

# **INDIAN TERRAIN FASHIONS LIMITED**



**2<sup>nd</sup>**  
**ANNUAL REPORT 2010-2011**

# Contents

|   | Page No   |
|---|-----------|
| <b>Board of Directors</b>                     | <b>2</b>  |
| <b>Notice Convening AGM</b>                   | <b>3</b>  |
| <b>Section 302 Notice</b>                     | <b>8</b>  |
| <b>Directors' Report</b>                      | <b>9</b>  |
| <b>Report on corporate Governance</b>         | <b>10</b> |
| <b>Management Discussion and Analysis</b>     | <b>15</b> |
| <b>Auditors' Report</b>                       | <b>16</b> |
| <b>Annexure to Auditors' Report</b>           | <b>17</b> |
| <b>Balance sheet</b>                          | <b>19</b> |
| <b>Profit &amp; Loss Account</b>              | <b>20</b> |
| <b>Schedules forming part of the accounts</b> | <b>21</b> |
| <b>Cash Flow Statement</b>                    | <b>29</b> |
| <b>Balance Sheet Abstract</b>                 | <b>30</b> |

## **Board of Directors**

Mr. V.Rajagopal, Chairman and Managing Director  
 Mrs.Rama Rajagopal, Executive Director  
 Mr. S. Surya Narayanan, Director & Chief Financial Officer  
 Mr. N.K. Ranganath, Independent Director  
 Mr. P.S. Raman, Independent Director  
 Mr. Harsh Bahadur, Independent Director

## **Company Secretary**

Mr. J. Manikandan

## **Management Team**

Mr. Charath Narsimhan, Chief Executive Officer  
 Mr. Amitabh Suri, Senior Vice-President-Marketing  
 Mr. John Dulip Kumar, Senior Vice-President –Merchandising

## **Registered Office:**

NO. 208, Velachery, Tambaram Road,  
 Narayanapuram, Pallikaranai,  
 Chennai-600 100

## **Corporate Office:**

SDF-IV & C2, 3rd Main Road,  
 MEPZ-SEZ, Tambaram,  
 Chennai-600 045

## **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

## **Banker**

State Bank of India  
 Chennai - 600 001  
 HDFC Bank Ltd, Chennai - 600 002

## **Warehouse**

114/2, Anna Salai Extension,  
 Nagalkeni Chrompet,  
 Chennai 600 044.



## NOTICE CONVENING THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 2nd Annual General Meeting of Indian Terrain Fashions Limited will be held on 30th September, 2011 the Friday, at 11.00 A.M. at the Corporate 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 Mr.P.S.Raman, who retires by rotation and being eligible offers himself 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. Appointment of Mr. N.K.Ranganath as a Director of the Company

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

“RESOLVED THAT Mr. N.K.Ranganath who was appointed by the Board of Directors as an Additional Director of the Company with effect from 20th September 2010 holds office up to the date of ensuing Annual General Meeting of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing from a member under Section 257 of the Act proposing his candidature for the Office of the Company, be and is hereby appointed as a Director of the Company”

#### 6. Appointment of Mr. P.S.Raman as a Director of the Company

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

“RESOLVED THAT Mr. P.S. Raman who was appointed by the Board of Directors as an Additional Director of the Company with effect from 20th September 2010 holds office upto the date of ensuing Annual General Meeting of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing from a member under Section 257 of the Act proposing his candidature for the Office of the Company, be and is hereby appointed as a Director of the Company”

#### 7. Appointment of Mr. S.Surya Narayanan as a Director of the Company

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

“RESOLVED THAT Mr. S. Surya Narayanan who was appointed by the Board of Directors as an Additional Director of the Company with effect from 29th March 2011 holds office upto the date of ensuing Annual General Meeting of the Company pursuant to the provisions

of Section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing from a member under Section 257 of the Act proposing his candidature for the Office of the Company, be and is hereby appointed as a Director of the Company”

#### 8. Appointment of Mr. Harsh Bahadur as a Director of the Company

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

“RESOLVED THAT Mr. Harsh Bahadur who was appointed by the Board of Directors as an Additional Director of the Company with effect from 27th June 2011 holds office up to the date of ensuing Annual General Meeting of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing from a member under Section 257 of the Act proposing his candidature for the Office of the Company, be and is hereby appointed as a Director of the Company”

#### 9. Appointment and Remuneration to Mr.V.Rajagopal, Chairman & Managing Director

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

RESOLVED that pursuant to the provisions of sections 198, 269, 309 and 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) read with Schedule XIII of the said Act, the company hereby accords its approval to the reappointment of Mr.V.Rajagopal as the Managing Director of the Company for a period of five years effective from 1st October, 2010 to 30th September, 2015 (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.

#### 10. Employee Stock Option Scheme:

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:-

“RESOLVED THAT pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as “SEBI ESOP Guidelines”), Foreign Exchange Management Act, 1999, the Listing Agreement entered into with the Stock Exchanges where the securities of the Company are listed and other relevant authorities, from time to time, to the extent applicable and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting



such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Compensation Committee which the Board may constitute to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the Company, whether working in India or out of India, including any Director of the Company, whether whole time or otherwise, options exercisable into such number of equity shares being not more than 20% of the Paid-up Equity Share Capital of the Company at any point of time, either directly and / or through a Trust, under one or more Employee Stock Option Schemes, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority.

RESOLVED FURTHER THAT in case of any corporate action (s) such as rights issues, bonus issues, subdivision of equity shares, consolidation of equity shares, merger and sale of division and others, for the purpose of making a fair and reasonable adjustment, the number of options to be granted and / or the exercise price payable under the Schemes shall be appropriately adjusted, without affecting any other rights or obligations under the Schemes.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot Equity shares upon exercise of options from time to time in accordance with the employee stock option Schemes and such Equity shares shall rank pari passu in all respects with the then existing Equity Shares of the Company.

RESOLVED FURTHER THAT the Board be and is hereby authorized to make modifications, changes, variations, alterations or revisions in the said schemes as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI ESOP Guidelines and any other applicable laws.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board acting on its own or through the Compensation Committee be and is hereby authorised to do all acts, matters, deeds and things and to take all steps and to do all things and give such directions as may be necessary, expedient, or desirable and also to settle any question or difficulties that may arise in such manner and the Board / Compensation Committee / such authorised person in its/ his absolute discretion may deem fit and take steps which are incidental and ancillary in this connection."

## **11.) Employee Stock Options equal to or exceeding 1% of the issued capital - Mr. Charat Narsimhan**

"RESOLVED THAT Mr.Charath Narsimhan, being the Chief Executive Officer of the Company be granted 5,00,000 Stock Options, which is 9% of the issued capital, that is 3,90,000 stock option under Growth Options and 1,10,000 Stock Option under Thank You Options of the Company as on the date of this resolution."

## **12.) Employee Stock Options equal to or exceeding 1% of the issued capital - Mr. Amitabh Suri**

"RESOLVED THAT Mr.Amitabh Suri, being the Senior Vice-

President-(Marketing) of the Company be granted 3,35,000 Stock Options, which is 6% of the issued capital, that is 2,80,000 stock options under Growth Options and 55,000 stock option under Thank You Options of the Company as on the date of this resolution."

## **13.) Employee Stock Options equal to or exceeding 1% of the issued capital - Mr. S.Surya Narayanan**

"RESOLVED THAT Mr.S.Surya Narayanan, being the Director and Chief Financial Officer of the Company be granted 2,25,000 Stock Options, which is 4% of the issued capital, that is 1,70,000 stock options under Growth options and 55,000 stock option under Thank You Options of the Company as on the date of this resolution."

## **14.) Employee Stock Options equal to or exceeding 1% of the issued capital - Mr. John Dulipkumar**

"RESOLVED THAT Mr. John Dulip Kumar, being the Senior Vice President (Merchandising) of the Company be granted 56,000 Stock Options, which is 1% of the issued capital, that is 46,000 stock options under Growth options and 10,000 stock option under Thank You Options of the Company as on the date of this resolution."

**Date: 11th August, 2011**

**Place: Chennai**

**For and On behalf of the Board**

**J.Manikandan**

**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 26th September, 2011 to Friday the 30th 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 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.

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.indianterrain.com](http://www.indianterrain.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 an average rate of Rs.65.62 each and dispatched fractional warrants or ECS credit to all eligible shareholders. As per the Scheme of Arrangement between Celebrity Fashions Limited and Indian Terrain Fashions Limited, every shareholder of Celebrity Fashions Limited was issued 2 shares of ITFL for every 7 shares held in CFL.

## **ANNEXURE TO THE NOTICE**

### **Explanatory Statement pursuant to Section 173 (2) of the Companies Act 1956**

#### **Item No.5**

#### **Mr.N.K.Ranganath**

##### *Profile and expertise in specific functional areas*

Mr. N.K.Ranganath was appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 20th September 2010. As per the provisions of Section 260 of the Companies Act, 1956 he holds office till the conclusion of the ensuing Annual General Meeting.

The Company had received a notice from a member under Section 257 of the Companies Act, 1956 proposing his appointment as a director.

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 20th September 2010. He does not hold any share in the Company.

#### **Item No.6**

#### **Mr. P.S.Raman**

##### **Profile and expertise in specific functional areas**

Mr. P.S.Raman was appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 20th September 2010. As per the provisions of Section 260 of the Companies Act, 1956 he holds office till the conclusion of the ensuing Annual General Meeting.

The Company had received a notice from a member under Section 257 of the Companies Act, 1956 proposing his appointment as a director.

Born on 7th November 1960, Mr.P.S.Raman holds bachelor degree in Commerce and Law. He is an advocate with more than twenty years of practice in Madras High Court and in the Supreme Court.

During the years of practice, he has gained valuable knowledge, experience and expertise in the field of law. He was co-opted as Director by the Board on 20th September 2010.

Mr. P.S.Raman is also a Director in Sundaram Brake Linings Limited and does not hold any share in the Company.

#### **Item No.7**

#### **Mr. S.Surya Narayanan**

##### **Profile and expertise in specific functional areas**

Mr. S.Surya Narayanan was appointed as an Additional Director of the Company by the Board of Directors at their Meeting held on 29th March 2011. As per the provisions of Section 260 of the Companies Act, 1956 he holds office till the conclusion of the ensuing Annual General Meeting.

The Company had received a notice from a member under Section 257 of the Companies Act, 1956 proposing his appointment as a director.

Born on 23rd February 1965, Mr. S.Surya Narayanan holds a Bachelor degree in Commerce from Madras University and is a Chartered Accountant. He is a Fellow member of Institute of Chartered Accountant of India. He holds 21 years of experience in Finance and Accounting.

Mr. Surya Narayanan is also a Managing Director in Celebrity Fashions Limited and holds 31,802 shares in the Company.

#### **Item No.8**

#### **Mr. Harsh Bahadur**

##### **Profile and expertise in specific functional areas**

Mr. Harsh Bahadur was appointed as an Additional Director of the Company by the Board of Directors vide the Circular Resolution dated 27th June 2011. As per the provisions of Section 260 of the Companies Act, 1956 he holds office till the conclusion of the ensuing Annual General Meeting.

The Company had received a notice from a member under Section 257 of the Companies Act, 1956 proposing his appointment as a director.

Born on 1st April 1955, Mr. Harsh Bahadur holds a Masters Degree in History from St.Stephen's College, Delhi University and hold MBA from Boston University.

He holds 31 years of experience in Retail, Branded FMCG and Music Industries.



## Item No.9

The Board of Directors of the Company at their meeting held on 29th March 2011 fixed remuneration to Mr.V.Rajagopal Chairman and Managing Director of the Company as per the provisions of the Companies Act 1956 with effect from 1st April 2011 to September 2015, as he was appointed as Managing Director already by the Board of Directors for the Period 01.10.2010 to 30.09.2015 in the Board Meeting held on 20.09.2010. 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.V.Rajagopal and the same was in accordance with 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 1st October, 2010 to 30th September, 2015

### ii) Salary

Basic salary Rs.2,00,000/- per month with effect from 1st April 2011 to 30th September 2015.

### iii) Medical Benefits

Suitable Mediclaim Policy for hospitalisation 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.

## Item No.10

The Company in order to recognize and appreciate the critical role played by the employees of the Company, in bringing about growth of the organization. It strongly feels that the value created by them should be shared with them. To promote the culture of employee ownership in the Company, approval of the shareholders is being sought for issue of stock options to the employees of the Company.

The main features of the employee stock option schemes are as under:

### 1. Total number of options to be granted:

Employee Stock Options exercisable into such number of equity

shares being not more than 20% of the Paid-up Equity Share Capital of the Company at any point of time would be available for being granted to eligible employees of the Company, under one or more Employee Stock Option Schemes. Each option when exercised would be converted into one Equity share of Rs.10 each fully paid-up.

Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise, would be available for being re-granted at a future date.

### 2. Identification of classes of employees entitled to participate in the Employee Stock Option Scheme(s):

All permanent employees, including the Directors of the Company, but excluding the promoters of the Company, as may be decided by the Compensation Committee of the Company from time to time, would be entitled to be granted stock options under the ESOP Scheme(s).

### 3. Transferability of employee stock options

The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner.

### 4. Requirements of vesting and period of vesting

The options granted shall vest so long as the employee continues to be in the employment of the Company. The Compensation Committee may, at its discretion, lay down certain performance metrics on the achievement of which the granted options would vest (subject to the minimum and maximum vesting period as specified below).

The options would vest not earlier than one year and not later than six years from the date of grant of options.

### 5. Maximum period within which the options shall be vested:

The options would vest not later than six years from the date of grant of options. The exact proportion in which and the exact period over which the options would vest would be determined, and may be altered or amended, by the Compensation Committee, subject to the minimum vesting period of one year from the date of grant of options.

### 6. Exercise Price or Pricing Formula:

The options will be granted at the following exercise prices as decided by the Compensation Committee:

**Growth Option:** At a price equal to the market price, being latest available closing price, prior to the date of the meeting of the Board of Directors, in which options are granted/ shares are issued, on the stock exchange on which the shares of the Company are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered; or price as per SEBI Preferential guidelines, whichever is lower.

**Thank You Option:** At price equal to the face value Rs.10/- (Rupees ten only)



## 7. Exercise Period and the process of Exercise:

The Exercise period would commence from the date of vesting and will expire not later than two years from the date of vesting of options.

The options will be exercisable by the Employees by a written application to the Company / Trust, in such manner, and on execution of such documents, as may be prescribed by the Compensation Committee from time to time. The options will lapse if not exercised within the specified exercise period.

## 8. Appraisal Process for determining the eligibility of the employees to ESOP:

The appraisal process for determining the eligibility of the employee will be specified by the Compensation Committee of the Company, and will be based on criteria such as criticality of the role, designation, length of service, past performance record, future potential of the employee and / or such other criteria that may be determined by the Compensation Committee of the Company at its sole discretion.

## 9. Maximum number of options to be issued per employee and in aggregate:

The total number of options that may be granted to any specific employee under one or more Schemes during any one year shall not be equal to or exceed granted options of the issued capital at the time of grant and in aggregate shall not exceed 20% of the Paid up Equity Share Capital of the Company at any point in time.

1. Charath Narasimhan 9%
2. Amitabh Suri 6%
3. S.Surya Narayanan 4%
4. John Dulipkumar 1%

## 10. Disclosure and Accounting Policies:

The Company shall comply with the disclosure and the accounting policies prescribed as per SEBI ESOP Guidelines and other concerned Authorities.

## 11. Method of option valuation

To calculate the employee compensation cost, the Company may use either the Fair Value Method or Intrinsic Value Method for valuation of the options granted.

In case the Company calculates the employee compensation cost using the Intrinsic Value of the stock options, the difference between the employee compensation cost so computed and the cost that shall have been recognized if it had used the Fair Value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As the employee stock option schemes provide for issue of shares to be offered to persons other than existing shareholders of the Company, consent of the members is being sought pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 and the SEBI ESOP Guidelines.

None of the Directors of the Company are in any way, concerned or interested in the resolution, except Mr.S.Surya Narayanan to the extent of the stock options granted to him.

## Item No: 11:

In accordance with SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, consent of the members is required to be sought by a separate resolution in case the Company intends to grant, during any one year, stock options equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company to any identified employee.

Since it is proposed to grant 5,00,000 Stock Options to Mr. Charath Narsimhan, being the Chief Executive Officer of the Company, approval of members is being sought.

## Item No: 12:

In accordance with SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, consent of the members is required to be sought by a separate resolution in case the Company intends to grant, during any one year, stock options equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company to any identified employee.

Since it is proposed to grant 3,35,000 Stock Options to Mr. Amitabh Suri, being the Senior Vice-President-(Marketing) of the Company approval of members is being sought.

## Item No: 13:

In accordance with SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, consent of the members is required to be sought by a separate resolution in case the Company intends to grant, during any one year, stock options equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company to any identified employee.

Since it is proposed to grant 2,25,000 Stock Options to Mr.S.Surya Narayanan, being the Director and Chief Financial Officer of the Company approval of members is being sought.

## Item No: 14:

In accordance with SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, consent of the members is required to be sought by a separate resolution in case the Company intends to grant, during any one year, stock options equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company to any identified employee.

Since it is proposed to grant 56,000 Stock Options to Mr. John Dulip Kumar, being the Senior Vice President (Merchandising) of the Company, approval of members is being sought.

## Disclosure as per Clause 49 of the Listing Agreement

### (a) Profile of Mr. V. Rajagopal

Mr. Venkatesh Rajagopal aged 54 is a B.A. Honors in Economics from Sri Ram College of Commerce, New Delhi and a Post Graduate in Master of Arts from Bangalore University. He joined the Indian Police Service during the year 1979 and he served the nation for a decade. During the year 1988, Mr. Venkatesh Rajagopal quit the Indian Police Service and entered into the business of garment exports. He is an avid reader and a sports person. Was a member



of a Social Organisation called Round Table for 8 years till 1998. Was associated in organizing the International conference of Round Tablers in 1996, in Chennai in the capacity as Vice-Chairman of the conference.

He is currently a member of the young Presidents Organization, Madras Chapter.

## (b) Expertise in specific functional areas

➤ Managerial, Financial, Marketing and Administration.

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

**Mr. V.Rajagopal is the director of the following companies:**

Celebrity Fashions Limited : Chairman

Celebrity Clothing Limited : Director

## Membership of the Committees of the Board

Shareholders Grievance Committee : Member

Audit Committee : Member

Mr.V.Rajagopal holds 13,69,423 equity shares in the company.

None of the Directors except Mr.V.Rajagopal and Mrs. Rama Rajagopal are interested or concerned in the proposed resolution.

**Date : 11th August, 2011**

**For and on behalf of the Board**

**Place : Chennai**

**J Manikandan**

**Company Secretary**

## Section 302 Notice

To

All Members

**Sub: Memorandum under Section 302 of the Companies Act, 1956**

### I. Reappointment of Mr.V.Rajagopal as Managing Director

The Board of Directors of the Company at their meeting held on 29th March 2011 fixed remuneration to Mr.V.Rajagopal Chairman and Managing Director of the Company as per the provisions of the Companies Act 1956 with effect from 1st April 2011 to September 2015, as he was appointed as Managing Director already by the Board of Directors for the Period 01.10.2010 to 30.09.2015 in the Board Meeting held on 20.09.2010 subject to the approval of the shareholders at the ensuing 2nd Annual General Meeting.

Mr. Venkatesh Rajagopal aged 54 is a B.A. Honors in Economics from Sri Ram College of Commerce, New Delhi and a Post Graduate in Master of Arts from Bangalore University. He joined the Indian Police Service during the year 1979 and he served the nation for a decade. During the year 1988, Mr. Venkatesh Rajagopal quit the Indian Police Service and entered into the business of garment exports. He is an avid reader and a sports person. Was a member of a Social Organisation called Round Table for 8 years till 1998. Was associated in organizing the International conference of Round Tablers in 1996, in Chennai in the capacity as Vice-Chairman of the conference. He is currently a member of the young Presidents Organization, Madras Chapter.

Mr. V. Rajagopal shall have the overall responsibility of managing the affairs of the Company, in particular the commercial and marketing activities of the Company subject to the supervision and control of the Board of Directors.

The proposed re-appointment of Mr.V.Rajagopal as Managing Director is subject to the approval of the shareholders by way of ordinary resolution at the ensuing 2nd Annual General Meeting of the Company.

Mrs.Rama Rajagopal being the spouse of Mr. V.Rajagopal is concerned or interested in the aforesaid re-appointment as Managing Director.

Pursuant to Section 302 of the Companies Act 1956, the abstract of the terms of reappointment and remuneration of Mr.V.Rajagopal is furnished herewith.

**Date: 11th August, 2011**

**For and On behalf of the Board**

**Place: Chennai**

**J.Manikandan**

**Company Secretary**

## **Abstract of the terms of appointment and remuneration of Mr. V.Rajagopal as Managing Director**

**(Pursuant to section 302 of the Companies Act, 1956)**

|   |                           |   |
|---|---------------------------|---|
| 1 | Tenure                    | 1st October, 2010 to 30th September, 2015   |
| 2 | Salary                    | Rs.2,00,000/- per month w.e.f 1st April 2011  |
| 3 | Medical benefits          | Reimbursement of all actual medical expenses for herself 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 with driver 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 her 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.             |

For Indian Terrain Fashions Limited

Date : 11th August, 2011

J Manikandan

Place : Chennai

Company Secretary





## Directors Report

To the Members,

The directors have pleasure in presenting the Second Annual Report of your Company for the year ending 31st March 2011.

### Scheme of Arrangement

Transfer of Domestic Division of Celebrity Fashions Limited

Yours Company was incorporated on 29th September 2009 with the objective of taking over the domestic business of Celebrity Fashions Limited (the Transferor Company) under the brand name, Indian Terrain, on a going concern basis vide a Scheme of Arrangement (the Scheme) in accordance with Sections 391 to 394 of the Companies Act, 1956. The Honorable High Court of Madras approved the Scheme between Celebrity Fashions Limited, Indian Terrain Fashions Limited and its respective Shareholders and Creditors vide its order dated 16th August 2010. The Scheme became effective on 3rd September 2010. The Appointed date of demerger is 1st April 2010.

Pursuant to the Scheme, the domestic business of Celebrity Fashions under the brand, Indian Terrain was demerged into Indian Terrain Fashions Limited with effect from 1st April 2010. Celebrity Fashions carried on the business in trust on behalf of the Company from the period 1st April 2010. The first financial year of active operations for the Company is FY 2010-11.

The Balance Sheet and Profit and Loss Account and related financial statements have been made in accordance with the provisions of the said Scheme.

As per the Scheme, the Committee of the Board of Directors of the Company issued and allotted on 3rd November 2010, 55,81,331 fully paid-up equity shares of Rs.10/- each to the Share holders of Celebrity Fashions Limited whose names appeared in the Register of Members as on the Record Date, viz. 27th October 2010, in the ratio of 2 (two) equity shares of Rs.10/- each for every 7 (seven) equity shares held in Celebrity Fashions Limited.

Further the Original Share Capital of Rs.5,00,000/- (50,000 equity shares of Rs.10/- each) was cancelled and taken to Capital Reserve account.

The equity shares were listed in the National Stock Exchange of India Limited and Bombay Stock Exchange on 11th March 2011.

### Financial Performance

|                                  | Rs. In Crs |
|----------------------------------|------------|
| Total Income                     | 121.76     |
| Total Expenditure                | 108.70     |
| EBITDA                           | 13.06      |
| Interest & Finance Costs         | 5.48       |
| Depreciation                     | 1.09       |
| Profit before Tax                | 6.49       |
| Provision for Taxation           | 0.18       |
| Profit after Tax                 | 6.31       |
| Appropriation of Profits         | -          |
| Balance Carried to Balance Sheet | 6.31       |

## Industry Outlook and Operational Highlights

Indian apparel retail sector is one of the important sectors in Indian retail industry. More than 35% of Indian retail sector comprises of apparel retailing. The Indian consumer market is likely to grow four times by 2025. In India, apparel is the second largest retail category, representing 10% of the US \$37 bn. Retail market. It is expected to grow 12-15% per year. India has one of the largest numbers of retail outlets in the world.

The branded wear business stakes in India is around Rs.60,000 crores. Predominant amount of business in the sector for the country is through branded retail and this includes all kinds of small and big brands sold through small and big sized retailers.

The brand, Indian Terrain as such has recorded an increase of over 50% during the current financial year when compared to its stand alone performance during financial year ending 31st March 2010. The brand crossed the 100 crore turnover mark during the year and ended the financial year with total revenues of Rs.121 crs at a CAGR of 61% since inception.

The Company has opened 20 new exclusive outlets during the year under review. EBITDA for the year stood at 10.80% and Profit after Tax at 5.20%

### Finance and Accounts

Consequent to Demerger, the Company will have a portion of Accumulated losses and unabsorbed depreciation transferred and hence the Company will not be subject to Current Tax. However, the provision of Minimum Alternate Tax will be applicable to the Company. An amount of Rs.1.29 crs has been treated as Tax paid in advance and is not charged to Profit and Loss Account.

The company has not availed any credit facility from any institutions during the year. The company has not accepted any deposits within the meaning of Section 58A and 58AA of the Companies Act 1956.

### Dividend

This being the first year of operations for the Company and with a view to conserve the resources, the Board of Directors have not recommended any Dividend for the current financial year.

### Directors

The Board of Directors has lost one of its strong resources with the sad and sudden demise of Mr. Raghu Pillai, director of your Company. The Board sincerely places on record his big efforts and immense contribution to the growth of the business.

Pursuant to Section 255 of the Companies Act, 1956, Mr. N.K. Ranganath and Mr. P.S. Raman, 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.

### Personnel

Employee relations have been very cordial during the year ended 31st March 2011. The Board wishes to place on record its appreciation to all the employees in the company for their sustained efforts and immense contribution to the high level of performance and growth of the business during the year. The Management team of our Company comprises of young professionals who are more dynamic and energetic and above all are much committed to the organizational goals.