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vision

"Provogue will evolve
into a retail-centric
group of branded
businesses focused on
customer needs"

Provogue

message from the managing director



Provogue could not
be in a better place
at a better time.

- Nandu Chaturvedi, Managing Director

Dear Shareholders, Vendor-Partners and Employees,

2005-06 was a remarkable year in the history of Provogue. Not only was it another successful year in terms of sales, growth and profits, but also a year in which new direction was given to Provogue that will take the company into an even higher growth trajectory in the coming years. These new initiatives, I am confident, have the potential to create substantial, sustainable shareholder value both over the short and long term.

Before I dwell more on that let me share with you a moment that we all had worked so hard for. The Provogue IPO.

Provogue IPO - humbling experience

At Provogue, having successfully built an Indian fashion brand, we always aspired to list our company and include in our family external shareholders who would value what we do in the marketplace. With some nervousness and excitement, we watched the Provogue IPO list on the exchanges. I want to thank every applicant for the overwhelming response to our issue. The IPO was oversubscribed 66.95 times. Perhaps a record among companies in our category. It was truly a humbling experience for everyone in the company.

This has furthered the responsibility you have entrusted in me, and I assure you that every member of Provogue will work towards creating value for the shareholders and we will not disappoint you. Your confidence has motivated us to do even better.

Provogue brand - The key to our success

People often ask me why has Provogue been successful. I think it's because of the acceptance of brand Provogue by the consumers. The brand is not just what you see in the papers, in TV or on hoardings. Brand is more holistic and includes merchandise, design, distribution channels and our ability to relate to the youth of India. Brand is a state of mind. Because we are so passionate about this brand, we have made it the epicenter of Provogue. The designs, the retail stores and the promotion campaigns are created with the customer in mind. The Provogue brand is what the customers relate to and aspire to buy. The strength of our brand allows us to sell more at full price reducing the mark down risk and improving profitability. A strong brand with good customer connect also allows us to plan and forecast well and buy and procure better. Provogue the brand dictates all our moves.

Exit from Provogue Lounge

The Provogue Lounge controversy, we believe, was detrimental to the Provogue brand and we decided to exit this business. In any event, this business contributed less than one percent to our turnover and as such will have no significant impact on the company's business and growth going forward.

High sales and profit growth

Provogue recorded a sales growth of 39% to Rs 15,973.28 lacs and net profit growth of 78% to Rs 1,287.18 lacs. The EBITDA margin of the company grew to 13.80%. The power and reach of the Provogue brand is also reflected in the company's margins, which is a reflection of our being part of all three value chains of manufacturing, branding and retailing.

Macros in our favour

Provogue could not be in a better place at a better time.

India's retail growth story is underpinned by the robust economy we are all enjoying today. There is every reason to believe that the high GDP growth rates recorded over the past few years will continue for the foreseeable future, particularly as we in India are now a consumption and service driven economy as opposed to the manufacturing driven economy that was prevalent in my parent's generation. This tendency for India to spend today rather than save for tomorrow is fuelling retail in all sectors and especially in fashion, as Indian youth want to express their personality in the clothes they wear as a reflection of their new lifestyle. Provogue is ideally positioned to capture this trend and we continue to invest in design and product innovations to stay ahead of the fashion curve.

In addition, there are two radical shifts taking place in our marketplace. First, the continued change from ready-to-stitch to ready-to-wear clothes is now penetrating all the towns in India and not just the major metros. Second, organised retail is growing at a rate of about 30% per annum, but still only represents about 3% of total Indian retail. What a great position for our business going forward.

I have studied the history of how some of the world's greatest apparel brands emerged and have used these lessons while designing the Provogue business model. This year we will launch our first new large-scale store formats of over 5,000 square feet and complete our integrated product range for men and women. By the end of the coming year we will be

operating more than 100 of our own retail stores in India and it is at this point that I expect the company's growth to shift into an even higher gear - driven by the India retail story, our critical mass and excellent product ranges.

New business, new opportunity

Whilst in the business of securing retail spaces for Provogue, we realised that we have the ability to add value to the mall developer by bringing retail insights to this business. Plan the mall better from a retailer's perspective. And in the process, create a win-win-win situation for the developer-retailer-Provogue. We experimented and met with success. And in the process created a new business opportunity for Provogue. Provogue's 100% subsidiary, Prozone Enterprises Pvt Ltd., assisted in the development of four mall projects early in 2005-06 and now has a further nine projects of its own under development. This business has huge potential for value addition especially as India will need more than 200 million square feet of new retail infrastructure within the next five years.

New year - bigger challenges

I look back on 2005-06 with a lot of pleasure and pride. The IPO, strong growth in both sales and profits and new business opportunities. I extend my heartfelt gratitude to all our fantastic co-workers for their contribution to brand Provogue and its success.

We face the new year with fresh challenges. To achieve critical mass in retail, to leverage brand Provogue through new products and formats, to perform on the exports and the retail infrastructure business. I have no doubt that we have the aspirations, the skills and the people we need to make 2006-07 another great year for Provogue.

A new vision

"Provogue will evolve into a retail-centric group of branded businesses focused on customer needs".

In achieving this, we will focus on our core strengths and bring on board fresh resources in a continuous drive for better performance.

Thank you once again for your confidence in us and with best wishes.

Nikhil Chaturvedi

the world of provogue

Incorporated in 1997 as Acme Clothing Private Limited, the company commenced operations as a fashion house manufacturing and distributing apparel for men under the brand Provogue. Provogue is today one of India's leading fashion brands and is promoted by first generation entrepreneurs.

In 2005, the company was renamed as Provogue (India) Limited and accessed the capital market through its Initial Public Offering (IPO) of 40.49 lac shares at a price of Rs 150. The IPO was oversubscribed 67 times.

Over the years, the Provogue brand has gained strong recognition and has grown to become a leading retailer of fashion apparel and accessories for men and women.

Fashion

Provogue's product portfolio is designed to express a lifestyle statement and consists of a wide range of products for customers in the age group of 20 to 40 years old.

The men's apparel range consists of casual's and formal wear including Shirts, Trousers, T Shirts, Sweaters, Shorts, Suits & Jackets. The women's apparel range consists of western wear Tops, Trousers, Skirts, Jackets and Blouses.

Complementing the apparel line, Provogue also merchandises fashionable accessories such as Ties, Socks, Handkerchiefs, Belts, Wallets, Eyewear, Bags and Caps for men and chic Belts, Handbags, Eyewear and Scarves for women.

Scaling up its brand image, Provogue has further extended its product portfolio to include footwear for men, innerwear for men and will shortly launch a range of personal care products focusing on perfumery and deodorants for men and women.

Manufacturing

Provogue is integrated backwards with its manufacturing facility at Daman, just north of Mumbai. The Daman plant has a capacity to manufacture 900,000 pieces per annum in shirts and trousers and is focused on the fast-

to-market fashion collection.

Reach

Provogue's fashionable and innovative merchandise is available through its 64 exclusive 'Provogue Studios' spread across 31 cities in the country. The products are also available at National Chain Stores like Shoppers' Stop, Globus, Lifestyle, Westside, Piraymd, Pantaloon and Central as well as Multi-Brand Outlets across the country.

Exports

Provogue has developed an export business of textile products through the acquisition of Acme Global. This business provides an all-round solution to its customers by supplying a range of fabrics, fabric designs, dyestuffs and connected machinery.

Performance

During 2005-06, Provogue recorded sales of Rs 15,973.28 lacs compared to sales of Rs 11,524.83 lacs during the previous year, a growth of 39%. The company recorded an EBITDA margin of 13.80%. The profit after tax of the company increased from Rs 723.41 lacs in 2004-05 to Rs 1,287.18 lacs in 2005-06, an increase of 78%. The company's shares are listed on the Bombay Stock Exchange and the National Stock Exchange. The stock price of the company on 31st March, 2006 was Rs.353.50 and the market capitalization as on 31st March, 2006 was Rs.57,258.52 lacs.



Fashion launches 2005-06

Insignia collection: Formal wear for women including shirts, trousers, blazers

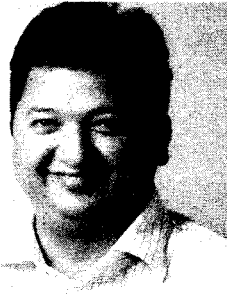
PVG: T-shirts, denims, jackets, knitwear, and sportswear for women

Kaliedoscope: a new dimension to colour - Flat Knit sweater and T-shirts in Neutrals and Bright colours.

Renaissance: style evolution - Luxury wear for men including polynosic shirts, trousers, zipper jackets and suits.

Spring Summer Collection: Apparel for men and women in cool fabrics, summery shades and trend-setting styles

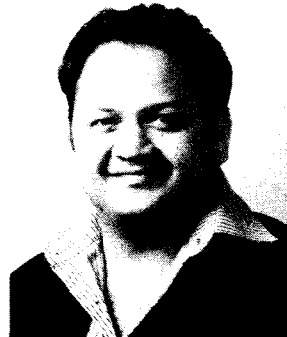
whole-time directors



Nikhil Chaturvedi, 37 years, Bachelor of Commerce

The founder of Provogue. The man who had a vision and rolled up his sleeves to build the company since its inception in November 1997. Nikhil has a decade and half of work experience. A hands-on manager,

Nikhil inspires the entire team at Provogue with passion and single-mindedness to create shareholder value which is his driving force.



Salil Chaturvedi, 35 years, Bachelor in Science

A science graduate with more than a dozen years of experience in garment design and marketing, he is also a co-founder. Responsible for operations, design and merchandise, he also plays a key role in planning,

conceptualisation, and implementation of all marketing programs.



Deep Gupta, 37 years, Civil Engineer, MBA (USA)

A co-founder, Deep specializes in Finance and Administration and oversees fund management and mobilization activities. He has played a key role in the setting up of systems and processes, and also oversees all HR, Information

Technology and and Legal Issues.



Nigam Patel, 35 years, Bachelor of Commerce

A co-founder, he heads the sales function and is responsible for the framing and implementation of all retail activities. He has created the distribution network and oversees the design and development of the Provogue

Store.



Akhil Chaturvedi, 41 years, Masters in Management Studies

Another co-founder, Akhil has broad experience in the field of Marketing of FMCG products. Prior to Provogue, he has worked with leading MNC's and Indian companies over a span of a decade and has also worked with

Coopers & Lybrand Consulting Group. He is responsible for business development supply chain management.



Rakesh Rawat, 36 years, MBA, Director, Textile Exports

A specialist in the field of International Trade, Rakesh has been responsible for the establishment of the Exports business. As Director in charge, he oversees marketing, sourcing and vendor management

activities for the export business.

other directors

Dr O.P.Chawla, 72 years, PhD
(Non-Executive Chairman)

Dr Chawla was formerly the Director, National Institute of Bank Management from 1991-1994. He presently provides consultancy to various banks and financial institutions. He is a prolific writer who has written 10 books and 50 papers in India and abroad and holds directorships in various companies.

Tim Eynon, 52 years, BSc, MBA (INSEAD)

Mr. Eynon is a corporate professional with over 30 years of experience and has served on the boards of several companies mainly in the textile sector. He specializes in international marketing and business development across supply chains from raw materials to retail and brings to the table extensive experience of the global textile, fashion and retail industries.

Rakesh Jhunjunwala, 46 years, ACA

Mr. Jhunjunwala is a Chartered Accountant who started his own investment business more than 15 years ago and is now profiled as one of India's leading investors. His views on various industries are well respected and the company benefits from his presence on the Board.

Surendra Hiranandani, 51 years, Bachelor of Commerce

Mr. Hiranandani is the Managing Director and Founder of the Hiranandani Group of Companies, a leader in Indian quality real estate development. He has been honoured by the American Concrete Institute for his excellence and contribution to the real estate industry, particularly for adapting the best in foreign technology to the skills of India's engineering and labour artisans.

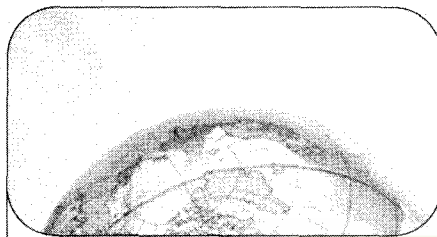
Shahid Balwa, 32 years, Bachelor of Commerce

Mr. Balwa has promoted Associated Hotels Limited and is also the Managing Director of BD&P Hotels (India) Pvt. Ltd. which owns the Le Meridien Hotel, Mumbai. With over a decade's experience in the hospitality and construction industry, he provides the company with valuable insights into the Indian Real Estate.

Amitabh Taneja, 39 years, Bachelor of Arts

Mr. Taneja heads the New Delhi based Images Multimedia Pvt. Ltd. which publishes the country's leading trade journals on fashion and retail. He is also Chairman of Images Fashion Forum and India Retail Forum which host India's leading industry conferences in these fields. He has also been appointed as Director ICSC India by the International Council of Shopping Centres, New York.

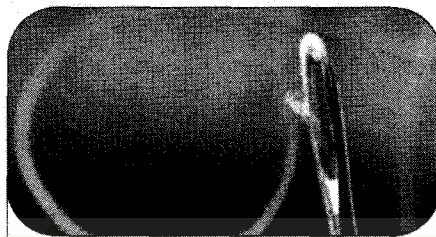
the provogue business



outsourcing

Garments

Accessories



manufacturing

Shirts

Trousers

backward integration