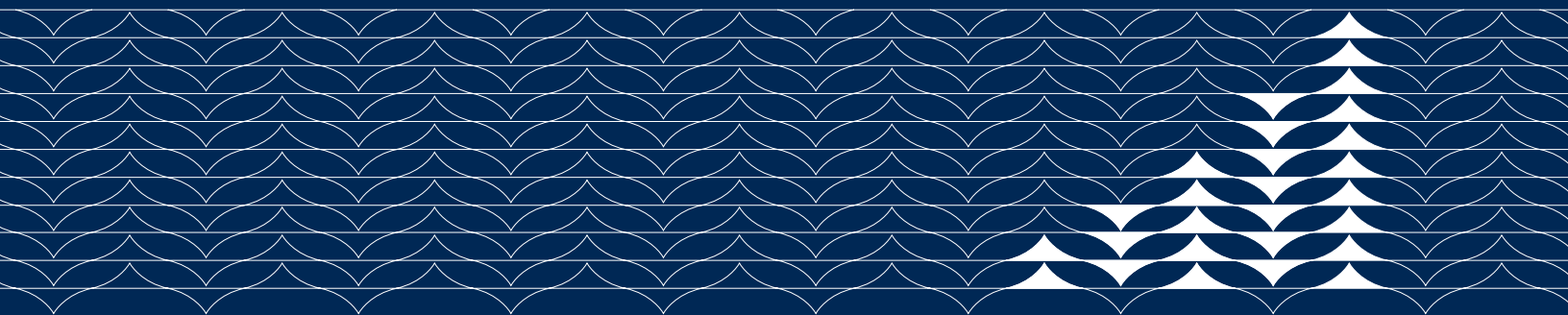


2013

ANNUAL REPORT



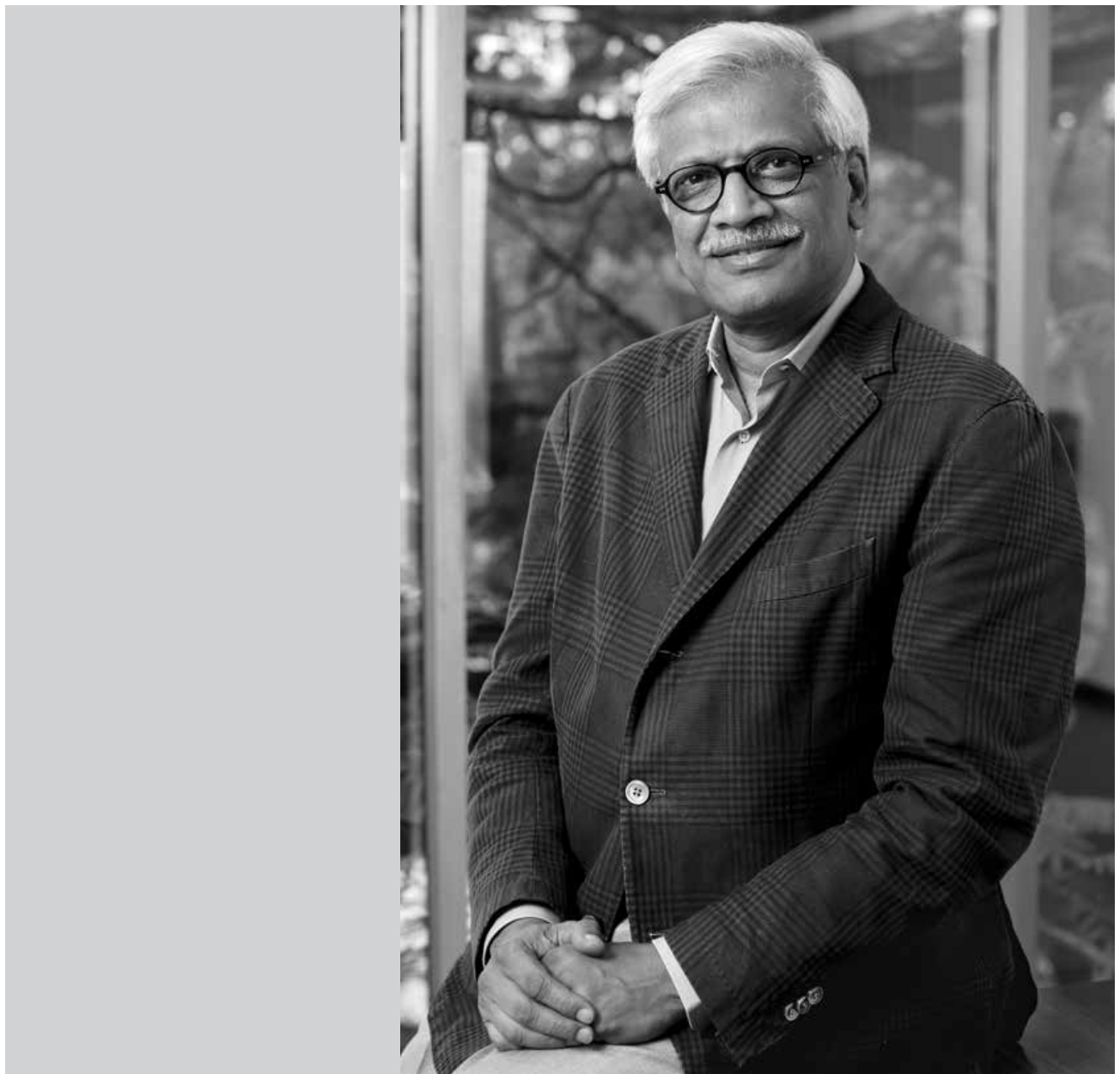
Himatsingka Seide

CONTENTS

02	Outlook: Managing Director
05	Corporate Information
06	Management Discussion & Analysis
12	Risk Management
14	Corporate Governance
26	Directors' Report
30	Annexures to Directors' Report
33	Certificate
34	Independent Auditors' Report – Standalone
36	Annexure to Auditors' Report – Standalone
38	Standalone Accounts
66	Independent Auditors' Report – Consolidated
68	Consolidated Accounts
91	Statement Regarding Subsidiary Companies
92	Financial Highlights – Consolidated

OUTLOOK

Dinesh Himatsingka - Managing Director



Dear Shareholders,

It gives me great pleasure to report that the Company continued to grow during fiscal '13. We witnessed strong organic growth across our manufacturing, retailing and distribution businesses.

We continue to pursue our philosophy of embracing operational excellence, adhering to best practices and thinking ahead in order to be a global leader in our industry. I am happy to see that we continue to take various initiatives that help us align with our philosophy.

Our initiatives have included the successful implementation of SAP ERP across all our manufacturing and retail locations in India. The new platform has significantly enhanced integration and cohesiveness between operational and financial verticals.

Our focus on providing a world class work environment for our employees continues. We have strived to ensure that our Human Resource practices are benchmarked to global standards. During fiscal '13, the Company received accolades and recognition at various fora in India and internationally - among them are the Asian CSR Leadership Award in the category of "Developing Sustainable Strategies" awarded by the Asian Confederation of Businesses and "Best of Breed HR Showcase Award" at the National Annual Conference of the NHRD - National Human Resource Development Network.

FINANCIAL HIGHLIGHTS

The consolidated financial performance for fiscal '13 was credible given the challenging and volatile economic environment globally. Consolidated revenues grew 18.6% to Rs. 1,698.41 crores as compared to Rs. 1,431.62 crores in the previous year. The relative stability in critical raw material inputs coupled with higher realizations and revenue growth helped our EBITDA to grow by 13% to Rs. 166.84 crores as compared to Rs. 147.62 crores in the previous year. Profit After Tax grew by 73.4% to Rs. 57.32 crores as compared to Rs. 33.06 crores in the previous year.

RETAIL AND DISTRIBUTION

During fiscal '13 the Company continued to consolidate its market presence in North America (United States, Canada and Mexico). Revenues from these geographies across brands and private label portfolios grew by 22.1%.

In India/Asia, the retail and distribution activities as represented by the Atmosphere brand saw revenue growth of 7.9%. This division which currently has 14 stores, has been focused on building its product portfolio and enhancing global reach through its e-commerce platform "atmospheredirect.com". The platform which offers the entire range of products including drapery, upholstery, bedding and other accessories

is available across 35 countries and will give the brand visibility over time.

In Europe however, our brand Bellora continues to witness serious headwinds given the economic circumstances in the European region. Revenues declined 23.7% during fiscal '13. Efforts are on to extend the brand's presence across new geographies including North America, the Middle East and China. We expect to see some positive results in the future.

MANUFACTURING

With a current installed capacity of 25 million meters per annum (m.m.p.a) across bedding, drapery and upholstery products, the Company saw satisfactory growth in overall manufacturing revenues. Revenues from manufacturing activities grew 10.82% to Rs. 727.55 crores during the fiscal as against Rs. 656.52 crores during the previous year. We remain focused on further enhancing our capacity utilization levels while optimizing our product mix and realisations.

FUTURE OUTLOOK

The Himatsingka model of being integrated across the value chain has given us an edge in our industry. We will stay focused on strengthening our manufacturing capabilities in the form of capacities, technologies, R&D skills and design and product development expertise.

On the retail and distribution front, we are focused on enhancing our share of global shelf space and building our portfolio of brands which currently include some of the most sought after names in home textiles. We are also committed to enhancing global reach, measured by the number of points of sale and markets that we cater to.

As I have shared in my earlier communications, the various initiatives that we have spoken about should aid in delivering stronger operating and financial performance, thereby driving shareholder value.

DIVIDEND FOR 2013

Your Company has always prided itself on its dividend paying record. In line with the encouraging financial performance this year, the Board of Directors has recommended a dividend of 20% to its Shareholders.

In conclusion, on behalf of our Board of Directors, I would like to thank our employees for their efforts and our Shareholders for reposing their trust in the Company. We look forward to your continued support as we forge ahead together.

Thank you.

Dinesh Himatsingka

Managing Director
Himatsingka Seide Limited

CORPORATE INFORMATION

Board of Directors

Dilip J. Thakkar
Chairman

A.K. Himatsingka
Vice Chairman

Dr. K.R.S. Murthy

Berjis M. Desai

A.K. Dasgupta

Rajiv Khaitan

Samuel Joseph Jebaraj
Nominee Director of
Export-Import Bank of India

D.K. Himatsingka
Managing Director

Aditya Himatsingka
Executive Director

Shrikant Himatsingka
Executive Director

Audit Committee

Dilip J. Thakkar – Chairman

Rajiv Khaitan – Member

Dr. K.R.S. Murthy – Member

Samuel Joseph Jebaraj – Member

Shareholders / Investors Grievance Committee

Rajiv Khaitan – Chairman

A.K. Himatsingka – Member

A.K. Dasgupta – Member

Investment Committee

D.K. Himatsingka – Member

A.K. Himatsingka – Member

Rajiv Khaitan – Member

Share Transfer Committee

A.K. Himatsingka – Member

D.K. Himatsingka – Member

Aditya Himatsingka – Member

Remuneration Committee

Rajiv Khaitan – Chairman

Dr. K.R.S. Murthy – Member

A.K. Dasgupta – Member

Risk Management Committee

Dr. K.R.S. Murthy – Member

Aditya Himatsingka – Member

Shrikant Himatsingka – Member

QIP Committee

Dr. K.R.S. Murthy – Member

D.K. Himatsingka – Member

Aditya Himatsingka – Member

Shrikant Himatsingka – Member

Senior Executives

David Greenstein
President & CEO
Himatsingka America Inc., U.S.A

Giuseppe Bellora
President
Giuseppe Bellora SpA

Pradeep K.P.
President – Finance & Group CFO

Vasudevan V
President – Manufacturing
Operations

Y. R. Wilson Maria Doss
President – Corporate HR (India)

Jayshree Poddar
Head of Design

Company Secretary

Ashok Sharma

Bankers

Canara Bank

Export-Import Bank of India

The Hongkong & Shanghai
Banking Corporation Ltd

ICICI Bank Ltd

Statutory Auditors

Deloitte Haskins & Sells

Registered Office

10/24, Kumara Krupa Road
High Grounds
Bangalore-560 001

Works

Drapery and Upholstery Unit:

23A KIADB Industrial Area
Veerapura Village
Doddaballapur Taluk
Bangalore District

Bed Linen Unit:

Plot No. 1, SEZ, Textile Specific
KIADB Industrial Area
Gorur Road
Hanumanthapura P O
Hassan-573201

MANAGEMENT DISCUSSION AND ANALYSIS

Global Textile Industry

The Global Textile & Apparel trade is estimated at USD 700 Billion and is an integral component of Global Trade.

Over the years, there has been a marked shift of textile manufacturing activities to the East, thus making developed economies major consumption centers for products manufactured in the Eastern Hemisphere. However, in addition to being major manufacturing hubs for the Global Textile Industry, emerging economies such as India and China have also become major markets for textile products. The growth being witnessed in major emerging market economies will give an impetus to the overall growth of Global Textile & Apparel trade through 2020.

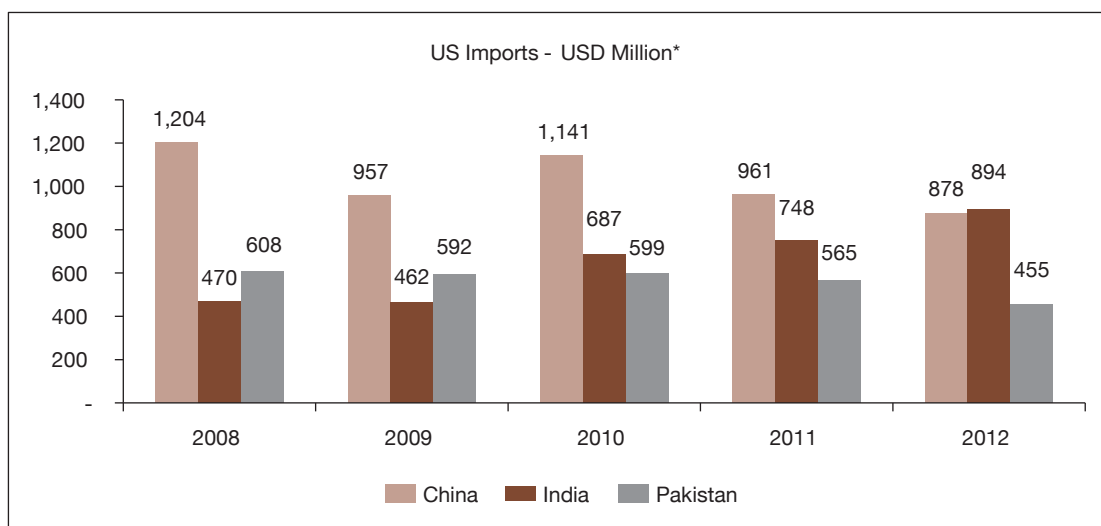
Global Home Textile Scenario

The USD 70 Billion (estimated) Global Home Textile market is about 10% of the Global Textile & Apparel trade and is estimated to be growing at a CAGR of 3 to 5%.

While the BRICS nations and other emerging economies are seeing heightened demand for Home textile products, given the disposable incomes, urbanization and increasing population, the United States continues to be the largest market for Home Textile products.

The size of the United States Home Textile market is estimated at USD 28 – 30 Billion. While Bedding and allied products account for close to 35% of this market, other categories such as Bath, Drapery, Upholstery and Decorative accessories including Kitchen products account for the rest. The mature and consolidated Home Textiles segment in the United States is dominated by major retailers. The top 50 retailers in context to their revenues from Home Textile products account for a throughput of approximately USD 23 Billion. (Source: *Home Textiles Today*)

The sourcing of Cotton Home Textile products for the large US market is predominantly from China, India and Pakistan, among other countries. India's share of US imports of Cotton based Home textile products has been on the rise. Import of Cotton Bedding (Sheets, Pillow Cases and Bed Spreads / Quilts) from India in particular has seen healthy organic growth compared to China and Pakistan.

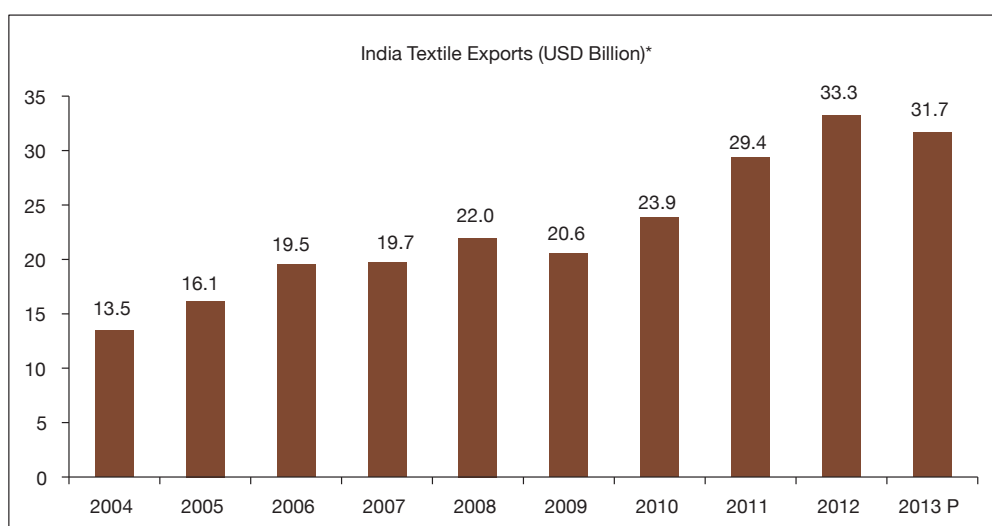


*(Source: OTEXA, Department of Commerce, United States of America)

Indian Textile Scenario

With a contribution of close to 4% of GDP, direct employment base of 45 million people and a close to 11% share of India's exports basket, the Indian Textile Industry is poised to play an important role in the economic development of the country.

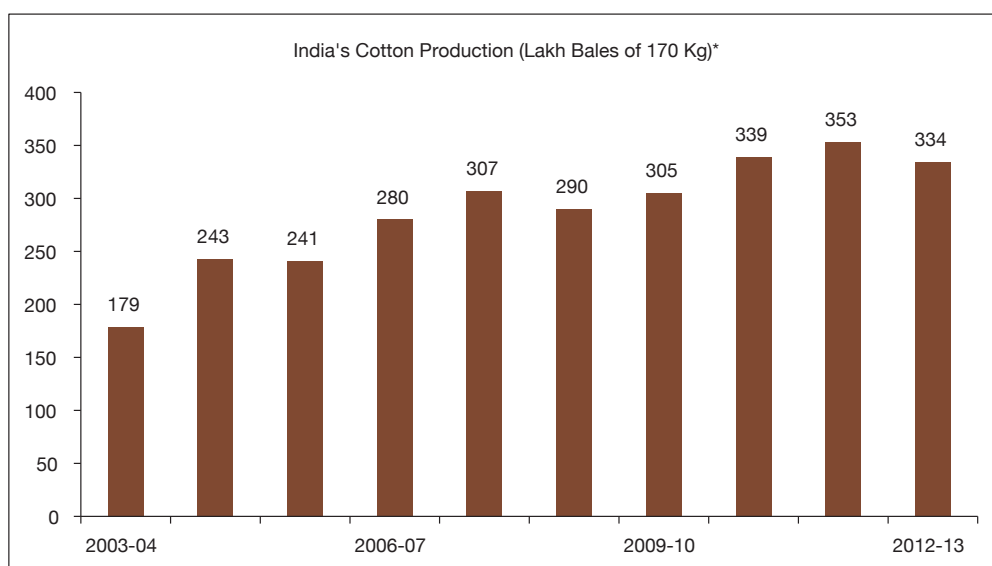
India's total apparel and textile industry (Domestic + Exports) for the year 2011 is estimated at USD 88 Billion. This is projected to grow to approximately USD 140 Billion by 2016 and to USD 220 Billion by 2021, driven by both the Domestic and Export segments. While Exports are likely to grow from approximately USD 29 Billion in 2011 to USD 82 Billion in 2021, the domestic industry is projected to grow from USD 58 Billion, to USD 141 Billion during the same period. (Source: *Technopak Report 2012*)



*(Source: Ministry of Textiles, Government of India)

The thrust on textile exports assumes importance given India's manufacturing capabilities, expertise and access to a vast raw material base.

On the raw material front, India is the second largest producer of cotton in the world. With over 11 million hectares under cultivation and yields of approximately 490 – 500 kgs per acre, the total output of cotton is close to 6 million tons per annum. (Source: Cotton Advisory Board, India). This represents close to 25% of Global Cotton production projected at 25.01 Million tons (Source: ICAC). The strong domestic cotton spinning industry, with an estimated installed spindleage of close to 50 million helps India to be a competitive source of cotton yarn. In addition to cotton yarn, India also has a strong raw material base in the man-made fiber space.



*(Source: Cotton Advisory Board, India)

Himatsingka Group – Operations Overview

Himatsingka Seide Limited (together with its subsidiaries, “the Group” or “the Company”) is a vertically integrated home textile Group that manufactures, retails and distributes bedding, bath, drapery and upholstery products. The Group operates two manufacturing facilities in India and retail and distribution businesses across North America, Europe and Asia.

On the retail and distribution front, North America (United States, Canada and Mexico) is the largest market for the Group. Revenues from North America stood at 84.6% of Consolidated Revenues of the Group. The Group has an extremely strong presence in the North American market through its subsidiaries DWI Holdings Inc. (DWI) and Divatex Home Fashion Inc. (DHF).

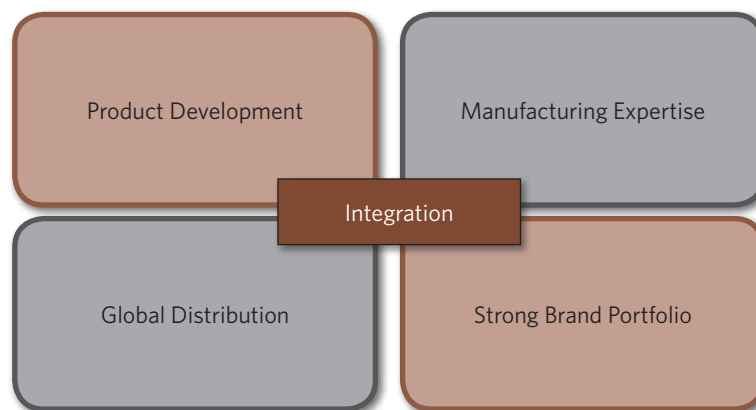
These subsidiaries cater to private label programs of major retailers and in addition to marketing their licensed and owned brands. The brand portfolio of the Group for the North American markets includes its owned brand Bellora and licensed brands Calvin Klein Home, Barbara Barry, Peacock Alley, Esprit and Waverly. The Group has amongst the strongest brand portfolios in the Home Textile space. The Calvin Klein Home brand is currently the second largest-selling bedding and bath brand sold through departmental stores in the United States.

The Group also has a strong presence in India and Europe through its Atmosphere and Bellora brands respectively. While in North America the Group is focused on servicing major retailers, in Europe and India/Asia, the Group operates exclusive stores for its brands. In addition, it reaches the end consumer through high end Multi Brand Outlets and Department stores.

With an installed capacity of 25 million meters, the Group is amongst the largest manufacturers of Bedding, Drapery and Upholstery products out of India. The manufacturing facilities are state-of-the-art and vertically integrated.

The Himatsingka Edge

The Himatsingka Group has continued to build on its vertically integrated model. During the Fiscal, the Group has invested in the four key areas it believes will strengthen its global leadership in the Home Textile industry.



- Our in-house design and product development capabilities are considered amongst the best in the world. With creative infrastructure across North America, Europe and India, the Group is equipped to churn out over 2000 new products annually.
- Our large capacities and state-of-the-art manufacturing facilities are equipped to handle over 20,000 SKUs in order to cater to the varying specifications of our global clientele.
- Through our international Retail and Distribution infrastructure, the Group services over 35 countries with the endeavor to expand its global reach.
- The strong portfolio of brands gives the Group an edge in tapping global shelf space to reach the end consumer. The retail fraternity and the end consumer are inclined to have marquee brands that enhance the shopping experience and drive potentially superior value propositions across markets.

Emerging Opportunities

With the growth in Global Textile & Apparel trade, several opportunities continue to emerge for the Group.

- The Group is seeing enhanced demand for its products and offerings in certain markets like North America and Australia driven by the positive economic environment that prevails in those geographies that in turn stimulates product demand.
- There is potential to tap new markets where the Group has negligible or no presence. With the current reach pegged at over 35 countries, there is scope to look at new markets where Home Textile product categories are seeing significant growth. This opportunity includes countries like India, China, Brazil among others.
- With the Group emerging to be a preferred vendor in several cases, there are opportunities to offer multiple product categories to clientele who are currently sourcing only a single category of product from the Group.
- We believe that the shift to the East in reference to manufacturing activities will continue, thereby positioning geographies like India to be desirable sourcing hubs catering to the growing global demand.

Internal control systems and their adequacy

The Company's internal control systems ensure proper safeguarding of assets, maintaining proper accounting records and reliable financial information.

An external independent firm carries out the internal audit of the Company's operations and reports its findings to the Audit Committee on a regular basis. Internal Audit also evaluates the functioning and quality of internal controls and provides assurance of its adequacy and effectiveness through periodic reporting.

The combination of policies and processes address the various risks associated with the Company's business. The Company periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

Risks, threats and concerns

The Company's risks, threats and concerns have been discussed comprehensively under the segment, Risk Management, later in this section.

Discussion on Consolidated Financial Performance

A summary of our financial performance for the year ended March 31, 2013 and 2012 is as follows:

Particulars	Rs. in lakhs		
	2012-13	2011-12	Change %
Total Revenue	169,841	143,162	18.6
Material Cost	110,059	90,755	21.3
As a % of revenue	64.8%	63.4%	2.2
Employee benefit expenses	17,183	15,007	14.5
Other expenses	25,916	22,638	14.5
EBITDA	16,684	14,762	13.0
Interest and finance charges	6,528	5,284	23.6
Depreciation	5,216	5,557	-6.1
Profit before exceptional items	4,940	3,921	26.0
Exceptional items	235	555	
Profit before tax	5,176	4,476	15.6
Profit after tax	5,732	3,306	73.4

Revenue analysis

Consolidated Revenue for the year increased by 18.6% to Rs. 169,841 lakhs.

• Manufacturing business

Revenues from the Bed Linen manufacturing business increased by 12.4%. The capacity utilization for the current year stood at 82%.

Revenues from the Drapery and Upholstery manufacturing business declined by 3.8%. The capacity utilization for the current year stood at 45%.

• Retail and Distribution business

Revenue from the distribution business in North America increased by 22.1%.

Revenue from the distribution business in Europe decreased by 23.7%.

Revenue from our 'atmosphere' brand increased by 7.9%.

Expenditure analysis

- Material costs stood at Rs. 110,059 lakhs during the year. Material costs as a percentage of revenue increased from 63.4% to 64.8% given the variance in product mix and the ratio of distribution revenue streams from North America as a percentage of Consolidated Revenues.
- Employee benefit expenses increased by 14.5% to Rs. 17,183 lakhs reflecting ordinary course inflation and increased manufacturing activities.
- Interest and finance charges increased by 23.6% to Rs. 6,528 lakhs due to foreign exchange translation impact on account of the rupee depreciation and additional borrowings during the year.
- Exceptional items include a gain of Rs. 356 lakhs on transactions against derivative contract and severance pay expenses of Rs. 121 lakhs.

Profitability analysis

- EBITDA increased by 13% to Rs. 16,684 lakhs. The EBITDA margins during the year were range bound and stood at 9.82%.
- The Consolidated Profit After Tax for the year increased by 73.4% to Rs. 5,732 lakhs.