Annual Report 2007-08

KHADIM INDIA LIMITED

Khadim's®

BOARD OF DIRECTORS

Mr. Satya Prasad Roy Burman	:	Chairman & Whole-Time Director
Mr. Siddhartha Roy Burman	:	Managing Director
Mrs. Tanusree Roy Burman	:	Director
Mr. Indra Nath Chatterjee	:	Director
Prof. Ashoke Kumar Dutta	:	Director
Prof. Amar Nath Sadhu	:	Director

AUDIT COMMITTEE

Prof. Amar Nath Sadhu	:	Chairman
Prof. Ashoke Kumar Dutta	:	Member
Mr. Indra Nath Chatterjee	:	Member
Mr. Joydev Sengupta	:	Secretary

REMUNERATION/COMPENSATION COMMITTEE

Prof. Ashoke Kumar Dutta	:	Chairman
Prof. Amar Nath Sadhu	:	Member
Mr. Indra Nath Chatterjee	:	Member
Mr. Joydev Sengupta	:	Secretary

SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

Mr. Indra Nath Chatterjee	:	Chairman
Prof. Ashoke Kumar Dutta	:	Member
Mr. Siddhartha Roy Burman	:	Member
Mr. Joydev Sengupta	:	Secretary

COMPANY SECRETARY, HEAD - LEGAL & COMPLIANCE OFFICER

Mr. Joydev Sengupta

REGISTERED OFFICE

"Kankaria Estate", 5th Floor,
6, Little Russell Street,
Kolkata - 700 071, India
Website: www.khadims.com

STATUTORY AUDITORS

Ray & Ray
Chartered Accountants
6 Church Lane
Kolkata- 700 001

BANKERS

State Bank of India

UCO Bank

SOLICITORS

Khaitan & Co.

Directors' Report

DIRECTORS' REPORT TO THE MEMBERS

The Board of Directors of your Company ("the Board") is pleased to present its report on the business and operations of your Company for the financial year ended on **31 March 2008.**

FINANCIAL HIGHLIGHTS:

Rs. In '000s

	2007-2008	2006-2007
Sales	**1984536**	1493467
Other Income	**19370**	10162
Profit before Depreciation, Interest, and Tax	**237300**	115406
Depreciation	**41985**	28506
Interest	**68065**	36881
Profit before tax	**127250**	50019
Provision for Taxation		
- Current and deferred Tax	**41976**	18899
- Fringe Benefit Tax	**2602**	1642
Profit for the year after tax	**82672**	29478

GENERAL OVERVIEW

According to AT Kearney's Annual Global Retail Development Index (GRDI), India tops the global list for the 3rd consecutive year and the Indian retail market is the 5th largest retail destination globally and likely to increase its share in the total retail market to 22 % by 2010.

A high GDP growth rate, reduction in unemployment, high disposable income in the hands of the Great Indian Middle class and ever growing youth brigade of India coupled with a huge unorganized retail sector creates an ideal platform for an exponential growth for the organised retail sector. However, an uneven retail infrastructure due to different economic, social and political factors demands reinvention of innovative marketing and operational strategies.

Amidst stiff competitive environment, strong inflationary pressures as well as threats from the unorganised sector your Company, with the aid of its strong management policies is endeavouring to materialise its vision to reach every Indian home through its footwear business along with the LFR and gold business.

During the year under review, the turnover of your Company saw a growth of around 33% over the previous year. We have worked hard to position ourselves for continued growth in this fiscal. We are confident that our progress will continue and we will reach new heights in the years to come.

PROCUREMENT

In today's global environment, the most viable strategy is outsourcing of products. The efficiencies that are gained from outsourcing, in the form of shifting of risk, reduced capital requirements, lower wages, and ability to focus on the core competencies, strongly outweigh other options. Outsourcing forms the backbone of our business and we are making it more meaningful by refining the process day in and day out with special focus on stringent quality standards.

We are focusing on product quality improvement, through streamlining and centralizing of the procurement process with the aid of operational and technology infrastructure. Vendor selection, product standardization and outsourcing are done through a right balance of quality, speed, cost and innovation by a team of dedicated professionals to ensure that the right product reaches the end consumer at the right time and price.

The effects of steamlining have already started to show results in the form of improved gross margin over the past years.

MANUFACTURING

Research, based on diverse tastes, fashion and choice of individual consumers, forms the bedrock of footwear business. For our manufacturing activity we always rely on feedback from our customers. This helps us to find out the right product mix that we should manufacture from our factory that is mainly used for strategic manufacturing. We always thrive for quality so that our customers get reliable return on their spend. Your Company is carrying out all three individualized customer needs – fit (products near to the body), taste (design, fashion) and functionality.

During the year apart from EVA & PVC the manufacturing division emphasized on stuck on shoes for high end products.

LOGISTICS

During the year under the review, substantial expansion was made in the distribution centre located at Tangra (Kolkata, West Bengal) and the Regional Distribution Centre ("RDC") at Chennai - a major contribution to the infrastructure development of your Company that is expected to have a long lasting impact on the logistic functions of your Company. The RDC at Delhi a reached landmark when it despatched around 8 lac pairs of footwear in a span of 3 months for catering to the festive demand. To bridge the distances between the production centres and the retailers we have entered into arrangements with various logistic carriers for timely supply of inventories during peak season demands.

During the year your company has acquired around 5 acres of land in the Calcutta Leather complex in the eastern fringes of Kolkata for a state of the art Central Distribution Centre for catering stores and RDCs across the country.

BRAND AND MARKETING

Your Company is actively working on bringing out the right image of the brand "Khadim's" and is in the process of creating loyal customers by extensive mass media footage through press, radio, hoardings, leaflets and also through in-store promotion campaigns.

In order to make Khadim's a true national brand, business segment wise several promotional schemes are being launched throughout the year across the country keeping in mind the regional festive seasons. Amidst fierce competitive pressures, your Company is positively striving towards proving its worth to the consumers, its business partners and its value to the shareholders.

During the year new initiatives were taken to overhaul the store design and packaging apart from developing sub brands for attracting more effective footfall and to enhance gross margin.

LIFESTYLE RETAILING

It was in the month of June 2007, your Company launched "Egaro" at the two prominent locations of the twin cities of Kolkata and Howrah -a shopping experience where there is freedom of choice for the customers. With an ambience that is consumer friendly Egaro presents a robust choice of daily needs and a complete fashion wardrobe at competitive prices.

With an unique blending of premium, private label as also international brands "Egaro" showcases the epitome of new age luxury. However, being on the 2nd year of its operation and a stiff competition that is prevalent in this sector, your Company hopes to break-even in this segment of its business within the next 3 years. It has plans to open more such shops in the next two to three years.

INFORMATION TECHNOLOGY

The year 2007-08 saw a number of new and emerging technologies being introduced to support innovations, making decisions, lower costs, tap talent, realize new opportunities simultaneously ensuring minimization of data-loss, pilferage of the confidential data and increasing staff productivity. It includes the introduction of Software Asset Management (SOA) through an agreement entered with Microsoft aiming at optimization of deployment of software, reducing support cost, overhauling of the existing mail system and introduction of an upgraded version ensuring better and fast communication.

Another landmark achievement has been the implementation of ERP Solution from SAP as an organization-wide IT solution with an objective towards streamlining the supply chain i.e. both sourcing and procurement and also the introduction of a robust transaction management system and enterprise wide platform to run the operations. The ERP is expected to go – live in the later part of 2008-2009. Once it starts operating in its entirety the management expects that there will be substantial improvement in the operations and efficiency will also increase to a great extent through trend analysis, capturing customer reactions, analyzing data, and using it to optimize the next phase of the design process.

HUMAN RESOURCES

Human Resource being the backbone and greatest asset of our organization the year 2007-08 has witnessed several initiatives being taken to properly train our existing human resources, induct talent and also to ensure reduction in attrition rates which guarantees the increase in efficiency and growth, increased productivity and market reputation of the organization.

Some of the initiatives include implementation of Performance Appraisal System, Rewards & Recognition System, sector wise incentive schemes, modification and rationalization of the compensation policy etc.

INTERNAL AUDIT

The internal audit team of your Company evaluates the effectiveness of the internal control system and contribute to its ongoing effectiveness through its reporting directly to the audit committee of the board of directors. It is engaged in continuous evaluation of controls in various operational fields with building up effective and efficient controls, wherever needed, along with providing assurance on operational transactions and safeguarding of Company's assets e.g. routine verification and control over inventory, cash and operation related transactions ensuring effective risk minimization. Specific area wise 'Transaction Audit' is being conducted in a planned manner ensuring better control on company's assets.

PARTICULARS OF EMPLOYEES

Information as per the provisions of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, forms a part of this Report and given in Annexure A.

AUDITORS

The Statutory Auditors of the Company, M/s Ray & Ray, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting, and being eligible offer themselves for reappointment.

Furthermore, M/s Ray & Ray, Chartered Accountants, have confirmed that, if appointed, their appointment would be within the limit prescribed under Section 224(1B) of the Companies Act, 1956.

AUDITORS' REPORT

The comments made by the Auditors in their Report have been duly explained in the Notes to Accounts and hence do not require to be separately dealt with here.

DIVIDEND

The Board is of the opinion that the Company should consolidate its net worth and hence thus no dividend is being recommended for the financial year ended 31 March 2008.

PUBLIC DEPOSIT

During the year, the Company has neither invited nor accepted any deposits from the Public within the meaning of Section(s) 58A, 58AA of the Companies Act, 1956 read with Companies (Acceptance of Deposit) Rules, 1975.

DIRECTORS

As on the date of this Report the number of members on the Board is 6 consisting 2 whole-time directors, 1 non-executive director and 3 non-executive Independent Director.

Mr. Satya Prasad Roy Burman, was appointed as the Chairman and Whole-time Director of the Company w.r.e.f. 1 April 2005 for a period of 3 years from 1 April 2005 to 31 March 2008 (both days inclusive) by the Members on 3

November 2005 at the Annual General Meeting. The appointment was formalised by way of entering into an appropriate agreement dated 3 November 2005. The said Agreement has expired on 31 March 2008. Appropriate Resolution seeking your approval for the above is being forwarded to you through separate Notice and relative explanatory statement.

Mr. Siddhartha Roy Burman, Managing Director of the Company was appointed as such w.r.e.f. 1 April 2005 for a period of 3 years from 1 April 2005 to 31 March 2008 (both days inclusive) by the Members on 3 November 2005 at the Annual General Meeting. Thereafter, due to inadequacy of profit approval was taken from the Remuneration Committee, the Board of Directors and the Shareholders of the Company at their meetings held on 23 December 2006 and 25 January 2007 respectively for extension of the appointment of and entering into a fresh contract with Mr. Siddhartha Roy Burman, which was approved by the Central Government through its letter dated 4 March 2008, the relevant application for which was made by the Company through its letter dated 4 April 2007.

On receipt of approval of the Central Government on 4 March 2008, the fresh contract has been entered into by and between the Company and Mr. Siddhartha Roy Burman on 28 March 2008.

Furthermore, pursuant to Section 256 of the Companies Act, 1956, Prof. Amar Nath Sadhu, Director, being Director liable to retire by rotation under Section 255, retire at the AGM and being eligible offers himself for re-appointment.

The resolution seeking your approval for his appointment is being forwarded to you through appropriate Notice.

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988.

CONSERVATION OF ENERGY

During the year under review, your Company has taken adequate measures to optimize the consumption of electricity. Loss of electricity due to leakage has been minimized by improving the insulation capacity of the water pipelines, from chillier machine to EVA injection machine as also centralisation of power supply. Electricity consumption was made effcetively to reduce wastage.

The effect of the aforesaid measures will be beneficial in the long run.

As the Company is not operating in an industry listed in the Schedule to Form A referred to in sub-clause (d) of Clause A of Rule 2 of the Companies (Disclosure Of Particulars In The Report Of Board Of Directors) Rules, 1988, the details as per Form A is not relevant.

TECHNOLOGY ABSORPTION:

Research And Development

During the year under review no R&D initiatives were taken within the meaning of the Companies (Disclosure Of Particulars In The Report Of Board Of Directors) Rules, 1988 or Accounting Standard 26.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

The Ethyl Vinyl Acetate (EVA) injection plant which was installed along with state of the art technology has helped in EVA production to a great extent. However, no specific technology was imported during last 5 years.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Rs.'000

Sl.	Particulars	2007-08	2006-07
(a)	Value of import on CIF basis		
	Raw material, components & spare parts	**1443**	462
	Capital Goods - including Moulds	**477**	2143
(b)	Foreign exchange Earning	**4094**	3021
(c)	Foreign exchange outgo	**530**	1235
(d)	Others	**Nil**	1022

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956

The Directors confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. They 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;
3. They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. They have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

The Directors place on record their sincere appreciation for the significant contribution made by the employees, who through their competence, hard work, solidarity, co-operation and support have enabled the Company to consolidate its foothold across the market.

The Directors also take this opportunity to thank the Central and various State Governments and other statutory bodies including the Registrar of Companies, West Bengal and the Ministry of Corporate Affairs, vendors, Lenders, Bankers, financial institutions and the shareholders for their consistent and uninterrupted support.

Kankaria Estate,
5th Floor,
6, Little Russell Street,
Kolkata– 700 071
Dated: 4 July 2008

For and on behalf of the Board

Satya Prasad Roy Burman
Chairman

Annexure A

Information as per the provisions of Sec 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975

Sl No.	Name	Designation	Nature of Employment	Nature of Duties	Qualifiactions	Age (Yrs.)	Date of Commence-ment of Employment	Remunera-tion (Rs.)	Experi-ence	Previous Employment
1	Sri Satya Prasad Roy Burman	Chairman & Whole time Director	Contractual	General Management	School Final	78	03.12.1981	40.83*	53	NA
2	Sri Siddhartha Roy Burman	Manaaging Director	Contractual	General Management	B.Com	46	25.09.1990	74.89**	23	Chief Executive of the Company

NOTES:

1. Gross Remuneration comprises of salary, commission, perquistes and Company's contribution to PF.
2. The Directors featuring above are related to each other directly.
3. *The Remuneration of Mr. Satya Prasad Roy Burman was paid in accordance with the approval given by the Ministry of Corporate Affairs, Government of India, through their letter dated 6 July 2007, pursuant to the provisions of Sections 198(4), 309(3) and 310 of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956.
4. **The Remuneration of Mr. Siddhartha Roy Burman was paid in accordance with the approval given by the Ministry of Corporate Affairs, Government of India, through their letter dated 4 March 2008 , pursuant to the provisions of Sections 269, 198(4), 309(3), 310 and 637AA of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956.
5. No other employee of the Company have drawn salary more than Rs. 2 lakh per month for any part of the financial year 2007-2008 or Rs. 24 lakh during the entire financial year 2007-2008.

Auditors' Report

TO THE MEMBERS OF
KHADIM INDIA LIMITED

1. We have audited the attached Balance Sheet of **KHADIM INDIA LIMITED** (the "Company") as at 31 March 2008, the related Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto (hereinafter referred to as "financial statements"), which have been signed by us under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ("Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the **Annexure**, a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   4.1 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   4.2 In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   4.3 The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   4.4 In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the applicable Accounting Standards referred to in Sub-section (3C) of Section 211 of 'the Act';

   4.5 On the basis of written representations received from the Directors, as on 31 March 2008 and taken on record by the Board of Directors, we report that none of the Directors of the Company is disqualified as on 31 March 2008 from being appointed as a Director in terms of clause (g) of Sub-section (1) of Section 274 of 'the Act';

   4.6 In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by 'the Act', and also give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2008;

   (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

   (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **RAY & RAY**
Chartered Accountants

R.N.ROY
(Partner)
(Membership No – F-8608)

Place : Kolkata
Date : 23 June 2008

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

1. (a) The Company has generally maintained proper records showing full particulars including quantitative details and situation of its fixed assets.

   (b) The fixed assets have been physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a part of the fixed assets has been physically verified by the management during the year and no material discrepancy between the book records and the physical inventory have been noticed.

   (c) During the year, no substantial part of fixed assets has been disposed off by the Company.

2. (a) The inventory has been physically verified by the management during the year. In respect of the inventory lying with the third parties and in transit, substantial confirmation and/ or subsequent receipt have been verified. In our opinion, the frequency of verification is generally reasonable.

   (b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

   (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of account.

3. (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of 'the Act' . Accordingly, clauses (iii) (b), to (iii) (d) of paragraph 4 of the Order are not applicable to the Company for the current year.

   (b) The Company has taken unsecured loan from a Company covered in the register maintained under Section 301 of 'the Act'. The maximum amount involved during the year and the year-end balance of such loan aggregates to Rs. 7656*(in thousands)*.

   (c) In our opinion, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.

   (d) According to the information and explanations given to us, the Company is not required to repay its principal amounts including interest thereof, within the current financial year in accordance with the accepted terms and conditions of the said unsecured loan.

4. In our opinion and according to the information and explanations given to us, there are, in general, adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

5. (a) In our opinion and according to the information and explanations given to us, the transactions that need to be entered into the register in pursuance of Section 301 of 'the Act', have been so entered.

   (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered into the register in pursuance of Section 301 of