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INDEPENDENT AUDITOR'S REPORT

To the Members of Kitex Garments Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Kitex Garments Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and 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

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 Standards notified under the Companies Act, 1956 (the "Act") read with the General Circular 15/2013 dated 13th 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.

Auditor's Responsibility

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.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 the 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014.
- (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. 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 Companies Act, 1956 and sub-section (11) of Section 143 of the Companies Act, 2013, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. 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 Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account and records;



Annexure to Auditors' Report

Referred to in Paragraph 1 of Report on **Other Legal and Regulatory Requirements** of our Report of even date

- (i)
 - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) As explained to us, all the fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. According to the information and explanations given to us, no material discrepancies were noticed on such physical verification.
 - (c) During the year, the Company has not disposed off a substantial part of its fixed assets, which affect the going concern status of the Company.
- (ii)
 - (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion, the Company has maintained proper records of inventories. As explained to us, no material discrepancies were noticed on physical verification of inventories as compared to the book records.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from Companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956 and Section 189 of the Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and also with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.



- (v)
- (a) In our opinion and according to the information and explanations given to us, we are of the opinion that the transactions made in pursuance of contracts or arrangements, that need to be entered in the Register maintained under Section 301 of the Companies Act, 1956 and Section 189 of the Companies Act, 2013, have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956 and Section 189 of the Companies Act, 2013, and exceeding the value of Rs. 5 Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public during the year. Therefore, the provisions of clause 4 (vi) of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- (vii) Internal Audit functions are carried out by the Internal Audit Department of the Company and the same is reviewed by the Audit Committee. In our opinion, the same can be considered as adequate.
- (viii) According to the information and explanations given to us, the Central Government has prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and Section 128 read with Section 2(13) of the Companies Act, 2013, in respect of manufacturing activities of the Company. We have broadly reviewed the accounts and records of the Company in this connection and are of the opinion, that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, carried out a detailed examination of the same.
- (ix)
- (a) The Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and any other material statutory dues applicable to the Company.

According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were in arrears, as at 31.03.2014 for a period of more than six months from the date they became payable.



- (b) According to the information and explanations given to us, the following dues demanded by the relevant authority have not been deposited on account of pending disputes:

Name of Statute	Nature of Dues	Amount	Period to which it Relates	Forum where Dispute is Pending
Customs Act	Customs Duty	Rs.2,20,61,171 with simple interest of 10% on Rs.99,31,229 as per Settlement Commission Order (out of which Rs.2,20,61,171/- has been paid)	FY 1997-98	Honourable Supreme Court of India
Income Tax Act	Income tax	Rs.6,29,406/-	AY 2003-04 & 2004-05	Honourable High Court of Kerala
Income Tax Act	Income tax	Rs.21,29,567/-	AY 2005-06	Commissioner of Income Tax (Appeals)
Income Tax Act	Income tax	Rs.8,68,593/-	AY 2006-07	Commissioner of Income Tax (Appeals)
Income Tax Act	Fringe Benefit tax	Rs.9,07,553/-	AY 2006-07	Commissioner of Income Tax (Appeals)
Income Tax Act	Income tax	Rs.58,87,640/-	AY 2009-10	Commissioner of Income Tax (Appeals)
Income Tax Act	Income tax	Rs.48,72,980/-	AY 2011-12	Commissioner of Income Tax (Appeals)
Provident Fund Act	Provident Fund	Rs.1,31,86,588/- (Out of which Rs.52,74,636/- has been deposited)	FY 2001-02 to 2005-06	Honourable High Court of Kerala
Provident Fund Act	Provident Fund	Rs.20,44,752/-	For the Period April 2012 to August 2012	Regional Provident Fund Commissioner, Kochi
Employees State Insurance Act	Employee State Insurance	Rs.2,03,687/- (Out of which Rs.1,25,000/- has been deposited)	FY 1996-1997 and 1997-98	The Director, ESI Regional Office, Ernakulam



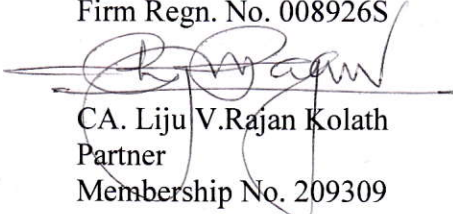
Employees State Insurance Act	Employee State Insurance	Rs.5,61,692/- (Out of which Rs.2,15,791/- has been deposited)	FY 1998 -99 to 2001-02	Honourable High Court of Kerala
Employees State Insurance Act	Employee State Insurance	Rs.26,01,275/ (Out of which the company has Deposited Rs.3,00,000/-)	FY 2008-09	Honourable ESI Court, Alapuzha
Employees State Insurance Act	Employee State Insurance	Rs.2,79,558/ and related Interest of Rs.9,466 (Out of which the company has Deposited Rs.50,000)	FY 2008-09	Honourable ESI Court, Alapuzha
Employees State Insurance Act	Employee State Insurance	Rs.8,63,348/ (Out of which the company has Deposited Rs.1,00,000)	FY 2008-09	Honourable ESI Court, Alapuzha
Kerala Municipality Act, 1994 read with Kerala Building Rules, 1999	One Time Building Tax	Rs.3,08,945/-	1997	Honourable High Court of Kerala

- (x) In our opinion, the Company does not have accumulated losses at the end of the financial year. The Company has not incurred cash losses during the financial year covered by the audit and in the immediately preceding financial year.
- (xi) Based on our audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders. There were no debenture holders at any time during the year.
- (xii) Based on our examination of documents and records and according to the information and explanations given by the Management, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.



- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. The investment made in equity shares is held in its own name.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purposes for which they were raised.
- (xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we are of the opinion that no funds raised on short term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under Section 301 of the Companies Act, 1956 and Section 189 of the Companies Act, 2013.
- (xix) The Company has not issued any debenture during the year. Accordingly, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003, are not applicable to the Company.
- (xx) The Company has not raised money by public issues during the year and hence the question of disclosure and verification of the end use of such money does not arise.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company during the year was noticed or reported, nor have we been informed of such case by the management.

For KOLATH & CO
Chartered Accountants
Firm Regn. No. 008926S


CA. Liju V. Rajan Kolath
Partner
Membership No. 209309



Ernakulam
03.04.2014