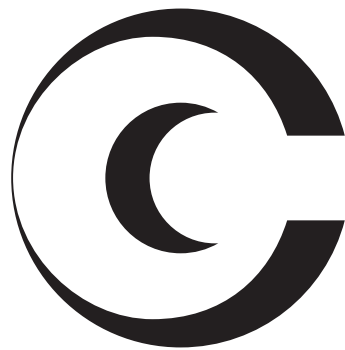


Celebrity Fashions Limited



23rd
ANNUAL REPORT 2011-2012

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| BOARD OF DIRECTORS Mr. V. Rajagopal, Chairman Mr. S. Surya Narayanan, Managing Director Mrs. Rama Rajagopal Mr. N.K. Ranganath Mrs. Nidhi Reddy | | |
| Company Secretary Ms. Ramya. K | | |
| Management Team Mr. Charath Narsimhan Mr. Selin Reubalin C. C Mrs. Pushpa R Mrs. Visalakshi. L Mr. A.M. Gopinath Mr. W. Charlie Manickarayan Mr. Sankaranarayanan. G Mr. Martin Premkumar. A Mr. Balaji. J | Chief Executive Officer VP - Operations GM – Merchandising GM – Finance & Accounts GM – Commercial GM – Human Resources GM – Sourcing GM - Technical DGM – Purchase | |

NOTICE CONVENING THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the Twenty Third Annual General Meeting of Celebrity Fashions Limited will be held on Monday the, 17th September, 2012 at 3.00 P.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, 2012 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.

Date : 09th August, 2012

Place: Chennai

For and On behalf of the Board

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 Monday, the 10th September, 2012 to Monday the 17th September, 2012 (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 21st and 29th April 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. 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.

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.

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.

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.

Date : 09th August, 2012

Place: Chennai

For and On behalf of the Board

RAMYA. K

Company Secretary

Directors' Report Dear Shareholders,

Your Directors hereby present the 23rd Annual Report along with the audited statements of the Company for the year ended 31st March 2012.

Overview

Countries are increasingly eliminating their trade barriers and international trade now truly spans the globe. Products and services

come from everywhere and go everywhere. This, as well as the liberalisation of large financial flows, makes countries very dependent on what happens in the international economy. India has some leeway to get reforms back on track with its long-term growth prospects firm, according to the resources.

India's textile and apparel exports may have missed the \$33-billion target in 2011-12 fiscal despite a weak rupee, as demand from biggest market Europe dwindled due to the sovereign debt crisis.

The country's apparel shipment inched up by just 1.5 per cent to 1.28 billion in February, the third worst monthly performance this fiscal, as the crisis in Europe intensified. Apparel exports between April and February, however, rose 19 per cent in dollar terms to \$12.14 billion due to an initial pick-up and a 16 per cent depreciation of the rupee against the dollar that made overseas despatches more remunerative. Apparel exports account for nearly half of the total shipments by the textile and garments industry.

The government expected the exports to rise in 2011-12 as demand seemed to have returned after the global financial turmoil in 2008, but the debt crisis in Europe erupted, jeopardising shipment prospects. EU and the US, the worst affected nations in the current debt crisis, together account for around 65% of India's textile exports.

The textile industry accounts for around 14 percent of industrial and more than 10 percent of the country's total exports. It is the largest jobs generator after agriculture, employing around 35 million people across various segments.

To prop up the cash-strapped textiles sector, the Industry has requested for the restructuring of loans as well as interest subsidy to the garments and knit-wear sectors grappling with the economic slowdown of their biggest export markets that forced a sudden plunge of product prices after two successive years of relentless rise in raw material costs.

With the Reserve Bank of India rejecting the proposal, the fortune of the Exporters is again reserved.

Financial Highlights – Rs. In Crs

| | FY 2011-12 | FY 2010-11 |
|--|------------|------------|
| Revenue From operations | 190.38 | 188.45 |
| Gross Profit / (Loss) before interest and depreciation | 9.85 | 3.31 |
| Interest | 16.36 | 14.06 |
| Profit / (Loss) before depreciation and tax | (6.51) | (10.75) |
| Depreciation | 7.16 | 8.76 |
| Profit / (Loss) before Extra-Ordinary Income | (13.67) | (19.51) |
| Extra-Ordinary Income | - | - |
| Profit / (Loss) before tax | (13.67) | (19.51) |
| Provision for Taxation | | |
| Profit / (Loss) after tax | (13.67) | (19.51) |
| Balance brought forward from previous year | (51.75) | (134.63) |
| Less: Accumulated losses written off pursuant to Scheme of Arrangement | - | 102.39 |
| Balance carried to Balance Sheet | (65.42) | (51.75) |

The Company's revenues stood at Rs.190 crs as against Rs.188 crs previous year. The operational margins have improved drastically despite of marginal increase in revenues mainly on account of various strategic initiatives undertaken by your company including adding of new premium clients, rejig of business mix both on geographical as well as on product lines, rationalization of capacities, tight cost control mechanisms and better deployment of resources.

Finance and Accounts

There is no provision for Income Tax, due to the loss incurred by the Company during the year. The Company has recognized Deferred Tax Asset in unabsorbed depreciation and accumulated losses to the extent of corresponding deferred tax liability on the difference between the book balance and written down value of fixed assets under Income Tax.

The Company has not accepted any deposits within the meaning of Section 58A and 58AA of the Companies Act 1956.

The Company was in receipt of interest subsidy of Rs.2.52 crs under Technology Upgradation Fund (TUF) Scheme during the year and the same has been deducted from Interest on Termloan in the Financial Statements.

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

The Term loan obligations and Interest Commitments have been met in full with respect to the State Bank of India in accordance with the Terms and Conditions of the Sanction letter. However the Company has defaulted in repayments of Term loans amounting to Rs.0.22 crs and Interest Commitments amounting to Rs.1.55 crs with respect to HDFC Bank's Borrowings. The Term loan repayment is pending since February 2012 while the interest commitment remains unpaid since January 2011.

The Company submitted its Draft Rehabilitation Proposal (DRS) to the Operating Agency, State Bank of India and is awaiting the sanction of the Second Re-structuring Package.

The Cut-off Date for the DRS is 31st March 2011 as per the Orders of BIFR and the Company has sought certain reliefs / concessions in Term loans / interest rates with the lenders.

The Accounts of the Company have been prepared on the basis of 'going concern concept' despite negative network as on 31st March 2012 in view of the various strategic initiatives that the Company is exploring and also considering the Rehabilitation Scheme submitted to Banks / BIFR. The Management is confident of being able to continue and operate the business and bring positive results in future.

Share Capital

There is no addition to the share capital during the year.

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 during these tough times.

Directors

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 reappointment.

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 reappointment.

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 2012, 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.181.35 crs |
| Total Foreign exchange outgo | Rs. 66.44 crs |

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
Chairman

Chennai, 15th May 2012

“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. Rajagopal
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 inter alia 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

S. Surya Narayanan
Managing Director

15th May 2012

Management Discussion and Analysis – 31st March 2012

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

After a number of difficult years, a recovery from the economic crisis is tentatively emerging, although it has been very unequally distributed: much of the developing world is still seeing relatively strong growth, despite some risk of overheating, while most advanced economies continue to experience sluggish recovery, persistent unemployment, and financial vulnerability, with no clear horizon for improvement. In addition, rising commodity prices are eroding the purchasing power of consumers and are likely to slow the pace of recovery. Such uncertainties are being exacerbated by growing concerns about the sustainability of public debt amidst the slow growth of some advanced economies. The damage that would be wrought by the first sovereign defaults among advanced economies since the 1940s is impossible to gauge, although the mere possibility of this eventuality has already hit investor confidence, put the very viability of the euro into question, and further undermined the US dollar's value and its place as the world's preferred reserve currency. Policymakers are struggling to find ways to manage the present economic challenges while preparing their economies to perform well in an increasingly complex global

landscape. Given the extensive and necessary short-term efforts related to addressing the most pressing fiscal concerns, it remains critical for countries to establish the fundamentals underpinning economic growth and development for the longer term.

Standard & Poor's cut India's outlook to negative from stable, citing its large fiscal deficit and expectations of only modest progress on reforms given political constraints, battering stocks, bonds and the rupee.

India's exports rose an annual 21 percent to \$303.7 billion for the fiscal year 2011/12, while imports rose 32.1 percent to \$488.6 billion.

The data shows India has beaten its target of about 20 percent exports growth set by the government, despite a slowdown in the major export destinations such as the United States and Europe.

But the country's high trade deficit could worsen its current account balance and further weaken the rupee.

In the above background, we may discuss the current scenario of our garment industry.

The garment export sector has been undergoing a severe financial crisis for the last three years due to problems emerged in USA, Volatility in foreign currencies, increase in yarn prices, increasing bank interest rates, transportation cost, increase in wages and the top most adverse factor is recession in European Union.

The decline in demand from our markets of US and EU, due to recession have significantly affected the exporting units and in this situation, a maximum number of exporting units are underutilizing their capacity and certain units have even stopped their operations also. It is to be noted that most of the units are taking up and executing the orders, even after knowing that the loss would occur after executing the order, mainly to maintain a long term relationship with the buyers.

Although the period of April 2011 to March 2012, the dollar growth has been 17.95%, but the growth is only in value terms and not on the volume terms. The growth is also largely attributed to the exchange rate, which was Rs.44.99 in the previous year as against Rs.50.31 this year. The industry was able to remain in vital USA & EU markets due to 2% MLFPS. Since the situation in these two vital markets continues to be grim in the next year as well, the industry expects extension of 2% Market Linked Focus Product Scheme to garment exports to Russia, South Africa, Brazil, South Korea, Japan and Australia for the period 2012-13.

Opportunities and Threats

Our Strength

Our Strength lies in optimizing our efficiency to deliver improved business results to meet the customer satisfaction, commitment to quality and process execution and long standing client relationship.

Our weakness

We operate in highly competitive market. High dependence on Government reforms.

Risks and Concerns

Our revenues and expenses are difficult to predict and can vary significantly from period to period, which could cause decline in our performance.

The economic environment, pricing pressure and decreased capacity utilization rates could negatively impact our revenues and operating results.

Our revenues are highly dependant on clients primarily located in US & EU. An economic slowdown or other factors that affect the economic health of the US & EU may affect our business.

Our net income may get reduced if Government of India slashes the subsidies given. Changes in the policies of the Government of India or political instability could delay the further liberalization of Indian economy, which could impact our business prospects.

Our failure to complete the orders in agreed time frame may negatively affect our profitability. Our client contracts are often conditioned on our performance, which, if unsatisfactory, could result in lesser revenues.

Outlook

India continued to hold crucial position in global textile industry, owing to its advantages of adequate availability of raw materials, relatively lower conversion costs, skilled manpower and favourable demographics. Major textile production centers in Andhra Pradesh, Tamilnadu and some Northern states faced severe power shortages, adversely affecting output and profitability of the Companies.

Overall demand outlook for the textile industry for FY13 is expected to remain moderate; with volatile commodity prices and exchange rate being key challenges for the industry. Participants who are well placed in value chain and have control over their debt levels may witness improved performance. Prospect of cotton spinning units is expected to improve with decline in cotton prices leading to a revival in demand for cotton yarn and consequent increase in capacity utilization across the cotton textile value chain. However, with the US and EU accounting for more than 70 per cent of Indian apparel exports, the concerns over the economic health of these countries would put pressure on the Indian apparel exporters in the medium term. Man Made Fiber (MMF) industry is expected to grow at a moderate 5-6 per cent in the medium term. However, recent increase in input prices owing to the increase in crude oil prices and the stabilization of cotton prices may limit the envisaged growth prospects of the MMF industry.

Internal Control Systems and their Adequacy

The Company has developed adequate internal control system commensurate to its size and business to ensure that all assets are safeguarded and protected against any loss from unauthorized use or disposition and that all transactions are authorized, recorded and reported correctly. The internal audit reports are periodically reviewed by the Management together with the Audit Committee of the Board. The Company has a strong Management Information System as a part of Control Mechanism.

Risk Management

The Company is exposed to the following risks:

Foreign Exchange Risk

The Company's policy is to systematically hedge its long term foreign exchange risks as well as short term exposures in line with its hedging

policy. In addition to this, the company also has a natural hedge on the imports of the company which is almost 50% of its Exports.

Interest Rate Risk

The Interest rate regime has been continuously on the hike mode for the past several quarters. This is giving pressures on the Company's Interest Burden.

The Company's Banks have sanctioned a re-structuring package wherein the interest rates on term loans are at concessional levels. But the Banks reserves the right of recompense and the compensation will cover the entire amount of sacrifice and concessions in rates of interest of all facilities.

Apart from the above, the Company is also exposed to certain operating business risks in the form of government regulations and the same is taken care through regular monitoring and corrective mechanisms.

Financial Performance

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India.

The management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgment relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present our state of affairs and profits /(losses) for the year.

| Highlights | Rs. In Crores | |
|-------------------------------|---------------|-----------|
| | 2011-2012 | 2010-2011 |
| Income From operations | 191.77 | 188.50 |
| PBITD | 9.85 | 3.31 |
| Interest | 16.36 | 14.06 |
| PBDT | (6.51) | (10.75) |
| Depreciation | 7.16 | 8.76 |
| Profit/ (Loss) Before Tax | (13.67) | (19.51) |
| Provision for Taxation | - | - |
| Net Profit / (Loss) after Tax | (13.67) | (19.51) |

Your Company is proud to inform that the Company was awarded for "Outstanding Export Performance" for the year 2009-10 in the SEZ Category (Other than MSME Readymade Garments), for the fourth consecutive year.

Human Resources/Industrial Relations

Industrial relations have continued to be harmonious at all units throughout the year. No man-days were lost due to strike, lock out etc.

Measures for employees' safety, their welfare and development receives top priorities. The Company had over 4000 employees as on 31st March 2012.

Cautionary Statement

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities, laws and regulations. Actual results could materially differ from those expressed or implied. Important factors that could make a difference to the Company's operations include raw material availability and prices, global demand-supply conditions, changes in governmental regulations and tax structure, economic structure within India and the countries with which the Company has business contacts and other incidental factors.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members, Celebrity Fashions Limited

We have examined the compliance of conditions of Corporate Governance by Celebrity Fashions Limited for the year ended on 31st March 2012, as stipulated in clause 49 of the Listing Agreement of the said company with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the condition of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

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.

Dated: 15th May, 2012

FOR CNGSN & ASSOCIATES

Place: Chennai

Chartered Accountants

F.R.No.004915S

C.N. Gangadaran

Partner

Memb.No.11205

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Code of Corporate Governance

INTRODUCTION:

Corporate governance of the Company is a Value-based Framework to manage in a fair and transparent manner. As a responsible corporation, we use this framework to maintain accountability in all our affairs, and employ democratic and open processes. We have evolved guidelines and best practices over the years to ensure timely and accurate disclosure of information regarding our financials, performance, leadership and governance of the Company.

1. BOARD COMPOSITION

The current policy is to have an appropriate mix of executive and independent directors to maintain the independence of the Board, and to separate its functions of governance and management.

Currently, the Board comprises of 5 directors of which 2 are Independent Directors (33.33% of the Board Strength) and 3 are Executive Directors. The number of independent directors on the Board is short by 1 (16.66% of the Board Strength), and the Company is in the process of filling up the position.

The Board of Directors of the Company met four times during the year on 30.05.2011, 11.08.2011, 08.11.2011 and 14.02.2012

SIZE AND COMPOSITION OF THE BOARD

| Name & Designation of the Director | No. of other Directorships held | No. of other Board Committees of which Member/Chairman/Chairperson | Board Meetings attended | Attendance at the last AGM |
|--|---------------------------------|--|-------------------------|----------------------------|
| Mr. V. Rajagopal (Chairman) | 2 | Nil | 4 | Yes |
| Mr. S. Surya Narayanan (Managing Director) | 3 | 2 (Member) | 4 | Yes |
| Mrs. Rama Rajagopal (Director) | 2 | Nil | 4 | No |
| Mr. N. K. Ranganath (Non – Executive) | 3 | 2 (Chairman) 1 (Member) | 4 | No |
| Mrs. Nidhi Reddy (Non- Executive) | 1 | 1 (Chairman) 2 (Member) | 2 | No |

NOTES:

- The Directorship held by the Directors, as mentioned above, includes the directorship held in private limited companies.
- Only membership of audit committee, shareholders / investors grievance committee and remuneration committee has been taken into consideration.

2. AUDIT COMMITTEE

During the year under review, 4 meetings of the Committee were held on 30.05.2011, 11.08.2011, 08.11.2011 and 14.02.2012. The composition of the Committee as on 31st March, 2012 as well as the particulars of attendance at the Committee during the year is given in the table below:

| Name & Designation | Category of Directorship | Qualification/ Competence | No. of meetings attended |
|----------------------------------|---------------------------|---------------------------|--------------------------|
| Mr. N. K. Ranganath (Chairman) | Independent Non-executive | B.E., PGDBA - XLRI | 4 |
| Mr. S. Surya Narayanan (Member) | Managing Director | B.COM, FCA | 4 |
| Mrs. Nidhi Reddy (Member) | Independent Non-executive | M.A., PGDPM - XLRI | 2 |

The Broad Terms of Reference are as under:

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement are true and fair.
- Recommending to the Board, the appointment, re-appointment of the statutory auditors, fixation of audit fees and fees for other services.
- Reviewing, with Management, the quarterly and annual financial statements before submission to the board for approval.
- Reviewing the adequacy of internal control systems and internal audit functions, including the structure of the internal audit department, staffing and seniority of the official heading the department.
- Compliance with listing and other legal requirements relating to financial statement.
- Management Discussion and Analysis of financial conditions and result of operations.
- In addition to the above, all items in clause 49 (II) (D) (Role of Audit Committee) of the Listing Agreement.

3. REMUNERATION AND COMPENSATION COMMITTEE

The Board has set up Remuneration and Compensation Committee with a role to determine the remuneration payable to whole time directors and key managerial personnel of the Company, to recommend to the Board the appointment / reappointment of the Executive / Non-executive directors, to grant stock options and for framing of policies to attract, motivate and retain personnel.

The Composition of the Committee is as follow:

| Sl. No | Name of the Member | Category |
|--------|-----------------------------|----------------------------|
| 1 | Mrs. Nidhi Reddy (Chairman) | Non – Independent Director |
| 2 | Mr. N.K. Ranganath (Member) | Non – Independent Director |

The Committee is short of one independent director due of resignation of Mr. P.S. Raman on 30.09.2010. The position will be filled in the due course.

The Terms of reference of the Committee are as follows:

- To evaluate and recommend the composition of the Board and sub committees thereof.
- Consider and recommend appointment of Independent Non-Executive Directors.
- Determining processes for evaluating the effectiveness of individual directors and the Board as a whole.
- Consider and recommend the appointment of Whole-time Directors and Managing Director(s) by whatever name called.
- Evolve the principles, criteria and basis of applicable remuneration policy and recommend the remuneration for all Whole-time Directors and Managing Directors by whatever name called.
- Recommend and monitor the level and structure of pay for senior management i.e., managers immediately below the Board of Directors.

During the year Remuneration Committee Meeting was held on 01st April, 2011.

Remuneration Policy

The Company while deciding the remuneration package of the senior management members takes into consideration the following items:

- Employment scenario
- Remuneration package of the industry and
- Remuneration package of the managerial talent of other industries

The annual variable pay of senior managers is linked to the performance of the Company is general and their individual performance for the relevant year measured against specific key Result Areas, which are aligned to the Company's objectives.

Remuneration to Directors

The remuneration of the Non-Executive Directors of the Company is decided by the Board of Directors. The Non-Executive Directors are paid remuneration by way of Sitting Fees.

The Company did not have any pecuniary relationship or transactions with the Non-executive Directors during the financial year 2011-2012

The Company pays sitting fees of Rs. 2500/- per meeting to the Non-Executive Directors for attending the meeting of the Board and Rs. 1500/- for other committee meeting thereof which is within the limits.

During the financial year 2011-12, the sitting fee paid to Non - Executive Directors were as under:

| Name of the Director | Sitting Fees (includes the fees paid for Committee Meetings) Rs. |
|----------------------|--|
| Mr. N.K.Ranganath | 16,000/- |
| Mrs. Nidhi Reddy | 8,000/- |

Managing Director and Executive Director

The Company pays remuneration to its Managing Director by way of salary, perquisites and allowances (a fixed component) and commission (a Variable component). Salary is paid within the overall limits approved by the members of the Company. The Board, on the recommendations of the Remuneration Committee, approves the annual increments (effective 1st April each year). Within the prescribed ceiling, the perquisite package is recommended by the Remuneration Committee to the Board.

| Name of the Director | Salary (Rs. in Lakhs) | Retirement Benefits | Total (Rs. in Lakhs) |
|---|-----------------------|---------------------|----------------------|
| Mr. S. Surya Narayanan Managing Director | 24.00 | Nil | 24.00 |

In addition to the above, the whole time directors shall be entitled to suitable mediclaim policy for hospitalization and reimbursement of all actual medical expenses for themselves and their family to the extent not reimbursed under Mediclaim policy. They shall be entitled to telephone, fax and other communication facilities at their residence at company's cost. They are entitled to a fully maintained company car for company's business and the company shall pay the cost of vehicle, inclusive of driver. They shall also be entitled to reimbursement of all actual expenses or charges, including travel, entertainment and other out of pocket expenses incurred by them for and on behalf of the Company, in furtherance of its business and objects.

Shareholders/Investors Grievance Committee

During the year there was no meeting held

Composition of the Committee

| Name of Director | Category |
|----------------------------------|---------------------------|
| Mr. N. K. Ranganath Chairman | Non- Independent Director |
| Mrs. Nidhi Reddy Member | Non- Independent Director |
| Mr. S. Surya Narayanan Member | Managing Director |

Terms of Reference:

To look into redressal of investors' complaints and requests such as transfer of shares/debentures, non-receipt of dividend, annual report, etc.

Based on the report received from the Company's Registrars, the number of Complaints received from shareholders comprises of correspondence identified as complaints i.e. letter received through statutory/regulatory bodies and letter pertaining to fraudulent encashment.

Status of investor Complaints as on March 31, 2012 and reported under clause 41 of the Listing Agreement are as under:

| | |
|--------------------------------|-------|
| Complaints as on April 1, 2011 | : Nil |
| Received During the Year | : Nil |
| Resolved during the Year | : Nil |
| Pending as on March 31, 2012 | : Nil |

The Committee oversees and reviews all matters connected with share transfers, issue of duplicate share certificates, etc. The Committee also looks into the redressal of investors' grievances pertaining to transfer of shares and dematerialization, non-receipt of balance sheet, non-receipt of declared dividends, etc.

Name, Designation and address of Compliance Officer

Ms. Ramya K
Company Secretary & Compliance officer
Celebrity Fashions Ltd
SDF-IV & C2 3rd Main Road,
MEPZ- SEZ, Tambaram, Chennai – 600045.

General Meetings

The details of the last three Annual General Meetings (AGMs) held were as under:

| Financial year | Day and Date | Time | Venue |
|----------------|---------------------------------------|--------------|--|
| 2010-11 | Wednesday, 28th September, 2011 | 10.30 A.M | Registered Office, SDF- IV & C 2,3rd Main Road, MEPZ - SEZ, Tambaram, Chennai 600 045. |
| 2009-10 | Friday, 24th September 2010 | 10.30 A.M | Registered Office, SDF- IV & C 2,3rd Main Road, MEPZ - SEZ, Tambaram, Chennai 600 045. |
| 2008 - 09 | Monday, 27th July 2009 | 10.30 A.M | Corporate Office, SDF- IV & C 2,3rd Main Road, MEPZ - SEZ, Tambaram, Chennai 600 045. |

No Extra-Ordinary General Meeting of the shareholders was held during the year

EGM held on 05.08.2010

Preferential allotment of Equity Shares to the Promoters, Mr. V. Rajagopal, and Mrs.Rama Rajagopal and Mr. Surya Narayanan Managing Director in accordance with SEBI (ICDR) guidelines.

AGM held on 28.09.2011

No Special resolution passed

AGM held on 24.09.2010

No Special resolution passed

AGM held on 27.07.09

Preferential allotment of Equity Shares to the Promoter, Mr. V. Rajagopal, Chairman and Managing Director in accordance with SEBI (DIP) guidelines

Disclosures:

1. The Board has received disclosures from key managerial personnel relating to material, financial and commercial transactions where they and/or their relatives have personal interest. There are no materially significant related party transactions which have potential conflict with the interest of the Company at large.
2. The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the Company by the stock exchanges, SEBI or other statutory authorities relating to the above.
3. The company has complied with all the mandatory requirements of the code of corporate governance prescribed by the stock exchanges. In compliance with non-mandatory requirements, the company has constituted a Remuneration and Compensation Committee.
4. The company has not adopted the whistle blower mechanism, as it is a non-mandatory requirement.

Reconciliation of Share Capital

A qualified practicing Chartered Accountant carried out a Share Capital audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital.

The Audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

Means of Communication
Quarterly/Half-yearly results

The quarterly/half-yearly results of the Company are published in the newspapers and posted on the website of the Company, and the same is communicated to the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE), where the shares of the Company are listed, as soon as they are approved and taken on record by the Board of Directors. The financial results are published in English Newspaper having all India Edition and in Tamil newspaper.

Management Discussion & Analysis Report:

The MD&A Report forms a part of the Directors' Report. All matters pertaining to industry structure and developments, opportunities and threats, segments/product wise performance, outlook, risks and concerns, internal control and systems, etc. are discussed in the said report.

Code of conduct

The Company has adopted a Code of Conduct for all board members and senior management of the Company. The Code has been communicated to the directors and the members of the Senior Management of the Company. The code has been displayed on the Company's website namely www.celebritygroup.com. All the members of the Board and senior management have confirmed compliance with the Code for the year ended, 31st March 2012. The annual report contains a declaration to this effect signed by the Chairman & Managing Director and Compliance Officer of the Code.

The Company has also framed a Code of Conduct for prevention of Insider Trading in compliance with SEBI (Prohibition of Insider Trading)

Regulations, 1992. This code is applicable to all directors/officers and designated employees of the company. The code regulates dealing in shares by the persons having access to the unpublished price sensitive information.

CEO/ CFO CERTIFICATION

CEO and CFO have given the certificate as given in Clause 49 of the Listing Agreement.

GENERAL SHAREHOLDERS INFORMATION
Financial Year

1st April to 31st March

Annual General Meeting and Date of Book Closure

The Corporate Governance Report was taken on record by the board in their meeting held on 15th May, 2012. The date and venue of the Annual General Meeting was not finalized in the Board meeting. Hence the details as to the Scheduled of Annual General Meeting and the dates of Book Closure have not been provided.

Listing on Stock Exchanges : The Company's Ordinary Shares are listed on the following Stock Exchanges:

- The Bombay Stock Exchange Limited, (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001
- The National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra-kurla complex, Bandra (E), Mumbai 400 051

The Company has paid the Annual Listing fees, for the financial year 2012-13

Stock Code:

The Bombay Stock Exchange Limited : "532695"

The National Stock Exchange of India Limited : "CELEBRITY"

Market Price data
(Share price in Rs.)

| Month | BSE | | | NSE | | |
|--------|-------|-------|--------|-------|-------|--------|
| | High | Low | Volume | High | Low | Volume |
| Apr-11 | 12.70 | 12.55 | 2133 | 12.95 | 12.50 | 5843 |
| May-11 | 9.90 | 8.80 | 2391 | 9.70 | 8.50 | 8589 |
| Jun-11 | 9.88 | 9.46 | 210 | 9.70 | 9.35 | 261 |
| Jul-11 | 9.35 | 8.77 | 681 | 9.25 | 8.65 | 1382 |
| Aug-11 | 6.95 | 6.65 | 2501 | 7.20 | 6.60 | 1611 |
| Sep-11 | 6.25 | 5.75 | 1846 | 6.15 | 5.60 | 1666 |
| Oct-11 | 6.00 | 5.40 | 9098 | 5.70 | 5.35 | 12407 |
| Nov-11 | 5.90 | 5.70 | 477 | 6.60 | 5.65 | 1904 |
| Dec-11 | 5.80 | 4.80 | 6334 | 5.60 | 5.15 | 5339 |
| Jan-12 | 5.92 | 5.61 | 1116 | 6.10 | 5.85 | 974 |
| Feb-12 | 6.24 | 5.75 | 1279 | 6.70 | 5.80 | 9310 |
| Mar-12 | 5.30 | 4.30 | 4620 | 5.30 | 4.85 | 4393 |