

**ANNUAL
REPORT
1996-97**

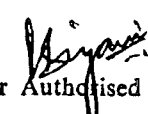
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INDIA'S FASTEST GROWING
PANTALOON
fashion
HOUSE



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For PANTALOON FASHIONS (I.) LTD.


Director Authorised Signatory.





Pantaloons Fashions (India) Limited

Our Corporate Mission



"We share the vision and belief that by improving our performance through innovative spirit and dedication, we shall serve our customers and stakeholders satisfactorily."

"We shall be the trendsetters in fashion & offer a fair deal to all our customers."

"The Company shall strive to be the Indian Retailing Conglomerate, with a commitment to quality."

"Our positive attitude from our devotion, sincerity and united determination shall be the driving force to make us globally competitive."

BOARD OF DIRECTORS

Mr. Kishore Biyani

Managing Director

Mr. Rakesh Biyani

Mr. Gopikishan Biyani

Mr. Sitaram Biyani

Mr. Bajranglal Biyani

Mr. Suneel Bhambhani

Mr. Praveen Gupta

AUDITORS

S. M. Kabra & Co., Mumbai

REGISTERED OFFICE

Pantaloons House,
G-11, M.I.D.C., Cross Road 'A',
Andheri (East), Mumbai - 400 093.

PLANT

24, Y. A. Chunawala Ind. Estate,
Kondivita Road, Andheri (East),
Mumbai - 400 059.

BANKERS

State Bank of India

Our Core Ideology

Core Purpose

To give an opportunity to the ordinary people to buy what only the rich can afford.

Core Values+8

- ◆ INDIAN-NESS - confidence in ourselves
- ◆ DEDICATION - to customer satisfaction
- ◆ LEADERSHIP - to be a leader, not a follower
- ◆ SELF DEVELOPMENT - by continuous hard work
- ◆ RESPECT - for every individual
- ◆ INTROSPECTION - leading to purposeful thinking

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Pantaloons Fashions (India) Limited

NOTICE

NOTICE is hereby given that the Tenth Annual General Meeting of PANTALOON FASHIONS (INDIA) LIMITED will be held at The All India Plastics Manufacturers Association Auditorium at A-52, Street No. 1, MIDC, Marol, Andheri (East) Mumbai 400 093 on Friday, 26th December, 1997 at 3.30 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 1997, the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Suneel Bhambhani who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. Praveen Gupta who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General meeting and to fix their remuneration.

SPECIAL BUSINESS

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

* RESOLVED THAT Mr. Rakesh Biyani be and is hereby appointed as a Wholtime Director of the Company with effect from 1st April, 1997 for a period of 5 years with a salary of Rs. 16,000/- per month but salary, dearness allowance, and all other allowances and perquisites not exceeding ceiling limit of Rs. 72,000/- per month or Rs. 8,64,000/- per annum as per Schedule XIII of the Companies Act, 1956 or any amendments thereto from time to time.

RESOLVED FURTHER THAT company's contribution to Provident Fund, Superannuation Fund or Annuity Fund in accordance with the Rules and Regulations of the Company, but to the maximum extent that these whether singly or put together, are not taxable under the Income Tax Act, 1961. Gratuity at a rate not exceeding half a month's salary for each completed year of service, subject to a ceiling of Rs. 1,00,000/-."

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

"RESOLVED THAT the Special Resolution passed at the Ninth Annual General Meeting held on 30th September, 1996 (under item no. 4 of the notice) in accordance with the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956 and the subsequent Special Resolution passed at the Extraordinary General Meeting held on 28th April, 1997 (under item no. 3 of the notice) in accordance with the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956 be and is hereby modified as under -

40,00,000 (Forty Lacs) Redeemable Non-Cumulative Preference Shares of Rs. 10/- each aggregating Rs. 4,00,00,000/- (Rupees Four Crores Only) including 10,00,000 (Ten Lacs) Redeemable Non-Cumulative Preference Shares of Rs. 10/- each aggregating Rs. 1,00,00,000/- (Rupees One Crore Only) already issued and allotted be converted into Redeemable Cumulative Preference Shares and other terms and conditions remaining the same.

RESOLVED FURTHER THAT consent of the Company be and is hereby accorded to the Board to amend the terms and conditions of all the Cumulative Preference Shares of Rs.10/- each subject to the approval of the preference shareholders if required, and such other approvals as may be required and to agree to such new terms and conditions as the Board may deem fit as to redemption, rate of dividend, premium, conversion into equity or otherwise, options, warrants, voting rights and other connected matters."

By Order of the Board
For PANTALOON FASHIONS (INDIA) LTD.

KISHORE BIYANI
MANAGING DIRECTOR

Place : Mumbai
Date : 24th October, 1997

Registered Office :
Pantaloons House,
G-11, MIDC, Cross Road 'A',
Andheri (East),
Mumbai - 400 093.



Pantaloons Fashions (India) Limited

NOTES

- a) A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of himself and a proxy need not be a member. Instrument appointing the proxy should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- b) Explanatory Statement under Section 173 of the Companies Act, 1956, in respect of Special Business at item no. 5 & 6 is appended hereto.
- c) The Register of Members and the Share Transfer Books of the Company will be closed from 16th December, 1997 to 26th December, 1997 (both days inclusive)
- d) Members requiring information on the accounts to be provided at the meeting are requested to inform the Company in writing at least ten days before the date of Annual General Meeting.
- e) Members are requested to bring their copies of the Annual Report to the Meeting

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956

Item No. 5:

In view of the increased business activities of the Company it was considered to be in the interest of the Company to elevate Mr. Rakesh Biyani, Director of the Company since 27th July, 1992 on a Wholtime basis. Accordingly, the Board of Directors of the Company at its meeting held on 31st March, 1997 had appointed Mr. Rakesh Biyani as Wholtime Director for a period of five years with effect from 1st April, 1997, on the salient terms and conditions as set out in the Resolution in Item No. 5 of the Notice subject to the approval of the members.

The appointment and remuneration payable to Mr. Rakesh Biyani as Wholtime Director requires the approval of members in terms of Part III of Schedule XIII of the Companies Act, 1956 and the remuneration so payable to him also requires the approval of the members of the Company under Section 309 of the Act.

The Board of Directors of the Company considers that the appointment of Mr. Rakesh Biyani as Wholtime Director of the Company will prove beneficial to the Company.

Mr Rakesh Biyani is deemed to be concerned or interested in the resolution which pertains to his appointment and remuneration payable to him.

All other Directors except Mr. Praveen Gupta and Mr. Suneel Bhambhani are deemed to be concerned or interested directly or indirectly in the resolution.

Item No. 6:

In accordance with the Special Resolution passed at the Ninth Annual General Meeting held on 30th September, 1996 pursuant to Section 81(1A) and other applicable provisions of the Companies Act, 1956, the Company has issued 10,00,000 Redeemable Non-Cumulative Preference Shares of Rs. 10/- each aggregating Rs. 1 Crore. At the Extra-Ordinary General Meeting held on 28th April, 1997 pursuant to Section 81(1A) and other applicable provisions of the Companies Act, 1956, the Board of Directors was authorised to issue 30,00,000 Redeemable Non-Cumulative Preference Shares of Rs. 10/- each aggregating Rs. 3 Crores. The Board of Directors desired to convert these Non Cumulative Preference Shares into Cumulative Preference Shares as this is in the interest of the Company. The Company has already received consent in writing to convert Non-Cumulative Preference Shares into Cumulative Preference Shares from the Preference Shareholder.

It is also in the interest of the Company that the meeting authorises the Board of Directors to vary/amend the terms and conditions of issue of the Cumulative Preference Shares and decide the new terms and conditions as they may deem fit.

All the Directors of the Company may be deemed to be concerned or interested to the extent of allotment to be made to them, their relatives, friends or business associates and to the firms, companies and bodies corporate in which they are deemed to be concerned or interested.

By Order of the Board
For PANTALOON FASHIONS (INDIA) LTD.

KISHORE BIYANI
MANAGING DIRECTOR

Place : Mumbai
Date : 24th October, 1997

Registered Office :
Pantaloons House,
G-11, MIDC, Cross Road 'A',
Andheri (East), Mumbai - 400 093.

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ANNUAL REPORT 1996-97

For PANTALOON FASHIONS (I) LTD.

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[Signature]
Director Authorised Signatory.



Pantaloons Fashions (India) Limited

DIRECTORS' REPORT

To,

The Members of
Pantaloons Fashions (India) Limited,

Your Directors are pleased to present the Tenth Annual Report with the Audited Statement of Accounts for the year ended 31st March, 1997.

1. FINANCIAL HIGHLIGHTS :

(Rupees in lacs)

	As at 31.03.1997	As at 31.03.1996
Income	6793.16	5832.61
Gross Operating Profit	526.60	419.28
Interest	306.09	188.25
Depreciation	45.68	17.91
Profit Before Taxation	174.83	203.99
Provision for Taxation	—	—
Profit After Taxation	174.83	203.99
Provision for Dividend	—	23.64

2. OPERATIONAL REVIEW :

During the financial year ended March 31st 1997, your Company has achieved a turnover of Rs.6603.46 lacs showing an increase of 15% over the last year. The performance of the Company during the year has been quite satisfactory and the targeted production and sales has been achieved. The profitability has been lower compared to the previous year because of higher interest costs and depreciation. During the year under review, the Company has opened new stores in Hubli, Kakinada, Quilon, Rourkela, Trichy, Trivandrum, Udaipur, Vijaywada, and Warangal other major centres and currently its products have a wide distribution network. Most of the stores have recorded increase in sales and customer traffic.

The Company has launched women's wear, children's wear and household products in the last few months. This has won acceptance all over and has added a new dimension to the Company's strengths in Apparel Retailing.

The Company's brand "John Miller" has figured very high up on all Brand Recall Surveys conducted nationwide establishing this brand as

a powerful weapon in the Pantaloons armoury, as the Company takes on multinational and decades old brands in India. In a short span of two years "John Miller" has featured as the most recalled Garment brand in India.

"BARE", the denim brand has been extended by the Company to not only workwear, leisurewear, sportswear and accessories, but also to women's wear, children's wear, undergarments, nightwear and lingerie.

3. DIVIDEND :

As the Company requires finance for funding its fast expanding business, the Board has ploughed the profits back into the business. As such no dividend is recommended.

4. EXPORTS :

Exports totalled Rs.612.40 lakhs (FOB) during the year reflecting a growth of 67.03% over the previous year. The company's products especially BARE Jeans, Pantaloons Trousers and John Miller Shirts have been well received and are doing well.

5. FUTURE PROSPECTS :

The Company has successfully ventured into the globally popular Family Superstore format of retailing by introducing PANTALOONS in both Calcutta and Hyderabad. These two stores alone account for over 25,000 square feet of Prime High Street Retailing space and are expected to contribute about 15% of the Company's turnover in 1997-98. Similar stores are being readied in the fast developing metropolises of Pune and Nagpur. Chennai and Bhubaneswar are getting ready for smaller versions of these Giant Retail Stores.

6. INVESTMENT IN SUBSIDIARY COMPANY :

Pursuant to Section 212(3) of the Companies Act, 1956 the Annual Accounts of M/s. Kishore Textile Mills Limited for the year ended 31st March, 1997, as also the Auditors' and Directors' Report are attached to the accounts of the Company.

7. FIXED DEPOSIT :

The total amount of Fixed Deposits as on 31st March, 1997 was Rs.9.72 lacs. No deposits matured during the year.



Pantaloons Fashions (India) Limited

8. PREFERENCE SHARES & DEBENTURES :

During the year, the Company has issued 10,00,000 Non-Cumulative Preference Shares Rs.10/- each aggregating Rs.1,00,00,000/- on Private Placement basis. The Company has received consent from the Preference Shareholder to convert the allotted Non-Cumulative Preference Shares into Cumulative Preference Shares for which necessary modifications are sought in the Annual General Meeting.

The funds raised from the private placement of Fully Secured Redeemable Non-Convertible Debentures have been utilised for the purpose for which they were raised.

9. PROPOSED RIGHTS ISSUE :

The proposed rights issue of 23,63,500 Equity Shares of Rs.10/- each for cash at par aggregating Rs.236.35 lacs is expected to open in the month of January, 1998.

10. DIRECTORS :

Mr. Rakesh Biyani was appointed as Whole-time Director of the Company effective 1st April, 1997 for a period of five years.

Mr. Bajranglal Biyani, and Mr. Sitaram Biyani, Whole-time Directors of the Company resigned with effect from 31st March, 1997 owing to personal reasons but continue as Directors of the Company. The Directors place at the record their appreciation of valuable services rendered by them during their tenure as Whole-time Directors.

Mr. Sushil Sain resigned as Director of the Company effective 25th August, 1997. The Directors place on record their appreciation for the valuable guidance and services rendered by Mr. Sushil Sain during his tenure as Director of the Company.

Mr. Radheshyam Poddar also resigned as Director of the Company effective 24th October, 1997. The Directors place on record their appreciation of the valuable guidance and services rendered by Mr. Radheshyam Poddar during his tenure as Director of the Company.

Mr. Suneel Bhambani and Mr. Praveen Gupta, Directors retire at the ensuing Annual General Meeting and are eligible for reappointment.

11. PERSONNEL :

Your Directors take this opportunity to record

their appreciation for the continuous support and contribution from all the employees of the Company towards achievement of quality and excellence in the operations of the Company and its products.

12. PARTICULARS OF EMPLOYEES :

None of the employees qualify under Section 217 (2A) of the Companies Act, 1956. Hence no particulars are given herewith.

13. DISCLOSURES AS PER THE COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 :

- A. Conservation of Energy : N.A.
- B. Technology Absorption : N.A.
- C. Foreign Exchange earnings and outgo -

Total earnings	: Rs. 612,39,918/-
Total expenditure	: Rs. 19,32,585/-

14. AUDITORS :

M/s. S.M. Kabra & Co., Auditors retire at the ensuing Annual General Meeting. They have given their consent to act as the Auditor of the Company, if re-appointed. Members are request-ed to re-appoint them and fix their remuneration.

15. ACKNOWLEDGMENT :

Your Directors take this opportunity to thank the Shareholders, the Bankers, the Central & State Government Officials, Trade & Customers for their continuous support and co-operation. The Directors also wish to record their appreciation of the Company's employees at all levels for their dedication, commitment and hard work without which the results achieved by the Company would not have been possible.

By Order of the Board
For PANTALOON FASHIONS (INDIA) LTD.

KISHORE BIYANI
MANAGING DIRECTOR

Place : Mumbai
Date : 24th October, 1997

Registered Office :
Pantaloons House,
G-11, MIDC, Cross Road 'A',
Andheri (East), Mumbai - 400 093.

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For PANTALOON FASHIONS (I.) LTD.

[Signature]
Director Authorised Signatory.

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Pantaloons Fashions (India) Limited

AUDITORS' REPORT

To,

The Members

PANTALOON FASHIONS (INDIA) LIMITED.

We have audited the attached Balance Sheet of Pantaloons Fashions (India) Limited as at 31st March, 1997 and the Profit and Loss Account for the year ended on that date annexed thereto and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, and as per the information and explanations furnished to us and the books and records examined by us in the normal course of audit, we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph 1 above,
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of the books.
 - (c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account.
 - (d) (i) The Company continues to treat the advertisement and publicity expenses as

deferred revenue expenditure and has charged 1/4th of such expenditure to the profit and loss account for the year under review. As a result the profits for the year is overstated by Rs.1,81,23,148/-.

- (ii) No provision for doubtful debts in respect of export sales Rs. 8,20,371/- which have become overdue, as a result, profit for the year and reserves are higher by that amount.
- (iii) No provision for income-tax amounting to Rs. 26,35,155/- payable under Section 115JA of the Income Tax Act, 1961 has been made in the accounts for reasons stated in Note no. 9 in Schedule 19.

Subject to the foregoing in our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with the notes thereon, give the information required by the companies Act 1956 in the manner so required and give a true & fair view of :

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1997.

and

(ii) in the case of the Profit & Loss Account; of the profit of the Company for the year ended on that date.

For **S.M.KABRA & CO.**
Chartered Accountants

Place : Mumbai
Dated : 25th August, 1997

NAVIN T. GUPTA
PARTNER

ANNEXURE TO THE AUDITORS' REPORT

Statement referred to in paragraph 1 of our Report of even date to the Members of Pantaloons Fashions (India) Limited on the accounts, for the year ended 31st March, 1997.

1. The Fixed Assets register is in the process of updation. All the fixed assets have not been verified during the year, but according to information and explanation given to us, there is a regular programme of verification, which in our opinion is reasonable having regards to the size of the Company and the nature of its assets and no material discrepancies were noticed on such verification.

2. None of the fixed assets have been revalued during the year.
3. As informed to us, the physical verification has been conducted by the management at regular intervals in respect of finished goods, raw materials, stitching materials, stores and spares. The discrepancies noticed during the physical verification were not material.

The frequency of physical verification and procedures followed by the management for such physical verification are in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.



Pantaloons Fashions (India) Limited

In our opinion, the valuation of these stocks is fair and proper in accordance with normally accepted accounting principles and is on the same basis as in the preceeding year.

4. The Company has not taken any loans, secured or unsecured, from companies, firms other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956.
5. The Company has not granted any loan, secured or unsecured, to companies, firms or parties listed in the register maintained under Section 301 of the Companies Act, 1956 or from companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956.
6. In respect of interest-free loans or advances in the nature of loans given to staff, the same are repaid as per stipulations wherever applicable.
7. In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant & machinery, equipment and other assets and for the sale of goods.
8. In our opinion and according to the information and explanations given to us, the transaction of purchase and sales of goods and materials made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000/- or more in value in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods or services have been made with other parties or as per information available with the Company.
9. The Company has a regular procedure for determination of unservicable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.
10. In our opinion, the Company has complied with the provisions of Section 58A of the

Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regards to the deposits accepted from the public.

11. In our opinion and according to the information and explanations given to us, the internal audit system requires to be strengthened and the areas covered be widened to make it commensurate with the size of the Company and nature of its business.
12. The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for any of the products of the Company.
13. According to the records of the Company, Provident Fund and Employee's State Insurance dues have been generally and regularly deposited during the year with the appropriate authorities.
14. According to the information and explanations given to us there are no undisputed amounts payable in respect of Income Tax, Wealth Tax and Sales Tax as at the last day of the financial year concerned for a period of more than six months from the date, they became payable other than Madhya Pradesh Sales Tax of Rs. 31,768/-, and Bihar Sales Tax of Rs. 1,15,750/.
15. According to the information and explanations given to us, no personal expenses of employees or Directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practices.
16. The Company is not a Sick Industrial Company within the meaning of clause (O) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985.
17. In respect of the trading activities of the Company, there were no damaged goods during the year.
18. In our opinion, proper records have been maintained for the transactions in shares and securities and timely entries have been made therein. The same has been held by the Company in its own name.
19. The other clauses of the said Order are not applicable to the Company.

For S.M. KABRA & CO.
Chartered Accountants

Place : Mumbai
Dated : 25th August, 1997

NAVIN T. GUPTA
PARTNER