9TH ANNUAL REPORT 2012-13

BOARD OF DIRECTORS

Nitin S. Kasliwal	-	Chairman & Managing Director
Vijay Kalantri	-	Non-Executive Director
Jagadeesh S. Shetty	-	Non-Executive Director *with effect from 10th November, 2012*
Jyoti N. Kasliwal	-	Non-Executive Director *upto 24th August 2012*
Susheel Kak	-	Nominee - India Debt Management Private Limited *upto 10th January, 2013*
Denys Firth	-	Nominee - India Debt Management Private Limited *upto 10th January, 2013*
Alexander Shaik	-	Alternate to Mr. Denys Firth *upto 10th November, 2012*
Navin Sambtani	-	Alternate to Mr. Denys Firth *from 10th November, 2012 to 10th January, 2013*
Dara D. Avari	-	Non-Executive Director *upto 1st March, 2013*

COMPANY SECRETARY & COMPLIANCE OFFICER

Dipesh U. Gosar *(with effect from 10th November, 2012)*
Pulak Banerjee *(Upto 10th November, 2012)*

AUDITORS

M/s. Haribhakti & Co., Chartered Accountants
M/s. Shyam Malpani & Associates, Chartered Accountants

REGISTERED OFFICE

B-2, 5th Floor, Marathon NextGen,
Off G. K. Marg, Lower Parel,
Mumbai – 400 013

REGISTRAR & TRANSFER AGENT

Datamatics Financial Services Limited
Plot No. B-5, Part B Crosslane,
MIDC Marol, Andheri (E), Mumbai - 400 093
Website: http://dfssl.com

BANKERS

Bank of India
IDBI Bank Limited
Union Bank of India
Central Bank of India

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DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Ninth Annual Report and Audited Accounts of the Company for the year ended 31st March, 2013.

FINANCIAL HIGHLIGHTS

(₹ In Lacs)

Particulars	2012-13	2011-12
Sales & Other Income	**81,504**	78,357
Expenditure towards sale including cost of sales	**79,591**	72,851
Profit before Depreciation, Interest and Taxation (PBDIT)	**1,913**	5,506
Interest & Bank Charges	**3,962**	2,992
Depreciation/Amortisation	**670**	974
Profit/(Loss) before Exceptional Items and Tax	**(2719)**	1,540
Exceptional Items	**4148**	-
Profit/(Loss) before Tax	**(6867)**	1,540
Income Tax for current year	**-**	702
Income Tax for earlier years	**(1517)**	147
Provision for Deferred Tax (Asset)/Liability	**200**	(159)
Profit/(Loss) After Taxation (PAT)	**(5550)**	850
PAT brought forward from last year	**614**	-
Transferred to Debenture Redemption Reserve	**-**	236
PAT carried forward to next year	**(4936)**	614

YEAR IN RETROSPECT

The Sales & Other Income for the year was ₹ 81,504 Lacs recording an increase of 4.02% over the previous year. Profit before Depreciation, Interest and Taxation (PBDIT) for the year was ₹ 1913 lacs against ₹ 5506 lacs in the previous year. Profit/(Loss) after Taxation (PAT) for the year was ₹ (5550) lacs against ₹ 850 lacs in the previous year. Higher discounts resulting in lower profit margins and higher interest burden have impacted the profits. Other major reasons for the loss incurred during the year are Exceptional Items aggregating to ₹ 4,148.14 Lacs i.e provision for diminution in the value of Investment in unviable business of subsidiary amounting ₹ 2,898.10 Lacs and written off Goodwill amounting to ₹ 1,250.04 Lacs during the year. Goodwill was created in the earlier years as an asset representing future economic benefit upon the demerger of business with the erstwhile parent company, and now, Company does not anticipate any economic benefit in the future.

DIVIDEND

As no surplus is available in current financial year, your Directors are unable recommend payment of dividend on equity capital of the Company for the year ended 31st March, 2013.

OPERATING RESULTS AND BUSINESS

The challenges faced by the Indian organized apparel retail sector are various such as lack of prominent retail space with real estate prices escalating, slow-down in the economy, shortage of trained manpower, stiff competition from global retail giants, increase in input and overhead costs and unfavorable scenario during the year.

The Company is facing pressure on margins because of higher costs and discount offers in a competitive market. To ensure higher earnings, the Company is focusing on reducing various expenses and costs and increasing internal rate of returns by way of slow and steady growth. The Company is also responding by trying to become leaner and more efficient.

A portfolio comprising brands that cater to various demographic and psychographic profiles would act as an ideal impetus for creating presence in different geographies across India. Your Company's strategy of retailing brands with high awareness quotient and market pull would continue to augment growth and profits.

Brandhouse Oviesse Limited, Subsidiary Company

During the year under review, Company's subsidiary, Brandhouse Oviesse Limited (BOL) closed down its business in view of the unviable operations.

As on 31st March 2013, your Company's equity participation in BOL was ₹ 2,898.10 Lacs for 2,89,81,030 equity shares of ₹ 10/- each representing 58% of BOL's total paid-up capital of ₹ 4,996.65 Lacs.

Since BOL is a loss-making company and it has closed down its operations, the Company has made a provision for diminution in the value of its Investment in BOL.

The audited financials of BOL, could not be received by the Company for consolidation because BOL had been in the discussion and negotiation with the Franchisor of BOL, for the continuation or otherwise of the Franchisee Agreement and this has resulted in unforeseen delay and interruption in adoption of audited accounts of BOL in its Board Meeting. Therefore, the accounts of Subsidiary Company for the current financial year ended on March 31, 2013 could not be consolidated with the accounts of the Company.

The Management is confident that diminution in the value of investment of its subsidiary will not have any material effect on the profitability of the Company.

DIRECTORS

During the year, Mrs. Jyoti N. Kasliwal had resigned as a Director from the Board of Directors of the Company with effect from 24th August, 2012 due to her pre-occupation and family commitments.

Mr. Denys Firth, Nominee Director, India Debt Management Pvt. Ltd. (IDM) withdrew nomination of Mr. Alexander Shaik as his Alternate Director and appointed Mr. Navin Sambtani in his place as his Alternate Director with effect from 10th November, 2012.

Mr. Jagadeesh S. Shetty, Director Finance (SKNL) & Group CFO was appointed as an additional Non-Executive Director on the Board with effect from 10th November, 2012 pursuant to section 260, 264 of the Companies Act, 1956. The Company has received the requisite notice from a member pursuant to Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Jagadeesh S. Shetty for the office of Director.

Mr. Susheel Kak, Mr. Denys Firth and Mr. Navin Sambtani (Alternate to Mr. Denys Firth) resigned as Directors upon withdrawal of nomination by India Debt Management Private Limited (IDM) with effect from 10th January, 2013 and IDM has requested and reserved the right to attend the Board Meetings as an Observer, until such time IDM re-nominates individuals to the Board.

Mr. Nitin S. Kasliwal was reappointed as Managing Director for a further period of 5 years i.e from 30th January, 2013 to 29th January, 2018 without payment of any remuneration and subject to approvals of the members and the Central Government.

Mr. Dara D. Avari had resigned as a Director from the Board of Directors of the Company with effect from 1st March, 2013 due to his preoccupation and advancing age.

In accordance with the provisions of the Companies Act, 1956 and Article 130 of the Articles of Association of the company, Mr. Vijay G. Kalantri retires by rotation and being eligible, offer himself for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956.

1. that in the preparation of the Annual accounts for the year ended on 31st March, 2013 the applicable accounting standards have been followed along with proper explanations relating to material departures, if any;
2. that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of profit of the company for the year.
3. that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and preventing and detecting fraud and other irregularities; and
4. that the Directors have prepared the annual accounts for the year ended on 31st March, 2013 on a going concern basis.

DEPOSITS

Fixed deposits received from shareholders and public stood at NIL as on 31st March, 2013 (previous year ₹ NIL). The company does not have any fixed deposit scheme.

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, forms part of this Report. However as per the provisions of Section 219(1) (iv) of the Companies Act, 1956 the Reports and Accounts are being sent to the shareholders of the Company excluding the statement of employees under Section 217(2A) of the Companies Act. Any shareholder interested in obtaining a copy of the said statement may write to the Secretary at the Registered Office of the company.

CORPORATE GOVERNANCE

As required under clause 49 of the Listing Agreement with the Stock Exchanges, the Report on Corporate Governance together with the Certificate from the Practising Company Secretary regarding compliance of the provisions of the Corporate Governance forms part of this Directors' Report.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis forming part of this Directors' Report is attached.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTFLOW

Your company has no activity relating to Conservation of Energy and Technology absorption as stipulated in the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

During the year under review, the expenditure of your company in foreign exchange was ₹ Nil (Previous year ₹ 39.47 Lacs) and there was no earning in foreign exchange (Previous year NIL).

AUDITORS

M/s. Haribhakti & Co., Chartered Accountants and M/s. Shyam Malpani & Associates, Chartered Accountants, Joint Statutory Auditors of the Company, who holds the office upto the conclusion of this Annual General Meeting.

M/s. Shyam Malpani & Associates, being eligible have offered themselves for re-appointment. The other firm of Statutory Auditors M/s. Haribhakti & Co., have expressed their desire not to seek reappointment in view of their heavy prior professional commitments.

The Board of Directors, upon the recommendations of the Audit Committee, proposes the reappointment of M/s. Shyam Malpani & Associates as Statutory Auditors of the Company for conducting the audit of the accounts of the Company to hold office till the conclusion of the next Annual General Meeting of the Company.

M/s. Shyam Malpani & Associates have furnished the required certificate to the Company, under section 224(1B) of the Companies Act, 1956 regarding their eligibility for re-appointment as Statutory Auditors of the Company. The necessary resolution is included in the Notice of the ensuing Annual General Meeting.

In respect of the observations and Emphasis of Matter paragraph made by the Auditors, please refer to Note 29, Note 38 and Note 39 of notes to Financial Statement, which are self-explanatory and hence in the opinion of the Directors, do not require any further explanation

ACKNOWLEDGEMENT

Your Directors wish to place on record their gratitude to the shareholders of the Company, Banks, Financial Institutions, valued Customers, suppliers and Business Associates for their support and confidence in the Company. Your Directors gratefully appreciate the co-operation and assistance extended by various Government Agencies and place on record their appreciation for unstinted co-operation and assistance extended to your Company by its employees at all levels.

On Behalf of the Board
For Brandhouse Retails Limited

Nitin S. Kasliwal
Chairman & Managing Director

Place : Mumbai
Date : 16th July, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC OVERVIEW

Across the world in 2012 the economy remained a worry. Global Gross Domestic Product (GDP) fell to 3.2% compared to 4% in 2011. However, the global economy has shown a lot of resilience and there are strong positives. The global economy is now moving on to a surer recovery mode. The IMF projects growth at 3.25% in 2013, increasing to 4.0% in 2014. GDP growth in emerging markets and developing countries is placed at 5.3% in 2013, increasing to 5.7% in 2014.

Developments on the global front, besides the issues at home, undeniably dented India's growth level.

Slow growth, investor diffidence, the rupee falling to an all-time low and power outages added to the country's woes. India's GDP growth slowed markedly in 2012-13 to 5%, down from 6.2% in the previous year. The manufacturing sector recorded a growth of only 1.9% in 2012-13, down from 2.7% in 2011-12. Export growth in 2012-13 was 5.1% compared to 15.3% in the previous year.

In FY 2013-14, GDP growth is projected to rise modestly to around 6% due to revival in consumption, with much of the improvement likely only in the second half of the year. Industrial activity will continue to be adversely affected by regulatory bottlenecks.

These developments affect your company's growth and performance.

INDIAN RETAIL SECTOR

In 2012, Government permitted 51% Foreign Direct Investment in multi brand retail. 100% Foreign Direct Investment in single brand retail may be allowed to attract investment in this sector which would accelerate the economic growth.

Alongwith investment slowdown, India now faces a challenge of consumption-led slowdown. Consumption demand and consumption-related sectors have also been impacted by inflation and high interest rates. However, demand seems to be returning after a tepid start in the first half of this fiscal and may finally show a marginal uptick in the full year.

OPPORTUNITIES, GROWTH, THREATS AND CHALLENGES

Despite the current gloomy outlook, India is the third largest market in the world in terms of purchasing power. The steady increase in spending with earnings is a strong source of opportunity. In the coming years, manufacturers and retailers of consumer goods can expect a major boost in consumption. Aggregation of demand that occurs due to urbanization helps a retailer in reaping the economies of scale.

With the relaxation of Foreign Direct Investment (FDI) policy in retail sector, many foreign investors are also showing keen interest to enter into the Indian market. To become a flourishing industry, the Indian retail sector has to attract leading Indian and foreign players to make substantial investments.

Some of the challenges the industry is facing and needs to overcome are:

- Shortage of skilled workforce prevails in the retail sector.
- Retail majors are under serious pressure to improve their supply chain systems and reach the levels of quality and service desired by customers.
- The lack of proper infrastructure and distribution channels in the country results in inefficient processes.

- Insufficient and inefficient power supply to organized retail outlets makes it difficult for the sector to grow.
- High cost of real estate.
- Unhealthy competition from unorganized sector.

COMPANY'S RETAIL BUSINESS

Reid & Taylor

Reid & Taylor (R&T) is Company's brand offering in the premium suiting and garment segment. R&T has approximately 24% of the market share for worsted suiting and fabrics and is rated amongst the top two brands for premium clothing.

Belmonte

Belmonte is Company's brand offering in the mid premium segment that offers fabrics as well as garments retailed by the Company through a pan-India network. Belmonte offers fabric, suiting and ready-to-wear clothing and is a brand ideal for consumers who are both fashion and value conscious. The brand is very popular and is fast catching up the fancy of the middle lever buyer.

Carmichael House

Carmichael House is the brand that offers premium and mid-premium home textiles by S. Kumars Nationwide Limited. The brand offers a complete range of high quality home textiles including bed linen, towels, duvet covers and upholstery.

Oviesse Joint Venture

The Company's joint venture with Oviesse S.p.A Italy under the name of Brandhouse Oviesse Limited, established in 2009, offering quality fashionable apparel for men, women and children at affordable prices under the brand "OVS" failed to take off, especially in a recessionary market and with very limited stores outlets. Additionally, the joint venture company's plans for local sourcing did not come off which put continued pressure on margins. The joint venture partners have reluctantly decided to discontinue the franchise agreement and the business operations. Negotiations are on with the erstwhile partners to sort out the financial and administrative issues to bring about a final closure.

OUTLOOK

"Reid & Taylor" and "Belmonte" remain key contributors to the overall performance of the Company. With the vastly limited product range at the Company's disposal and the slowness in opening more outlets because of finance and other considerations, growth in sales turnover and earnings for the Company are dependent largely, on improving consumer sentiment and a continued demand growth. Hopefully as the economy turns for the better, the Company has the potential and ability to take advantage in the marketplace.

RISKS & CONCERN

The Company considers good Corporate Governance as a pre-requisite for meeting the needs and aspirations of its shareholders and other stakeholders in the Company. As part of the Company's efforts to strengthen Corporate Governance, the Board of Directors have formulated Risk Management Policy, which puts in place a risk management structure with clear definition of roles and responsibilities, as well as a risk portfolio involving a continuous process of risk identification, risk assessment, control assessment and risk monitoring, review and communication. The Company aims to:

- Identify, assess and manage existing as well as new risks in a planned and coordinated manner.

- Increase the effectiveness of its internal and external reporting structure.