



# HOUSE OF PEARL FASHIONS LIMITED

winning  
together...



ANNUAL REPORT 2009 - 2010

Board of Directors

Mr. Deepak Seth	- Chairman
Mr. Pallak Seth	- Vice-Chairman
Mr. Pulkit Seth	- Managing Director
Mr. Sanjay Pershad	- Non-executive 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 K. Aneja	- Non-executive Independent Director

Company Secretary

Mr. Sandeep Sabharwal

Audit Committee

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

Remuneration Committee

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

Shareholders Grievance & Transfer Committee

Dr. Ashutosh 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. Ashutosh P Bhupatkar	- Member Director

Auditors

M/s S.R. Dinodia & Co.  
Chartered Accountants  
K-39, Cannaught Place  
New Delhi-110 001.

Bankers

Punjab National Bank  
UCO Bank  
Standard Chartered Bank  
The Hongkong and Shanghai Banking Corporation Ltd.  
Royal Bank of Scotland  
Yes Bank Limited  
China Trust Commercial Bank  
AXIS Bank Limited

Registered Office

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

Corporate Office

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

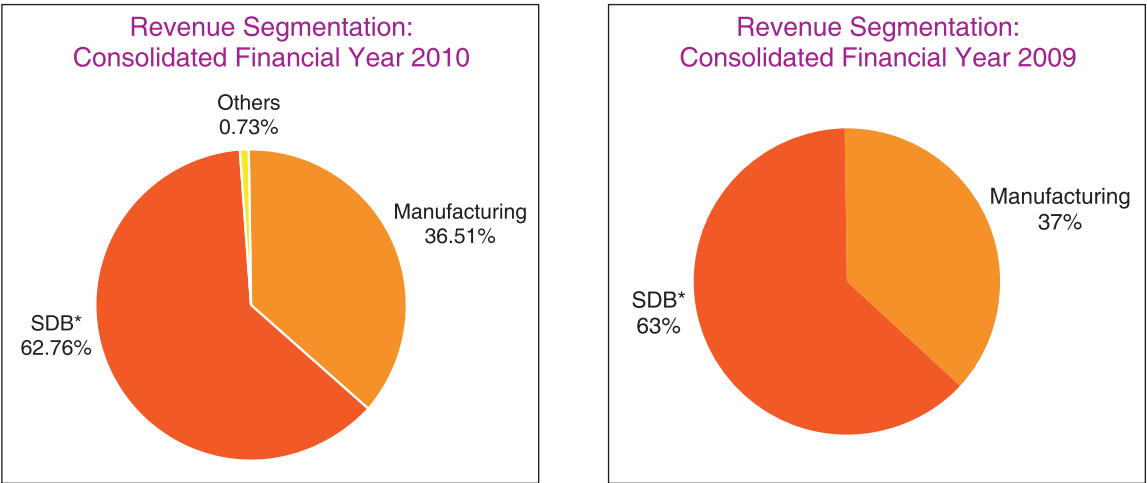


## NEW INITIATIVES

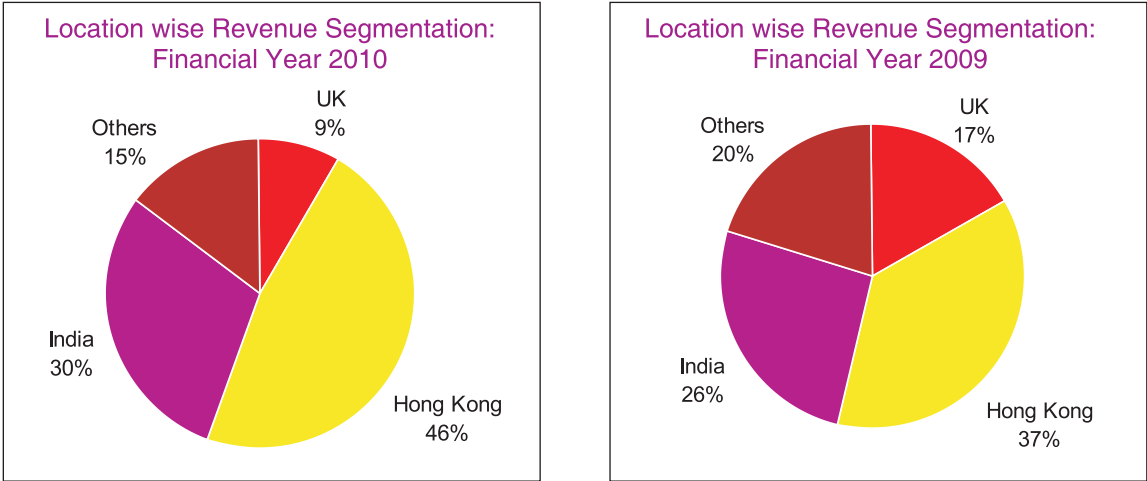
- ❖ Srilanka Operations : Norwest Industries Ltd. selected by ASDA George – UK to set up sourcing operations from Srilanka for supplying high volume baby wear, ladies and other essential garments.
- ❖ Ladies Denim business : Poeticgem has set up ladies denim division to cater to the increasing demands. Business is expected to generate out of exclusive designs and products developed by the in house team. Products would be sourced through Fareast sourcing offices.
- ❖ Direct Sourcing services : Norwest Industries Limited has identified a unique opportunity to service its customers direct from its sourcing offices in the fareast countries by setting up teams to directly interact with the customers and provide the necessary services to source the garments. Customer include ASDA George (girls), Max Group, French customers like Camaieu, Phildar & Edcon of South Africa.
- ❖ New licenses : Poeticgem Ltd. has signed agreements with following brands / licenses England Football Association, Radio Days, Rolling Stones / Guns & Roses, Fifi & Flowertots, Rody the Racing Car, to design, develop, source and sell garments under various age groups in UK.
- ❖ New Division : Set up by Norp Knit Industries Limited for expansion of wovens and bottoms.
- ❖ Lerros Fashions India Limited has granted license of LERROS marks, initially for 5 years to a third party for manufacture and procurement of merchandise and operate Lerros Boutiques.

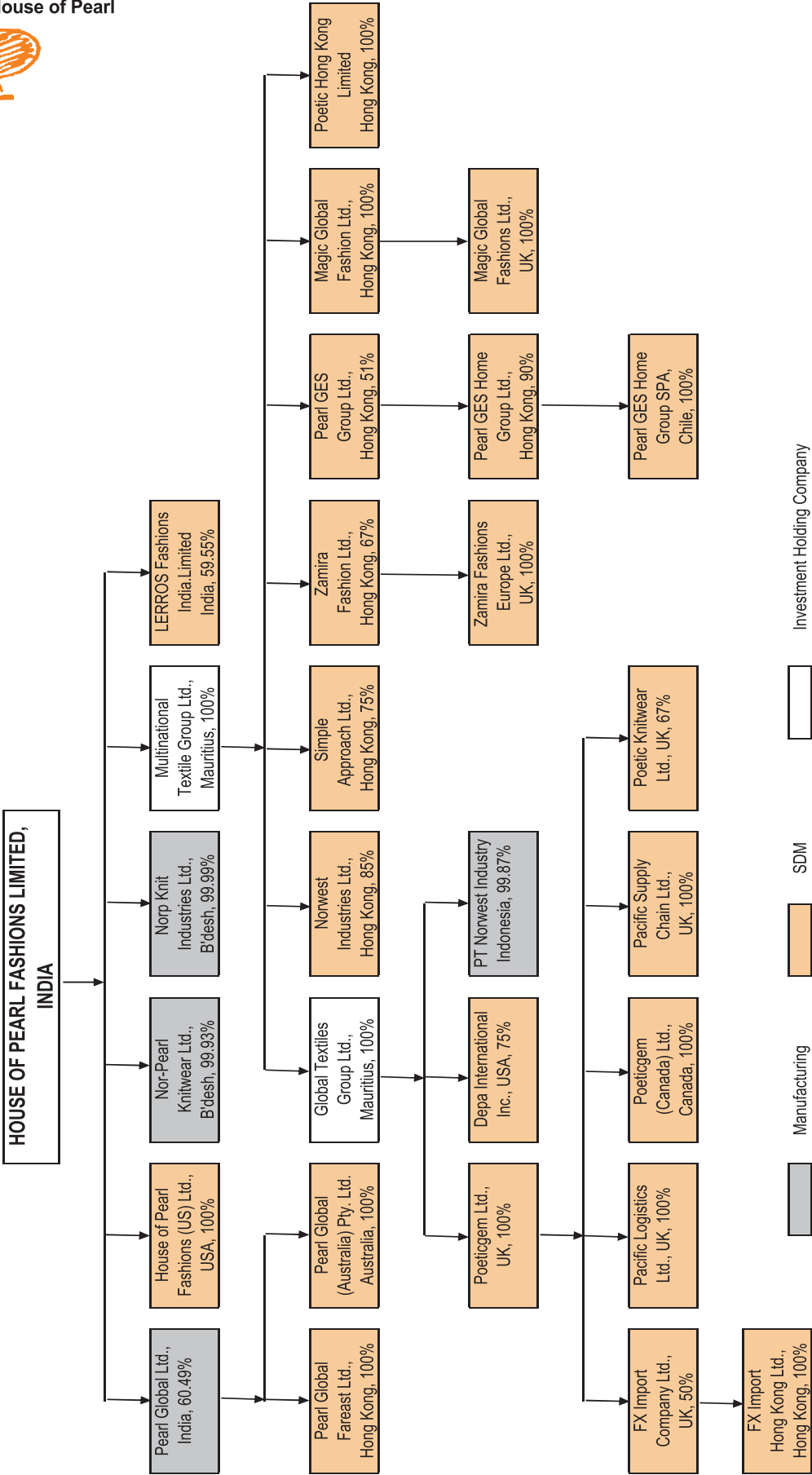
## REVENUE SEGMENTATION

Revenue from Business Divisions



Revenue from Geographical Locations







## Contents

S. No.	Particulars	Page No.
1.	Director's Report	06
2.	Report on Corporate Governance	08
3.	Management Discussion and Analysis	14
4.	Auditors' Report on Consolidated Financial Statements	15
5.	Consolidated Balance Sheet	16
6.	Consolidated Profit & Loss Account	17
7.	Consolidated Cash Flow Statement	18
8.	Consolidated Schedules	19
9.	Consolidated Significant Accounting Policies	25
10.	Consolidated Notes to Accounts	27
11.	Auditors' Report	39
12.	Balance Sheet	40
13.	Profit & Loss Account	41
14.	Cash Flow Statement	42
15.	Schedule	43
16.	Significant Accounting Policies	49
17.	Notes to Accounts	50
18.	Balance Sheet Abstract	58
19.	Statement pursuant to Section 212	59
20.	Subsidiary Companies:	
i.	Pearl Global Limited - Standalone	60
ii.	Nor-Pearl Knitwear Limited	82
iii.	Norp Knit Industries Limited	88
iv.	Lerros Fashions India Limited	93
v.	House of Pearl Fashions (U.S) Limited	101
vi.	Multinational Textile Group Limited	106
vii.	Norwest Industries Limited	112
viii.	Zamira Fashions Limited	125
ix.	Simple Approach Ltd.	133
x.	Global Textiles Group Limited	139
xi.	Pearl GES Group Limited	144
xii.	PT Norwest Industry	153
xiii.	Depa International Inc.	162
xiv.	Poeticgem Limited	167
xv.	Pearl GES Home Group Limited	177
xvi.	Pacific Logistics Limited	185
xvii.	Poeticgem (Canada) Limited	190
xviii.	Pacific Supply Chain Limited	193
xix.	Pearl GES Home Group SPA	196
xx.	Zamira Fashions (Europe) Ltd.	200
xxi.	FX Import Hong Kong Ltd.	204
xxii.	Poetic Knitwear Ltd.	208
xxiii.	Magic Global Fashions Ltd.UK	212
xxiv.	Pearl Global Fareast Ltd.	215
xxv.	Pearl Global (Australia) Pty. Ltd.	220
xxvi.	FX Import Company Limited	226



**DIRECTORS' REPORT****To the Shareholders,**

The Directors of your Company have pleasure in presenting the 21<sup>st</sup> Annual Report and Audited Accounts for the year ended 31<sup>st</sup> March 2010, together with the Auditors' Report thereon.

**CONSOLIDATED WORKING RESULTS**

During the year under review, the consolidated Income of your Company is Rs.190447.67 Lacs against previous year Rs.1,48,273.60 Lacs.

	(Rs. in Lacs)	
	2009-2010	2008-2009
Income	183204.86	144790.93
Other Income	4532.89	3482.68
Profit before Tax & Adjustments	1613.62	179.43
Provision for Tax	199.87	41.43
Provision for Bad debt	—	(5.79)
Profit After Tax	1413.75	132.21
EPS (in Rs.)	4.53	2.76
Transfer to General Reserves	—	—

**WORKING RESULTS OF THE COMPANY (STANDALONE)**

	(Rs. in Lacs)	
	2009-2010	2008-2009
Income	4484.25	2283.25
Other Income	1117.45	2025.46
Profit before Tax	(410.55)	1188.73
Provision for Tax	5.87	272.08
Profit After Tax	(404.68)	916.66
Transfer to General Reserves	—	—

**BUSINESS AND OPERATIONS**

Over the last three years, your company through its subsidiaries and joint ventures has been able to add more capacities, acquires strategic companies, set up new divisions, expand into new geographies, strengthen its design infrastructure, implement ERP and has now reached an enviable position of "One Stop Shop" destination for its customers. Today, your company through its subsidiaries and joint ventures offers almost all categories of garments, manufactured either in its own or outsourced from the most cost effective locations on either FOB or LDP terms to its customers.

In the industry scenario, where most of the top retailers of the world are consolidating their vendor base, stand alone vendors are going out of business and their share are being taken over by companies which can provide one Stop Shop Solutions. Vendors that are able to offer value addition in terms of design input, provide different sourcing options and have the operational and financial resources to meet retailers increasing requirements are being categorized as their "Preferred Vendors". This gives the vendor an edge over the competition. Due to all its investments over the last couple of years, your company through subsidiaries has already been categorized as Preferred Vendor by various big Retailers in US and Europe. This together with strategic acquisitions, helps the company to retain and grow its market share and add new customers and enter new geography.

Consolidated turnover of the company is Rs.1832.05 Crore, up by more than 26% in financial year 2009-10. The consolidated profit of the company is Rs.14.14 Crore compared to profit of Rs.1.32 Crore for last year. With no expected increase in fixed overheads, your company expects that the new business initiatives will be start yielding increase in sales and improved consolidated profit.

Considering the growing demand, the company plans to enhance manufacturing capacities at Gurgaon, Chennai and Bangladesh during the financial year 2010-11.

Company's subsidiary, House of Pearl Fashions (US) Limited has acquired license for Geoffrey Benne in US market and look to evaluate this model to see future prospects. For this we have built a strong team in New York for managing replenishment process. In our warehouse in New Jersey, we are developing ability to manage pick and pack services. The company is looking at 3-5 year strategy to form strategic alliance/JV's with mills for woven bottoms and knit fabrics and evaluating opportunities in Duty free countries such as Egypt.

**CORPORATE SOCIAL RESPONSIBILITY**

The company has been taking up and fulfilling its fundamental responsibility towards society.

Little Pearl Educational Society, set up by the group has been imparting employment oriented higher education through Pearl Academy of Fashion (PAF) and retail sector education through Indian Retail School (IRS). PAF, a pioneering institute of fashion technology has been imparting quality education in fashion for more than a decade. IRS has taken initiative to impart career oriented training in retail sector. ARPAN is helping underprivileged children, studying in 1<sup>st</sup> to 5<sup>th</sup> level financially and also supporting the school system.

The company is formulating a formal Corporate Social Responsibilities (CSR) Policy keeping in tune with its overall business policy and goals.

**AWARDS AND RECOGNITION**

Pearl Global Limited, the Indian subsidiary, received "AEPIC Export Award" for the year 2006-07 and 2007-08 in the category "Highest Exports in Woven Garments" on 2<sup>nd</sup> December, 2009.

Lerros Fashions India Ltd., Indian subsidiary in retail chain, won award for best new brand launch for 2008 at the Images Fashions Awards 2009, recognized by the International Council of Shopping Centre (ICSC).

**DIVIDEND**

The Directors do not recommend any dividend for the year under review.

**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, would retire by Rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Necessary resolutions for their appointment are included in the notice convening Annual General Meeting.

**DIRECTORS IDENTIFICATION NUMBER (DIN)**

The following are the Directors Identification Number (DIN) of your Directors:

Mr. Deepak Seth	- 00003021	Dr. Ashutosh Prabhudas Bhupatkar	- 00479727
Mr. Pallak Seth	- 00003040	Mr. Chitranjan Dua	- 00036080
Mr. Pulkit Seth	- 00003044	Mr. Samar Ballav Mohapatra	- 00327410
Mr. Sanjay Pershad	- 00003054	Mr. Rajendra Kumar Aneja	- 00731956

**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 companies is annexed herewith and forms an integral part of this Annual Report.

**AUDITORS**

The Auditors, M/s S. R. Dinodia & Co., Chartered Accountants, (Regn. No. 001478N), New Delhi, retires at the conclusion of the ensuing Annual General Meeting and are 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 31<sup>st</sup> March 2010, 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 31<sup>st</sup> March 2010 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 2010-11 have been paid.

#### REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Pvt. Ltd (formerly known as 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.

#### CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009

The company is in the process of considering adoption of Corporate Governance Voluntary Guidelines, 2009 (the Guidelines) and formulating relevant policies/codes. The subject being at inception/planning level, will take its shape in due course.

#### 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.

#### PARTICULARS W.R.T. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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.

#### Foreign Exchange Earnings and Outgo

Information pertaining to activities relating to exports, initiative taken to increase exports, development of new export markets and exports plans is as follows:

The Company through subsidiaries is into export of garments to various countries and has

taken various initiatives for increasing exports like strengthening design & development, outsourcing garments from cost effective locations and increasing manufacturing capacities. The Company and subsidiaries have explored new markets in South America, Africa and sourcing partners in Sri Lanka. The Company has valued buyers across the globe and plans to cater to new markets and also to cater to 'A' category of International buyers especially through Chennai unit of its subsidiary.

Total Foreign Exchange used and earned (in Rs.):

#### Foreign Exchange Earnings

Particulars	2009-10	2008-09
Export of Goods- FOB basis	433,077,525	215,827,507
Interest Income	16,273,983	—
SAP/Mgmt Charges	19,874,074	—
Others	5,727,910	—
Total	474,953,492	215,827,507

#### Foreign Exchange Outgo

Particulars	2009-10	2008-09
Foreign Travelling	554,377	4,474,073
Advertisement Expenses	517,064	-
Commission	429,157	2,151,273
Sampling Expenses	8,803,391	-
Others	1,789,711	-
Total	12,093,700	6,625,346

#### 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.

For and on behalf of the Board  
for **House Of Pearl Fashions Limited**

**Deepak Seth**  
Chairman  
(DIN - 00003021)

Place : Gurgaon  
Date : 29.05.2010

#### Annexure I to the Directors' Report

Name of the Employee	Age (Years)	Designation (Nature of Duty)	Remuneration (Rs.)	Qualification	Experience (in years)	Date of Employment	Nature of Duties	Previous Employment, Post held & Period
Pulkit Seth	30	Managing Director	48,09,360/-	Graduate in Management Studies from Leonard N. Stern School of Business, New York, University	9	01.04.2005	Managing the Company	Norwest Industries Ltd., Hong Kong, as Joint Managing Director and became Managing Director in the year 2003.
Atul Gupta	45	Chief Finance Officer	27,36,546/-	CA, ICWA and B.Com	21	29.06.2009	Finance and Accounts	Arcelor Mittal, Kazakhstan, GM Finance, September 2007 – June 2009
M. Srivenkatesa	39	Chief Information Officer	22,72,926/-	MA, PG Dip NIFT	12	08.05.2009	Head, IT Department	TCNS Clothing, COO, July 2007 – April 2009
Rishi Raj Vig	40	Chief Finance Officer	24,53,330/-	B.Com, ICWA, CPA (US)	20	27.02.2006, Left the Organisation on 31.10.2009	Finance & Accounts	Sr. GM (F&A) Pearl Global Limited GM Finance, Shahi Exports Private Limited March 2005 – February 2006
Col. Ramesh Wahi	60	Group Chief Information Officer (IT)	30,91,825/-	M. Tech	39	17.08.2006 Left the Organisation on 15.10.2009	Information Technology	Vice President NIIT-GIS Ltd., August 2000 – July 2006

#### 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.
- None of the above mentioned employee except Managing Director hold the prescribed Percentage of equity shares in the company within the meaning of 217(2A)(a)(iii) of the Companies Act, 1956.



**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 Company's compliance with Clause 49 of the Listing Agreement.

**2. BOARD OF DIRECTORS**

As on 31<sup>st</sup> March 2010, the company's Board of Directors consists of 8 (Eight) members. The Chairman of the Board is non-executive Promoter Director. The Board comprises of one executive Director and seven non-executive Directors, of whom four are Independent Directors. The composition of the Board is in conformity with the requirements of Clause 49 of the listing agreement. All non-executive independent Directors are persons of eminence and bring a wide range of expertise and experience to the Board.

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

29<sup>th</sup> May 2009, 30<sup>th</sup> June 2009, 31<sup>st</sup> July 2009, 18<sup>th</sup> September 2009, 31<sup>st</sup> October 2009 and 30<sup>th</sup> January 2010.

**Composition and Category of the Board as on 31.03.2010 and their attendance in the Board and Annual General Meetings are as hereunder:**

S. No.	Name of Director	Category	No. of outside directorships	No. of Committee		Attendance	
				Member	Chairman	Board Meetings	Annual General Meetings
1	Mr. Deepak Seth	Non-Executive Chairman	1	-	-	5	Yes
2	Mr. Pallak Seth	Non Executive Vice-Chairman	1	-	-	-	Yes
3	Mr. Pulkit Seth	Managing Director	2	3	-	3	No
4	Mr. Sanjay Pershad	Non-Executive Director	1	2	-	1	No
5	Dr. Ashutosh P. Bhupatkar	Independent Director	2	3	2	6	Yes
6	Mr. Samar Ballav Mohapatra	Independent Director	5	2	2	6	Yes
7	Mr. Chitranjan Dua	Independent Director	5	-	-	4	Yes
8	Mr. Rajendra K. Aneja	Independent Director	-	1	-	-	No

Mr. Deepak Seth, Chairman, being father, is related to Mr. Pulkit Seth, Managing Director and Mr. Pallak Seth, Vice Chairman.

**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 is 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 are 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.







### 3. AUDIT COMMITTEE

The Audit Committee has been constituted as per Section 292A of the Companies Act, 1956 and the guidelines set out in Clause 49 of the Listing Agreement. The terms of reference includes:-

- Overseeing financial reporting processes.
- Reviewing periodic financial results, financial statements and adequacy of internal control systems.
- Discussion and review of periodic audit reports and
- Discussions with external auditors about the scope of audit including the observations of the auditors.
- Recommending the appointment, remuneration and removal of statutory auditors.
- Discussing with internal auditors any significant findings and follow up there on.
- Reviewing the adequacy of internal control systems with management, external and internal auditors and reviewing the Company's financial risk and management policies.
- ZReviewing the financial statements and quarterly financial results.

The members of the Audit Committee and their attendance are as under:

Audit Committee Composition	Attendance Particulars	
	No. of Meetings held	No. of Meetings attended
Dr. A. P. Bhupatkar – Chairman Director	5	5
Mr. Sanjay Pershad – Member Director	5	1
Mr. S.B. Mohapatra – Member Director	5	5

All the members of an Audit Committee are Non- Executive Directors and the Chairman of the Committee is Non- Executive and Independent Director. All the members of the committee possess financial/accounting expertise.

Mr. Sandeep Sabharwal, General Manager and Company Secretary acts as Secretary of the Audit Committee.

During the year, the Audit Committee, under the Chairmanship of Dr. A. P. Bhupatkar, met five times and discharged its responsibilities in accordance with Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The meetings of the Audit Committee were held on 6<sup>th</sup> April 2009, 30<sup>th</sup> June 2009, 31<sup>st</sup> July 2009, 30<sup>th</sup> October 2009 and 30<sup>th</sup> January 2010 during the financial year 2009-10. The maximum gap between any two meetings was less than four months.

### 4. REMUNERATION COMMITTEE

The remuneration committee comprised of Mr. S.B. Mohapatra, Chairman, Dr. A.P. Bhupatkar and Mr. Rajendra K Aneja as members.

Terms of Reference of the Remuneration Committee include:

- To determine the remuneration, review performance and decide on variable pay of executive Directors.
- To determine the number of stock options to be granted under the company's Employees Stock Option Schemes and administration of the stock option plan.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Remuneration Committee.
- Establishment and administration of employee compensation and benefit plans.

All the members of the Remuneration Committee are Non Executive and Independent Directors.

The meeting of the Remuneration Committee was held on 18<sup>th</sup> September 2009 in the financial year 2009-10, attended by Mr. S.B. Mohapatra and Dr. Ashutosh P Bhupatkar.

The Remuneration Policy of the Company for managerial personnel is primarily based on the following criteria:

- Performance of the Company, its divisions and units
- Track record, potential, past remuneration and performance of individual appointee
- External competitive environment.

The Central Government vide its letter dated 15<sup>th</sup> March, 2010 approved the appointment of Mr. Pulkit Seth as Managing Director of the Company for a period of five years w. e. f. 1<sup>st</sup> June, 2008 at a remuneration of Rs.4,00,000/- per month as per Schedule XIII of the Companies Act, 1956. Accordingly, the Company paid Rs.48,09,360/- as salary to Managing Director. Provident Fund contribution of the Company is Rs.9,360/-.

Details of remuneration paid to all the Directors for the year 2009-10:

(Amount in Rs.)

Name of the Director(s)	Mr. Deepak Seth	Mr. Pallak Seth	Mr. Pulkit Seth	Mr. Sanjay Pershad	Mr. Chitranjan Dua	Mr. Samar Ballav Mohapatra	Mr. Rajendra K. Aneja	Dr. A. P. Bhupatkar
Designation	Chairman	Vice-Chairman	Managing Director	Director	Director	Director	Director	Director
Salary	--	--	4,00,000	--	--	--	--	--
Benefits	--	--	--	--	--	--	--	--
Bonus	--	--	--	--	--	--	--	--
Commission	--	--	--	--	--	--	--	--
Pension	--	--	--	--	--	--	--	--
Others ( Provident Fund )	--	--	9,360	--	--	--	--	--
Break up of fixed components and Performance linked incentives with performance criteria	--	--	--	--	--	--	--	--
Performance Incentive	--	--	--	--	--	--	--	--
Service Contract	--	--	3 years	--	--	--	--	--
Notice Period, Severance fees	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Stock Options details (if any): Whether issued at discount. Period over which it is accrued and is exercisable	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sitting Fees	1,00,000	--	--	20,000	80,000	1,20,000	--	1,20,000
<b>Total</b>	<b>1,00,000</b>	<b>--</b>	<b>48,09,360</b>	<b>20,000</b>	<b>80,000</b>	<b>1,20,000</b>	<b>--</b>	<b>1,20,000</b>





The Company pays Rs.20,000/- as Sitting Fee to all the Non-Executive Directors for each Board Meeting attended. Besides above, the Company does not pay any other commission or remuneration to its Directors. The Company has no policy of stock option for its Directors.

Mr. Deepak Seth, Chairman holds 6.31% equity shares, Mr. Pallak Seth, Vice-Chairman holds 6.70% and Mr. Pulkit Seth, Managing Director holds 6.72% equity shares of the Company. No other Director holds any equity share in the Company.

As required, a brief profile and other particulars of the Director seeking re-appointment is given in the Notice of the 21<sup>st</sup> Annual General Meeting and forms part of the corporate governance report.

#### 5. FINANCE COMMITTEE

The Finance Committee comprises of:

1. Mr. S.B. Mohapatra - Chairman
2. Mr. Pulkit Seth - Member
3. Dr. A. P. Bhupatkar - Member

No meeting of the Finance Committee was held in the financial year 2009-10.

#### 6. SHAREHOLDER GRIEVANCE & TRANSFER COMMITTEE

The Shareholder Grievance & Transfer Committee comprises of:

1. Dr. A. P. Bhupatkar - Chairman
2. Mr. Pulkit Seth - Member
3. Mr. S. B. Mohapatra - Member

The Chairman of the Committee is Non- Executive and Independent Director.

The Shareholder Grievance & Transfer Committee met on 17<sup>th</sup> April 2009, 16<sup>th</sup> May, 2009, 14<sup>th</sup> July, 2009, 31<sup>st</sup> July 2009, 16<sup>th</sup> January 2010 and 3<sup>rd</sup> February, 2010 during the year 2009-10.

Mr. Sandeep Sabharwal, Company Secretary, is the Compliance Officer of the Company.

#### Status of Shareholders Complaints during the year

Complaints at the beginning of the year. 1 <sup>st</sup> April 2009	Complaints received during the year. 1 <sup>st</sup> April 2009 – 31 <sup>st</sup> March 2010	Complaints settled during the year. 1 <sup>st</sup> April 2009 – 31 <sup>st</sup> March 2010	Complaints pending at the ending of the year. 31 <sup>st</sup> March 2010
NIL	3	3	NIL

#### 7. CEO/CFO CERTIFICATION

The Managing Director and Chief financial Officer have certified to the Board, *inter alia*, the accuracy of financial statements and adequacy of Internal Controls for the financial reporting purpose as required under Clause 49(V) of the Listing Agreement, for the year ended 31<sup>st</sup> March 2010.

#### 8. GENERAL BODY MEETINGS

Location and time where last 3 Annual General Meetings were held:

Year	AGM	Location	Date	Time
2006-07	18 <sup>th</sup>	Air Force Auditorium, Subroto Park, New Delhi-110010	27-08-2007	2.30 P.M.
2007-08	19 <sup>th</sup>	Sri Sathya Sai International Centre, Pragati Vihar (Near Pragati Vihar Hostel) Lodhi Road, New Delhi-110 003	29-08-2008	2.30 P.M.
2008-09	20 <sup>th</sup>	Sri Sathya Sai International Centre, Pragati Vihar (Near Pragati Vihar Hostel) Lodhi Road, New Delhi-110 003	18.09.2009	11.30 A.M.

#### Detail of Special Resolutions Passed During last three Annual General Meetings:

Sl. No.	Particulars of Special Resolution	Date	Financial Year
1	NIL	18 <sup>th</sup> September 2009	2008-09
2	Re-appointment of Mr. Pulkit Seth as Managing Director for a period of five years w.e.f. 01.06.2008.	29 <sup>th</sup> August 2008	2007-08
3	Loan of Rs.27.50 Crore to Pearl Global Ltd, a subsidiary of the Company	27 <sup>th</sup> August 2007	2006-07
4	Alteration of Articles of Association of the Company	27 <sup>th</sup> August 2007	2006-07

#### Special Resolution passed last year through postal ballot – details of voting pattern:

During the financial year 2009-10, the Company had conducted a Postal Ballot for enhancing the aggregate limits of investments, loans and corporate guarantee to Rs.1,500 Crores, resolution under section 372A for the same was declared on 17.09.2009.

Voting Pattern:

Number of valid postal ballot forms received	: 14
Number of invalid postal ballot forms received	: 4
Invalid votes polled	: 20
Total valid votes polled	: 12,919,288
Votes in favour of the Resolution	: 12,919,288
Votes against the Resolution	: 0
Percentage of shares voted in favour to valid shares voted	: 100%

#### Person who conducted the postal ballot exercise:

M/s SK Associates, Company Secretaries, conducted the Postal Ballot

Whether any special resolution is proposed to be conducted through postal ballot and Procedure for postal ballot: No

