

YOUNG LEG . TOUGH SHOE . NEW SHINE .



FORWARD LOOKING STATEMENT

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainties and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw material cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business and other factors relating to the Company's operations such as litigation, labour negotiations and fiscal regimes.



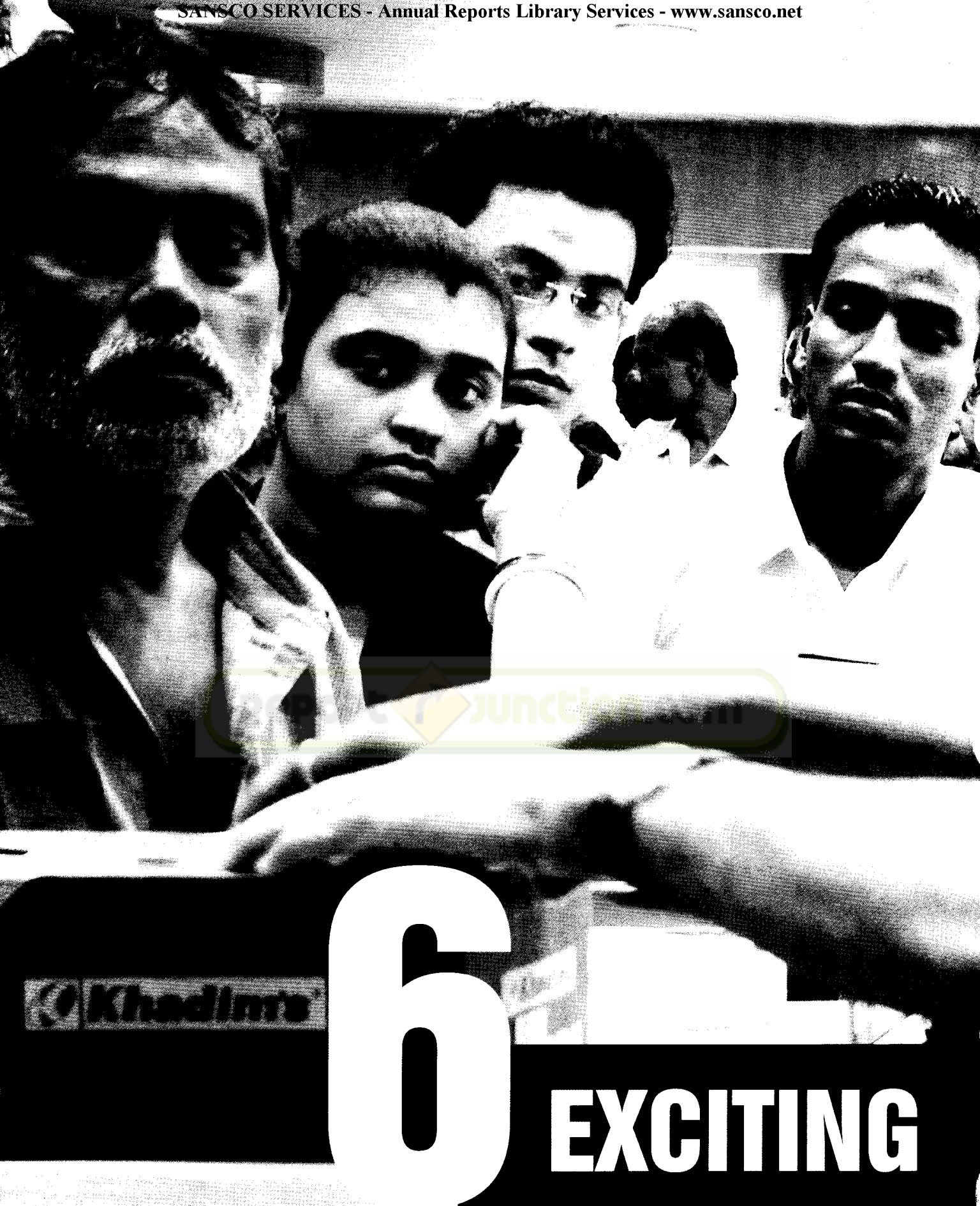
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**WHY WOULD
PEOPLE
QUEUE FOR AN HOUR OUTSIDE
A KHADIM'S STORE JUST TO
BUY A PAIR OF**



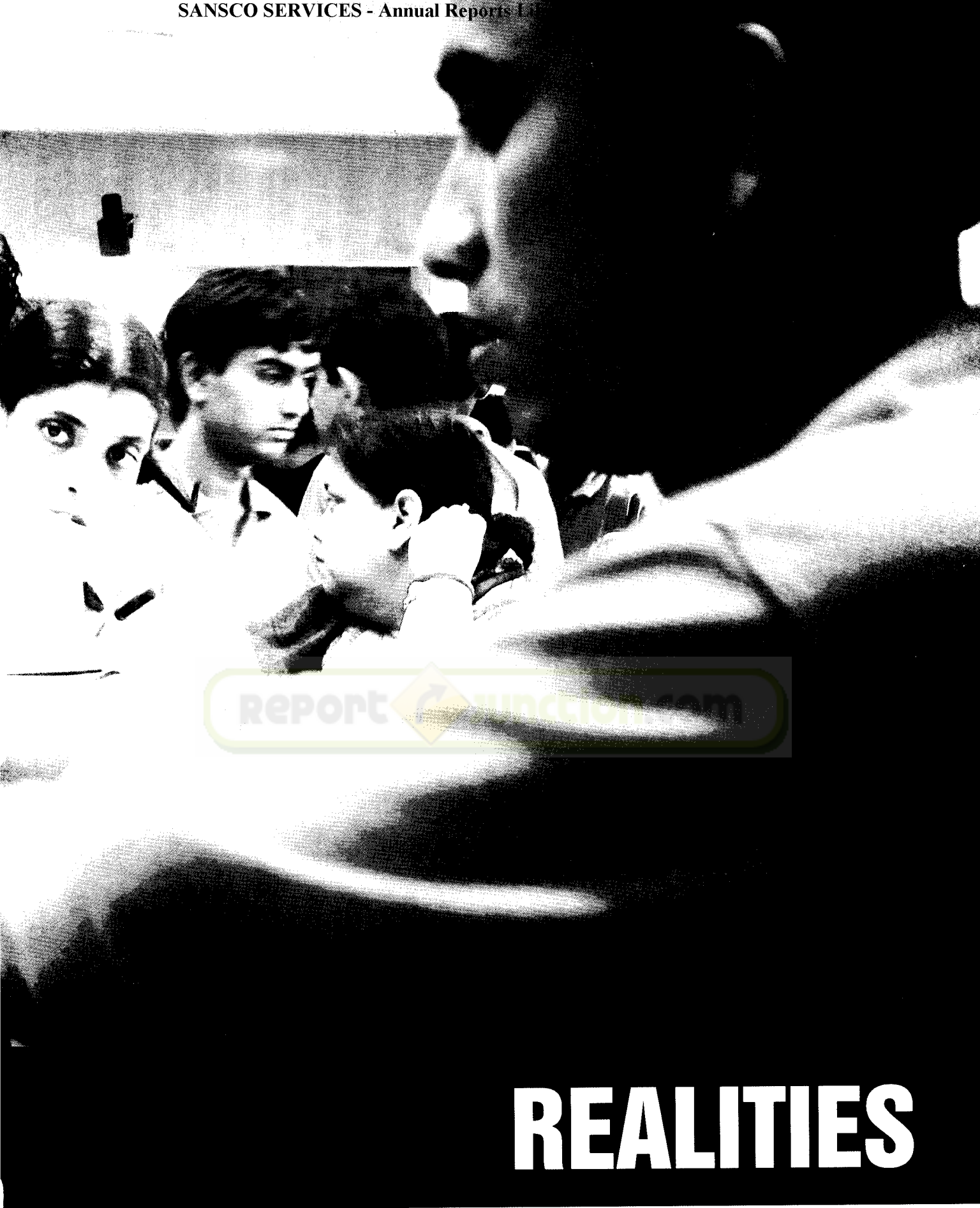
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CONNECT
(Emotion)

COST
(Affordability)

CHOICE
(Variety)



REALITIES

CONVENIENCE
(Proximity)

COMFORT
(Ergonomics)

CONTEMPORARY
(Design)



*"Main to apne padosiyo aur relatives ko bhi
Khadim's ka raasta dikhaata hoon!"*

- Rajen Gupta, 36, service

CONNECT

Emotion.

This represents the foundation of the Khadim's brand.

Over the years, Khadim's has reinforced emotional connect between the consumer and the product through the following initiatives:

- A distinctive positioning of the product for the growing middle-class around the 'unbeatable price value' proposition
- A responsible extension to the virtues of 'honesty', 'authenticity' and 'affordability' reflected in positioning, product and store presentation, leading to a credible recall
- A reinforcement of this recall with a corresponding investment of Rs. 230.07 mn in responsible brand building in the five years leading to 2004-05
- A comprehensive exposure across the print, outdoor and electronic media to capture consumer attention
- A prudent visibility at major entry and exit points of towns helping the brand identify with the floating target population

Result: The Khadim's sales growth of 13.52% (compounded) over the last five years outperformed the industry average as the brand emerged as the number one in the 'value for money segment' in Eastern India.

"Khadi'm's amader moton moddhyobito-der jonyo bhalo. Khadi'm's amader kotba bhaabe!"
- Sudip Sinha, 28, self-employed



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COST

Affordability.

This translates into a superior price-value driving the Khadim's brand acceptability.

Over the years, Khadim's reinforced its promise of unbeatable affordability through the following initiatives:

- The dispersed manufacture of leather products through an outsourcing model that leverages the advantage of unorganised sector overheads
- The marketing of branded products at unorganised sector prices with an organised sector efficiency
- A commitment to keep prices reasonable even during periods of unexpected excise increase
- A scientific model that focuses on modest pricing based around consumer behaviour, consumption and industry trends
- A focus on maximising the franchised:owned ratio, reducing the Company's direct investment
- An investment in the large scale manufacture of high-volume non-leather footwear products, generating attractive economies of scale

Result: Khadim's enjoys the narrowest price differential between branded and unbranded shoes in the country and can cater to the entire family's requirement of footwear within a mere Rs. 1,000.

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