

HINDWARE HOME RETAIL PRIVATE LIMITED

Regd. Office: 2, Red Cross Place, Kolkata-700 001

CIN: U51109WB2005PTC106307

Phone: 033-22487406/07, Fax: 033-22487045

E-mail: ngoenka@hindware.co.in

NOTICE is hereby given that the *Ninth* Annual General Meeting of the Members of Hindware Home Retail Private Limited will be held at its Registered Office at 2, Red Cross Place, Kolkata – 700 001, on Friday, 26th day of September, 2014 at 11.30 a.m. to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2014 and the Statement of Profit & Loss for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. R. B. Kabra (holding DIN 00021886), who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. Walker Chandiook & Co LLP (formerly Walker Chandiook & Co.), Chartered Accountants, as Statutory Auditors to hold office from the conclusion of this Annual General Meeting until conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS:

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

4. **As an Ordinary Resolution**

Appointment of Mr. Sandeep Parwal as an Independent Director

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

“RESOLVED THAT pursuant to the provisions of the Sections 149,150 and 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder, read with Schedule IV to the Companies Act, 2013, Mr. Sandeep Parwal (holding DIN 00025803), who was appointed as an Additional Director of the Company by the Board of Directors with effect from 24 May, 2014 and who holds office until the date of this Annual General Meeting, in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 signifying his intention to propose Mr. Sandeep Parwal as a candidate for the office of a Director of the Company; be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, for a term upto five consecutive years commencing from 26 September, 2014.”

5. **As an Ordinary Resolution**

Appointment of Mr. Anshuman Mishra as an Independent Director

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

“RESOLVED THAT pursuant to the provisions of the Sections 149,150 and 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder,

read with Schedule IV to the Companies Act, 2013, Mr. Anshuman Mishra (holding DIN 06540906), who was appointed as an Additional Director of the Company by the Board of Directors with effect from 24 May, 2014 and who holds office until the date of this Annual General Meeting, in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 signifying his intention to propose Mr. Anshuman Mishra as a candidate for the office of a Director of the Company, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation, for a term upto five consecutive years commencing from 26 September, 2014.”

6. **As a Special Resolution**

Approval of Borrowing powers of the Board of Directors

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

"RESOLVED THAT in supersession of the earlier resolutions passed, the consent of the Company be and is hereby accorded in terms of Section 180 (1) (c) and other applicable provisions, if any, of the Companies Act, 2013, read with the relevant Rules thereof (including any statutory modification(s) or re-enactment thereof for the time being in force), to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee thereof) to borrow any sum or sums of money from time to time, on such terms and conditions and with or without security as the Board of Directors may in its discretion thinks fit notwithstanding that the money or monies to be borrowed, together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may exceed the aggregate of the Paid-up Share Capital of the Company and its free reserves, that is to say, reserves not so set apart for any specific purposes, provided however, that the total amount borrowed and remaining outstanding at any particular time shall not exceed Rs.100 (One Hundred) Crore.

RESOLVED FURTHER THAT the Board of Directors thereof be and are hereby authorized to do all such acts, deeds, as they may, in their absolute discretion, consider necessary, expedient or desirable including power to sub-delegate, in order to give effect to this resolution or as otherwise considered by them to be in the best interest of the Company, as they may deem fit.”

7. **As a Special Resolution**

Re-appointment of Mrs. Sumita Somany as Executive Director

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

“RESOLVED THAT in accordance with the provisions of Sections 196, 197 and 203 read with schedule V and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification(s) or re-enactments thereof), subject to all such approvals and/or sanctions as may be necessary, the consent of the Company be and is hereby accorded to the re-appointment of Mrs. Sumita Somany (holding DIN 00133612), as the Whole-time Director, designated as Executive Director, for a period of 3 (Three) years with effect from 1st October, 2014, on the terms and conditions including remuneration as recommended by the Nomination and Remuneration Committee and set out in the draft agreement to be entered into between the Company and Mrs. Sumita Somany, extract of which is also set out in the Statement annexed to the Notice of the Annual General Meeting under Section 102 of the Companies Act, 2013, a copy whereof

initialed by the Chairman for the purpose of identification is placed before the meeting providing liberty to the Board of Directors to alter and vary the terms and conditions of the said re-appointment and /or remuneration and /or agreement so as not to exceed the limits specified in Schedule V to the Companies Act, 2013.

RESOLVED FURTHER THAT where in any financial year, during the currency of the tenure of Mrs. Sumita Somany the Company has no profits or its profits are inadequate, the Company do pay Mrs. Sumita Somany, minimum remuneration by way of salary, perquisites and allowances not exceeding the ceiling limit specified under Section II of Part II of Schedule V to the Companies Act, 2013, as applicable to the Company at the relevant time depending upon the effective capital of the Company


RESOLVED FURTHER THAT the Board be and is hereby authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

By Order of the Board

For Hindware Home Retail Private Limited

Place: Gurgaon

Dated: 8th August, 2014


(Deepika Chowdhary)
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. IN ORDER TO BE EFFECTIVE, THE PROXY FORM MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY ATLEAST 48 HOURS BEFORE THE TIME OF THE MEETING.
2. The Statement pursuant to Section 102 of the Companies Act, 2013, relating to the Special Business set out under item No. 4, 5, 6 and 7 of the accompanying Notice is annexed hereto.

STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 4

The Board, at its meeting held on 24 May, 2014, appointed Mr. Sandeep Parwal as an Additional Director of the Company with effect from 24 May, 2014, pursuant to Section 161 of the Companies Act, 2013, read with Article of Association of the Company. Pursuant to the provisions of Section 161 of the Companies Act, 2013, Mr. Sandeep Parwal will hold office up to the date of the ensuing Annual General Meeting. The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a Member along with a deposit of Rs. 1,00,000/- proposing the candidature of Mr. Sandeep Parwal for the office of Independent Director, to be appointed as such under the provisions of Sections 149, 150 and 152 of the Companies Act, 2013.

The Company has received from Mr. Sandeep Parwal (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules 2014, (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013, and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Mr. Sandeep Parwal as an Independent Director of the Company for a term upto five consecutive years commencing from 26 September, 2014, pursuant to Sections 149, 150 and 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder. His office is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr. Sandeep Parwal, the Independent Director proposed to be appointed, fulfils the conditions specified in the Companies Act, 2013 and the Rules made thereunder and he is independent of the Management. A copy of the letter for the appointment of Mr. Sandeep Parwal as an Independent Director setting out the terms and conditions is available for inspection without any fee by the Members at the Company's registered office during normal business hours on working days up to the date of the Annual General Meeting.

No director, key managerial personnel or their relatives, except Mr. Sandeep Parwal, to whom the resolution relates, is interested or concerned in the resolution.

The Board recommends the resolution set forth in Item no. 4 for the approval of the members.

ITEM NO. 5

The Board, at its meeting held on 24 May, 2014, appointed Mr. Anshuman Mishra as an Additional Director of the Company with effect from 24 May, 2014, pursuant to Section 161 of the Companies Act, 2013, read with Article of Association of the Company. Pursuant to the provisions of Section 161 of the Companies Act, 2013, Mr. Anshuman Mishra will hold office up to the date of the ensuing AGM. The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013, from a member along with a deposit of Rs. 1,00,000/- proposing

the candidature of Mr. Anshuman Mishra for the office of Independent Director, to be appointed as such under the provisions of Sections 149, 150 and 152 of the Companies Act, 2013.

The Company has received from Mr. Anshuman Mishra (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules 2014, (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013, and (iii) a declaration to the effect that he meets the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013.

The resolution seeks the approval of members for the appointment of Mr. Anshuman Mishra as an Independent Director of the Company for a term upto five consecutive years commencing from 26 September, 2014, pursuant to Sections 149, 150 and 152 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder. His office is not liable to retire by rotation.

In the opinion of the Board of Directors, Mr. Anshuman Mishra, the Independent Director proposed to be appointed, fulfils the conditions specified in the Companies Act, 2013 and the Rules made thereunder and he is independent of the Management. A copy of the letter for the appointment of Mr. Anshuman Mishra as an Independent Director setting out the terms and conditions is available for inspection without any fee by the members at the Company's registered office during normal business hours on working days up to the date of the AGM.

No director, key managerial personnel or their relatives, except Mr. Anshuman Mishra, to whom the resolution relates, is interested or concerned in the resolution.

The Board recommends the resolution set forth in Item no. 5 for the approval of the members.

ITEM NO. 6

Members of the Company by way of an ordinary resolution passed at the Annual General Meeting held on 17 September, 2011 had accorded its consent to the Board of Directors to borrow funds to the extent of Rs.100 crore in excess of the paid up capital and free reserves of the Company.

Consequent to implementation of Section 180(1) (c) of the Companies Act, 2013, consent of the Members of the Company is required by way of a Special Resolution to borrow funds in excess of the paid up capital and free reserves of the Company.

No director, key managerial personnel or their relatives is interested or concerned in the resolution.

The Board recommends the resolution set forth in Item no. 6 for the approval of the members.

ITEM NO. 7

The present term of Mrs. Sumita Somany as Whole-time Director designated as Executive Director of the Company (hereinafter referred to as Mrs. Somany) will expire by efflux of time on 30 September, 2014. The Board of Directors at its meeting held on 8 August 2014, have recommended to re-appoint Mrs. Somany as Whole-time Director designated as Executive Director of the Company, on the remuneration as recommended by the Nomination and Remuneration Committee for a further period of three years, commencing from 1 October, 2014 and upto 30 September 2017. Her appointment and remuneration fixed by the Board are in accordance with Schedule V to the Companies Act, 2013 ("the Act") and are subject to the approval of the shareholders of the Company for which purpose relevant resolution as set out under Item No.7 of the accompanying Notice is proposed.

The Board of Directors has recommended the remuneration payable to Mrs. Somany, as stated hereunder, during the tenure of her re-appointment with power to the Board to make such variation or increase therein as may be thought fit from time to time, but within the ceiling laid down in Schedule V to the Companies Act, 2013 or any statutory amendment or relaxations thereof.

The Abstract of Terms and Conditions of the appointment and remuneration payable to Mrs. Somany, as embodied in the draft Agreement to be entered into by Mrs. Somany with the Company for her appointment and remuneration payable to her, are as follows:-

1. Period of Appointment

3 (Three) years commencing from 1 October, 2014 to 30 September, 2017.

2. Nature of Duties

Subject to the superintendence, control and direction of the Board, Mrs. Sumita Somany shall perform such duties and exercise such powers as may from time to time be entrusted to or vested in her by the Board and shall devote the whole of her time and attention to her services as the Executive Director of the Company.

Remuneration

Mrs. Sumita Somany, the Executive Director shall in consideration of her services, be entitled to the following by way of remuneration.

- a) SALARY : Rs. 3,40,000/- per month.
(In the scale of Rs.3,40,000/- -Rs. 35,000/- - Rs.4,45,000/-)
(revision in scale will be subject to ceiling limits as mentioned in Schedule V of the Act)
- b) PERQUISITES : Mrs. Somany will be entitled to the following perquisites in addition to salary restricted to an amount equal to her annual salary.

Unless the context otherwise requires, perquisites are classified into three categories A, B and C as follows:-

CATEGORY - A

This will comprise of house rent allowance, leave travel concession, medical reimbursement, fees of clubs, personal accident insurance. These may be provided for as under:-

Housing

- i) The expenditure incurred by the Company on hiring furnished accommodation for Mrs. Sumita Somany will be subject to the ceiling – 60 (Sixty) percent of the Salary, over and above 10 (Ten) per cent payable by Mrs. Sumita Somany.
- ii) In case the accommodation is owned by the Company, 10 (Ten) per cent of the salary of Mrs. Sumita Somany shall be deducted by the Company.
- iii) In case no accommodation is provided by the Company, Mrs. Sumita Somany shall be entitled to House Rent Allowance subject to the ceiling laid down under Clause (i) above.

Explanation:

The expenditure incurred by the Company on Gas, Electricity, Water and Furnishing shall be valued as per the Income Tax Rules, 1962. This shall, however, be subject to a ceiling of 10 (Ten) per cent of the salary of Mrs. Sumita Somany.

Medical Reimbursement

Expenses incurred for self and her family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.

Leave Travel Concession

For Mrs. Sumita Somany and her family once in a year incurred in accordance with the Rules of the Company.

Club Fees

Fees of Clubs subject to a maximum of two Clubs as may be permissible by the Company. This will not include admission and life membership fees.

Personal Accident Insurance

Of an amount, the annual premium of which does not exceed Rs. 4,000/- per annum for Mrs. Sumita Somany.

Other benefits and Allowances

Any other benefits, facilities and allowances as may be available and allowed to Mrs. Sumita Somany, as per rules of the Company.

The value of the perquisites for the purpose of calculating the above annual ceiling shall be evaluated as per Income Tax Rules wherever applicable, otherwise at actuals.

Explanation:

For the purpose of Category – 'A', family means, the spouse, the dependent children of Mrs. Sumita Somany.

CATEGORY –B

- i) Contributions to Provident Fund will not be included in the computation of the ceiling on perquisites to the extent not taxable under the Income Tax Act, 1961.
- ii) Gratuity payable shall be half a month's salary for each completed year of service.
- iii) Encashment of Leave at the end of the tenure will be permitted as per the rules of the Company and will not be included in the computation of the ceiling on perquisites.

CATEGORY - C

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purpose shall be billed by the Company to Mrs. Sumita Somany. Mrs. Somany shall also be provided with a mobile, laptop and internet connection for the purpose of the Company's business, which will also not form part of perquisites.

Minimum Remuneration

In the event of loss or inadequacy of profits in any financial year during the currency of tenure of office of Mrs. Sumita Somany, the Company may pay her remuneration by way of salary and perquisites in accordance with the limits laid down under Section II of Part II of Schedule V to the Companies Act, 2013 now in force and as may be amended from time to time.

The perquisites specified in Section IV of Part II of Schedule V to the Act, however, shall not be included in the computation of the ceiling on remuneration specified under Section II of Part II of Schedule V to the Act.

Sitting Fee

Mrs. Sumita Somany shall not, so long as she acts as the Executive Director of the Company be paid any sitting fee for attending any meeting of the Board or any Committee thereof.

Other Terms

Mrs. Sumita Somany shall not, during the continuance of her employment hereunder or at any time thereafter, divulge or disclose to any person or make use whatever for her own or for any other purpose any confidential information or knowledge acquired by her during her employment under the Company as to the business or affairs of the Company or as to any trade secret or secrets,

processes of the Company and shall, during the continuance of her employment hereunder, use her best endeavors to prevent any other person from doing so.

The Board of Directors may, in their discretion, revise or modify any of the terms of appointment and remuneration from time to time within the limits laid down in Schedule V to the Act.

Termination

Notwithstanding anything contained in this Agreement, either party shall be entitled to determine this Agreement by giving 6 (six) calendar months' notice in writing in that behalf to the other party and on the expiry of the period of such notice, this Agreement shall stand terminated. The Company shall also be entitled without assigning any reason whatsoever, to terminate the Agreement on giving to Mrs. Sumita Somany 6 (six) months' salary as specified in Clause "A" hereinabove in lieu of six months' notice required to be given under this Clause.

Service of Notice

Any notice to be given hereunder shall be sufficiently given or served in case of Mrs. Somany by being delivered either personally to her or left for her at her address last known to the Company or sent by registered post addressed to her at such address and in the case of the Company by being delivered at or sent by registered post addressed to its registered office, any such notice if so posted shall be deemed served on the day following that on which it was posted.

In pursuance of Section II of Part II of Schedule V of the Act, following further information is given:-

1. General Information

(1)	Nature of Industry	:	Retail		
(2)	Date or expected date of commencement of commercial production	:	The Company is engaged in the retail business of Home Furnishings since 2008.		
(3)	Financial performance on given indicators :		(Rs. in Lacs)		
	Year ending 31st March	Sales	Operating Profit/(Loss)	Profit/(Loss) before Tax	Net Profit/(Loss) after Tax
	2010	1682	(714)	(861)	(861)
	2011	3565	(609)	(870)	(870)
	2012	6512	(1032)	(1703)	(1703)
	2013	8548	(1248)	(1870)	(1870)
	2014	9303	(1211)	(2024)	(2024)
(4)	Export performance and net foreign exchange earnings	:	There is no export during the year. Foreign exchange earned and used during the financial year 2013-14 and 2012-13:- (Amount in Rs.)		
				2013-14	2012-13
			Foreign Exchange earned	NIL	NIL
			Foreign Exchange used	85,296,156	101,899,244
(5)	Foreign Investments or Collaborators, if any	:	100% share capital is held by the holding Company M/s. HSIL Limited and its nominees. There is no foreign investor in the Company The Company has no foreign Collaborator.		

2. Information about the appointee:

(1)	Background details	:	Mrs. Sumita Somnay, aged about 47 years, is a Graduate in Commerce by qualification and presently the Whole-time Director designated as Executive Director of the Company. She has successfully and in a sustained way, contributed significantly towards improvement and growth of the Company. She also holds Directorship in HSIL Limited, Paco Exports Limited and Soma Investments Limited. She does not hold any shares in Hindware Home Retail Private Limited as on 31st March, 2014.
(2)	Past remuneration	:	2011-12 : Rs. 2379200/-
		:	2012-13 : Rs. 3135324/-
		:	2013-14 : Rs. 3600000/-
		The above figure excludes employer provident fund contribution.	
(3)	Job profile and her suitability	:	<p>Mrs. Sumita Somany the Whole-time Director of the Company, shall devote her whole-time and attention to the business and affairs of the Company and carryout such duties, as may be entrusted to her from time to time by the Board of Directors of the Company (“the Board”) and exercise such powers as may be assigned to her by the Board subject to the superintendence, control and directions of the Board in connection with and in the best interest of the Company.</p> <p>The Board is of the opinion that Mrs. Sumita Somany has the requisite qualifications, expertise and experience for the job, she is presently holding.</p>
(4)	Remuneration proposed	:	As mentioned above.
(5)	Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person	:	Considering the size of the Company, the profile of Mrs. Sumita Somany, the responsibilities shouldered by her and the remuneration package are commensurate with the remuneration packages paid to similar managerial position in other similar Companies.
(6)	Pecuniary relationship directly or indirectly with the Company or relationship with the managerial personnel, if any	:	The Whole-time Director has no other pecuniary relationship directly or indirectly with the Company or with any of the managerial personnel of the Company, except to the extent of remuneration and other employment benefits being paid to her as the Whole-time Director of the Company.

3. Other Information

(1)	Reasons for loss or inadequate profits	Reasons for loss is slow and weak consumer buying sentiments coupled with slowdown in the real estate segment which forced the Company to keep its expansion plans moderate.
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(2)	Steps taken or proposed to be taken for improvement	The Company is opening new stores in Tier II cities to increase its turnover as per the projections as well as to bring its bottom line positive.
(3)	Expected increase in productivity and profits in measurable terms	Opening up of the new stores is expected to increase the turnover of the Company and to bring its bottom line positive.

4. Disclosures

(1)	The Shareholders shall be informed of the remuneration package of the managerial person	:	Yes, the Remuneration package has been fully disclosed under the Statement, pursuant to Section 102 of the Companies Act, 2013 in regard to special resolution set out under item no. 7 of the Notice relating to reappointment of Mrs. Sumita Somany as Whole-time Director duly annexed to the Notice convening the 9th Annual General Meeting of the Company, to seeking members' approval.
(2)	All elements of remuneration package such as salary benefits, bonuses, stock option, perquisites of all the Directors		Directors other than whole time Director are not entitled to any remuneration except fees for attending the Board meetings and Committee meetings.
(3)	Details of fixed components and performance linked incentives along with performance criteria	:	Not Applicable
(4)	Service contracts, notice period, severance fees etc	:	Service Contract is for a period of 3 (Three) years from 1 October, 2014 to 30 September, 2017. Notice period is 6 (Six) months. No severance fee is payable on termination.
(5)	Stock option details, if any and whether the same has been insured at a discount as well as the period over which accrued and over which exercisable	:	The Company has not issued any stock options to any of its Directors or Key Managerial Personnel.

Inspection of Documents

The copy of the Service Agreement entered/to be entered into between the Company and Mrs. Sumita Somany in connection with her appointment as Executive Director is available for inspection of the Members at the Registered Office of the Company on any working day between 12-00 Noon to 2-00 P.M. upto and including the date of Annual General Meeting or any adjournment/s thereof. The same will also be available at the meeting.

The Board of Directors are of the view that it is in the interest of the Company to continue to avail the services of Mrs. Sumita Somany as Executive Director of the Company. Approval of members is sought for re-appointment of Mrs. Sumita Somany as Executive Director and for payment of remuneration including minimum remuneration.


None of the Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested in the resolution set out under Item No. 7 of the accompanying Notice of Ninth Annual General Meeting of the Company.

The Board accordingly recommends the resolution as set out in item No. 7 for approval of the members.

**By Order of the Board
For Hindware Home Retail Private Limited**

Place: Gurgaon

Dated: 8th August, 2014


**Deepika Chowdhary
Company Secretary**

HINDWARE HOME RETAIL PRIVATE LIMITED

Regd. Office: 2, Red Cross Place, Kolkata-700 001

CIN: U51109WB2005PTC106307

Phone: 033-22487406/07, Fax: 033-22487045

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DIRECTORS' REPORT**Dear Members,**

Your Directors are pleased to present their Ninth Annual Report together with the audited accounts of the Company for the year ended 31st March, 2014.

Financial Results

Amount in Lacs

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
Total Revenue	9,364.68	8,640.49
Profit (Loss) before Interest & Depreciation	(1,211.27)	(1,247.87)
Interest	384.06	354.55
Profit (Loss) before Depreciation	(1,595.33)	(1,602.42)
Depreciation	429.00	267.13
Profit (Loss) before tax	(2,024.33)	(1,869.55)
Provision for tax	-	-
Profit/(loss) carried forward to balance sheet	(2,024.33)	(1,869.55)

Operations

The Company is a wholly owned subsidiary of HSIL Limited established to diversify the group into the total Home Solutions Enterprise with its foray into the high potential Home Interiors sector in India under the brand name "EVOK".

The core vision of the Company is to be the first choice partner of customers aspiring for value for style Home Interior solutions and operates in the Retail as well as Institutional segments.

During financial year 2013-14, the company redefined its merchandising and marketing strategy in line with changing consumer preferences. Evok has uniquely positioned itself to offer solidwood furniture which is acceptable to modern young customers as it blends the strength and durability of solid wood with trendy and modern designs.

The Company is completely focused on significant revenue escalation through its existing and upcoming/proposed retail stores and the projects division next year, as well as control operating costs with effective budgeting and control systems. The Company expects to deliver significant long term value to the Group operations. The company also intends to further expand its retail footwork through Franchisee in Tier 2 locations.

Dividend

In view of losses, your Directors do not recommend dividend for the year under review.

Share Capital

During the year under review, the Company has increased its Authorized Share Capital from Rs. 90,00,00,000/- (Rupees Ninety Crore Only) divided into 2,50,00,000 Equity Shares of Rs.

10/- each and 65,00,000 Non-Cumulative Redeemable Preference Shares of Rs. 100/- each to Rs. 100,00,00,000/- (Rupees Hundred Crore Only) divided into 2,50,00,000 Equity Shares of Rs. 10/- each and 75,00,000 Non-Cumulative Redeemable Preference Shares of Rs. 100/- each on 28th September, 2013.

The Company has issued and allotted 20,00,000 Non-Cumulative Redeemable Preference Shares of Rs. 100/- each, for cash at par to HSIL Limited, the parent Company on 28th March, 2014.

Fixed Deposits

The Company has not accepted fixed deposit within the meaning of Section 58A of the Companies Act, 1956, during the year ended 31st March, 2014.

Auditors' Report

The Report of the Auditors read together with the Notes on Accounts is self explanatory and, therefore, does not need any comments under Section 217 of the Companies Act, 1956.

Directors

During the year, Mr. Sandip Somany and Mr. Girdhari Lal Sultania resigned from the Directorship of the Company vide their letter dated 4 October, 2013 and 21 November, 2013 respectively. The Board placed on records its appreciation for the contribution made by them during their association with the Company as Directors.

The present term of Mrs. Sumita Somany, as Executive Director, will expire by efflux of time on 30 September, 2014. The Board is seeking re-appointment of Mrs. Sumita Somany as a Executive Director, for a further period of 3 years commencing from 1 October, 2014 upto 30 September, 2017. Detail of the proposal for re-appointment of Mrs. Sumita Somany is mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the Ninth Annual General Meeting. Her appointment is appropriate and in the best interest of the Company.

Pursuant to the provisions of Section 161(1) of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Sandeep Parwal and Mr. Anshuman Mishra were appointed as Additional Directors w.e.f 24 May, 2014 and they shall hold office up to the date of ensuing Annual General Meeting. The Company has received requisite notice under Section 160 of the Act, in writing from member proposing their appointment as Independent Directors under Section 149 of the Companies Act, 2013 and rules made there under at the ensuing Annual General Meeting of the Company, not liable to retire by rotation, for a term upto five consecutive years commencing from 26 September, 2014.

Mr. R. B. Kabra, Director of the Company, retire by rotation at the ensuing Annual General Meeting of the Company and, being eligible, offer himself for re-appointment.

Auditors

M/s. Walker Chandiook & Co LLP (formerly Walker Chandiook & Co.) Chartered Accountants, statutory auditors of the Company, retire at the ensuing Annual General Meeting and offer themselves for re-appointment. The Board recommends appointment and remuneration of M/s. Walker Chandiook & Co LLP (formerly Walker Chandiook & Co.), Chartered Accountants, as Statutory Auditors of the Company to hold office from the conclusion of ensuing Annual General Meeting to the conclusion of the next Annual General Meeting of the Company, subject to approval of the shareholders at the ensuing Annual General Meeting.

Internal Auditors

M/s H. C. Sogani & Co., Chartered Accountants were appointed as Internal Auditors of the Company pursuant to requirement of Section 138 of Companies Act, 2013 by the Board in their meeting held on 24 May, 2014 for the Financial Year 2014-15.

Particulars of Employees

There are no employees whose remuneration is in excess of the limit specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

In view of the nature of activities which are being carried on by the Company, the particulars prescribed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosures of Particular's in the report of Board of Directors) Rules, 1988 regarding conservation of Energy & Technology Absorption are not applicable to the Company.

The details of foreign exchange earnings and outgo during the year under review are as follows:

S. No.	Particulars	Amount in Lacs
A.	Foreign Exchange Outgo	852.96
B.	Foreign Currency Earned	NIL

Directors' Responsibility Statement

The Directors of your Company confirm that:

- (i) in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that they are reasonable and prudent so as to give a true and fair view of the state of the 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 the 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; and
- (iv) the Directors have prepared the annual accounts on going concern basis.

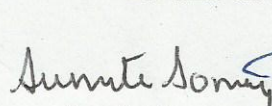
Disclosure under the Sexual Harassment of Women at work place (Prevention, Prohibition and Redressal) Act, 2013

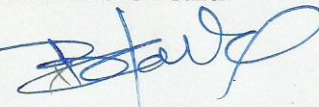
There were no cases of sexual harassment during the last financial year. As a matter of protection against sexual harassment, the Company has formed an internal complaints committee to which employees can write their complaints. Also the Company has sexual harassment policy in which it formalized a free and fair enquiry process with clear time lines.

Acknowledgement

Your Directors would like to express their appreciation for the assistance and co-operation received from the financial institutions, banks, Government authorities, customers, vendors and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services by the executives and staff of the Company.

For and on behalf of the Board


Sumita Somany
(Director)


R. B. Kabra
(Director)

Place: Gurgaon

Dated: 11 August, 2014

Walker Chandiook & Co LLP

Walker Chandiook & Co LLP
(Formerly Walker, Chandiook & Co)
21st Floor, DLF Square
Jacaranda Marg, DLF Phase II
Gurgaon 122002
India

Independent Auditors' Report

To the Members of Hindware Home Retail Private Limited

T +91 124 462 8000
F +91 124 462 8001

Report on the Financial Statements

1. We have audited the accompanying financial statements of Hindware Home Retail Private Limited (the 'Company'), which comprise the Balance Sheet as at 31 March 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 (the 'Act') read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Walker Chandiok & Co LLP

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
 - ii) in the case of Statement of Profit and Loss, of the loss for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by Section 227(3) of the Act, we report that::
- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. 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;
 - c. the financial statements dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the financial statements comply with the Accounting Standards notified under the Companies Act, 1956 read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
 - e. on the basis of written representations received from the directors, as on 31 March 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

Walker Chandiok & Co LLP

For **Walker Chandiok & Co LLP**

(formerly Walker, Chandiok & Co)

Chartered Accountants

Firm Registration No.: 001076N

Atul Seksaria

per **Atul Seksaria**

Partner

Membership No: 086370



Place: Gurgaon

Date: 24 May 2014

Walker Chandiook & Co LLP

Annexure to the Independent Auditors' Report of even date to the members of Hindware Home Retail Private Limited on the financial statements for the year ended 31 March 2014

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
- (c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit.
- (b) 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) The Company is maintaining proper records of inventory and no material discrepancies between physical inventory and book records were noticed on physical verification.
- (iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(b) to 4(iii)(d) of the Order are not applicable.
- (b) The Company has taken unsecured loan from one party covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is Rs. 50,000,000 and the year-end balance is Rs. Nil.
- (c) In our opinion, the rate of interest and other terms and conditions of loans taken by the Company are not, *prima facie*, prejudicial to the interest of the Company.
- (d) In respect of loans taken, repayment of the principal amount and the interest is regular.
- (iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.
- (b) In our opinion, the transactions made in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.



Walker Chandiok & Co LLP

Annexure to the Independent Auditors' Report of even date to the members of Hindware Home Retail Private Limited on the financial statements for the year ended 31 March 2014

- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act, in respect of Company's products and services. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. No undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they became payable.
- (b) The dues outstanding in respect of service tax on account of any dispute are as follows:

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
The Finance Act, 2004 and Service tax Rules	Service tax	7,777,417*	FY 2010-11 and FY 2011-12	Supreme Court

* Out of the total amount payable, Rs. 4,019,541 is deposited with service tax department under protest.

- (x) *In our opinion, the Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has incurred cash losses in the current and the immediately preceding financial year.*
- (xi) In our opinion, the Company has not defaulted in repayment of dues to any bank during the year. The Company has no dues payable to a financial institution or debenture-holders during the year. Accordingly, the provisions of clause 4(xi) of the Order are not applicable with respect to financial institution or debenture-holders.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.
- (xvi) In our opinion, the Company has applied the term loans for the purpose for which these loans were obtained.
- (xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment by the Company.



Walker Chandiok & Co LLP

Annexure to the Independent Auditors' Report of even date to the members of Hindware Home Retail Private Limited on the financial statements for the year ended 31 March 2014

- (xviii) During the year, the Company has made preferential allotment of shares to a company covered in the register maintained under Section 301 of the Act. In our opinion, the price at which shares have been issued is not, *prima facie*, prejudicial to the interest of the Company.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.
- (xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

Walker Chandiok & Co LLP

For Walker Chandiok & Co LLP

(formerly Walker, Chandiok & Co)

Chartered Accountants

Firm Registration No.: 001076N

Atul Seksaria
per Atul Seksaria
Partner
Membership No: 086370



Place: Gurgaon

Date: 24 May 2014

Hindware Home Retail Private Limited
Balance Sheet as at 31 March 2014

Equity and liabilities	Notes	(Amount in Rs.)	
		As at 31 March 2014	As at 31 March 2013
Shareholders' fund			
Share capital	3	849,000,000	649,000,000
Reserves and surplus	4	(637,868,732)	(435,435,357)
		<u>211,131,268</u>	<u>213,564,643</u>
Non-current liabilities			
Long-term borrowings	5	51,019,843	82,927,901
Other long-term liabilities	6	-	765,192
Long-term provisions	7	4,443,763	4,083,948
		<u>55,463,606</u>	<u>87,777,041</u>
Current liabilities			
Short-term borrowings	8	226,943,941	165,160,569
Trade payables	9	91,712,362	90,702,060
Other current liabilities	10	187,671,283	165,322,114
Short-term provisions	11	172,482	432,807
		<u>506,500,068</u>	<u>421,617,550</u>
Total		<u>773,094,942</u>	<u>722,959,234</u>
Assets			
Non-current assets			
Fixed Assets			
Tangible assets	12	275,558,775	275,919,371
Intangible assets	12	5,475,514	4,483,573
Capital work-in-progress		1,590,868	5,834,602
		<u>282,625,157</u>	<u>286,237,546</u>
Long-term loans and advances	13	49,305,838	43,681,636
Other non current assets	14	2,626,828	2,095,702
		<u>334,557,823</u>	<u>332,014,885</u>
Current assets			
Inventories	15	350,476,506	327,595,924
Trade receivables	16	46,393,779	17,251,406
Cash and bank balances	17	16,051,340	23,157,729
Short-term loans and advances	18	25,615,494	22,939,291
		<u>438,537,118</u>	<u>390,944,349</u>
Total		<u>773,094,942</u>	<u>722,959,234</u>


Notes 1 to 42 form an integral part of these financial statements

This is the balance sheet referred to in our report of even date.

Walker Chandiok & Co LLP

For Walker Chandiok & Co LLP
(formerly Walker, Chandiok & Co)
Chartered Accountants

per Atul Seksaria
Partner



Place : Gurgaon
Date : 24 May 2014

For and on behalf of the Board of Directors

Sumita Somany

Sumita Somany
(Director)
DIN-00133612

Deepika Chaudhary
(Company Secretary)

R.B. Kabra

R.B. Kabra
(Director)
DIN-00021886

V. K. Ajmera
(Chief Financial Officer)

Hindware Home Retail Private Limited
Statement of Profit and Loss for the year ended 31 March 2014

			(Amount in Rs.)
	Notes	Year ended 31 March 2014	Year ended 31 March 2013
Income			
Revenue from operations	19	936,062,668	863,935,913
Other income	20	405,755	113,323
Total revenue (I)		936,468,424	864,049,236
Expenses:			
Purchases of traded goods	21	552,204,583	592,053,296
Change in stock of work in progress and stock in trade	22	(22,880,582)	(109,694,288)
Employee benefit expenses	23	145,844,429	162,653,090
Other expenses	24	382,426,706	343,824,144
Total expenses (II)		1,057,595,136	988,836,242
Loss before interest, tax, depreciation and amortisation (I) - (II)		(121,126,712)	(124,787,007)
Depreciation and amortization	25	42,900,575	39,734,275
Finance costs	26	38,406,089	35,454,869
Loss after tax and before prior period items		(202,433,376)	(199,976,151)
Prior period items			
Depreciation and amortisation		-	13,021,103
Loss for the year		(202,433,376)	(186,955,048)
Loss per equity share (basic and diluted)	37	(9.20)	(9.09)

Notes 1 to 42 form an integral part of these financial statements

This is the statement of profit and loss referred to in our report of even date.

For and on behalf of the Board of Directors

Walker Chandiok & Co LLP
For Walker Chandiok & Co LLP
 (formerly Walker, Chandiok & Co)
 Chartered Accountants

per **Atul Seksaria**
 Partner



Sumita Somany
Sumita Somany
 (Director)
 DIN-00133612

Deepika Chaudhary
Deepika Chaudhary
 (Company Secretary)

R.B. Kabra
R.B. Kabra
 (Director)
 DIN-00021886

V. K. Ajmera
V. K. Ajmera
 (Chief Financial Officer)

Place : Gurgaon
Date : 24 May 2014

Hindware Home Retail Private Limited
Cash Flow Statement for the year ended 31 March 2014

	Year ended 31 March 2014	(Amount in Rs.) Year ended 31 March 2013
A. Cash flow from operating activities		
Net loss for the year	(202,433,376)	(186,955,048)
Adjustments for:		
Depreciation and amortisation (after adjusting prior period depreciation)	42,900,575	26,713,172
Profit on disposal of fixed assets (net)	(355,335)	(110,964)
Interest income	(50,421)	(2,359)
Sundry balances and liabilities no longer required written back (net)	(2,106,886)	(5,850,693)
Assets written off	506,786	1,869,328
Bad debts written off	49,656	376,257
Finance cost	37,901,031	35,029,188
Operating cash loss before working capital changes	(123,587,970)	(128,931,119)
Adjustments for:		
Increase in trade and other payables	26,322,013	20,832,696
(Increase)/decrease in trade and other receivables	(37,532,650)	2,931,642
(Increase) in inventories	(22,880,582)	(111,550,288)
Net cash used in operating activities	(157,679,190)	(216,717,069)
B. Cash flow from investing activities		
Purchase of fixed assets including capital work in progress	(41,570,186)	(39,232,344)
Proceeds from sale of fixed assets	2,130,552	5,036,472
Movements in restricted cash	(1,562,312)	(4,248,300)
Interest income	50,421	2,359
Net cash used in investing activities	(40,951,526)	(38,441,812)
C. Cash flow from financing activities		
Proceeds from issue of preference share capital	200,000,000	229,000,000
Movement in short-term borrowings (net)	61,783,372	30,383,602
Proceeds from long-term borrowing	19,739,418	58,455,393
Repayment of long-term borrowing	(54,525,000)	(17,600,000)
Interest paid	(36,544,864)	(35,029,188)
Net cash flow from financing activities	190,452,926	265,209,808
Net increase in cash and cash equivalents	(8,177,789)	10,050,926
Cash and cash equivalents in the beginning of the year	23,157,729	13,106,803
Cash and cash equivalents at the end of the year	14,979,940	23,157,729
Note:		
Cash and cash equivalent include:		
Cash on hand and remittance in transit (refer note 17)	9,605,247	18,841,918
Balances with banks (refer note 17)	5,374,693	4,315,811
Cash and cash equivalents	14,979,940	23,157,729

Notes 1 to 42 form an integral part of these financial statements

This is the cash flow statement referred to in our report of even date.

Walker Chandiok & Co

For Walker Chandiok & Co LLP

(formerly Walker, Chandiok & Co)

Chartered Accountants

Atul Seksaria
per Atul Seksaria
Partner



For and on behalf of the Board of Directors

Sumita Somany *R.B. Kabra*

Sumita Somany
(Director)
DIN-00133612

R.B. Kabra
(Director)
DIN-00021886

Deepika Chaudhary
Deepika Chaudhary
(Company Secretary)

V.K. Ajmera
V.K. Ajmera
(Chief Financial Officer)

Place: Gurgaon

Date : 24 May 2014

Hindware Home Retail Private Limited

Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2014

- 1 Hindware Home Retail Private Limited (the 'Company') was incorporated on 24 November 2005 as a wholly owned subsidiary of HSIL Limited. The Company is primarily engaged in retail trade of furniture and home decor through a chain of retail outlets.

2 Significant accounting policies

i Basis of preparation

The financial statements have been prepared to comply with the Accounting Standards referred to in the Companies (Accounting Standards) Rules, 2006 issued by the Central Government in exercise of the power conferred under sub-section (1) (a) of section 642 and relevant provisions of the Companies Act, 1956 (the 'Act') read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. The financial statements have been prepared on a going concern basis under the historical cost convention on accrual basis in accordance with the generally accepted accounting principles in India. The accounting policies have been consistently applied by the Company.

ii Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates and revisions, if any, are recognised in the current and future periods.

iii Fixed assets

Tangible assets

Tangible assets are stated at cost of acquisition less accumulated depreciation. Cost comprises the purchase price and any attributable cost incurred for bringing the assets to their working condition for their intended use.

Capital expenditure incurred on rented retail stores is recorded as leasehold improvements under fixed assets to the extent such expenditure is of permanent nature. Expenditure in assets which are of removable nature are recorded in the respective category of assets.

Intangible assets

Intangible assets are recognised if and only if it is probable that the future economic benefits that are attributable to the assets will flow to the Company. Software which is not an integral part of the related hardware, is classified as an intangible asset.

iv Depreciation and amortisation

Depreciation on fixed assets has been provided on the basis of straight line method at the rates and in the manner prescribed under schedule in Schedule XIV of the Companies Act, 1956 except in the case of -

- (i) Leasehold improvements and furniture and fittings - shop which are being depreciated over the lease period.
- (ii) Computers and softwares which are being depreciated over estimated useful lives.
- (iii) Vehicles which are being depreciated using written down value method.

v Inventories

Inventories including material in transit are valued at lower of cost and net realisable value. Cost includes freight and other related incidental expenses incurred in bringing the inventory to its present condition and location and is arrived at on weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost to affect the sale.



vi Revenue recognition

Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of the goods have been transferred to the customer and when no significant uncertainty exists regarding the amount of consideration that will be derived. Sales are stated exclusive of sales tax, trade discounts and sales return, wherever applicable.

Revenue from services

Revenue from services is recognised as and when services are rendered.

Interest income

Interest income is recognised on a time proportion basis for the amount outstanding and at the applicable rates.

vii Foreign currency transactions

Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at the rate prevailing on the balance sheet date. Differences arising therefrom are recognised in the statement of profit and loss.

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognised as income or expense in the year in which they arise.

viii Employee benefits

Salaries, bonuses and paid leave are accrued in the year in which the associated services are rendered by employees of the Company.

i) Provident fund

Provident fund benefit is a defined contribution plan under which the Company pays fixed contributions into funds established under Employees Provident Fund and Miscellaneous Provision Act, 1952. The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognised in respect of defined contribution plans are expensed as they accrue. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets, respectively, as they are normally of a short term nature.

ii) Gratuity

Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit obligation at the balance sheet date together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated at the balance sheet date by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded as expense or income in the statement of profit and loss in the year in which such gains or losses arise.

iii) Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed within one year from the balance sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of compensated absences becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of actuarial valuation performed by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded as expense or income in the statement of profit and loss in the year in which such gains or losses arise.

iv) Other short term benefits

Expense in respect of other short-term benefits is recognised on the basis of amount paid or payable for the period during which services are rendered by the employee.



ix Taxation

Provision for tax for the year comprises current income tax and deferred tax.

Current tax is determined higher of the amount of tax payable calculated at the tax rates applicable to the relevant assessment year on the assessable income of the respective year or tax payable on book profits computed in accordance with the provisions of section 115JB of the Income-tax Act, 1961.

Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable/virtual certainty, depending on the nature of the timing differences, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

x Operating leases

Lease rentals in respect of assets taken on operating lease are charged to the statement of profit and loss over the term of lease.

xi Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings/(loss) per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

xii Provision and contingencies

The Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of the obligation can be made.

A disclosure is made for a contingent liability when there is a:

- (i) possible obligation, the existence of which will be confirmed by the occurrence/non-occurrence of one or more uncertain events, not fully within the control of the Company;
- (ii) present obligation, where it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (iii) present obligation, where a reliable estimate cannot be made.

xiii Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

xiv Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term bank deposits with an original maturity of three months or less.



3 Share Capital

Authorised :

25,000,000 (previous year 25,000,000) equity shares of Rs. 10 each

7,500,000 (previous year 6,500,000) 0% non cumulative redeemable preference shares of Rs. 100 each

Issued

220,00,000 (previous year 22,000,000) equity shares of Rs. 10 each

6,290,000 (previous year 4,290,000) 0% non cumulative redeemable preference shares of Rs. 100 each

Subscribed and paid up

220,00,000 (previous year 22,000,000) equity shares of Rs. 10 each fully paid up

6,290,000 (previous year 4,290,000) 0% non cumulative redeemable preference shares of Rs. 100 each fully paid up

	As at 31 March 2014	(Amount in Rs.) As at 31 March 2013
25,000,000 (previous year 25,000,000) equity shares of Rs. 10 each	250,000,000	250,000,000
7,500,000 (previous year 6,500,000) 0% non cumulative redeemable preference shares of Rs. 100 each	750,000,000	650,000,000
	1,000,000,000	900,000,000
220,00,000 (previous year 22,000,000) equity shares of Rs. 10 each	220,000,000	220,000,000
6,290,000 (previous year 4,290,000) 0% non cumulative redeemable preference shares of Rs. 100 each	629,000,000	429,000,000
	849,000,000	649,000,000
220,00,000 (previous year 22,000,000) equity shares of Rs. 10 each fully paid up	220,000,000	220,000,000
6,290,000 (previous year 4,290,000) 0% non cumulative redeemable preference shares of Rs. 100 each fully paid up	629,000,000	429,000,000
	849,000,000	649,000,000

(a) Reconciliation of share outstanding at the beginning and at the end of reporting period

i) Equity shares

	31 March 2014		31 March 2013	
Particulars	Number of Shares	(Amount in Rs.)	Number of Shares	(Amount in Rs.)
Shares outstanding at the beginning/end of the year	22,000,000	220,000,000	22,000,000	220,000,000

(ii) Preference shares

	31 March 2014		31 March 2013	
Particulars	Number of Shares	(Amount in Rs.)	Number of Shares	(Amount in Rs.)
Shares outstanding at the beginning of the year	4,290,000	429,000,000	2,000,000	200,000,000
Add: Shares issued during the year	2,000,000	200,000,000	2,290,000	229,000,000
Shares outstanding at the end of the year	6,290,000	629,000,000	4,290,000	429,000,000

(b) Shares held by holding Company*

	31 March 2014		31 March 2013	
Particulars	Number of Shares	(Amount in Rs.)	Number of Shares	(Amount in Rs.)
Equity shares of Rs. 10 each				
HSIL Limited	22,000,000	220,000,000	22,000,000	220,000,000
0% Non cumulative redeemable preference shares of Rs 100 each				
HSIL Limited	6,290,000	629,000,000	4,290,000	429,000,000

* The above information is furnished as per the shareholder's register as at the year end.

Terms and rights attached to shares

i) Equity shares

The Company has only one class of equity shares having par value of Rs. 10 per share. Share holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, the holder of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts.

ii) 0% Non cumulative redeemable preference shares

The rights and restrictions attached to the redeemable preference shares differ from those attached to equity shares as follows:

- The redeemable preference shares will have preference to receive dividend. The holders of 0% non cumulative redeemable preference shares have no rights to receive notices of, attend or vote at general meetings except in certain limited circumstances.
- On the distribution of the assets of the Company, on winding up or other return of the capital (subject to certain exceptions), the holders of redeemable preference share have priority over the holders of ordinary shares to receive the capital paid up on those shares.
- Preference shares are redeemable at par at any time after giving subscriber a notice of redemption, on or before 31 March 2027.

(c) Details of shareholders holding more than 5% of the share capital of the Company at the beginning and at the end of the reporting period

	31 March 2014		31 March 2013	
Particulars	Number of Shares	% of Shares	Number of Shares	% of Shares
Equity shares of Rs. 10 each				
HSIL Limited	22,000,000	100	22,000,000	100
0% Non cumulative redeemable preference shares of Rs 100 each				
HSIL Limited	6,290,000	100	4,290,000	100

(d) The Company has not issued shares pursuant without payment being received in cash, allotted fully paid-up shares by way of bonus issues nor has bought nor has bought back any shares during the period of five years immediately preceding the reporting date.



	As at 31 March 2014	(Amount in Rs.) As at 31 March 2013
4 Reserves and Surplus		
a Securities premium account		
Balance at the beginning/end of the year	210,000,000	210,000,000
	<u>210,000,000</u>	<u>210,000,000</u>
b Surplus as per statement of profit and loss		
Balance as per last financial statement	(645,435,357)	(458,480,309)
Add: Net loss as per statement of profit and loss for the year	(202,433,376)	(186,955,048)
Closing balance in the statement of profit and loss	<u>(847,868,732)</u>	<u>(645,435,357)</u>
	<u>(637,868,732)</u>	<u>(435,435,357)</u>
5 Long-term borrowings		
Secured		
Term loans from banks		
Rupee loan	102,667,319	137,452,901
Less: Current maturities of long-term borrowings (refer note 10)	<u>51,647,476</u>	<u>54,525,000</u>
	<u>51,019,843</u>	<u>82,927,901</u>

Notes:-**Repayment terms and security for borrowings (including current maturities) as on 31 March 2014:**

- Term loan amounting to Rs. 88,000,000 from Central Bank of India carries an interest rate of base rate *plus* 3.5% per annum. The loan is repayable in 8 quarterly installments of Rs. 4,400,000 each starting from the first quarter of 2011-12 and balance in 8 quarterly installments of Rs. 6,600,000 each starting from first quarter of 2013-14.
- Term loan amounting to Rs. 150,000,000 from Central Bank of India carries an interest rate of base rate *plus* 3.5% per annum. The loan is repayable in 16 quarterly installments of Rs. 9,375,000 each starting from second quarter of 2013-14.

Both the aforementioned term loans are secured by way of -

- Hypothecation of the whole of furniture and fixtures, plant and machinery, office equipment and all other fixed assets.
- Corporate guarantee given by HSIL Limited, the Holding Company.

6 Other long term liabilities

Employees vehicle loan deposits

-	765,192
<u>-</u>	<u>765,192</u>

7 Long-term provisions

Provision for employee benefits *

Leave encashment

Gratuity

1,982,097	1,821,777
2,461,666	2,262,171
<u>4,443,763</u>	<u>4,083,948</u>

* Refer note 35

8 Short term borrowings**Secured**

Cash credit from banks

226,943,941	165,160,569
<u>226,943,941</u>	<u>165,160,569</u>

Repayment terms and security for borrowings as on 31 March 2014:

- Cash credit facility from Central bank of India carries an interest rate of base rate *plus* 2% per annum and is repayable on demand. This facility is secured by hypothecation against stocks, goods in transit, receivables and all other current assets and also having corporate guarantee from HSIL Limited, the Holding Company.
- Cash credit facility from Standard Chartered Bank carries an interest rate of base rate *plus* 2% per annum and is repayable on demand. This facility is secured by hypothecation against stocks, goods in transit, receivables and all other current assets and also having corporate guarantee from HSIL Limited, the Holding Company.
- Cash credit facility from Deutsche Bank carries an interest rate of base rate *plus* 2% per annum and is repayable on demand. The facility is secured against corporate guarantee from HSIL Limited, the Holding Company.



	(Amount in Rs.)	
	As at March 31, 2014	As at March 31, 2013
9 Trade payables		
Due to micro, small and medium enterprises (refer note 38)	-	-
Due to others	91,712,362	90,702,060
	<u>91,712,362</u>	<u>90,702,060</u>
10 Other current liabilities		
Current maturities of long-term borrowings (refer note 5)	51,647,476	54,525,000
Interest accrued and due on borrowings	1,356,167	-
Advance from customers	22,791,391	18,363,035
Statutory liabilities	11,149,581	10,128,002
Employee related payables	17,985,827	20,198,176
Liability for expenses	46,551,460	39,557,194
Creditor for capital goods	7,481,040	737,110
Other liabilities	28,708,342	21,813,597
	<u>187,671,283</u>	<u>165,322,114</u>
11 Short term provision		
Provision for employee benefits *		
Leave encashment	131,363	261,114
Gratuity	41,119	171,693
	<u>172,482</u>	<u>432,807</u>

* Refer note 35

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Hindware Home Retail Private Limited
Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2014

12. Fixed assets

For the year ended 31 March 2014

Particulars	Gross block			Depreciation/ amortisation			Net block	
	As at 01 April 2013	Additions during the year	Sales/ deletion during the year	As at 31 March 2014	As at 01 April 2013	Depreciation for the year	As at 31 March 2014	As at 31 March 2013
Tangible assets								
Vehicles	3,236,920	-	-	3,236,920	319,258	875,299	1,194,557	2,917,662
Air conditioning unit	13,929,862	3,500,912	-	17,430,774	1,314,955	770,727	2,085,681	12,614,906
Office equipments	17,487,311	638,526	-	18,125,837	1,882,774	860,730	2,743,504	15,604,536
Computers	19,273,889	697,393	-	19,971,282	14,157,499	3,532,193	17,689,692	5,116,390
Furniture and fittings	32,247,071	4,502,443	-	36,749,514	6,185,804	2,234,735	8,420,540	26,061,268
Furniture and fittings - Shop	159,941,425	27,097,284	3,252,615	183,786,094	45,322,305	18,553,202	62,492,557	114,619,121
Leasehold improvements	121,321,671	5,017,655	1,019,827	125,319,499	22,822,796	12,758,214	34,973,521	98,498,875
Tools	557,442	80,131	-	637,573	70,830	27,840	98,671	486,612
Intangible assets								
Computer software	15,521,823	4,279,576	-	19,801,399	11,038,250	3,287,634	14,325,884	4,483,573
TOTAL	383,517,413	45,813,920	4,272,442	425,058,892	103,114,471	42,900,575	144,024,606	280,402,944



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Hindware Home Retail Private Limited

Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2014

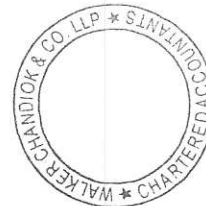
12. Fixed assets

For the year ended 31 March 2013

Particulars	Gross block						Depreciation/amortisation				(Amount in Rs.)	
	As at 01 April 2012	Additions during the year	Inventory capitalised	Sale during the year	Adjustment during the year	As at 31 March 2013	As at 01 April 2012	Depreciation for the year	Sale during the year	Prior period depreciation*	As at 31 March 2013	As at 31 March 2012
Tangible assets												
Vehicles	7,004,284	3,236,920	-	7,004,284	-	3,236,920	3,605,056	551,341	3,837,140	-	319,258	2,917,662
Air conditioning unit	12,827,362	1,102,500	-	-	-	13,929,862	671,228	643,727	-	-	1,314,955	12,614,906
Office equipment's	14,712,141	450,865	-	-	-	15,163,006	860,965	749,429	-	-	1,610,394	13,552,612
Computers	18,767,846	506,043	-	-	-	19,273,889	5,996,222	4,289,778	-	-	14,157,499	13,851,175
Furniture and fittings	45,549,389	5,205,604	1,564,605	-	(20,072,527)	32,247,071	6,431,378	2,093,171	-	3,871,499	26,061,268	39,118,011
Furniture and fittings - shop	137,092,335	4,038,946	-	1,262,383	20,072,527	159,941,425	29,117,982	16,535,817	359,805	28,311	45,322,305	107,974,353
Leasehold improvements	109,043,500	10,825,386	2,902,656	1,449,871	-	121,321,671	29,287,130	12,089,771	483,121	(18,070,984)	22,822,796	79,756,370
Plant and machinery	1,408,555	915,750	-	-	-	2,324,305	131,513	140,867	-	-	272,380	1,277,042
Tools	502,795	54,647	-	-	-	557,442	47,911	22,919	-	-	70,830	454,884
Intangible assets												
Computer software	11,695,761	3,826,062	-	-	-	15,521,823	4,931,979	2,617,455	-	3,488,816	11,038,250	6,763,781
Total	358,603,967	30,162,723	4,467,261	9,716,538	-	383,517,414	81,081,365	39,734,275	4,680,066	(13,021,103)	103,114,471	277,522,603

Note :

- During the year ended 31 March 2013, the Company has capitalised certain items of inventory (stock in trade) to the furniture and fixtures and leasehold improvement block amounting to ' 1,564,605 (previous year ' 20,072,527) and ' 2,902,656 (previous year ' 6,639,914) respectively.



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(Amount in Rs.)

13 Long term loans and advances

Capital advances
Security deposits
Prepaid taxes

As at March 31, 2014	As at March 31, 2013
4,647,754	5,592,520
43,294,678	37,506,339
1,363,407	582,778
49,305,838	43,681,636

14 Other non current assets

Margin money with banks
Fixed deposits with banks with original maturity of more than twelve months*
Interest accrued but not due on deposits

2,536,612	1,981,500
35,000	99,200
55,216	15,002
2,626,828	2,095,702

* pledged with various authorities

15 Inventories

(At lower of cost and net realisable value)

Stock in trade (net of provision for obsolete inventories)
Less: inventory capitalised during the year

Goods-in-transit

349,321,884	331,535,888
-	4,467,261
349,321,884	327,068,627
1,154,622	527,297
350,476,506	327,595,924

16 Trade receivables

(Unsecured unless otherwise stated)

Debts outstanding for a period exceeding six months from the date they are due for payment
Considered good

16,219,650	1,115,513
16,219,650	1,115,513

Debts outstanding for a period less than six months from the date they are due for payment
Considered good

30,174,129	16,135,893
30,174,129	16,135,893
46,393,779	17,251,406

17 Cash and bank balances**Cash and cash equivalents**

Balance with banks - current accounts
Cash on hand
Remittance in transit
Credit card balances

3,831,489	1,743,448
6,978,966	9,293,608
2,626,281	9,548,310
1,543,204	2,572,363
14,979,940	23,157,729

Other bank balances

Fixed deposits with maturity more than 3 months but less than 12 months

1,071,400	-
16,051,340	23,157,729

18 Short term loans and advances

(Unsecured considered good unless otherwise stated)

Advances recoverable in cash or in kind or for value to be received
Advances to suppliers
Balances with excise and sales tax authorities

2,705,119	1,537,174
16,679,155	15,196,395
6,231,220	6,205,722
25,615,494	22,939,291



Hindware Home Retail Private Limited

Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2014

	(Amount in Rs.)	
	Year ended 31 March 2014	Year ended 31 March 2013
19 Revenue from operations		
Sales of products		
Departmental sales	869,015,561	809,366,654
	<u>869,015,561</u>	<u>809,366,654</u>
Sale of services		
Service charges	23,395	81,542
Designing charges	8,298,347	31,690,617
Installation charges	52,984,661	13,658,424
	<u>61,306,403</u>	<u>45,430,583</u>
Other operating income		
Sundry balances and liabilities no longer required written back (net)	2,106,886	5,850,693
Foreign exchange fluctuation (net)	676,623	586,383
Insurance claims received	503,292	308,069
Scrap and other sales	49,778	55,999
Miscellaneous receipts	2,404,125	2,337,532
	<u>936,062,668</u>	<u>863,935,913</u>
Details of goods sold (traded)		
Furniture	617,118,161	536,226,643
Home furnishings	25,102,032	27,534,860
Home decor	65,495,521	60,202,288
Kitchen	120,387,303	102,050,342
Bath	19,918,607	78,976,417
Others	20,993,936	4,376,103
	<u>869,015,561</u>	<u>809,366,654</u>
20 Other income		
Interest on fixed deposit	50,421	2,359
Profit on disposal of fixed assets	355,335	110,964
	<u>405,755</u>	<u>113,323</u>
21 Purchases of traded goods		
Traded goods	552,204,583	592,053,296
	<u>552,204,583</u>	<u>592,053,296</u>



Hindware Home Retail Private Limited
Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2014

	(Amount in Rs.)	
	Year ended 31 March 2014	Year ended 31 March 2013
22 Change in stock of work in progress and stock in trade *		
Closing stock		
Stock in trade	350,476,506	327,595,924
	<u>350,476,506</u>	<u>327,595,924</u>
Less: Opening stock		
Stock in trade	327,595,924	217,901,636
	<u>327,595,924</u>	<u>217,901,636</u>
Change in stocks	<u>22,880,582</u>	<u>109,694,288</u>
<i>* Refer note 15</i>		
23 Employee benefit expenses		
Salaries, wages and bonus	137,932,808	154,664,889
Contribution to provident and other funds	4,462,668	4,678,979
Staff welfare expense	3,448,954	3,309,222
	<u>145,844,429</u>	<u>162,653,090</u>
24 Other expenses		
Electricity charges	15,537,594	17,252,187
Repairs to other assets	4,216,064	3,367,748
Rent and maintenance	150,064,738	133,197,975
Rates and taxes	3,011,494	2,983,627
Insurance	2,162,383	1,994,942
Travelling and conveyance	14,572,654	14,954,817
Freight outward	16,849,977	17,559,362
Advertisement and publicity	49,395,423	44,877,127
Selling and distribution expenses	42,866,632	36,795,530
Bad debts written off	49,656	376,257
Installation expenses	54,880,983	37,436,850
Miscellaneous expenses	28,819,108	33,027,722
	<u>382,426,706</u>	<u>343,824,144</u>
25 Depreciation and amortisation expense		
Depreciation on tangible assets	39,612,941	37,116,820
Amortisation of intangible assets	3,287,634	2,617,455
	<u>42,900,575</u>	<u>39,734,275</u>
26 Finance cost		
Interest on borrowings	37,901,031	35,029,188
Other borrowing cost	505,058	425,681
	<u>38,406,089</u>	<u>35,454,869</u>



Hindware Home Retail Private Limited
Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2014

27 The Company has incurred a loss of Rs. 202,433,376 (previous year Rs. 186,955,048) during the year and has accumulated losses of Rs. 847,868,732 (previous year Rs. 645,435,357) as at 31 March 2014, resulting in accumulated losses being more than 50% of its net worth as at 31 March 2014. The management has implemented plans and policies to improve its operation significantly and strengthen the financial position of the company in the coming years. The management is certain to achieve operational break even in the near future and to generate profits in due course. In view of the future business outlook and financial support provided by HSIL Limited, the Holding Company, management is of the opinion that it is appropriate to prepare accounts on a going concern basis. Accordingly, the financial statements continue to be prepared on a going concern basis and do not include any adjustments relating to the recoverability and classification of recorded asset amount and the classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

28 The Company is a lessee under various operating leases for premises taken on operating lease. Aggregate rental expenses under operating leases amounted to Rs. 130,167,605 (previous year Rs. 114,748,730) (excluding maintenance charges of Rs. 19,897,133 (previous year Rs. 18,449,245)) for the year, has been charged to the statement of profit and loss.

29 Deferred tax assets

In accordance with the notified Accounting Standard 22, "Accounting of Taxes on Income", deferred tax assets on carried forward losses, unabsorbed depreciation and other timing differences have not been accounted in the books, since it is not virtually certain whether in future there will be sufficient taxable income against which such deferred tax assets can be utilised.

30 Value of imports calculated on CIF basis

Particulars	31 March 2014	(Amount in Rs.) 31 March 2013
Stock in trade	81,227,447	105,358,095
Components and spare parts	293	20,777
	<u>81,227,740</u>	<u>105,378,873</u>

31 Expenditure in foreign currency (on accrual basis)

Particulars	31 March 2014	(Amount in Rs.) 31 March 2013
Travelling and conveyance	1,896,317	1,287,696
Professional charges	1,550,330	633,209
Government taxes	92,792	241,902
Others	1,123,986	1,113,365
	<u>4,663,426</u>	<u>3,276,172</u>

32 Capital commitments

Particulars	31 March 2014	(Amount in Rs.) 31 March 2013
Commitments relating to contracts remaining to be executed on capital accounts (Net of advances Rs. 4,647,754 (previous year Rs. 5,592,520))	2,376,217	4,412,084

33 Contingent liabilities not provided for:

Particulars	31 March 2014	(Amount in Rs.) 31 March 2013
Bank guarantees given to various parties	10,909,532	350,000
Service tax liability on lease rent*	7,777,417	7,777,417
	<u>18,686,949</u>	<u>8,127,417</u>

*Out of this 4,019,541 has been deposited under protest with Service tax department against Supreme Court order.

34 Payment to auditors

Particulars	31 March 2014	(Amount in Rs.) 31 March 2013
As auditor		
Statutory audit	250,000	250,000
Tax audit	50,000	50,000
Service tax	37,080	37,080
	<u>337,080</u>	<u>337,080</u>

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Hindware Home Retail Private Limited

Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2014

35 Employee benefits

During the year Company has recognised the following amounts in the statement of profit and loss:

a) Provident fund and other funds:*

Particulars

Employer's contribution to provident fund

Employer's contribution to employee's state insurance

	(Amount in Rs.)
31 March 2014	31 March 2013
3,472,878	3,440,541
640,488	880,504

* Included in "contribution to provident and other funds" (refer note 23)

b) Long term benefit plans

	As at 31 March 2014		As at 31 March 2013	
	Gratuity	Leave encashment	Gratuity	Leave encashment
Amount recognised in statement of profit and loss:				
Current service cost	807,217	855,290	941,840	1,029,246
Interest cost	194,709	166,631	167,542	143,058
Net actuarial (gain)/loss recognised in the year	(337,252)	701,294	(47,945)	633,876
Total included in personnel cost *	664,674	1,723,215	1,061,437	1,806,180
* Included in "salaries, wages and bonus" (refer note 23)				
Reconciliation of benefit obligation for the year				
Present value of obligation as at the beginning of the year	2,433,864	2,082,891	2,094,281	1,788,224
Interest cost	194,709	166,631	167,542	143,058
Current service cost	807,217	855,290	941,840	1,029,246
Benefits paid	(595,754)	(1,692,646)	(721,854)	(1,511,513)
Actuarial (gain)/loss on obligation	(337,252)	701,294	(47,945)	633,876
Present value of obligation as at the end of year	2,502,784	2,113,460	2,433,864	2,082,891
Amount to be recognised in balance sheet				
Present value of defined benefit obligation				
Current	41,119	131,363	171,693	261,114
Non-current	2,461,666	1,982,097	2,262,171	1,821,777
	2,502,785	2,113,460	2,433,864	2,082,891
Actuarial assumptions				
Discount rate	8.5%	8.5%	8.0%	8.0%
Expected rate of increase in compensation levels	6.0%	6.0%	5.5%	5.5%

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36 Details in respect of traded goods dealt with by the Company:*

Particulars	(Amount in Rs.)	
	31 March 2014	31 March 2013
Opening stock		
Furniture and home furnishing	217,034,844	147,097,429
Other	110,561,080	70,804,207
	327,595,924	217,901,636
Purchases		
Furniture and home furnishing	379,149,413	373,266,969
Other	173,055,170	218,786,327
	552,204,583	592,053,296
Sales		
Furniture and home furnishing	642,220,192	563,761,504
Other	226,795,369	245,605,150
	869,015,561	809,366,654
Closing stock		
Furniture and home furnishing	231,956,643	217,034,844
Other	118,519,863	110,561,080
	350,476,506	327,595,924

* The Company deals in large number of products, the information has been furnished only in respect of major items namely furniture and home furnishing items. Other items are grouped together, as information in respect of each product is not practical to ascertain in view of nature of retail operation of the Company.

37 Loss per share

Particulars	(Amount in Rs.)	
	31 March 2014	31 March 2013
Basic and diluted loss per share		
Loss attributable to equity shareholders (Rs.)	(202,433,376)	(186,955,048)
Weighted average number of shares outstanding during the year	22,000,000	22,000,000
Nominal value per share (Rs.)	10	10
Basic and diluted loss per share - (Rs.)	(9.20)	(8.50)

38 There are no micro, small and medium enterprises, as defined in the Micro, Small, Medium Enterprises Development Act, 2006, to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made. The above information regarding micro, small and medium enterprises have been determined to the extent such parties have been identified on the basis of information available with the Company.

39 The foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below as on each balance sheet date

Particulars	(Amount in Rs.)	
	31 March 2014	31 March 2013
Payables		
Payable on imports	95,724	954,410
Receivables		
Advances to suppliers	581,768	1,256,533

40 The Company is engaged in the business of "Retail trade" which is considered to be the only reportable business segment as per the notified accounting standard 17 on 'Segment Reporting' referred to in the Companies (Accounting Standards) Rules 2006. The Company only operates in India and therefore does not have any other geographical segments.

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Hindware Home Retail Private Limited

Significant accounting policies and other explanatory information to financial statements for the year ended 31 March 2014

41 Related party disclosures

Information to be disclosed in accordance with the notified Accounting Standard 18 "Related Party Disclosures" referred to in the Companies (Accounting Standards) Rules 2006.

(i) Relationship	Particulars
Holding Company	HSIL Limited
Fellow subsidiary companies	HSIL Associates Limited Halis International Limited Alchemy International Cooperatief U.A. Haas International B.V. Barwood Products Limited
Key management personnel and relatives	Mrs. Sumita Somany

(ii) Transactions undertaken/balances outstanding with related parties in the ordinary course business:

Particulars	(Amount in Rs.)			
	Holding Company		Key management personnel and their relatives	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
A Transactions during the year				
(i) Sales of services	5,036,349	4,799,090	-	-
(ii) Purchase of trading goods	14,904,586	65,982,876	-	-
(iii) Amount paid by Holding Company on account of expenses pertaining to the Company	834,319	2,846,129	-	-
(iv) Amount of rent paid by Company on behalf of the Holding Company	2,926,822	1,804,800	-	-
(v) Amount paid on account of expenses/liabilities on behalf of Holding Company	177,152	1,601,303	-	-
(vi) Interest expense paid	201,370	-	-	-
(vii) Inter-corporate loan received	50,000,000	-	-	-
(viii) Inter-corporate loan installment paid	50,000,000	-	-	-
(ix) Issue and allotment of preference shares	200,000,000	229,000,000	-	-
(x) Remuneration paid Mrs. Sumita Somany (Executive Director)	-	-	4,039,200	3,473,724
Balance outstanding at the year end - receivable	-	-	-	-
Balance outstanding at the year end - payable	-	-	-	-

42 Previous year's figures have been regrouped/reclassified, wherever considered necessary to make them comparable with those of the current year.

Walker Chandiok & Co LLP
For Walker Chandiok & Co LLP
(formerly Walker, Chandiok & Co)
Chartered Accountants
per Atul Seksaria
Partner

Place : Gurgaon
Date: 24 May 2014

For and on behalf of the Board of Directors
Sumita Somany
Sumita Somany
(Director)
DIN-00133612
Deepika Choudhary
Deepika Choudhary
(Company Secretary)
R.B. Kabra
R.B. Kabra
(Director)
DIN-00021886
V.K. Ajmera
V.K. Ajmera
(Chief Financial Officer)