



FASHIONABLY AHEAD!



HOUSE OF PEARL



## Board of Directors

Mr. Deepak Seth	-	Chairman
Mr. Pallak Seth	-	Vice –Chairman
Mr. Pulkit Seth	-	Managing Director
Mr. Sanjay Pershad	-	Non-executive Director
Mr. Tom Tar Singh	-	Non-executive Independent Director
Dr. Ashutosh P. Bhupatkar	-	Non-executive Independent Director
Mr. S. B. Mohapatra	-	Non-executive Independent Director
Mr. Chittranjan Dua	-	Non-executive Independent Director
Mr. Rajendra Aneja	-	Non-executive Independent Director

## General Manager and Company Secretary

Mr. Sandeep Sabharwal

## Audit Committee

Dr. A. P. Bhupatkar	-	Chairman
Mr. Sanjay Pershad	-	Member Director
Mr. S. B. Mohapatra	-	Member Director

## Remuneration Committee

Mr. S. B. Mohapatra	-	Chairman
Mr. Rajendra Aneja	-	Member Director
Dr. A. P. Bhupatkar	-	Member Director

## Shareholders Grievance & Transfer Committee

Dr. A. P. Bhupatkar	-	Chairman
Mr. Pulkit Seth	-	Member Director
Mr. S. B. Mohapatra	-	Member Director

## Finance Committee

Mr. S. B. Mohapatra	-	Chairman
Mr. Pulkit Seth	-	Member Director
Dr. A. P. Bhupatkar	-	Member Director

## Auditors

M/s S. R. Dinodia & Co.  
Chartered Accountants  
K-39, Cannaught Place  
New Delhi -110001

## Registered Office:

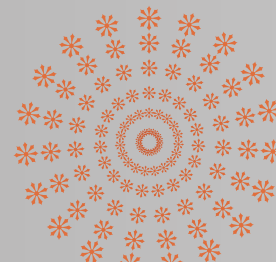
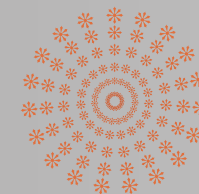
"Pearl House"  
A-3, Community Centre,  
Naraina Industrial Area, Phase-II,  
New Delhi -110028

## Bankers:

AXIS Bank Limited  
Citi Bank  
The Hongkong and Shanghai  
Banking Corporation Ltd.  
Punjab National Bank  
Standard Chartered Bank

## Corporate Office:

446, Udyog Vihar, Phase- V,  
Gurgaon-122016 (Haryana)



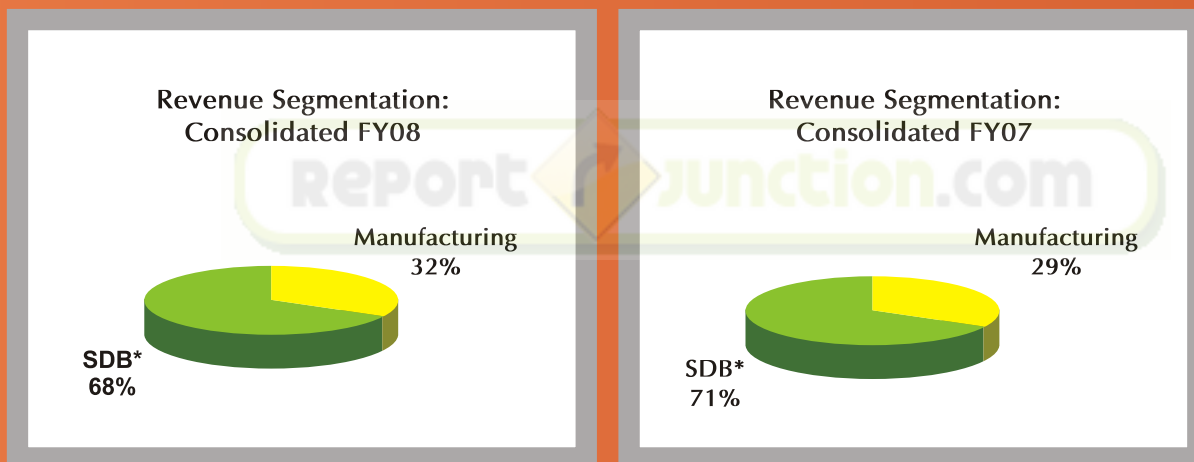
# \* \* \* FINANCIAL HIGHLIGHTS \* \* \*

## \* Financial highlights for the year 2007-08

- + Consolidated revenues at Rs 1117.09 crores, PBIDT before exceptional item at Rs 101.64 crores
- + Consolidated Net Profit at Rs 50.19 crores.
- + Basic and diluted EPS at Rs 25.74
- + Revenue growth of 17% in INR and 32 % in USD

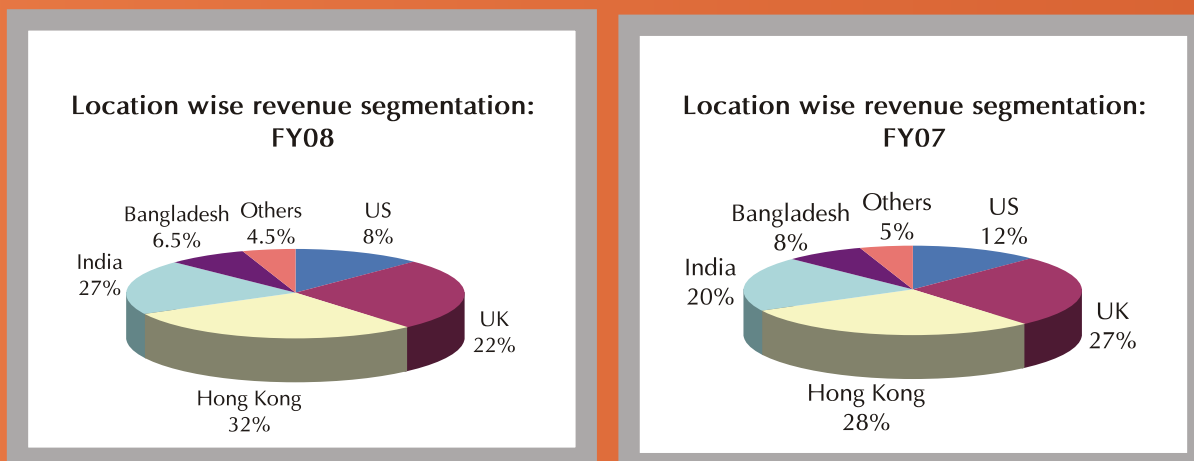
## \* Revenue Segmentation

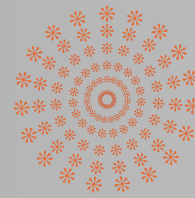
### Revenue form Business Divisions



\*Selling & Distribution Business

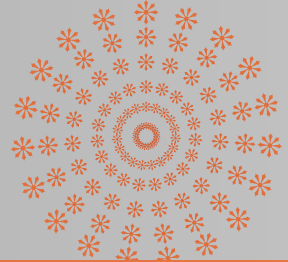
### Revenue for Geographical locations





## International Operations

- Acquired FX Import in UK and set up a Subsidiary, Zamira Fashion in Hong Kong to penetrate new customers.
- Doubled manufacturing capacity in Indonesia to 4 million pieces per annum. Global capacity at 21 million pieces.
- Own retailing brands 'DCC' and 'Kool Hearts' in US.
- Marketing and Distribution offices in US, UK, Hong Kong, Spain and Canada. Merchandising and Design teams in constant touch with them.
- Own warehousing and processing facilities in US and UK which can offer goods on FOB and Landed duty bond basis offering value added services.
- Sourcing teams in China and Bangladesh (apart from India) accessing 150 third party, compliant manufacturing units which offer a capacity of approximately 120 million pieces per annum
- 73% of the company's revenues are from overseas operations.



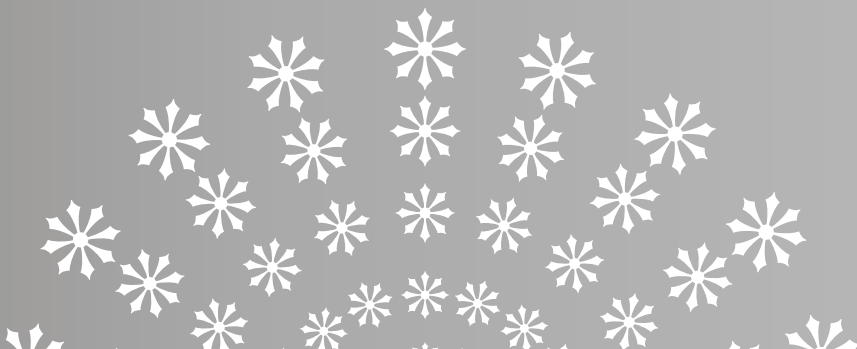
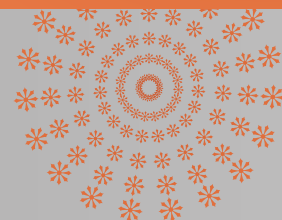
## Domestic Operations

- Domestic operations carried out by Pearl Global Limited, a subsidiary of the Company. Pearl Global has three factories in Gurgaon and one in Chennai with a combined capacity of 11 million pieces per annum.
- Revenues from Domestic operations increased during FY08 by 56% to Rs. 316.22 crores.
- Indian operations restructured with streamlining of North Indian factories and cost effective outsourcing from Bangladesh and Indonesia yielded good results during second half of FY08. Outsourcing business exceeded Rs. 100 crores during the year.
- Shortly opening Branded Apparel Retail Chain in collaboration with LERROS of Germany, subject to regulatory approvals.
- 27% of the company's revenues are from Indian operations.



## Leading Customers

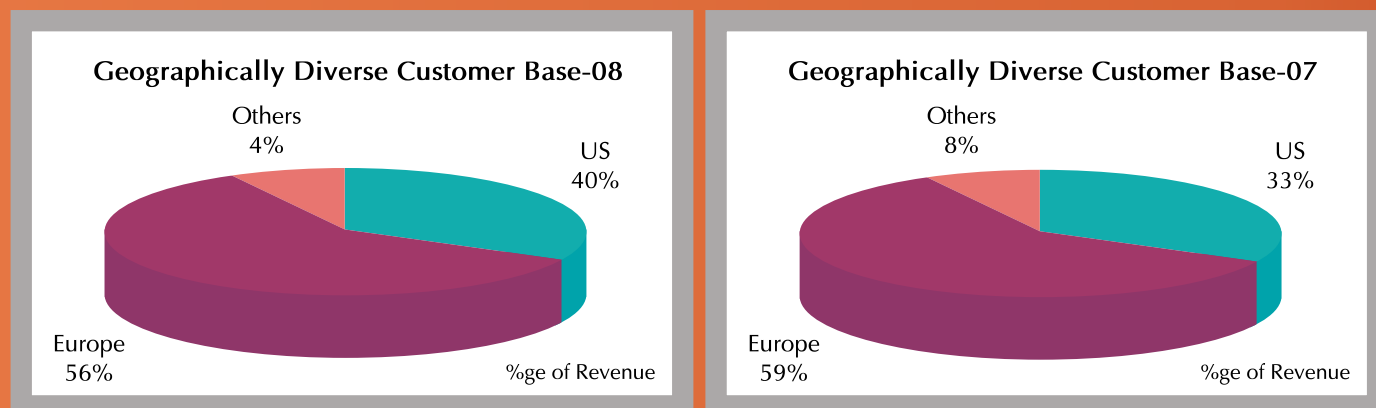
- Currently servicing 82 retailers across the globe with a healthy spread between USA, Latin America & Europe.
- Some leading customers include GAP, JC Penney, Banana Republic, ASDA-Wal-Mart, Kohl's, Esprit, Next, etc.
- Add new reputed clients in FY08, some significant among these are Zellers, Sainsbury, Gloria Vender Belt, Mervyns, La Polar etc.
- HoPF is a strategic vendor for retailers like ASDA Walmart, JC Penney and GAP Inc.





## \* \* \* PERFORMANCE OVERVIEW \* \* \*

### Geographic Spread - Customers



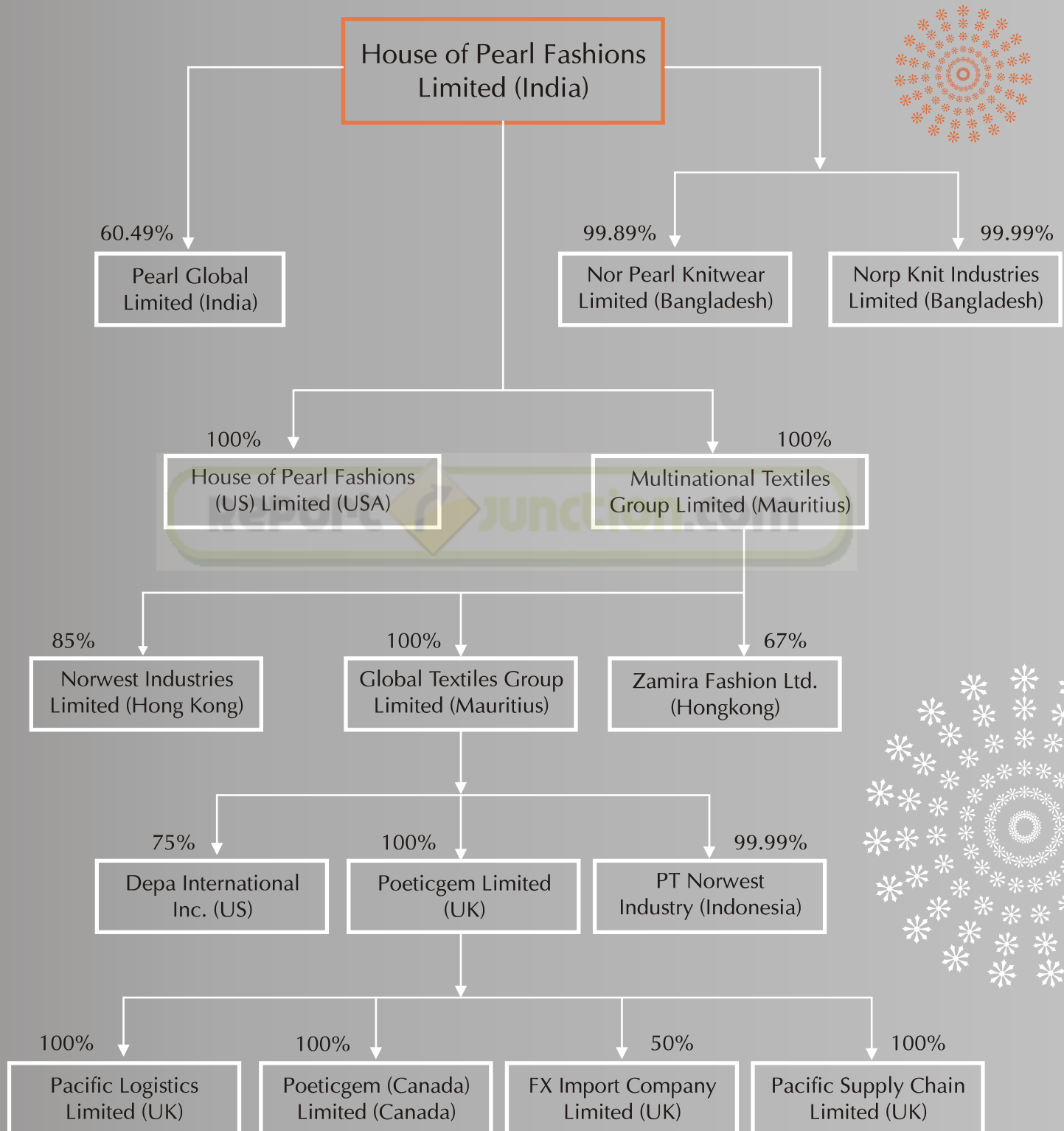
### \* Highlights of the year

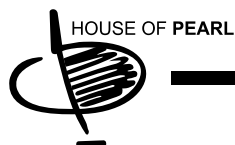
- + Acquired 50% stake in UK based marketing company, FX Import Ltd. through Poeticgem to penetrate high fashion mid segment apparel retailers.
- + Set up Zamira Fashion Ltd in Hong Kong to target high end fashion retailers in Europe, specially France.
- + Started a new offshore Division in India for outsourcing manufacturing from low cost destinations.
- + Added new reputed clients during the year
- + Shifted part of Indian manufacturing facilities to low cost destinations like Bangladesh, Vietnam and Indonesia.
- + Increased its production capacity by 3 million pieces per annum in Indonesia and Chennai.
- + Set to enter into Indian retailing by launching a leading international Brand "LERROS" mid to high segment casual fashion wear.





# INTEGRATING BUSINESSES UNDER HOUSE OF PEARL FASHIONS LIMITED





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## DIRECTORS' REPORT

### To the Shareholders,

The Directors of your Company have pleasure in presenting the 19th Annual Report and Audited Accounts for the year ended 31st March 2008, together with the Auditors' Report thereon.

### CONSOLIDATED WORKING RESULTS

During the year under review, the consolidated Income of your Company are Rs. 108002.57 lacs. Your Company has achieved a Net Profit after Tax of Rs. 5019.32 lacs.

	(Rs. in Lacs)	
	2007-2008	2006-2007
Income	111,709.66	95,237.86
Profit before Tax	7,512.83	7,364.96
Provision for Current Tax	1,214.66	2,098.61
Provision for Forward contract loss	1,280.27	—
Provision for Bad debt	1.42	1.45
Profit After Tax	5,019.32	5,264.90
Profit brought forward	5,348.63	1,111.59
Profit Available for Appropriations	10,349.66	5,883.90
EPS (in Rs.)	25.65	32.23

### WORKING RESULTS OF THE COMPANY

	(Rs. in Lacs)	
	2007-2008	2006-2007
Income	1,512.88	1,100.45
Profit before Tax	1,171.28	430.78
Provision for Current Tax	105.29	5.67
Profit After Tax	1,065.99	436.45
Profit brought forward (incl. AS 15 adjustment)	451.41	424.13
Profit Available for Appropriations	1,517.40	860.58

### OPERATIONS

The global economy slowed down considerably in the fiscal 2008, mainly due to slow down of US Economy. The rising inflation has become a world wide phenomenon with commodity prices hitting the roof. Oil prices have crossed USD 138 a barrel and threatening to go up further. The USD has weakened against all major crosses in the range 15% to 25%.

The Global apparel trade has not shown any growth in this fiscal, resulting in tremendous pressure on the margins. The Apparel Industry is undergoing structural changes with manufacturing base moving to low cost destinations like Bangladesh, Vietnam, Cambodia and Indonesia.

Despite of these uncertainties, your company managed to post an impressive growth in the total revenue in Rupee terms. This has been possible due to the unique business model of your company. We are operating from 10 countries across the globe through subsidiary companies and offering distinctive value to our clients by offering complete supply chain solutions. As different business operates in different economic environment, the risk in one part of the business is militated against the growth in different part.

The company has successfully managed to raise fresh capital for its expansion plan, last year. The company has reduced its long term debt considerably and is nearly a debt free. The fresh capital is being deployed in to various objects laid down for future growth of the business.

The company expanded its subsidiaries' manufacturing capacities in Indonesia, Bangladesh and Chennai and also managed to transfer successfully part of its capacities from Gurgaon to low cost destinations like Bangladesh, Vietnam & Indonesia. The company has started a new offshore manufacturing division in India, which has started outsourcing manufacturing of production from low cost destinations. In this fiscal this business has grown to nearly Rs. 100 crore from the scratch. We feel this area will continue to grow very fast even under the tough business conditions. The group total in-house manufacturing capacities have increased to 21 million pieces per annum.

The economic outlook in the current fiscal looks quite uncertain. It may take a couple of quarters for US to come out of the recessionary trend. We feel confident that your company is uniquely positioned to counter the current uncertainties and will continue to stay ahead of the competition.

### ACQUISITIONS & NEW SUBSIDIARIES

The Company has acquired 50% stake in the UK-based marketing company, FX Imports Limited, through its subsidiary in the UK - Poeticgem Ltd. FX Imports Limited is a leading marketing Company in UK, catering to mid market fashion retailers. FX Imports clocked revenue of Rs.80 crores last fiscal and is projected to touch annual revenue figure of Rs. 200 crores in next three years. Poeticgem is well established

in the value segment in the UK and with this acquisition has opened up opportunities to enter higher end of the market that offers better margins. There is great potential to optimize synergies of both companies which would help rapid growth of their business and improve profitability.

The company has also chalked out its plans of entering new territories. In this regard, it has set up a subsidiary in Hong Kong, Zamira Fashion Limited to target high end fashion retailers in Europe, especially in the French market. The company has made strategic tie ups with a well known figure in apparel sector, who has been given 33% sweat equity in this company, which is expected to do a turnover of around Rs. 25 crores in FY 2008 -09, and projected to achieve Rs.100 crore by third year. With this, the company hopes to have significant presence in the French market.

The company is focusing on similar business acquisitions to drive growth over next few years and penetrate new customers.

In India, to cater the burgeoning demand with the increase in disposal income, the company has decided to enter into retail area and carve its own niche. The company has signed a Memorandum of Understanding with a leading German Brand of high fashion products, LERROS for a retail chain of fashion products in India, subject to regulatory approved. The company is planning to officially launch this brand in India very shortly.

### DIVIDEND

The Board is pleased to recommend a dividend of Rs. 1.50 per equity share being 15% on the paid up share capital of the company for the year under Report.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of your Company, Mr. Pallak Seth and Mr. Sanjay Pershad, retire by Rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Board recommends their reappointment as Directors on the Board of your Company in this Annual General Meeting.

### SUBSIDIARY COMPANIES

In line with the requirements of Accounting Standards AS - 21 issued by the Institute of Chartered Accountants of India, consolidated financial statements presented by the Company include the financial information of its Subsidiaries. As required under Section 212 of the Companies Act, 1956, the statement in respect of the Subsidiary Company (ies) is annexed herewith and forms an integral part of this Annual Report.

### AUDITORS

The Auditors M/s S. R. Dinodia & Co., Chartered Accountants, New Delhi, retires at the conclusion of the ensuing Annual General Meeting and is eligible for re-appointment.

### FIXED DEPOSITS

Your Company has not accepted any Fixed Deposits from Public or Shareholders.

### DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, it is hereby confirmed:

- That in the preparation of the accounts for the financial year ended 31st March 2008, the applicable accounting standards issued by the Institute of Chartered Accountants of India have been followed. There are no material departures from prescribed accounting standards in the adoption of the accounting standards.
- That the Directors have adopted such accounting policies and applied them consistently and made judgments and estimates that were 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 the profit or loss of the Company for the year under review.
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- That the Directors have prepared the accounts for the financial year ended 31st March 2008 as a 'going concern' and on accrual basis.

### LISTING

The shares of your Company are listed at Bombay Stock Exchange Limited, Mumbai and National Stock Exchange of India Limited, Mumbai. The listing fees to the Stock Exchanges for the year 2008-09 have been paid.

### REGISTRAR AND SHARE TRANSFER AGENT

Intime Spectrum Registry Limited has been appointed as Registrars and Share Transfer Agent (RTA) as common agency both for physical and demat shares, as required under Securities Contract (Regulation) Act, 1956. The detail of RTA forms part of the Corporate Governance Report.

### CORPORATE GOVERNANCE

Report on Corporate Governance along with the certificate of the Auditors, confirming compliance of





conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement, forms part of the Annual report.

#### MANAGEMENT DISCUSSION AND ANALYSIS

A detailed review of operations, performance and future outlook of the Company is given separately under the head "Management Discussion and Analysis".

#### NOTES TO ACCOUNTS

The observations of the Auditors, if any, have been adequately explained in Notes to Accounts and need no further clarification.

#### PARTICULARS OF EMPLOYEES

A statement showing particulars of employees required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is annexed hereto as **Annexure-I** and forms an integral part of the Report.

#### CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 relating to 'Energy Conservation' and 'Technology Absorption' are not applicable as the Company does not have any manufacturing activity on its own.

#### FOREIGN EXCHANGE EARNINGS AND OUTGO

(Amount in Rs.)

Particulars	Current Year	Previous Year
<b>Earnings</b>		
Export of Goods - FOB basis	3,880,275	54,921,207
<b>Total</b>	3,880,275	54,921,207
<b>Outgo</b>		
Foreign Traveling	3,963,355	1,965,478
Public Issue Expenses	—	7,081,334
<b>Total</b>	3,963,355	9,046,812

#### ACKNOWLEDGEMENT

The Directors of your Company are thankful to Bankers, Business Associates, Customers, Members, Government Bodies & Regulators for the continuous support received from them and place on record their appreciation for the sincere services rendered by the employees at all level.

On Behalf of the Board

Place : Gurgaon  
Date : 20.06.2008

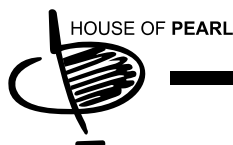
Sd/-  
**DEEPAK SETH**  
CHAIRMAN

#### Annexure-I to the Directors' Report

Name of the Employee	Age (Years)	Designation	Remuneration (Rs.)	Qualification	Experience (in years)	Date of Employment	Nature of Duties	Previous Employment & Post held
Rishi Vig	38	Chief Finance Officer	2,572,974/-	B.Com, ICWA, CAP (US)	18 Years	27.02.2006	Finance & Accounts	Sr. GM (F & A), Pearl Global Limited GM Finance, Shahi Exports Private Ltd.
Col. Ramesh Wahi	58	Group Chief Information Officer (IT)	3,046,447/-	M.Tech	36 Years	17.08.2006	Information Technology	Vice President NIIT Tech Ltd.

#### Notes:

- Employments of aforesaid officials are on contractual basis. Other terms and conditions are as per Company's Rule.
- Remuneration calculated under Section 198 of the Companies Act, 1956 and includes Salary, Medical Expenses, Company's contribution to Provident Fund and House Rent Allowance or any Expenditure incurred in providing Rent Free Residential Accommodation and Allowances.



## CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY

Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability and commitment to values, good governance practices stem from culture and mindset of the organization.

The Company has an unwavering commitment to uphold sound corporate governance standards and highest business conduct. Being a value driven organization, House of Pearl fashions Limited has always worked towards building trust with stakeholders based on the principles of corporate governance.

House of Pearl Fashions strives to foster a corporate culture in which high standards of ethical behavior, individual accountability and transparent disclosure are ingrained in all its business dealings and shared by its board of directors, management and employees. Over the years, governance process and systems have been strengthened at House of Pearl Fashions. In addition to complying with the statutory requirements, effective governance system and practices towards improving transparency, disclosures, internal controls and promotion of ethics at work-place.

Your Company is committed to best Corporate Governance and has fully complied with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges. The Company in its endeavor towards the best Corporate Governance and to provide transparency initiated various measures.

This Report, along with the chapters on Management Discussion and Analysis and additional Shareholder's information, reports Pearl Global Limited's compliance with Clause 49 of the Listing Agreement.

### 2. BOARD OF DIRECTORS

As on 31st March 2008, the company's board of directors consists of 9 (Nine) members. The Chairman of the board is non-executive director. The Board comprises of one executive director and Eight non executive directors, of whom five are Independent Directors. The composition of the board is in conformity with the requirements of Clause 49 of the listing agreement, which stipulates that fifty percent of the board should comprise non executive directors and one - third of the board should be independent, if the Chairman is non-executive. All non-executive independent directors are persons of eminence and bring a wide range of expertise and experience to the board.

7 (Seven) Board Meetings were held during the year. The dates on which the meetings were held are as follows:

24th April 2007, 22nd May 2007, 22nd June 2007, 31st July 2007, 27th August 2007, 29th October 2007 and 29th January 2008.

Composition and Category of the Board as on 31.03.2008 and their attendance in the Board and Annual General Meetings are as hereunder:

S. No.	Name of Director	Category	No. of directorships	No. of Committee		Attendance	
				Member	Member	Board Meetings Meetings	Annual General
1.	Mr. Deepak Seth	Non-Executive Chairman	01	—	—	06	Yes
2	Mr. Pallak Seth	Non Executive Vice-Chairman	01	—	—	02	No
3	Mr. Pulkit Seth	Managing Director	01	02	—	06	Yes
4	Mr. Sanjay Pershad	Non-Executive Director	01	—	—	03	No
5	Mr. Tom Tar Singh	Independent Director	—	—	—	—	No
6	Dr. Ashutosh P. Bhupatkar	Independent Director	01	02	02	07	Yes
7	Mr. Samar Ballav Mohapatra	Independent Director	—	02	02	07	Yes
8	Mr. Chitranjan Dua	Independent Director	06	—	—	04	Yes
9	Mr. Rajendra Aneja	Independent Director	—	—	—	03	Yes

#### Notes:

1. The committees considered for the purpose are those prescribed under clause 49 (IV) (B) of the Listing Agreement.

2. Foreign Companies, bodies corporate, private companies and companies under section 25 of the Companies are excluded for the above purpose.

As stipulated by Clause 49, none of the directors was a member of more than 10 committees, or a Chairman of more than 5 committees across all companies in which he was a director.

There are no Nominee or Institutional Directors on the Board of the Company.

#### Information supplied to the Board

The board has complete access to all information with the company. Inter alia, the following information is provided to the board and the agenda papers for the meetings are circulated in advance of each meeting or are tabled.

- Annual Operating plans and budgets, Capital budgets, updates;
- Quarterly results for the company and its operating divisions or business segments;
- Minutes of meetings of Audit Committee and other committees of the board;
- Information on recruitment and remuneration of senior officers just below the board level including appointment or removal of Chief Financial Officer and Company Secretary;
- Materially important show cause, demand, prosecution and penalty notices;
- Fatal or serious accidents or dangerous occurrences;
- Any materially significant effluent or pollution problems;
- Any materially relevant default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company;
- Any issue, which involves possible public or product liability claims of a substantial nature;
- Details of any joint venture or collaboration agreement;
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property;
- Significant labour problems and their proposed solutions;
- Any significant development in the human resources and industrial relations fronts;
- Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business;
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement, and
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholder services such as non-payment of dividend and/or delay in share transfer.

#### Compliance with the Code of Conduct

The Company has adopted a "Code of Conduct for the Directors and Senior Management". The Code is available on the official website of the Company [www.houseofpearl.com](http://www.houseofpearl.com).

It is hereby affirmed that the Directors and Senior Management have given an annual affirmation of compliance with the code of conduct during the year 2006.