Celebrity Fashions Limited

22nd

ANNUAL REPORT 2010-2011

Contents

REGISTERED OFFICE & CORPORATE OFFICE
SDF –IV & C2, 3rd Main Road,
MEPZ – SEZ, Tambaram, Chennai – 600 045

BANKERS
State Bank of India, Chennai – 600 001
HDFC Bank Limited, Chennai – 600 002

STATUTORY AUDITORS
M/s. Anil Nair & Associates,
Egmore, Chennai – 600 008.

M/s. CNGSN & ASSOCIATES
T. Nagar, Chennai – 600 017.

INTERNAL AUDITORS
M/s R. Venkatakrishnan & Associates,
R.A.Puram, Chennai – 600 028.

BOARD OF DIRECTORS
Mr. V. Rajagopal, Chairman

Mr. S. Surya Narayanan, Managing Director

Mrs. Rama Rajagopal

Mr. N.K. Ranganath

Mrs. Nidhi Reddy

FINANCE & SECRETARIAL
Mrs.L. Visalakshi, DGM - Finance & Accounts

Ms.K. Ramya, Company Secretary

MANUFACTURING FACILITIES
No. 72/1, Senneerkuppam Village
Poonamallee High Road
Narayanapuram, Pallikaranai,
Poonamallee, Chennai 600 054.

SDF – IV, 3rd Main Road,
MEPZ – SEZ, Tambaram,
Chennai – 600 045.

No. 70/2 & 3A, Selaiyur Agaram Road,
Thiruvanchery, Chennai 600 073.

No. 208, Velachery Tambaram Road,
Narayanapuram, Pallikaranai, Chennai – 601 100.

Warehouse
No. 208, Velachery Tambaram Road,
Chennai 601 100.

Washing Plant
No. 70/2 & 3A, Selaiyur Agaram Road,
Thiruvanchery, Chennai 600 073.

SDF – IV, 3rd Main Road,
MEPZ – SEZ, Tambaram, Chennai – 600 045

NOTICE CONVENING THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Second Annual General Meeting of Celebrity Fashions Limited will be held on 28th September, 2011 the Wednesday at 10.30 A.M. at the Registered Office of the Company, situated at SDF-IV & C2, 3rd Main Road, MEPZ-SEZ, Tambaram, Chennai 600 045 to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Profit and Loss account for the year ended 31st March, 2011 and the Balance Sheet as on that date together with the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. N.K.Ranganath, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mrs.Nidhi Reddy, who retires by rotation and being eligible offers herself for reappointment.
4. To appoint M/s. Anil Nair & Associates, Chartered Accountants, Chennai and M/s. CNGSN & Associates, Chartered Accountants, Chennai as Joint Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

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

   RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310, 311 and schedule XIII and all other applicable provisions, if any, of the Companies Act 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and such other approvals, permissions and sanctions, as may be required, and the Company hereby accords its approval to the appointment of Mr. S. Surya Narayanan as the Managing Director of the Company for a period of five years effective from 29th March, 2011 to 28th March, 2016 (both days inclusive).

   RESOLVED FURTHER THAT the consent of the members be and is hereby accorded for the payment of remuneration as set out in the explanatory statement annexed hereto and forming part of this Notice, to Mr. S. Surya Narayanan, Managing Director of the company for the period from 29th March, 2011 to 28th March, 2016 (both days inclusive).

   RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to fix and vary remuneration and perquisites including monetary value thereof to the extent the Board of Directors may consider appropriate and as may be considered and permitted or authorized in accordance with the provisions of the Companies Act, 1956 for the time being in force and any statutory modifications or reenactment thereof, and/or any rules or regulations framed thereunder.

Date : 11th August, 2011 **For and On behalf of the Board**

Place: Chennai

RAMYA. K
Company Secretary

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxies, in order to be effective must be received at the company's Registered Office not less than 48 hours before the meeting. Proxies submitted on behalf of Companies, Societies and Partnership firms etc must be supported by appropriate resolution/authority as applicable issued on behalf of the nominating organization.
2. The Register of members and transfer books of the Company will be closed from Saturday, the 24th September, 2011 to Wednesday the 28th September, 2011 (both days inclusive).
3. In terms of Clause 49 of the Listing Agreement entered with Stock Exchanges, a brief resume of the directors proposed to be reappointed in this meeting, nature of expertise in specific functional areas, their other directorship, committee membership and their Shareholdings in the Company are annexed to this notice.
4. **IMPORTANT SHAREHOLDER COMMUNICATION:**

   The Ministry of Corporate Affairs (MCA), Government of India has taken a "Green Initiative in Corporate Governance." by allowing paperless compliance by the Companies through its recent Circular Nos, 17/2011 and 18/2011, dated April 21 and 29, 2011 respectively, allowing companies to send various official documents to their shareholders electronically. Your Company recognizes the spirit of this MCA circular and it is proposed to henceforth send all documents and communications such as, Notice convening the General Meetings, Financial Statements, Directors' Report, Auditors' Report etc to the email addresses provided by you with your depository. It is encouraged that the members support this green initiative and update their email address with their depository participant to ensure that all communications sent by the company are received on the desired email address.

It is intended to send all shareholder communication including financial statements and annual reports in electronic form. In addition, the full text of the reports and documents will also be made available on the Company's website: www.celebritygroup.com in the investor section.

The electronic communication will be sent to your email addresses provided to us by your Depository Participant (DP). However, as per the records shared by the Depositories, your email address has not been registered and to enable us to implement the said initiative. We request you to please register/update your email address with your DP at the earliest.

5. **Sale of Fractional Shares of Indian Terrain Fashions Limited and Disbursement of Proceeds**

   Indian Terrain Fashions Limited having 4760 fully paid up Equity Shares of Rs. 10/- each, representing total fractional Shares on account of Demerger, which were allotted to the trustee on behalf of shareholders, were sold on April 01, 2011 at the rate of Rs. 65.62 each. Every Shareholder of the Company would be issued 2 shares of ITFL for every 7 Shares held in CFL. The Company has dispatched fractional warrants to the respective shareholders accordingly.

ANNEXURE TO THE NOTICE CONVENING THE ANNUAL GENERAL MEETING

Additional information on directors seeking re-election at the Annual General Meeting

Mr.N.K.Ranganath

Profile and expertise in specific functional areas

Born on 13th March 1956, Mr. N.K.Ranganath is a mechanical engineer and holds a post graduate degree in Business Management from XLRI.

Mr. N.K.Ranganath is Managing Director of M/s. Grundfos Pumps India Private Limited. He had acquired valuable knowledge, experience and expertise in sales, marketing, finance, production and human resources disciplines.

He was inducted as a director by the Board on 6th September 2005. He does not hold any share in the Company.

Mrs.Nidhi Reddy

Profile and expertise in specific functional areas

Born on 13th April 1956, Mrs. Nidhi Reddy holds a Master degree in Economics from Delhi School of Economics and a Post Graduate diploma in Personnel Management and Industrial relations from XLRI.

Mrs. Nidhi Reddy is the sole proprietor of Nidhi Reddy Consultants. She specializes in the field of human resource management, behavioral training and recruitment

She was co-opted as a director by the Board on 6th September 2005. She is not a director of any other company and does not hold any share in the Company.

ANNEXURE TO THE NOTICE

Explanatory Statement pursuant to section173(2) of the Companies Act 1956

Item No.5

The Board of Directors of the Company at their meeting held on 29th March, 2011 have appointed Mr. S. Surya Narayanan as Managing Director of the Company for a period of five years effective from 29th March, 2011 to 28th March, 2016. The remuneration committee of the Board of Directors had approved in its meeting held on 29th March, 2011 by its resolution the terms of the remuneration payable to Mr. S. Surya Narayanan and the same was in accordance with and within the ceiling of maximum remuneration permitted under Section II (1) (A) of Part II of Schedule XIII to the Act. The terms of appointment and disclosures pursuant to clause 49 of the listing agreement are given below:

i) Tenure

For a period of 5 years with effect from 29th March, 2011 to 28th March, 2016.

ii) Salary

Basic salary Rs.2,00,000/- per month.

iii) Medical Benefits

Suitable Mediclaim policy for hospitalization for himself and family. Reimbursement of all actual medical expenses for himself and family to the extent not reimbursed under Mediclaim Policy

iv) Telephone

Telephone, Telefax and other communication facilities at residence at Company's cost.

v) Automobile

He shall be entitled to a fully maintained Company car for company's business.

vi) Reimbursement of expenses

He shall be entitled to the reimbursement of all actual expenses or charges, including travel, entertainment and other out of pocket expenses incurred by him for and on behalf of the Company, in furtherance of its business and objects.

vii) Sitting Fees

He will not be entitled to any sitting fees for attending the meetings of the Board or of any committee thereof.

Disclosure as per Clause 49 of the Listing Agreement

(a) Profile of Mr. S. Surya Narayanan

Mr. S. Surya Narayanan aged 46 is a Bachelor degree in Commerce from Madras University and is a Chartered Accountant. He is a Fellow Member of the Institute of Chartered Accountant of India. He has over 20 years of experience in finance and accounting. He started his career with Harita Finance Limited (TVS Group) and worked in Finance and marketing for a period of eight years. He joined Celebrity Fashions Limited in 1996 as General Manager – Finance and was promoted as vice president – Finance in 2000. In the year 2001, he was inducted into the Board of Director. In the year 2004, Mr. Surya Narayanan was elevated to the position of Executive Director with the core responsibility of finance, accounts, commercial systems and administration. He was a key member in launching Men's wear brand "Indian Terrain" in the domestic market in the year 2000.

(b) Expertise in specific functional areas

Managerial, Financial, Accounting, Commercial, Systems and Administration.

(c) Directorships of other Companies and the membership of Committees of the Board

Mr. S. Surya Narayanan is the director of the following companies:

Indian Terrain Fashions Limited : Director

Rocky Marketing (Chennai) Private Limited : Chairman

Membership of the Committees of the Board

Shareholders/Investors Grievance Committee : Member

Audit Committee : Member

Mr. S. Surya Narayanan holds 1,11,309 equity shares in the company.

None of the Directors except Mr. S. Surya Narayanan is interested or concerned in the proposed resolution.

Date : 11th August, 2011

For and on behalf of the Board

Place : Chennai

RAMYA. K

Company Secretary

Abstract of the terms of appointment and remuneration of Mr. S. Surya Narayanan as Managing Director (Pursuant to Section 302 of the Companies Act, 1956)

1	Tenure	29th March, 2011 to 28th March, 2016.
2	Salary	Rs. 2,00,000/- Per Month.
3	Medical Benefits	Reimbursement of all actual medical expenses for himself and family to the extent not reimbursed under Mediclaim Policy.
4	Telephone	Telephone, telefax and other communication facilities at residence at Company's cost.
5	Automobile	He shall be entitled to a fully maintained company car for company's business.
6	Reimbursement of expenses	He shall be entitled to the reimbursement of all actual expenses or charges, including travel, entertainment and other out of pocket expenses incurred by him for and on behalf of the Company, in furtherance of its business and objects
7	Sitting Fees	He will not be entitled to any sitting fees for attending the meetings of the Board or of any Committee thereof.
8	Power to vary	The Board shall have power to vary or enhance the remuneration from time to time at its discretion on the recommendation of the Remuneration Committee within the limits specified in Schedule XIII to the Companies Act, 1956.

Place: Chennai

For Celebrity Fashions Limited

Date: 11th August, 2011

RAMYA.K

Company Secretary

Directors Report

Dear Shareholders,

Your Directors hereby present the 22nd Annual Report along with the Audited Statement of the Company for the year ended 31st March 2011.

Overview

The global recovery is gaining strength, but unemployment remains high in advanced economies and new macro-economic risks are building in emerging market economies. Financial conditions continue to improve, although they remain unusually fragile. In many emerging economies, demand is robust and overheating is a growing policy concern.

India has never faced as worst situation as the western economies have faced. It was just an experience of slower export, bad liquidity condition which hampered the developing economy to keep on the spectacular growth.

The Indian economy witnessed a robust growth rate of 8.6% in 2010-11.

Exports grew by 37.5% (fastest growth since independence) and totaled US $246 bn. Imports also showed an increase of 21.2% and totaled US $ 350 bn. Strong export growth performance in the second half of the financial year has helped bring the trade deficit down to more manageable levels.

In 2010-11, India' trade deficit was of the order of US $ 104 bn. Commerce and Trade Ministry is now confident that the export target of US $ 450 bn. by 2013-14 will be met.

Further, textile and leather exports would be at advantage of the shift in Chinese policy towards boosting domestic consumption.

In China's Twelfth plan, exports do not hold the same place. Besides, the Chinese will be vacating spectrum like textiles and leather. This provides a bigger opportunity for India. Indian products would be more competitive as wage increase in China, as a result of its departure from its three-decade-old policy of export oriented growth. Under its new plan, China is aiming for 13% annual growth in wages in its bid to boost domestic consumption. It has also signaled its intention to put more emphasis on high-end capital intensive exports.

But concerns remain on increase in cotton prices and inflation trends. Further, the movement of Indian Government on lifting curbs on cotton yarn exports has added to the worries of Indian Textile industry.

Also, there is quite an amount of fluctuation expected in Indian Currency against the US Dollar. The rupee which started the financial year at an average of Rs.44.44 touched a high of Rs.46.76 during July 2010 and ended the financial year at an average of Rs.44.91.

The future of the garment industry in India does not look bleak; on the contrary it is quite promising. At present, India is being considered as the next pioneer country in the ready made garments export business.

Business Restructuring

The Company was operating with two divisions – Exports and Domestic. Exports Division was further sub-divided into Tops and Bottoms Division and the Domestic Division was operating under the brand name, Indian Terrain. The Domestic Division and Bottoms Division cater to different markets / products. The company sensing the need to manage them as independent entities for enhancement of their capabilities and to have greater focus on their operations, decided to hive-off the divisions. Further, the hive-off would provide greater flexibility to the entities, to meet the needs for carrying out its operations. The hived-off divisions will realize true values when separated and also will maximize their returns and efficiency.

This scheme would facilitate the entities involved, to explore new avenues and would enhance the future growth prospects for the people and organizations connected with them. The restructuring activities under the scheme would unlock shareholders value and create long term value for all the stakeholders. Also, it would enable easy entrant of Strategic / Financial Investor into the Companies.

The Company accordingly filed a scheme of arrangement with the Hon'ble High Court of Madras for the demerger of Indian Terrain Division into Indian Terrain Fashions Limited (ITFL) and transfer of Bottoms Division on a going concern basis to Celebrity Clothing Limited (CCL), a 100% subsidiary, through slump sale.

Further, the Company also envisaged write off the accumulated losses against the existing reserves. The Scheme of Arrangement is under Section 391 to 394 read with Section 78 and Section 100 to 103 of the Companies Act. The Appointed date was on 1st April 2010.

The Honorable High Court of Madras, vide its order dated 16th August 2010 sanctioned the Scheme of Arrangement except to the extent of transfer of Bottoms Division into Celebrity Clothing Limited through slump sale. The Order became effective 3rd September 2010.

As per the Scheme, two shares of Indian Terrain Fashions Limited would be issued to shareholders of Company as on the record dated of 27th October 2010 for every seven shares held in the Company.

Accordingly, the assets and liabilities pertaining to the domestic division as on 1st April 2010 was transferred to Indian Terrain Fashions Limited and the excess of assets over liabilities relating to the Domestic Division has been adjusted against the existing reserves as per the provisions of the Scheme of Arrangement. Further the investment in Indian Terrain Fashions Limited existing prior to the date of demerger was cancelled and taken to Capital Reserve as per the provisions of the Scheme.

However the Company did not envisage transfer of Bottoms division to Celebrity Clothing Limited. One of the main objects to transfer was to facilitate easy entry of Strategic / Financial Investor. The same did not materialize and in the absence of the same having two different entities would only result in additional costs and administrative inconvenience.

Hence the Board of Directors of the Companies decided to withdraw the proposal of transfer of Bottoms Division and retained the same with the Company. The Honorable High Court of Madras, on submission of requisite affidavits by the Companies and pursuant to Clause 25 of the Scheme of Arrangement approved the modification to the Scheme of Arrangement.

Further, the Company has written off a portion of the Accumulated losses as on 31st March 2010 against the securities premium account and other reserves to the extent available as per the provisions of the Scheme.

The Company, in the Scheme, also proposed to fair value its immovable properties on 1st April 2010 and record the premiums under revaluation reserve. Though the Honorable High Court of Madras has sanctioned the fair valuation, the Company did not pursue the same.

The Company's networth was fully eroded as on 31st March 2010 under the provision of Sick Industrial Companies Act (SICA). Accordingly the Company filed a reference with the Board for Industrial and Financial Reconstruction (BIFR) under Section 15(1) of SICA. The reference was taken into consideration by BIFR and upon submissions made and material on record, BIFR has declared the Company as a Sick Industrial Company under section 3(1)(o) of SICA vide its order dated 19th April 2011. BIFR has given directions to the lenders and to the Company to submit a Rehabilitation Scheme as per Section 18 of SICA.

As at the year end, the accumulated losses of the Company have resulted in erosion of networth of the Company.

The Accounts of the Company have been prepared on the basis of 'going concern concept' despite negative networth as on 31st March 2011 in view of the various strategic initiatives that the Company is exploring and also considering the proposed Rehabilitation Scheme to be submitted to BIFR. The Management is confident of being able to continue and operate the business and bring positive results in future.

Financial Highlights – Rs. In Crs

	FY 2010-11	**FY 2009-10**
Income From operations	188.69	294.09
Gross Profit / (Loss) before interest and depreciation	3.54	8.37
Interest	14.29	18.98
Profit / (Loss) before depreciation and tax	(10.75)	(10.61)
Depreciation	8.76	9.94
Profit / (Loss) before Extra-Ordinary Income	(19.51)	(20.56)
Extra-Ordinary Income	-	8.33
Profit / (Loss) before tax	(19.51)	(12.23)
Provision for Taxation	-	-
Profit / (Loss) after tax	(19.51)	(12.23)
Balance brought forward from previous year	(134.63)	(122.40)
Less: Accumulated losses written off pursuant to Scheme of Arrangement	102.39	-
Balance carried to Balance Sheet	(51.75)	(134.63)

Consequent to the demerger of the Domestic Division of the Company, the financial statements of the Company for the year ending 31st March 2011 does not include the operations of the Domestic Division business and is therefore not strictly comparable with the figures of the previous year ended 31st March 2010.

Operational Highlights

The Company has recorded total revenues of Rs.189 crs with EBITDA at Rs.3.54 crs.

During the year under review the Company has taken certain bold initiatives by dropping some of the low margin customers. The first half of the year witnessed unutilized capacities on account of the same.

The Company from the second half of the financial year has started focusing on markets beyond US, mainly Europe which yielded significant margin improvements. Also, the Company dedicated a portion of its capacities to Domestic Business (on Jobwork Basis) which though does not add much to the Top line of the Business still yield good margins.

A complete rejig was made to the Business as a whole and the Company has now built a platform with a much experimented business mix and improved production efficiencies.

The Company has let out its property at Chrompet to one of the Hospitals from 1st April 2010 at a rental income of Rs.1.50 crs per annum. The rental income is being utilized to repay the bank borrowings.

The Company has sold one of its non-operational properties during the year under review. The sale has fetched a gain of Rs.6.81 crs.

Finance and Accounts

The company has incurred Loss for the year and hence there is no provision for Income Tax. The company has not accepted any deposits within the meaning of Section 58A and 58AA of the Companies Act 1956.

The Company is in receipt of Rs.2.34 crs as TUF Interest subsidy during April 2011. The Company will account the same on Cash basis during FY 2011-12.

Share Capital

State Bank of India, in its Sanction letter dated 23rd December 2008 has stipulated that the Promoters will have to bring in Rs.5 crs in phases as contribution towards equity. The promoters / directors have brought in their second tranche of Rs.3.08 crs during March 2010 and April 2010.

The Company has gone for a preferential allotment of 13,71,326 equity shares at Rs.22.46 per share to Celebrity Connections (wherein Mr. V. Rajagopal and Mrs. Rama Rajagopal, the promoter directors are partners), Mr. V. Rajagopal, Chairman of the Company and Mr. S. Surya Narayanan, Managing Director of the Company during August 2010. The allotment was approved by the Shareholders in the Extra-Ordinary General Meeting held in August 2010.

Further, pursuant to ESOP Scheme, the Company has allotted 20,000 equity shares on conversion of options exercised by employees.

Consequent to the above, the Share Capital of the Company has increased by Rs.1.39 crs.

Dividend

In view of the business loss for the year, no dividend is being recommended

Personnel

The Board wishes to place on record its appreciation to all the employees in the Company for their sustained efforts and contributions in the current Challenging Scenario. The Company has an excellent young energetic team

Directors

The Shareholders approved the re-appointment of Mr. V. Rajagopal as Managing Director of the Company with a monthly Remuneration of Rs.2,00,000/- (Rupees Two lakhs only) in accordance with the requirements of Schedule XIII of the Companies Act, 1956 in the Annual General Meeting held in September 2010. Mr. V. Rajagopal is also the Managing Director of Indian Terrain Fashions Limited (Demerged Entity).

Pursuant to the Demerger of the domestic division, from the Company, the Board of Directors felt the need for separate Managing Directors for greater focus on the operations of the two different companies. Hence the Board recommended and unanimously approved the appointment of Mr. S. Surya Narayanan as the Managing Director of the Company w.e.f 29th March 2011 and with a monthly remuneration of Rs.2,00,000/- (Rupees Two lakhs only) subject to the approval of the Shareholders in the ensuing Annual General Meeting.

Consequent to the appointment of Mr. S. Surya Narayanan as Managing Director of the Company, Mr. V. Rajagopal has resigned from the position of Managing Director of the Company with effect from 29th March 2011. Mr. V. Rajagopal continues to be the Chairman of the Company.

Pursuant to Section 255 of the Companies Act, 1956, Mr. N.K. Ranganath and Mrs. Nidhi Reddy, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Auditors

M/s Anil Nair & Associates, Chartered Accountants, Chennai and M/s CNGSN & Associates, Chartered Accountants, Chennai, the

Joint Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment.

Corporate Governance Report and Management Discussion and Analysis Statement

A report on Corporate Governance is attached to this Report as also a Management Discussion and Analysis statement.

Particulars as per Section 217 of the Companies Act, 1956

A) Pursuant to the requirement of Section 217 (2AA) of the Companies Act, 1956 and based on the representations received, your Directors hereby confirm that:

i. In the preparation of the Annual Accounts for the year ended 31st March 2011, the applicable Accounting Standards have been followed and there are no material departures;

ii. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;

iii. The Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. The Directors have prepared the Annual Accounts on a going concern basis.

B) During the year under review, there were no employees covered under the provisions of Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Amendment Rules, 2011.

C) The information pursuant to Section 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given below:

i. Conservation of Energy:

The operations of the Company are not energy-intensive. However, wherever possible, the Company strives to curtail the consumption of energy on a continuing basis.

ii. Technology absorption:

Not applicable.

iii. Foreign Exchange Earning and Outgo:

Total Foreign exchange earned (FOB Value)	Rs.16,972.07 lakhs
Total Foreign exchange outgo	Rs. 4,520.76 lakhs

Employee Stock Option Plan

The Company has granted Employee Stock Options under Plans ESOP Scheme 2005, ESOP 2007 and ESOP 2007 (2) and in accordance with SEBI ESOP Guidelines. As at the year end, there are no Options outstanding. The details of Options allotted / exercised / lapsed / surrendered forms part of the Notes to Accounts to the Financial Statements [Note II (10)].

Appreciation

The Directors are sincerely thankful to you – the esteemed shareholders, customers, business partners, financial / investment institutions and commercial banks for the faith reposed and valuable support provided by them in the Company and its Management. The Directors wish to place on record the co-operation extended and the solidarity shown by the employees in assisting the organization to control its losses and contributing for a good turnaround. The Directors thank the Banks, particularly State Bank of India for all their sustained support throughout the journey of the Company.

For and on Behalf of the Board

V. RAJAGOPAL

Chennai, 30th May 2011 Chairman

"GROUP COMING WITHIN THE DEFINITION OF GROUP AS DEFINED IN THE MONOPOLIES AND RESTRICTIVE TRADE PRACTICES ACT, 1969."

1. Mr.Venkatesh Rajagopal
2. Mrs.Rama Rajagopal
3. Mr.Suresh Rajagopal
4. Mr.K.A. Rajagopalan
5. Ms.Anjali Rajagopal
6. Mr.Vidyuth Rajagopal
7. Celebrity Connections (Partnership Firm)
8. Indian Terrain Fashions Limited
9. Celebrity Clothing Limited

The above disclosure has been made interalia for the purpose of Regulation 3(1)(e) of the Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

For Celebrity Fashions Limited

Date : 30th May 2011 S.Surya Narayanan
Place : Chennai Managing Director

Management Discussion and Analysis – 31st March 2011

This Management Discussion and Analysis Report is prepared in adherence to the spirit enunciated in the Code of Corporate Governance, approved by the Securities and Exchange Board of India and in compliance with the provisions of the Listing Agreement.

Global Overview

It's very much a case of déjà vu with 2010- 11 ending pretty much the way it started, with a rally in markets and a recovery in the world economy. That's not to say it's been an easy or enjoyable ride. 2010- 11 has been a real roller coaster. At the beginning of the year, it looked like we were in for a decent recovery and people began to anticipate interest rate rises and the central banks initiating exit strategies from their loose monetary policies.

But by the springtime, the euro crisis had erupted; the world economy showed signs of slowing down and any optimism soon faded. Talk began to move towards a double dip and what the authorities could do in terms of more stimulation. As we approach the end of the year, with more quantitative easing coming through, we're beginning to see the recovery pick up again and markets have revived.

Austerity is going to be the big theme of 2011-12, easily taking pole position as the main barrier to global growth. The focus will continue to be on the peripheral parts of Europe – Greece, Ireland, Spain and Portugal. In particular, the impact of needing to unwind some of the huge borrowing they've amassed over the last decade. This tightening of fiscal policy is going to be a headwind to global growth, but particularly in the UK and Euro zone where we expect to see a slowdown in economic activity. It's a key question as to whether they can withstand tightening of fiscal policy.

The exception to that austerity is in the US, where we're looking at an extension of tax cuts. There's very little debate there at the moment about fiscal tightening.

Going into 2011-12, the global recovery is expected to continue, but especially in the US, which has been boosted by strong profits and healthy balance sheets in the corporate sector. This should see increased capital expenditure and employment, raising growth in the world economy as confidence returns to US consumers. In emerging markets, an enviable fiscal position capable of increasing expenditure in infrastructure will continue to boost growth.

The global economy is projected to expand by 4.2 per cent this year, but rising oil and commodity prices and European debt crisis could hurt the overall recovery, according to Paris-based think-tank OECD (Organization for Economic Cooperation and Development). In contrast to advanced economies, emerging markets are forging ahead. China's output is projected to average just short of 10% in 2011-12, thanks to strong domestic demand. India's growth should regain its trend of around 8.5% from mid-year, while Brazil, Indonesia and South Africa will also continue strong. In the OECD areas, some emerging economies, such as Mexico, Turkey and Poland, are also contributing with higher rates of growth.

But emerging markets also face policy challenges of their own. For instance, inflationary pressures are appearing in Brazil, China and India, while India has to tackle its fiscal deficit. There is also a growing need for these countries to focus more spending on social goals, and on advancing the structural reform agenda.

Now let us look at the Indian garment sector.

US and Europe together account for about 65 percent of India's total garment exports. According to AEPC the garment exports' growth is expected to continue in 2011-12. India's garment industry serves as a source of livelihood for around seven million people, 50 percent of whom are employed in the export sector.

The 2010-11 fiscal saw garment exports move up by 4.4 percent to US$ 11.1 billion, over the previous fiscal. This increase in country's overall apparel exports can be attributed to soaring demand from the US and the European markets. In the post-recession period, the demand from these markets has increased and the positive trend expected to continue throughout the 2011-12 fiscal.

In the current fiscal, apparel exports are expected to touch US$ 14 billion, as sizeable orders are flowing in, not only from the traditional western markets, but also from new markets like Latin America.

The global economy recovery and improved markets were welcome signs in the second half of the period under review. Your Company continued to improve its growth in the Export market backed by aggressive marketing and production efficiencies with focused penetration in the key markets.

The Company has recorded total Revenues of Rs.189 crores for the year including other Operating Revenues as against Rs.214 crores recorded during the previous year.

Opportunities and Threats

The decision to allow export of an additional one million bales of cotton this year by the government has not gone down well with the garment exporters. The demands put up by the industry