CALENDAR 2010-11 (TENTATIVE)**

FIRST QUARTER RESULTS	: MIDDLE OF AUGUST, 2010
SECOND QUARTER RESULTS	: MIDDLE OF NOVEMBER, 2010
THIRD QUARTER RESULTS	: MIDDLE OF FEBRUARY, 2011
FOURTH QUARTER	: APRIL/MIDDLE OF MAY, 2011
ANNUAL ACCOUNTS	: AUGUST, 2011

**C. DATES OF BOOK CLOSURE : 24.09.2010 TO 27.09.2010 (BOTH DAYS INCLUSIVE)**

**D. FINAL DIVIDEND PAYMENT DATE : No Dividend has been recommended by the Board of Directors**

**E. LISTING:** The Securities of the Company are listed on **Bombay Stock Exchange Limited (BSE)**, Feroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001

**BSE SCRIP CODE: 512608      ISIN: INE 474E01011**

The Company has duly paid the Listing fees to the aforesaid Stock Exchange upto Financial Year 2010-11

**F. STOCK MARKET DATA**

The month wise highest, lowest and closing stock prices vis a vis BSE Sensex during the financial year 2009-10 are given below:

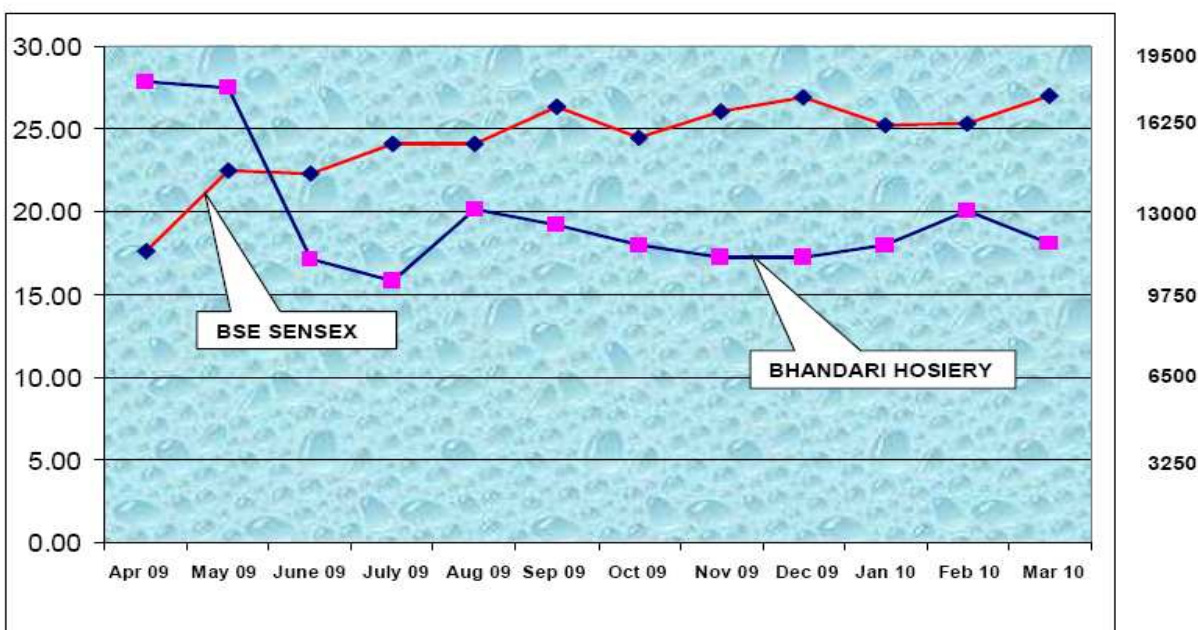


# Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)

BHANDARI HOSIERY EXPORTS LIMITED				BSE SENSEX		
MONTH	HIGH	LOW	CLOSE	HIGH	LOW	CLOSE
April 2009	28.00	19.35	27.8	11,492.10	9,546.29	11,403.25
May 2009	30.45	27.5	27.5	14,930.54	11,621.30	14,625.25
June 2009	27.7	16.35	17.15	15,600.30	14,016.95	14,493.84
July 2009	19.55	13.35	15.8	15,732.81	13,219.99	15,670.31
August 2009	24.5	15.05	20.1	16,002.46	14,684.45	15,666.64
September 2009	21.4	17.25	19.2	17,142.52	15,356.72	17,126.84
October 2009	21.35	17.15	18	17,457.26	15,805.20	15,896.28
November 2009	19.7	16.75	17.25	17,290.48	15,330.56	16,926.22
December 2009	18.4	15.8	17.2	17,530.94	16,577.78	17,464.81
January 2010	19.55	16.5	18	17,790.33	15,982.08	16,357.96
February 2010	22.4	17.2	20.05	16,669.25	15,651.99	16,429.55
March 2010	22.7	17.7	18.05	17,793.01	16,438.45	17,527.77

## COMPARISON OF MONTHLY CLOSING PRICES/INDICES BHANDHOS VS. BSE SENSEX



### G. REGISTRAR AND SHARE TRANSFER AGENT :

In accordance with the Circular of Securities and Exchange Board of India (SEBI), the work of physical share transfer of the Company is with M/S **LINK INTIME INDIA PVT. LTD (former M/s INTIME SPECTRUM REGISTRY LIMITED)**, A-40, 2 FLOOR, NARAINA INDUSTRIAL AREA, PHASE II, NEAR BATRA BANQUET HALL, NEW DELHI- 110028, PHONES: 011- 41410592-94, FAX: 011- 41410591. Electronic Mode i.e de-materialization of shares is already done through them. Thus activities of share transfer and de-mat are at single point with them. The ISIN of the Company is : ISIN INE 474E01011. The shares of the Company are traded compulsorily in Demat form on Bombay Stock Exchange Ltd. and the Company has participation as an issuer with both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). All the fees to both Depositories stands paid till date. The shareholders may operate through any depository.

### H. SHARE TRANSFER SYSTEM:

M/S **LINK INTIME INDIA PVT. LTD, A-40, 2 FLOOR, NARAINA INDUSTRIAL AREA, PHASE II, NEAR BATRA BANQUET HALL, NEW DELHI- 110028, PHONES: 011- 41410592-94, FAX: 011- 41410591**, are the RTAs of the



# Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)

Company to handle both physical and demat of shares activities. Physical Share Transfers are normally completed/replied within 15 days by RTAs .

## I. DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2010

RANGE OF SHARES	NO. OF HOLDERS	%OF HOLDERS	NO. OF SHARES	% OF SHARES
UP TO 500	4223	94.22	524113	7.03
501-1000	122	2.72	103642	1.39
1001-2000	68	1.52	105097	1.41
2001-3000	20	0.45	51332	0.69
3001-4000	8	0.18	29040	0.39
4001-5000	5	0.11	22775	0.30
5001-10000	13	0.29	97028	1.30
10001 AND ABOVE	23	0.51	6522673	87.49
<b>TOTAL</b>	<b>4482</b>	<b>100</b>	<b>7455700</b>	<b>100</b>

## J. DEMATERIALISATION OF SHARES:

As on 31.03.2010 approx. 44.51% comprising 3318585 equity shares were dematerialised.

## K. COMPLIANCE OFFICER :

Shri Gurinder Makkar, Company Secretary, Phones 0161-3260742-44, Fax 0161-2690394

## L. CEO & MG. DIRECTOR:

Shri Nitin Bhandari, Chairman cum Mg. Director, Phones 0161-3260742-44, Fax 0161-2690394

## M. CHIEF FINANCIAL OFFICER (CFO):

Shri Surinder Kumar, Chartered Accountant.

## N. DESIGNATED EMAIL ID FOR INVESTORS: investor@bhandariexport.com

## O. Details of compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49 of the Listing Agreement

PARTICULARS	CLAUSE OF LISTING AGREEMENT	COMPLIANCE STATUS
<b>1. BOARD OF DIRECTORS</b>	49 I	YES
A. COMPOSITION OF BOARD	49 I A	YES
B. NON EXECUTIVE DIRECTORS COMPENSATION AND DISCLOSURES	49 IB	YES
C. INDEPENDENT DIRECTORS	49IC	YES
D. BOARD PROCEDURES	49 ID	YES
E. CODE OF CONDUCT	49 IE	YES
F TERM OF OFFICE OF NON EXECUTIVE DIRECTORS	49 IF	YES
<b>II. AUDIT COMMITTEE</b>	49 II	YES
A. QUALIFIED AND INDEPENDENT AUDIT COMMITTEE	49 II A	YES
B. MEETING OF THE AUDIT COMMITTEE	49 II B	YES
C. POWERS OF THE AUDIT COMMITTEE	49 II C	YES
D. ROLE OF THE AUDIT COMMITTEE	49 II D	YES
E. REVIEW OF INFORMATION BY AUDIT COMMITTEE	49II E	YES
<b>III. AUDIT REPORTS AND AUDIT QUALIFICATIONS</b>	49 III	YES
<b>IV. WHISTLE BLOWER POLICY</b>	49 IV	YES
<b>V. SUBSIDIARY COMPANIES</b>	49V	YES
<b>VI. DISCLOSURE OF CONTINGENT LIABILITIES</b>	49 VI	YES
<b>VII. DISCLOSURES</b>	49 VII	YES
A. BASIS OF RELATED PARTY TRANSACTIOSN	49 VII A	YES
B. BOARD DISCLOSURES	49 VII B	YES
C. PROCEEDS FROM INITIAL PUBLIC OFFERINGS	49 VII C	N.A.
D. REMUNERATION OF DIRECTORS	49 VII D	YES
E. MANAGEMENT	49 VII E	YES
F. SHAREHOLDERS	49 VII F	YES
<b>VIII. CEO/CFO CERTIFICATION</b>	49 VIII	COMPLIED
<b>IX REPORT ON CORPORATE GOVERNANCE</b>	49 IX	COMPLIED
<b>X. COMPLIANCE</b>	49 X	YES





**P. SHAREHOLDING PATTERN OF THE COMPANY AS ON 31.03.2010**

CATEGORY	NO. OF SHARES	% OF SHAREHOLDING
Promoters/ Promoters Group	5554561	74.50
Mutual Funds	0	0
Banks, Fls, Etc.	3013	0.04
Foreign Institutional Investors / Foreign Mutual Funds	0	0
Private Corporate Bodies	457424	6.14
Non Resident Indians	200	0.00
Indian Public	1440352	19.32
Clearing Members	150	0.0
GRAND TOTAL	7455700	100

**Q. PLANT LOCATIONS:**

Bhandari House, Village Meharban, Rahon Road, Ludhiana- 141007

**R. ADDRESS FOR CORRESPONDENCE:**

REGD. OFFICE : BHANDARI HOUSE, VILLAGE MEHARBAN, RAHON ROAD, LUDHIANA-141007  
PHONES : 0161- 3260742-44, FAX : 0161- 2690394; EMAIL : bhandari@bhandariexport.com

**The shareholders in respect of dematerialized shares should address correspondence to their respective Depository Participants (DPs)**



**CHIEF EXECUTIVE OFFICER (CEO) /CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION**

We, Nitin Bhandari, Chairman and Managing Director and Surinder Kumar, Chief Financial Officer, to the best of our knowledge and belief, hereby certify that:

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

Place: Ludhiana  
Date: 13.08.2010

Sd/-  
**Nitin Bhandari**  
Chairman & Managing Director/(CEO)

Sd/-  
**Surinder Kumar**  
CFO

**Declaration**

I hereby confirm that the Company has obtained from all the members of the Board and Senior Management team, an affirmation of compliance with the Code of Conduct for Directors and Senior Management in respect of financial year ended March 31, 2010

Sd/-

Place: Ludhiana  
Date: 13.08.2010

**Nitin Bhandari**  
Chairman & Managing Director/(CEO)  
LUDHIANA (PUNJAB)

**AUDITORS' CERTIFICATE ON COMPLIANCE OF CORPORATE GOVERNANCE UNDER CORPORATE GOVERNANCE CLAUSE OF THE LISTING AGREEMENTS.**

TO

THE MEMBERS

BHANDARI HOSIERY EXPORTS LIMITED

We have examined the compliance of the conditions of Corporate Governance by M/s Bhandari Hosiery Exports Limited for the year ended on March 31, 2010 as required in clause 49 of the Listing Agreements of the Company with the Stock Exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the 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 based on the representation made by the directors and the management, we certify that the Company has complied with the conditions of corporate governance as required under Clause 49 of the listing agreements. Further, we state that no investors' grievances are pending for a month which are unreplied/unredressed as per records.

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

For VIPAN KUMAR AGGARWAL & CO.  
(CHARTERED ACCOUNTANTS)

Sd/-  
(VIPAN AGGARWAL)  
PROPRIETOR

PLACE : LUDHIANA  
DATED : 13.08.2010

## AUDITORS' REPORT

The Members,

**M/s BHANDARI HOSIERY EXPORTS LIMITED,  
Ludhiana.**

1. We have audited the attached Balance Sheet of M/s Bhandari Hosiery Exports Limited as at 31st March 2010, the Profit and Loss Account and also the Cash Flow Statement 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 have conducted our audit in accordance with the auditing standards generally accepted in India. These 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 test basis, the 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 reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 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 by in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that: -
  - a) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion, proper books of accounts as required by law have been kept by the company so far as it appears from our examination of those books.
  - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with books of accounts.
  - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956.
  - e) On the basis of written representations received from Directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010, from being appointed as Director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read with the notes appearing in Schedule-U give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:-
    - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010, and
    - ii) In the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date.
    - iii) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Place : Ludhiana.  
Date : 13.08.2010

For Vipin Kumar Aggarwal & Co.,  
(Chartered Accountants)  
Sd/-  
**(Vipin Aggarwal)**  
(Prop.)



### ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph (3) of our report of even date on the accounts for the year ended 31st March, 2010 of Bhandari Hosiery Exports Limited.

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets.  
(b) According to the information and explanations given to us, the management during the year has physically verified fixed assets. No discrepancies were noticed on such verification. In our opinion, the frequency of physical verification of fixed assets is reasonable having regard to the size of the company and the nature of its business.
2. (a) According to the information and explanations given to us, inventories have been physically verified during the year by the management at the close of the year.  
(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) On the basis of our examination of the records of the company, we are of the opinion that the company is maintaining proper records of inventory. No discrepancies have been noticed on verification between the physical stocks & book records.
3. (a) According to the information and explanations given to us, the company has not accepted any loans from its directors covered in the register maintained under section 301 of the Companies Act, 1956 and the year end balance of loans taken from such parties was Rs. NIL.  
(b) In our opinion and according to the information and explanations given to us no loans have been taken from the party listed in the registers maintained under Section 301.  
(c) The company has not taken any loans from the parties listed in the register under sec 301 of the Companies Act 1956  
(d) No loans has been taken from or granted to the companies, firms or other parties listed in the registers maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control procedures.
5. Based on the audit procedures applied by us and according to the information and explanations given to us, the transactions that need to be entered in the register maintained under Section 301 have been so entered.
6. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or agreements entered in the registers maintained under Section 301 and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to the prevalent market prices at the relevant time.
7. In our opinion and according to the information and explanations give to us, the company has not invited or accepted any deposits from the public during the year under review.
8. In our opinion, the company has internal audit system commensurate with the size and nature of its business.
9. The maintenance of cost records has not been prescribed by the Central Government u/s 209 (1) (d) of the Companies Act, 1956 in respect of the Company's products.
10. (a) According to the records of the company, the company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Sales Tax, Customs Duty, Excise Duty, Cess and other statutory dues applicable to it.  
(b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding as at 31st March, 2010 for a period of more than six months from the date they become payable.



## Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)

- (c) According to the records of the company, there are no dues of sales tax, income tax, custom duty tax, wealth tax, excise duty/ Cess which have not been deposited on account of any dispute.
11. There are no accumulated losses of the company and the company has not incurred any cash losses during the year covered by our audit and in the immediately preceding financial year under review.
  12. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to banks.
  13. According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
  14. The company is a manufacturing company and therefore, the provisions of Clause 4 (xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
  15. According to the information and explanations given to us, the Company has not dealt or traded in shares, securities, debentures and other investments. Therefore, the provisions of Clause 4 (xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
  16. The company has not given any guarantee for loans taken by others from bank or financial institutions.
  17. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the company were, prima facie, applied by the company during the year for the purposes for which the loans were obtained.
  18. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short term basis have been used for long term investment. Further no long term funds have been used to finance short term assets.
  19. During the year under review, the company has not issued any debentures. No creation of any security in respect of any debentures was made.
  20. The company has not raised any money by way of public issue during the year. Therefore, the provisions of Clause 4 (xx) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
  21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For Vipin Kumar Aggarwal & Co.,  
(Chartered Accountants)

Sd/-

**(Vipin Aggarwal)**  
(Prop.)

Place : Ludhiana.  
Date : 13.08.2010



# Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)

## BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2010

PARTICULARS	SCHEDULE		AS AT 31.03.2010 (Rs.)		AS AT 31.03.2009 (Rs.)
<b>I. SOURCES OF FUNDS</b>					
1. Shareholders' Funds					
a) Share Capital	A	74,557,000		74,557,000	
b) Reserves & Surplus	B	125,016,556	199,573,556	120,595,771	195,152,771
2. Loan Funds					
Secured Loans	C		184,260,851		152,577,462
Deferred Tax Liability	D		17,110,058		16,660,658
<b>Total Funds employed</b>			<b>400,944,465</b>		<b>364,390,891</b>
<b>II. APPLICATION OF FUNDS</b>					
1. Fixed Assets					
a) Gross Block	E	166,901,755		163,253,560	
b) Less: Depreciation		56,416,342	110,485,413	48,179,095	115,074,465
2. Current Assets, Loans & Advances					
a) Inventories	F	246,751,484		221,855,933	
b) Sundry Debtors	G	57,505,534		39,784,858	
c) Cash & Bank Balances	H	12,032,835		10,532,320	
d) Loans & Advances	I	14,603,054		22,062,372	
e) Other Current Assets	J	21,477,258		15,100,039	
		352,370,165		309,335,522	
<b>Less: Current Liabilities</b>	K	55,742,247		54,093,238	
<b>Less:-Provisions</b>	K	6,168,866	290,459,052	5,925,858	249,316,426
<b>Total Application of funds</b>			<b>400,944,465</b>		<b>364,390,891</b>
<b>Notes on Accounts</b>	U				

The Schedules referred to above form an Integral part of the Balance Sheet.  
As per our report of even date attached to the Balance Sheet.

For Vipin Kumar Aggarwal & Co.

Chartered Accountants

Sd/-  
(Vipin Kumar Aggarwal )  
Proprietor

Sd/-  
(Surinder Kumar)  
Chief Financial Officer

Sd/-  
(Gurinder Makkar )  
Company Secretary

Sd/-  
(R.C. Singal)  
Director

Sd/-  
( Nitin Bhandari)  
Chairman & Mg.  
Director

Place : Ludhiana

Date : 13.08.2010





# Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010

PARTICULARS	ANNEXURE		AS AT 31.03.2010 (Rs.)		AS AT 31.03.2009 (Rs.)
<b>INCOME</b>					
Turnover	L		867,890,899		802,761,413
Other Income	M		1,018,275		1,175,583
			868,909,174		803,936,996
<b>EXPENDITURE</b>					
Raw material consumed	N		600,352,254		631,752,230
Manufacturing Expenses	O		165,750,027		121,692,061
Personnel Expenses	P		20,178,389		21,781,154
Office & Administrative Expenses	Q		20,503,779		25,066,749
Financial Expenses	R		22,816,971		23,667,276
Selling & Distribution Expenses	S		40,900,747		39,508,054
(Increase)/Decrease in Stock	T		(27,046,150)		(83,184,498)
Depreciation	E		8,237,247		7,640,789
<b>TOTAL</b>			851,693,263		787,923,814
Profit before taxation			17,215,911		16,013,182
Provision for Income Tax		5,573,000		4,667,996	
Provision for Deferred Tax		449,400		1,506,100	
Fringe Benefits Tax		-		474,500	
Short Provisions for earlier years		81,474		-	
			6,103,874		6,648,596
Profit after taxation			11,112,037		9,364,586
Balance brought forward			65,695,771		54,566,078
Available for appropriations			76,807,808		63,930,664
Excess Provision Written Off			-		1,765,107
Balance written off Net			16,252		-
Provision for Bad & Doubtful Debts, Unrecoverable Receivables & Advances			6,675,000		-
Surplus carried over to Balance Sheet			70,116,556		65,695,771
Net Profit available for Equity Shareholders			11,112,037		9,364,586
Number of equity shares			7,455,700		7,455,700
<b>Basic Earning per Share of Rs. 10/- each</b>			1.49		1.26
<b>Diluted Earning per Share of Rs. 10/- each</b>			1.49		1.26
<b>Notes on Accounts</b>	U				

The Schedules referred to above form an Integral part of the Balance Sheet and Profit & Loss Account.

As per our report of even date attached to the Balance Sheet.

For Vipin Kumar Aggarwal & Co.  
Chartered Accountants

Sd/-  
(Vipin Kumar Aggarwal )  
Proprietor

Sd/-  
(Surinder Kumar)  
Chief Financial Officer

Sd/-  
(Gurinder Makkar )  
Company Secretary

Sd/-  
(R.C. Singal)  
Director

Sd/-  
(Nitin Bhandari)  
Chairman & Mg.  
Director

Place : Ludhiana  
Date : 13.08.2010



# Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)

## SCHEDULES FORMING PART OF BALANCE SHEET AS ON 31.03.2010

PARTICULARS	AS AT 31.03.2010 (Rs.)	AS AT 31.03.2009 (Rs.)
<b><u>SHARE CAPITAL</u></b>		<b>SCHEDULE - A</b>
<b>Authorised Capital</b> 2,50,00,000 equity shares of Rs. 10/- each (Previous Year 25000000 equity shares of Rs. 10/- each)	(Rs.) <b>250,000,000</b>	(Rs.) 250,000,000
<b>Issued, Subscribed &amp; Paid up Capital</b> 7455,700 equity shares of Rs. 10/- each (fully paid up) (Previous Year 7455700 equity shares of Rs. 10/- each fully paid up)	<b>74,557,000</b> <b>74,557,000</b>	74,557,000 74,557,000
<b><u>RESERVES AND SURPLUS</u></b>		<b>SCHEDULE - B</b>
General Reserve	<b>31,700,000</b>	31,700,000
Share Premium Reserves	<b>23,200,000</b>	23,200,000
Profit & Loss Account	<b>70,116,556</b> <b>125,016,556</b>	65,695,771 120,595,771
<b><u>SECURED LOANS</u></b>		<b>SCHEDULE - C</b>
<b>A. (i) S.B.I. E.P.C./SLC</b>	<b>93,526,042</b>	134,032,683
<b>(ii) S.B.I. CCA</b>	<b>64,345,753</b>	-
<b>B. (i) S.B.I. Term Loan A/c</b>	<b>11,440,913</b>	16,092,267
<b>(ii) S.B.I. Corporate Loan</b>	<b>13,482,011</b>	-
<b>C. Axis Bank Ltd. Car Loan A/c</b>	<b>1,466,132</b>	2,331,900
<b>D. HDFC Bank Car Loan A/c</b>	<b>-</b>	120,612
	<b>184,260,851</b>	152,577,462
<b>NOTE:*</b> (A) Secured against hypothecation of Stocks, Confirmed LC's and all Current Assets and Equitable Mortgage of Factory Land and Buildings. *(B) Secured against first charge of Land & Buildings and Plant and Machinery. (A) and (B) are also secured against equitable mortgage of Land, Buildings and Gross Block of Assets and also collaterally secured by equitable mortgage of Land and Buildings of M/s Bhandari Knit Exports. (C) & (D) Secured against hypothecation of Car.		
<b><u>Deferred Tax</u></b>		<b>SCHEDULE - D</b>
Opening Balance	<b>16,660,658</b>	15,154,558
Add: -Provision for the year	<b>449,400</b>	1,506,100
	<b>17,110,058</b>	16,660,658

## SCHEDULE OF FIXED ASSETS FOR THE YEAR ENDED 31.03.2010

## SCHEDULE - E

PARTICULARS	GROSS BLOCK AS AT 01.04.2009	ADDITIONS DURING THE YEAR	SALE/T RF. YEAR	GROSS BLOCK AS AT 31.03.2010	DEPRICIATI ON UP TO 31.03.2009	DEPRICIA TION WRITTEN BACK	DEPRICIATIO N FOR THE YR.	DEPRICIATIO N UP TO 31.03.2010	NET BLOCK AS AT 31.03.2010	NET BLOCK AS AT 31.03.2009
FREE HOLD LAND	3,732,500	-	-	3,732,500	-	-	-	-	3,732,500	3,732,500
BUILDING SITE & DEVELOPMENT	34,950,296	-	-	34,950,296	7,312,322	-	1,167,340	8,479,662	26,470,634	27,637,974
TEMPORARY FITTING	916,131	-	-	916,131	426,825	-	27,759	454,584	461,547	489,306
PLANT & MACHINERY	91,150,294	465,194	-	91,615,488	30,157,800	-	4,336,018	34,493,818	57,121,670	60,992,494
FURNITURE & FIXTURE	5,308,950	221,312	-	5,530,262	1,582,260	-	344,574	1,926,834	3,603,428	3,726,690
OFFICE EQUIPMENT	1,670,089	312,714	-	1,982,803	464,491	-	88,457	552,948	1,429,855	1,205,598
ELECTRIC FITTING & EQUIPMENT	12,485,113	2,648,975	-	15,134,088	3,933,173	-	1,050,531	4,983,704	10,150,384	8,551,940
INTEGIBLE ASSETS	220,958	-	-	220,958	1,749	-	10,496	12,245	208,713	219,209
VEHICLES	1,177,299	-	-	1,177,299	417,967	-	106,089	524,056	653,243	759,332
CAR	11,641,930	-	-	11,641,930	3,882,508	-	1,105,983	4,988,491	6,653,439	7,759,422
<b>TOTAL</b>	<b>163,253,560</b>	<b>3,648,195</b>	<b>-</b>	<b>166,901,755</b>	<b>48,179,095</b>	<b>-</b>	<b>8,237,247</b>	<b>56,416,342</b>	<b>110,485,413</b>	<b>115,074,465</b>
PREVIOUS YEAR	143,698,168	20,016,755	461,363	163,253,560	40,610,595	-	7,640,789	48,179,095	115,074,465	103,087,573



# Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)

PARTICULARS	AS AT 31.03.2010 (RS.)		AS AT 31.03.2009 (RS.)
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			<b>SCHEDULE – F</b>
<b>Inventories</b> (Valued at Cost or net realisable value, whichever is lower as certified by the Management of the Company)			
-Stores and Spares( At cost )	6,442,974		7,559,035
-Raw Materials ( At cost )	21,638,452		22,672,991
-Finished Goods & wastage ( At cost or net realizable value whichever is lower)	57,769,428		39,989,388
- Work-in-Progress( At estimated cost)	160,900,630		151,634,519
	246,751,484		221,855,933
<b>SUNDRY DEBTORS</b> (Unsecured, Considered Goods unless otherwise stated)			<b>SCHEDULE– G</b>
<b>a)Debts more than six month</b>			
Domestic	10,106,368	4,266,152	
Foreign	1,524,415	990,107	
Total	11,630,783	5,256,259	
Less:-Provision for Bad and Doubtful debts	4,000,000	-	5,256,259
<b>b)Debts less than six month</b>			
Domestic	45,420,289	19,981,283	
Foreign	4,454,462	14,547,316	34,528,599
	57,505,534		39,784,858
<b>CASH AND BANK BALANCES</b>			<b>SCHEDULE– H</b>
Balance with scheduled banks	5,753,801		8,457,107
Cash in hand	1,526,215		2,075,213
Cheque deposited but not clear	4,752,819		-
	12,032,835		10,532,320
<b>LOANS AND ADVANCES</b> ( Unsecured, Considered Good unless otherwise stated )			<b>SCHEDULE – I</b>
a) Advances recoverable in cash or kind or value to be received	5,657,052	20,344,370	
Less:-Provision for unrecoverable Advances	1,100,000	-	20,344,370
b) Securities and Deposits	10,011,002		1,683,002
c) Advances to Suppliers of Capital goods	35,000		35,000
	14,603,054		22,062,372
<b>OTHER CURRENT ASSETS</b>			<b>SCHEDULE– J</b>
VAT Refund Receivable	12,052,474		10,006,362
Advance Income Tax for the A.Y.2010-11	3,562,605		
Income Tax under appeal a.y.2004-05	833,829		
Export incentive Receivables	6,007,932	4,620,200	
Less:- Provision for Unrecoverable Receivables	1,575,000	-	4,620,200
Others	595,418		473,477
	21,477,258		15,100,039
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			<b>SCHEDULE– K</b>
<b>Current Liabilities</b>			
Sundry Creditors	48,830,914	33,708,701	
Current Liabilities	6,911,333	20,384,537	54,093,238
<b>Provisions</b>			
Provision for Gratuity	595,866	783,362	
Provision for Income-Tax	5,573,000	4,667,996	
Provision for FBT	-	474,500	5,925,858
	61,911,113		60,019,096





# Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)

PARTICULARS		AS AT 31.03.2010 (RS.)	AS AT 31.03.2009 (RS.)
<b>TURNOVER</b>			<b>SCHEDULE- L</b>
Sales -Export		347,216,877	267,387,579
Sales-Domestic		520,674,022	535,373,834
		867,890,899	802,761,413
<b>OTHER INCOME</b>			<b>SCHEDULE- M</b>
Misc. Income		1,018,275	1,175,583
		1,018,275	1,175,583
<b>RAW MATERIAL CONSUMED</b>			<b>SCHEDULE -N</b>
Opening stock of Raw materials	22,672,991		33,965,728
Purchase of raw materials	244,373,922		80,549,927
Add: Purchase of Raw Cotton	18,785,071		229,690,138
	285,831,984		344,205,793
Less: Closing stock of raw materials	21,638,452		22,672,991
Raw material consumed		264,193,532	321,532,802
Add: Purchase of finished and semi-finished goods		336,158,722	310,219,428
		600,352,254	631,752,230
<b>MANUFACTURING EXPENSES</b>			<b>SCHEDULE -O</b>
Consumables		30,454,556	28,131,442
Dyeing & Finishing		63,183,483	31,964,631
Wages		29,961,482	21,301,977
Knitting Charges		17,051,451	14,476,741
Power & Fuel		25,099,055	25,817,270
		165,750,027	121,692,061
<b>PERSONNEL EXPENSES</b>			<b>SCHEDULE -P</b>
Director's Remuneration		1,697,473	1,798,105
H.R.A.to Director		136,860	133,602
Gratuity		37,132	163,919
Salary		14,216,215	15,139,282
Contr. to PF, ESI etc.		2,833,476	3,162,402
Worker's Welfare, Bonus, LWW, L.T.C. etc.		1,257,234	1,383,844
		20,178,390	21,781,154
<b>OFFICE &amp; ADMINISTRATIVE EXPENSES</b>			<b>SCHEDULE -Q</b>
Repair & Maintenance		4,530,442	4,638,518
Auditors Remuneration			
- Audit Fees		39,000	39,000
- Tax Audit Fees		11,000	11,000
Telephone & Telex		825,002	958,195
Printing & Stationery		756,387	664,401
Insurance Charges		727,496	816,713
Traveling & Conveyance			
- Directors (Foreign)		1,850,765	1,747,884
- Directors (Domestic)		829,676	729,380



# Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)

PARTICULARS	AS AT 31.03.2010 (RS.)		AS AT 31.03.2009 (RS.)
- Others	2,776,229		1,688,407
Charity and Donation	2,500		25,440
Vehicle Running Expenses	269,952		544,135
Legal & Professional	1,033,569		2,036,530
Fee & Taxes	92,724		111,538
Misc. Expenses	1,404,695		998,939
Courier Charges	1,574,294		2,116,014
Rent	3,780,047		7,841,581
Loss On Sale Of Car	-		99,074
	20,503,779		25,066,749
<b>FINANCIAL EXPENSES</b>			<b>SCHEDULE -R</b>
Bank Interest	15,068,642		16,386,509
Bank Charges and Commission	6,977,905		6,724,446
Interest to others	770,424		556,321
	22,816,971		23,667,276
<b>SELLING &amp; DISTRIBUTION EXPENSES</b>			<b>SCHEDULE -S</b>
Commission (Domestic)	1,488,549		3,781,532
Export Expenses	128,595		75,500
Packing Expenses	6,913,296		10,557,011
Rebate & Discount ( Others )	21,093,904		14,455,071
Rebate & Discount	2,495,221		2,269,708
Sale Promotion & Exhibition	1,504,208		2,344,524
Shipping & Freight	7,276,974		6,024,708
	40,900,747		39,508,054
<b>INCREASE OR DECREASE IN STOCK</b>			<b>SCHEDULE -T</b>
Closing stock of WIP	160,900,630	151,634,519	
Closing stock of finished goods	57,769,428	39,989,388	191,623,907
<b>Less:</b>			
Opening stock of Work-in-Process	151,634,519	87,880,983	
Opening stock of finished goods	39,989,389	20,558,426	108,439,409
<b>Decrease/(Increase in stock)</b>	27,046,150		83,184,498



**ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

**SCHEDULE- U**

**1. ACCOUNTING POLICIES**

**(a) Basis of Accounting :**

The accounts of the Company are prepared on accrual basis under the historical cost convention and comply with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and the disclosure requirements of Schedule VI to the Companies Act, 1956.

**(b) Revenue Recognition:**

- (i) Sale is recognized on despatch of goods and returns if any made by the parties.
- (ii) Claims and Benefits: Insurance and other claims are accounted for to the extent realized, as the ultimate collection thereof is uncertain at the time of raising the claim.
- (iii) Opening Stock, Purchases, Sales and Closing stock are stated at net value excluding VAT. Any amount payable/ receivable towards VAT is shown in the Balance Sheet under the head Current Liabilities/ Current Assets.

**(c) Retirement Benefits:**

- (i) Gratuity: Provision for gratuity liability to employees is made on the basis of accrued liability calculated under the Payment of Gratuity Act, 1972, as per Actuarial valuation.
- (ii) Provident Fund: Contribution to Provident Fund is made in accordance with the provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952.
- (iii) Leave with Wages: Provisions for leave with wages is made on the basis of leaves accrued to the employees during the year.

**(d) Fixed Assets:**

Fixed Assets are stated at historical cost less accumulated depreciation. The company has capitalized all costs relating to acquisition and installation of fixed assets. No borrowing Costs have been capitalized during the year.

**(e) Depreciation:**

Depreciation for the year is provided on straight-line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

**(f) Investments :**

Investments of the company in unquoted shares are valued at NIL because of their negative intrinsic value.

**(g) Inventories:**

Stores and spares and raw material are valued at Cost.

Semi Finished Goods are valued at cost of materials and labour together with relevant factory overheads or net realizable value, whichever, is less.

Finished goods are valued at cost or net realizable value, whichever is less. Cost includes materials, direct labour and allocable overheads.

**(h) Foreign Currency Conversion/Translation**

- (i) The export sales are converted at the exchange rates prevailing on the date of custom clearance of export bills. The fluctuations in the exchange rates are accounted for as and when the payment is received and the amount is credited/ debited to the respective Sale Account.
- (ii) In respect of export bills remaining unrealized at the year end against which the payments received in the subsequent years the difference arising thereon is recognized as difference in exchange rates under the head misc. income/expenses.
- (iii) The total sales are inclusive of export incentives and rebate & discounts and rebate of Rs.21093904/- allowed has been shown separately under selling expenses in Profit and Loss account.

**2. Contingent Liabilities not provided for**

(Rs. In Lacs)

Particulars	As at 31.3.2010	As at 31.3.2009
(a) Letter of Credit Outstanding	12.70	134.78
(b) Bank Guarantees Outstanding	NIL	NIL
(c) Bill discounting with bank against irrevocable Letter of Credit	NIL	NIL

- 3. (a) Sales tax/ VAT liability has been provided for as per the return filed. According to our view there is no other liability in addition to the liability provided but in case any additional liability arises at the time of assessment, the same shall be provided at that time.





# Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)

(b) Provision for Income Tax has been made in the Profit & Loss Account on the basis of actual tax liability as per the Income Tax Act, 1961. Deferred Tax Liability has been calculated on the basis of timing difference as per the provisions of AS-22.

**4. Impairment of Assets:-** An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss will be charged to the profit and loss account in the year in which an assets is identified as impaired.

**5.** Party's balances under Debtors, Creditors and Advances are subject to confirmation, if any.

**6.** In the opinion of the Board, current assets, loans and advances have a value in the ordinary course of business at least equal to that stated in the Balance Sheet.

**7.** Previous year's figures have been recast/ regrouped wherever necessary to make them comparable with the current year's figures.

**8.** Payment to Auditors include : -

(Rs. In Lacs)

**Particulars**

**As at  
31.3.2010**

**As at  
31.3.2009**

Audit Fee

**0.39**

0.39

Tax Audit Fee

**0.11**

0.11

Total

**0.50**

0.50

**9.** The paid up Share Capital of the Company includes 12,85,000 equity shares of Rs. 10/- each fully paid up in consideration other than cash.

**10.** Interest on FDRs is accounted for on accrual basis and the same has been accounted for under the head Other Income and Other Income also includes Rent Received and interest from other receivables.

**11.** The Company has created a Provision for Bad & Doubtful Debts, Unrecoverable Advances and Export Incentives outstanding since long, all totaling Rs. 66.75 Lacs out of which Rs. 40 Lacs has been provided as Provision for Bad & Doubtful debts, Rs. 11 Lacs as Unrecoverable advances and Rs. 15.75 Lacs as Unrecoverable Export Incentives.

## 12. Earning per Share

**2009-10**

Profits attributable to the Equity Shareholders

Rs. **11,112,037**

Basic and Weighted Average No. of Equity Shares outstanding during the year

Nos. **7,455,700**

Weighted EPS

Rs. **1.49**

Nominal Value per share

Rs. **10/-each**

**13.** The Company's operations predominantly comprise of only one segment i.e. Textiles. Therefore, the figures as shown in the Balance Sheet relate to that segment only.

## 14. Micro, Small and Medium Industries:-

In accordance with the Notification No.GSR 719 (E) dated 16.11.2007 issued by the Ministry of Corporate Affairs ,certain disclosures are required to be made relating to Micro ,Small and Medium Enterprises as defined under the Micro ,Small and Medium Development Act,2006. The Company is in the process of compiling relevant information from its suppliers about their coverage under the said Act. Since the relevant information is not readily available , no disclosures have been made in these Financial Statement. However, in the considered view of the management and as relied upon by the auditors, impact of interest, if any that may be payable in accordance with the provisions of this Act is not expected to be material.

## 15. Related Party Disclosure

Detail of disclosures as required by Accounting Standard (AS-18) on "Related Party Disclosures" issued by the Institute of Chartered Accountants of India are as under: -

Particulars	Key Management Personnel	Enterprises over which KMP is able to exercise significant influence	Total (Amt. in Rs.)
(1)	(2)	(3)	(4)
Purchase of Goods/Job work	NIL	241,079,377	241,079,377
Sale of Goods / Job Work	NIL	240,580,786	240,580,786
Managerial Remuneration	1,875,613	NIL	1,875,613
Rent	NIL	2,264,575	2,264,575

Note :-

1. Associates : Bhandari Export Industries Limited
2. Key Management Personnel : Sh. Nitin Bhandari
3. Enterprises over which KMP is able to exercise Significant influence : M/s Bhandari Knit Exports



# Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)

## 16. Managerial Remuneration includes :

Amount in Rs.

	Year 2009-10	Year 2008-09
Salary	16,97,473	17,98,105
Perquisites	178,140	162,402

## 17. Information pursuant to Para 3 & 4 of Part II of Schedule VI to the Companies Act, 1956 (to the extent applicable) is as under: -

### a) Capacities, Production, Turnover and Stocks

#### (i) Licensed and Installed Capacities

Hosiery Garments

Installed Capacity 20,40,000 Pcs Per Annum

(As Certified by the Management and being technical matter not verified by the Auditors)

#### (ii) Production, Purchase and Turnover

Particulars	Unit	Year ended 31st March	Production	Purchases	Turnover	Value Rs.
Hosiery Garments	Pcs	2010	1815950	92768	1908577	47,33,19,170
	Pcs	2009	1295500	1743	1213611	29,14,89,175
Hosiery Others	Kgs .	2010	NIL	3394701	2048371	39,45,71,782
	Kgs	2009	NIL	4446588	3723813	51,12,72,238

#### (iii) Closing Stock of Finished Goods and Raw Materials

Particulars	Year ended 31st March	Quantity Pcs./Kgs.	Value Rs.
a) Hosiery Garments	2010	272508	56954172
	2009	272367	39765582
b) Raw Material (Yarn)	2010	156223	21340030
	2009	87045	8989170

### b) Raw Material Consumed

(a) Cotton Yarn	2010	Kgs	1656694	205361928
	2009	Kgs	1027110	119447559
(b) Hosiery Garments	2010	Pcs	92768	15056361
	2009	Pcs	1743	84895

### c) Value of Imports Calculated on C.I.F. Basis

	2010 Rs.	2009 Rs.
(i) Stores, Spares, Needles, Labels , Packing Material, Leather goods etc.	9592050	11150050

### d) Expenditure in Foreign Currency

(a) Travelling and Conveyance	3184909	2330542
(b) Quality claim, rebate & discount etc.	2245019	

### e) Foreign Exchange Earnings

(a) FOB Value of Exports	297077182	230504117
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### (f) The Value of Consumption of Raw Materials and Stores

Particulars	Year ended 31st March	Raw Material	% age	Stores	% age
a) Imported	2010	NIL	NIL	9592050	31.50
b) Indigenous	2010	600352254	100	20862506	68.50
a) Imported	2009	NIL	NIL	9189866	32.67
b) Indigenous	2009	631752230	100	18941576	67.33

Schedule A to U form an integral part of Balance Sheet and Profit & Loss Account and have been duly applicable.



# Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)

**Additional Information as required under Part IV of Schedule VI of the Companies Act,1956.**

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

<b>I Registration Details</b>																			
Registration No.				1	3	9	3	0	State Code									1	6
Balance Sheet Date	1	3	-	0	8	-	1	0											
	Date		Month		Year														
<b>II. Capital Raised During the year ( Amount in Rs. Thousands)</b>																			
Public Issue						N	I	L	Right Issue							N	I	L	
Bonus Issue						N	I	L	Private Issue							N	I	L	
<b>III. Position of Mobilisation and Development of Funds ( Amount in Rs.Thousands )</b>																			
Total Liabilities			4	0	0	9	4	4	Total Assets			4	0	0	9	4	4		
SOURCE OF FUND																			
Paid-up Capital				7	4	5	5	7	Reserves & Surplus			1	2	5	0	1	6		
Loans Fund			1	8	4	2	6	1	Deferred Tax Liabilities				1	7	1	1	0		
APPLICATION OF FUNDS																			
Net Fixed Assets			1	1	0	4	8	5	Investment	N	I	L							
Net Current Assets			2	9	0	4	5	9	Miscellaneous Expenditure	N	I	L							
Accumulated Losses						N	I	L											
<b>IV. Performance of Company ( Amount in Rs.Thousands )</b>																			
Total Turnover			8	6	8	9	0	9	Total Expenditure			8	5	1	6	9	3		
Profit before Tax				1	7	2	1	6	Profit after Tax				1	1	1	1	2		
Earning Per Share ( Rs.)					1	.	4	9	Dividend Rate						N	I	L		
<b>V.Generic Names of three principal Products/Services of Company ( As per Monetary Terms )</b>																			
Item Code No. (ITC Code)	6	1	0	9	1	0	0	0											
Production Description	M	A	N	U	F	A	C	T	U	R	E	A	N	D	E	X	P	O	
	O	F		T	-	S	H	I	R	T	S								

**For Vipan Kumar Aggarwal & Co.**

**Chartered Accountants**

**Sd/-**

**(Vipan Kumar Aggarwal )**

**Proprietor**

**Sd/-**

**(Surinder Kumar)**

**Chief Financial Officer**

**Sd/-**

**(Gurinder Makkar)**

**Company Secretary**

**Sd/-**

**(R.C. Singal)**

**Director**

**Sd/-**

**(Nitin Bhandari)**

**Chairman & Mg.  
Director**

**Place : Ludhiana**

**Date : 13.08.2010**





# Bhandari Hosiery Exports Limited

(A W.R.A.P., BSCI and C-TPAT Certified Company)

## CASH FLOW STATEMENT FOR THE YEAR 2009-2010

<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>CURRENT YEAR</b>	<b>PREVIOUS YEAR</b>
Net Profit before Tax and Extraordinary items	172.16	160.13
Adjustment For :		
Depreciation after written back	82.37	75.69
Interest Received	(10.18)	(11.76)
Interest and Financial Expenses	228.17	236.67
Adjustment against Reserves and Surplus	(66.91)	-
Operating Profit before Working Capital Changes	405.61	460.73
Adjustment For :		
Trade and other receivables	(166.39)	355.51
Inventories	(248.96)	(715.27)
Trade Payables	18.92	(33.23)
Cash Generated from Operations	9.18	67.74
Interest Paid	(228.17)	(236.67)
Direct Tax Paid	(56.54)	(33.77)
Cash flow before extraordinary items	(275.53)	(202.71)
Extraordinary items	-	-
<b>Net Cash from Operating Activities</b>	<b>(275.53)</b>	<b>(202.71)</b>
<b>B) CASH FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(36.48)	(198.45)
Sale of fixed Assets	-	2.90
Interest received	10.18	11.76
Investments	-	-
<b>Net Cash from Investing Activities</b>	<b>(26.30)</b>	<b>(183.81)</b>
<b>C) CASH FROM FINANCING ACTIVITIES</b>		
Increase in Bank Borrowing	316.83	136.87
Repayment of Short Term Borrowings	-	-
Repayment of Unsecured Loan	-	-
<b>Net Cash from Financing Activities</b>	<b>316.83</b>	<b>136.87</b>
<b>Increase in Cash and Cash Equivalents ( A+B+C)</b>	<b>15.01</b>	<b>(249.64)</b>
Cash and Cash Equivalents (Opg Bal)	105.32	354.96
	<b>120.33</b>	<b>105.32</b>

By Order of the Board  
for **BHANDARI HOSIERY EXPORTS LIMITED**

Sd/-

**(NITIN BHANDARI)**

Chairman & Managing Director

PLACE : LUDHIANA

DATED : 13.08.2010

### AUDITORS' CERTIFICATE

We have examined the attached Cash Flow Statement of **Bhandari Hosiery Exports Limited** for the year ended 31st March, 2010. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreement of the Bombay Stock Exchange Limited and is based on and is in agreement with the corresponding Profit & Loss Account and the Balance Sheet of the Company Covered by our report of even date of the Members of the Company.

For **Vipan Kumar Aggarwal & Co.**  
(Chartered Accountants)

Sd/-

**(Vipan Aggarwal)**  
Proprietor

Place : Ludhiana  
Dated : 13.08.2010

**BHANDARI HOSIERY EXPORTS LIMITED**

Regd. Office : Bhandari House, Village Meharban, Rahon Road, Ludhiana-141 007.

**PROXY FORM**

I/We .....  
of .....  
being a Member/Members of **BHANDARI HOSIERY EXPORTS LIMITED** hereby appoint .....  
..... of .....  
or failing him/her ..... of .....  
as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 17<sup>TH</sup> Annual General Meeting of the Company to be held on Monday , the 27<sup>TH</sup> day of September, 2010 at 9.00 A.M. at the Registered Office of the Company or at any adjournment thereof.

**for OFFICE USE ONLY**

Proxy No. : .....

Folio No. : .....

\* DP ID .....

\* Client ID .....

No. of Shares : .....

Signature

Affix  
Re. 1/-  
Revenue  
Stamp

**Notes :**

- (a) The form should be signed across the revenue stamp as per specimen signature.
- (b) The Proxy form duly completed must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the aforesaid meeting.
- \* Applicable for investors holding shares in electronic form.

**BHANDARI HOSIERY EXPORTS LIMITED**

Regd. Office : Bhandari House, Village Meharban, Rahon Road, Ludhiana-141 007.

**ATTENDANCE SLIP**

(ATTENDANCE SLIP to be filled in and handed over at the entrance of the meeting hall)

Full Name of the attending member .....

Regd. Folio No. ....

\* DP ID ..... \* Client ID .....

No. of Shares held .....

Full Name of Proxy (In BLOCK LETTERS) .....  
(If attended by Proxy)

SIGNATURE OF THE MEMBER (S) OR PROXY/PROXIES PRESENT .....

I hereby record my presence at the **SEVENTEENTH ANNUAL GENERAL MEETING** held on Monday, the 27<sup>TH</sup> day of September, 2010 at 9.00 A.M. at the Registered Office of the Company

\* Applicable for investors holding shares in electronic form.

# Bhandari Hosiery

INNER AND OUTER VIEWS OF "BHANDARI HOSIERY"  
SHOWROOMS/ RETAIL OUTLETS







**Bhandari Hosiery Exports Limited**  
(A W.R.A.P., BSCI and C-TPAT Certified Company)

## INNER VIEW OF RETAIL OUTLETS AND SHOWROOMS



**BOOK POST**  
(PRINTED MATTER)

If Undelivered Please Return to:  
**BHANDARI HOSIERY EXPORTS LIMITED**  
Regd. Office: Bhandari House, Village Meharban,  
Rahon Road, Ludhiana- 141007 (Punjab)

SEP 2 2008