JYOTHY FABRICARE SERVICES LIMITED

ANNUAL REPORT 2013-14

REGISTERED OFFICE:

UJALA HOUSE, RAMAKRISHNA MANDIR MARG
KONDIVITA, ANDHERI (EAST),
MUMBAI – 400069

AUDITORS:

S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
Mumbai

DIRECTORS:

Mr. M. P. RAMACHANDRAN
Mr. K. ULLAS KAMATH
Ms. M. R. JYOTHY
Mr. K. P. PADMAKUMAR (w.e.f. 27.03.2014)
Mr. R. LAXMINARAYANAN(w.e.f. 27.03.2014)

DIRECTORS' REPORT

Dear Shareholders,

Your Directors are pleased to present the Sixth Annual Report of your Company together with the Audited Financial Statements and the Auditors' Report thereon for the financial year ended 31st March, 2014.

Financial Results:

The summarized financial results for the year ended 31st March, 2014 are as under:

(Rs. In lacs)

Particulars	**For the financial year ended 31st March, 2014**	**For the financial year ended 31st March, 2013**
Revenue from Services	3,075.24	4,187.13
Other Income	42.90	19.24
Total Expenditure	3,874.88	5,040.83
Earnings before interest, tax, depreciation and amortization	(756.73)	(843.70)
Finance Costs	1,467.15	1,224.04
Depreciation and Amortisation	390.47	397.80
Profit / (Loss) Before Tax	(2,569.42)	(2,433.19)
Share in loss of Partnership Firm	92.61	-
Provision for Tax	-	-
Profit / (Loss) after Tax	(2,662.03)	(2,433.19)

Review of Operation

During the year under review, the revenue of the Company from services stood at Rs.3,075.24 lacs vis-à-vis Rs.4,187.13 lacs in the previous financial year 2012-13 marking a de-growth of 27%. The Company recorded negative EBITDA of Rs.756.73 lacs (i.e. -24.61% of Revenue from Services) as against Rs.843.70 lacs (i.e. -20.15% of Revenue from Services) in the previous financial year. The Company has incurred a net loss (before tax) of Rs.2,569.42 lacs (-83.55%) vis-à-vis Rs.2,433.19 lacs (-58.11%) in the previous financial year. As on 31st March, 2014, the total outstanding debt was Rs. 135.15 crores. The Company has incurred a total finance cost of Rs.14.67 crores (i.e. 47.70% of Revenue from Services). The Company is making all efforts to replace the debt with capital infusion in the near future.

Financial year 2013-14 was very challenging year for the business of the Company. The Management implemented many difficult course correction measures to transform the business into a profitable unit. This was culmination of the process initiated in the year 2012-13 to rationalise the operation of the Company to improve the financial efficiency. Though the measures did not yield results to the desired extent, the year marked clear road map for the future of the business to become a profitable venture. The Management has assigned due importance to the sustainability whilst maintaining the quest for the volume/value of turnover.

The Company is organised into two business segments – retail segment and institutional segment.

Retail:
Under Retail segment, the Company provides laundry and dry-cleaning services to premium clients (under 'FabricSpa' brand), sub-premium clients at affordable prices (under 'Wardrobe' brand) and door to door service to convenience seekers (under 'Busy-Easy' brand). The Company and its subsidiaries presently have outlets across cities of India viz., Bangalore, Mumbai, Delhi, Noida, Ghaziabad, Chennai, Pune and Jaipur.

During the year 2013-14, the retail segment contributed 58.59% of total revenue as compared to 43.79% in the previous financial year. However, the revenue from retail segment declined by 2% i.e. from Rs.18.34 crores in the year 2012-13 to Rs.18.02 crores in the year 2013-14. The Company processed 23.43 lacs pieces of retail clients as against 26.25 lacs pieces processed in the year 2012-13, thus, volume in retail segment declined by 10.74%. The downward movement in volume processed by Retail segment was due to redirection of small brands like Busy-Easy & Snoways into two main brands of the Company and as a result, the main brands viz., FabricSpa and Wardrobe have seen a positive growth during 2013-14 to the extent of 2.66% and 16.89% respectively. The Board is confident that the process to integrate the small brands with "FabricSpa", the power brand of the Company will help to collect focus onto setting up the largest laundry brand in India.

Consistency in brand strategy and consistent investment in the brands cannot be overemphasised for sustained growth. The Company has formulated a strategy to boost the below than expected growth in the retail business. In the financial year 2013-14, the Company could not make the planned spending on brands. The total spending on advertising and publicity was Rs.15.15 lacs during the year under review as against Rs.31.89 lacs in the previous year. Lack of investment in brands of the Company has dented its growth severely. As per the strategy formulated, the Company shall invest in brands and improve focus on retail business. Directors are confident that retail business, being mainstay of the Company's business, shall attain sustainable level in all cities where it is currently operating.

As on 31st March, 2014, the Company had 103 retail outlets across various cities of India under brand names of FabricSpa (24), Wardrobe (56), Expert (3), Snoways (11), Dhulai(2) and Four Seasons (7).

As per the brand strategy of the Company, the company will have single brand "FabricSpa". The Company will convert the outlets with other brand names into FabricSpa outlets in the near future.

At the beginning of the current year, the Company had 11 FabricSpa outlets in Bangalore, 11 in Mumbai and remaining 2 in Chennai. During the year 2014-15, it is proposed to open 41 new FabricSpa outlets in Bangalore (10), Mumbai (10), Delhi (17) and Chennai (4) by converting existing outlets under other brands or taking additional premises on lease.

The Company has opened its first outlet on franchisee model in Mumbai on revenue sharing basis. This is the pilot project and if it becomes successful, the same will be replicated in Mumbai and other cities for faster growth and extension of network across nation with lower capex and sales & distribution expenditure.

Institutions:
Under the institutional segment, the Company provides services to railways, airlines, hotels, service apartments, clubs etc. including providing linens on rentals. The Company has been entering into time-&-scale-bound contracts with various divisions of Indian Railways for specified periods (in majority of the cases the specified periods being three years) for supply of washed bed rolls to passengers in long distance trains.

During the previous financial year, after reviewing the financial implications of many of institutional contracts on the overall financial performance of the Company, the management discontinued loss making railway and other contracts and entered into fresh contracts estimated to give a minimum of 15% gross margin. However, the decision resulted in decline in the revenue under Institutional segment to the extent of 46% i.e. from Rs.23.54 crores to Rs.12.73 crores. The decline in the revenue from Railways contributed significantly which decreased by 80% during the year under review i.e. from Rs.8.21 crores to Rs.1.60 crores. During the year under review, Institutional segment contributed 41.41% of total revenue as compared to 56.21% in the previous financial year.

The Company has been actively participating in the tenders floated by various divisions of Indian Railways. The Company, in collaboration with its holding company, has set up a mechanised laundry at Ahmedabad for Western Railway, on BOOT (Build, Own, Operate and Transfer) model with a capacity over 10 tons/day (expandable upto 16 tons/day) at their coaching yard. This project is expected to generate a revenue of Rs.124 crores over 10 years of its duration. The Ahmedabad BOOT plant accounted for a total revenue of Rs.6.99 crores during 2013-14 with 32% EBIDTA. After successfully establishing and operating BOOT at Ahmedabad for over a year now, it is being seen as "Model BOOT Plant" and it may be replicated by Indian Railways at its various other Divisions. Officials from other Divisions have been visiting this facility. We are expecting more tenders from different divisions including Bangalore in the near future for establishing and operating the plants on BOOT model. We propose to participate in these tenders based on the feasibility workings.

The Company is also setting up a Mechanised Laundry Facility and Mechanised Dry Cleaning Facility at the Aero City, being developed by DIAL (a joint venture between GMR group & Airport Authority of India) near Indira Gandhi International Airport, New Delhi, on lease-rental basis coupled with revenue sharing for a period of 15 years. It will have a capacity of 10 tons/day initially and will be scaled up along the increase in the demand for capacity over the years of operation. This is being set up at a total capital outlay of Rs.9.5 crores (revised capex). The same is expected to generate net revenue of Rs.154 crores over 15 years of its operation and is expected to be completed by October, 2014. We expect commercial Operations by November, 2014. Upon implementation of DIAL, the factory operations for the Delhi region will be shifted to DIAL for retail and Institutional washing from the existing NOIDA Plant. We expect better operational efficiency in cost of operations utilising the latest equipments, machineries and infrastructure that are being installed in the DIAL Plant.. We also anticipate reduction in the logistics cost..

Sustainability

Organised laundry accounts for only small percentage of total size of Indian laundry market. This presents huge opportunity for a professional laundry service provider to grow on fast track mode. As we understand, the Indian laundry service is in primitive stage and yet to evolve. The laundry care needs and preferences are not evolved beyond basic service categories. Consumer preferences will evolve further with greater product innovations. Continuous improvement in relative affluence of Indian household in major cities of India will bolster Company's growth in the retail laundry service segment.

The Company is the market leader in Indian laundry market. It will continue to play a catalyst role by setting up new standards of quality and services variants of laundry services in India. The Company is looking forward to set up more consumer oriented hi-tech retail outlets providing services, conveniences and benefits in the order of importance at affordable prices. Developing targeted products on continued basis with detailed understanding of laundry care needs and preferences is a fully recognized challenge for the Company. The system to assess and accordingly improvise product effectiveness will be key to ensure the consumer satisfaction. Innovative and effective marketing of its service offerings will ensure leadership position in the urban market where the Company is operating. The management has identified a new agency for effectively handling our branding and advertising in line our brand strategy. The Company will make all efforts to adopt latest information technology extensively at outlets on continuous basis to improve consumer experience. Developing dedicated mobile application for increasing ease of approach to laundry service of the Company is on the cards to improve accessibility to company's laundry service by working households. The Company will change the horizon by setting up hi-tech state-of-the-art outlets in posh localities to ensure minimum waiting period and to reduce the scope for consumer dispute by adopting innovative technologies for scanning of clothes, electronic tagging of clothes for faster processing at outlets.

Designing innovative product profile will further strengthen our leadership position. Drying process and after-wash conditioning of clothes are as vital as washing process. As per western experience, the new look of clothes with lasting fragrances play significant role in consumer satisfaction, especially women greatly appreciate fragrance profile. Therefore, differentiated and targeted laundry processing for men and women can potentially create niche in the market place. Besides, laundry processing for those who require clothes more gentle to skin (by using natural ingredients or otherwise) and catering to sensitive health conditions like Asthma, eczema can also create separate product portfolio. As a survey indicates, Indians pay high importance for use of natural ingredients in products and services, which again presents an opportunity to create a separate profile. We shall continuously endeavour and invest in developing and acquiring newer and better washing and drying technologies which can enable the Company to render best fabric care services.

Our focus remains to innovate in product development, service delivery, laundry processing, location, marketing & promotions to connect to consumers at all price points. We shall endeavour to take the professional laundry services to all households in urban areas, especially in tier I and II cities with utmost affordability and incredible convenience to differently placed consumers like students, singles, handicapped, working couples, HNIs, retired & elderly, spas, airlines, hotels etc.

Our Business philosophy includes maximising shareholder value in harmony with the interests of other stakeholders like consumers, suppliers, employees and public in general while maintaining the goodwill and rapport with all regulating authorities with due compliance of all applicable laws. The management is considering to implement a comprehensive process using Information Technology software to ensure the timely compliance of all applicable laws.

The management reviews and evaluates all potential risks like regulatory, political, market, competitors, credit/default, interest, geographical location, natural disaster, employees, technological development etc. Directors shall endeavour to build a robust system to minimise the business risk in appropriate course of time.

We endeavour to build respectable and recognisable brands in the cities where we are operating. Strong brand equity in presently operating markets would enable the Company to explore collaborative business models in other cities to add organisational and marketing strengths while building strong national image for the brands of the Company.

The objective of the sustainability strategy is to be market leader with sustainable brand loyalty having competitive advantage and creating long-term shareholder value.

Your Directors are continuously looking for avenues for further growth of the Company in the laundry and other specialised fabricare segment.

Training:

Training to staff at all levels of operations - from back-end functions to front-end functions - is well recognized and identified as one of the key ingredient for sustained and consistent growth of business. While training in Operations is a must for new comers, training of the outlet executive is that much essential. The outlet and the executive at outlet are our spokesperson and a point of contact with our customer. If we are able to perfect the art of communication with the customer, our business can increase multi fold. Towards this, the training of the soft skills of the outlet executive and training at the operations level for maintaining consistency in quality of output is given high importance in the process of imparting training to the staff. A Senior experienced staff at the level of General Manager has been identified and entrusted with the responsibility of creating a Training Centre at our Bangalore Factory premises for training the process team as well as the front end staff..

Customer Relationship Management (CRM)

Door to Door service is one of the key value propositions of our business. This is expected to give more flexibility and convenience to the customers. Call Centre is central to our model for providing efficient service to our esteemed clients. Call centre is effective communication point with our customers and is critical for ensuring timely pick-up and delivery of laundry. Our call centre is centralised at Bangalore for all the cities. During the year under review, it was decided to strengthen the call centre by augmenting the strength to take care of both in bound and out bound calls from all cities.

Customer Support Wing (CSW): Regularly interacting with our existing customers on the level of service quality, delivery etc. is essential. Taking feed-back on continuous basis is crucial for ensuring updating and doing course correction, if required, in the quality and delivery of service. The Company has set up Customer Support Wing and from April 2014, the scope and responsibilities of the Wing have been enlarged to take feed-back from its regular customers as well as customers who have not availed our services for some time.. This is done on a routine basis to ensure customer retention as well as reactivation of the customers. The calls made and the results obtained from April 2014 have been encouraging and we propose to enhance this activity..This will also ensure better loyalty and perceptional image to our brands.

The Company has created a separate CRM module and integrated into the ERP system of the Company to ensure better data tracking and maintenance of useful data bank of customers. The Management proposes to implement Customer Loyalty Programme to reward the regular frequent customers of the Company.

Corporate Governance

The Company being start-up venture foresees immense value in developing professional leadership and maintains high standards for providing level-playing field for professional managers in the organisation. Enhancing shareholder confidence in the functioning of the Company is of paramount importance. The management continuously strives to improve transparency in its processes, decision-making, without compromising the efficacy.

Dividend

Since the Company has incurred loss in the year under review, the Board of Directors does not recommend any dividend in the year under review.

Fixed Deposits

The Company did not take any fixed deposits from the public during the year under review.

Share Capital

At the beginning of the year under review, the Authorised share capital of the Company was Rs.20 crore consisting of (a) 66,33,333 Series 'A' Compulsorily Convertible Cumulative Participatory Preference Shares of the face value of Rs.10/- each and (b) 1,33,66,667 Equity shares of the face value of the Rs.10/- each. Paid-up Share Capital was Rs.16.35 crore consisting of 13.05 crore Equity Share capital and Rs.3.30 crore fully paid-up Series 'A' Compulsorily Convertible Cumulative Participatory Preference Shares.

Pursuant to Scheme of Amalgamation of Akash Cleaners Pvt. Ltd, Diamond Fabcare Pvt. Ltd and Fab Clean & Care Pvt. Ltd ("Transferor Companies") into the Company, the authorised share capital of the Company stood increased by the amount of authorised capitals of the Transferor Companies and thereby, the Authorised Share Capital of the Company is Rs.30.55 crores divided into : (a) 66,33,333 Series 'A' Compulsorily Convertible Preference Shares of the face value of Rs.10/- and (b) 2,39,16,667 equity shares of the face value of Rs.10/- each. Paid-up share capital remained unchanged at the end of the financial year and after the merger of Transferor Companies into the Company.

Acquisition of entire stake held by TARA INDIA FUND IV

Consequent to the exercise of option by Tara India IV Trust ("Investor") in terms of provisions contained in the Share Subscription and Shareholders' Agreement entered into between the Company, Investor, Mr. K. Ullas Kamath and Jyothy Laboratories Limited ("JLL") dated 26th April, 2011, JLL acquired 33,00,000 Compulsorily Convertible Cumulative Participatory Preference Shares of Rs.10/- each (100% of preference capital) and 50,000 Equity Shares of Rs.10/- each (0.38% of equity capital) in the Company in terms of Share Purchase Agreement dated 18th November, 2013.

Directors

Consequent to the acquisition of stake held by Investor, Mr. Mark Silgardo resigned from the Board with effect from 18th November, 2013. The Board was again restructured on 27th March, 2014 to bring about more objectivity and independence in its functioning and performance. As such, Mr. K. P. Padmakumar and Mr. R. Lakshminarayanan (hereinafter "Independent Directors") were appointed by the Board of Directors as Additional Directors and Mr. S. Raghunandan and Ms. M. R. Jyothy resigned from the Board.

The term of Independent Directors as Additional Directors would come to an end in the ensuing AGM of the Company. The Company has received notice under Section 160 of the Companies Act, 2013 ("the 2013 Act") with requisite deposit proposing the appointment of the Independent Directors.

In view of the provisions contained in the 2013 Act and the notice received as aforesaid, it was proposed to appoint Mr. K. P. Padmakumar and Mr. R. Lakshminarayanan for a term upto 31st March, 2019 in terms of Section 149 of the 2013 Act and the rules made thereunder.

The Board has evaluated the performance of the Independent Directors and after such evaluation, recommends to the shareholders, the appointment of Mr. K. P. Padmakumar and Mr. R. Lakshminarayanan as Independent Directors of the Company for a term up to 31st March, 2019.

In terms of Section 152 of the 2013 Act, two-third of total strength of Board (excluding Independent Directors) will be liable to retire by rotation. One-third of the directors, liable to retire by rotation, will retire at every Annual General Meeting (AGM).

Accordingly, two Non-Independent Directors, viz., Mr. M. P. Ramachandran and Mr. K. Ullas Kamath, are liable to retire by rotation. Mr. K. Ullas Kamath being the longest serving director in this category, will retire by rotation in the forthcoming AGM of the Company and offers himself for re-appointment.

The Board recommends his reappointment in the next AGM.

<u>Audit Committee</u>

Consequent to the resignation of Mr. Mark Silgardo, Ms. M. R. Jyothy was inducted as member of Audit Committee in his place on 18th November, 2013. On 27th March, 2014, the Audit Committee was again reconstituted consequent to the restructuring of the Board. As on 31st March, 2014, the composition of the Audit Committee was as follows:

Sr. No.	Name and Designation of Director	Status in the Committee
1	Mr. K. P. Padmakumar Independent Director	Chairman
2	Mr. R. Lakshminarayanan Independent Director	Member
3	Mr. K. Ullas Kamath Non-executive Director	Member

The powers and role of the Audit Committee is in accordance with the provisions of Section 177 of the 2013 Act.

<u>Nomination and Remuneration Committee:</u>

Pursuant to Section 178 of the 2013 Act read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014, the Company was required to constitute a Board Committee to constitute a 'Nomination and Remuneration Committee' for identifying persons who are qualified to be directors and senior managerial persons and recommend them to the Board for appointment. The Act also specifies that

Nomination and Remuneration Committee shall formulate criteria for appointment and recommend to the Board a policy relating to remuneration to directors, key managerial personnel and other employees.

Accordingly, the Board in its meeting held on 22nd May, 2014 constituted Nomination and Remuneration Committee of the Board in terms of Section 178 read with Rules made thereunder. The composition of the Nomination and Remuneration Committee is as follows:

Sr. No.	**Name and Designation of Director**	**Status in the Committee**
1	Mr. K. P. Padmakumar Independent Director	Chairman
2	Mr. R. Lakshminarayanan Independent Director	Member
3	Mr. K. Ullas Kamath Non-executive Director	Member

The powers and role of the Nomination and Remuneration Committee is in accordance with the provisions of Section 178 of the 2013 Act.

Subsidiaries

As on 31st March, 2013, the Company had five subsidiaries viz., Akash Cleaners Pvt. Ltd, Diamond Fabcare Pvt. Ltd., Fab Clean & Care Pvt. Ltd, Four Seasons Drycleaning Company Pvt. Ltd and Snoways Laundrers and Drycleaners Pvt. Ltd. Consequent to the High court Order dated 16th August, 2013, approving the Scheme of Amalgamation to merge Akash Cleaners Pvt. Ltd, Diamond Fabcare Pvt. Ltd. and Fab Clean & Care Pvt. Ltd into the Company, the Company has two subsidiaries at the end of the financial year 2013-14 viz., Four Seasons Drycleaning Company Pvt. Ltd and Snoways Laundrers and Drycleaners Pvt. Ltd.

As per the provisions of Section 212 of the Companies Act, 1956 ("the 1956 Act") financial statements of subsidiaries are attached to the financial statements of the Company.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the 1956 Act, the Board of Directors of the Company confirms that -

1. in preparation of the Annual Accounts for the financial year ended 31st March, 2014, the applicable accounting standards have been followed;
2. the Directors have selected such Accounting Policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2014 and of the profit or loss of the Company for the financial year ended on that date;
3. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. the Directors had prepared the Annual Accounts for the financial year ended 31st March, 2014 on a going concern basis.

Disclosures under Section 217(1)(d) of the 1956 Act

Except as disclosed elsewhere in this report, there have been no other material changes and commitments which can affect the financial position of the Company occurred between the end of the financial year of the Company and date of this report.

Transfer to Reserves in terms of Section 217 (1)(b) of the 1956 Act

For the financial year ended 31st March, 2014, the Company had not transferred any sum to Reserves.

Particulars of Employees

There is no employee in the Company whose particulars are required to be given under Section 217(2A) of the 1956 Act read with the Companies (Particulars of Employees) Rules, 1975, as amended.

Auditors

M/s S. R. Batliboi & Associates LLP, present Auditors of the Company, holds office until conclusion of the forthcoming Annual General Meeting. As per the provisions of the Section 139 (2) of the 2013 Act read with Rule 5 of the Companies (Audit and Auditors) Rules, 2014, the Company being a company with paid-up capital ten crores rupees or more and in view of completion of six years by Present Auditors in the office, the Present Auditors may be reappointed for four years from the conclusion of forthcoming AGM. Therefore, the Present Auditors are eligible for re-appointment for period upto four years. However, the Present Auditors have expressed their unwillingness to be reappointed as Auditors of the Company in the next AGM. The Company has received a special notice from Jyothy Laboratories Ltd for appointment of M/s S.R.B.C. & Co LLP (Firm Registration Number : 324982E), Chartered Accountants, Mumbai in the next AGM. It may be noted that M/s S.R.B.C & Co LLP is a firm with common partner with the present Auditors of the Company. As such, they cannot be appointed for a period more than four years.

A certificate has been received from M/s S.R.B.C. & Co LLP to the effect that they are eligible for appointment, if made, as per the provisions of Section 141 of the 2013 Act read with Section 139 ibid and rules made thereunder.

The Board recommends the appointment of M/s S.R.B.C. & Co LLP for a period of three years i.e. from the conclusion of ensuing AGM to the conclusion of 10th Annual General Meeting to be held in 2018 and such appointment shall be subject to ratification by members at 7th, 8th and 9th AGM to be held in 2015, 2016 and 2017.

Auditors' Report

In Auditors' report, Auditors have made observations on various points, the response for which is given below in a tabular format for the sake of better presentation:

Reference in the Auditors' Report	**Observation by Auditor**	**Management Response**
Point no.5 of the main report	The Company has incurred losses during the current year and the accumulated losses of the Company at the close of the year exceed its paid up	As it is explained in the Audit report, JLL, the holding company, has agreed to continue its support to the Company for its operations for at least next 12 months, if the Company is unable to

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<td>capital and reserve and surplus. This matter raises substantial doubt regarding the Company’s ability to continue as going concern which is dependent on establishing profitable operations.</td>
<td>meet its funding requirements.</td>
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<tr>
<td>Point (ix) (a) of the Annexure to the Audit Report</td>
<td>Undisputed statutory dues including provident fund, investor education and protection fund, employees’ state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in few cases.</td>
<td>The details of delays are given below:
<table>
<tr><th>Sr. No.</th><th>Nature</th><th>Month</th><th>Amount</th><th>Delay in days</th></tr>
<tr><td>1</td><td>Provident fund</td><td>Apr-13</td><td>106,843</td><td>4</td></tr>
<tr><td>2</td><td>ESIC</td><td>Apr-13</td><td>45,020</td><td>3</td></tr>
<tr><td>3</td><td>TDS-194C</td><td>Oct-13</td><td>22,670</td><td>1</td></tr>
<tr><td>4</td><td>TDS -194A</td><td>Oct-13</td><td>346,121</td><td>1</td></tr>
<tr><td>5</td><td>TDS-194I</td><td>Oct-13</td><td>120,068</td><td>1</td></tr>
<tr><td>6</td><td>TDS-194J</td><td>Oct-13</td><td>1,000</td><td>1</td></tr>
<tr><td>7</td><td>TDS-194H</td><td>Oct-13</td><td>22,554</td><td>1</td></tr>
<tr><td>8</td><td>TDS-192B</td><td>Oct-13</td><td>2,233</td><td>1</td></tr>
<tr><td></td><td colspan="2">Total</td><td>666,509</td><td></td></tr>
</table>
The management has taken steps to ensure timely payment of statutory dues before due date.</td>
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<tr>
<td>Point (ix) (b) of the Annexure to the Audit</td>
<td>Undisputed dues of Rs.1,56,288/- towards employees’ state insurance contribution was outstanding at the year for a period of</td>
<td>The same has been paid on 15th May, 2014. The Company has taken steps to ensure timely payment of statutory dues before due date.</td>
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Report	more than six months from the date they became payable	
Point (x) of the Annexure to the Audit Report	The Company's accumulated losses at the end of the financial year are more than fifty per cent of its net worth and it has incurred cash losses in the current financial year and in the immediately preceding year.	The Company commenced its operation in the year 2009. The Company is yet to attain its Break Even Point. The Company has been focusing on to build business across major cities of India. This has resulted in heavy losses. After FY 2011-12, the management has shifted its focus on to transform the operations to improve the financial efficiency. However, many of the measures have not yielded the desired results so far. This has resulted in accumulation of losses to the extent of Rs.114.55 crores as on 31st March, 2014. Lack of adequate funds to invest on brand building has affected the financial performance of the Company adversely. The Company has been making all efforts to raise long-term investment for the Company. Once the Company succeeds in raising funds, management believes that the performance will improve and the company will successfully set up profitable business.
Point (xi) of the Annexure to the Audit	The Company has delayed in repayment of dues to financial institutions during the year to the extent of Rs.60,00,000/- (the delay in such repayments	Due to heavy losses, the Company faced liquidity crunch for initial period. However the Company borrowed funds from the holding company viz., Jyothy Laboratories Ltd and paid off

Report	being for less than 61 days in each individual case) and Rs.NIL of such dues were in arrears as on the balance sheet date.	the outstanding instalments. The holding company has agreed to continue its support for next 12 months to sustain its operation.
Point (xvii) of the Annexure to the Audit Report	Funds amounting to Rs.98,71,24,542/- raised on short term basis in the form of unsecured loan from holding company have been used for long term investment representing acquisition of fixed assets, repayment of long-term loan and funding of losses.	The Company has raised unsecured loan repayable on demand. This loan has been invested in the long term assets to expand the business of the Company and sustain its business operation. The holding company has agreed to continue its support next 12 months. As such, there is no risk of liquidity crunch in the near future that may arise out of demand for repayment of unsecured loan granted by the holding company.

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

The particulars as required under the provisions of Section 217(1)(e) of the 1956 Act in respect of conservation of energy and technology absorption have not been furnished considering the nature of activities undertaken by the Company during the year under review. However the Company, being a cost conscious business entity has been making continuous efforts to reduce energy consumptions in its facilities, processes and offices by using energy efficient machineries, equipment and systems. The Company, being quality conscious, has also been making efforts to improve its processes to enhance the output quality in its service deliveries to maintain high service standards in the target markets.

Further during the year under review, there were no earnings or outgo of foreign exchange as against Foreign exchange outgo of Rs.39.89 lacs during previous financial year.

Forward looking Statements

In this report, we have disclosed forward-looking information to enable shareholders to know our business logic and direction and comprehend our prospects. This report and other statements-written or oral- that we make periodically, are based on our assumptions. We have tried wherever possible to identify such statements by using words such as anticipate, believe, estimate, expect, intend, plan, project and words of similar substance and import in the discussion of future performance. The same are to be understood accordingly, although we believe we have been prudent in our assumptions, subject to future risks, uncertainties and even inaccurate assumptions.

Acknowledgements

Your Directors place on record their gratitude for the continuing support of Shareholders, bankers and Business associates at all levels.

For and on behalf of the Board of
JYOTHY FABRICARE SERVICES LIMITED

Sd/-
M. P. Ramachandran
Chairman & Managing Director

Date: 22nd July, 2014
Place: Mumbai

S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (West)
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INDEPENDENT AUDITOR'S REPORT

To the Members of Jyothy Fabricare Services Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Jyothy Fabricare Services 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 accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs. 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 entity'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 Companies Act, 1956 ("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 Statement of Profit and Loss, of the loss 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.

S.R. Batliboi & Associates Chartered Accountants MUMBAI

Emphasis of Matter

Without qualifying our opinion, reference is drawn to Note 2 of the financial statements. The Company has incurred losses during the current year and the accumulated losses of the Company at the close of the year exceed its paid up capital and reserves. This matter raises substantial doubt regarding the Company's ability to continue as going concern which is dependent on establishing profitable operations. However, the holding Company, through a letter of support, has agreed to continue to provide financial support to the Company for its operations at least for the next 12 months, if the Company is unable to meet its funding requirements. Accordingly, the financial statements have been prepared on going concern assumption, and consequently no adjustments have been made to the carrying value of classification of balance sheet accounts.

Report on Other Legal and Regulatory Requirements

i. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

ii. 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 ;

(d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs;

(e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W

V Mehta

per Vikram Mehta
Partner
Membership Number: 105938
Place: Mumbai
Date: May 22, 2014

S.R. BATLIBOI & ASSOCIATES LLP
MUMBAI
CHARTERED ACCOUNTANTS

Annexure referred to in our report of even date
Re: Jyothy Fabricare Services Limited ('the Company')

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

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There was no disposal of a substantial part of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

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

(c) The Company is maintaining proper records of inventory. Discrepancies noted on physical verification of inventories were not material, and have been properly dealt with in the books of account.

(iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.

(e) The Company had taken unsecured loan from the holding company, covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.1,350,000,000 and the year-end balance of loan taken was Rs. 1,350,000,000.

(f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan is not prima facie prejudicial to the interest of the Company.

(g) The loan taken along with interest is re-payable on demand. As informed to us, the lender has not demanded repayment of any such loan or interest during the year, and thus, there has been no default on the part of the Company.

(iv) (a) 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, for the purchase of inventory and fixed assets and for the sale of services. The activities of the Company do not involve sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the company in respect of these areas.

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, for the products of the Company.

(ix) (a) 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 other material statutory dues have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases*. The provisions of investor education and protection fund, sales tax and excise duty are not applicable to the Company.

(b) According to the information and explanations given to us, *undisputed dues in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable, are as follows:*

Name of statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Due date	Date of payment
Employees' State Insurance Act, 1948	ESIC Contribution	156,288	Apr-12 to Aug-13	15 Sep'13	Not paid

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(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the Statue	Nature of Dues	Amount (Rs)	Period to which amount relates	Forum where dispute is pending
Custom Duty	Assessment Dues	5,763	FY 2006-07	Commissioner of Customs (Appeals)
		16,015	FY 2007-08	
		64,181	FY 2008-09	
		25,184	FY 2009-10	

(x) *The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth and it has incurred cash losses in the current financial year and in the immediately preceding financial year.*

(xi) Based on our audit procedures and as per the information and explanations given by the management, *the Company has delayed in repayment of dues to financial institutions during the year to the extent of Rs.6,000,000 (the delay in such repayments being for less than 61 days in each individual case) and no such dues were in arrears as on the balance sheet date.* The Company has not defaulted in repayment of dues to a Bank or debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced before us, 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 Order are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

(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) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, *we report that funds amounting to Rs. 992,440,402 raised on short term basis in the form of unsecured loan from holding company have been used for long-term investment representing acquisition of fixed assets, repayment of long-term loan and funding of losses.*

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised money through public issues during the year.

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(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W

per Vikram Mehta
Partner
Membership Number: 105938

Place: Mumbai
Date: May 22, 2014

JYOTHY FABRICARE SERVICES LIMITED
BALANCE SHEET AS AT MARCH 31, 2014

	Note	2014	Amount in Rs 2013
EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	3	163,500,000	163,500,000
Reserves and Surplus	4	(924,854,276)	(658,651,184)
		(761,354,276)	(495,151,184)
Non-Current Liabilities			
Long-term borrowings	5	301,450,000	333,695,247
Deferred tax liabilities (Net)	6	-	-
Provisions	7	8,532,267	7,116,599
		309,982,267	340,811,846
Current Liabilities			
Short-term borrowings	8	1,050,000,000	731,711,276
Trade payables	9	32,405,822	35,380,711
Other current liabilities	10	40,955,820	52,403,306
Provisions	7	7,796,145	9,149,616
		1,131,157,787	828,644,909
Total		679,785,778	674,305,571
ASSETS			
Non-current assets			
Fixed assets	11		
(i) Tangible assets		383,311,169	406,964,193
(ii) Intangible assets		20,091,782	23,270,410
(iii) Capital work-in-progress		7,434,029	540,479
Non-current investments	12	48,406,065	53,166,750
Loans and advances	13	79,524,253	71,470,192
Other assets	17	2,301,096	14,144,120
		541,068,394	569,556,144
Current assets			
Inventories	14	11,818,825	14,786,485
Trade receivables	15	44,524,832	51,717,737
Cash and Bank balances	16	63,949,584	19,796,038
Loans and advances	13	18,424,143	18,449,167
		138,717,384	104,749,427
Total		679,785,778	674,305,571
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No. 101049W

per Vikram Mehta
Partner
Membership No.: 105938

Place: Mumbai
Date: May 22, 2014

For and on behalf of the Board of Directors of
Jyothy Fabricare Services Limited

M. P. Ramachandran
Chairman and Managing Director

K. Ullas Kamath
Director

Rajesh Hegde
Company Secretary
Place: Mumbai
Date: May 22, 2014

JYOTHY FABRICARE SERVICES LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

	Note	2013-14	Amount in Rs 2012-13
Income			
Revenue from operations	18	307,524,336	418,713,020
Other Income	19.1	4,289,922	999,959
Total Revenue (I)		311,814,258	419,712,979
Expenses			
Cost of materials consumed	20	47,606,917	103,078,746
Employee benefit expense	21	148,338,832	177,059,752
Other expenses	22	191,541,900	223,944,593
Share in loss of partnership firm		9,260,685	-
Total Expenses (II)		396,748,334	504,083,091
Earning before interest, tax , depreciation and amortization (EBIDTA) (I) - (II)		(84,934,076)	(84,370,112)
Depreciation and amortization expense	11	39,046,562	39,780,238
Interest Income	19.2	4,492,763	3,234,834
Finance costs	23	146,715,217	122,403,534
Loss before tax		(266,203,092)	(243,319,050)
Tax expense			
- Current tax		-	-
- Deferred tax		-	-
Total tax expense		-	-
Loss after tax		(266,203,092)	(243,319,050)
Earnings per share	32		
Basic & Diluted(Rs)		(20.40)	(18.65)
Nominal Value per share (Rs)		10.00	10.00
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No. 101049W

per Vikram Mehta
Partner
Membership No.: 105938
Place: Mumbai
Date: May 22, 2014

S.R. BATLIBOI & ASSOCIATES LLP * MUMBAI * CHARTERED ACCOUNTANTS

For and on behalf of the Board of Directors of
Jyothy Fabricare Services Limited

JYOTHY FABRICARE SERVICES LIMITED

M. P. Ramachandran
Chairman and Managing Director

K. Ullas Kamath
Director

Rajesh Hegde
Company Secretary
Place: Mumbai
Date: May 22, 2014

JYOTHY FABRICARE SERVICES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14	Amount in Rs 2012-13
A. CASH FLOWS PROVIDED BY/(USED IN) OPERATING ACTIVITIES:		
Loss before Tax	(266,203,092)	(243,319,050)
Non - cash adjustments for:		
Depreciation and amortisation	39,046,562	39,780,238
Interest income on fixed deposits	(2,217,450)	(1,595,339)
Interest expense	146,715,217	122,403,534
Interest income on loan given to subsidiaries	(1,828,521)	(1,619,362)
Loss on sale of fixed assets	338,827	922,845
Provision for doubtful advances written back	(1,719,020)	-
Excess provisions/liabilities written back	(1,049,824)	(949,356)
Interest on Income Tax refund	(446,792)	(20,133)
Provision for doubtful debts	3,534,099	4,425,920
Bad debts written off	717,503	265,302
Operating loss before working capital changes	**(83,112,491)**	**(79,705,401)**
Movements in working capital:-		
(Increase) /Decrease in working capital		
Decrease / (Increase) in Inventories	2,967,660	(3,947,829)
Decrease / (Increase) in Trade receivables	2,941,303	(5,126,997)
Decrease / (Increase) in Loans and advances and other assets	(3,294,381)	(5,007,401)
Increase / (Decrease) in current liabilities & provisions	172,319	(2,937,923)
Cash used in operations	**(80,325,590)**	**(96,725,551)**
Taxes paid	3,302,218	(4,354,859)
Net cash used in operating activities (A)	**(77,023,372)**	**(101,080,410)**
B. CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES:		
Purchase of fixed assets including capital work-in-progress and capital advances	(21,759,667)	(8,212,214)
Proceeds from sale of fixed assets	201,147	567,714
Investment in Partnership firm /Subsidiaries	4,760,685	(22,125,000)
Interest received on fixed deposit	413,568	-
Loan given to subsidiaries	(5,000,000)	(500,000)
Net cash used in investing activities (B)	**(21,384,267)**	**(30,269,500)**

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JYOTHY FABRICARE SERVICES LIMITED

JYOTHY FABRICARE SERVICES LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

	2013-14	2012-13
		Amount in Rs
C. CASH FLOWS PROVIDED BY/(USED IN) FINANCING ACTIVITIES:		
Proceeds from unsecured loan	207,371,682	394,777,215
Repayment of secured and unsecured loan	(73,216,677)	(247,377,010)
Interest paid	(8,262,316)	(18,198,729)
Net cash generated from financing activities (C)	**125,892,689**	**129,201,476**
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	27,485,050	(2,148,434)
Cash and cash equivalents at the beginning of the year	12,919,503	11,769,078
Cash and cash equivalent persuant to scheme of amalgamation of Akash Cleaners Private Limited, Diamond Fabcare Private Limited, and Fabclean and Care Private Limited.	-	3,298,859
Cash and cash equivalents at the end of the year	**40,404,553**	**12,919,503**
Components of cash and cash equivalents		
Cash in hand	2,545,329	3,139,469
Balance with scheduled banks - Current account	37,859,224	9,780,034
- Deposit account	23,545,031	6,876,535
Cash and bank balance as per Note 16	63,949,584	19,796,038
Less: Restricted Fixed Deposits not considered as cash equivalents	23,545,031	6,876,535
Cash and cash equivalents considered for cash flow statement	**40,404,553**	**12,919,503**

Summary of significant accounting policies Note 2.1

As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No. 101049W

per Vikram Mehta
Partner
Membership No.: 105938

Place: Mumbai
Date: May 22, 2014

For and on behalf of the Board of Directors of
Jyothy Fabricare Services Limited

M. P. Ramachandran
Chairman and Managing Director

K. Ullas Kamath
Director

Rajesh Hegde
Company Secretary
Place: Mumbai
Date: May 22, 2014

1 Corporate information

Jyothy Fabricare Services Limited ('the Company') is a public Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is principally engaged in the business of laundry and dry-cleaning services.

2 Basis of preparation

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India ('Indian GAAP'). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 read with General Circular 08/2014 dated 04 April 2014 issued by the Ministry of Corporate Affairs. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

The Company has incurred losses during the current year and the accumulated losses of the Company at the close of the year exceed its paid up capital and reserves. The management is implementing a plan to increase turnover, improve profitability and financial position of the Company by widening the network of outlets across India and building awareness of the services through various marketing activities to increase revenue.Further , Jyothy Laboratories Limited (parent Company), through a letter of support, has agreed to continue to provide financial support to the Company for its operations at least for the next 12 months, if the Company is unable to meet its funding requirements

The Company is therefore being viewed as a going concern and accounts have been prepared under the going concern assumption.

2.1 Summary of significant accounting policies

The significant accounting policies are as follows:-

a) Use of estimates

The preparation of financial statements, in conformity with Indian GAAP requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and disclosure of contingent liabilities at the end of the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

b) Tangible fixed assets

Fixed assets are stated at cost, less accumulated depreciation and impairment. Cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use.

c) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line basis over the estimated useful economic life. The company uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use.

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JYOTHY FABRICARE SERVICES LIMITED

d) Depreciation and Amortisation

Depreciation is provided using the Straight Line Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher.

The estimated useful life of the assets is as follows:

Category	Estimated useful life (in years)
Plant and machinery	21
Furniture and fixtures	16
Leasehold Improvements - Outlets	3
- Others	9
Computers	6
Office equipments	21
Vehicles	8-10
Electric Bike	3
Trade mark	9-10

Asset costing less than Rs 5,000 are depreciated at the rate of 100%. Computer Software is amortized using the straight line method over a period of 5 years. Goodwill purchased is tested for impairment purposes every year.

e) Operating Leases

Where the company is a lessee

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Lease payments on operating leases are recognized as expense in the statement of profit and loss on a straight-line basis, over the lease term.

f) Borrowing Costs

Borrowing costs consist of interest and amortisation of ancillary costs incurred in connection with the arrangement of borrowings.Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the respective asset. All other borrowing costs are expensed in the period they occur.

g) Impairment

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. An impairment loss is recognized wherever the carrying amount of an asset exceed its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the pre-tax discount rate.

After impairment, depreciation is provided on the revised carrying amount of the assets over its remaining useful life.

S.R. BATLIBOI & ASSOCIATES LLP * CHARTERED ACCOUNTANTS * MUMBAI

JYOTHY FABRICARE SERVICES LIMITED *

h) Investments

Investments that are readily realisable and intended to be held for not more than one year from the date on which such investments are made are classified as current investments. All other investments are classified as long-term investments. On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties and other costs that arise on acquisition of investment. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

i) Inventories

Inventories of raw materials, packing materials, stores and spares and fuel are valued at cost or net realizable value, whichever is lower. Cost is ascertained on First-in-First out ('FIFO') basis and includes all applicable costs incurred in bringing goods to their present location and condition.

Operating supplies are items in circulation which are originally recognised at FIFO and then written off over their estimated period of usage.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated cost necessary to make the sale.

j) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Services:

Service revenue is recognised on completion of services and where no significant uncertainty exists regarding the amount of the consideration that will be derived from rendering the service. Service revenue are net of service tax.

Interest:

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the Statement of profit and loss.

k) Foreign currency translation

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the exchange rate prevailing at the reporting date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange Differences

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

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JYOTHY FABRICARE SERVICES LIMITED

l) Retirement and other employee benefits

(i) Retirement benefits in the form of Provident Fund is defined contribution scheme. The Company has no obligation, other than the contribution payable to the fund. The Company recognizes contribution payable to the provident fund as an expenditure, when an employee render the related service.

(ii) Gratuity liability is defined benefit obligation and the cost of providing this benefit is determined on the basis of an actuarial valuation at each year-end. The actuarial valuation is done as per projected unit credit method.

(iii) Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

(iv) The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end.

(v) Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

m) Income-tax

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

n) Segment Reporting

Identification of segments

The Company's operating businesses are organised and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different services. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Inter segment Transfers

The Company generally accounts for the intersegment sales and transfers as if the the sales or transfer were to third parties at market prices.

Allocation of common costs

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

JOTHY FABRICARE SERVICES LIMITED

Unallocated Items

Includes general corporate income and expenses items which are not allocated to any business segment.

Segment accounting Policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

o) **Earnings per Share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

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

p) **Provisions**

A provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

q) **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

r) **Cash and cash equivalents**

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

s) **Measurement of EBITDA**

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. In its measurement, the Company does not include depreciation and amortization expense, finance costs, interest income and tax expense.

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JYOTHY FABRICARE SERVICES LIMITED

Jyothy Fabricare Services Limited
Notes to Financial Statement for the year ended March 31, 2014

Amount in Rs

Note 3 - Share Capital

	2014	2013
Authorised Shares		
23,916,667 (Previous year: 23,916,667) Equity shares of face value Rs 10/- each	239,166,670	239,166,670
6,633,333 (Previous year: 6,633,333) Series A Compulsorily Convertible Preference Share of face value of Rs 10/- each	66,333,330	66,333,330
	305,500,000	305,500,000
Issued, Subscribed And Paid Up Shares		
13,050,000 (Previous year: 13,050,000) Equity shares of face value of Rs.10/- each	130,500,000	130,500,000
3,300,000 (Previous Year 3,300,000) Series A Compulsorily Convertible Preference Share of face Value Rs 10/- each	33,000,000	33,000,000
	163,500,000	163,500,000

a. Reconciliation of shares outstanding at the beginning and at the end of the reporting period

	2014		2013	
	No of Shares	Amount in Rs	No of Shares	Amount in Rs
Equity Shares				
At the beginning of the Period	13,050,000	130,500,000	13,050,000	130,500,000
Outstanding at the end of the Period	13,050,000	130,500,000	13,050,000	130,500,000

	2014		2013	
Preference Shares	No of Shares	Amount in Rs	No of Shares	Amount in Rs
At the beginning of the Period	3,300,000	33,000,000	3,300,000	33,000,000
Outstanding at the end of the Period	3,300,000	33,000,000	3,300,000	33,000,000

b. Terms of equity shares

The Company has one class of equity share having face value of Rs 10 each . Each share holder is eligible for one vote per share held. In the event of liquidation of the company, the holders of equity shares will be entiltled to receive remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the share holders.

c. Terms of preference shares

During the year ended March 31, 2012 , the Company had issued 3,300,000 compulsorily convertible preference shares (CCP) of Rs. 10 each fully paid up . CCP carry cumulative dividend @ 0.1% p.a.

d. Shares held by holding /ultimate holding company and/or their subsidiaries /associates

	2014	2013
Jyothy Laboratories Limited,the holding Company		
98,00,000 (Previous year : 97,50,000) Equity shares of Rs 10 each fully paid	98,000,000	97,500,000
33,00,000 (Previous year : Nil)Series A Compulsorily Convertible Preference Share of face Value Rs 10/- each fully paid	33,000,000	-

e. Details of shareholders holding more than 5% shares in the company

	2014		2013	
	No of Shares	% holding in the class	No of Shares	% holding in the class
Equity Shares of Rs 10 each fully paid				
Jyothy Laboratories Limited , the holding Company	9,800,000	75.10%	9,750,000	74.71%
Mr Ullas Kamath	3,240,000	24.83%	3,240,000	24.83%
Preference Shares of Rs 10 each fully paid				
IL&FS Trust Company Ltd.	-	-	3,300,000	100%
Jyothy Laboratories Limited , the holding Company	3,300,000	100%	-	-

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JYOTHY FABRICARE SERVICES LIMITED

Amount in Rs

Note 4 - Reserves And Surplus

	2014	2013
Securities Premium Account		
Balance as per last financial statements	479,561,649	479,561,649
Balance as at the end of the year	**479,561,649**	**479,561,649**
General Reserve		
Balance as per last financial statements	2,850,000	-
Add: Addition on amalgamation of Akash Cleaners Private Limited ("ACPL")	-	2,850,000
Balance as at the end of the year	**2,850,000**	**2,850,000**
Amalgamation reserve account		
Balance as per last financial statements	(261,757,208)	-
Excess of book value of investment in the equity share capital of Akash Cleaners Private Limited ("ACPL") over the face value of such share capital	-	(189,185,446)
Excess of book value of investment in the equity share capital of Diamond Fabcare Private Limited ("DFPL") over the face value of such share capital	-	(57,634,242)
Excess of book value of investment in the equity share capital of Fabclean and Care Private Limited("FCPL") over the face value of such share capital	-	(14,937,520)
Balance as at the end of the year	**(261,757,208)**	**(261,757,208)**
Deficit in the statement of profit and loss		
Balance as per last financial statements	(879,305,625)	(381,056,359)
Less: Addition on amalgamation of FCPL	-	2,783,470
Less: Addition on amalgamation of ACPL	-	86,738
Add: Addition on amalgamation of DFPL	-	(163,494,445)
Post merger (loss) of ACPL for the period April 1, 2011 to March 31,2012	-	(7,103,361)
Post merger (loss) of DFPL for the period April 1, 2011 to March 31,2012	-	(87,428,464)
Post merger profit of FCPL for the period June 8, 2011 to March 31,2012	-	225,846
Add: Loss for the year	(266,203,092)	(243,319,050)
Net Deficit in the statement of profit and loss	**(1,145,508,717)**	**(879,305,625)**
	(924,854,276)	**(658,651,184)**

Note 5 - Long-term borrowings

	Non -Current		Current	
	2014	2013	2014	2013
Term loan from Banks (Secured)	-	17,245,247	17,761,298	30,963,990
Term loan from Financial institutions (Secured)	1,450,000	16,450,000	15,000,000	14,750,000
Loan from Holding Company (Unsecured)	300,000,000	300,000,000	-	-
	301,450,000	**333,695,247**	**32,761,298**	**45,713,990**
The above amount includes				
Secured Borrowings	1,450,000	33,695,247	32,761,298	45,713,990
Unsecured Borrowing	300,000,000	300,000,000	-	-
Amount disclosed under the head "other current liabilities"(Refer Note - 10)	-	-	(32,761,298)	(45,713,990)
	301,450,000	**333,695,247**	-	-

i) Term loan from banks carries floating interest rate of 12.25 % p.a payable monthly .The loan is repayable in monthly installments of Rs 2,537,328 starting from March 18, 2013. This loan is secured by mortgage of leased land & building of the Company situated at Doddaballapura Bangalore.

ii) Term loan from financial institutions carries interest rate of 13.50 % p.a payable monthly. The loan is repayable in 60 monthly installment along with interest from 10 May 2010. Term Loan is secured by hypothecation of plant & machinery & all movables (present & future) of erstwhile Diamond Fabcare Private Limited subject to prior charge in favor of the bankers on stock of stores and books debts for working capital limits and further secured by Corporate Guarantee of Jyothy Laboratories Limited.

iii) Loan from holding company carries interest rate 12 % p.a and is repayable on demand after March 31, 2016.

S.R. BATLIBOI & ASSOCIATES LLP MUMBAI CHARTERED ACCOUNTANTS

JYOTHY FABRICARE SERVICES LIMITED

Jyothy Fabricare Services Limited
Notes to Financial Statement for the year ended March 31, 2014

Amount in Rs

Note 6 - Deferred tax Assets (Net)

	2014	2013
a) Deferred tax liability		
Depreciation	19,161,852	40,414,887
	19,161,852	40,414,887
b) Deferred tax assets		
Provision for gratuity	2,961,726	2,566,231
Provision for Bonus	773,510	132,707
Provision for leave encashment	2,083,753	2,460,029
Provision for doubtful debts	3,312,294	2,555,042
Provision for doubtful advances	1,378,763	1,669,353
On carry forward loss and unabsorbed depreciation(only to the extent of deferred tax liability)	8,651,806	31,031,525
	19,161,852	40,414,887
	-	-

Note 7 - Provisions

	Non - Current		Current	
	2014	2013	2014	2013
Provision for leave encashment	-	-	6,743,537	7,961,260
Provision for gratuity [Refer Note - 24(i)]	8,532,267	7,116,599	1,052,608	1,188,356
	8,532,267	7,116,599	7,796,145	9,149,616

Note 8 - Short-term borrowings

	2014	2013
Working Capital Loan from Bank (Secured)	-	7,818,738
Loan from holding company (Unsecured ,Repayable on demand)	1,050,000,000	723,892,538
	1,050,000,000	731,711,276

(i)Working Capital Loan from bank of Rs NIL (Previous year : 3,215,561) was secured against book debts and fixed assets of erstwhile Akash Cleaners Private Limited and equitable mortgage against factory at Navi mumbai. The same has been repaid in the current year.

(ii) Working Capital Loan from bank of Rs NIL (Previous year 4,603,177) was secured by hypothecation on stock of stores and books debts of erstwhile Diamond Fabcare Private Limited and further secured by Corporate Guarantee of Jyothy Laboratories Limited. The same has been repaid in the current year.

iii) Loan from holding company carries interest rate 12 % p.a and is repayable on demand.

Note 9 - Trade payables

	2014	2013
Dues to Micro small and medium enterprises (Refer Note 31)	607,345	1,339,548
Other trade payables	12,630,306	12,394,213
Accrual for expenses	19,168,171	21,646,950
	32,405,822	35,380,711

Note 10 - Other current liabilities

	2014	2013
Current maturities of long term borrowing (Refer Note - 5)	32,761,298	45,713,990
Statutory dues	6,179,308	4,030,563
Creditors for capital goods	1,105,503	1,152,606
Interest accrued but not due on long term borrowings	334,709	817,588
Security deposit	575,002	688,559
	40,955,820	52,403,306

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JYOTHY FABRICARE SERVICES LIMITED

Jyothy Fabricare Services Limited
Notes to Financial Statement for the year ended March 31, 2014

Note 11 - Fixed Assets

Amount in Rs

Particulars	Gross Block					Depreciation / Amortisation					Net Block	
	As at April 01, 2013	Addition pursuant to scheme of amalgamation of ACPL, DFPL and FCPL	Additions	Deletions	As at March 31, 2014	As at April 01, 2013	Addition pursuant to scheme of amalgamation of ACPL, DFPL and FCPL	For the year	Deletions	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
Intangible Assets												
Goodwill	13,816,434	-	-	-	13,816,434	-	-	-	-	-	13,816,434	13,816,434
	13,816,434	-	-	-	*13,816,434*	-	-	-	-	-		
Software	15,800,912	-	361,296	-	16,162,208	9,198,156	-	3,125,994	-	12,324,150	3,838,058	6,602,756
	12,940,468	*2,804,264*	*56,180*	-	*15,800,912*	*4,403,267*	*1,655,696*	*3,139,193*	-	*9,198,156*		
Trade mark $	3,763,000	-	-	-	3,763,000	911,780	-	413,930	-	1,325,710	2,437,290	2,851,220
	3,763,000	-	-	-	*3,763,000*	*497,850*	-	*413,930*	-	*911,780*		
Total	**33,380,346**	-	**361,296**	-	**33,741,642**	**10,109,936**	-	**3,539,924**	-	**13,649,860**	**20,091,782**	**23,270,410**
Previous Year	*30,519,902*	*2,804,264*	*56,180*	-	*33,380,346*	*4,901,117*	*1,655,696*	*3,553,123*	-	*10,109,936*	*23,270,410*	
Tangible Assets												
Building	155,835,270	-	841,444	-	156,676,714	20,967,775	-	5,220,105	-	26,187,880	130,488,834	134,867,495
	141,870,376	*13,759,437*	*205,457*	-	*155,835,270*	*10,189,126*	*5,585,681*	*5,192,968*	-	*20,967,775*		
Freehold Land	53,785,319	-	-	-	53,785,319	-	-	-	-	-	53,785,319	53,785,319
	42,821,346	*10,819,430*	*144,543*	-	*53,785,319*	-	-	-	-	-		
Leasehold land	1,865,230	-	-	-	1,865,230	47,416	-	23,688	-	71,104	1,794,126	1,817,814
	-	*1,865,230*	-	-	*1,865,230*	-	*23,728*	*23,688*	-	*47,416*		
Plant and machinery	236,761,900	-	7,324,154	-	244,086,054	72,801,490	-	13,655,535	-	86,457,025	157,629,029	163,960,410
	101,357,405	*132,168,895*	*3,235,600*	-	*236,761,900*	*15,932,529*	*40,914,768*	*15,954,193*	-	*72,801,490*		
Furniture and fixture	16,633,995	-	96,217	-	16,730,212	5,255,965	-	1,067,142	-	6,323,107	10,407,105	11,378,030
	13,629,905	*2,804,156*	*201,095*	*1,161*	*16,633,995*	*2,567,143*	*1,625,158*	*1,064,825*	*1,161*	*5,255,965*		
Leasehold Improvements	50,630,149	-	2,601,297	77,363	53,154,083	35,512,636	-	10,854,720	50,577	46,316,779	6,837,304	15,117,513
	16,197,389	*31,142,646*	*3,290,114*	-	*50,630,149*	*7,591,673*	*19,227,131*	*8,693,832*	-	*35,512,636*		
Office equipments	26,503,708	-	1,316,237	551,732	27,268,213	11,236,813	-	2,705,774	126,159	13,816,428	13,451,785	15,266,895
	12,521,570	*12,287,885*	*1,847,191*	*152,938*	*26,503,708*	*3,193,511*	*5,112,366*	*2,966,143*	*35,207*	*11,236,813*		
Vehicle	19,323,880	-	214,240	674,749	18,863,371	8,553,163	-	1,979,674	587,134	9,945,703	8,917,668	10,770,717
	13,461,534	*9,304,187*	-	*3,441,841*	*19,323,880*	*3,717,584*	*4,573,126*	*2,331,466*	*2,069,013*	*8,553,163*		
Total	**561,339,451**	-	**12,393,589**	**1,303,844**	**572,429,196**	**154,375,258**	-	**35,506,638**	**763,870**	**189,118,026**	**383,311,169**	**406,964,193**
Previous Year	*341,859,525*	*214,151,866*	*8,924,000*	*3,595,940*	*561,339,451*	*43,191,566*	*77,061,958*	*36,227,115*	*2,105,381*	*154,375,258*	*406,964,193*	
Grand Total	**594,719,797**	-	**12,754,885**	**1,303,844**	**606,170,838**	**164,485,194**	-	**39,046,562**	**763,870**	**202,767,886**	**403,402,951**	**430,234,603**
Previous Year	*372,379,427*	*216,956,130*	*8,980,180*	*3,595,940*	*594,719,797*	*48,092,683*	*78,717,654*	*39,780,238*	*2,105,381*	*164,485,194*	*430,234,603*	

$ Trademark is pending registration in the name of the Company.
Figures in italics represent previous year figures.

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Jyothy Fabricare Services Limited
Notes to Financial Statement for the year ended March 31, 2014

Amount in Rs

Note 12 - Non-current investments (value at cost unless stated otherwise)

	2014	2013
Trade investment (Unquoted)		
Investment in subsidiary companies		
490,000 (Previous year: 490,000) equity shares of Rs 10 each fully paid-up in Snoways Laundrers & Drycleaners Private Limited	9,636,270	9,636,270
22,07,000 (Previous Year : 22,07,000) equity shares of Rs 100 each fully paid-up in Four Seasons Drycleaning Company Private Limited	10,155,480	10,155,480
Investments in Partnership Firm		
M/s JFSL - JLL (Refer note 33)	28,614,315	33,375,000
	48,406,065	53,166,750

Note 13 - Loans and advances
(Unsecured, considered good unless stated otherwise)

	Non -Current		Current	
	2014	2013	2014	2013
Loans /Advances to Subsidiaries	21,143,744	14,498,089	616,458	544,313
Deposits	30,644,419	29,232,342	8,542,701	10,708,683
Less: Provision for doubtful deposits	1,810,782	1,557,182	-	-
	28,833,637	27,675,160	8,542,701	10,708,683
Advance to suppliers	-	-	965,556	1,251,702
Less: Provision for doubtful advances	-	-	125,000	125,000
	-	-	840,556	1,126,702
Prepaid Expenses	65,094	116,910	3,369,338	1,683,708
Staff Loans	-	-	184,652	138,077
Advance tax	11,409,250	14,264,676	-	-
Capital advances	8,799,689	6,735,558	-	-
Less: Provision for doubtful advances	2,001,235	3,720,255	-	-
	6,798,454	3,015,303	-	-
Balances with Government authorities	25,000	25,000	4,814,061	3,194,435
Others #	11,774,074	11,875,054	56,377	1,053,249
Less: Provision for doubtful advances	525,000	-	-	-
	11,249,074	11,875,054	56,377	1,053,249
	79,524,253	71,470,192	18,424,143	18,449,167

Includes advance given to Suresh Babu Balasu amounting to Rs. 10,200,000 (Previous year: Rs 10,200,000) in relation to the Share Purchase agreement dated August 12, 2009 for future purchase of 51% shares held by him of Snoways Laundrers & DryCleaners Private Limited (the subsidiary company).

Note 14 - Inventories (valued at lower of cost or net realisable value)

	2014	2013
Raw and packing materials	4,446,907	5,730,234
Operating Supplies	-	372,819
Fuel	4,849,181	4,510,114
Stores & Spares	2,522,737	4,173,318
	11,818,825	14,786,485

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JYOTHY FABRICARE SERVICES LIMITED

Jyothy Fabricare Services Limited
Notes to Financial Statement for the year ended March 31, 2014

Amount in Rs

Note 15 - Trade Receivables (Unsecured)

	2014	2013
a) Outstanding for a period exceeding six months from the date they are due for payment.		
- Considered good	16,182,491	3,741,041
- Doubtful	10,719,398	8,268,744
- Less : Provision for doubtful debts	(10,719,398)	(8,268,744)
	16,182,491	3,741,041
b) Other receivables, considered good	28,342,341	47,976,696
	44,524,832	**51,717,737**

Note 16 - Cash and bank balances

	Non-Current		Current	
	2014	**2013**	**2014**	**2013**
Cash and Cash equivalent				
Cash in hand	-	-	2,545,329	3,139,469
On Current accounts	-	-	37,859,224	9,780,034
Other bank balances				
Fixed deposits with Banks having original maturity of more than 3 months but less than 12 months	-	-	8,466,822	6,876,535
Fixed deposits with Banks having original maturity of more than 12 months	2,301,096	12,960,836	15,078,209	-
Less Amount disclose under other assets (Refer Note -17)	(2,301,096)	(12,960,836)	-	-
	-	-	**63,949,584**	**19,796,038**

*Restricted deposits placed with bank as margin money or deposits for the purpose of performance guarantee or against the earnest money deposit in relation to tenders from Railway Authorities. Also includes Rs 1,493,229 (Previous year : 1,339,258) for the purpose of PNG connection.

Note 17 - Other Assets
(Unsecured, considered good)

	Non-Current		Current	
	2014	**2013**	**2014**	**2013**
Fixed deposits with Banks having original maturity of more than 12 months (Refer Note - 16)	2,301,096	12,960,836	-	-
Interest accrued on fixed deposit	-	1,183,284	-	-
	2,301,096	**14,144,120**	-	-

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JYOTHY FABRICARE SERVICES LIMITED

Jyothy Fabricare Services Limited
Notes to Financial Statement for the year ended March 31, 2014

	2013-14	Amount in Rs 2012-13
Note 18 - Revenue From Operations		
Sale of Services	307,524,336	418,713,020
	307,524,336	**418,713,020**
Note 19.1 - Other Income		
Foreign exchange fluctuation (Net)	1,845	8,877
Excess provisions/liabilities written back	1,049,824	949,356
Miscellaneous income	1,519,233	41,726
Provision for doubtful advances written back	1,719,020	-
	4,289,922	**999,959**
Note 19.2 - Interest Income		
Interest on fixed deposits	2,217,450	1,595,339
Interest on Income Tax refund	446,792	20,133
Interest on loans to subsidiaries	1,828,521	1,619,362
	4,492,763	**3,234,834**
Note 20 - Cost of material consumed		
Opening stock	6,103,053	3,684,564
Add: Opening stock pursuant to scheme of amalgamation of ACPL, DFPL and FCPL	-	2,816,042
Add: Cost of purchases	45,950,769	102,681,193
	52,053,822	109,181,799
Less: Closing stock	4,446,905	6,103,053
	47,606,917	**103,078,746**
Note 21 - Employee benefit expense		
Salaries and wages	129,376,973	155,423,760
Contribution to Provident and other funds [Note - 24 (ii)]	11,188,168	12,018,371
Gratuity [Note - 24 (i)]	1,463,454	3,344,360
Staff welfare expenses	6,310,237	6,273,261
	148,338,832	**177,059,752**

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JYOTHY FABRICARE SERVICES LIMITED

Amount in Rs

	2013-14	2012-13
Note 22 - Other Expenses		
Power and fuel consumed	56,773,825	70,817,624
Rent	51,815,966	52,130,585
Repairs and maintenance		
-Building	4,226,874	4,177,417
-Plant & Machinery	7,623,359	8,052,399
-Others	835,185	2,854,498
Printing and stationery	1,685,990	2,499,716
Legal and professional fees (Refer note 27 C)	5,878,848	6,646,899
Rates and taxes	3,595,329	3,448,372
Advertisement and publicity	1,514,524	3,189,352
Travelling expenses	5,594,092	4,841,667
Vehicle expenses	20,385,592	26,809,914
Security charges	3,215,468	3,077,958
Water charges	5,980,519	6,326,406
Telephone, mobile, fax expenses	6,266,044	8,109,973
Office maintenance	3,153,764	2,563,039
Clothes/ Laundry damage charges	1,855,141	2,023,134
Loss on sales of fixed assets	338,827	922,845
Freight & handling charges	1,759,885	4,940,004
Brokerage & Commission	399,099	1,086,911
Provision for doubtful advances	778,600	-
Provision for doubtful debts	3,534,099	4,425,920
Bad debt written off	717,503	265,302
Miscellaneous expenses	3,613,367	4,734,658
	191,541,900	**223,944,593**

	2013-14	2012-13
Note 23 - Finance Costs		
Interest on loan from holding company	138,935,780	104,467,127
Interest on Term loans & working capital loans	7,779,437	16,553,318
Finance expenses	-	1,383,089
	146,715,217	**122,403,534**

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JYOTHY FABRICARE SERVICES LIMITED

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Notes to Financial Statement for the year ended March 31, 2014

Note 24 - Employee Benefit

(i) Defined Benefit Plans
The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The Scheme is partly funded with Life Insurance Corporation of India.

The following tables summarise the components of net benefit expense recognised in the Statement of profit and loss and the funded status and amounts recognised in the balance sheet for the respective plans.

Amount in Rs

		2013-14	2012-13
		Gratuity Funded	**Gratuity** Funded
(A)	Summary of the Acturial Assumptions		
	Mortality	Indian Assured Lives Mortality (2006-08) Ult	LIC (1994-96) Ult
	Discount rate	9.20%	8.00%
	Rate of increase in compensation	8.00%	8.00%
	Withdrawal rates	10% to 2% p.a	10% to 1% p.a
	Rate of return (expected) on plan assets	6.82%	8.26%
	The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The overall expected rate of return on assets is determined based on the market price prevailing on that date, applicable to the period over which the obligation is to be settled.		
(B)	Changes in present value of obligations (PVO)		
	PVO at beginning of period	9,364,094	2,327,362
	Addition pursuant to scheme of amalgamation of ACPL, DFPL and FCPL	-	3,694,920
	Interest cost	861,497	481,783
	Current Service Cost	2,788,000	3,080,229
	Benefits Paid	(363,230)	(90,000)
	Actuarial (gain) / loss on obligation	(2,124,281)	(130,200)
	PVO at end of period	10,526,080	9,364,094
(C)	Changes in the value of plan asset		
	Fair value of plan assets at the beginning of the period	1,059,139	-
	Addition pursuant to scheme of amalgamation of ACPL, DFPL and FCPL	-	971,687
	Expected return on plan asset	61,762	87,452
	Benefits paid	(179,696)	-
	Fair value of plan assets at the end of the period	941,205	1,059,139
(D)	Net Assets/(Liabilities) recognised in the balance sheet		
	PVO at end of period	(10,526,080)	(9,364,094)
	Fair value of plan assets at end of period	941,205	1,059,139
	Net assets / (Liability) recognised in the balance sheet	(9,584,875)	(8,304,955)
(E)	Expenses recognised in the statement of profit and loss		
	Current service cost	2,788,000	3,080,229
	Interest cost	861,497	481,783
	Expected return on plan assets	(61,762)	(87,452)
	Net Actuarial (Gain)/Loss recognised in the year	(2,124,281)	(130,200)
	Expense recognised in the statement of profit and loss	1,463,454	3,344,360
(F)	The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:		
	Investment with insurer	100%	100%

(G) Amount for the current and previous four periods are as follows:-

	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Defined benefit obligation	10,526,080	9,364,094	2,327,362	864,011	107,187
Plan assets	941,205	1,059,139	-	-	-
Surplus/(Deficit)	(9,584,875)	(8,304,955)	(2,327,362)	(864,011)	(107,187)
Experience adjustment on plan liabilities - gain/(loss)	2,124,281	129,200	397,700	538,080	387275
Experience adjustment on plan assets - gain /(loss)	(35,679)	(9,717)	N.A.	N.A.	N.A.

(II) The Company expects to contribute Rs. NIL (Previous year- NIL) to gratuity in the next year.

(ii) Defined Contribution Plans
Amount of Rs 11,188,168 (Previous year - Rs 12,018,371) is recognised as an expense and included in Note 21 -"Contribution to provident and other funds" in the Statement of Profit and Loss.

Note 25 - Segment Reporting

Business segments:

The primary segment of the Company has been determined on the basis of business segment. The Company is organized into two business segments - Drycleaning & Laundry sevices segment and other segment of providing Linen on rental. Segments have been identified taking into account the nature of the services, the differing risks and returns, the organisation structure and the internal reporting system.

Secondary segment:
The Company provides its services in India only and accordingly no disclosures are required on the secondary reportable segment. All assets are also located in India.

Segment revenue and result:
The income/ expense that are not directly attributable to the business segments are shown as unallocated corporate costs/(Income).

Segment assets and liabilities:
Segment Assets includes all operating assets used by a segment and consist principally of Goodwill, Software, Trademark, Investment, Debtors, Advances and other Current asssets. Assets used in business i.e inventory, fixed assets and capital wok in progress and liabilities pertaining to creditors for raw and packing material, have not been identified to any of the reportable segments as the said assets and services are used interchangeably between business segments.Accordingly, such assets and liabilities has been included under Drycleaning & Laundry services segment.

Segment liabilities include all operating liabilities and consist principally of creditors except for creditors of raw & packing material and accrued liability.

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Jyothy Fabricare Services Limited
Notes to Financial Statement for the year ended March 31, 2014

Note 25 - Segment Reporting

Information About Business Segment

Amount in Rs

	Drycleaning & Laundry Service		Others		Total	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Revenue						
External Revenue	301,111,009	391,959,271	6,413,327	26,753,749	307,524,336	418,713,020
Inter-Segment Revenue	-	-	-	-	-	-
Total Revenue	**301,111,009**	**391,959,271**	**6,413,327**	**26,753,749**	**307,524,336**	**418,713,020**
Results						
Segment result	(111,051,412)	(114,397,974)	(1,711,792)	(3,472,462)	(112,763,204)	(117,870,436)
Unallocated corporate income over expenses /(expenses over income)					2,536,014	(3,045,080)
Loss before interest and tax					**(110,227,190)**	**(120,915,516)**
Interest Expenses					146,715,217	122,403,534
Provision for tax					-	-
Loss after tax					**(256,942,407)**	**(243,319,050)**
Other Information						
Segment Assets	497,171,991	443,528,490	20,691,392	60,848,057	517,863,383	504,376,547
Unallocated Corporate Assets					161,922,395	169,929,024
Total Assets					**679,785,778**	**674,305,571**
Segment Liabilities	30,372,941	419,298,512	1,139,048	1,288,793	31,511,989	420,587,305
Unallocated Corporate Liabities					1,409,628,065	748,869,450
Total Liabilities					**1,441,140,054**	**1,169,456,755**
Segment capital expenditure (including capital work in progress)	19,091,494	6,870,254	100,048	371,776	19,191,542	7,242,030
Unallocated Capital Expenditure (including capital work in progress)					456,894	905,901
Total Capital Expenditure (including capital work in progress)					**19,648,436**	**8,147,931**
Segment depreciation & amortization	35,872,266	34,295,274	1,064,761	3,432,881	36,937,027	37,728,155
Unallocated Depreciation & Amortization					2,109,535	2,052,084
Total Depreciation & Amortization					**39,046,562**	**39,780,238**
Segment non-cash expenses other than depreciation	2,372,850	5,614,066	2,996,180	-	5,369,030	5,614,066

Jyothy Fabricare Services Limited
Notes to Financial Statement for the year ended March 31, 2014

Note 26 - Related Party Disclosures

a) **Parties where control exists:-**

Holding Company
Jyothy Laboratories Limited

Individual having control
M.P.Ramachandran

Wholly Owned Subsidiaries
Four Seasons Drycleaning Company Private Limited

Partnership Firm
M/s JFSL - JLL (JV)

Subsidiary Company:
Snoways Laundrers & Drycleaners Private Limited

b) **Individual having substantial interest**

K Ullas Kamath (Director)
(As the Director of the Company is an individual having substantial interest and hence not separately disclosed as a Key management personnel)

c) **Transaction with related parties during the year**

		Amount in Rs
	2013-14	**2012-13**
Jyothy Laboratories Limited		
Loan Received	222,675,000	405,262,000
Loan & interest repaid	20,200,000	205,600,000
Interest Expenses	138,935,765	104,467,127
Purchase of miscellaneous items	1,305,337	781,317
Laundry services provided (Excluding service tax)	22,403	62,285
Reimbursement of Expenses (net)	2,545,512	203,120
Guarantees given to Bank on behalf of the Company [Outstanding balance as on March 31, 2014 Rs.34,414,632 (Previous year: Rs 87,744,026)]		
Four Seasons Drycleaning Company Private Limited		
Loan Given	5,000,000	500,000
Interest Income	1,828,519	1,619,362
Laundry services provided (Excluding service tax)	5,605,004	5,060,030
Snoways Laundrers & Drycleaners Private Limited		
Advances given	100,000	-
Sub-lease charges	60,000	60,000
Reimbursement of Expenses (net)	32,145	9,718
M/s JFSL - JLL (JV)		
Capital Contribution	4,500,000	22,125,000
Sale of Fixed Asset	-	100,560
Purchase of Fixed Asset	238,238	-

d) **Related Parties Balances**

Amount Payable:-		
Jyothy Laboratories Limited	1,350,000,000	1,023,892,541
Amount Receivable:-		
Snoways Laundrers & Drycleaners Private Limited	616,458	544,313
Four Seasons Drycleaning Company Private Limited	21,143,744	17,175,768

JYOTHY FABRICARE SERVICES LIMITED

Note 27 - Supplementary information

A) Value of imports calculated on CIF basis:-

Particulars	**2013-14**	**2012-13**
Capital goods	2,811,958	-
Spare parts	-	1,206,258
	2,811,958	**1,206,258**

B) Unhedged foreign currency exposure:-
There are no unhedged foreign currency exposure at the end of the year and previous year.

C) Payments to auditors (Excluding Service Tax)

Particulars	**2013-14**	**2012-13**
As Auditors		
- Audit fees	1,125,000	900,000
- Tax audit fees	75,000	75,000
- Reimbursement of expenses	58,864	33,173
- Other Services	50,000	-
	1,308,864	**1,008,173**

Note 28 - Operating Lease

The Group has entered into Lease agreements for premises, which expire at various dates over the next 6 years. Certain agreements provide for increase in rent. All lease agreements are cancellable except in case of few agreements wherein there is a lock in period in the range of 11 months to 3 years.Lease rental expense for the year ended March 31, 2014 is Rs 51,815,966 (Previous year : Rs.52,130,585).

	2013-14	**2012-13**
<u>Future lease payment under non - cancellable operating leases are as follows:</u>		
Payable not later than one year	5,178,838	27,423,066
Payable later than one year and not later than five years	337,366	31,183,642
Payable later than five years	-	-
	5,516,204	**58,606,708**

Note 29 - Capital Commitments

Particulars	**2014**	**2013**
Estimated amount of contracts remaining to be executed on capital account and not provided for	35,490,968	2,804,296
	35,490,968	**2,804,296**

Note 30 - Contingent Liabilities

	2014	**2013**
Contingent liabilities not probable and hence not provided for in respect of:		
i) Service Tax	10,654,625	6,654,476
ii) Custom duty for F.Y 2007-08 to F.Y 2009-10	111,143	111,143
iii) Claims against the Company not acknowledged as debt	4,500	4,500
	10,770,268	**6,770,119**

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Jyothy Fabricare Services Limited
Notes to Financial Statement for the year ended March 31, 2014

Note - 31 - Micro, Small and Medium Enterprises
The disclosure under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors. There are no delays in payments to Micro, Small and Medium Enterprises in current year as well as in the previous year.

Note 32 - Earning Per Share (EPS)	2014	2013
Loss as per statement of Profit and Loss	(266,203,092)	(243,319,050)
Weighted average number of equity shares outstanding during the year in calculating basic EPS	13,050,000	13,050,000
Weighted average number of equity shares in calculating diluted EPS *	13,050,000	13,050,000

* Compulsorily Convertible Preference Share are anti-dilutive.

Note 33 - Details of investments in partnership firms

Name of Partner	Share in Profit /Loss (%)	
	2014	2013
Jyothy Fabricare Services Limited	75%	75%
Jyothy Laboratories Limited	25%	25%
Total capital of the firm	38,152,419	44,500,000

Note 34 - Previous year figures

Previous year figures have been regrouped / reclassified wherever necessary to conform to current year's classification.

Signatures to Notes 1 to 34
As per our report of even date

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No. 101049W

per Vikram Mehta
Partner
Membership No.: 105938

Place: Mumbai
Date: May 22, 2014

For and on behalf of the Board of Directors of
Jyothy Fabricare Services Limited

M. P. Ramachandran
Chairman and Managing Director

K. Ullas Kamath
Director

Rajesh Hegde
Company Secretary

Place: Mumbai
Date: May 22, 2014