

## *Avanti Leathers Limited*

### **Board of Directors:**

Mr Vijay Kumar Koganti	— Managing Director
Mr Anumolu Venkateswara Kishore	— Executive Director
Dr M Santappa	
Mr K Seshagiri Rao	
Dr A Subbarama Naidu	
Mr Tridip Kumar Dugar	
Mr Alessandro Carpignani	
Mr Sadhu Sundar (LIDCAP - nominee)	

### **Auditors:**

M/s. Brahmayya & Co.  
Chartered Accountants,  
48, Balaji Nagar,  
Royapettah, Chennai – 600 014.

### **Registered Office:**

Avanti, Kambakkam Village  
Varadayapalem Mandal  
Chittoor District - 517 541  
Andhra Pradesh

### **Administrative Office:**

No. 24, Heritage Vijayendra Nagar,  
Phase II, V.P.K. Street,  
Telephone Colony, Perungudi,  
Chennai – 600 096  
Tamil Nadu

### **Factory:**

Avanti,  
Kambakkam Village,  
Varadayapalem Mandal  
Chittoor District – 517 541  
Andhra Pradesh

**NOTICE TO THE SHAREHOLDERS**

Notice is hereby given that the 35th (**THIRTY FIFTH**) Annual General Meeting of the Members of Avanti Leathers Limited will be held on Friday the 30<sup>th</sup> day of September, 2011 at 11:00 A.M. at the Registered Office of the Company at Avanti, Kambakkam Village, Varadayapalem Mandal, Chittoor District, Andhra Pradesh, Pin-517 541 to transact the following business;

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2011 and the profit and Loss Account for the period ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Sri M. Santappa who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Sri Tridip Kumar Dugar who retires by rotation and is eligible for re-appointment.
4. To appoint M/s. Brahmayya & Co, Chartered Accountants, as Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

**SPECIAL BUSINESS**

1. Appointment of Sri Alessandro Carpignani as Director of the Company

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

“RESOLVED THAT Sri Alessandro Carpignani, an Italian national, be and is hereby appointed as a Director of the Company whose term of office shall be liable to retirement by rotation”

2. Reappointment and revision of the remuneration of Sri Vijay Kumar Koganti, Managing Director.

To consider and if thought fit to pass with or without modification the following resolution as Special Resolution:

“RESOLVED THAT in accordance with the provisions of Section 198, 269, 309 and 310 read with Schedule XIII of the Companies Act, 1956 and all other applicable provisions, if any, of the said Act, including any statutory modification(s) or re-enactment thereof for the time being in force, and Shri Vijay Kumar Koganti be re-appointed as Managing Director for a period of three years with effect from 1.11.2011 and further he be paid remuneration by way of salary and perquisites as detailed below:

- 1) Salary : ₹ 225,000 – 25,000 – 275,000 per month

Perquisites: In addition to the salary above, he shall be entitled to the allowances and other perquisites as set out below:

**CATEGORY – A :**

**A) Housing:**

- i) The expenditure by the Company on hiring accommodation subject to ceiling of 60% of the salary over and above 10% payable by the appointee.
- ii) In case the accommodation is owned by the Company, 10% of the salary shall be deducted by the Company.
- iii) In case no accommodation is provided by the Company he shall be entitled to House Rent Allowances, subject to the ceiling laid down in (i) above.

The expenditure incurred by the Company on Gas, Electricity, Water expenses and Furnishing to be value as per Income Tax Rules, 1962. This shall however be subject to a ceiling of 10% of the salary.

**B) Medical Reimbursement:**

Expenses actually incurred for Shri Vijay Kumar Koganti and his family shall be reimbursed to a ceiling of one month salary in a year or three months salary over a period of three years.

**C) Leave Travel Concession:**

Leave Travel Concession for Shri Vijay Kumar Koganti and his family in accordance with the rules of the Company.

**D) Club Fee:**

Fees of Clubs subject to a maximum of two clubs. No life membership or admission fee shall be paid.

**E) Personal Accident Insurance:**

The annual premium shall not exceed Rs. 2,000 per month.

Explanation: For the above purpose family means – spouse, dependent children and dependent parents.

**CATEGORY – B :**

**A) Company's contribution towards Provident Fund subject to a ceiling of 12% of salary.**

**B) Company's contribution towards Pension / Super Annuation Funds which shall not together with the Company's contribution towards Provident Fund exceed 15% of the salary or such other higher percentage thereof may be laid down from time to time under the Income Tax Rules.**

**C) Contribution to Provident Fund, Super Annuation Fund and Annuity will not be included in the computation of ceiling on perquisites to the extent these either singly or together are not taxable under Income Tax Act.**

**D) Gratuity not exceeding half month salary for each completed year of service subject to a ceiling of ₹ 5,00,000 or such higher ceiling as may be fixed from time to time by the Central Government.**

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CATEGORY – C :

Provision of Car for use on Company's business and telephone, fax and computer at residence will not be considered as perquisite. Personal long distance calls on Telephone and use of car for private purpose shall be billed by the Company.

2) MINIMUM SALARY:

Where in any financial year, during the currency of the tenure of Shri Vijay Kumar Koganti, the Company has no profits or its profits are inadequate, the company shall pay remuneration by way of salary and perquisites not exceeding the limits specified herein above.

3. Appointment of Sri A. Venkateswara Kishore, Whole-time Director as Executive Director and revision of remuneration.

To consider and if thought fit to pass with or without modification the following resolution as Special Resolution:

“RESOLVED THAT in accordance with the provisions of Section 198, 269, 309 and 310 read with Schedule XIII of the Companies Act, 1956 and all other applicable provisions, if any, of the said Act, including any statutory modification(s) or re-enactment thereof for the time being in force, and Shri A. Venkateswara Kishore be appointed as Executive Director for a period of three years with effect from 1.10.2011 and further he be paid remuneration by way of salary and perquisites as detailed below:

1) Salary : ₹ 200,000 – 25,000 – 250,000 per month

Perquisites: In addition to the salary above, he shall be entitled to the allowances and other perquisites as set out below:

CATEGORY – A :

A) Housing:

- i) The expenditure by the Company on hiring accommodation subject to ceiling of 60% of the salary over and above 10% payable by the appointee.
- ii) In case the accommodation is owned by the Company, 10% of the salary shall be deducted by the Company.
- iii) In case no accommodation is provided by the Company he shall be entitled to House Rent Allowances, subject to the ceiling laid down in (i) above.

The expenditure incurred by the Company on Gas, Electricity, Water expenses and Furnishing to be value as per Income Tax Rules, 1962. This shall however be subject to a ceiling of 10% of the salary.

B) Medical Reimbursement:

Expenses actually incurred for Shri A. Venkateswara Kishore and his family shall be reimbursed to a ceiling of one month salary in a year or three months salary over a period of three years.

C) Leave Travel Concession:

Leave Travel Concession for Shri A. Venkateswara Kishore and his family in accordance with the rules of the Company.

D) Club Fee:  
Fees of Clubs subject to a maximum of two clubs. No life membership or admission fee shall be paid.

E) Personal Accident Insurance:  
The annual premium shall not exceed Rs. 2000 per month.

Explanation: For the above purpose family means – spouse, dependent children and dependent parents.

**CATEGORY – B :**

- A) Company's contribution towards Provident Fund subject to a ceiling of 12% of salary.
- B) Company's contribution towards Pension / Super Annuation Funds which shall not together with the Company's contribution towards Provident Fund exceed 15% of the salary or such other higher percentage thereof may be laid down from time to time under the Income Tax Rules.
- C) Contribution to Provident Fund, Super Annuation Fund and Annuity will not be included in the computation of ceiling on perquisites to the extent these either singly or together are not taxable under Income Tax Act.
- D) Gratuity not exceeding half month salary for each completed year of service subject to a ceiling of ₹ 5,00,000 or such higher ceiling as may be fixed from time to time by the Central Government.

**CATEGORY – C :**

Provision of Car for use on Company's business and telephone, fax and computer at residence will not be considered as perquisite. Personal long distance calls on Telephone and use of car for private purpose shall be billed by the Company.

2) **MINIMUM SALARY :**

Where in any financial year, during the currency of the tenure of Shri A. Venkateswara Kishore, the Company has no profits or its profits are inadequate, the company shall pay remuneration by way of salary and perquisites not exceeding the limits specified herein above.

By order of the Board

Place: Chennai  
Date: 30<sup>th</sup> August, 2011

**Vijay Kumar Koganti**  
Managing Director

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## NOTES

1. The Explanatory Statement in respect of the special business in the Notice, pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
2. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote on his/her behalf and such Proxy need not be a Member of the Company. The Proxy Form duly completed and signed must be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.
3. The Register of Members and Transfer Books of the Company will remain closed from 28<sup>th</sup> September 2011 to 30<sup>th</sup> September 2011 (both days inclusive)
4. The Equity Shares of the company are listed in Hyderabad and Madras Stock Exchanges.
5. Members are requested to furnish the Company immediately change of their address, if any.
6. Members holding shares in identical order of names in more than one folio are requested to write to the Company enclosing their share certificates to enable consolidation of their shareholdings in one folio.
7. Members are requested to quote their Registered Folio Number in all correspondence with the Company.
8. Registration of e-mail addresses for sending Annual Reports, communications, etc:  
Members are requested to register their e-mail addresses and changes therein from time to time with the Company so that the Company will use the same for sending Notices, Annual Reports and other communications.

### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

#### **Item No. 1: Appointment of Sri Alessandro Carpignani, as a Director**

Sri Alessandro Carpignani, has joined the Board of your Company as an additional director under Section 260 of the Companies Act, 1956 at the meeting held on 30<sup>th</sup> August, 2011. He is having 35 years of rich experience in the Leather Processing and Leather Marketing.

The company has received a notice under sec. 257 of the companies act, 1956 from a member together in the necessary fee informing his intension to propose the appointment of Sri Alessandro Carpignani, as a Director of the Company. Your directors recommend passing the resolution as an ordinary resolution.

None of the Directors except Sri Alessandro Carpignani is interested are concerned in the resolution.

**Item No. 2 : Reappointment and variation of the remuneration of Sri Vijay Kumar Koganti, Managing Director**

Sri Vijay Kumar Koganti was re-appointed as Managing Director of the Company in the 32<sup>nd</sup> Annual General Meeting held on 30<sup>th</sup> September, 2008 with effect from 1<sup>st</sup> November, 2008 for a period of three years with remuneration. As the term of his appointment is expiring on 31.10.2011, now the Board of Directors decided to re-appoint him as Managing Director for a further period of 3 years with the same terms and conditions as mentioned in the resolution. He is a Science graduate, having vast experience in leather and leather products and looking after the entire business operations of the company since 1998 and putting all efforts to bring up the company. Considering the efforts in revival / restructuring process of the company, the Board of Directors propose to re-appoint him as Managing Director for further period of three years as per the terms and conditions detailed in the resolution. The above appointment and payment of remuneration is subject to the approval of the Shareholders of the company under the various provisions of the Act and hence the resolution set out in the Notice is submitted before the Members for their approval.

None of the directors except Shri Vijay Kumar Koganti is concerned or interested in the above resolution.

**Item No.3 : Reappointment and variation of the remuneration of Sri A. Venkateswara Kishore, Executive Director**

Sri A. Venkateswara Kishore was appointed as Whole Time Director of the company in the 32<sup>nd</sup> Annual General Meeting held on 30<sup>th</sup> September, 2008 with effect from 1<sup>st</sup> October, 2008 for a period of three years with remuneration. As the term of his appointment is expiring on 30.09.2011, now the Board of Directors decided to re-appoint him as Executive Director for a further period of 3 years with the same terms and conditions as mentioned in the resolution. He is a B.Tech (Leather) from Anna University and he is having vast experience in Leather Processing and technical consultant for various tanneries in India and abroad. The above appointment and payment of remuneration is subject to the approval of the Shareholders of the company under the various provisions of the Act and hence the resolution set out in the Notice is submitted before the Members for their approval.

None of the directors except Shri A. Venkateswara Kishore is concerned or interested in the above resolution.

By order of the Board

Place: Chennai  
Date: 30<sup>th</sup> August, 2011

**Vijay Kumar Koganti**  
Managing Director

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## DIRECTOR'S REPORT

To  
The Members of Avanti Leathers Limited

Your Directors have pleasure in presenting the 35<sup>th</sup> Annual Report and Audited statement of accounts of the Company for the year ended 31<sup>st</sup> March, 2011.

### FINANCIAL RESULTS

Description	Period ended 31.03.2011 (₹ in millions)	Period ended 31.03.2010 (₹ in millions)
Income	218.10	173.74
Gross Loss/Profit before Depreciation and Interest	6.87	10.35
ADD: Interest	—	—
Depreciation	<u>5.55</u> 5.55	<u>4.64</u> 4.64
Profit for the year	1.32	5.71
ADD: Fringe Benefit Tax	—	—
LESS: Loss brought forward from the previous year	126.06	131.77
Loss carried over to Balance Sheet	124.74	126.06

### OPERATING PERFORMANCE

The company is doing Job-Work production and also own production in smaller quantities.

The turnover of the company for the year ended 31<sup>st</sup> March, 2011 was ₹ 216.30 millions against ₹ 144.63 millions in the previous year. During the year the company made sales of ₹ 201.26 millions against ₹ 133.73 millions in the previous year and Job work receipts of ₹ 15.04 millions against ₹ 10.90 in the previous year. During the year the company has made an operating profit of ₹ 1.32 millions and cash profit of ₹ 6.87 millions.

The Board for Industrial and Financial Reconstruction passed orders on 29<sup>th</sup> November, 2010 sanctioning the Rehabilitation Scheme for revival of the company under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985. The company is implementing the Scheme in accordance with the Order.

### OUTLOOK AND FUTURE PLANS

The outlook and future plans of the Company have been mentioned in detail under the "Management Discussion and Analysis" section that forms part of this report.

### DIVIDEND

Your Directors are to report that due to inadequate profits the company is unable to pay any dividend on the Equity Share Capital of the Company.

**LISTING OF SHARES**

The securities of the Company are listed on Madras Stock Exchange and Hyderabad Stock Exchange. Annual Listing Fees for the year 2011-2012 has been duly paid to the Madras Stock Exchange.

**CAPITAL EXPENDITURE**

Addition to Gross Fixed Assets in the period under review was ₹ 24.50 millions (₹ 20.04 millions). Deletion of fixed Asset was ₹ 0.96 millions (₹ Nil). The Gross block at the end of the period stands at ₹ 157.63 millions (₹ 134.10 millions).

**DEPOSITS**

Your company has not accepted deposits within the meaning of Section 58A of the Companies Act, 1956 and the Rules made there under.

**DIRECTORS**

**Retirement of Directors by rotation**

Sri M. Santappa and Sri Tridip Kumar Dugar retire by rotation at the ensuing Annual General Meeting and being eligible for reappointment. Certain changes in the remuneration of Managing Director and Whole-time Directors are being considered for members' approval at the ensuing Annual General Meeting.

**Appointment**

Sri Alessandro Carpignani was appointed to the Board of your Company as Additional Director on 30<sup>th</sup> August, 2011.

**AUDITORS**

The Statutory Auditors, M/s. Brahmayya & Co, Chartered Accountants, 48, Balaji Nagar, Royapettah, Chennai retires as auditors of the Company at the ensuing Annual General Meeting of the Company and are eligible for reappointment.

**MANAGEMENT DISCUSSION AND ANALYSIS**

Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming a part of the Annual Report.

**COMMENTS ON AUDITORS REPORT**

**a. Confirmation from the Director U/s.274(1)(g) of the Companies Act, 1956**

The company has not received Declaration U/s.274(1)(g) from a Nominee Director as on the date of Board Meeting and we may receive at later date.

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**b. Creditors Written Back :**

The Company is of the opinion that the liability is limited to 30% of the outstanding amount and these amounts will be paid whenever the creditors claim for payment. Hence the 70% of the creditors' amounts was written back.

**c. Deffered Revenue Expenditure:**

The Company has incurred ₹ 4,040,313 towards modernization and renovation of Buildings & Machinery. The company proposes to amortise the expenditure over a period of 5 years. Accordingly during the year the company has charged 20% of the total expenditure amounting to ₹ 808,062.

**DIRECTOR'S RESPONSIBILITY STATEMENT**

Pursuant to the requirements under Sections 217 (2AA) of the companies Act, 1956 with respect to Director's Responsibilities statement, it is hereby confirmed that:

- (i) In the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March 2011, 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 are reasonable and prudent so as to give a true and fair view of the state of affairs of the company for the period under review.
- (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 deducting fraud and irregularities.
- (iv) The directors have prepared the Annual Accounts for the period ended 31<sup>st</sup> March 2011 on a 'going concern' basis.

**REPORT ON CORPORATE GOVERNANCE**

A separate section on Corporate Governance with a detailed compliance report thereto is annexed and forms a part of the Annual Report. The Auditors' Certificate in respect of compliance with the provisions concerning Corporate Governance as required by Clause 49 of the Listing Agreement is also annexed.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE**

In accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, the required information relating to energy, technology absorption, foreign exchange earnings and outgo as also required to be disclosed under Companies (Disclosure of particulars in the Report of the Board of Directors) Rules 1988, have been given in the Annexure – I, which forms a part of this Report.

There were no foreign exchange earnings or outgo during the period covered by this Report.

**PERSONNEL**

Information as per Sub-section (2A) of Section 217 of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, and forming part of the Directors Report for the period ended is enclosed and forms part of the report.

**VOLUNTARY GUIDELINES ON CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY**

The Ministry of Corporate Affairs, Govt. of India, issued Voluntary Guidelines for Corporate Governance and for Corporate Social Responsibility. The Voluntary Guidelines for Corporate Governance provide for various measures and your Company considers the same in due course in a phased manner.

**GREEN INITIATIVE IN CORPORATE GOVERNANCE BY HON'BLE MINISTRY OF CORPORATE AFFAIRS**

The Ministry of Corporate Affairs (MCA) has recently taken a green initiative in Corporate Governance by allowing paperless compliances by the Companies and permitted the service of Annual Reports and documents to the shareholders through electronic mode subject to certain conditions. Your Company appreciates the initiative taken by MCA as it strongly believes in a green environment. This initiative also helps in prompt receipt of communication, apart from avoiding losses / delays in postal transit. The Notice of Annual General Meeting, Annual Report and all communications hitherto will be sent to the members in electronic form at the e-mail address provided by them to the Company. The same will be sent by post physically to the Members, whose e-mail addresses are not available. Members can also have access to the documents through the company's website. The documents will also be available to the members for inspection at the Registered Office of the Company during the office hours.

Members are also entitled to be furnished with copies of the above mentioned documents, free of cost, upon receipt of requisition, at any point of time.

**ACKNOWLEDGEMENT**

Your Directors would like to express their grateful appreciation for the assistance and co-operation received from the Company's Bankers, the Government of Andhra Pradesh, the Government of India and the Shareholders during the year under review.

FOR AND ON BEHALF OF THE BOARD

Place: Chennai  
Date : 30.08.2011

**Vijay Kumar Koganti**  
Managing Director

**Dr. M. Santappa**  
Director

**A.Venkteswara Kishore**  
Director

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## ANNEXURE-I TO THE DIRECTOR'S REPORT

Information under Section 217 (1)(e) of the Companies Act, 1956 read with Companies (disclosure of particulars in the report of the Board of Directors) Rules 1988 and forming part of Directors' Report

### A. CONSERVATION OF ENERGY:

- a. **Energy conservation measures taken** : The suggestions made by consultants, regarding the energy systems are under implementation.
- b. **Additional Investments and proposals if any being implemented for reduction of consumption of energy** : PF Correction capacitors were installed to stabilize power factor in the Electricity Supply. During the year no additional investment has been done
- c. **Impact of measures (a) and (b) above for energy conservation, and consequent impact on the cost of production of goods** : 1. By installing the PF correction capacitors additional penalty due to LPF is not being charged now by the APSEB  
2. By arresting the leakages of steam, consumption of coal is marginally reduced.
- d. **Total energy consumption and energy consumption per unit of production (as per Form A of Annexure in respect of industries specified in the schedule thereto)** : Not Applicable

### B. TECHNOLOGY ABSORPTION:

- e. **Efforts made in technology absorption (as per Form "B" of Annexure)** : None

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

- f. **Activities relating to exports, initiatives taken to increase exports development of new export market for products and services and export plans** : None

- g. **Total foreign exchange used and earned**

	2010-2011	2009-2010
Foreign Exchange used	Nil	Nil
Foreign Exchange earned	Nil	Nil

FOR AND ON BEHALF OF THE BOARD

Place: Chennai  
Date : 30.08.2011

**Vijay Kumar Koganti**  
Managing Director

**Dr. M. Santappa**  
Director

**A.Venkteswara Kishore**  
Director

**ANNEXURE-II TO THE DIRECTORS' REPORT**

Statement of particulars pursuant to Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2011

Sl. No	Name of the Employee	Designation	Age (years)	Remuneration received	Date of joining	Experience (years)
1.	Mr. Vijay Kumar Koganti	Managing Director	54	933,120	26.06.1998	29
2.	A.Venkateswara Kishore	Wholetime Director	49	360,000	26.03.2008	24

Note: 1. Remuneration as shown above includes salary, commission, company's contribution to provident & superannuation funds, medical reimbursement and other perquisites.  
2. The experience shown above refers to total period in years of career.

**PROFILE OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING**

1. Name of the Director : **Dr M. Santappa**  
 Date of Birth : 02.10.1923  
 Date of appointment : 30.10.2004  
 Expertise in specific functional area : He is a Scientist and Environmental Engineer. He has vast experience in pollution control and Leather technology. Retired Vice-Chancellor of Madras University. Retired Chairman of Pollution Control Board.

Qualification : Ph. D (London University)  
 Ph. D (Monchester University)  
 List of outside directorships : Nil

**Membership in committees**

a. Audit Committee : Yes  
 b. Shareholders' Grievance Com. : Yes  
 c. Remuneration Committee : Yes  
 d. Share Transfer Committee : Nil

2. Name of the Director : Mr Tridip Kumar Dugar  
 Date of Birth : 13.07.1953  
 Date of appointment : 26.03.2008  
 Expertise in specific functional area : 1) 34 years experience in export and import business of leather goods.  
 2) He was a committee member of Indian Leather Products Association (ILPA) and ILIA  
 Qualification : B.Com  
 List of outside directorships : Triansu Resources Pvt. Ltd.

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**Membership in committees**

- a. Audit Committee : Nil
  - b. Shareholders' Grievances Com. : Yes
  - c. Remuneration Committee : Nil
  - d. Share Transfer Committee : Nil
3. Name of the Director : **Alessandro Carpignani**  
Date of Birth : 18.10.1951  
Date of appointment : 30.08.2011  
Expertise in specific functional area : 35 years of experience in leather processing and leather marketing

**DECLARATION ON COMPLIANCE WITH CODE OF CONDUCT**

Compliance of Code of Conduct for Directors and Senior Management Personnel pursuant to the provisions of Clause 49 of the Listing Agreement:

The Board laid down a Code of Conduct for all Board Members and Senior Management Personnel of the Company at its meeting held on 30<sup>th</sup> August, 2011. The code of conduct was also posted on the Website of the Company.

All the Board Members and Senior Management Personnel affirmed that they have complied with the said Code of Conduct on an annual basis in respect of the financial year ended 31<sup>st</sup> March, 2011.

I hereby affirm and declare, to the best of my knowledge and belief, and on behalf of the Board of Directors of the Company and Senior Management Personnel, that the Code of Conduct has been complied with.

On behalf of the Board  
for AVANTI LEATHERS LIMITED

Place: Chennai  
Date: 30<sup>th</sup> August, 2011

**Vijay Kumar Koganti**  
Managing Director

**MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

The Management Discussion and Analysis is intended to provide a review of the financial, operating and strategic performance of the Company in the reporting period. The said discussion should be read together with the Directors' Report and the audited financial statements that form part of the Annual Report.

**1. Industry Structure and Development**

The leather industry is facing a multitude of problems namely reduced export prospects due to shrinkage of international markets, slow market recovery, very high price competition in the global market to capture the market share and liquidity problems faced both by the overseas buyer and the exporter.

Integrated Development of Leather Sector (IDLS) Scheme for technological upgradation and modernization of the product units, which was implemented in X Plan is continuing in the XI Plan with certain modifications. The said scheme is helpful for modernization and capacity development of leather sector.

Additional 2% duty credit scrip was announced for notified leather products and footwear under Focus Product Scheme (FPS) from 1<sup>st</sup> April, 2010. Finished Leather is eligible product for availing 2% Duty Credit Scrip.

**2. Opportunities and Threats**

**Opportunities**

The Company has excellent infrastructure facilities to produce various types of Finished Leather, Shoe Uppers and Full Shoes. The Company's products are well accepted in the international markets. Given the revival in economic growth underway in the developed countries, product exports from the company are expected to show further signs of improvement.

**Threats**

As the leather sector is already operating on very low profit margins, the constant fluctuations of the Rupee are causing immense financial strain on the exporters. Besides, the leather sector is now confronted with steep escalation in prices of inputs, particularly petro based inputs.

**3. Segment wise/Product wise Performance**

The Company's products come under one segment - leather products and with the restructuring of the company own production has been commenced and will improve the performance.

**4. Outlook**

The Company, with the wide experience in the industry and with its infrastructure will be able to improve its production capacity and achieve performance. The strategic alliance made by the company with a leading leather goods manufacturer will result in expert management, technical excellence and quality production, wide marketability and ultimate turnaround of the company.

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## **5. Risks and areas of Concerns**

Business uncertainties have magnified manifold in the recent times. Sluggish world economies in the aftermath of the financial crisis are one of the factors that seem to destabilize the very foundation on which sound business models are built. In the event of another slowdown in the global and domestic economy, the leather industry could come under pressure which in turn would adversely affect demand for leather products.

The risk management framework of the Company aims to identify the diverse risks faced by the Company and evolve appropriate mitigation strategies.

## **6. Internal Control System and their Adequacy**

The company has an internal control mechanism to facilitate formulation and revision of policies and guidelines in order to align them with changing business needs. The areas of internal control weakness in business and financial processes are identified through a regime of routine checks and remedial actions taken to correct the deficiencies, wherever noticed.

A comprehensive summary of the Company's internal control system is as follows:

- § Utmost utilization and protection of the available natural resources
- § Optimal utilization and safety of available resources.
- § Guarding the Company's resources
- § Accuracy in recording
- § Adopting and implementing the latest statutes, policies, procedures, listing requirements, management guidelines and circulars.
- § Strict compliance of the appropriate accounting standards and policies.
- § All the assets are safeguarded, properly utilized and protected against loss from unauthorized use or disposition.
- § All the transactions are authorized, recorded and reported correctly.

A comprehensive and effective internal control system is essential for business excellence. Such a system helps your Company improve its day-to-day operational efficiency as well as maintain the highest standards of corporate ethics and excellence in line with international bench marks.

In consonance with the internal policies and procedures, the Company's Audit Committee has examined and meticulously discussed the internal audit reports during the fiscal year 2010-11. The comments that emerge are reviewed and their compliance is monitored from time to time.

The Audit Committee makes a formal review of the internal audits and the status of the action taken on each one of them as well as future action required.

## **7. Financial Performance with respect to operational performance**

Income from operations rose by 25.53% from ₹ 173.74 million in 2009-10 to ₹ 218.10 million in 2010-11. The Company posted net profit for the year of ₹ 1.32 million in 2010-11 as against ₹ . 5.71 million in 2009-10 recording a decrease of 76.88 %.

**8. Material developments in Human Resources and Industrial Relations**

The Company's performance depends greatly on developing and maintaining an organizational structure and human resources capable of keeping pace with the changing business environment. The Company has a dedicated team of professionally qualified/ experienced personnel. There is a cordial and healthy relationship at all levels of employees. Opportunities are provided for self development and career growth.

**9. Cautionary Statement.**

Statements in this report pertaining to the Company's objectives, projections, estimates, exceptions, and predictions are forward looking statements subject to the applicable laws and regulations. These statements may be subject to certain risks and uncertainties. The Company's operations are affected by many external and internal factors which are beyond the control of the management. Therefore, the actual position may differ from those expressed or implied. The Company assumes no obligation to amend or update forward looking statements in future on the basis of new information, subsequent developments or otherwise.

FOR AND ON BEHALF OF THE BOARD

Place: Chennai  
Date : 30.08.2011

**Vijay Kumar Koganti**  
Managing Director

**Dr. M. Santappa**  
Director

**A.Venkteswara Kishore**  
Director

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## REPORT ON CORPORATE GOVERNANCE

The Company is fully compliant with the mandatory requirements of Clause 49 of the Listing Agreement formulated by Securities and Exchange Board of India and Stock Exchanges.

The company presents its report on compliance of governance conditions specified in Clause 49 of the Listing Agreement.

### 1. Company's Philosophy on Corporate Governance

The Company's philosophy on code of governance is conducting business in a fair and transparent manner, enhancing stakeholders' value. The Company will continue to focus on its resources, strengths and strategies for creation and safeguarding of shareholders wealth and interests.

While all mandatory requirements of corporate governance as detailed in Clause 49 of the Listing Agreement have been complied with by the company some of the non-mandatory requirements have also been complied with details of which are given in the following paragraphs.

### 2. Board of Directors

#### (i) Composition of the Board

There are seven members on the Board of the company having varied nature of experience and exercise in their respective areas. The composition of the Board meets the criteria prescribed in Clause 49 of the Listing Agreement. Out of the seven directors, four are independent Directors and one is nominee Director appointed by LIDCAP. The Independent Directors have no business relationship with the company.

The composition and category of the Directors on the Board, the number of other Boards/Committee Memberships held by them (other than in the company) are given below:

Name of the Director	Category	No.of other Directorships	Membership of the Board Committees
Sri. Vijay Kumar Koganti	Executive	Nil	2
Dr. M.Santappa	Non-Executive (Independent)	Nil	3
Sri K.Seshagiri Rao	Non-Executive (Independent)	Nil	3
Sri A. Venkateswara Kishore	Professional	Nil	1
Dr. A. Subbarama Naidu	Non-Executive (Independent)	Nil	2
Sri Tridip Kumar Dugar	Non-Executive (Independent)	—	1
Sri. M. Sadhu Sundar	Non-Executive (Independent)	—	Nil

#### (i) Attendance of Directors at Board Meetings and Annual General Meeting

During the period from 1<sup>st</sup> April 2010 to 31<sup>st</sup> March 2011, the Board met five times on 30<sup>th</sup> June 2010; 23<sup>rd</sup> August, 2010, 27<sup>th</sup> October 2010, 10<sup>th</sup> January, 2011 and 12<sup>th</sup> February, 2011. The Annual General Meeting was held on 30<sup>th</sup> September 2010.

Name of the Director	No. of Board Meetings Attended	Whether attended the AGM
Sri. Vijay Kumar Koganti	5	Yes
Dr. M.Santappa	4	No
Sri K.Seshagiri Rao	2	No
Sri A. Venkateswara Kishore	4	No
Dr. A. Subbarama Naidu	5	No
Sri Tridip Kumar Dugar	3	No
Sri. M. Sadhu Sundar	Nil	No

**(iii) Remuneration and other payments to Directors**

Name of the Director	Salary and Perquisites (Rupees)	Sitting fees (Rupees)		Total
		Board Meeting	Committee Meeting	
Sri. Vijay Kumar Koganti	780,000	Nil	Nil	780,000
Dr. M.Santappa	Nil	20,000	3,000	23,000
Sri K.Seshagiri Rao	Nil	10,000	3,000	13,000
Sri A. Venkateswara Kishore	360,000	Nil	Nil	360,000
Dr. A. Subbarama Naidu	Nil	25,000	4,500	29,500
Sri Tridip Kumar Dugar	Nil	15,000	Nil	15,000
Sri. M. Sadhu Sundar	Nil	Nil	Nil	Nil

**3. Committees of the Board**

**(i) Audit Committee**

The Audit Committee of the Board of Directors was constituted in conformity with the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The composition of the Audit Committee and particulars of meetings attended by the members of the Audit Committee are as under:

Name of the Member	Category	Designation	No. of Meetings during the year	
			Held	Attended
Dr. A. Subbarama Naidu	Independent	Chairman	3	3
Sri K. Seshagiri Rao	Independent	Member	3	1
Dr. M. Santappa	Independent	Member	3	2

**Meetings:** This Committee has met three times during the year i.e. on 23<sup>rd</sup> August, 2010; 27<sup>th</sup> October 2010 and 10<sup>th</sup> January 2011.

**Brief description of terms of reference:**

The role of the Audit Committee is as prescribed including the following:

- Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommendation of appointment etc., of the Statutory Auditors and their fee for audit and other services;
- Review of Annual Financial Statements with particular reference to Directors' Responsibility Statement, changes in accounting policies, major accounting entries involving estimates, disclosure of related part transactions, qualifications in the draft audit report, etc;
- Discussions with Internal Auditors on significant findings and Statutory Auditors of the nature and scope of audit and on areas of concern;
- Reviewing with the management performance of the statutory and internal auditors and adequacy of the internal control system;

- Review of quarterly financial statements, uses and application of funds raised, performance of Statutory and Internal Auditors, adequacy of internal control system and internal audit function; and
- Mandatory review of Management Discussion and Analysis of financial condition, results of operations, significant related party transactions, internal control weaknesses reported by the Statutory Auditors and Internal Auditors and the appointment and remuneration of Internal Auditor.

**(ii) Investors' Grievance Committee**

The Company has Shareholders/Investors Grievances Committee at the Board level. It monitors investor complaints/grievances pertaining to non-receipt of share certificate, dividend, Annual Report, etc. and deals with the complaints on a regular basis. During the financial year 2010-2011 no complaints have been received and there are no pending complaints as on 31.03.2011.

The composition of the Investors' Grievance Committee, particulars of meetings attended by the members of the Investor's Grievance Committee and other details are as under:

Name of the Member	Category	Designation	No. of Meetings during the year	
			Held	Attended
Dr. M. Santappa	Independent	Chairman	Nil	Nil
Sri Vijay Kumar Koganti	Executive	Member	Nil	Nil
Sri Tridip Kumar Dugar	Independent	Member	Nil	Nil

**Meetings:** This Committee has not met in the financial year 2010-2011.

**(iii) Share Transfer Committee**

The Share Transfer Committee of the Board of Directors of the Company looks into share transfer/transmission and meets as per the requirement. The Committee met three times during the period from 01.04.2010 to 31.03.2011 to approve share transfers/transmissions. No share transfer requests were pending as on 31.03.2011.

The composition of the Share Transfer Committee and particulars of meetings attended by the members of the Share Transfer Committee of the Company are given below:

Name of the Member	Category	Designation during the year	No. of Meetings	
			Held	Attended
Sri.Vijay Kumar Koganti	Executive	Chairman	3	3
Sri A. Venkateswara Kishore	Professional	Member	3	1
Sri K.Seshagiri Rao	Independent	Member	3	1

**Meetings:** This committee has met two times during the financial year i.e. on 30<sup>th</sup> June 2010; 27<sup>th</sup> September 2010 and 10<sup>th</sup> January 2011.

**(iv) Remuneration Committee**

The functioning and terms of reference of the Remuneration Committee are as prescribed under the Listing Agreement with the Stock Exchanges and it determines the Company's policy on all elements of the remuneration packages of the Directors including the Executive Directors.

The composition of the Remuneration Committee and particulars of meetings attended by the members of the Remuneration Committee are given below:

Name of the Member	Category	Designation	No. of Meetings during the year	
			Held	Attended
Sri K. Seshagiri Rao	Independent	Chairman	Nil	Nil
Dr. A. Subbarama Naidu	Independent	Member	Nil	Nil
Dr. M. Santappa	Independent	Member	Nil	Nil

**Meetings:** This Committee has not met during the financial year.

**Remuneration Policy:**

As a policy, the remuneration committee considers the financial position and profitability of the Company, nature and responsibility of the position, remuneration packages prevailing in the industry or other organization comparable in regard to the size and complexity of operations.

**4. General Body Meetings**

Details of the last three Annual/Extra-ordinary General Meetings of the Company are as follows:

Year	Date	Time	Venue
EGM	17.05.2008	11.00 AM	Avanti, Kambakkam Village, Varadayapalem Mandal, Chittoor District - 517 541 (A.P.)
AGM - 2008	30.09.2008	3.00 PM	Avanti, Kambakkam Village, Varadayapalem Mandal, Chittoor District - 517 541 (A.P.)
AGM - 2009	05.09.2009	11.00 A.M.	Avanti, Kambakkam Village, Varadayapalem Mandal, Chittoor District - 517 541 (A.P.)
AGM - 2010	30.09.2010	11.00 A.M.	Avanti, Kambakkam Village, Varadayapalem Mandal, Chittoor District - 517 541 (A.P.)

**5. Disclosures**

**(i) Related party transactions**

There were no materially significant related party transactions having potential conflict with the interests of the Company at large.

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**(ii) Compliances by the Company**

Details of non compliance by the Company, penalties, and strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the year is NIL.

**6.Means of Communication**

The Company publishes the un-audited/ audited financial results on Quarterly, Half-yearly and Annual basis. The Financial Results in the prescribed format are published in the Newspapers in English version circulating in the whole of India and in Newspapers in the Regional language. Official news items are sent to the Stock Exchanges, where shares of the Company are listed. The Company has its web site at [www.avantileathers.com](http://www.avantileathers.com) wherein all relevant details about the Company and its performance will be given. The Financial Results of the Company also will be regularly posted on the web site.

**7.General Shareholders' Information**

**(i) Annual General Meeting**

Day and Date : 30<sup>th</sup> September 2011  
Time : 11.00 A.M.  
Venue : Avanti, Kambakkam Village,  
Varadayapalem Mandal,  
Chittoor Dist. – 517 541, Andhra Pradesh

**(ii) Financial Calendar**

Financial Year 2011-2012 (1<sup>st</sup> April 2011 to 31<sup>st</sup> March, 2012)

**Financial reporting for**

First Quarter ending June 30, 2011 : July 2011 (3<sup>rd</sup> or 4<sup>th</sup> week)  
Second Quarter and Half year ending  
September 30, 2011 : October 2011 (3<sup>rd</sup> or 4<sup>th</sup> week)  
Third Quarter ending December 31, 2011 : January 2012 (3<sup>rd</sup> or 4<sup>th</sup> week)  
Annual Results ending March 31, 2011 : April 2012 (3<sup>rd</sup> or 4<sup>th</sup> week)  
Annual General Meeting : September 2012

**(iii) Date of Book closure** : 29<sup>th</sup> September 2011 to 30<sup>th</sup> September 2011

**(iv) Dividend Payment Date** : No dividend declared

**(v) Registered Office** : Avanti, Kambakkam Village,  
Varadayapalem Mandal,  
Chittoor District,  
Andhra Pradesh – 517 541

**(vi) Listing of Equity Shares on  
Stock Exchanges** : The Securities of the Company are listed at  
Hyderabad Stock Exchange and the Madras  
Stock Exchange. The company has paid the  
annual Listing fees upto 31.03.2012 to the  
Madras Stock Exchange.

- (vii) **Registrar and Transfer Agents** : Not appointed
- (viii) **Shares held in Depository Mode and Physical Mode** : All the shares are in physical mode only
- (ix) **Dematerialization of Shares** : The shares are yet to be dematerialized.
- (x) **International Securities Identification Number(ISIN)** : Nil
- (xi) **Stock Market Data** : The company's shares are not traded during the period ending 31.03.2011, hence quotations are not available.

(xii) **Distribution of Shareholding as on March 31, 2011**

Slab of Shareholding	Shareholders	%	No. of Shares	%
1	46	2.80	46	0.0003
2 to 50	509	30.94	25,174	0.1920
51 to 100	490	29.79	49,000	0.3738
101 to 1000	523	31.79	248,150	1.8930
1001 to 5000	56	3.40	97,570	0.7443
5001 - 10000	2	0.12	20,000	0.1526
10001 and above	19	1.16	12,669,227	96.6440
<b>Total</b>	<b>1,645</b>	<b>100.00</b>	<b>13,109,167</b>	<b>100.0000</b>

(xiii) **Shareholding Pattern as on March 31, 2011**

Category	No. of Shares held	%
Indian Promoters	9,844,167	75.09
Financial institutions	-----	----
Persons acting in concert	86,000	0.66
Bodies Corporate	1,726,250	13.17
Indian Public	1,100,750	8.40
NRI	352,000	2.68
<b>Total</b>	<b>13,109,167</b>	<b>100.00</b>

(xiv) **Plant Locations**

Tannery, Shoe Upper & Full Shoes	Avanti, Kambakkam Village, Varadayapalem Mandal, Chittoor District, Andhra Pradesh – 517 541
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**(xv) Investor Correspondence**

The Managing Director,  
Avanti Leathers Limited,  
No.24, Heritage Vijayendra Nagar,  
Phase II, V.P.K. Street,  
Telephone Colony, Perungudi,  
Chennai - 600 096

**(xvi) Registrar and Transfer agents**

At present all share transfer work is being done in house by the company.

**(xvii) Chairman of the Board**

One of the Directors present at the meeting is appointed as Chairman of that Meeting

FOR AND ON BEHALF OF THE BOARD

Place: Chennai  
Date : 30.08.2011

**Vijay Kumar Koganti**  
Managing Director

**Dr. M. Santappa**  
Director

**A.Venkteswara Kishore**  
Director

## Auditor's Report to the members of Avanti Leathers Limited

1. We have audited the attached Balance Sheet of Avanti Leathers Limited as at 31<sup>st</sup> March, 2011, the Profit and Loss Account and Cash Flow Statements of the Company for the financial year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. *As per Order of the Hon'ble High Court of Andhra Pradesh dated 21<sup>st</sup> April, 2009 vide Company Application No: 1069/ 2008 under section 391 of companies Act,1956 the company has made a mutual consent agreement with the creditors to pay 30% of the total outstanding payable within 180 days, against which the company is permitted to write back 70% to the Profit & Loss Account, however, during the financial year 2009-10, the company has written back ₹ 1,51,06,523 as a result of this the loss for the year 2009-10 after tax of ₹ 93, 99,587 has been converted into a profit after tax of ₹ 57,06,936 as on 31<sup>st</sup> March 2010. During the financial year the company has obtained consent for write back from some of the creditors, however a few creditors for total outstanding of ₹ 58,27,888 have not given consent for write back of the outstanding amounts which was taken as income in the previous year. As a result of the premature write back, the accumulated losses of the company are understated by the amount of ₹ 58,27,888 as on 31<sup>st</sup> March 2011.*
4. *As explained in note 12 of note on accounts, the company has incurred an expenditure towards modernization and renovation of buildings and machinery to an extent of ₹ 40,40,313 and has decided to charge it off to the Profit and Loss account over a period of 5 years at 20% a year. Therefore the charge in the year ended 31<sup>st</sup> March 2011 is ₹ 8,08,062. In our opinion the expenditure incurred has to be treated as revenue expenditure and should be charged off to the Profit and Loss Account for the year ended 31<sup>st</sup> March 2011.*
5. *The company has made certain ad-hoc provisions in respect of gratuity and leave salary in the absence of actuarial valuation.*
6. *The company has not ascertained balances due to the entities covered under Micro, Small and Medium Enterprises Development Act , 2006.*
7. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, We annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent they are applicable to the company.
8. Further to our comments in the annexure referred to in paragraph above, 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 purposes of our audit;

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- 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, Profit & Loss account and the Cash Flow statement dealt by this are in agreement with the Books of Accounts.
- d) In our opinion the Profit and Loss Account and the Balance Sheet of the Company comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 except as commented by us in paragraphs 4 and 5 above.
- e) On the basis of written representations received from the Directors as on 31<sup>st</sup> March 2011, and taken on record by the Board of Directors we report:

***In the absence of a representation from one of the directors, we are unable to state whether the said director is disqualified from being appointed as Director in terms of clause (g) of sub-section (1) of Sec.274 of the Companies Act, 1956.***

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the notes and subject to paragraphs 3,4,5 and 6 thereon give the information required by the Companies Act, 1956 in the manner so required and subject to our observations in paragraphs 4 and 5 which has had the effect of converting a loss for the year of ₹ 19,14,136 into a profit of ₹ 13,18,115 for the year and understating the cumulative loss in the Balance sheet to the extent of ₹ 90,60,139 as on 31<sup>st</sup> March 2011 give a true and fair view in conformity with the accounting principles generally accepted in India

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2011;
- b) in the case of Profit and Loss Account, of the profit for the Year ended on that date, and
- c) in the case of Cash Flow statement, of the Cash flow for the Year ended on that date.

For Brahmayya & Co.,  
Chartered Accountants  
Regn. No.000511S

Place: Chennai  
Date: 30<sup>th</sup> August 2011

P.S.Kumar  
Partner  
Membership No.15590

**ANNEXURE TO AUDITORS' REPORT**

Annexure referred in paragraph 3 of our report to the members of Avanti Leathers Limited

- 1. The company has maintained a fixed assets register which however has not been updated to show full particulars including quantitative details and situation of the assets. As informed us the company redrawn the workflow as well as regrouped the machinery and hence the fixed asset register has not been updated. Since no records of verification have been produced for our scrutiny we are unable to comment on the verification of fixed assets and discrepancies between book records and physical assets if any.**

During the year the company has not disposed off major part of its fixed assets.

2.
  - i. Physical verification has been conducted by the management at reasonable intervals during the period in respect of raw materials, finished goods, spares and stores.
  - ii. In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
  - iii. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
3. The company has not granted any loan to companies, firms or other parties covered in the register maintained under section 301 of the companies act, 1956.
4. The company had taken unsecured loans from the directors and parties covered in the register maintained under section 301 of the companies act, 1956. The maximum amount involved during the year was ₹ 13,18,89,672 and the year end balance of the aforesaid loan was ₹ 5,99,02,870. As explained to us, as per the scheme of rehabilitation sanctioned by the BIFR, some of the loans were converted into equity share capital. The loans are interest free and in our opinion *prima facie* not prejudicial to the interest of the company.
5. There were no terms of repayment prescribed.
6. In our opinion and according to the Information and explanations given to us, the company has adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of chemicals and other items of inventory, fixed assets, and for the activities carried on in conversion job work during the year. There were no continuing major weaknesses.
7. In our opinion and according to the explanations given to us, the transactions needed to be entered into the register maintained under section 301 of the companies act,1956 have been duly entered so. Transactions exceeding Rs.5 Lakhs in respect of any party have been made at prices at the prevailing market prices at the relevant time.

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8. The company has not accepted deposits from the public.
  9. In our opinion, the Company has an internal audit system, which is commensurate with its size and nature of business.
  10. The Central Government has prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for the full shoe division of the Company. However, the company did not carry on any activities in production of full shoes and therefore, the requirements of section 209(1) (d) did not apply to it.
  11. *a) According to the information and explanations given to us, the Company has not been regular in depositing undisputed statutory dues towards Professional Tax, Provident Fund. There are arrears of Andhra Pradesh Value added tax of ₹ 17,15,701 Tamil Nadu sales tax of ₹ 1,22,319 outstanding for a period more than 6 months from the date they became payable as at 31<sup>st</sup> March 2011 .*
    - b) There are no undisputed amounts payable in respect of Investor education and protection fund, wealth tax, Income Tax, customs duty, cess and excise duty outstanding for a period of more than 6 months from the date they became payable as at 31<sup>st</sup> March 2011.
  12. According to the Information and explanations given to us, there were no disputed statutory dues on account of Income tax, sales tax, wealth tax, Service Tax, customs duty, excise duty, cess that have not been deposited:
  13. The accumulated losses of the Company have exceeded fifty percent of its net worth as at the end of the financial year. The Company has not incurred cash loss during the financial year and during the immediately preceding financial year.
  14. Based on our audit procedures and on the information and explanations given by the management, The Company has no borrowings from financial institution or bankers during the year.
  15. Based on our examination of documents and records, we are of the opinion that no loans or advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
  16. The Company does not deal in or trade in shares, securities and debentures.
  17. According to the information and explanation & given to us, the Company has not given any guarantee for loan taken by others from Bank or Financial Institutions during the financial year.
  18. To the best of our knowledge and belief and according to the information and explanation given to us, no term loans were availed by the Company during the financial year.
  19. According to the Cash flow statement and other records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis have not been used during the financial year for long term investment.

## Annual Report 2010-11

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20. The company has during the year allotted equity capital to the extent of 1,08,75,667 equity shares of ₹ 10 each at par (₹ 10,87,56,670) by converting into equity capital from unsecured loans and preference shares and partly by receipt of cash. The allotment has been done in accordance with the Scheme approved by the BIFR. In our opinion, the price at which the shares have been issued is not prejudicial to the interest of the company.
21. The company has not issued any debentures.
22. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the financial year.

For Brahmayya & Co.,  
Chartered Accountants  
Regn. No.000511S

Place: Chennai

Date: 30<sup>th</sup> August 2011

P.S.Kumar  
Partner  
Membership No.15590

**AVANTI LEATHERS LIMITED****BALANCE SHEET AS AT 31ST MARCH 2011**

	<u>SCHEDULE</u>	<u>31.03.2011</u>	<u>31.03.2010</u>
		₹	₹
<b>SOURCES OF FUNDS</b>			
<b>1. Shareholder's Funds</b>			
(a) Share Capital	<b>1</b>	131,091,670	40,235,000
(b) Reserves & Surplus	<b>2</b>	135,373,967	1,083,460
<b>2 Loan Funds</b>			
Unsecured Loans	<b>3</b>	64,370,870	136,403,672
	<b>TOTAL</b>	<b>330,836,507</b>	<b>177,722,132</b>
<b>APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
(a) Gross Block	<b>4</b>	291,930,212	134,095,176
(b) LESS: Depreciation		(88,494,223)	(83,883,420)
(c) Net Block		203,435,989	50,211,756
(d) Capital work in Progress		5,802,825	19,383,082
<b>NET FIXED ASSETS</b>	<b>A</b>	<b>209,238,814</b>	<b>69,594,838</b>
<b>2. Current Assets, Loans and Advances</b>			
(a) Inventories	<b>5</b>	1,627,239	827,463
(b) Sundry Debtors	<b>6</b>	69,742,767	3,484,940
(c) Cash and Bank Balances	<b>7</b>	3,347,404	5,259,270
(d) Other Current Assets	<b>8</b>	2,177,215	720,169
(e) Loans and Advances	<b>9</b>	3,833,530	3,984,228
		<b>80,728,156</b>	<b>14,276,069</b>
<b>LESS: Current Liabilities &amp; Provisions</b>			
Current Liabilities	<b>10</b>	75,894,762	20,804,291
Provisions	<b>11</b>	1,213,883	1,408,530
		<b>77,108,645</b>	<b>22,212,821</b>
<b>NET CURRENT ASSETS</b>	<b>B</b>	<b>3,619,511</b>	<b>(7,936,752)</b>
<b>3 Miscellaneous expenditure to the extent not written off or adjusted</b>			
(a) Profit and Loss Account		124,745,931	126,064,046
Less: General Reserve Per Contra		10,000,000	10,000,000
		<b>114,745,931</b>	<b>116,064,046</b>
(b) Deffered Expenditure		3,232,251	
	<b>C</b>	<b>117,978,182</b>	<b>116,064,046</b>
	<b>Total (A+B+C)</b>	<b>330,836,507</b>	<b>177,722,132</b>

Notes on Accounts

**18**

FOR AND ON BEHALF OF THE BOARD

As per our Report Attached  
for **BRAHMAYYA & CO**  
Chartered Accountants  
Regn. No:000511S

**Vijay Kumar Koganti**  
Managing Director

**Dr. M. Santappa**  
Director

**P.S.Kumar**  
Membership No.15590  
Partner  
Chennai, the 30th August 2011

**A.Venkteswara Kishore**  
Director

**AVANTI LEATHERS LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2011**

	<u>SCHEDULE</u>	<u>31.03.2011</u>	<u>31.03.2010</u>
		₹	₹
<b><u>I INCOME</u></b>			
Sales Less Returns		201,258,674	133,733,178
Job Work Receipts		15,037,975	10,896,307
Other Income	<b>12</b>	1,807,978	29,106,521
<b>Total</b>	<b>A</b>	<b>218,104,627</b>	<b>173,736,006</b>
<b><u>II EXPENDITURE</u></b>			
Rawmaterials Consumed		188,091,069	-
Cost of sale of Trading items		-	132,218,326
Decrease / (Increase) in Stocks	<b>13</b>	(1,457,046)	72,907
Job Work Charges		-	-
Chemicals Consumed		253,335	133,628
Stores Consumed		1,091,646	1,297,111
Power & Fuel		5,043,471	3,573,368
Salaries, Wages, Bonus & Amenities to Staff	<b>14</b>	13,110,852	9,334,376
Administrative Expenses	<b>15</b>	4,056,698	3,383,988
Repairs & Maintenance - Machinery		-	5,473,339
Repairs & Maintenance - Buildings		-	1,048,203
Interest and Finance Charges	<b>16</b>	81,751	241,825
Selling and Distribution Expenses	<b>17</b>	266,498	242,492
Bad Debts, Advances & Claims Receivables Written Off		36,279	1,655,764
Claims and rebates of earlier year		<b>663,786</b>	<b>4,712,020</b>
Depreciation	<b>4</b>	5,555,465	
Less : Additional Depreciation transferred from Revaluation Reserve		7,292	
<b>Total</b>	<b>B</b>	<b>216,786,512</b>	<b>168,029,070</b>
<b>Profit for the year before tax and extra ordinary items</b>	<b>A-B</b>	<b>1,318,115</b>	<b>5,706,936</b>
Less Provision for income tax		-	
<b>Profit for the year After tax and before</b>		<b>1,318,115</b>	<b>5,706,936</b>
Less/Add : Loss Brought Forward		<b>126,064,046</b>	<b>131,770,982</b>
Balance Carried over to Balance Sheet		<b>124,745,931</b>	<b>126,064,046</b>
Notes on Accounts	<b>18</b>		
Earning per share - Basic and Diluted		<b>0.25</b>	<b>1.79</b>
basic and diluted EPS after extraordinary items		<b>0.25</b>	<b>1.79</b>

FOR AND ON BEHALF OF THE BOARD

As per our Report Attached  
for **BRAHMAYYA & CO**  
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Chennai, the 30th August 2011

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Director

**AVANTI LEATHERS LIMITED**

**SCHEDULE TO THE ACCOUNTS**

<b>1. <u>SHARE CAPITAL</u></b>	<b>As at 31.03.2011</b>		<b>As at 31.03.2010</b>	
	₹	₹	₹	₹
<b><u>Authorised</u></b>				
1,50,00,000 Equity share of ₹ 10 each (Previous Year 82,00,000 Equity share)	1,500,000,000		82,000,000	
1,80,000 9.5% cumulative redeemable preference shares of ₹ 100/- each.	-	<u>1,500,000,000</u>	18,000,000	<u>100,000,000</u>
Issued, Subscribed, paid-up				
1,31,09,167 Equity Shares of ₹ 10 each (Previous year 22,33,500 Equity Shares )		131,091,670		22,335,000
(Preference Shares for Previous year)		-		17,900,000
1,79,000 9.5% cumulative redeemable preference shares of ₹ 100/- each redeemable at par after 23.09.2013 but before 24.09.2018				
ADD: Forfieted Shares		-		-
<b>Total</b>		<u><b>131,091,670</b></u>		<u><b>40,235,000</b></u>
<b>2. <u>RESERVES AND SURPLUS</u></b>				
Capital Reserve				
Revaluation reserve		134,297,799		
Less : Additional Depreciation on				
Revaluation of Building		<u>7,292</u>		134,290,507
State Investment Subsidy			1,000,000	1,000,000
Shares Forfeited Reserve			83,460	83,460
General Reserve	10,000,000		10,000,000	
Less: Loss Adjusted per contra	10,000,000		- 10,000,000	
<b>Total</b>		<u><b>135,373,967</b></u>		<u><b>1,083,460</b></u>
<b>3. <u>UNSECURED LOANS</u></b>				
From Limited Companies		59,402,870		106,825,000
From Directors		500,000		25,064,672
Foreign Currency Loan from an individual		4,468,000		4,514,000
From Others		-		-
From Limited Companies under loan agreement		-		-
<b>Total</b>		<u><b>64,370,870</b></u>		<u><b>136,403,672</b></u>

4. FIXED ASSETS

PARTICULARS	GROSS BLOCK						DEPRECIATION				NET BLOCK	
	Cost upto 31.03.2010	Addition	With drawals	Revaluation Reserve	Cost upto 31.03.2011	As per Revaluation	upto 31.03.2010	For the Year 2010-2011	With drawals	Upto 31.03.2011	As on 31.03.2011	As on 31.03.2010
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
Land & Site Development	785,027	-	-	54,614,473	785,027	55,399,500	-	-	-	-	55,399,500	785,027
Buildings	23,659,255	9,046,511	-	79,683,326	32,705,766	112,389,092	6,923,612	656,057	-	7,579,699	104,809,423	16,735,643
Plant & Machinery and Electrical Installations	102,843,334	13,427,364	-	-	116,270,698	116,270,698	71,050,340	4,540,711	-	75,591,052	40,679,646	31,772,995
Plant & Machinery - Others (Misc. Fixed Assets and Canteen Equipment)	3,159,399	82,444	-	-	3,241,843	3,241,843	2,407,172	147,433	-	2,554,604	687,239	752,228
Vehicles	2,307,223	1,943,669	962,750	-	3,288,142	3,288,142	2,254,465	194,357	944,661	1,504,161	1,783,981	52,758
Furniture & Fittings	1,340,937	-	-	-	1,340,937	1,340,937	1,247,831	16,906	-	1,264,737	76,200	93,105
<b>TOTAL</b>	134,095,176	24,499,987	962,750	134,297,799	157,632,413	291,930,212	83,883,420	5,555,465	944,661	88,494,223	203,435,989	50,191,756
Capital Work in Progress at cost											5,802,825	19,383,082
<b>PREVIOUS YEAR</b>	114,056,584	20,038,592	-	134,095,176	79,241,697	4,641,723	83,883,420	46,243,301	52,257,349	209,238,814	69,574,838	

NOTES :

1. Building includes "Time Share" property costing ₹ 77,000/-
2. Vehicles include a car purchased for ₹ 10,83,000, for which Sale transfer in the name of the company is pending.
3. The Company has revalued its land and buildings situated at the tannery in Avanti Leathers Limited, Varadahaipalem, Andhra Pradesh in order to reflect the true value of its Land and Buildings. The revaluation was done as on 31st March 2011.  
The Company has engaged a Government Registered and Approved valuer, Chennai for this purpose who has evaluated the current market values of the properties based on the values on the area. i.e. in the case of land and buildings on the basis of cost of current construction less appropriate depreciation. The difference in the values as on the date of revaluation i.e. 31st March 2011 between the revalued amount and the book value in the case of land, and between the revalued amount and the written down values in the case of buildings, is shown as addition to land and buildings respectively in the Fixed Assets Schedule.

	₹	₹
<b>5. INVENTORIES</b>		
Chemicals and Stores on hand and in Transit at lower of cost and net realisable value	1,627,239	827,463
Raw Materials on Hand and in - Transit at Lower of cost and net realisable value	-	-
Work in Progress at Lower of cost and net realisable value	-	-
Finished Goods at Lower of cost and net realisable value	-	-
Spares at cost	-	-
<b>Total</b>	<b>1,627,239</b>	<b>827,463</b>
<b>6. SUNDRY DEBTORS</b>		
(Unsecured, Considered good unless otherwise stated)		
<b>Outstanding for more than six months</b>		
Considered Good	-	-
Considered Doubtful	11,197,576	11,197,576
	11,197,576	11,197,576
Less: Provision for Doubtful Debts	11,197,576	11,197,576
Debts Considered Good	-	-
Outstanding for Less than six months considered good	69,742,767	3,484,940
<b>Total</b>	<b>69,742,767</b>	<b>3,484,940</b>
<b>7. CASH AND BANK BALANCES</b>		
Cash on Hand	4,068	2,354
With Scheduled Banks in Current Account	294,497	3,356,917
in Deposits Accounts for Margin moneys	3,048,840	1,900,000
<b>Total</b>	<b>3,347,404</b>	<b>5,259,270</b>
<b>8. OTHER CURRENT ASSETS</b>		
Value addition to Job work Receivable from Customers	2,177,215	720,169
<b>Total</b>	<b>2,177,215</b>	<b>720,169</b>

<b>9. LOANS AND ADVANCES</b>	₹	₹
(Unsecured, considered Good Unless otherwise stated)		
Advances for Materials & Expenses	802,556	525,741
Deposits	2,082,818	2,055,662
Advance for capital works	50,269	369,233
Advance for staff	206,300	—
Tax Deducted at Source and other claims Receivables	616,272	656,444
Rawgodown Rent Receivbles	45,000	—
Prepaid Expenses	30,315	377,147
<b>Total</b>	<b>3,833,530</b>	<b>3,984,228</b>
<b>10. CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENTS LIABILITES</b>		
Acceptances	7,962,718	7,921,326
Sundry Creditors		
(1) Total Dues to Small scale units under MSMED Act	-	-
(2) Total Dues to Creditors other than small scale units as per MSMED Act	67,932,044	12,882,965
<b>Total</b>	<b>75,894,762</b>	<b>20,804,291</b>
<b>11. PROVISIONS</b>		
Provision for Gratuity	<b>1,213,883</b>	<b>1,408,530</b>
	<b>1,213,883</b>	<b>1,408,530</b>
<b>12. OTHER INCOME</b>		
Discount Received	-	4,740
Exchange Difference	46,000	550,000
* Credit Balance Written Back under sec 391	-	27,942,795
Credit Balance and Excess Provision Written Back	509,654	—
Miscellaneous Income	1,069,325	577,986
Miscellaneous Sales	183,000	31,000
<b>Total</b>	<b>1,807,978</b>	<b>29,106,521</b>

\* **The Company has filed a Compromise petition with Creditors in High Court U/s 391 of Companies Act.**

**The Hon'ble high court of Andhra Pradesh has approved to pay lower amounts to Creditors resulting in reduced liability.**

**The Company has taken the benefit of reduced liability as Income.**

**13. DECREASE / (INCREASE) IN STOCKS**

Opening Work in Process	-			
Opening Finished Goods	-			
Opening Jobwork in Progress	<u>720,169</u>	720,169	<u>793,076</u>	793,076
<b>LESS:</b>				
Closing Work in Progress	-		-	
Closing Finished Goods	-		-	
Closing Jobwork in Progress	2,177,215	2,177,215	720,169	720,169
		<b>(1,457,046)</b>		<b>72,907</b>

<b>14. SALARIES, WAGES, BONUS AND STAFF AMENITIES</b>	₹	₹
Salaries, Wages and Bonus	9,725,668	6,025,776
Contribution to PF & ESI	266,655	135,319
Staff Welfare Expenses	476,590	777,123
Service Charges	2,631,267	2,202,787
Grauity	10,673	193,371
<b>Total</b>	<b>13,110,853</b>	<b>9,334,376</b>
<b>15. ADMINISTRATIVE EXPENSES</b>		
Rent	234,000	92,000
Licence Fees and Taxes	476,954	163,057
Printing and Stationery	80,377	61,256
Travelling & Conveyance	216,481	240,348
Postage, Telephone & Telex	16,320	16,615
Directors Sitting Fees & Travelling Expenses	80,500	83,000
Maintenance of Vehicles	447,864	366,359
Repairs & Maintenance - Others	70,522	38,220
Consultancy Fees & Professional Fees	322,976	679,133
Audit Fees		
for Statutory Audit	36,399	63,583
for Tax Audit & Certification	21,840	19,800
Other Expenses	2,052,466	1,560,617
<b>Total</b>	<b>4,056,699</b>	<b>3,383,988</b>
<b>16. INTEREST AND FINANCE CHARGES</b>		
Bank Charges	81,751	241,825
<b>Total</b>	<b>81,751</b>	<b>241,825</b>
<b>17. SELLING AND DISTRIBUTION EXPENSES</b>		
Freight Clearing and Forwarding Expenses	170,107	187,816
Business Promotion Expenses	96,391	54,676
<b>Total</b>	<b>266,498</b>	<b>242,492</b>

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Membership No.15590  
Partner  
Chennai, the 30th August 2011

**A.Venkteswara Kishore**  
Director

**18. NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**A. Fixed Assets**

1. Fixed Assets are accounted at cost less depreciation except in the case of land which is stated at cost.
2. Accounting Policy Statement :  
In respect of buildings revalued as on 31st March 2011, depreciation is charged on the revalued amount with an appropriate amount representing the depreciation on the increased amount being withdrawn from the revaluation reserve and set off against depreciation charge for the year.

**B. Inventories**

1. Inventories are valued on the following basis:

i) Stores and spares (including in transit)	accounted on weighted average basis
ii) Raw materials (including in transit)	at lower of cost and net realisable value
iii) Trade goods	at lower of cost and net realisable value
iv) Work in progress	at lower of cost and net realisable value
v) Finished Goods	at lower of cost and net realisable value
vi) Chrome splits	at net realisable value

**C. Depreciation**

Depreciation is charged on Building and Plant and Machinery (other than shoe lasts) and electrical installations under the Straight Line method and on other assets under the Written Down Value method

The rates adopted are :

- i) In the case of Straight Line Method, where the assets were purchased on or before 2.4.1988 at the rates computed with reference to Section 205 (2) (b) of the Companies Act, 1956 in accordance with clarifications dated 21.5.1986 and 7.3.1989 issued by the Company Law Board and where the assets were purchased after 2.4.1988 at the rates prescribed under Schedule XIV to the Companies Act, 1956 relevant to the date of purchase/installation of the asset.
- ii) In the case of Written Down Value method at the rates prescribed under Schedule XIV to the Companies Act, 1956.
- iii) Shoe lasts are depreciated under the Straight Line method at Rates Prescribed under Schedule XIV to the Companies Act, 1956 or at rates computed with reference to the using during the year whichever is higher.
- iv) The Depreciation charge for the year excludes an amount ₹ 7,292/- representing depreciation on the increase due to revaluation of buildings transferred from Revaluation Reserve.

**D. Gratuity and Leave Salary**

In the absence of actuarial valuation an adhoc amount has been provided for gratuity in the books of accounts.

No provision has been made for leave salary since it is accounted on payment basis.

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**2. CONTINGENT LIABILITIES :**

	2010-11	2009-10
1. Claims against the Company not acknowledged as debts	₹	₹
a) Demand by Enforcement Directorate(FERA/FEMA)	1,400,000	1,400,000
b) Demand Received by the Company from the Commercial Tax Department against which the company has preferred appeal.	-	499,952
c) Demand Received by the Company from the Commercial Tax Department against which the company has preferred appeal.	-	2,500,902

**3. (a) MANAGING DIRECTORS' REMUNERATION**

	2010-11	2009-10
Salary	Rs. 780,000	Rs. 780,000
Perquisites	120,000	120,000
Contribution to Provident Fund	33,120	33,120
	<u>933,120</u>	<u>933,120</u>

**(b) WHOLE-TIME DIRECTOR REMUNERATION**

Salary	<u>360,000</u>	<u>360,000</u>
	<u>360,000</u>	<u>360,000</u>

4. During the year the Bench constituted under the Board for Industrial and Financial Reconstruction (BIFR) had sanctioned a scheme on 29th November 2010 for the revival of the company. Consequently, the equity capital of the company stands increased by a sum of ₹ 108,756,670 which comprises a sum of ₹ 17,900,000 being 9.5% Preference share capital and sum of ₹. 90,856,670 being loans converted into Equity.
5. The company has been registered with BIFR as a Sick company under section 17(1) of the SICA Act. Provision for Minimum Alternate Tax was not been made for the previous year ending 31st March 2011. The company has brought forward lossess under the Tax Laws. Hence no provision for income tax has been made under the regular computation.

**6. DEFERRED TAXATION:**

The company has not recognised Deferred Tax asset in the form of carried forward business loss and unabsorbed depreciation in view of company being a Sick company referered to BIFR. The Deferred tax liabilities arising on account of depreciation claimed for tax purposes has also not been recognised in view of such depreciation forms part of unabsorbed depreciation carried forward. The amount of DeferredTax Asset and Deferred Tax liability not recognised in the books of account was ₹ 18,567,972 (20,086,501) and ₹ NIL (NIL) respectively.

**7 RELATED PARTY DISCLOSURE:**

There are no material transactions between related party except remuneration to and unsecured loan from Directors. The details of amount involved and due are tabulated as under.

Sl. No.	Name of the Related party	Relationship	Nature of Transaction	Amount Involved (₹)	Outstanding as on 31.03.2011 (₹)
1	Vijay Kumar Koganti	Key Management	Un secured Loan	Nil (749,259)	Nil (24,064,672)
		Personnel	Remuneration	933,120 (933,120)	1,617,719 (1,105,010)
2	A.Venkateswara Kishore	Technical Director	Un secured Loan	500,000 (1,000,000)	500,000 (1,000,000)
			Remuneration	360,000 (360,000)	292,500 (22,500)
3	Creative Tannery Limited	Company in which Director is interested	Sales & Jobwork	236,274,811 (156,163,285)	
			Purchases	144,485,075 (165,353,679)	69,551,231 (814,670)
			Unsecured loan (Advances)	13,069,870 (38,725,000)	51,794,870 (38,725,000)
4	Triansu Private Limited	Director is interested	Unsecured Loan	2,550,000 (4,900,000)	4,095,000 (50,750,000)
5	Intan Exim Private Limited	Director is interested	Unsecured Loan	200,000 (500,000)	Nil (2,350,000)
6	Anumolu Hi-Tec Promoter Pvt. Ltd.	Director is interested	Unsecured Loan	6,600,000 (15,000,000)	3,513,000 (15,000,000)

**8. SEGMENT REPORTING**

The entire operations of the company relates only to one business segment i.e leather products.

**9. GOING CONCERN**

The Rehabilitation Scheme filed by the Company with the BIFR vide Case No. 46/2008 has been sanctioned on 29th November, 2010. Pursuant to the sanctioned scheme the company has issued Equity shares to the promoter, co-promoter and director and their associates by converting their unsecured loans into Equity Share capital. The modernisation and expansion of the unit is also being done.

**10. EARNINGS PER SHARE**

	2010-11	2009-10
	₹	₹
Net Profit as per profit and loss account attributable to Equity Shareholders	1,318,115	5,706,936
Less : Dividend Payable on Preference Shares	-	1,700,500
(a)	1,318,115	4,006,436
Weight Average number of equity shares used as denominator for calculating EPS	(b) 5,218,327	2,233,500
Basic and Diluted Earning per Share (₹)	0.25	1.79
Face Value per equity share (₹)	10.00	10.00

11. The company has not ascertained the amount to be paid to the entities covered under Micro, Small and Medium Enterprises Development Act, 2006.

12. **Deffered Revenue Expenditure:** The Company has incurred ₹ 40,40,313 towards modernization and renovation of Buildings & Machinery. The company proposes to amortise the expenditure over a period of 5 years. Accordingly during the year the company has charged 20% of the total expenditure amounting to ₹ 8,08,062.

**13. DETAILS OF LICENCED, INSTALLED CAPACITIES, PRODUCTION AND SALES OF EACH CLASS OF GOODS MANUFACTURED****A. LICENSED CAPACITY (PER ANNUM)**

		2010-11	2009-10
i) Finished Leather from Hides	- Nos	150,000	150,000
ii) Finished Leather from Skins	- Nos	1,800,000	1,800,000
iii) Chrome splits for lining counters	- Nos	120,000	120,000
iv) Shoe uppers	-Pairs	600,000	600,000
v) Full Shoes	-Pairs	360,000	360,000
vi) Leather Garments	- Nos	90,000	90,000

**B. INSTALLED CAPACITY (PER ANNUM)**

(As certified by the Managing Director and accepted by the Auditors as this is a technical matter)

i) Finished Leather from Hides	- Nos	120,000	120,000
ii) Finished Leather from Skins	- Nos	1,440,000	1,440,000
iii) Chrome splits for lining counters	- Nos	96,000	96,000
iv) Shoe uppers	-Pairs	600,000	600,000
v) Full Shoes	-Pairs	450,000	450,000

**C. PRODUCTION**

i) Finished Leather from Hides	- Nos	123,143	-
ii) Leather from Skins	- Nos	66,037	-
ii) Finished Splits	-Nos	122,719	-

<b>D. PURCHASE OF TRADING ITMES</b>		
i) Hides	- Nos	- 65,182
	₹	- 105,903,956
i) Skins	- Nos	- 67,309
	₹	- 26,314,321
	₹	- 132,218,277
<b>E. SALES</b>		
i) Leather from Hides	- Nos	124,974 -
	₹	108,858,359 -
ii) Leather from Skins	- Nos	75,998 -
	₹	39,773,221 -
iii) Finished Splits	- Nos	125,156 -
	₹	52,627,093 -
	₹	201,258,673 -
<b>F. SALE OF TRADING ITMES</b>		
i) Hides	- Nos	- 65,182
	₹	- 108,414,552
i) Skins	- Nos	- 67,309
	₹	- 25,318,626
	₹	- 133,733,178
<b>G. DAMAGED AND SCRAPPED</b>		
i) Leather from Hides	- Nos	- 985
ii) Finished Leather from Skin	- Nos	- 1,881
iii) Finished Splits	- Nos	- 59
		- -
<b>H. OPENING STOCK OF FINISHED GOODS</b>		
i) Finished Leather from Hides	- Nos	1,831 2,816
ii) Finished Leather from Skins	- Nos	9,961 11,842
iii) Chrome splits for lining counters	- Nos	2,437 2,496
		- -
<b>I. CLOSING STOCK OF FINISHED GOODS</b>		
i) Finished Leather from Hides	- Nos.	- 1,831
ii) Finished Leather from Skins	- Nos.	- 9,961
iii) Finished splits for lining	- Nos.	- 2,437
	- Nos.	- -
		- -

14. The Company accounts for Production and stocks of materials in Nos and invoices them on area basis. In case of slow moving items the stocks are written down in values as per estimates.

**15. CONSUMPTION :**

a) Consumption of Raw Materials:				
Hides	- Nos.	123,143	-	-
	₹	103,818,576	-	-
Skins	- Nos.	66,037	-	-
	₹	36,692,476	-	-
Splits	- Nos.	122,719	-	-
	₹	47,580,027	-	-
	₹	188,091,079	-	-
b) Opening stock of Raw Materials	₹	-	-	-
Add : Purchased during the year	₹	-	-	-
	₹	-	-	-
Less : Closing Stock	₹	-	-	-
	₹	-	-	-
Consumption	₹	-	-	-
c) Cost of Sale of Trading items				
Opening stock	₹	-	-	-
Add : Purchased during the year	₹	-	132,218,275	-
	₹	-	132,218,275	-
Less : Closing Stock	₹	-	-	-
	₹	-	-	-
Cost of Trading items sold	₹	-	132,218,275	-
	% to the	Values	% to the	Values
	Total	₹	Total	₹
	Consumption		Consumption	
d) Value of imported and Indigenous Raw materials and Spares consumed and the percentage to total consumption				
Imported -	-	-	-	-
Indigenous	-	-	100.00	132,331,330
	-	-	100.00	132,331,330

**16. VALUE OF IMPORTS ON CIF BASIS :**

Nil Nil

**17. EXPENDITURE ON FOREIGN CURRENCY :**

Nil Nil

**18. EARNINGS IN FOREIGN EXCHANGE ON FOB BASIS**

Nil Nil

**19. Previous year figures have been regrouped wherever necessary for comparison purposes**

Signature to schedules 1 to 18 and the Notes forming part of the Accounts

FOR AND ON BEHALF OF THE BOARD

**As per our Report Attached**for **BRAHMAYYA & CO**

Chartered Accountants

Regn. No:000511S

**Vijay Kumar Koganti**

Managing Director

**Dr. M. Santappa**

Director

**P.S.Kumar****Membership No.15590**

Partner

Chennai, the 30th August 2011

**A.Venkteswara Kishore**

Director

**AVANTI LEATHERS LIMITED**

**CASH FLOW STATEMENT FOR YEAR ENDED 31st MARCH, 2011**

	<b>2010-2011</b>		<b>2009-2010</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>	₹		₹
Net Profit Before Tax And Extraordinary Items	1,318,115		5,706,936
Adjustment For :			
Depreciation	5,548,173		4,641,723
Gain from Foreign Exchange revaluation	46,000		550,000
Provision for Bonus	-		22,697
Provision for Gratuity	10,673		643,371
Profit on sale of assets	(201,912)		-
	5,402,934	5,402,934	5,857,791
Operating Profit before Working	6,721,049		11,564,727
Adjustment for:			
Trade and other Receivables	(67,564,175)		10,708,482
Inventories	(799,776)		170,069
Increase in deferred expenditure	(3,232,251)		
Trade Payable	54,885,150	(16,711,052)	(38,224,157)
	(9,990,003)		(15,780,879)
Cash Generated from Operations	(9,990,003)		(15,780,879)
Cash flow before extra ordinary items	(9,990,003)		(15,780,879)
Net Cash from Operating Activities	(9,990,003)		(15,780,879)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Purchase of fixed Assets	(10,919,730)		(35,177,650)
Proceeds from Sale of Fixed Assets	220,000		
Net cash used in investing activities	(10,699,730)		(35,177,650)
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Increase in Share capital	18,669,870		-
Proceeds from long term borrowings	107,998		55,019,271
Proceeds from Short term borrowings			
Net Cash from financing Activities	18,777,868		55,019,271
Net Increase in Cash and Cash Equivalents(A+B+C)	(1,911,866)		4,060,742
Opening Cash and Cash equivalents	5,259,270		1,198,528
Closing Cash and Cash equivalents	3,347,404		5,259,270
	(1,911,866)		4,060,742

FOR AND ON BEHALF OF THE BOARD

**As per our Report Attached**  
for **BRAHMAYYA & CO**  
Chartered Accountants  
Regn. No:000511S

**Vijay Kumar Koganti**  
Managing Director

**Dr. M. Santappa**  
Director

**P.S.Kumar**  
**Membership No.15590**  
Partner  
Chennai, the 30th August 2011

**A.Venkteswara Kishore**  
Director

**AVANTI LEATHERS LIMITED**  
**BALANCE SHEET ABSRACT AND COMPANY'S GENERAL BUSINESS PROFILE**  
**AS PER PART IV OF SCHEDULE VI TO THE COMPANIES ACT,1956**

I. Registration Details

Registration No.	2007	State Code	01
Balance Sheet	31	3	2011
	Date	Month	Year

II. Capital Raised during the period (Amount in Rs.Thousands)

Public issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private placement	90856670

III. Position of mobilisation and Deployment of Funds  
(Amount in Rs. Thousands)

Total Liabilities	407945	Total Assets	407945
Sources of Funds			
Paid-Up-Capital	131092	Reserves & Surplus	135374
Secured Loans	-	Unsecured Loans	64370
Application of Funds			
Net Fixed Assets	209239	Investments	NIL
Net Current Assets	3620	Misc.Expenditure	3232
Accumulated Losses	117978		

IV. Performance of Company(Amount in Rs. Thousands)

Turnover	218105	Total Expenditure	216787
Profit Before Tax	1318	Profit After Tax	1318

Please tick Appropriate box + for Profit, - for Loss

Earning per Share in Rs.	0.25	Dividend Rate %	-
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V Generic Names of three Principal products / services of company  
(as per monetary terms)

item code No.	410619.09
(ITC Code)	410439.02
Product	FINISHED LEATHER GOAT
Description	FINISHED LEATHER COW
Item code No	640610.02
Product Description	SHOE UPPERS
Item Coide No.	640319.01
Product Description	FULL SHOES

FOR AND ON BEHALF OF THE BOARD

As per our Report Attached

for **BRAHMAYYA & CO**  
Chartered Accountants  
Regn. No:000511S

**Vijay Kumar Koganti**  
Managing Director

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Chennai, the 30th August 2011

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Director