PROSPECTUS
Dated January 29, 2007
Please read Section 60B of the Companies Act, 1956
100% Book Built Issue

House of Pearl Fashions Limited

(The Company was incorporated as Mina Estates Private Limited on July 5, 1989 under the Companies Act, 1956, as amended. The name of the Company was subsequently changed to House of Pearl Fashions Private Limited by a special resolution of the shareholders of the Company at an extraordinary general meeting held on May 9, 2006. The fresh certificate of incorporation consequent upon the change of name was granted on June 19, 2006, by the Registrar of Companies, Delhi and Haryana, located at New Delhi (the "RoC"). The Company became a public limited company pursuant to a special resolution of the shareholders of the Company at an extraordinary general meeting held on June 28, 2006. Pursuant to this special resolution, the name of the Company was changed to House of Pearl Fashions Limited. The certificate of incorporation to reflect the new name was amended on July 31, 2006 by the RoC. For details of change in name and registered office, please see the section "History and Certain Corporate Matters" beginning on page 97of this Prospectus.)

Registered Office: A-3, Community Centre, Naraina Industrial Area, Phase II, New Delhi - 110 028, India **Tel:** (91) 11 4141 7680; Fax: **(91)** 11 4141 7683
Corporate Office: 446, Udyog Vihar, Phase V, Gurgaon - 122 016, Haryana, India **Tel:** (91) 124 4004 086; **Fax:** (91) 124 4004 085
Contact Person: Mr. Jayant Sood; Tel: (91) 124 4004 087 **Email**: jayantipo@hopfl.org; **Website**: www.houseofpearl.com

PUBLIC ISSUE OF 5,984,994 EQUITY SHARES OF RS.10 EACH ("EQUITY SHARES") OF HOUSE OF PEARL FASHIONS LIMITED ("HoPFL", OR "HOUSE OF PEARL", OR THE "COMPANY", OR THE "ISSUER") FOR CASH AT A PRICE OF RS.550 PER EQUITY SHARE, AGGREGATING RS.3,291.7 MILLION, COMPRISING A FRESH ISSUE OF 4,759,794 EQUITY SHARES OF RS.10 EACH BY THE COMPANY (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF 1,225,200 EQUITY SHARES OF RS.10 EACH BY MR. DEEPAK SETH, MRS. PAYEL SETH, MR. PALLAK SETH AND MR. PULKIT SETH (THE "SELLING SHAREHOLDERS"). THE FRESH ISSUE AND THE OFFER FOR SALE ARE TOGETHER REFERRED TO HEREIN AS THE "ISSUE".

122,600 EQUITY SHARES OF RS.10 EACH WILL BE RESERVED IN THE ISSUE FOR SUBSCRIPTION BY EMPLOYEES (AS SPECIFICALLY DEFINED HEREIN IN THE SECTION "DEFINITIONS AND ABBREVIATIONS") AT THE ISSUE PRICE (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE LESS THE EMPLOYEE RESERVATION PORTION SHALL BE HEREINAFTER REFERRED TO AS THE "NET ISSUE". THERE WILL ALSO BE A GREEN SHOE OPTION OF UP TO 612,060 EQUITY SHARES FOR CASH AT A PRICE OF RS.550 PER EQUITY SHARE AGGREGATING RS.336.6 MILLION (THE "GREEN SHOE OPTION"). THE ISSUE WILL CONSTITUTE 31.38% OF THE FULLY DILUTED POST-ISSUE EQUITY SHARE CAPITAL OF THE COMPANY ASSUMING THAT THE GREEN SHOE OPTION IS NOT EXERCISED AND 33.52% OF THE FULLY DILUTED POST-ISSUE EQUITY SHARE CAPITAL OF THE COMPANY ASSUMING THAT THE GREEN SHOE OPTION IS EXERCISED IN FULL.

ISSUE PRICE : RS. 550 PER EQUITY SHARE OF FACE VALUE RS.10 EACH.

THE FACE VALUE OF THE EQUITY SHARES IS RS. 10 AND THE ISSUE PRICE IS 55 TIMES THE FACE VALUE.

In case of revision in the Price Band, the Bidding Period shall be extended for three additional working days after such revision, subject to the Bidding Period not exceeding 10 working days. Any revision in the Price Band, and the revised Bidding Period, if applicable, shall be widely disseminated by notification to the Bombay Stock Exchange Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE"), by issuing a press release and also by indicating the change on the website of the Book Running Lead Manager ("BRLM") and the terminals of the other members of the Syndicate.

This Issue is being made through a 100% Book Building Process wherein at least 50% of the Net Issue shall be allotted on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, 122,600 Equity Shares shall be available for allocation on a proportionate basis to Employees, subject to valid Bids being received at or above the Issue Price.

The Company has not opted for the grading of this Issue from any credit rating agency.

RISKS IN RELATION TO FIRST ISSUE

This being the first issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs.10 per Equity Share and the Issue Price is 55 times the face value of the Equity Shares. The Issue Price (as determined by the Company and the Selling Shareholders, in consultation with the Book Running Lead Manager, on the basis of assessment of market demand for the Equity Shares by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue, including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of the contents of this Prospectus. Specific attention of the investors is invited to the statements in the section "Risk Factors" beginning on page xv of this Prospectus.

SELLING SHAREHOLDERS AND COMPANY'S ABSOLUTE RESPONSIBILITY

The Selling Shareholders and the Company, having made all reasonable inquiries, accept responsibility for and confirm that this Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The Equity Shares offered through this Prospectus are proposed to be listed on the BSE and the NSE. The Company has received in-principle approvals from the BSE and the NSE for the listing of the Equity Shares pursuant to letters dated November 16, 2006 and November 20, 2006, respectively. For the purposes of the Issue, the BSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
JM MORGAN STANLEY **JM Morgan Stanley Private Limited** 141, Maker Chambers III Nariman Point, Mumbai - 400 021 Tel: +91 22 6630 3030 Fax: +91 22 2204 7185 E-mail: hopfl.ipo@jmmorganstanley.com Contact Person: Mr. Vibhor Kumar Website: www.jmmorganstanley.com	INTIME SPECTRUM REGISTRY LIMITED **Intime Spectrum Registry Limited** C-13, Pannalal Silk Mills Compound LBS Marg, Bhandup West, Mumbai - 400 078 Tel: + 91 22 2596 0320 Fax: + 91 22 2596 0329 Email: hopfl.ipo@intimespectrum.com Contact Person: Mr. Salim Shaikh Website: www.intimespectrum.com

BID/ISSUE PROGRAMME	
BID/ISSUE OPENED ON : TUESDAY, JANUARY 16, 2007	**BID/ISSUE CLOSED ON : TUESDAY, JANUARY 23, 2007**

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SECTION I: GENERAL
DEFINITIONS AND ABBREVIATIONS

General Terms

Term	Description
"HoPFL" or the "Company" or the "Issuer" or "House of Pearl"	Unless the context otherwise requires, House of Pearl Fashions Limited, a public limited company incorporated under the Companies Act.
"we" or "us" or "our" or "Group"	Unless the context otherwise requires, House of Pearl Fashions Limited, its Subsidiaries and Associate, on a consolidated basis, as described in this Prospectus.
Associate	HoPP Fashions, a partnership firm.
Promoters	Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth and Mr. Pulkit Seth.
Subsidiaries	Pearl Global, Multinational Textiles, Nor Pearl, Norp Knit, Norwest Industries (HK), Global Textiles Group, Poeticgem, Depa U.S., Poeticgem Canada, PT Norwest, Pacific Logistics and HoP (U.S.).

Issue/Company Related Terms

Term	Description
allotment/allotted	Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Fresh Issue and the transfer of Equity Shares pursuant to the Offer for Sale.
allottee	A successful Bidder to whom Equity Shares are/have been allotted.
Articles/Articles of Association	Articles of Association of the Company.
Auditors	S. R. Dinodia & Co., Chartered Accountants.
Bangladesh GAAP	Generally accepted accounting principles in Bangladesh.
Banker(s) to the Issue	The Hongkong and Shanghai Banking Corporation Limited, Yes Bank Limited, Standard Chartered Bank, ICICI Bank Limited, Centurion Bank of Punjab Limited, UTI Bank and HDFC Bank.
Bid	An indication to make an offer during the Bidding/Issue Period by a prospective investor to subscribe or purchase the Company's Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid.
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe or purchase the Equity Shares and which will be considered as the application for issue of the Equity Shares pursuant to the terms of the Red Herring Prospectus and the Prospectus.
Bid/Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper and a widely circulated Hindi national newspaper.
Bid/Issue Opening Date	The date on which the Syndicate Member shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper and a widely circulated Hindi national newspaper.

Term	Description
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus, the Prospectus and the Bid-cum-Application Form.
Bidding/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date (inclusive of both days) and during which prospective Bidders can submit their Bids.
Board of Directors/Board	The board of directors of the Company or a committee constituted thereof.
Book Building Process	The book building process as provided in Chapter XI of the SEBI Guidelines, in terms of which the Issue is being made.
BRLM/Book Running Lead Manager	JM Morgan Stanley Private Limited.
Business Day	Any day other than Saturday or Sunday on which commercial banks in Gurgaon and Mumbai are open for business.
CAN/Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted.
Companies Act	The Companies Act, 1956, as amended.
Cut-off Price	Any price within the Price Band finalized by the Company and the Selling Shareholders in consultation with the BRLM. A Bid submitted at Cut-off Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band.
Depa U.S.	Depa International Inc., a company incorporated under the laws of the State of New York and an indirect subsidiary of the Company.
Depositories Act	The Depositories Act, 1996, as amended.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participants) Regulations, 1996, as amended.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account of the Company to the Public Issue Account, after the Prospectus is filed with the RoC, following which the Board allots Equity Shares to successful Bidders.
Designated Stock Exchange	The BSE.
Director(s)	The director(s) of the Company, unless otherwise specified.
Draft Red Herring Prospectus	The draft red herring prospectus dated October 10, 2006 as filed with SEBI, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue.
ECS	Electronic Clearing System.
Eligible NRI	NRIs from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Red Herring Prospectus and the Prospectus constitute an invitation to subscribe or purchase the Equity Shares offered thereby.

Term	Description
Employee/Employees/ Eligible Employees (in the Employee Reservation Portion)	Subject to the following paragraph, all or any of the following: a) A permanent employee of the Company; b) A Director of the Company (whether a whole-time Director, part time Director or otherwise); or c) An employee as defined in sub-clauses (a) and (b) of a Subsidiary in India. An Employee, as used in the context of the Employee Reservation Portion, means an Indian National (as defined herein) who is a person resident in India (as defined under FEMA) and is not a resident of any jurisdiction other than India, and excludes any Promoter or member of the Promoter group. The Employee should be on the payroll of the Company or its Subsidiary on the date of filing of the Red Herring Prospectus with the RoC. Employee(s) may also be referred to as "Bidder(s) in the Employee Reservation Portion" in this Prospectus.
Employee Reservation Portion	The portion of the Issue, being a maximum of 122,600 Equity Shares, available for allocation to the Employees.
Equity Shares	Equity shares of the Company of face value of Rs.10 each, unless otherwise specified in the context thereof.
Escrow Account	An account opened with an Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid and the allocation amount collected thereafter.
Escrow Agreement	The agreement entered into on January 13, 2007 among the Company, the Selling Shareholders, the Registrar, the Escrow Collection Bank(s), the BRLM and the Syndicate Member for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Bankers to the Issue, with whom the Escrow Account will be opened comprising the Hongkong and Shanghai Banking Corporation Limited, Yes Bank Limited, Standard Chartered Bank, ICICI Bank Limited, Centurion Bank of Punjab Limited, UTI Bank and HDFC Bank.
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form.
Fiscal/Financial Year/FY	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted.
Fresh Issue	Issue of 4,759,794 Equity Shares at the Issue Price by the Company.
FVCIs	Foreign Venture Capital Investors, as defined and registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000, as amended.
GIR Number	General Index Registry Number.
Global Textiles Group	Global Textile Group Limited, a company incorporated under the laws of Mauritius and an indirect subsidiary of the Company.

Term	Description
Green Shoe Lender	Mr. Pulkit Seth.
Green Shoe Option/GSO	An option exercisable by the Company, in consultation with the BRLM, to allot Equity Shares in excess of the Equity Shares included in the Issue and to enable the Stabilizing Agent to operate a post-listing price stabilization mechanism in accordance with Chapter VIII – A of the SEBI Guidelines.
Green Shoe Option Portion	The portion of the Issue being up to 612,060 Equity Shares, aggregating Rs.336.6 million, if Green Shoe Option is exercised in full.
GSO Bank Account	The bank account to be opened by the Stabilizing Agent under the Stabilizing Agreement, on the terms and conditions thereof.
GSO Demat Account	The demat account to be opened by the Stabilizing Agent under the Stabilizing Agreement, on the terms and conditions thereof.
Hong Kong Financial Reporting Standards/ HKFRS	Generally accepted reporting standards in Hong Kong.
HoP (U.S.)	House of Pearl Fashions (U.S.) Limited, a company incorporated under the laws of the State of New York and a direct subsidiary of the Company.
IFRS	International Financial Reporting Standards.
Indian GAAP	Generally accepted accounting principles in India.
Indian National	As used in the context of the Employee Reservation Portion, a citizen of India as defined under the Indian Citizenship Act, 1955, as amended, who is not an NRI.
Indonesian GAAP	Generally accepted accounting principles in Indonesia.
Industrial Policy	The policy and guidelines relating to industrial activity in India issued by the Ministry of Industry, Government of India, as updated, modified or amended from time to time.
Issue	Collectively, the Fresh Issue and the Offer for Sale, excluding the Green Shoe Option Portion, of an aggregate of 5,984,994 Equity Shares.
Issue Price	Rs. 550 per Equity Share
JMMS	JM Morgan Stanley Private Limited.
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, which may be between 10% and 100% of the Bid Amount, as applicable.
Memorandum/Memorandum of Association	The memorandum of association of the Company, as amended.
MICR	Magnetic Ink Character Recognition.
Multinational Textiles	Multinational Textiles Group Limited, a company incorporated under the laws of Mauritius and a direct 100% subsidiary of the Company.
Mutual Funds	Mutual funds registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended.

Term	Description
Mutual Fund Portion	5% of the QIB Portion, equal to a minimum of 146,560 Equity Shares aggregating Rs.80.6 million, available for allocation to Mutual Funds from the QIB portion.
Net Issue	The Issue other than the Equity Shares included in the Employee Reservation Portion, aggregating 5,862,394 Equity Shares.
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and have bid for an amount more than Rs.100,000.
Non-Institutional Portion	The portion of the Issue being not less than 15% of the Net Issue consisting of 879,359 Equity Shares aggregating Rs.483.6 million, available for allocation to Non-Institutional Bidders.
Non-Residents	All eligible Bidders, who are not persons resident in India, including Eligible NRIs, FIIs registered with SEBI and FVCIs registered with SEBI.
Nor Pearl	Nor Pearl Knitwear Limited, a company incorporated under the laws of Bangladesh and a 99.87% direct subsidiary of the Company. The remaining 0.13% equity interest is owned by Pallas Holdings Limited, a promoter group company.
Norp Knit	Norp Knit Industries Limited, a company incorporated under the laws of Bangladesh and a direct 98.0% subsidiary of the Company. The remaining 2.0% equity interest is held equally by Mr. Pulkit Seth and Mr. Pallak Seth.
Norwest Industries (HK)	Norwest Industries Limited, a company incorporated under the laws of Hong Kong and an indirect subsidiary of the Company.
NRI/Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, such term as defined under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended.
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended. OCBs are not permitted to invest in this Issue.
Offer for Sale	The offer for sale by the Selling Shareholders of an aggregate of 1,225,200 Equity Shares.
Over-Allotment Shares	The Equity Shares allotted pursuant to the Green Shoe Option.
Pacific Logistics	Pacific Logistics Limited, a company incorporated under the laws of England and Wales and an indirect subsidiary of the Company.
Pay-in Date	The Bid/Issue Closing Date or the last date specified in the CAN sent to the Bidders, as applicable.
Pay-in Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid Closing Date; and (ii) With respect to QIBs, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date, as specified in the CAN.

Term	Description
Pearl Global	Pearl Global Limited, a company incorporated under the Companies Act and listed on stock exchanges in India and a 62.8% direct subsidiary of the Company. On October 6, 2006, the Honorable High Court of Delhi approved the scheme of merger and amalgamation of Pearl Global with its erstwhile subsidiary, Pearl Styles Limited, and City Estates Private Limited, which was a Promoter group company, with effect from April 1, 2005.
Poeticgem	Poeticgem Limited, a company incorporated under the laws of England and Wales and an indirect subsidiary of the Company.
Poeticgem Canada	Poeticgem (Canada) Limited, a company incorporated under the laws of Canada and an indirect subsidiary of the Company. This company was formerly called Depa International (Canada) Inc. prior to its acquisition by our subsidiary, Poeticgem, on October 1, 2006. The name was changed to "Poeticgem (Canada) Limited" on October 12, 2006.
Pre-IPO Placing	The private placement of 135,606 Equity Shares issued and allotted on December 26, 2006, to Lesing Mauritius Limited, a company in which Mr. Tom Tar Singh, our Director, has a beneficial interest through family interests, for cash consideration of Rs. 660 per Equity Share..
Preference Shares	Preference shares, par value Rs.10 each, issued by the Company from time to time.
Price Band	The price band with a minimum price (Floor Price) of Rs. 525 per Equity Share and the maximum price (Cap Price) of Rs. 600 per Equity Share, including all revisions thereof.
Pricing Date	The date on which the Company and the Selling Shareholders in consultation with the BRLM finalize the Issue Price.
Prospectus	This prospectus to be filed with the RoC containing, inter alia, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
PT Norwest	PT Norwest Industry, a company incorporated under the laws of Indonesia and an indirect subsidiary of the Company.
Public Issue Account	Account opened with the Bankers to the Issue to receive money from the Escrow Account for the Issue on the Designated Date.
QIBs or Qualified Institutional Buyers	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs.250 million and pension funds with a minimum corpus of Rs.250 million.
QIB Margin Amount	An amount representing at least 10% of the Bid Amount and the amount QIBs are required to pay at the time of submitting a Bid.
QIB Portion	The portion of the Issue being at least 50% of the Net Issue consisting of 2,931,197 Equity Shares aggregating Rs.1,612.2 million, to be allotted to QIBs on a proportionate basis.

Term	Description
Refund Account	The account opened with (an) Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount shall be made.
Registrar/Registrar to the Issue	Intime Spectrum Registry Limited.
Retail Individual Bidders	Bidders (including HUF) who have bid for Equity Shares of an amount less than or equal to Rs.100,000.
Retail Portion	The portion of the Issue being not less than 35% of the Net Issue consisting of 2,051,838 Equity Shares aggregating Rs. 1,128.5 million, available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid-cum-Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	The Red Herring Prospectus dated January 3, 2007 issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus was filed with the RoC on January 3, 2007
RoC	Registrar of Companies, Delhi and Haryana, located at New Delhi.
RTGS	Real Time Gross Settlement.
SCRA	The Securities Contract (Regulation) Act, 1956, as amended.
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended.
SEBI	The Securities and Exchange Board of India, constituted under the SEBI Act.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended.
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended.
SEBI MAPIN Regulations	The SEBI (Central Database of Market Participants) Regulations, 2003, as amended.
SEBI Takeover Regulations	The SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended.
Selling Shareholders	Shareholders of the Company offering Equity Shares in the Offer for Sale, consisting of Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth and Mr. Pulkit Seth.
Stabilizing Agreement	The agreement entered into by the Company, the Green Shoe Lender, the Company and the Stabilizing Agent on October 9, 2006 in relation to the Green Shoe Option, as amended pursuant to an amendment agreement dated December 14, 2006.
Stabilization Period	The period commencing from the date of obtaining trading permission for the Equity Shares from the Stock Exchanges and ending 30 days thereafter, unless terminated earlier by the Stabilizing Agent.
Stabilizing Agent or SA	JMMS.
Stock Exchanges	The BSE and the NSE.
Syndicate Agreement	The agreement to be entered into among the Company, the Selling Shareholders and the Syndicate, in relation to the collection of Bids in this Issue.

Term	Description
Syndicate Member	JM Morgan Stanley Financial Services Private Limited.
Syndicate or members of the Syndicate	The BRLM and the Syndicate Member.
Trade Marks Act	The Trade Marks Act, 1999, as amended.
TRS or Transaction Registration Slip	The slip or document issued by any of the members of the Syndicate to a Bidder as proof of registration of the Bid.
U.K. GAAP	Generally accepted accounting practice in United Kingdom.
U.S. GAAP	Generally accepted accounting principles in the United States of America.
Underwriters	The BRLM and the Syndicate Member.
Underwriting Agreement	The agreement among the Underwriters, the Company and the Selling Shareholders entered into on January 24, 2007.
VCFs	Venture Capital Fund as defined and registered with SEBI under the SEBI (Venture Capital Fund) Regulations, 1996, as amended.

Industry Related Terms and Abbreviations

Term	Description
AEPC	Apparel Export Promotion Council.
AIM	Apparel International Mart.
ALS	Advance Licensing Scheme.
ATC	Agreement on Textiles and Clothing.
DEPB Scheme	Duty Exemption Pass Book Scheme.
EPCG Scheme	Export Promotion Capital Goods Scheme.
EPZ	Export Processing Zone.
ERP	Enterprise Resource Planning.
FOB/Free on Board	The vendor fulfills its obligation to deliver when the goods are delivered to the freight forwarder designated by the customer, who is responsible for all freight costs and customs clearance.
FTP	The Foreign Trade Policy, as amended.
ITP	Integrated Textile Park.
MDA Scheme	Marketing Development Assistance Scheme.
MFA	Multi-Fibre Arrangement.
NTP-2000	National Textile Policy, 2000.
LDP/Landed Duty Paid	The vendor fulfills its obligation to deliver when the goods are delivered to the warehouse of the customer and includes all freight, customs clearance, warehousing and delivery costs.
SEZ	Special Economic Zone.
TUFS	Technology Upgradation Fund Scheme.
WTO	World Trade Organization.

Other Abbreviations/Terms

Abbreviation	Full Form
Air Act	Air (Prevention and Control of Pollution) Act, 1981, as amended.
AGM	Annual general meeting.
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
ASE	The Ahmedabad Stock Exchange Limited.
Boilers Act	The Indian Boilers Act, 1923, as amended.
BPLR	Below Prime Lending Rate.
BSE	The Bombay Stock Exchange Limited.
CAGR	Compound Annual Growth Rate.
CDSL	Central Depository Services (India) Limited.
CLB	Company Law Board.
Customs Act	The Customs Act, 1962, as amended.
CTA	The Customs Tariff Act, 1975, as amended.
Depositories	NSDL and CDSL.
DPIL	Daerah Pabean Indonesia Lainnya.
DSE	The Delhi Stock Exchange Association Limited.
EGM	Extraordinary general meeting.
EPS	Earnings per share.
ESI	Employee's State Insurance.
ESIC	Employee's State Insurance Corporation.
EU	The European Union.
FCNR Account	Foreign Currency Non-Resident Account.
FDI	Foreign Direct Investment, as understood under applicable Indian regulations.
FEMA	The Foreign Exchange Management Act, 1999, as amended, and the regulations framed there under.
FII	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended) registered with SEBI under applicable laws in India.
FIPB	The Foreign Investment Promotion Board of the Government of India.
GBP	British Pound, the official currency of the United Kingdom.
GDP	Gross Domestic Product.
GoI/Government	Government of India.
HIBOR	Hong Kong Interbank Offered Rate.

Abbreviation	Full Form
HUF	Hindu Undivided Family.
Insurance Regulatory and Development Authority	Statutory body constituted under the Insurance Regulatory and Development Authority Act, 1999, as amended.
IPO	Initial Public Offering.
I.T. Rules	The Income Tax Rules, 1962, as amended.
I.T. Act	The Income Tax Act, 1961, as amended.
LIBOR	London Interbank Offered Rate.
NAV	Net Asset Value.
NRE Account	Non-Resident External Account.
NRO Account	Non-Resident Ordinary Account.
NSDL	National Securities Depository Limited.
NSE	The National Stock Exchange of India Limited.
p.a.	Per annum.
P/E Ratio	Price/Earnings Ratio.
PAN	Permanent Account Number.
PAT	Profit after Tax.
PBT	Profit before Tax.
PLR	Prime Lending Rate.
RBI	The Reserve Bank of India.
RBI Act	The Reserve Bank of India Act, 1934, as amended.
RoNW	Return on Net Worth.
SIBOR	Singapore Inter Bank Offered Rate.
SICA	Sick Industries Companies (Special Provisions) Act, 1985, as amended.
Tk.	Taka, the official currency of Bangladesh.
UIN	Unique Identification Number.
U.K.	The United Kingdom.
U.S.	The United States of America.
Water Act	The Water (Prevention and Control of Pollution) Act, 1974, as amended.

PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Financial Data

Historically, we conducted business as a separate group of companies. Our domestic operations have been carried out by Pearl Global, a listed company in India, in which HoPFL owns a 62.8% equity interest. In order to integrate the international operations with our domestic operations, we commenced a restructuring of certain of our businesses, which we completed in a phased manner by May 31, 2006. On March 28, 2006, HoPFL incorporated its wholly-owned subsidiary in Mauritius, Multinational Textiles, which acquired a 100% equity interest in Global Textiles Group, a Mauritius company, on March 31, 2006, and an 85% equity interest in Norwest Industries (HK), a Hong Kong company, on May 31, 2006. Global Textiles Group owns Depa U.S., Poeticgem and PT Norwest, our principal operating companies in the United States, the United Kingdom and Indonesia, respectively. On March 28, 2006, HoPFL also acquired approximately 99.9% and 98.0%, respectively, of Nor Pearl and Norp Knit, companies incorporated in Bangladesh.

Following the restructuring, in addition to Pearl Global, each of Multinational Textiles, Nor Pearl, Norp Knit, Norwest Industries (HK), Global Textiles Group, Poeticgem, PT Norwest, Depa U.S., Poeticgem Canada and Pacific Logistics became a direct or indirect subsidiary of HoPFL. Further, on August 1, 2006, we also incorporated HoP (U.S.), a wholly-owned subsidiary in the U.S. Our indirect subsidiary, Depa International (Canada) Inc. was acquired by our subsidiary, Poeticgem, on October 1, 2006. Its name was changed to “Poeticgem (Canada) Limited” on October 12, 2006. For further details regarding our Group structure and the restructuring, see the section “History and Certain Corporate Matters” beginning on page 97 of this Prospectus.

For fiscal 2006 and prior year periods, the audited restated consolidated results of operations of HoPFL represent the consolidation of only our Indian Subsidiary, Pearl Global, and its subsidiaries during the applicable periods. Our Subsidiaries in Bangladesh were acquired on March 28, 2006; our Subsidiary in Mauritius, Multinational Textiles, was incorporated on March 28, 2006; and our other overseas Subsidiaries, other than Norwest Industries (HK) and HoP (U.S.), were acquired on March 31, 2006. The consolidated information of HoPFL does not include income and expenses in respect of these entities for fiscal 2006. The accumulated profits of these overseas Subsidiaries have been transferred to the pre-acquisition reserves. For the six months ended September 30, 2006, the audited consolidated information of HoPFL includes the income and expenses in respect of these entities for the entire period, other than Norwest Industries (HK), which is included with effect from June 1, 2006 and HoP (U.S.), which was incorporated on August 1, 2006.

We have set forth the following financial statements in this Prospectus:

(i) stand-alone financial statements of HoPFL for fiscal 2002, 2003, 2004, 2005 and 2006 and six months ended September 30, 2006, prepared in accordance with Indian GAAP and restated in accordance with SEBI Guidelines;

(ii) consolidated financial statements of HoPFL, its subsidiaries and associate entities, as applicable, for fiscal 2002, 2003, 2004, 2005 and 2006 and the six months ended September 30, 2006, prepared in accordance with Indian GAAP and restated in accordance with SEBI Guidelines;

(iii) consolidated financial statements of Pearl Global, its subsidiaries and associate entities, as applicable, for fiscal 2002, 2003, 2004 and 2005 and stand-alone financial statements of Pearl Global for fiscal 2006 and the six months ended September 30, 2006 giving effect to the merger of Pearl Global with Pearl Styles Limited, its erstwhile subsidiary, and City Estates Private Limited, which was a Promoter group company (“CEPL”), prepared in accordance with Indian GAAP. The scheme of merger and amalgamation of Pearl Global with Pearl Styles Limited and CEPL was approved by the Honorable High Court of Delhi on October 6, 2006, with effect from April 1, 2005;

(iv) stand-alone financial statements of Norwest Industries (HK) for fiscal 2002, 2003, 2004, 2005 and 2006 and the six months ended September 30, 2006, prepared in accordance with Hong Kong Financial Reporting Standards;

(v) stand-alone financial statements of Nor Pearl, which was incorporated on May 16, 2004, for fiscal 2005 and 2006 and the six months ended September 30, 2006, prepared in accordance with Bangladesh GAAP;

(vi) stand-alone financial statements of Norp Knit, which commenced operations on December 18, 2004, for fiscal 2005 and 2006 and the six months ended September 30, 2006, prepared in accordance with Bangladesh GAAP;

(vii) consolidated financial statements of Depa U.S., in which a 49% interest was acquired by a Promoter group company in June 2004, and its subsidiary during the relevant period, Poeticgem Canada (formerly, Depa International (Canada) Inc.), for fiscal 2005 and 2006 and the six months ended September 30, 2006, prepared in accordance with U.S. GAAP;

(viii) stand-alone financial statements of Poeticgem, which was acquired by a Promoter group company in June 2004, for fiscal 2005 and 2006 and the six months ended September 30, 2006, prepared in accordance with U.K. GAAP (Poeticgem has a 100% subsidiary, Pacific Logistics, and does not prepare financial statements on a consolidated basis);

(ix) stand-alone financial statements of Pacific Logistics for fiscal 2005 and 2006 and the six months ended September 30, 2006, prepared in accordance with U.K. GAAP;

(x) stand-alone financial statements of PT Norwest, which commenced operations in September 2002, for fiscal 2003, 2004, 2005 and 2006 and the six months ended September 30, 2006, prepared in accordance with Indonesian GAAP; and

(xi) stand-alone financial statements of HoP (U.S.), which was incorporated on August 1, 2006, for the two month period ended September 30, 2006, prepared in accordance with IFRS.

Unless otherwise specified or the context otherwise requires, all references to a particular fiscal year, “fiscal”, “Fiscal”, “FY” or “Financial Year” in this Prospectus are to the twelve months ended March 31 of that year.

Unless otherwise specified or the context otherwise requires, all references to “India” in this Prospectus are to the Republic of India, together with its territories and possessions; all references to the “US” or the “USA” or the “United States” or the “U.S.” are to the United States of America, together with its territories and possessions; all references to the EU are to the European Union, together with its territories and possessions and; all references to the “U.K.” or the “United Kingdom” are to the United Kingdom of Great Britain and Northern Ireland, together with its territories and possessions.

In this Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

There are significant differences between Indian GAAP, U.K. GAAP, Hong Kong Financial Reporting Standards and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements (consolidated or unconsolidated) included in this Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and SEBI Guidelines on the financial disclosures presented in this Prospectus should accordingly be limited. The Company and the Selling Shareholders have not attempted to reconcile or quantify those differences or their impact on the financial data included herein, and the Company and the Selling Shareholders urge you to consult your own advisors regarding such differences and their impact on our financial data. For more information on these differences, see “Summary of Significant Differences Among Indian GAAP, IFRS, U.S. GAAP and U.K. GAAP” beginning on page 197 of this Prospectus.

Currency of Presentation

All references to “Rupees” or “Rs.” or “INR” are to Indian Rupees, the official currency of the Republic of India. All references to “$”, “US$”, “USD”, “U.S.$”, “U.S. Dollar(s)” or “U.S. Dollar(s)” are to United States Dollars, the official currency of the United States of America. All references to “€” are to Euros, the official currency of the participating member states in the third stage of the Economic and Monetary Union of the treaty establishing the European Community. All references to “GBP(s)” or “£” or “pound sterling” are to British Sterling Pounds, the official currency of the United Kingdom. All references to “HK$” or “Hong Kong $” are to Hong Kong Dollars, the official currency of Hong Kong. All references to “Tk(s)” are to Takkas, the official currency of Bangladesh. All references to “CZK” are to Czeck Crowns, the official currency of the Czeck Republic.

This Prospectus contains translations of certain U.S. Dollar, Euro and other currency amounts into Indian Rupees (and certain Indian Rupee amounts into U.S. Dollars, Euros and other currency amounts). These have been presented solely to comply with the requirements of Clause 6.9.7.1 of the SEBI Guidelines. These translations should not be construed as a representation that such Indian Rupee or U.S. Dollar or other amounts could have been, or could be, converted into Indian Rupees, as the case may be, at any particular rate, the rate stated below or at all. Unless otherwise specified, all currency translations provided herein have been made based on the exchange rates specified at www.oanda.com, a currency web site.

Industry and Market Data

Unless stated otherwise, industry data used throughout this Prospectus has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes that the industry data used in this Prospectus is reliable, it has not been verified by any independent source.

Further, the extent to which the market data presented in this Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business, and methodologies and assumptions may vary widely among different industry sources.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain "forward looking statements". These forward looking statements can generally be identified by words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions.

Similarly, statements that describe our objectives, strategies, plans or goals are also forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Important factors that could cause actual results to differ materially from the Company's expectations include, among others:

- General economic, political and business conditions in India, the U.S. and our other primary markets such as Europe;
- Our dependence on a limited number of customers;
- Our ability to retain our customers and acquire new customers;
- Increasing competition and price pressures in the apparel industry;
- Our ability to successfully finance and implement our strategy, growth and expansion plans and technological changes;
- Our ability to successfully venture into the apparel retail sector;
- Our dependence on the Subsidiaries to generate earnings and to pay dividend to us;
- Changes in the value of the Rupee, the U.S. Dollar and other currencies;
- Our ability to source raw materials necessary for the manufacture of our products and changes in their prices;
- Accidents, natural disasters or other factors that affect our manufacturing facilities;
- Changes in laws and regulations that apply to our customers, suppliers and the textile and apparel industry; and
- Changes in conditions of our customers, suppliers and the apparel industry.

For further discussion of factors that could cause our actual results to differ, see the sections "Risk Factors", "Business" and Management's Discussion of Financial Condition and Results of Operations" beginning on pages xv, 70 and 150, respectively, of this Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

Neither the Company, its Directors and officers, the Selling Shareholders, any Underwriter, nor any of their respective affiliates or associates has any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the Company and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of final listing and trading permission by the Stock Exchanges for the Equity Shares allotted pursuant to the Issue.

SECTION II: RISK FACTORS

RISK FACTORS

An investment in our Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. Any potential investor in, and purchaser of, the Equity Shares should also pay particular attention to the fact that we are governed in India by a legal and regulatory environment which in some material respects may be different from that which prevails in the U.S. and other countries. If any of the following risks materialize, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline and you may lose all or part of your investment in the Equity Shares.

Internal Risk Factors

1. We face significant competition in our business.

We face significant competition as we compete with many domestic and foreign apparel manufacturers, some of which are significantly larger and have greater financial, distribution, marketing and other resources than us. This may result in lower sales prices for our products and decreased profit margins. Sales of our products are affected by a variety of factors, including:

- price;
- product quality;
- design and development; and
- delivery time.

We believe that the apparel industry will continue to be highly competitive and that the level of competition may intensify in the future. There can be no assurance that we will be able to compete successfully against present or future competitors or that competitive pressures faced by us will not have a material adverse effect on our business and results of operations.

2. The reduction and elimination of quantitative restrictions has resulted in significant pricing pressures in the apparel industry.

Restrictions on the quantity of textile and garment imports have been eliminated pursuant to the Agreement on Textiles and Clothing ("ATC") signed by certain member countries of the World Trade Organization ("WTO"), including countries to which we export garments. While the removal of the quantitative restrictions has increased the market share of developing countries, including India, it has also resulted in significant price competition among suppliers from these countries. Furthermore, restrictions on imports from China imposed by the U.S. and the EU in various garment categories may be removed after December 31, 2008, which may result in a further decline in prices in the apparel industry.

While quantitative restrictions have been eliminated, certain countries which enjoy free trade agreements, regional trade agreements and preferential trade agreements with major importing countries may have an advantage by way of lower import tariffs over exporters from countries that do not have such agreements. While we benefit from certain import duty exemptions granted by the EU and Canada in respect of certain varieties of garments exported from Bangladesh, there can be no assurance that this benefit will continue to be available. Further, other than Bangladesh, neither India nor any other country from which we export our products is currently a party to any such agreement.

To remain competitive, we must lower our prices from time to time in response to these pricing pressures. Moreover, increased customer demands for allowances and incentives reduce our gross margins and affect our profitability. Our financial performance may be negatively affected by these pricing pressures if we are forced to reduce our prices without a corresponding reduction in our production costs.

3. We are exploring opportunities to venture into the retail sector in India and outside India. We may be unsuccessful in this venture, which could adversely affect our growth and business.

To complement our existing business, we are pursuing opportunities to venture into the retail sector in India by retailing the products we manufacture at our manufacturing facilities in India directly to Indian consumers. We are also exploring retail opportunities outside India, either in the U.K. or the U.S. Our retail initiatives will require capital expenditures and initial working capital. We intend to utilize a portion of the net proceeds of the Fresh Issue to enter the retail garment market in India and outside India. See "Objects of the Issue" beginning on page 32 of this Prospectus. While we will seek to leverage our experience of sourcing garments cost effectively, in-house designing capabilities that allow us to respond to changing fashion trends, experience of retailing our own brands, *DCC* and *Kool Hearts*, and experience in warehousing, processing and distribution logistics, neither we nor our Promoters have significant operational experience in the retail segment and we have not generated any revenues from this business in the past. We have recently appointed Mr. Tom Tar Singh to our Board of Directors, who has significant experience in this sector. Our success in this initiative will, however, be dependant on our ability to continue to attract and retain talented personnel in this sector, including at the management level.

Further, risks inherent in the operation of the retail business will apply to us, including the ability to successfully find appropriate sites, negotiate favorable leases, design and create appealing merchandise, anticipate and respond to changing fashion trends, appropriately manage inventory levels, install and operate effective retail systems, apply appropriate pricing strategies, compete successfully with present and future competitors and integrate retail stores into our overall business mix.

Currently, the retail sector in India is highly fragmented and unorganized, principally comprising of traditional forms of low-cost retail trade resulting in low entry barriers and intense price competition. Establishing our market presence will depend on effective marketing initiatives and our ability to anticipate and respond to various competitive factors currently affecting the retail sector.

In addition, there are significant restrictions on foreign investment in retail trade in India, which may reduce our operational flexibility in connection with our planned retail initiatives.

In connection with our retail initiatives, we intend to utilize a portion of the net proceeds of the Fresh Issue for acquisitions of international brands. See also "Risk Factors - We face several risks associated with the implementation of new projects and acquisitions" below.

There can be no assurance that we will be successful in implementing our retail strategy or that any of our retail initiatives, if pursued, will be successful in increasing our sales or profitability.

4. We are subject to a number of risks inherent in doing business internationally.

We conduct our business and sell our products globally. Currently, we have operations in nine countries outside India and sell our products primarily in five countries. A significant number of our employees are located outside India. In addition, we source many of our products from third-party manufacturers based in China, Bangladesh and India. Almost all of our sales to date have been to customers in the U.S. and Europe. As a result of our expanding international operations, we are subject to risks in establishing and conducting operations internationally, including:

- currency fluctuations;
- cost structures and cultural and language factors associated with managing and coordinating our global operations;
- compliance with a wide range of laws, regulations and practices, including uncertainties associated with changes in laws, regulations and practices and their interpretation;

- trade restrictions, exchange controls and currency restrictions;
- exposure to expropriation or other government actions; and
- political, economic and social instability.

The cost of complying with government regulations can be substantial. For our manufacturing facilities, we are required to obtain licenses and approvals from different government agencies. In the countries where we export our products, we are required to obtain licenses and other approvals to establish and maintain a subsidiary or a sales agency, conduct sales and marketing activities and other activities related to the sale of our products in such countries. There can be long delays in obtaining the required clearances from regulatory authorities in any country after applications are filed. Any failure or delay in obtaining regulatory approvals and licenses and any onerous conditions on such licenses or approvals could adversely affect our business, financial condition and our results of operations.

In addition, the import of our products may be subject to tariff and non-tariff barriers in their countries of destination. We can provide no assurance that the import of our products will not be subject to such regulatory actions in the future.

Transactions between us and our overseas Subsidiaries may also be subject to Indian and foreign withholding taxes. Applicable tax rates in jurisdictions outside India differ from those in India. We may not be able to manage our global operations in a tax efficient manner or derive benefits from tax exemptions, which may adversely affect our financial condition and results of operations.

5. We face several risks associated with the implementation of new projects and acquisitions.

As a part of our growth strategy, we are planning to make investments related to the expansion of our production capacity, acquire existing brands in the U.K. or the U.S., and enter the retail sector in India and outside India. Accordingly, we may pursue strategic acquisitions of, or alliances with, other companies engaged in the manufacture, sale and/or distribution of apparel products. Our success in relation to such acquisitions and expansions will depend on, among other things, our ability to identify appropriate acquisition candidates and negotiate favorable financial and other terms. At any given time, we may be in various stages of considering such opportunities, although as of the date of this Prospectus, we have not identified acquisition targets or entered into any memorandum of understanding, letter of intent or any definitive agreement with respect to any acquisition or joint venture. Until the completion of the proposed acquisition of brands in the U.K. or the U.S. or other acquisitions for which a portion of the net proceeds of the Fresh Issue are proposed to be utilized, we intend to temporarily invest such proceeds in secured deposits with banks. See "Objects of the Issue" beginning on page 32 of this Prospectus.

The process of integrating acquired operations into the Company's operations or our planned entry in new initiatives such as the retail sector may result in unforeseen operating difficulties, absorb significant senior management attention or require additional financial resources. In particular, continued expansion increases the challenges involved in:

- recruiting, training and retaining sufficient skilled management, employees and marketing personnel;
- obtaining any consents or authorizations that may be required in respect of our integrated operations;
- adhering to quality and process execution standards that meet customer expectations;
- developing and preserving a uniform culture, values and work environment in our operations; and
- developing and improving our internal administrative infrastructure, including our financial, operational, communications and other internal systems.

There can be no assurance that we will be able to effectively integrate or manage our expanded operations or maintain our existing operations. Future acquisitions by us or the implementation of the proposed retail initiatives could also result in the incurrence of additional debt and contingent liabilities, which could have a material adverse effect on our financial condition and results of operations.

6. ***Our sales are highly dependent on customers located in the U.S. and Europe. Economic slowdowns or factors that affect the economic health of the U.S. and Europe may adversely affect our business.***

In fiscal 2006, almost all of our sales have been to customers in the U.S. and Europe. The apparel industry is highly dependent upon the overall level of consumer spending. If the current economic condition in the U.S. and Europe does not continue, or if there is any substantial reduction in the levels of discretionary spending or consumer income growth or increases in interest rates in any of these regions, our customers may significantly reduce or postpone their imports from us, which may in turn lower the demand for our products.

7. ***A significant portion of our revenues comes from a limited number of buyers. An adverse change in a customer relationship or in a customer's performance or financial position could harm our business and financial condition.***

Certain customers are material to our business and operations. JC Penney, ASDA Wal-Mart and The GAP are among our largest customers and accounted for a significant portion of our revenues in fiscal 2006. Since we do not have long-term sales contracts with customers and are not an exclusive supplier to our large customers, our revenues from our major customers may vary from year to year and from quarter to quarter. If we were to lose one or more of our major customers or if any one of our large customers significantly reduced its business with us or became financially troubled, our business, financial condition and results of operations would be materially and adversely affected.

We believe that there is a current trend among our major customers to concentrate purchasing among a smaller group of vendors. If any of our key customers reduces its number of vendors and consequently does not purchase from us, there may be a material adverse effect on us. Moreover, the global retail industry is now sourcing an increasing amount of its requirements from selected strategic vendors that demonstrate capabilities in respect of innovative product designs, quality manufacturing, effective inventory management, efficient logistics infrastructure, secured supply of raw materials, effective technologies and systems and compliance with ethical norms. While we have been identified as a strategic vendor by two of our customers, there can be no assurance that we will continue to be considered a strategic vendor for our current and future customers, which could have a material adverse effect on our business.

Furthermore, consolidation and other ownership changes in the global retail industry could result in centralized purchasing decisions and the ability of customers to exercise greater leverage over suppliers like us. Continued consolidation in the industry could adversely affect our business, financial condition and results of operations. We may also become more vulnerable to deterioration in the financial condition of, or other adverse developments related to, one or more of our customers. In addition, if one of our customers were acquired by a non-customer, our business with that customer could be reduced or terminated.

8. ***We do not have long-term contracts with our customers.***

While we have been dealing with some of our customers for several years, we do not have any long-term contracts with them. As a result, customers can terminate their relationships with us due to a change in vendor preference or any other reason upon relatively short notice, which could materially and adversely impact our business.

9. ***Our customers prescribe various quality and other standards with which we are required to comply.***

Our customers prescribe stringent standards and guidelines in relation to timeliness of deliveries, quality, confidentiality, labour standards and intellectual property and conduct periodic audits to ensure compliance with these standards. Any non-compliance on our behalf with respect to such customer requirements and dissatisfaction by customers during their audit checks can lead to loss of customers or decrease in their volume of business to us, which may adversely affect our business and results of operations.

10. ***Our inability to promptly identify and respond to changing customer preferences or evolving fashion trends may decrease the demand for our products among our customers, which would adversely affect our business.***

The apparel business is characterized by constant product innovation due to changing consumer preferences and evolving fashion trends. To compete successfully in the apparel industry, we must be able to identify and respond to changing consumer demands and tastes in advance of customer orders, as well as operate within substantial production and delivery constraints. Changes in product mix impacts our operating results and our margins. For example, in the past, we have experienced an increasing trend in the sale of knitted garments, although there can be no assurance that this will continue. One of our strategies is to leverage our strength in design to manufacture high-end apparel products. While our design experts are strategically located at some of the leading fashion centres in the world and we regularly introduce new designs, we cannot assure you that our designs will gain buyer acceptance and we will always be able to achieve internationally competitive design capabilities to meet customer expectations. In addition, we must be able to retain and continue to attract a talented design team and we may not be successful in our efforts. Failure to identify and respond to changes in consumer preferences could, among other things, limit our ability to differentiate our products, adversely affect consumer acceptance of our products, and lower sales and gross margins. Any of these factors could have a material adverse effect on our business and results of operations.

11. ***There is no assurance that our restructuring will be successful or that the Company will achieve expected results.***

We have recently completed a corporate restructuring by integrating our international and domestic operations under the Company. While we believe that such restructuring will deliver substantial benefits to us, integration of these operations will involve a number of risks, including difficulties in managing geographically dispersed operations and difficulties in assimilating these operations or personnel or in realizing projected efficiencies, cost savings and synergies. For details on our restructuring, see the section “History and Certain Corporate Matters” beginning on page 97 of this Prospectus.

12. ***Our consolidated financial statements for the fiscal year ended March 31, 2006 and prior periods are not comparable to those for future periods because of our recent restructuring; this Prospectus does not contain a pro forma income statement prepared in accordance with applicable U.S. federal securities regulations, which would have shown the historical consolidated results of operations of the Company assuming the restructuring had occurred at the beginning of the relevant reporting period. Due to intra-group transactions between the Company and the Subsidiaries, the pro forma consolidated sales revenue of the Company prepared in accordance with such regulations would have been less than the sales revenue derived from simply adding the sales revenues of such companies and the Company’s sales revenues.***

The financial statements and other financial information relating to the Company included in this Prospectus are not comparable to the financial statements and other financial information in future periods because of the recently completed restructuring in May 2006. Following the restructuring, the future consolidated financial statements of the Company will consolidate all the Subsidiaries. Accordingly, the consolidated group now includes and is expected to continue to include, additional significant business operations, the results of which are not fully reflected in the Company’s historical financial statements. For example, for fiscal 2006 and prior year periods, the audited restated consolidated results of operations of the Company represent the consolidation of only our Indian Subsidiary, Pearl Global, and Pearl Global’s subsidiaries during the applicable periods.

Further, this Prospectus does not contain a pro forma balance sheet or a pro forma income statement prepared in accordance with applicable U.S. federal securities regulations or in accordance with common practices in other jurisdictions, which would have shown the historical results of operations of the Company assuming the restructuring had occurred at the beginning of the relevant reporting period.

If a pro forma balance sheet or a pro forma income statement prepared in accordance with such regulations had been prepared, such balance sheet or income statement would reflect certain adjustments required by such regulations. In particular, due to intra-group transactions between the Company and the Subsidiaries, the pro forma consolidated sales revenue of the Company prepared in accordance with such regulations would have been less than the sales revenue derived from simply adding the sales revenues of such Subsidiaries and the Company's sales revenues. For a list of certain material intra-group transactions for fiscal 2006, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 150 of this Prospectus. Investors should not construe the historical financial statements of the Company contained herein as reflecting the historical results of operations of the businesses that will be consolidated with the Company in fiscal 2007, or are expected to be consolidated with the Company in future periods.

13. *We may be unable to effectively manage our rapid infrastructure, personnel and customer growth.*

We currently operate ten modern ready-to-wear apparel manufacturing facilities, of which six are located in North India, one in South India, two in Bangladesh and one in Indonesia. As of June 30, 2006, we owned approximately 5,224 sewing machines, 15 computerized embroidery machines and a variety of other sophisticated equipment and engaged 10,528 regular and contract employees, compared to 5,930 regular and contract employees as of March 31, 2005. The number of customers of the Group has increased from 54 and 40 as of March 31, 2005 and 2004, respectively, to 60 as of March 31, 2006. This includes approximately 40 new customers in the last three years, including Esprit, S. Oliver, V F Corporation, Mervins, Sears, Next, Bonton and Gordmans. Our inability to manage such rapid expansion effectively or to ensure the continued adequacy of our current systems could have a material adverse effect on our business.

14. *Our business is dependent on Group-operated manufacturing facilities and third-party manufacturing units. The loss of or shutdown of operations at any of our manufacturing facilities or third-party manufacturing units may have a material adverse effect on our business, financial condition and results of operations.*

Our products are produced in our ten manufacturing facilities located in Bangladesh, India and Indonesia. In addition, we also source products from approximately 150 factories operated by third-party manufacturers located in Bangladesh, China and India, who may also supply apparel to other vendors that compete with us.

Our Group-operated manufacturing facilities and third-party manufacturing units are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, strikes, lock-outs continued availability of services of our external contractors, earthquakes, floods and other natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results.

While we take precautions to minimize the risk of any significant operational or other problems at these facilities, our business, financial condition and results of operations may be adversely affected by any unexpected disruption or interruption of operations at these facilities.

15. *Fluctuations in the price, availability and quality of raw materials could cause delay and increase costs.*

We rely on third-party suppliers for fabric and other raw materials. Fluctuations in the price, availability and quality of the fabrics or other raw materials used by us in our manufactured apparel could have a material adverse effect on our cost of sales or our ability to meet our customers' demands. The prices for such fabrics depend largely on the market prices for the raw materials used to produce them, particularly cotton. The price and availability of such raw materials may fluctuate significantly, depending on many factors, including crop yields and weather patterns. Any material shortage or interruption in the supply or decrease in the quality of these raw materials due to natural causes or other factors could result in increased production costs that we may not be able to pass on to our customers, which in turn would have a material adverse effect on our margins and results of operations.

Further, our suppliers of fabrics and other raw materials may allocate their resources to service other clients ahead of us. While we believe that we could find additional vendors to produce these fabrics and other raw materials, any failure of our suppliers to deliver these fabrics and raw materials in the necessary quantities or to adhere to delivery schedules or specified quality standards and technical specifications would adversely affect our production processes and our ability to deliver orders on time and at the desired level of quality. As a result, we may lose a customer or incur contractual penalties or liabilities for failure to perform contracts, which could have a material adverse effect on our business, financial condition and results of operations.

16. Our success depends on our ability to attract and retain high quality personnel.

Our success depends on the continued services and performance of the members of our management team and other key employees, such as our designers, whose talent we believe provides us with a significant competitive advantage. Competition for senior management and key personnel in the industry is intense, and we may not be able to retain our existing senior management or key personnel or attract and retain new senior management or key personnel in the future. The loss of the services of our senior management or key personnel could seriously impair our ability to continue to manage and expand our business. We do not maintain key man life insurance for most of our Promoters, senior members of our management team or other key personnel.

17. We may face labour disruptions and other planned and unplanned outages that would interfere with our operations.

Our activities are labour intensive. Strikes and other labour action may have an adverse impact on our operations, though we have not experienced any such labour disruption in the past. We cannot guarantee that we will not experience any strike, work stoppage or other industrial action in the future. Also, the third-party suppliers of raw materials or apparel products, including in jurisdictions outside India, which we use may experience strikes or other industrial action. Any such event could disrupt our operations, possibly for a significant period of time, result in increased wages and other costs and otherwise have a material adverse effect on our business, results of operations or financial condition. For further details, see the section "Business - Employees" beginning on page 85 of this Prospectus.

In addition, work stoppages, refurbishments, installation of new plants, accidents or sustained bad weather at our operations could result in production losses and delays in delivery of our products, which may adversely affect our operations and profitability. Production may also fall below historic or estimated levels as a result of unplanned outages.

18. Our success depends on the smooth supply and transportation of our products from our manufacturing facilities to our customers, which are subject to various uncertainties and risks.

We depend on air or sea borne freight, rail and trucking to deliver our products from our manufacturing facilities to our customers. We rely on third parties to provide such services. These transportation facilities may not be adequate to support our existing and future operations. Further, disruptions of transportation services due to weather-related problems, strikes, lock-outs, inadequacies in the road infrastructure and port facilities, or other events could impair our ability to supply our products to our customers. Any such disruptions could materially and adversely affect our business, financial condition and results of operations.

19. Our Promoters have significant control over us and have the ability to direct our business and affairs. Their interests may conflict with your interests as a shareholder.

As of March 31, 2006, our Promoters owned 100% of our issued Equity Shares. Of our nine directors, three are Promoters, which includes our Chairman, Vice-Chairman and Managing Director, respectively. After the completion of this Issue, our Promoters will collectively own approximately 66.82% of our issued Equity Shares (64.76% assuming the Green Shoe Option is exercised in full).

Our Promoters have the ability to control our business, including matters relating to any sale of all or substantially all of our assets, timing and distribution of dividends, election of our officers and directors and change of control transactions. This control could delay, defer or prevent a change in control of the Company, impede a merger, consolidation, takeover or other business combination involving the Company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company even if it is in the Company's best interest. The Promoters may have interests that are adverse to the interests of holders of the Equity Shares, and may take positions with which we or the other holders of Equity Shares do not agree.

20. There may be possible conflicts of interest between us and the entities forming part of our Promoter group or with entities in which our Directors are interested.

The object clauses as contained in the memorandum of association of some of the companies forming part of the Promoter group enable them to carry on the business of manufacturing, distribution and branding of garments and establishing, operating and managing retail outlets. Although a significant portion of our operations is in geographic locations distinct from those in which our Promoter group companies are conducting business, we may still compete with these entities for business. As a result, there may be conflicts of interest between us and the Promoter group companies in addressing business opportunities and strategies. In addition, some of our Directors are also directors on the boards of our Promoter group companies or other companies engaged in, or whose memorandum of association enable them to engage in, the same line of business as us. These overlapping directorships could create conflicts of interest between us and the Promoter group companies or other entities.

21. Changes in technology may render our current technologies obsolete or require us to make substantial capital investments.

The apparel industry has experienced rapid improvements in technology and sophistication in apparel production equipment. The use of modern technology and automation in apparel manufacturing processes is essential to reduce costs and accelerate execution. Although we strive to keep our technology, plants and machinery current with the latest international technological standards, the technologies, plants and machinery currently employed by us may become obsolete. The cost of implementing new technology and upgrading our machines could be significant and could adversely affect our financial condition and results of operations.

22. We have not entered into any definitive agreements to utilize the net proceeds of the Fresh Issue.

We intend to use the net proceeds of the Fresh Issue to, among other things, expand our production capacity, acquire existing brands in the U.K. or the U.S., and enter the retail sector in India and outside India. We also intend to use a portion of the net proceeds of the Fresh Issue for general corporate purposes. See "Objects of the Issue" beginning on page 32 of this Prospectus.

We have not entered into any definitive agreements to utilize a substantial portion of the net proceeds. Further, we have not identified the general corporate purposes for which we intend to utilize a portion of the net proceeds of the Fresh Issue. Our expenditure plans are based on management estimates and have not been appraised by any bank or financial institution or any other independent organization. There can be no assurance that we will be able to conclude definitive agreements for such investment on terms anticipated by us or at all. Our management will have significant flexibility in applying the proceeds received by us from the Fresh Issue. We intend to rely on our internal systems and controls to monitor the use of such proceeds.

23. Our plans for the utilization of the proceeds of the Fresh Issue are subject to cost overruns and delays.

Our expenditure plans are subject to a number of variables, including possible cost overruns and changes in the management's views of the desirability of current plans. Any unanticipated increase in the cost of this expansion could adversely affect our estimates of the project cost and our ability to implement the projects as proposed. We may not be able to achieve the economic benefits expected of these projects and our failure to achieve such benefits may adversely affect our financial condition and results of operations. In addition, these projects and any other future projects could be delayed due to failure to receive regulatory approvals, technical difficulties, human resource, technological or other resource constraints, or for other unforeseen reasons, events or circumstances. We may not be able to attract personnel with sufficient skill or sufficiently train our personnel to manage such projects. Further, we are in the process of placing orders for certain plant and machinery in relation to our projects. Any difficulties in obtaining timely supply of such plant and machinery may adversely affect the implementation of these projects.

24. A portion of the net proceeds of the Fresh Issue will be utilized for payments to certain Promoter group companies.

A portion of the net proceeds of the Fresh Issue, constituting 17.75% of the total proceeds of the Issue, will be utilized for payments to certain Promoter group companies, details of which are set forth in the table below:

Promoter group company	**Particulars**	**Amount (Rs. Million)[(1)]**
Pallas Holdings Limited	Repayment of loans availed by Global Textiles Group and Multinational Textiles pursuant to loan agreements in respect of: 1) Poeticgem for £312,784; 2) Depa U.S. for US$562,500; and 3) Norwest Industries (HK) for US$451,053	Rs.73.5
Pallas Holdings Limited	Consideration for the acquisition of Norwest Industries (HK) for US$3,995,000	Rs.183.7
SACB Holdings Limited	Consideration for the acquisition of Global Textiles Group for US$7,110,000 pursuant to a share purchase agreement dated March 31, 2006	Rs.327.0

(1) *To comply with SEBI Guidelines, figures in foreign currency have been converted into Rupees applying a closing rate on September 30, 2006 as follows: US$1.00=Rs.45.99 and £1.00=Rs.86.12.*

For further details, see "Objects of the Issue" beginning on page 32 of this Prospectus.

25. We intend to utilize a portion of the net proceeds of the Fresh Issue for investment in our Subsidiary, Pearl Global.

A portion of the net proceeds of the Fresh Issue, constituting 11.10% of the total proceeds of the Issue, will be utilized for investment in our Subsidiary, Pearl Global. We intend to invest in Pearl Global for, among other things (i) establishment of a new woven manufacturing facility in the State Industries Promotion Corporation of Tamil Nadu Limited Industrial Park, Irungattukotai, India, (ii) establishment of a new wovens and knits manufacturing facility in Narsingpur, Gurgaon, Haryana, India, (iii) acquisition of an existing knitted garment manufacturing facility in Khandsa, Gurgaon, Haryana, India, and (iv) establishment of a design centre and corporate office at Gurgaon, Haryana, India. Pearl Global, whose shares are listed on the BSE and the NSE, has not declared dividends during the past four years. However, Pearl Global has paid dividends at the rate of Rs.3 per equity share (i.e., 30% of the face value) for the fiscal year ended March 31, 2006.

26. ***Our business plans may need substantial capital and additional financing in the form of debt and/or equity to meet our requirements.***

The actual amount and timing of future capital requirements may differ from our current estimates for various reasons, including but not limited to unforeseen delays or cost overruns, unanticipated expenses, market developments or new opportunities in the industry. In addition to the net proceeds of the Fresh Issue, we will be required to generate cash from operations to meet our current proposed capital expenditure plans. We may not be able to generate internal cash as estimated and may have to resort to alternate sources of funds. Sources of additional financing may include commercial borrowings, vendor financing, or issue of equity or debt instruments. If we decide to raise additional funds through incurring more debt, our interest obligations would increase and we may be subject to additional covenants, which could limit our ability to access cash flows from our operations. If we decide to raise additional funds through the issuance of equity or convertible instruments, your shareholding in the Company could be diluted.

27. ***Certain land on which we have established or intend to establish our facilities is not registered in our name.***

The land in respect of a new manufacturing facility in Khandsa, Gurgaon, which we are currently using pursuant to an agreement, is not registered in our name. Our Subsidiary, Pearl Global, has entered into an agreement on July 18, 2006 with Texport Fashions, a partnership firm ("Texport"), for the purchase of the manufacturing facility and has paid a portion of the sale consideration. The remaining consideration, for which we intend to utilize a portion of the net proceeds of the Fresh Issue, is payable upon the execution of a sale deed and receipt of permission from the Haryana Urban Development Authority, Gurgaon ("HUDA") for transfer of the land in respect of the manufacturing facility. There can be no assurance that HUDA will grant such approval and we will be able to complete the purchase of such facility. For further details, see "Objects of the Issue" beginning on page 32 of this Prospectus.

28. ***The registered office of the Company is registered in the name of Pearl Housing (India) Private Limited, an erstwhile group company that has since merged into the Company.***

The registered office of the Company was initially allotted to Pearl Housing (India) Private Limited ("PHL") under a perpetual lease deed dated April 5, 1983 from the Delhi Development Authority ("DDA"). PHL merged into the Company under a court sanctioned scheme of merger and amalgamation effective April 1, 1999. Under the scheme of merger and amalgamation, PHL's properties, including the leasehold to the registered office, were transferred to and vested in the Company. As of the date of this Prospectus, the Company has not received the consent of the DDA for transfer of the leasehold. There can be no assurance that the DDA will grant such consent, and non-receipt of the DDA's consent could result in the cancellation of the lease deed and cause the Company to undertake steps to change its registered office, including seeking shareholder and other approvals.

29. ***We require licenses and approvals for our operations, which may be subject to periodic renewal and review. Failure to obtain them in a timely manner or at all may adversely affect our operations.***

We require certain approvals, licenses, registrations and permissions to operate our business, some of which have expired and for which we have either made or are in the process of making an application for obtaining the approval or renewing such licenses, registrations and permissions, including certain environmental consents for some of our factories. For more information, see the section "Government and Other Approvals" beginning on page 230 of this Prospectus. If we fail to obtain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected.

30. ***Our lenders have imposed certain restrictive conditions on us under our financing arrangements.***

Under our financing arrangements, we are required to obtain the prior, written lender consent for, among other matters, changes in our capital structure, issuance of new shares and disposing a substantial portion of our assets. Further, we are required to maintain certain financial ratios. There can be no assurance that we will be able to comply with these financial or other covenants or that we will be able to obtain the consents necessary to take the actions we believe are necessary to operate and grow our business.

Our level of existing debt and any new debt that we incur in the future has important consequences. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future working capital and capital expenditures and other general corporate requirements;
- require us to dedicate a substantial portion of our cash flow from operations to service our debt;
- limit our flexibility to react to changes in our business and the industry in which we operate;
- place us at a competitive disadvantage to any of our competitors that have less debt;
- require us to meet additional financial covenants; and
- limit, along with other restrictive covenants, among other things, our ability to raise additional funds.

We cannot assure you that our business will generate cash in an amount sufficient to enable us to service our debt or fund our other liquidity needs. In addition, we may need to refinance all or a portion of our debt on or before maturity. We cannot assure you that we will be able to refinance any of our debt on commercially reasonable terms or at all. For further information, see the section "Our Indebtedness" beginning on page 210 of this Prospectus.

31. Our insurance coverage may not adequately protect us against all possible losses.

Our operations are subject to hazards and risks inherent in production and distribution processes, such as releases of hazardous substances and other environmental risks, mechanical failure of equipment at our facilities and natural disasters. In addition, many of these operating and other risks may cause personal injury, severe damage to or destruction of our properties and may result in suspension of operations and the imposition of civil or criminal penalties.

While we believe that we maintain insurance coverage in amounts consistent with industry norms, our insurance policies do not cover all risks and are subject to exclusions and deductibles. If any or all of our production facilities are damaged in whole or in part and our operations are interrupted for a sustained period, there can be no assurance that our insurance policies will be adequate to cover the losses that may be incurred as a result of such interruption or the costs of repairing or replacing the damaged facilities. If we suffer a large uninsured loss or any insured loss suffered by us significantly exceeds our insurance coverage, our business, financial condition and results of operations may be materially and adversely affected. See the section "Business - Insurance" beginning on page 36 of this Prospectus.

32. We have recently applied for registration of our trademark 'House of Pearl' and 'Kool Hearts'. Until such registrations are granted, we may not be able to prevent other persons from using the trademarks or logo.

We have made an application dated April 5, 2006 for registration of the *House of Pearl* trademark and associated logo, through our Subsidiary, Pearl Global, under the Indian Trade Marks Act, 1999 ("Trade Marks Act") under class 25 as classified under the Trade Marks Act. On May 23, 2006, our Subsidiary, Depa U.S., also made an application in the U.S. for the registration of the *Kool Hearts* trademark. Until such registrations are granted, we may not be able to prohibit other persons from using the trademarks or logos.

33. Our customers' proprietary rights or our rights may be misappropriated by our employees, consultants or suppliers.

We rely in part on mutual trust for protection of our trade secret and confidential information relating to our production and other processes and our customers' intellectual property. While it is our policy to take precautions to protect our trade secrets and confidential information against the breach of trust by our employees, consultants, customers and suppliers, we do not have written confidentiality agreements with most of them. As such, it is possible that unauthorized disclosure of our or our customers' trade secrets or confidential information may occur. We cannot assure you that we will be successful in protecting our or our customers' trade secrets and confidential information. We take steps to limit access to and distribution of our customers' intellectual property and other confidential information. However, we can give no assurance that the steps taken by us in this regard will be adequate to enforce our clients' intellectual property rights. If our customers' proprietary rights are misappropriated by our employees, consultants or suppliers, in violation of any applicable confidentiality agreements or otherwise, our customers may consider us liable for that act and seek damages and compensation from us.

Although we believe that our products and services do not infringe upon the intellectual property rights of others and that we have all the rights necessary to use the intellectual property employed in our business, there can be no assurance that infringement claims will not be asserted against us in the future. Assertion of such claims against us could result in litigation. Any such claims, regardless of their outcome, could result in substantial costs to us and divert management's attention from our operations and require us to pay damages, develop non-infringing intellectual property or acquire licenses to the intellectual property that is the subject of the asserted infringement. This could have a material adverse effect on our business, financial condition and results of operations.

34. ***Our Promoters and Directors have interests in us other than reimbursement of expenses incurred or normal remuneration or benefits.***

Our Promoters and some of our Directors are interested in us to the extent of their shareholding in the Company. Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue. Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth and Mr. Pulkit Seth may be regarded as interested parties in the proceeds of the Offer for Sale. Further, Mr. Pulkit Seth may also be regarded as an interested party in the payment of fees as Green Shoe Lender. For details, see "Green Shoe Option" beginning on page 6 of this Prospectus.

We recently appointed Mr. Tom Tar Singh as a Director on September 26, 2006. Pursuant to arrangements with him, Patron India II was issued and allotted 190,000 Equity Shares on October 3, 2006. On December 1, 2006, the Equity Shares held by Patron India II were transferred to Lesing Mauritius Limited, a company in which Mr. Singh has a beneficial interest through family interests. Further, on December 26, 2006, 135,606 Equity Shares were issued and allotted to Lesing Mauritius Limited pursuant to the Pre-IPO Placing.

All of the Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the Equity Shares. For more details, see the sections, "Capital Structure", "Our Management" and "Related Party Transactions" beginning on pages 23, 115 and 148 of this Prospectus, respectively.

35. ***The Company has entered into certain business transactions with related parties.***

We have entered into transactions with several related parties, including our Promoters and Directors. For more information regarding our related party transactions, see the disclosure on related party transactions contained in the Company's restated consolidated financial statements included on page F-60 of this Prospectus.

36. ***There are legal and regulatory proceedings that have been initiated against us in connection with our business.***

The Company and its Subsidiaries are party to litigation matters that are in the ordinary course of business.

These proceedings are pending at different levels of adjudication before various courts, tribunals, enquiry officers, and appellate tribunals. Although we intend to defend or appeal these lawsuits vigorously, we may be required to devote management and financial resources to such actions. An adverse outcome in any of these litigations could have a material adverse effect on our business, financial condition and results of operations. For further details on these proceedings, see the section "Outstanding Litigation and Material Developments" beginning on page 212 of this Prospectus.

37. ***In the past, certain offences under the Companies Act have been compounded in relation to our erstwhile subsidiary, Pearl Styles Limited, and our Promoter group company, Pearl Academy of Fashion India Limited. Certain of our Subsidiaries and Promoter group companies have also been penalized for delays in the filing of certain tax returns.***

Proceedings were instituted before the Company Law Board, Northern Region Branch (the "CLB") in relation to our erstwhile subsidiary, Pearl Styles Limited, regarding failure to appoint a company secretary as required under Section 383A of the Companies Act. This offence was compounded pursuant to an order dated May 30, 2006 of the CLB upon payment of a fine of Rs.5,000 by Pearl Styles Limited and Rs.1,000 each by its directors in their individual capacity. Pearl Styles Limited has now merged with and into Pearl Global.

Proceedings were also initiated before the Regional Director, Ministry of Company Affairs, Government of India (the "Regional Director") against one of our Promoter group companies, Pearl Academy of Fashion India Limited, regarding delay in filing its statutory report with the RoC. The offence was compounded pursuant to an order of the Regional Director dated December 14, 2004 upon payment of Rs.5,000 each by its directors, Mr. Sanjay Pershad, Mr. Sunil Seth and Mr. Pulkit Seth.

For details regarding penalties for delays in filing of tax returns imposed on certain of our Subsidiaries and Promoter group companies, see "Outstanding Litigation and Material Developments" on page 212 of this Prospectus.

38. ***In the past, our Subsidiary, Pearl Global, has received show cause notice from the NSE for certain non-compliances.***

Pearl Global received letters dated August 30, 2002, October 10, 2002 and October 18, 2002 from the NSE noting instances of non-compliance with certain provisions of the listing agreement and the SEBI Takeover Regulations. Further, on September 16, 2002, Pearl Global received a notice from the NSE requiring Pearl Global to show cause as to why admission of the securities of Pearl Global for dealings on the exchanges should not be suspended since Pearl Global had not provided necessary explanations/submissions sought through NSE's letter dated August 30, 2002. Subsequently, on October 28, 2002, another letter was received from the NSE informing Pearl Global of its decision to suspend the trading in the equity shares of Pearl Global with effect from November 11, 2002 if satisfactory response was not provided in connection with the non-compliances. Consequent to Pearl Global's satisfactory response to the above letters, the NSE revoked its decision to suspend the trading in the equity shares of Pearl Global on November 8, 2002.

39. ***There were deviations, including shortfalls, in the performance vis-à-vis projections made by Pearl Global in its previous issue.***

In February 1994, Pearl Global, completed a public issue of 1,986,150 equity shares of Rs.10 each at a premium of Rs.25 per equity share aggregating Rs.69.5 million. With respect to certain parameters, there are deviations, including shortfalls, between the financial and operational projections made in the offering document and the actual performance of Pearl Global.

For further information, please see "History and Certain Corporate Matters" beginning on page 97 of this Prospectus.

40. We have certain contingent liabilities which may adversely affect our financial condition.

As of September 30, 2006, contingent liabilities not provided for in our restated consolidated financial statements aggregated Rs.975.9 million. These included liabilities relating to the following:

Description	Amount (in Rupees)
House of Pearl Fashions Limited	
Counter guarantee given by the company against bank guarantee given by the bank on its behalf	2,400,000
Pearl Global Limited	
Claims against the company not acknowledged as debts and other matters	3,194,573
Export bills discounted with banks	67,314,411.50
Counter guarantees given by the company against bank guarantees given by the bank on its behalf	2,500,000
Counter guarantee given by the company to the sales tax department for its associate company	150,000
Guarantee given by the company for other parties in respect of loans (term loan of Rs.40,000,000 availed by them)	Nil
Guarantee given by the company for holding company in respect of term loan of Rs.167,000,000 and working capital limit of Rs.70,000,000	163,000,000
Guarantee given to government authorities in respect of facilities availed by holding and subsidiary companies and other parties	250,000
Norp Knit Industries Limited	
Letters of credit outstanding	123,120,000
Nor Pearl Knitwear Limited	
Letters of credit outstanding	75,312,000
Bank guarantee	4,060,800
Multinational Textiles Group Limited	
Guarantee given by the bankers of the company's subsidiary, Poeticgem Limited	34,442,969
Letters of credit outstanding of Depa International Inc.	105,317,100
Guarantee given to banks in connection with facilities granted to third parties by Norwest Industries Limited	394,864,529

In the event that any of these contingent liabilities materialize, our financial condition and results of operations may be adversely affected. For further information, see note 6 of Annexure V of our restated consolidated financial statements as of September 30, 2006, beginning on page F-49 of this Prospectus.

41. *Certain of the Subsidiaries and Promoter group entities have incurred losses, which may adversely affect our results of operations.*

Certain of the Subsidiaries have incurred losses in the years ended March 31, 2004, 2005 and 2006, as set forth below:

Subsidiaries that have incurred losses:

Name of the Subsidiary	**Profit (loss) in the year ended March 31,**[1]		
	2004	**2005**	**2006**
Pacific Logistics	-	£(3,145) (Rs.(0.3) million)	£105,587 (Rs.8.3 million)
PT Norwest	US$(34,603) (Rs.(1.6) million)	US$(292,896) (Rs.(13.2) million)	US$536,174 (Rs.23.7 million)
Nor Pearl	-	-	Tk.(49,653,455) (Rs.(33.8) million)
Norp Knit	-	Tk.(19,425,994) (Rs.(14.9) million)	Tk.(32,143,747) (Rs.(21.8) million)
Global Textiles Group	-	-	US$(4,469) (Rs.(0.2) million)
Multinational Textiles	-	-	US$(9,690) (Rs.(0.4) million)

Promoter group entities directly promoted by the Promoters that have incurred losses:

Certain of our Promoter group entities have incurred losses in the years ended March 31, 2004, 2005 and 2006, as set forth below:

(Rs. thousand, except as otherwise specified)

Name of the Promoter group entities	**Profit (loss) in the year ended March 31,**		
	2004	**2005**	**2006**
Pearl Academy of Fashion India Limited	(124)	(117)	(1,220)
Images Pearl Retail Solutions Private Limited	-	(1,277)	(6,513)
Nim International Commerce Pvt. Limited	(24)	(82)	(11)
Vau Apparels Private Limited	(1,293)	(288)	(251)
Crown Computerized Embroideries	(209)	332	1,479
Transnational Textile Group Limited (US$ thousand)	-	-	(5) (Rs.(232))[1]
PAF International Limited (Tk. thousand)	-	-	(274) (Rs.(186))[1]

In addition, our Promoter group company, TK's-Sportswear GmbH, also incurred losses in the last three years as follows:

(Rs. thousand, except as otherwise specified)

Name of the Promoter group Company	Profit (loss) in the year ended January 31,		
	2004	2005	2006
TK's-Sportswear GmbH (Euro thousand)	146 (Rs.7,803)[(2)]	(15) (Rs.(850))[(2)]	- -

Other Promoter group entities that have incurred losses:

(Rs. thousand, except as otherwise specified)

Name of the Promoter group entities	Profit (loss) in the year ended March 31,		
	2004	2005	2006
Repute Land and Leasing Private Limited	(6)	(7)	(8)
Vastras	224	508	(801)
Pallas Holdings Limited (US$ thousand)	47 (Rs.2,163)[(1)]	35 (Rs.1,573)[(1)]	(127) (Rs.(5,635))[(1)]

[(1)] *To comply with SEBI Guidelines, the profit and loss items have been translated at an average rate prevailing during each period:*

	Year ended March 31,		
	2004	2005	2006
Average Rate			
Per £	-	*Rs.82.95*	*Rs.79.08*
Per US$	*Rs.46.03*	*Rs.44.94*	*Rs.44.28*
Per Tk.	-	*Rs.0.77*	*Rs.0.68*

[(2)] *To comply with SEBI Guidelines, figures in Euro have been converted into Rupees applying an average rate of Rs.53.32, Rs.56.39 and Rs.54.60 for Euro 1.00 for profit and loss items for the fiscal year ended January 31, 2004, 2005 and 2006, respectively.*

42. On a stand-alone basis, the Company has experienced negative cash flows in prior periods.

For the fiscal years ended March 31, 2004 and 2005 and the six months ended September 30, 2006, on a stand-alone basis, the Company had a negative cash flow from operating activities of Rs.3.9 million, Rs.46.0 million and Rs.17.0 million, respectively. For the fiscal year ended March 31, 2006 and the six months ended September 30, 2006, on a stand-alone basis, the Company had a negative cash flow from investing activities of Rs.25.2 million and Rs.143.5 million, respectively, reflecting payment for investment in Multinational Textiles and acquisition of Nor Pearl and Norp Knit, in the six months ended September 30, 2006, and increase in interest in HoPP Fashions, a partnership firm, in fiscal 2006. Any negative cash flows in the future could adversely affect the Company's stand-alone results of operations and financial condition.

43. The Company relies on its Subsidiaries to generate earnings, and any decline in the earnings of its Subsidiaries or their ability to pay dividends to the Company could materially and adversely affect the Company's earnings.

Currently, the Company has limited manufacturing and trading operations and conducts a significant portion of its operations through its direct or indirect Subsidiaries. A substantial portion of the Company's assets are held by, and a substantial part of its earnings and cash flows are attributable to, its Subsidiaries. If earnings from the Subsidiaries were to decline, the Company's earnings and cash flow would be materially and adversely affected. We cannot assure you that the Subsidiaries will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to enable us to meet our obligations, pay interest and expenses or declare dividends.

44. *While the Company declared dividends in fiscal 2006, we cannot assure you that the Company will make dividend payments in the future.*

While the Company declared dividends in fiscal 2006, the Company may not pay dividends in the future. Such payments will depend upon a number of factors, including the Company's consolidated and stand-alone results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions, applicable Indian legal restrictions and other factors considered relevant by the Board.

45. *In the last twelve months, the Company has issued Equity Shares at a price which may be lower than the Issue Price.*

In the last twelve months, the Company has made the following issuances of Equity Shares at a price which may be lower than the Issue Price:

Date of allotment and date on which fully paid up	Number of Equity Shares	Issue price (Rs.)	Consideration	Reasons for Allotment
June 17, 2006	9,313,358	10	Consideration other than cash	Bonus issue to Promoters
October 3, 2006[(1)(2)]	190,000	65	Cash	Allotment to Patron India II
October 3, 2006[(1)]	15,000	300	Cash	Allotment to WG Associates Private Limited
December 26, 2006	135,606	660	Cash	Allotment to Lesing Mauritius Limited pursuant to the Pre-IPO Placing

[(1)] *The Company issued Equity Shares at different prices to two different entities, one of which was an entity in which our director, Mr. Tom Tar Singh, has a beneficial interest through family interests.*

[(2)] *On December 1, 2006, 190,000 Equity Shares held by Patron India II were transferred to Lesing Mauritius Limited, a company in which our director, Mr. Tom Tar Singh, has a beneficial interest through family interests.*

46. *Any further issuance of Equity Shares by the Company or sales of the Equity Shares by any of our significant shareholders could adversely affect the trading price of the Equity Shares.*

Any future issuance of Equity Shares by the Company could dilute your shareholding. Any such future issuance of Equity Shares or sales of Equity Shares by any of our significant shareholders could also adversely affect the trading price of our Equity Shares, and could impact our ability to raise capital through an offering of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares. Upon completion of the Issue, 20% of our post-Issue paid-up capital held by certain of our Promoters will be locked up for a period of three years from the date of allotment of Equity Shares in the Issue. All other remaining Equity Shares that are outstanding prior to the Issue will be locked up for a period of one year from the date of allotment of Equity Shares in the Issue. For further information relating to such Equity Shares that will be locked up, please see the section "Capital Structure" beginning on page 23 of this Prospectus.

External Risk Factors

47. Because a significant portion of our revenues, costs and debt service obligations are denominated in U.S. dollars, pound sterling and other foreign currencies, currency exchange rate fluctuations may adversely affect our financial condition and results of operations.

We have foreign currency exposure related to foreign denominated revenues, including export sales and costs, and costs of imported raw materials and equipment. We also face exchange rate risks to the extent that our debt repayments are denominated in currencies other than Indian Rupees. We consider hedging arrangements on a case by case basis in light of current conditions in the financial markets and our relative exposure. Any significant shift in currency exchange rates which we have not hedged against could result in a material adverse impact on our results of operations.

48. Our net income would decrease if the tax benefits and other incentives we currently avail are withdrawn or the effective tax rate is increased.

We currently take advantage of certain tax exemptions, duty waivers and other deductions, including those which are applicable to our facilities located in special economic zones, export processing zones or bonded zones. Certain of these tax privileges are scheduled to expire in future periods. Any increases in our effective tax rate as a result of the expiration of tax benefits we currently enjoy, changes in applicable tax laws or the actions of applicable income tax or other regulatory authorities could materially reduce our profitability. In addition, certain tax benefits or duty waivers claimed by us in the past may be denied and we may be required to pay the amounts in relation to the claimed tax benefits or duty waivers to the relevant authorities. For example, under the special economic zone scheme, our registered facilities are required to fulfill certain export obligations. The consequences for non-fulfillment of the export obligations or other conditions include a retroactive levy of import duty on items previously imported duty free for these facilities. Additionally, the respective authorities have rights to levy penalties for any defaults on a case-by-case basis. Any such levy or penalty imposed as a result thereof could adversely affect our financial condition and results of operations. See the sections “Regulations and Policies” and “Management’s Discussion and Analysis of Financial Condition and Results of Operation” beginning on pages 88 and 150, respectively, of this Prospectus for more information on the tax benefits and duty waivers available to special economic zones, export processing zones and bonded zones.

49. Compliance with, and changes in, safety, health and environmental laws and various labour, workplace and related laws and regulations impose additional costs and may adversely affect our results of operations and our financial condition.

Compliance with, and changes in, safety, health and environmental laws and various labour, workplace and related laws and regulations may adversely affect our results of operations and financial condition. We are subject to a broad range of safety, health and environmental laws and various labour, workplace and related laws and regulations in the jurisdictions in which we operate, which impose controls on the disposal and storage of raw materials, noise emissions, air and water discharges, on the storage, handling, discharge and disposal of chemicals, employee exposure to hazardous substances and other aspects of our operations and products. While we believe we are in compliance in all material respects with all applicable safety, health and environmental laws and regulations, the discharge of our raw materials that are chemical in nature or of other hazardous substances or other pollutants into the air, soil or water may nevertheless cause us to be liable to the Government of India or other governments where we operate or to third parties. In addition, we may be required to incur costs to remedy the damage caused by such discharges, pay fines or other penalties or close down the production facilities for non-compliance.

50. We and our customers may be subject to liability and negative publicity if our third-party manufacturers violate labour laws or engage in practices that our customers believe are unethical.

We face the risk of violation of applicable labour or other laws and regulations by our third-party manufacturers, or the divergence of a third-party manufacturer's labour practices from those generally accepted as ethical in the countries where we export our products. While we seek to require our third-party manufacturers to operate their businesses in compliance with the laws and regulations that apply to them and our sourcing personnel periodically visit and monitor the operations of our third-party manufacturers, we do not control these vendors or their labour or other practices. If a third-party manufacturer violates labour laws or other applicable regulations, or if such a manufacturer engages in labour or other practices that diverge from those typically acceptable in the U.S. or Europe, we could be subject to liability or experience negative publicity, which could materially adversely affect the attractiveness of our products and services to our customers and our business.

51. There may be changes in the international trade regulations and the regulatory framework in jurisdictions where we operate that could adversely affect our business.

The countries in which our products are manufactured or into which they are imported may from time to time impose additional new quotas, duties, tariffs and requirements as to where raw materials must be purchased, additional workplace regulations, or other restrictions on our imports or adversely modify existing restrictions. Adverse changes in these costs and restrictions could harm our business.

Further, our operations may become subject to international trade agreements and regulations. While these trade agreements may benefit our business by reducing or eliminating the duties and/or quotas assessed on products manufactured in a particular country, these trade agreements can also impose requirements that negatively affect our business, such as limiting the countries from which we can purchase raw materials and setting quotas on products that may be imported into the U.S. or our other export markets from a particular country. We cannot assure you that future trade agreements will not increase our costs, which could have a material adverse effect on our business, results of operations or financial condition.

The statutory and regulatory framework for the Indian apparel industry may also change in the next few years. We presently do not know what the nature or extent of the changes will be and cannot assure you that such changes will not have an adverse impact on our financial condition and results of operations. For a discussion of the regulatory framework of the apparel industry in India, see the section "Regulations and Policies" beginning on page 88 of this Prospectus.

52. Our ability to export garments may be adversely affected by the imposition of, or increase in the rate of, anti-subsidy or anti-dumping duties.

Any change in the duty structure that reduces our current ability to export garments to the U.S. and the EU without the imposition of anti-dumping duties may have an adverse effect on our net revenues.

53. There are significant restrictions on foreign investment in retail trade in India, which may reduce our operational flexibility in connection with our planned retail initiatives.

There are restrictions imposed with respect to foreign investment in retail trading in India. Pursuant to Press Note No. 3 (2006 Series) dated February 10, 2006, the Government of India has permitted foreign direct investment up to 51% in retail trading of single brand products with the prior approval of the FIPB. The applicable regulations impose significant restrictions on retail trading, which may reduce our operational flexibility and prevent us from entering into a transaction such as a takeover in connection with our planned retail initiatives that may not be in the best interest of our shareholders.

54. Increasing wages and costs of raw materials in India and other developing countries where we operate may erode some of our competitive advantage and may reduce our profit margins.

Wages and costs of raw materials in India and other developing countries where we operate have historically been significantly lower than those in the U.S. and Western Europe. We have capitalized on the low labour costs in developing countries by setting up manufacturing facilities in India, Bangladesh and Indonesia. We also source our products from China and Bangladesh. However, wage increases and increases in costs of raw materials in these countries may erode some of our competitive advantage and may negatively affect our profit margins.

55. Our performance is linked to the stability of policies and the political situation in India.

The role of the Indian central and state governments in the Indian economy has remained significant over the years. Since 1991, the Government has pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. There can be no assurance that these liberalization policies will continue in the future. The rate of economic liberalization could change, and specific laws and policies affecting textile and apparel companies, foreign investment, currency exchange rates and other matters affecting investments in Indian companies could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India, thus affecting our business.

The current Government is a coalition of several parties. The withdrawal of one or more of these parties could result in political instability. Any political instability could delay the reform of the Indian economy, which could materially adversely impact our business.

56. Terrorist attacks or war or conflicts involving countries in which we operate or where our customers are located could adversely affect the financial markets and adversely affect our business.

Terrorist attacks and other acts of violence, war or conflicts, particularly those involving India, as well as the U.S. and the EU, or other countries, such as Bangladesh or Indonesia, in which we have operations, may adversely affect Indian and worldwide financial markets. Such acts may negatively impact business sentiment, which could adversely affect our business and profitability. India has from time to time experienced, and continues to experience, social and civil unrest, terrorist attacks and hostilities with neighboring countries. Most recently, Mumbai, India's financial capital, experienced a series of train bombings. Also, some of India's neighboring countries have experienced, or are currently experiencing internal unrest. Such social or civil unrest or hostilities could disrupt communications and adversely affect the economy of such countries. Such events could also create a perception that investments in companies such as ours involve a higher degree of risk than investments in companies in other countries. This, in turn, could have a material adverse effect on the market for securities of such companies, including our Equity Shares. The consequences of any armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business.

57. Natural calamities could have a negative impact on the Indian and other economies and harm the Company's business.

India, Bangladesh, Indonesia and other countries have experienced natural calamities such as earthquakes, floods, droughts and a tsunami in recent years. Some of these countries have also experienced pandemics, including the outbreak of Avian flu. The extent and severity of these natural disasters and pandemics determines their impact on these economies. Prolonged spells of abnormal rainfall and other natural calamities could have an adverse impact on the economies in which we have operations, which could adversely affect our business and the price of our Equity Shares.

58. We will need final listing and trading approvals from the BSE and the NSE before trading commences. An active market for the Equity Shares may not develop, which may cause the price of the Equity Shares to fall

and may limit your ability to sell the Equity Shares.

The Equity Shares are new issues of securities for which there is currently no trading market. Our Company will apply to the BSE and NSE for final listing and trading approvals after the allotment of the Equity Shares in the Issue. There can be no assurance that we will receive such approvals on time or at all. Also, no assurance can be given that an active trading market for the Equity Shares will develop or as to the liquidity or sustainability of any such market, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which shareholders will be able to sell their Equity Shares. If an active market for the Equity Shares fails to develop or be sustained, the trading price of the Equity Shares could fall. If an active trading market were to develop, the Equity Shares could trade at prices that may be lower than their initial offering price.

59. Fluctuations in operating results and other factors may result in decreases in our Equity Share price.

Stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our Equity Shares. There may be significant volatility in the market price of our Equity Shares. If we are unable to operate profitably or as profitably as we have in the past, investors could sell our Equity Shares when it becomes apparent that the expectations of the market may not be realized, resulting in a decrease in the market price of our Equity Shares.

In addition to our operating results, the operating results of other apparel companies, changes in financial estimates or recommendations by analysts, governmental investigations and litigation, speculation in the press or investment community, the possible effects of a war, terrorist and other hostilities, adverse weather conditions, changes in general conditions in the economy or the financial markets, or other developments affecting the apparel industry, could cause the market price of our Equity Shares to be issued to fluctuate substantially.

60. You will not be able to sell immediately on an Indian Stock Exchange any of the Equity Shares you purchase in the Issue.

Under the SEBI Guidelines, we are permitted to allot equity shares within 15 days of the closure of the public issue. Consequently, the Equity Shares you purchase in the Issue may not be credited to your demat account, with Depository Participants until approximately 15 days after the Bid/Issue Closing Date. You can start trading in the Equity Shares only after they have been credited to your demat account and final listing and trading approvals are received from the Stock Exchanges. Further, there can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence, within the specified time periods.

Notes to Risk Factors:

1. Public Issue of 5,984,994 Equity Shares comprises of a Fresh Issue of 4,759,794 Equity Shares and an Offer for Sale of 1,225,200 Equity Shares at a price of Rs.550 for cash, aggregating Rs.3,291.7 million. The Issue comprises a Net Issue to the public of 5,862,394 Equity Shares and an Employee Reservation Portion of 122,600 Equity Shares. There will also be a Green Shoe Option of up to 612,060 Equity Shares for cash at a price of Rs.550 per Equity Share aggregating Rs.336.6 million. The Issue will constitute 31.38% of the fully diluted post-Issue Equity Share capital of the Company, assuming that the Green Shoe Option is not exercised. The Issue will constitute 33.52% of the fully diluted post-Issue Equity Share capital of the Company, assuming that the Green Shoe Option is exercised in full.
2. The net worth of the Company was Rs.1,252.4 million as of September 30, 2006, as per the restated consolidated financial statements of the Company prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with SEBI Guidelines. For more information, see the section "Financial Statement" on page F-1 of this Prospectus.

3. The book value per Equity Share of Rs.10 each was Rs.62.86 as of September 30, 2006, as per the restated consolidated financial statements of the Company prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with SEBI Guidelines.
4. The average cost of acquisition of the Equity Shares by the Promoters is Rs.3.33 per Equity Share.
5. For related party transactions, refer to the section "Related Party Transactions" beginning on page 148 of this Prospectus.
6. Other than as stated in the section "Capital Structure- Notes to Capital Structure", the Company has not issued any Equity Shares for consideration other than cash.
7. For details of transactions in the securities of the Company by the Promoters, the Promoter group and Directors in the last six months, see the section "Capital Structure- Notes to Capital Structure".
8. For information on changes in the Company's name and changes in objects clause of the Memorandum of Association of the Company, refer to the section "History and Certain Corporate Matters" beginning on page 97 of this Prospectus.
9. Except as disclosed in the sections "Our Promoters and Promoter Group Companies" and "Our Management" beginning on pages 127 and 115 of this Prospectus, respectively, none of the Promoters, Directors or key managerial employees have any interest in the Company except to the extent of remuneration and reimbursement of expenses and to the extent of the Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, member, partner or trustee and to the extent of the benefits arising out of such shareholding.
10. Investors may note that in case of over-subscription in the Issue, at least 50% of the Net Issue shall be allotted on a proportionate basis to Qualified Institutional Buyers. 5% of the QIB Portion shall be available for allocation to Mutual Funds and the remaining QIB Portion shall be available for allocation to QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If at least 50% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 122,600 Equity Shares shall be available for allocation on a proportionate basis to Employees, subject to valid Bids being received at or above the Issue Price. For more information, see the section "Issue Structure" beginning on page 250 of this Prospectus.
11. For any clarification or information relating to the Issue, investors may contact the BRLM, who will be obliged to provide such clarification or information to the investors.
12. Investors may contact the BRLM and the Syndicate Members for any complaints pertaining to the Issue.
13. Investors are advised to also refer to the section "Basis for Issue Price" beginning on page 52 of this Prospectus.
14. Trading in Equity Shares for all investors shall be in dematerialized form only.

SECTION III: INTRODUCTION

SUMMARY

You should read the following summary together with the Risk Factors and the more detailed information about us and our Financial Statements included in this Prospectus.

Overview

We are a multinational, ready-to-wear apparel company operating in three business streams: manufacturing, marketing and distribution, and sourcing of garments. We also provide total supply chain solutions to our customers, which include value retailers as well as higher-end fashion brand retailers in the United States and Europe. Our multi-stream business model enables us to offer multi-country, multi-gender and multi-product options to our global customers. We believe these capabilities make us a preferred vendor for garment retailers around the world.

We began operations in 1987 with one manufacturing facility at Gurgaon, India. Over the years, we expanded our manufacturing operations in India. We also spread our business beyond India by setting up a sourcing business in Hong Kong with sourcing offices in China and Bangladesh, marketing and distribution businesses in the U.K., the U.S., Canada and Spain, and manufacturing facilities in Bangladesh and Indonesia. We believe that our integrated global business model positions us to take advantage of synergies in product design, development, manufacturing, distribution and sourcing of our ready-to-wear apparel products. We seek to leverage the competitive advantages of each location to optimize value for our customers, while maximizing our gross margins. We also seek to cater to our customers' needs of competitive pricing, quality, on-time delivery and compliance with global labour practices. Our broad spectrum of customers includes value retailers, such as JC Penny, TESCO and ASDA Wal-Mart, as well as higher-end fashion brand retailers, such as The GAP, Next and Esprit.

We currently operate ten modern ready-to-wear apparel manufacturing facilities, of which six are located in North India, one in South India, two in Bangladesh and one in Indonesia, which enable us to leverage each location's relative advantage in a particular product category. We manufacture a broad range of products comprising of knits, woven, sweaters and bottoms in basic as well as complex designs. As of August 31, 2006, our facilities were spread over 725,250 square feet of space with an aggregate installed production capacity of approximately 20 million pieces per annum compared to an aggregate installed production capacity of approximately 16 million pieces per annum as of June 30, 2006 and approximately 10 million pieces per annum as of March 31, 2006.

We have marketing and distribution offices in the U.K., the U.S. and Hong Kong. These offices oversee our marketing and merchandizing teams across Canada, Europe, Hong Kong, the U.K. and the U.S. that interact with our customers at their locations, which helps us to better understand our customers' requirements. Our U.S. operation has also developed its own brands, *DCC* and *Kool Hearts*. We also own warehousing and processing units in the U.K. and the U.S. with a combined capability to handle two million garments per month. These warehouses have processing facilities and local distribution infrastructure. We are capable of performing a range of pre-retailing processes at our warehouses and delivering garments to our customers that are ready to be placed on their store shelves for sale. We are linked to most of our customers' inventory systems and are capable of delivering garments based on our customers' requirements across all their warehouses.

We also have a sourcing business in Hong Kong with offices in China, Bangladesh and India. We have developed strong relationships with over 150 third-party manufacturing units in China, Bangladesh and India, which we have nurtured over the years. This gives us access to manufacturing capacities in excess of 120 million pieces per annum. We seek to source garments efficiently and cost effectively for our customers by matching a product order from our customer with our most competitive third-party manufacturing unit. As of June 30, 2006, our sourcing offices employed 248 employees, who manage relationships with these manufacturing units. We manage the quality of goods manufactured by them, timely shipment of inventory, local and international logistics and export documentation on behalf of our customers.

We have fabric development centres in China and India as well as design and product development teams in the U.K., the U.S., India and Hong Kong. The fabric development teams circulate the latest fabric ideas to all the designers who develop a product profile, which is then sent to the manufacturing facilities for product development. Our design and product development teams support all three streams of our business across all locations. As of June 30, 2006, we employed approximately 182 employees in our design and product development teams.

As of June 30, 2006, we employed approximately 6,496 full time employees, of which 4,193 were based outside India. We have a diversified management team with management personnel drawn from across our locations, including China, Europe and the U.S. We believe our global operations and multi-cultural environment allow us to offer our global customers a broader choice of apparel products, designs and styles than our competitors. We also believe that our strict compliance with international quality and labour standards through systematic inspection, audit and education have resulted in increased customer growth. The number of customers of the Group has increased from 54 and 40 as of March 31, 2005 and 2004, respectively, to 60 as of March 31, 2006. For information on our financials, see the section "Financial Statements" beginning on page F-1 of this Prospectus.

Competitive Strengths

We believe that we have the following competitive strengths to maintain and enhance our position as a leading ready-to-wear apparel business:

Integrated and Scalable Business Model

We have an integrated business model with capabilities across design and development, manufacturing, marketing and distribution and sourcing of apparel products. Our multi-stream business model enables us to offer multi-country and multi-product delivery choice to our global customers directly from our manufacturing facilities or from third-party manufacturing units on a free on board ("FOB") basis or from our distribution facilities at our customers' doorstep on a landed duty paid ("LDP") basis. We believe that our integrated multi-stream business model offering three supply options enables our customers to reduce their risk of reliance on a single supply source.

We also believe that our capabilities across manufacturing, marketing and distribution and sourcing, together with our relationships with approximately 150 third-party apparel manufacturing units, makes our business model more scalable. While a single-stream supply organization may need to make continuous investments in infrastructure in order to effect an incremental growth in its business, we believe we can use the horizontal breadth of our business and access to third-party manufacturing facilities to achieve growth with relatively lower capital outlay.

Global Footprint

We are a multinational group operating in 11 strategic locations around the world, including two in India. We believe that our multi-location operations allow us to leverage the competitive advantages of each location to enhance our competitiveness and service capabilities to our customers and reduce the geographic and political risks in our business. Our spread of manufacturing facilities across India, Bangladesh and Indonesia allows us to offer a range of apparel products in diverse styles and designs to our customers. Further, we believe that our distribution capabilities in the U.K. and the U.S. enable us to become an integral part of our customers' supply chain and deliver apparel products in a cost-effective manner with reduced lead times; our cross-country design infrastructure enables us to capture fashion trends early; and our global sourcing capability allows us to deliver apparel products to our customers faster than our competitors.

Multiple Product Capability

We have developed a range of product offerings in order to address the varied and expanding requirements of our customers. Our product offerings include wovens, knits, sweaters and bottoms for both genders across all ages. We believe that our broad range of apparel products allows our customers to source most of their product categories from a single vendor and enables us to expand our business from existing customers, as well as address a larger base of potential new customers.

Established Track Record with Leading International Customers

Our customers include some of the world's leading value retailers, such as JC Penny and ASDA Wal-Mart, as well as higher-end fashion brand retailers, such as The GAP, Next and Esprit. We focus on maintaining long-term relationships with our customers. We have a relationship of over four years with some of our leading customers, and a relationship of ten years with JC Penny, one of our largest customers in terms of revenues. We believe that our ability to address the varied and expanding requirements of global customers over long periods enables us to obtain additional business from existing customers as well as new customers. We serve most of our customers across all three streams of our business model, which we believe increases their loyalty to us.

Experienced Management Team and Skilled Employees

We benefit from the leadership of our management team, which has extensive experience in the apparel industry. Most of our key management personnel have been with us since fiscal 2003, and have successfully executed our growth strategy by expanding our manufacturing facilities, developing new customers and strengthening our customer relationships. In addition to our senior management team, we believe that our middle management team and skilled work force comprising designers, tailors, merchandisers and marketing personnel provide us with depth needed to manage our rapid growth.

We believe that we have created a distinct entrepreneurial structure within our organization, with each of our operating entities being managed as an independent profit centre. Our emphasis on creating and sharing value has attracted individuals who previously held senior management positions in other leading apparel and textile companies, which we believe will be an important competitive advantage as we enter new markets and expand our product offerings.

Business Strategy

Our objective is to strengthen our position as a ready-to-wear apparel company in each of our business streams. The key elements of our strategy are described below:

Expand manufacturing capacities

To capitalize on the increased growth in the apparel industry and associated demand for our products, we intend to increase significantly our production capacity. Although we have access to the production capacities of approximately 150 third-party manufacturing units, our strategy is to enhance the production capacities at our own manufacturing facilities to approximately 40 million pieces per annum by 2010. As of August 31, 2006, our manufacturing facilities had a production capacity of 20 million pieces per annum. In fiscal 2006, the average capacity utilization of our facilities was approximately 89%, with our facilities in North India being operated at close to full capacity. We intend to expand and modernize our existing manufacturing facilities, as well as establish new garment manufacturing facilities. We have entered into a lease agreement for approximately 217,675 square feet of land in the apparel park located at the State Industries Promotion Corporation of Tamil Nadu Limited Industrial Park, Irungattukotai, India for a new woven factory. We are also proposing to establish a new wovens and knits manufacturing facility in Narsingpur, Gurgaon, India for which we have already acquired approximately 139,000 square feet of land. For more information on our proposed projects, see the section “Objects of the Issue” beginning on page 32 of this Prospectus.

Penetrate and expand our customer base

We believe that we have a diverse customer base that includes leading global corporations in the U.S. and Europe. We have achieved strong revenue growth by establishing long and stable relationships with several of our large customers. We intend to continue to leverage our client successes to gain new customers and deepen our existing customer relationships. The number of customers of the Group has increased from 40 to 54 as of March 31, 2004 and 2005, respectively, to 60 as of March 31, 2006. This includes the addition of approximately 40 new customers in the last three years, including Esprit, S. Oliver, V F Corporation, Mervins, Sears, Next, Bonton and Gordmans.

Further, according to research by KSA Technopak, the current trend among global retailers is to consolidate their vendor base and source a majority of their apparel requirements from strategic vendors. We have already been categorized as a strategic vendor by JC Penny and ASDA Wal-Mart. We seek to leverage our integrated business model and multi-product and multi-country capabilities to be identified as a strategic vendor by an increasing number of our customers.

Develop markets in new product categories and geographies

In order to increase our product offerings, we plan to add new product categories. For example, we are proposing to manufacture formal pants, which is a new product line, in our bottoms factory in Chennai. We also intend to expand our network of third-party manufacturing units in India, Bangladesh and China, and also established a network in Vietnam for the supply of new product lines. We believe our increased product offerings will reduce our exposure to changes in fashion trends and increased competition in a single product line.

In order to service our customers locally, we also plan to expand our business to new geographic locations. For example, to better service our customers in Canada, including Wal-Mart that launched its brand *George* in Canada, we set up our Canadian operations.

Improve operating efficiencies

In our corporate structure, we have recently integrated our overseas manufacturing, sourcing, marketing and distribution businesses with our manufacturing operations in India. We believe this integration will improve our operating efficiencies and allow us to benefit from the economies of scale. Further, we plan to continue to explore and use the most efficient sources of production, whether through our own manufacturing facilities or through third-party manufacturers, at low labour and capital cost locations. We also continuously seek to improve labour productivity at our manufacturing facilities by improving production techniques and enhanced training. We have also initiated the process of consolidating functions and processes, such as freight and cartage, to increase our cost savings and we also intend to invest in the development of an enterprise resource planning system to improve the integration of our global operations.

Explore opportunities in the retail sector

In order to establish our market presence, we are exploring opportunities to venture into the retail sector by leveraging our experience of sourcing garments cost effectively, in-house designing capabilities that allow us to respond to changing fashion trends, experience of retailing our own brands in the U.S., *DCC* and *Kool Hearts*, and experience in warehousing, processing and distribution logistics. We are considering retailing the products we manufacture at our manufacturing facilities in India directly to Indian consumers. We believe that retailing of export quality products manufactured by us in India at competitive prices presents us with a high-growth opportunity. In the future, we may also consider acquiring existing brands in the U.K. or the U.S. for retail operations outside India. As on the date of this Prospectus, we have not entered into any memorandum of understanding or letter of intent or any definitive agreement in connection with our retail plans.

Pursue selective acquisitions and other opportunities

Our acquisition strategy is focussed on adding complementary product lines and businesses and we intend to pursue opportunities to the extent they become available. We have acquired companies in the U.S. and the U.K. which are engaged in marketing and distribution of apparel products, including our branded products, *DCC* and *Kool Hearts,* which we believe has complemented our integrated business model and increased the growth of our business. Our intention is to continue to pursue targeted acquisitions of apparel companies or brands, strategic partnerships or joint ventures with leading manufacturers or distributors in select markets and integrate them with our existing businesses.

THE ISSUE

Equity Shares offered:	
Fresh Issue by the Company	4,759,794 Equity Shares
Offer for Sale by the Selling Shareholders	1,225,200 Equity Shares
Total Issue	**5,984,994 Equity Shares**
Employee Reservation Portion[(1)]	122,600 Equity Shares
Therefore,	
Net Issue to the Public	5,862,394 Equity Shares
Of which:	
QIB Portion[(2)]	At least 2,931,197 Equity Shares
Of which:	
Reservation for Mutual Funds	146,560 Equity Shares
Balance for all QIBs including Mutual Funds	2,784,637 Equity Shares
Non-Institutional Portion[(3)]	Not less than 879,359 Equity Shares available for allocation
Retail Portion[(3)]	Not less than 2,051,838 Equity Shares available for allocation
Green Shoe Option Portion[(4)]	Up to 612,060 Equity Shares
Issue and Green Shoe Option Portion	Up to 6,597,054 Equity Shares
Equity Shares outstanding prior to the Issue	14,310,643 Equity Shares
Equity Shares outstanding after the Issue (assuming the Green Shoe Option is not exercised)	19,070,437 Equity Shares
Equity Shares outstanding after the Issue (assuming the Green Shoe Option is exercised in full)	19,682,497 Equity Shares
Objects of the Issue	Please see the section "Objects of the Issue" of this Prospectus. The Company will not receive any proceeds from the Offer for Sale.

(1) *For Employees, see the section "Definitions and Abbreviations – Employees" on page iii of the Prospectus.*

(2) *Allocation to QIBs is proportionate as per the terms of this Prospectus. 5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.*

(3) *Subject to valid bids being received at or above the Issue Price, under-subscription, if any, in the Non-Institutional Bidder and Retail Individual Bidder categories, would be allowed to be met with spill-over from other categories or combination of categories, at the discretion of the Company and the Selling Shareholders in consultation with the BRLM.*

(4) *The Green Shoe Option shall be exercised by the Company, in consultation with the BRLM.*

GREEN SHOE OPTION

The Company intends to establish an option for allocating Equity Shares in excess of the Equity Shares that are included in the Issue in consultation with the BRLM and to operate a price stabilization mechanism in accordance with the applicable SEBI Guidelines. The Green Shoe Lender will lend the Equity Shares to the Stabilizing Agent to enable the exercise of the Green Shoe Option. The shareholders of the Company have authorized the Green Shoe Option at the annual general meeting held on August 25, 2006.

JMMS has agreed to act as the Stabilizing Agent, for performance of the role of the stabilizing agent as envisaged in Chapter VIII-A of the SEBI Guidelines. The Stabilizing Agent has agreed to conduct, at its sole and absolute discretion, stabilizing measures in respect of the post-listing price of the Equity Shares during the Stabilization Period. The Stabilizing Agent is under no obligation to conduct such stabilizing measures. If commenced, stabilization will be conducted in accordance with applicable laws and regulations and such stabilization may be discontinued at any time and in any case will not continue for a period beyond the Stabilization Period. The Stabilizing Agent will borrow Equity Shares from Green Shoe Lender. For the purposes of the Green Shoe Option, the Stabilizing Agent shall borrow the Equity Shares from the Green Shoe Lender and hold them in the GSO Demat Account. Both the Equity Shares borrowed from Green Shoe Lender as well as the Equity Shares purchased in the market for price stabilizing purposes will be in demat form only. On October 9, 2006 the Company entered into a Stabilizing Agreement with Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth and Mr. Pulkit Seth and the Stabilizing Agent for the exercise of the Green Shoe Option on the terms and conditions detailed therein. Pursuant to an amendment to the Stabilizing Agreement on December 14, 2006, the parties agreed that Mr. Pulkit Seth shall act as the sole Green Shoe Lender.

The Green Shoe Lender has agreed to lend up to 612,060 Equity Shares for the purposes of the Green Shoe Option.

Objective of the Green Shoe Option

The primary objective of the Green Shoe Option is to stabilize the market price of the Equity Shares if the market price of the Equity Shares falls below the Issue Price.

Decision regarding Exercise of the Green Shoe Option

Following the Bid/Issue Closing Date, the Company, in consultation with the BRLM, shall take a decision relating to the exercise of the Green Shoe Option. In the event it is decided that the Green Shoe Option shall be exercised, the loaned Equity Shares shall be allocated simultaneously with the allocation of Equity Shares in the Issue in accordance with the Stabilizing Agreement and the procedure summarized below.

The terms of the Stabilizing Agreement provide that:

Stabilization Period

"Stabilization Period" shall mean the period commencing from the date of obtaining trading/listing permission from the Stock Exchanges for the Equity Shares issued under the Issue, and ending 30 days thereafter, unless terminated earlier by the Stabilizing Agent.

Procedure for Exercise of Green Shoe Option

1. The allotment of the Over-Allotment Shares shall be on a pro-rata basis in accordance with the proportion of allotment in the Issue to the various categories of Bidders.
2. Upon such allotment, the Stabilizing Agent shall transfer the Over-Allotment Shares from the GSO Demat Account to the respective depository accounts of the successful Bidders.
3. The monies received from the Bidders in respect of the Over-Allotment Shares shall be kept in the GSO Bank Account distinct and separate from the Issue Account and shall be used by the Stabilizing Agent only for the purpose of buying Equity Shares from the market during the Stabilization Period for the purposes of stabilizing the post-listing price of the Equity Shares.
4. The Stabilizing Agent shall, in its sole and absolute discretion, determine whether or not it should purchase any Equity Shares from the market, the timing of such purchase (including spreading orders over a period of time), the quantity to be

bought and the price at which the Equity Shares are to be bought from the market for the purposes of stabilizing the post-listing price of the Equity Shares.

5. Equity Shares purchased from the market by the Stabilizing Agent, if any, shall be credited to the GSO Demat Account.
6. Following the end of the Stabilization Period, but before the transfer of the Equity Shares to the Green Shoe Lender, the Stabilizing Agent shall determine the difference between the Over-Allotment Shares and the number of Equity Shares lying to the credit of the GSO Demat Account (the ''Green Shoe Shortfall Shares'').
7. The Stabilizing Agent shall notify the Company of the Green Shoe Shortfall Shares within one Business Day from the end of the Stabilization Period with a request to issue the Green Shoe Shortfall Shares and subsequently transfer funds from the GSO Bank Account to the Company.
8. Within two Business Days from the end of the Stabilization Period, Equity Shares, if any, lying to the credit of the GSO Demat Account shall be transferred to the Green Shoe Lender.
9. The Company shall within four Business Days of the receipt of the notice from the Stabilizing Agent (and in any case within five Business Days of the end of the Stabilization Period), issue such number of new Equity Shares in dematerialized form that are equal to the Green Shoe Shortfall Shares to the GSO Demat Account.
10. The Stabilizing Agent shall within two Business Days of the credit of the Equity Shares equal to the Green Shoe Shortfall Shares in the GSO Demat Account, transfer such Equity Shares to the Green Shoe Lender in final settlement.
11. Upon the return of Equity Shares to the Green Shoe Lender pursuant to and in accordance with the Stabilizing Agreement, the Stabilizing Agent shall close the GSO Demat Account.
12. The Equity Shares returned to the Green Shoe Lender shall be subject to any remaining lock-in-period as provided in the SEBI Guidelines.
13. The Company shall make a listing application in respect of the Equity Shares equal to the Green Shoe Shortfall Shares allotted by it to the Stock Exchanges.

GSO Bank Account

The Stabilizing Agent shall within two Business Days of the end of the Stabilization Period remit from the GSO Bank Account to the Company an amount in Indian Rupees arrived at by multiplying the number of Equity Shares issued by the Company to the GSO Demat Account and the Issue Price. The amount left in this account, if any, after this remittance and deduction of expenses and net of taxes, if any, shall be transferred to the investor protection fund of the Stock Exchanges in equal parts. Upon transfer of monies as above, the GSO Bank Account shall be closed by the Stabilizing Agent.

Reporting

During the Stabilization Period, the Stabilizing Agent will submit a report to the Stock Exchanges on a daily basis. The Stabilizing Agent will also submit a final report to SEBI in the format prescribed in Schedule XXIX of the SEBI Guidelines. This report will be signed by the Stabilizing Agent and the Company and be accompanied by the depository statement for the GSO Demat Account for the Stabilization Period indicating the flow of shares into and from the GSO Demat Account. If applicable, the Stabilizing Agent will, along with the report give an undertaking countersigned, if required, by the respective depositories of the GSO Demat Account and the Green Shoe Lender regarding confirmation of lock-in on the Equity Shares returned to the Green Shoe Lender in lieu of the Over-Allotment Shares.

Rights and obligations of the Stabilizing Agent

The Stabilizing Agent shall:

- open a special bank account, GSO Bank Account, under the name of "Special Account for GSO proceeds of House of Pearl Fashions Limited" and deposit the money received against the over-allotment in the Green Shoe Option in the GSO Bank Account.
- open a special account for securities, the GSO Demat Account, under the name of "Special Account for GSO shares of House of Pearl Fashions Limited" for the deposit of the Over-Allotment Shares and any Equity Shares bought by the Stabilizing Agent during the Stabilization Period to the GSO Demat Account.

- on or prior to the Pricing Date, request the Green Shoe Lender to lend the Equity Shares.
- in the event the market price of the Equity Shares falls below the Issue Price, in its sole and absolute discretion, determine whether or not it should purchase any Equity Shares by the market, the timing of such purchase (including spreading orders over a period of time), the quantity to be bought and the price at which the Equity Shares are to be bought from the market for the purposes of stabilizing the post-listing price of the Equity Shares.
- on expiry of the Stabilization Period, return the Equity Shares to the Green Shoe Lender either through market purchases as part of stabilizing process or through issue of Equity Shares by the Company.
- submit daily reports to the Stock Exchanges during the Stabilization Period and to submit a final report to SEBI.
- maintain a register of its activities and retain the register for three years.
- transfer net gains on account of market purchases in the GSO Bank Account net of all expenses and net of taxes, if any, equally to the investor protection fund of the Stock Exchanges.

The Stabilizing Agent does not give any assurance that it will be able to maintain the market price of the Equity Shares at or above the Issue Price through any stabilization activities. The Stabilizing Agent shall terminate its stabilization activities only after notifying the Company and the Green Shoe Lender in writing.

Rights and obligations of the Company

Following the end of the Stabilization Period, the Company shall:

- if the Stabilizing Agent has bought Equity Shares from the market, issue such number of Equity Shares to the GSO Demat Account as are equal to the Green Shoe Shortfall Shares.
- if no Equity Shares are purchased from the market, then the Company shall issue Equity Shares to the GSO Demat Account to the extent of the Over-Allotment Shares.
- receive from the GSO Bank Account an amount in Indian Rupees arrived at by multiplying the number of Equity Shares issued by the Company to the GSO Demat Account and the Issue Price.

Rights and obligations of the Green Shoe Lender

The Green Shoe Lender shall:

- execute and deliver all necessary documents and give all necessary instructions to procure that all rights, title and interest in the Equity Shares forming part of the Green Shoe Option shall pass to the GSO Demat Account free and clear from all liens, charges and encumbrances.
- upon receipt of instructions from the Stabilizing Agent on or prior to the Pricing Date, transfer the Equity Shares forming part of the Green Shoe Option to the GSO Demat Account.

The Green Shoe Lender undertakes not to recall or create any lien or encumbrance on the Equity Shares forming part of the Green Shoe Option until the completion of the settlement under the terms of the Stabilizing Agreement or expiry of seven Business Days from the end of the Stabilization Period, whichever is later.

Fees and Expenses

- The Company shall pay to the Green Shoe Lender an aggregate fee of Rs.0.5 million plus applicable taxes, other than income tax, for providing the stabilizing services.
- The Company will pay the Stabilizing Agent a fixed fee of Re.1 plus applicable service tax for providing the stabilizing services.
- Any expenses relating to the exercise of the Green Shoe Option will be deducted from the amounts lying in the GSO Bank Account.

Example of working of green shoe option (Investors should note that the following is solely for the purpose of illustration and is not specific to this Issue):

For example, in case of a public issue, of 100,000 equity shares at a price of Rs.100 each where a green shoe option of 10% of the issue size is given:

- Issue size - 100,000 equity shares aggregating Rs.10,000,000
- Green shoe - 10,000 equity shares aggregating Rs.1,000,000

In this case, 10,000 shares corresponding to the green shoe will be borrowed from the green shoe lender. After the issue has closed and assuming bids have been received for 110,000 equity shares, the issuer company in consultation with the book running lead manager will allot a total of 110,000 equity shares aggregating Rs.11,000,000 to valid applicants.

After listing of the equity shares on the exchanges, the following two circumstances may arise:

Market price of equity shares falls below the issue price of Rs.100 during the stabilization period:

In such a circumstance, the stabilizing agent at its discretion may buy shares from the market to stabilize the price. The stabilizing agent can buy shares up to the total number of shares borrowed from the green shoe lender which is the size of the green shoe i.e., 10,000 equity shares, as the stabilizing agent deems fit. The stabilizing agent may buy shares at its discretion during the stabilization period. The stabilizing agent may in certain instances decide not to buy shares from the market. In the current illustration, assume that the stabilizing agent bought 2,345 shares from the market during the stabilization period. After the stabilization period has ended, the stabilizing agent will return the shares bought from the market to the green shoe lender viz. 2,345 shares and the company shall issue equity shares to the stabilizing agent by crediting the GSO demat account to the extent of the balance shares which have to be returned to the green shoe lender viz. 7,655 equity shares (10,000 less 2,345) and thereafter the stabilizing agent would transfer 7,655 equity shares to the green shoe lender. Accordingly, the 10,000 shares which were borrowed from the green shoe lender will be duly returned.

Market price of equity shares rises above the issue price of Rs.100 during the stabilization period:

In such a circumstance, the stabilizing agent will not need to stabilize the price and will not buy any equity shares from the market. At the end of the stabilization period, the company shall issue equity shares to the stabilizing agent by crediting the GSO demat account to the extent of 10,000 equity shares which have to be returned to the green shoe lender. Accordingly, the 10,000 equity shares which were bought from the green shoe lender will be duly returned.

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary financial information derived from the audited restated consolidated financial statements of the Company, as of and for the fiscal years ended March 31, 2002, 2003, 2004, 2005 and 2006 and for the six months ended September 30, 2006, all prepared in accordance with Indian GAAP, the Companies Act and SEBI Guidelines, and restated as described in the Auditors' Report included in the section "Financial Statements" beginning on page F-1 of this Prospectus.

The summary financial and operating information of the Company presented below should be read in conjunction with the respective financial statements and the notes (including accounting polices) thereto included in "Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages F-1 and 150, respectively, of this Prospectus.

Indian GAAP differs in certain significant respects from other GAAPs. For more information on these differences, see "Summary of Significant Differences Among Indian GAAP, IFRS, U.S. GAAP and U.K. GAAP", beginning on page 197 of this Prospectus.

We recently completed a restructuring and combined our domestic and international operations under one company, HoPFL. As compared to prior periods, the audited restated consolidated statement of assets and liabilities of HoPFL as at March 31, 2006 and September 30, 2006 include the assets and liabilities of our Subsidiaries from the date of their acquisition or incorporation, as the case may be. However, for fiscal 2006 and prior year periods, the audited restated consolidated results of operations of HoPFL represent the consolidation of only our Indian Subsidiary, Pearl Global, and its subsidiaries during the applicable periods. Our Subsidiaries in Bangladesh were acquired on March 28, 2006; our Subsidiary in Mauritius, Multinational Textiles, was incorporated on March 28, 2006; and our other overseas Subsidiaries, other than Norwest Industries (HK) and HoP (U.S.), were acquired on March 31, 2006. The consolidated information set forth below does not include income and expenses in respect of these entities for fiscal 2006. The accumulated profits of these overseas Subsidiaries have been transferred to the pre-acquisition reserves. For the six months ended September 30, 2006, the audited consolidated information of HoPFL includes the income and expenses in respect of these entities for the entire period, other than Norwest Industries (HK), which is included with effect from June 1, 2006 and HoP (U.S.), which was incorporated on August 1, 2006.

Summarized Restated Statement of Assets and Liabilities of HoPFL, Consolidated

(Amount in Rs.)

Particulars	**As at September 30, 2006**	**As at March 31,**				
		2006	**2005**	**2004**	**2003**	**2002**
Assets						
Fixed Assets						
Gross Block	1,981,100,213	1,513,551,681	679,813,181	707,068,258	668,002,960	699,102,287
Less: Depreciation	391,324,679	318,613,484	187,007,573	184,052,145	161,191,562	149,768,340
Net : Block	1,589,775,534	1,194,938,197	492,805,608	523,016,113	506,811,398	549,333,947
Less: Revaluation Reserve	39,296,855	39,296,855	39,296,855	39,296,855	39,296,855	39,296,855
Net Block after adjustment for Revaluation Reserve	1,550,478,679	1,155,641,342	453,508,753	483,719,258	467,514,543	510,037,092
Capital Work in Progress	82,219,013	242,828,481	22,264,461	5,865,345	9,778,539	3,816,389
Investments	22,349,038	9,852,340	7,989,625	6,804,780	6,757,980	1,767,780
Deferred Tax Asset	-	920,773	27,271,836	15,600,295	-	8,456,298
Current Assets, Loans and Advances						
Inventories	886,576,585	764,111,760	490,704,280	379,943,008	294,828,671	245,865,819
Sundry Debtors	1,389,363,192	877,950,546	153,397,564	36,170,208	67,877,137	75,769,457
Cash & Bank Balances	557,781,515	168,329,271	90,833,265	125,903,469	124,656,135	66,684,554
Loans & Advances	633,308,972	128,152,886	96,268,672	45,095,022	43,381,073	85,575,799
Other Current Assets	1,350,726	771,451	459,010	5,228,910	3,659,666	2,076,354
Sub Total	**3,468,380,991**	**1,939,315,915**	**831,662,791**	**592,340,617**	**534,402,682**	**475,971,983**
Total Assets (A+B+C+D)	**5,123,427,721**	**3,348,558,851**	**1,342,697,466**	**1,104,330,295**	**1,018,453,744**	**1,000,049,542**
Liabilities and Provisions						
Secured Loans	2,004,673,031	834,619,626	298,284,513	220,478,755	187,829,993	227,807,574
Unsecured Loans	713,669,497	488,704,290	-	140,000	3,000,000	-
Sub Total	**2,718,342,528**	**1,323,323,916**	**298,284,513**	**220,618,755**	**190,829,993**	**227,807,574**
Deferred Tax Liability	15,154,010	-	-	-	1,221,646	-
Current Liabilities and Provisions						
Current Liabilities	976,695,100	990,702,187	296,177,430	157,129,878	149,710,766	117,079,653
Provisions (Net)	160,803,853	64,914,590	14,844,442	14,884,361	12,805,630	9,806,004
Sub Total	**1,137,498,953**	**1,055,616,777**	**311,021,871**	**172,014,239**	**162,516,396**	**126,885,657**
Total Liabilities	**3,870,995,491**	**2,378,940,693**	**609,306,384**	**392,632,994**	**354,568,035**	**354,693,231**
Net Worth {(A+B+C+D)-E}	**1,252,432,230**	**969,618,158**	**733,391,082**	**711,697,301**	**663,885,709**	**645,356,311**

(Amount in Rs.)

Particulars	As at September 30, 2006	As at March 31,				
		2006	2005	2004	2003	2002
Represented by Share Capital						
Equity Share Capital	139,700,370	46,566,790	7,345,700	7,345,700	7,345,700	7,345,700
Share application money pending allotment	4,500,000	-	39,222,090	1,000	1,000	1,000
Reserve and Surplus	790,144,586	657,430,216	503,678,004	500,364,235	478,764,440	469,092,938
Less: Revaluation Reserve	(23,772,230)	(23,772,230)	(14,859,555)	(14,859,555)	(14,859,555)	(14,859,555)
Foreign Currency Translation Reserve	-	-	-	-	-	-
Minority Interest	374,261,109	322,032,946	222,625,193	243,650,931	217,623,795	209,692,690
Less: Revaluation Reserve	(15,524,625)	(15,524,625)	(24,437,300)	(24,437,300)	(24,437,300)	(24,437,300)
Less :						
Miscellaneous Expenditure (To the extent not written off or adjusted)	16,876,980	17,114,939	183,049	367,711	552,371	1,479,162
Debit Balance of Profit and Loss Account						
Net Worth	**1,252,432,230**	**969,618,158**	**733,391,082**	**711,697,301**	**663,885,709**	**645,356,311**

Summarized Restated Profit and Loss Statement of HoPFL, Consolidated

(Amount in Rs.)

Particulars	Six months ended September 30, 2006	Fiscal year ended March 31,				
		2006	2005	2004	2003	2002
Income						
Sales of goods	4,302,401,882	1,588,947,233	1,210,576,204	954,495,670	920,806,968	786,205,193
Export Incentives	33,749,581	62,680,734	46,239,100	45,792,096	53,161,369	61,203,464
Other Operative Income	-	-	-	-	-	-
Job Receipts	2,360,140	4,308,480	1,305,075	14,848,006	25,141,362	23,678,311
Other Income	145,528,620	40,176,289	39,515,078	24,936,486	23,469,333	12,876,233
Total Income (A)	**4,484,040,223**	**1,696,112,736**	**1,297,635,457**	**1,040,072,258**	**1,022,579,032**	**883,963,201**
Expenditure						
Purchase of Trading Goods	2,120,411,787	98,860,808	55,601,272	70,845,153	98,302,354	116,169,708
Manufacturing, Administrative, Selling and other Expenses						
- Raw Material Consumed	644,010,401	694,712,439	643,164,904	527,066,700	472,361,565	365,969,714
- (Increase)/ Decrease in Stock	(29,594,283)	10,745,069	(30,728,008)	(43,666,114)	(44,642,921)	(13,697,792)
- Manufacturing Expenses	215,122,228	375,083,355	272,597,579	158,707,625	155,690,845	99,909,830
- Personnel Expenses	523,888,134	183,512,065	169,085,842	143,818,546	137,675,389	141,701,690
- Administrative, Selling & Other Charges	515,068,479	148,056,145	130,953,746	110,554,160	126,917,961	117,721,024
Miscellaneous Expenses Written off	1,719,118	183,050	184,422	184,661	926,791	926,790
Financial Expenses	61,442,090	26,211,845	16,300,687	11,851,855	21,956,061	23,270,921
Depreciation	51,982,642	27,690,160	26,901,070	23,742,769	23,615,754	25,298,746
Total Expenditure (B)	**4,104,050,595**	**1,565,054,936**	**1,284,061,514**	**1,003,105,355**	**992,803,799**	**877,270,631**
Net Profit before tax and extraordinary items (A-B)	**379,989,628**	**131,057,800**	**13,573,943**	**36,966,903**	**29,775,233**	**6,692,570**
Less:- Extra Ordinary Item						
Loss on Sale of Sweater Division of erstwhile subsidiary Pearl Style Ltd.	-	-	(40,337,841)	-	-	-
Provision for taxation						
Current tax	(104,722,124)	(11,016,000)	(2,698,605)	(1,652,000)	(988,000)	(1,140,000)
Deferred tax	(16,155,425)	(49,796,203)	11,731,491	8,366,846	(13,711,627)	(5,313,171)
Fringe benefit tax	(1,090,500)	(2,494,598)	-	-	-	-

(Amount in Rs.)

Particulars	Six months ended September 30, 2006	Fiscal year ended March 31,				
		2006	2005	2004	2003	2002
Wealth tax	-	(191,000)	(200,000)	(265,000)	(240,000)	-
Tax Adjustment for earlier year	-	(10,500,000)	835,401	(471,662)	64,668	(65,571)
Provision written back				2,541,695		
Prior Period Expenses	224,008	(933,427)	(380,282)	300,473	(199,000)	(360,401)
Provision for doubtful debts	-	(145,230)	-	-	(142,750)	-
Transfer from General Reserve	-	-	-	-	-	225,000
Net Profit after tax and extra ordinary item	**258,245,587**	**55,981,342**	**(17,475,893)**	**45,787,255**	**14,558,524**	**38,427**
Adjustment	**-**	-	-	-	-	-
Increase/(Decrease) in Net Profits						
Taxes of Earlier Years	-	10,500,000	-	(274,101)	(1,212,953)	(964,288)
Total of Adjustments after Tax Impact	**-**	**10,500,000**	**-**	**(274,101)**	**(1,212,953)**	**(964,288)**
Net Profit/ (Loss) before Minorities Interest	**258,245,587**	**66,481,342**	**(17,475,893)**	**45,513,154**	**13,345,571**	**(925,861)**
Less: Minorities Interest	32,847,802	11,367,466	(21,025,735)	23,913,359	7,806,873	(1,015,150)
Dividend Paid for the year 2005-06	5,929,311	-	-	-	-	-
Proposed Dividend – Equity Shares	-	9,378,071	-	-	-	-
Tax on Dividend	831,590	3,329,301	-	-	-	-
Transfer to General Reserve	663,739	4,981,184	-	-	-	-
Utilization against Bonus shares issued	33,518,468	-	-	-	-	-
Add: Profit Brought Forward	116,027,980	78,511,930	35,591,753	13,991,957	8,453,259	8,363,970
Less: Profits of Subsidiary Disposed off	-	(90,730)	(3,602,997)	-	-	-
Less: Transferred to Capital Reserve on Consolidation	-	-	-	-	-	-
Profit/ (Loss) Carried to Balance Sheet	**300,482,656**	**116,027,980**	**42,744,592**	**35,591,753**	**13,991,957**	**8,453,259**

GENERAL INFORMATION

The Company was incorporated as Mina Estates Private Limited on July 5, 1989 under the Companies Act. The name of the Company was subsequently changed to House of Pearl Fashions Private Limited by a special resolution of the shareholders of the Company at an extraordinary general meeting held on May 9, 2006. The fresh certificate of incorporation consequent upon the change of name was granted on June 19, 2006, by the Registrar of Companies, Delhi and Haryana, located at New Delhi. The Company became a public limited company pursuant to a special resolution of the shareholders of the Company at an extraordinary general meeting held on June 28, 2006. Pursuant to this special resolution, the name of the Company was changed to House of Pearl Fashions Limited. The certificate of incorporation to reflect the new name was amended on July 31, 2006 by the RoC. For details of change in name, please refer to "History and Certain Corporate Matters" beginning on page 97 of this Prospectus.

Registered Office of the Company

A-3, Community Centre
Naraina Industrial Area, Phase II
New Delhi - 110 028, India
Tel: (91) 11 4141 7680
Fax: (91) 11 4141 7683
Website: www.houseofpearl.com

Corporate Office of the Company

446, Udyog Vihar, Phase V
Gurgaon - 122 016, Haryana, India
Tel: (91) 124 4004 086
Fax: (91) 124 4004 085

Registration Number: 55-36849 of 1989-90

The Company is registered at the Registrar of Companies, Delhi and Haryana, located at Paryavaran Bhavan, 'B' Block, IInd Floor, C.G.O. Complex, Lodhi Road, New Delhi - 110 003.

Board of Directors

The Company's board of Directors comprises of:

Name, Designation and Occupation	Age (years)	Address
Mr. Deepak Seth *Chairman* *Non-Independent and Non-Executive Director* *Business*	55	9, Avenue Ashok, Rajokri New Delhi - 110 038, India
Mr. Pallak Seth *Vice-Chairman* *Non-Independent and Non-Executive Director* *Business*	29	9, Avenue Ashok, Rajokri New Delhi - 110 038, India
Mr. Pulkit Seth *Managing Director* *Non-Independent and Executive Director* *Business*	26	9, Avenue Ashok, Rajokri New Delhi - 110 038, India
Mr. Sanjay Pershad *Non-Independent and Non-Executive Director* *Business*	42	I-17, Maharani Bagh New Delhi - 110 065, India

Name, Designation and Occupation	Age (years)	Address
Mr. Samar Ballav Mohapatra *Independent Director* *Retired IAS*	62	Flat no. C-15, DG (S) Cooperative Group Housing Society, Plot no. 6, Sector 22 Dwarka – 110 075, India
Dr. Ashutosh Prabhudas Bhupatkar *Independent Director* *Academician*	56	C - 864, Sushant Lok 1, Gurgaon Haryana – 122 002, India
Mr. Rajendra Aneja *Independent Director* *Business Executive*	56	A-11, Ocean Gold Twin Tower Lane Prabhadevi, Mumbai – 400 025, India
Mr. Chittranjan Dua *Independent Director* *Professional*	55	88, Sunder Nagar New Delhi – 110 003, India
Mr. Tom Tar Singh *Non-Executive Director* *Business*	57	Morley House, Ackerman Street Sherborne, Dorset – DT9 3NX, United Kingdom

For further details regarding the Board of Directors, please see the section "Our Management" beginning on page 115 of this Prospectus.

Company Secretary and Compliance Officer

Mr. Jayant Sood
446, Udyog Vihar, Phase V
Gurgaon – 122 016, Haryana, India
Tel: +91 124 4004 087
Fax: +91 124 4004 085
Email: jayantipo@hopfl.org

Investors can contact the Compliance Officer in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account or refunds, etc.

Book Running Lead Manager

JM Morgan Stanley Private Limited
141 Maker Chambers III
Nariman Point, Mumbai 400 021, India
Tel: +91 22 6630 3030
Fax: +91 22 2204 7185
E-mail: hopfl.ipo@jmmorganstanley.com
Contact Person: Mr. Vibhor Kumar
Website: www.jmmorganstanley.com

Syndicate Member

JM Morgan Stanley Financial Services Private Limited
Apeejay House
3, Dinshaw Vaccha Road, Churchgate
Mumbai 400 020, India
Tel: +91 22 6704 3184/3185
Fax: +91 22 6654 1511
E-mail: hopfl.ipo@jmmorganstanley.com
Contact Person: Mr. Deepak Vaidya
Website: www.jmmorganstanley.com

Legal Advisors

Domestic Legal Counsel to the Company

J Sagar Associates
84-E, C-6 Lane
Sainik Farms
New Delhi 110 062, India
Tel.: +91 11 2655 2714
Fax: +91 11 2692 4900

Domestic Legal Counsel to the Underwriters

S&R Associates
K 40, Connaught Circus
New Delhi 110 001, India
Tel: + 91 11 4289 8000
Fax: + 91 11 4289 8001

International Legal Counsel to the Underwriters

(Advising on matters pertaining to the laws of the State of New York and the Federal laws of the United States of America)

Jones Day
31/F Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong
Tel: + 852 2526 6895
Fax: + 852 2868 5871

Registrar to the Issue

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup West
Mumbai 400 078, India
Tel: + 91 22 2596 0320
Fax: + 91 22 2596 0329
Email: hopfl.ipo@intimespectrum.com
Contact Person: Mr. Salim Shaikh
Website: www.intimespectrum.com

Bankers to the Issue and Escrow Collection Banks

The Hongkong and Shanghai Banking Corporation Limited
52/60, Mahatma Gandhi Road
Mumbai 400001, India
Tel: + 91 22 2268 1673
Fax: + 91 22 2273 4388
E-Mail: zersisirani@hsbc.co.in
Website: www.hsbc.co.in
Contact Person: Mr. Zersis Irani

Yes Bank Limited
Nehru Centre, 4th Floor, Discovery of India
Dr. A.B. Road, Worli
Mumbai 400 018, India
Tel: + 91 22 6669 9086
Fax: + 91 22 2494 7639
E-Mail: rajesh.lahori@yesbank.in
Website: www.yesbank.in
Contact Person: Mr. Rajesh Lahori

Standard Chartered Bank
270, D.N. Road, Fort
Mumbai 400 001, India
Tel: + 91 22 2268 3965/2209 2213
Fax: + 91 22 2209 6069
E-Mail: rajesh.malwade@in.standardchartered.com
Website: www.standardchartered.co.in
Contact Person: Mr. Rajesh Malwade

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg
Mumbai 400 001, India
Tel: + 91 22 2262 7600
Fax:+ 91 22 2261 1138
E-Mail: sidhartha.routray@icicibank.com
Website: www.icicibank.com
Contact Person: Mr. Sidhartha Sankar Routray

Centurion Bank of Punjab Limited
M-39, Outer Circle, Opposite Super Bazar
Connaught Circus
New Delhi 110 001, India
Tel: + 91 11 4153 6010-13
Fax: + 91 11 2341 3421
E-Mail: mayankb@centurionbop.co.in
Website: www.centurionbop.co.in
Contact Person: Mr. Mayank Bhargava

UTI Bank
Northern Zonal Office, 5th Floor
Ashoka Estate, 24, Barakhamba Road
New Delhi 110 001, India
Tel: + 91 11 4350 6500
Fax: + 91 11 4350 6565
E-Mail: julius.samson@utibank.co.in
Website: www.utibank.com
Contact Person: Mr. Julius Samson

HDFC Bank
Maneckji Wadia Building, Ground Floor
Nanik Motwani Marg
Mumbai 400 001, India
Tel: + 91 22 2267 9961/9947
Fax:+ 91 22 2267 1661
E-Mail: sunil.kolenchery@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Sunil Kolenchery

Auditors

S.R. Dinodia & Co.
Chartered Accountants
K 39, Connaught Circus
New Delhi 110 001, India
Tel: + 91 11 2341 7630
Fax: + 91 11 4151 3666
Email: srdinodia@srdinodia.com
Website: www.srdinodia.com

Banker to the Company

Standard Chartered Bank
H-2, Connaught Circus
New Delhi 110 001, India
Tel: + 91 11 2340 6852
Fax: + 91 11 2371 9515
Email: prateek.rajput@in.standardchartered.com
Website: www.standardchartered.co.in

Credit Rating

As the Issue is of equity shares, a credit rating is not required.

IPO Grading

The Company has not opted for the grading of this Issue from any credit rating agency.

Monitoring Agency

No monitoring agency is required to be appointed by the Company for the Issue.

Trustees

As the Issue is of equity shares, the appointment of trustees is not required.

Book Building Process

Book Building refers to the process of collection of bids from investors on the basis of the Red Herring Prospectus. This Issue Price is fixed after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

(1) The Company and the Selling Shareholders;

(2) Book Running Lead Manager, in this Issue being JMMS;

(3) Syndicate Member who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as underwriters, in this Issue being JM Morgan Stanley Financial Services Private Limited.

(4) Registrar to the Issue, in this Issue being Intime Spectrum Registry Limited.

SEBI, through its guidelines, has permitted the Issue of securities to the public through the 100% Book Building Process, wherein at least 50% of the Net Issue shall be allotted on a proportionate basis to QIBs, of which 5% shall be reserved for Mutual Funds. If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded herewith. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date. In addition, QIBs are required to pay the QIB Margin Amount, representing 10% of the Bid Amount, upon submission of their Bid and allocation to QIBs will be on a proportionate basis. For details see the section "Issue Structure" beginning on page 250 of this Prospectus.

The Company and the Selling Shareholders will comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Issue. In this regard, the Company and the Selling Shareholders have appointed JMMS as the BRLM to manage the Issue and to procure subscriptions to the Issue.

Steps to be taken by the Bidders for bidding:

- Check eligibility for making a Bid, see the section "Issue Procedure" of this Prospectus;
- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid-cum-Application Form;
- Ensure that the Bid-cum-Application Form is duly completed as per instructions given in the Red Herring Prospectus, the Prospectus and in the Bid-cum-Application Form; and
- If your Bid is for Rs.50,000 or more, ensure that the Bid-cum-Application Form is accompanied by the Permanent Account Number or by Form 60 or Form 61, as may be applicable, together with necessary documents providing proof of address. For details, please refer to the section "Issue Procedure" beginning on page 253 of this Prospectus.

Investors should note that the Company has received a letter from the RBI dated November 27, 2006 for approval to transfer the Equity Shares offered by Mr. Deepak Seth, Mrs. Payel Seth and Mr. Pallak Seth in the Offer for Sale to non-residents and Eligible NRIs applying on a repatriation basis.

Illustration of Book Building and Price Discovery Process

(Investors should note that the following is solely for the purpose of illustration and is not specific to the Issue)

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs.20 to Rs.24 per share, an issue size of 3,000 equity shares and receipt of five bids from bidders', details of which are shown in the table below, the illustrative book would be as given below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below indicates the demand for the shares of the company at various prices and is collated from bids from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative equity shares Bid for	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs.22 in the above example. The issuer, in consultation with the BRLM, will finalize the issue price at or below such cut off, i.e., at or below Rs.22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective category.

Underwriting Agreement

The Company and the Selling Shareholders have entered into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued and sold in the Issue. Pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Member does not fulfill its underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions to closing, as specified therein.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. Million)
BRLM **JM Morgan Stanley Private Limited** 141, Maker Chambers III Nariman Point Mumbai 400 021, India	6,596,954	3,628.3
Syndicate Member **JM Morgan Stanley Financial Services Private Limited** Apeejay House 3, Dinshaw Vaccha Road Churchgate Mumbai 400 020, India	100	0.1
Total	6,597,054	3,628.4

The above-mentioned amount is an indicative underwriting and would be finalized after the actual allocation of the Equity Shares. The Underwriting Agreement is dated January 24, 2007.

In the opinion of the Board of Directors (based on a certificate given by the Underwriters), the resources of all the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. The above Underwriting Agreement has been accepted by the Board of Directors and the Company and the Selling Shareholders have issued the letters of acceptance to the Underwriters.

Allocation among the Underwriters may not necessarily be in the proportion of their underwriting commitments. Notwithstanding the above table, the BRLM and the Syndicate Member shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to Equity Shares to the extent of the defaulted amount.

CAPITAL STRUCTURE

The Company's share capital, as of the date of filing this Prospectus with SEBI, before and after the Issue, is set forth below:

			Aggregate Nominal Value (Rs.)	Aggregate Value at Issue Price (Rs.)
A)	**AUTHORIZED SHARE CAPITAL[1]**			
	24,990,000	Equity Shares of Rs.10 each	249,900,000	
	10,000	4% Non-Cumulative Preference Shares of Rs.10 each	100,000	
B)	**ISSUED, SUBSCRIBED AND PAID-UP EQUITY SHARE CAPITAL**			
	14,310,643	Equity Shares of Rs.10 each	143,106,430	
C)	**PRESENT ISSUE IN TERMS OF THIS PROSPECTUS**			
	5,984,994	Equity Shares	59,849,940	3,291,746,700
		Out of the above:		
		(i) Fresh Issue		
		4,759,794 Equity Shares of Rs.10 each	47,597,940	2,617,886,700
		(ii) Offer for Sale[2]		
		1,225,200 Equity Shares of Rs.10 each	12,252,000	673,860,000
D)	**EMPLOYEE RESERVATION PORTION[3]**			
	122,600	Equity Shares of Rs.10 each	1,226,000	67,430,000
E)	**NET ISSUE TO PUBLIC**			
	5,862,394	Equity Shares of Rs.10 each	58,623,940	3,224,316,700
F)	**GREEN SHOE OPTION IN TERMS OF THIS PROSPECTUS**			
	Up to 612,060 Equity Shares of Rs.10 each		6,120,600	336,633,000
G)	**ISSUE AND THE GREEN SHOE OPTION**			
	Up to 6,597,054 Equity Shares of Rs.10 each		65,970,540	
H)	**EQUITY CAPITAL AFTER THE ISSUE**			
	19,070,437	Equity Shares of Rs.10 each (assuming Green Shoe Option is not exercised)	190,704,370	10,488,740,350
	19,682,497	Equity Shares of Rs.10 each (assuming Green Shoe Option is exercised in full)	196,824,970	10,825,373,350
I)	**SHARE PREMIUM ACCOUNT**			
	Before the Issue		102,943,900	
	After the Issue (assuming Green Shoe Option is not exercised)		2,673,232,660	
	After the Issue (assuming Green Shoe Option is exercised in full)		3,003,745,060	

(1)

a) *Pursuant to a resolution of the shareholders of the Company at the EGM on March 21, 1990, the authorized share capital of the Company was increased from Rs.100,000 to Rs.500,000, divided into 8,000 Equity Shares of Rs.10 each, 2,000 4% cumulative Preference Shares of Rs.10 each and 40,000 4% non-cumulative Preference Shares of Rs.10 each.*

b) *Pursuant to a resolution of the shareholders of the Company at the EGM on March 21, 1994, the authorized share capital of the Company was altered from Rs.500,000 divided into 8,000 Equity Shares of Rs.10 each, 2,000 4% cumulative Preference Shares of Rs.10 each and 40,000 4% non-cumulative Preference Shares to Rs.500,000, divided into 40,000 Equity Shares of Rs.10 each and 10,000 4% non-cumulative Preference Shares of Rs.10 each.*

c) *Pursuant to a resolution of the shareholders of the Company at the EGM on July 6, 1998, the authorized share capital of the Company was increased from Rs.500,000 to Rs.1,500,000, divided into 140,000 Equity Shares of Rs.10 each and 10,000 4% non-cumulative Preference Shares of Rs.10 each.*

d) *Pursuant to a resolution of the shareholders of the Company at the EGM on July 18, 2000, the authorized share capital of the Company was increased from Rs.1,500,000 to Rs.8,000,000, divided into 790,000 Equity Shares of Rs.10 each and 10,000 4% non-cumulative Preference Shares of Rs.10 each.*

e) *Pursuant to a resolution of the shareholders of the Company at the EGM on October 7, 2005, the authorized share capital of the Company was increased from Rs.8,000,000 to Rs.55,000,000, divided into 5,490,000 Equity Shares of Rs.10 each and 10,000 4% non-cumulative Preference Shares of Rs.10 each.*

f) *Pursuant to a resolution of the shareholders of the Company at the EGM on March 7, 2006, the authorized share capital of the Company was increased from Rs.55,000,000 to Rs.250,000,000, divided into 24,990,000 Equity Shares of Rs.10 each and 10,000 4% non-cumulative Preference Shares of Rs.10 each.*

(*2) The details of the Equity Shares being offered in the Offer for Sale by the Selling Shareholders are as under:*

Name of the Shareholder	***Number of Equity Shares***	***% of pre-Issue equity capital***
Mr. Deepak Seth	*490,080*	*3.42*
Mrs. Payel Seth	*490,080*	*3.42*
Mr. Pallak Seth	*122,520*	*0.86*
Mr. Pulkit Seth	*122,520*	*0.86*
Total	***1,225,200***	***8.56***

Equity Shares being offered by the Selling Shareholders as a part of the Offer for Sale have been held by the Selling Shareholders for a minimum period of one year prior to the date of filing the Draft Red Herring Prospectus with SEBI.

(3) For Employees, see "Definitions and Abbreviations - Employees" on page iii of this Prospectus.

Notes to the Capital Structure

1. Share Capital History of the Company

a) The following is the history of the equity share capital of the Company:

Date of Allotment	**Number of Equity Shares**	**Issue Price per Equity Share (Rs.)**	**Face Value per Equity Share (Rs.)**	**Nature of consideration (cash, bonus, other than cash)**	**Reasons for allotment**	**Cumulative Share Premium (Rs.)**	**Cumulative Share Capital (Rs.)**
July 5, 1989	20	10	10	Cash	Subscription on signing of Memorandum of Association	Nil	200
March 28, 1994	15,980	10	10	Bonus	Allotment to Passion Estates Private Limited and India Watch Co. Private Limited	Nil	160,000

Date of Allotment	Number of Equity Shares	Issue Price per Equity Share (Rs.)	Face Value per Equity Share (Rs.)	Nature of consideration (cash, bonus, other than cash)	Reasons for allotment	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
March 31, 1994	24,000	10	10	Cash	Allotment to Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth and Mr. Pulkit Seth	Nil	400,000
July 10, 1998	96,000	10	10	Cash	Allotment to Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth and Mr. Pulkit Seth	Nil	1,360,000
January 20, 2001	598,570	10	10	Consideration other than cash	Pursuant to a scheme of merger approved by the Delhi High Court by its order dated October 24, 2000	Nil	7,345,700
October 10, 2005	3,922,109	10	10	Cash	Allotment to Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth and Mr. Pulkit Seth	Nil	46,566,790
June 17, 2006	9,313,358	10	10	Bonus	Allotment to Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth, Mr. Pulkit Seth, Deepak Seth & Sons (HUF), Mrs. Shefali Seth and Nim International Commerce Private Limited	Nil	139,700,370
October 3, 2006	190,000	65	10	Cash	Allotment to Patron India II(1)	10,450,000	141,600,370
October 3, 2006	15,000	300	10	Cash	Allotment to WG Associates Private Limited	14,800,000	141,750,370
December 26, 2006	135,606	660	10	Cash	Allotment to Lesing Mauritius Limited pursuant to the Pre-IPO Placing	102,943,900	143,106,430
Total	**14,310,643**					**102,943,900**	**143,106,430**

(1) *We appointed Mr. Tom Tar Singh as a Director on September 26, 2006. Pursuant to arrangements with him, Patron India II was issued and allotted 190,000 Equity Shares on October 3, 2006. On December 1, 2006, the Equity Shares held by Patron India II were transferred to Lesing Mauritius Limited, a company in which Mr. Singh has a beneficial interest through family interests.*

b) The following is the history of the preference share capital of the Company:

Date of Allotment	Number of Equity Shares	Issue Price per Equity Share (Rs.)	Face Value per Equity Share (Rs.)	Nature of consideration (cash, bonus, other than cash)	Reasons for allotment	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)
March 26, 1990	10,000	10	10	Cash	Allotment to Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth, Mr. Pulkit Seth, Deepak Seth & Sons (HUF)	Nil	100,000
Total	**10,000**						**100,000**

The 10,000 4% non-cumulative preference shares were redeemed on March 21, 1994. Currently, there are no outstanding preference shares.

2. Promoters' Contribution and Lock-in

The Equity Shares, which are being locked-in, are not ineligible for computation of Promoter's contribution under Clause 4.6 of the SEBI Guidelines.

(a) Details of Promoter's contribution locked-in for three years are as follows:

Pursuant to the SEBI Guidelines, an aggregate of 20% of the post-Issue shareholding of the Promoters shall be locked-in for a period of three years.

Name of the Promoter	Date on which the Equity Shares were allotted/ acquired	Nature of payment of considera-tion	Number of Equity Shares			Percentage of pre-Issue paid-up capital (%)		Percentage of post-Issue paid-up capital (%)	
			Assuming Green Shoe Option is not exercised	Assuming Green Shoe Option is exercised in full	Face value (Rs.)	Assuming Green Shoe Option is not exercised	Assuming Green Shoe Option is exercised in full	Assuming Green Shoe Option is not exercised	Assuming Green Shoe Option is exercised in full
Mr. Deepak Seth	June 17, 2006	Bonus	1,525,635	1,574,600	10	10.66	11.00	8.00	8.00
Mrs. Payel Seth	June 17, 2006	Bonus	1,525,635	1,574,600	10	10.66	11.00	8.00	8.00
Mr. Pallak Seth	June 17, 2006	Bonus	381,409	393,650	10	2.67	2.75	2.00	2.00
Mr. Pulkit Seth	June 17, 2006	Bonus	381,409	393,650	10	2.67	2.75	2.00	2.00
Total			**3,814,088**	**3,936,500**		**26.66**	**27.50**	**20.00**	**20.00**

(b) Details of Share Capital locked-in for one year are as follows:

In addition to the Equity Shares proposed to be locked-in as part of the Promoters' contribution as stated above, the entire pre-Issue equity share capital of the Company, including the Equity Shares issued in the Pre-IPO Placing, less the number of Equity Shares which will be transferred pursuant to the Offer for Sale, will be locked-in for the period of one year from the date of allotment of Equity Shares in this Issue. If the Green Shoe Option is not exercised, 9,271,355 Equity Shares will be locked-in for a period of one year from the date of allotment of the Equity Shares in this Issue.

In the event the Green Shoe Option is exercised, the Equity Shares held by the Green Shoe Lender, which are lent to the Stabilizing Agent, shall be exempt from lock-up for a period between the date when the Equity Shares are lent to the Stabilizing Agent to the date when they are transferred to the Green Shoe Lender in accordance with SEBI Guidelines.

Pursuant to Clause 4.15 of the SEBI Guidelines, locked-in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided pledge of shares is one of the terms of sanction of loan.

Pursuant to Clause 4.16.1(b) of the SEBI Guidelines, Equity Shares held by the Promoters may be transferred to and among the Promoters or the Promoter group or to a new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the SEBI Takeover Regulations, as applicable.

Further, pursuant to Clause 4.16.1(a) of the SEBI Guidelines, Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the SEBI Takeover Regulations, as applicable.

3. Shareholding Pattern of the Company

The table below presents the Company's shareholding pattern before the Issue and as adjusted for the Issue and the Green Shoe Option:

Name of Shareholder	Pre-Issue		Post-Issue (if Green Shoe Option is not exercised)		Post-Issue (if Green Shoe Option is exercised in full)	
	Number of Equity Shares	Percentage of equity share capital (%)	Number of Equity Shares	Percentage of equity share capital (%)	Number of Equity Shares	Percentage of equity share capital (%)
Promoters						
Mr. Deepak Seth	5,587,995	39.05	5,097,915	26.73	5,097,915	25.90
Mrs. Payel Seth	5,587,992	39.05	5,097,912	26.73	5,097,912	25.90
Mr. Pallak Seth	1,396,980	9.76	1,274,460	6.68	1,274,460	6.48
Mr. Pulkit Seth	1,396,980	9.76	1,274,460	6.68	1,274,460	6.48
Total Holding of the Promoters	**13,969,947**	**97.62**	**12,744,747**	**66.82**	**12,744,747**	**64.76**
Promoter Group (other than Promoters)						
Deepak Seth & Sons (HUF)	30	-	30	-	30	-
Mrs. Shefali Seth	30	-	30	-	30	-
Nim International Commerce Private Limited	30	-	30	-	30	-
Total Holding of Promoter Group (other than Promoters)	90	-	90	-	90	-
Others						
Lesing Mauritius Limited(1)	325,606	2.28	325,606	1.72	325,606	1.65
WG Associates Private Limited	15,000	0.10	15,000	0.08	15,000	0.08
Total Holding of Others (other than Promoters and Promoter Group)	**340,606**	**2.38**	**340,606**	**1.80**	**340,606**	**1.73**
Public and Employees in the Issue	-	-	5,984,994	31.38	6,597,054	33.52
Total	**14,310,643**	**100.00**	**19,070,437**	**100.00**	**19,682,497**	**100.00**

(1) *Represent Equity Shares held by an entity in which Mr. Tom Tar Singh, our Director, has beneficial interest through family interests; see above "Notes to Capital Structure – Share Capital History of the Company".*

4. The Company, the Directors, the Promoters, the Promoter group, their respective directors and the BRLM have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares from any person.

5. The list of top ten shareholders of the Company and the number of Equity Shares held by them is set forth below:

(a) The top shareholders of the Company as of the date of the filing of the Prospectus with the RoC are as follows:

S. No.	Name of Shareholder	Number of Equity Shares	Percentage Shareholding (%)
1.	Mr. Deepak Seth	5,587,995	39.05
2.	Mrs. Payel Seth	5,587,992	39.05
3.	Mr. Pallak Seth	1,396,980	9.76
4.	Mr. Pulkit Seth	1,396,980	9.76
5.	Lesing Mauritius Limited	325,606	2.28
6.	WG Associates Private Limited	15,000	0.10
7.	Mrs. Shefali Seth	30	-
8.	Deepak Seth & Sons (HUF)	30	-
9.	Nim International Commerce Private Limited	30	-
	Total	**14,310,643**	**100.00**

(b) The top shareholders of the Company as of ten days prior to the filing of the Prospectus with the RoC are as follows:

S. No.	Name of Shareholder	Number of Equity Shares	Percentage Shareholding (%)
1.	Mr. Deepak Seth	5,587,995	39.05
2.	Mrs. Payel Seth	5,587,992	39.05
3.	Mr. Pallak Seth	1,396,980	9.76
4.	Mr. Pulkit Seth	1,396,980	9.76
5.	Lesing Mauritius Limited	325,606	2.24
6.	WG Associates Private Limited	15,000	0.10
7.	Mrs. Shefali Seth	30	-
8.	Deepak Seth & Sons (HUF)	30	-
9.	Nim International Commerce Private Limited	30	-
	Total	**14,310,643**	**100.00**

(c) The top shareholders of the Company as of two years prior to the filing of the Prospectus with the RoC are as follows:

S. No.	Name of Shareholder	Number of Equity Shares	Percentage Shareholding (%)
1.	Mr. Deepak Seth	231,640	31.54
2.	Mrs. Payel Seth	204,680	27.86
3.	Mr. Pallak Seth	136,000	18.51
4.	Mr. Pulkit Seth	136,000	18.51
5.	City Estates Private Limited*	26,250	3.58
	Total	**734,570**	**100.00**

** City Estates Private Limited has merged with our Subsidiary, Pearl Global, pursuant to an order of the Honorable High Court of Delhi dated October 6, 2006, with effect from April 1, 2005.*

6. Except as set forth below, none of the Directors or key managerial personnel hold Equity Shares in the Company:

S. No.	Name of the Shareholder	Number of Equity Shares	Pre-Issue Percentage Shareholding (%)	Post-Issue Percentage Shareholding (%)(if Green Shoe Option is not exercised)	Post-Issue Percentage Shareholding (%) (if Green Shoe Option is exercised)
1.	Mr. Deepak Seth	5,587,995	39.05%	26.73%	25.90%
2.	Mr. Pallak Seth	1,396,980	9.76%	6.68%	6.48%
3.	Mr. Pulkit Seth	1,396,980	9.76%	6.68%	6.48%

** We appointed Mr. Tom Tar Singh as a Director on September 26, 2006. Pursuant to arrangements with him, Patron India II was issued and allotted 190,000 Equity Shares on October 3, 2006. On December 1, 2006, the Equity Shares held by Patron India II were transferred to Lesing Mauritius Limited, a company in which Mr. Singh has a beneficial interest through family interests. Further, on December 26, 2006, 135,606 Equity Shares were issued and allotted to Lesing Mauritius Limited pursuant to the Pre-IPO Placing.*

7. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments on the Equity Shares.

8. Except as disclosed in this Prospectus, the Company has not issued Equity Shares out of revaluation reserves or for consideration other than cash.

9. There have been no transfers of Equity Shares by the Promoter and the Promoter group within the last six months preceding the date on which this Prospectus is filed with the RoC.

10. The Company has issued Equity Shares to the persons as described below in the year preceding this Issue, which may be at a price lower than the Issue Price:

Name of the Shareholder	Whether Belongs to Promoter Group	Number of Equity Shares	Issue Price (Rs.)	Reasons for Issue
Mr. Deepak Seth	Yes	3,725,330	10	Bonus issue
Mrs. Payel Seth	Yes	3,725,328	10	Bonus issue
Mr. Pulkit Seth	Yes	931,320	10	Bonus issue
Mr. Pallak Seth	Yes	931,320	10	Bonus issue
Deepak Seth & Sons (HUF)	Yes	20	10	Bonus issue
Mrs. Shefali Seth	Yes	20	10	Bonus issue
Nim International Commerce Private Limited	Yes	20	10	Bonus issue
Patron India II*	No	190,000	65	Allotment of shares
WG Associates Private Limited	No	15,000	300	Allotment of shares
Lesing Mauritius Limited	No	135,606	660	Allotment of shares pursuant to the Pre-IPO Placing

* *On December 1, 2006, 190,000 Equity Shares held by Patron India II were transferred to Lesing Mauritius Limited.*

11. In the case of over-subscription in all categories, at least 50% of the Net Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers, of which 5% shall be reserved for Mutual Funds. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above this Issue Price. Under-subscription, if any, in the Non-Institutional and Retail Individual Bidder categories would be allowed to be met with spill-over from any other category or combination of categories at the sole discretion of the Company and the Selling Shareholders in consultation with the BRLM.

12. 122,600 Equity Shares have been reserved for allocation to the Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price. See "Definitions and Abbreviations - Employees" on page iii of this Prospectus to determine eligibility to apply in this Issue under the reserved category for the Employees. Employees may also bid for Equity Shares in the Net Issue portion and such Bids shall not be treated as multiple Bids. Any under-subscription in the Equity Shares under the Employee Reservation Portion will be added back to the categories of Non Institutional Bidders and Retail Individual Bidders in the ratio 50:50. If the aggregate demand in the Employee Reservation Portion is greater than 122,600 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis, provided that the maximum allotment to any Employee shall be capped at up to 200 Equity Shares.

13. As per Chapter VIII-A of the SEBI Guidelines, the Company intends to avail of the Green Shoe Option for stabilizing the post listing price of Equity Shares. The Company has appointed JMMS as the Stabilizing Agent. The Green Shoe Option consists of an option to over allot up to 612,060 Equity Shares of Rs.10 each at a price of Rs.550 per Equity Share aggregating Rs.336.6 million, exercisable during the Stabilization Period. For details regarding the terms of the Green Shoe Option, see the section "Green Shoe Option" beginning on page 6 of this Prospectus.

14. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, or rights issue or in any other manner during the period commencing from submission of this Prospectus with the RoC until the Equity Shares have been listed.

15. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the date of opening of this Issue, by way of split/consolidation of the denomination of Equity Shares or further issue of

Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly, for the Equity Shares) whether preferential or otherwise or through mergers or amalgamations, except that if the Company enters into acquisitions, joint ventures or strategic alliances, the Company may consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

16. The Company has not revalued its assets since inception.

17. The Company has not capitalized any of its reserves since inception.

18. A Bidder cannot make a Bid for more than the number of Equity Shares offered through this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor. The Company has received a letter from the RBI dated November 27, 2006 for approval to transfer the Equity Shares offered by Mr. Deepak Seth, Mrs. Payel Seth and Mr. Pallak Seth in the Offer for Sale to non-residents and Eligible NRIs applying on a repatriation basis.

19. The Company has not made any public issue since its incorporation.

20. The Company undertakes that at any given time, there shall be only one denomination for the Equity Shares of the Company and the Company shall comply with such disclosure and accounting norms as specified by SEBI from time to time.

21. As of the date of filing this Prospectus, the total number of holders of Equity Shares was 9.

22. Except as mentioned in the section "Objects of the Issue" beginning on page 32 of this Prospectus, the Company has not raised any bridge loan against the proceeds of this Issue.

23. An oversubscription to the extent of 10% of the Issue can be retained for purposes of rounding off to the nearest multiple of 10 while finalizing the basis of allotment.

24. The Equity Shares being issued or transferred pursuant to the Issue shall be and are fully paid-up.

OBJECTS OF THE ISSUE

The Issue comprises of a Fresh Issue of 4,759,794 Equity Shares by the Company and an Offer for Sale of 1,225,200 Equity Shares by the Selling Shareholders. The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholders. The Company has received approximately Rs. 89.5 million from the Pre-IPO Placing of 135,606 Equity Shares completed on December 26, 2006. The net proceeds of the Fresh Issue, after proportionate deduction of underwriting and management fees, selling commissions and all other Issue expenses, are estimated to be approximately Rs.2,472.5 million ("Net Proceeds").

The Company intends to use the Net Proceeds for the following purposes:

A. Investment in its subsidiary companies to increase the production capacity of the Group from 20 million pieces per annum to 40 million pieces per annum. This is proposed to be achieved by the following means:

   (i) Establishment of a new woven manufacturing facility by Pearl Global in the State Industries Promotion Corporation of Tamil Nadu Limited Industrial Park ("SIPCOT Industrial Park"), Irungattukotai, India;

   (ii) Establishment of a new wovens and knits manufacturing facility by Pearl Global in Narsingpur, Gurgaon, Haryana, India;

   (iii) Acquisition of an existing knitted garment manufacturing facility by Pearl Global in Khandsa, Gurgaon, Haryana, India; and

   (iv) Establishment of a new knits manufacturing facility by Norp Knit in Dhaka, Bangladesh.

B. Investment in its subsidiary company, Pearl Global, for the establishment of a design centre and corporate office at Gurgaon, Haryana, India;

C. Setting up of an integrated information technology system;

D. Pre-payment of certain term loans availed by the Company and its subsidiaries;

E. Investment in its subsidiary company, Multinational Textiles, for payment of purchase consideration to SACB Holdings Limited and Pallas Holdings Limited as part of the Group restructuring;

F. Setting up a domestic branded apparel retail business;

G. Acquisition of an existing international brand in the U.S. or the U.K. for retail outside India; and

H. General corporate purposes.

The main objects clause and the objects incidental or ancillary to the main objects clause of the Memorandum of Association enable the Company to undertake its existing activities and the activities for which funds are being raised by the Company in this Issue.

The fund requirements and the intended use of the Net Proceeds as described herein are based on management estimates and our current business plan. The fund requirements and intended use of Net Proceeds have not been appraised by any bank or financial institution. In view of the competitive and dynamic nature of the apparel industry, we may have to revise our expenditure and fund requirements as a result of variations in the cost structure, changes in estimates, exchange rate fluctuations and external factors, which may not be within the control of our management. This may entail rescheduling, revising or canceling the planned expenditure and fund requirement and increasing or decreasing the expenditure for a particular purpose from its planned expenditure at the discretion of our management. In addition, the estimated dates of completion of various projects as described herein are based on management's current expectations and are subject to change due to various factors, some of which may not be in our control.

The following table summarizes the intended use of Net Proceeds:

S. No.	Particulars	Estimated Total Cost (Rs. million)	Estimated amount of Company's contribution to be raised from the Fresh Issue (Rs. million)	Other Means of Finance (Rs. million)
A.	Investment in subsidiary companies for increasing the Group's production capacity by:			
	(i) Establishment of a new woven manufacturing facility by Pearl Global at SIPCOT Industrial Park, Irungattukottai, India	438.5	148.5	Debt: 290.0
	(ii) Establishment of a new wovens and knits manufacturing facility by Pearl Global at Narsingpur, Gurgaon, Haryana, India	375.0	125.0	Debt:250.0
	(iii) Acquisition of an existing knitted garment manufacturing facility by Pearl Global in Khandsa, Gurgaon, Haryana, India	54.0	54.0	-
	(iv) Establishment of a new knits manufacturing facility by Norp Knit in Dhaka, Bangladesh	250.0	250.0	-
B.	Investment in Pearl Global for establishment of a design centre and corporate office in Gurgaon	143.0	38.0	Debt: 105.0
C.	Setting up an integrated information technology system	143.0	143.0	-
D.	Pre-payment of certain term loans availed by the Company and its Subsidiaries	550.4	550.4	-
E.	Investment in its subsidiary company, Multinational Textiles, for payment of purchase consideration to SACB Holdings Limited and Pallas Holdings Limited as part of the Group restructuring	510.7	510.7	-
F.	Setting up a domestic branded apparel retail business	733.0	545.0	Internal accruals: 188.0
G.	Acquisition of an existing brand in the U.K. or the U.S. for retail outside India	400.0	400.0	-
H.	General corporate purposes	-	-	-
	Total	3,597.6	2,764.6	Debt: 645.0 Internal accruals: 188.0

A shortfall in the Net Proceeds would be met through the proceeds of the Pre-IPO Placing amounting to Rs. 89.5 million, the proceeds from the exercise of the Green Shoe Option, if any, and our Cash and Bank balances which amounted to Rs. 557.8 million as at September 30, 2006 (as per consolidated accounts). Alternatively, the Company may also consider raising debt to meet the aforesaid gap. In case such arrangements are made, the Company will reduce the utilization of the available cash as stated aforesaid.

A. Investment in subsidiary companies for increasing the Group's production capacity:

(i) ***Establishment of a new wovens manufacturing facility by Pearl Global in SIPCOT Industrial Park, Irungattukottai, India***

The Company proposes to invest Rs.148.5 million of the Net Proceeds in its subsidiary, Pearl Global, by way of subscription to the preference share capital of Pearl Global, for setting up a new woven manufacturing factory in SIPCOT Industrial Park, Irungattukottai. We believe the establishment of this manufacturing facility will increase the Group's existing capacity by approximately 8.0 million pieces per annum. Pearl Global has entered into a lease agreement for approximately 217,675 square feet of land for this purpose.

Means of Finance

The total project cost, as estimated by the management of Pearl Global, is Rs.438.5 million. The funding for the project is proposed to be met as follows:

(Rs. million)

S.No.	Particulars	Total
1.	Equity through Net Proceeds	148.5
2.	Term Loan	290.0
	Total	**438.5**

Debt

Pearl Global has received a sanction letter dated September 6, 2006 from the Standard Chartered Bank for a Rupee denominated secured term loan facility of Rs.540.0 million for setting up a new woven manufacturing factory in SIPCOT Industrial Park, Irungattukottai and for establishing a new wovens and knits manufacturing facility at Narsingpur, Gurgaon.

In case of any shortfall/cost overrun for the above projects, Pearl Global intends meeting the funding requirements through its current cash surplus as well as its future internal accruals.

Cost of Project

On the basis of the appraisal conducted by the management of Pearl Global, the estimated cost of this project is set forth below:

(Rs. million)

S.No.	Particulars	Cost
1.	Building	210.0
2.	Plant and machinery	126.0
3.	Miscellaneous fixed assets	14.7
4.	Pre-operative expenses	11.5
5.	Contingency provision	7.3
6.	Working capital margin	69.0
	Total	**438.5**

This amount of Rs.438.5 million excludes an initial amount of Rs.3.82 million that has already been incurred for the acquisition of land for this project on a leasehold basis and Rs.0.73 million as processing fee for term loan availed from the Standard Chartered Bank. The total amount of Rs.4.55 million has been invested from the internal accruals of Pearl Global and will not be recovered from the Net Proceeds.

The estimated cost of the plant and machinery is detailed in the following table:

(Rs. million)

Plant/Machinery	Quantity	Estimated Amount
S/n with UTT	530	21.5
S/n standard	1,030	14.4
S/n with edge trimmer	80	3.4
D/n split bar	105	9.3
Special equipment - feed of the arm	8	3.3
Feed of the arm standard	14	1.4
Pocket creasing	4	1.4
Automatic pocket setter	2	2.9
Special equipment- velt pocket machines	4	3.3
Special equipment- loop attaching	2	2.6
Bar-tack machine	14	1.7
Serging machine	2	0.9
Over lock five thread	110	4.1
Special equipment – waist banding	2	1.8
Kansai special	24	1.4
Kansai special for loop making	4	0.2
Key hole	12	5.0
Button hole normal	22	3.3
Button attach	20	3.8
Mini presses for creasing	11	1.5
Cad, spreading table, cam	1	12.7
Vertical cutters	5	0.3
Embroidery machine	1	2.5
Band knife	1	0.1
End cutters	5	0.1
Tape cutting	1	0.2
Miscellaneous equipment	1	0.3
Fusing press (Hashima)	1	0.6
Lab	1	1.2
Other equipment	1	2.5
Store racking and shelving	1	1.2
Irons with vacuum tables & swivel buck	10	0.2
Foam finisher	2	0.8
Boiler plus installations	1	1.3
Ngai shing equipment arm hole, collars and cuffs	5	4.9
Washing equipment	1	9.9
Total	**2,038**	**126.0**

As of the date of this Prospectus, Pearl Global has not entered into any contracts for procurement of the plant and machinery. The above estimates are based on quotations received by the Company and/or Pearl Global in the past and on the internal estimates of the management. No second-hand equipment and instruments have been purchased or are proposed to be purchased from the Net Proceeds.

Schedule of Implementation

The schedule of implementation for this project is estimated to be as follows:

Activity	**Expected date of Completion**
Land acquisition	Completed
Building	December 2007
Plant and machinery	January 2009
Trial run	February 2009
Commercial production	March 2009

Funds Deployed

As of January 23, 2007, HoPFL had not directly incurred any expenditure on this project. The Company's subsidiary, Pearl Global, had incurred an expenditure of Rs.3.82 million for purchase of land and Rs.0.73 million as processing fee for term loan availed from the Standard Chartered Bank as certified by S.R. Dinodia & Co., Chartered Accountants, pursuant to their certificate dated January 24, 2007. This expenditure has been funded through the internal accruals of Pearl Global and will not be recovered from the Net Proceeds. For details regarding the expenditure already incurred, please see "Objects of the Issue – Funds Deployed" beginning on page 50 of this Prospectus.

(ii) ***Establishment of a new wovens and knits manufacturing facility by Pearl Global at Narsingpur, Gurgaon, Haryana, India***

The Company proposes to invest Rs.125.0 million of the Net Proceeds in its subsidiary, Pearl Global, by way of subscription to the preference share capital of Pearl Global, for establishing a new wovens and knits manufacturing facility at Narsingpur, Gurgaon. We believe that the proposed manufacturing facility will increase the existing capacity of the Group in the wovens and knits product categories by approximately 6.0 million pieces per annum. Pearl Global has already acquired approximately 139,000 square feet of land for this purpose.

Means of Finance

The total project cost as estimated by the management of Pearl Global is Rs.375.0 million. The funding for the project is proposed to be met as follows:

(Rs. million)

S.No.	**Particulars**	**Total**
1.	Equity through Net Proceeds	125.0
2.	Term Loan	250.0
	Total	**375.0**

Debt

Pearl Global has received a sanction letter dated September 6, 2006 from the Standard Chartered Bank for a Rupee denominated secured term loan facility of Rs.540.0 million for setting up a new woven manufacturing factory in SIPCOT Industrial Park, Irungattukottai and for establishing a new wovens and knits manufacturing facility at Narsingpur, Gurgaon.

In case of any shortfall/cost overrun for the above project, Pearl Global intends meeting the funding requirements through its current cash surplus as well as its future internal accruals.

Cost of Project

On the basis of the appraisal conducted by the management of Pearl Global, the estimated cost of this project is set forth below:

(Rs. million)

S.No.	Particulars	Cotal
1.	Building	225.0
2.	Plant and machinery	94.9
3.	Miscellaneous fixed assets	12.0
4.	Pre-operative expenses	29.1
5.	Contingency provision	7.2
6.	Working capital margin	6.8
	Total	**375.0**

This amount of Rs.375.0 million excludes an initial amount of Rs.22.28 million that has already been incurred for the acquisition of land, construction of shed and boundary wall at Narsingpur, purchase of machinery, margin money and bank charges incurred on establishing letters of credit for procurement of capital equipment and Rs.0.63 million as processing fee for term loan availed from the Standard Chartered Bank as certified by S.R. Dinodia & Co., Chartered Accountants, pursuant to their certificate dated January 24, 2007. For detailed break-down of this expenditure, see "Objects of the Issue-Funds Deployed" beginning on page 50 of the Prospectus. The total amount of Rs.22.91 million has been invested from the internal accruals of Pearl Global and will not be recovered from the Net Proceeds.

The estimated cost of the plant and machinery is detailed in the following table:

(Rs. million)

Plant/Machinery	Quantity	Estimated Amount
Single needle lockstitch with trimmer	1,055	58.7
Double needle lockstitch with trimmer	20	3.7
Safety stitch machine (Juki)	40	2.1
Single needle double chain stitch	8	1.9
Bar tack	2	0.3
Feed of arm	40	7.4
Zig zag sewing machine	20	3.8
Lock-stitch button sewing	8	1.6
Buttonhole	8	2.3
Single needle lockstitch h/trimmer	8	0.4
Pneumatic pocket creasing	2	0.5
Collar trim and turn	2	0.5
Automatic cuff block	2	0.4
Steam iron	80	0.4

(Rs. million)

Plant/Machinery	Quantity	Estimated Amount
Vacuum table	80	2.0
Band knife cutting	4	0.8
End cutter	8	0.2
Straight knife cutting(8 inch)	8	0.5
Three needle chain stitch(2,300 m)	8	0.5
Three needle chain stitch(vc 3711)	8	1.3
Three needle chain stitch(vc 2713)	8	0.9
Chain stitch over edging	40	1.6
Safety stitch machine (Yamato)	40	1.8
Compact fusing press	2	0.3
Fusing press	2	0.9
Thread winding machine	2	0.1
Total	**1,505**	**94.9**

The above estimates are based on quotations received by HoPFL and/or Pearl Global in the past and on the internal estimates of the management.

Pearl Global has entered into the following contracts for procurement of the plant and machinery:

Description	Date	Name of Party	Value of Contract (Rs. million)	Status of Contract
Purchase of Sewing machines	August 18, 2006	Juki Singapore Pte Limited	7.2	Letter of credit paid
Purchase of Sewing Machines	August 17, 2006	Sun Star Machinery Limited	0.5	Letter of credit established
Purchase of Sewing Machines	August 14, 2006	Pegasus Sewing Machines Pte Limited	12.0	Letter of credit established
Purchase of Embroidery Machine	July 15, 2006	Global EMB-Tech Pte Limited	4.2	Letter of credit paid
Purchase of Sampling Embroidery Machine	July 22, 2006	Hanghou Jingwei Elec-Mech	0.8	Letter of credit paid
Purchase of dining table	August 3, 2006	Ramsons Garments Finishing Equipment Private Limited	1.6	Letter of credit established
Total			**26.3**	

Orders remain to be placed for plant and machinery worth Rs.68.65 million, representing 71.3% of the total cost of plant and machinery for this project. No second-hand equipment and instruments have been purchased or are proposed to be purchased from the Net Proceeds.

Schedule of Implementation

The schedule of implementation for this project is estimated to be as follows:

Activity	Expected date of Completion
Land acquisition	Completed
Building	August 2007
Plant and machinery	January 2008
Trial run	February 2008
Commercial production	September 2008

Funds Deployed

As of January 23, 2007, the Company had not directly incurred any expenditure on this project. The Company's subsidiary, Pearl Global, has incurred expenditure of Rs.22.28 million in connection with the acquisition of land, construction of shed and boundary wall at Narsingpur, purchase of machinery, margin money and bank charges incurred on establishing letters of credit for procurement of capital equipment and Rs.0.63 million as processing fee for term loan availed from the Standard Chartered Bank, as certified by S.R. Dinodia & Co., Chartered Accountants, pursuant to their certificate dated January 24, 2007. This expenditure has been funded through the internal accruals of Pearl Global and will not be recovered from the Net Proceeds. For details regarding the expenditure already incurred, please see "Objects of the Issue – Funds Deployed" beginning on page 50 of this Prospectus.

(iii) ***Acquisition of an existing knitted garment manufacturing facility by Pearl Global in Khandsa, Gurgaon***

The Company proposes to invest Rs.54.0 million of the Net Proceeds in its subsidiary, Pearl Global, by way of subscription to the preference share capital of Pearl Global, for acquiring an existing knitted garment manufacturing facility in Khandsa, Gurgaon.

Pearl Global has entered into an agreement to sell with Texport Fashions ("Texport"), a partnership among Mrs. Santosh Goenka, Mr. Akshay Goenka and Mr. Nagesh Goenka, none of whom have any relationship with the Company, the Subsidiaries or the Promoters, on July 18, 2006 for acquiring its garment manufacturing facility at Khandsa, Gurgaon for Rs.54.0 million. Pearl Global has already paid two installments of Rs.1.0 million and Rs.9.0 million on June 16, 2006 and July 19, 2006, respectively. This expenditure has been funded through the internal accruals of Pearl Global and will be recovered from the Net Proceeds. The outstanding consideration of Rs.44.0 million will be payable upon the execution of the sale deed and receipt of permission from Haryana Urban Development Authority, Gurgaon for transferring the plot on which the manufacturing facility has been established.

Pearl Global has acquired the possession of building, land and machinery with effect from August 15, 2006 pursuant to a rental agreement dated August 16, 2006 between Pearl Global and Texport. Consequently, our production capacity has increased by approximately 3.0 million pieces annually. Until the execution of the sale deed, Pearl Global will continue to use the manufacturing facility for a rent of Rs.0.85 million per month. Further, in case of willful delay or default on the part of the Texport in performing its obligations, Pearl Global is entitled to specific performance of agreement to sell and get the sale deed through recourse to court. The transfer charges, stamp duty, registration charges and miscellaneous charges payable for the execution of the sale deed are payable by Pearl Global.

As per the terms of the agreement to sell, in case the formalities for execution of sale deed are not completed by Texport until January 31, 2007, Pearl Global will continue to use the manufacturing facility and any rent paid after February 1, 2007 would be adjusted towards outstanding purchase consideration of Rs.44.0 million. Any employee disputes outstanding on August 15, 2006 would be settled by Texport, even after the execution of sale deed.

Means of Finance

The total project cost as estimated by the management of Pearl Global is Rs.54.0 million. The funding for the project is proposed to be met from the Net Proceeds.

Debt

Pearl Global does not propose to raise any debt for acquiring the existing manufacturing facility at Gurgaon.

In case of any shortfall/cost overrun for the above project, Pearl Global intends meeting the funding requirements through its current cash surplus as well as its future internal accruals.

Funds Deployed

As of January 23, 2007, the Company had not directly incurred any expenditure on this project. The Company's subsidiary, Pearl Global, has incurred expenditure of Rs.10.0 million in connection with this project, as certified by S.R. Dinodia & Co., Chartered Accountants, pursuant to their certificate dated January 24, 2007. This expenditure has been funded through the internal accruals of Pearl Global and will be recovered from the Net Proceeds. For details regarding the expenditure already incurred, please see "Objects of the Issue – Funds Deployed" beginning on page 50 of this Prospectus.

(iv) ***Establishment of a new knits manufacturing facility by Norp Knit in Dhaka, Bangladesh***

The Company proposes to invest Rs.250.0 million of the Net Proceeds in its subsidiary, Norp Knit, by way of further subscription to the share capital of Norp Knit, for establishing a new knits factory in Bangladesh. We believe this will increase the existing knits capacity of the Group by approximately 6.0 million pieces annually.

Means of Finance

The total project cost as estimated by the management of Norp Knit is Rs.250.0 million. The funding for the project is proposed to be met from the Net Proceeds.

Debt

Norp Knit does not propose to raise any debt for establishing the new knits factory in Bangladesh.

In case of any shortfall/cost overrun for the above project, Norp Knit intends meeting the funding requirements through its current cash surplus as well as its future internal accruals.

Cost of Project

On the basis of the appraisal conducted by the management of Norp Knit, the estimated cost of this project is set forth below:

(Rs. million)

S.No.	Particulars	Cost
1.	Land and building	105.0
2.	Plant and machinery	89.5
3.	Pre-operative expenses	4.4
4.	Contingency provision	1.1
5.	Working capital margin	50.0
	Total	**250.0**

The estimated cost of the plant and machinery is detailed in the following table:

(Rs. million)

Plant/Machinery	Quantity	Estimated Amount
Single Needle Lock Stitch W/AT	475	16.4
Single Needle Lock Stitch W/AT Programmable	75	5.5
YAMATO VC 2713M – 156M – K4N (Model changed)	50	4.4
YAMATO VE 2713 – 156S-2-K4N (small head)	20	2.7
YAMATO VC 3711M-156L / UTA44F / CC7	50	8.5
YAMATO CZ 6125 – Y5DF /K2 / CC4	105	4.1
Rib Feeding Devices	20	0.4
End Cutter	10	0.2
Metal Detection Machine	5	2.3
Rib Cutter	5	0.2
Button Hole	6	1.5
Button Stitch	6	1.1
Straight Knife Cutter	10	0.5
Steam Iron and Tables	100	2.8
Heat Transfer Printing and Fusing Machine	12	0.8
Spotting station w/out compressor CL2	6	0.4
Electrical generator	3	6.9
Substation 630KVA	3	3.7
Gas Fired Boiler 100kg/hr	3	0.9
Compressor	3	-
Electrical	3	8.3
Racking	3	2.8
Shop Floor Furniture	3	4.1
Work Stations (furniture & fixtures)	3	2.8
Air Conditioner Embroidery Section	3	0.3
Air Conditioning for Office Area	3	1.4
Air Coolers – Wall Mounted	3	-
Air Circulation System	6	4.1
Clearing, Insurance, Bank Charges	3	1.1
Computers/Office Equipment	3	1.3
Total	**1,000**	**89.5**

As of the date of this Prospectus, Norp Knit has not entered into any contracts for procurement of the plant and machinery. The above estimates are based on quotations received by the Company and/or Norp Knit in the past and on the internal estimates of the management. No second-hand equipment and instruments have been purchased or are proposed to be purchased from the Net Proceeds.

Schedule of Implementation

The schedule of implementation for this project is estimated to be as follows:

Activity	Expected date of Completion
Land acquisition	January 2007
Building	December 2007
Plant and machinery	December 2008
Trial run	February 2009
Commercial production	March 2010

Funds Deployed

As of January 23, 2007, the Company and its subsidiary, Norp Knit, had not incurred any expenditure on this project.

B. Establishment of a design centre and corporate office by Pearl Global at Gurgaon, India

The Company proposes to invest Rs.38.0 million of the Net Proceeds in its subsidiary, Pearl Global, by way of subscription to the preference share capital of Pearl Global, for establishing an international design centre and corporate office at Gurgaon. The design centre is intended to act as a global hub for design development and will provide design support services to the Group. The design centre will also serve as additional premises to house the marketing, finance, purchase, logistics, human resources, systems and other administrative functions of the Group. Currently these business activities are managed from different premises in Gurgaon. Pearl Global has already commissioned the services of Morphogenesis Architecture Studio Private Limited for providing architect consultancy services for this project.

Means of Finance

The total project cost as estimated by the management of Pearl Global is Rs.143.0 million. The funding for the project is proposed to be met as follows:

(Rs. million)

S.No.	Particulars	Total
1.	Equity through Net Proceeds	38.0
2.	Term Loan	105.0
	Total	**143.0**

Debt

Pearl Global has received a sanction letter dated September 20, 2006 from the ICICI Bank for a Rupee denominated secured term loan facility of Rs.105.0 million for establishing an international design centre and corporate office at Gurgaon.

In case of any shortfall/cost overrun for the above project, Pearl Global intends meeting the funding requirements through its current cash surplus as well as its future internal accruals.

Cost of Project

On the basis of the appraisal conducted by the management of Pearl Global, the estimated cost of this project is set forth below:

(Rs. million)

S.No.	Particulars	Cost
1.	Building	84.5
2.	Plant and machinery	14.5
3.	Furniture	23.7
4.	Plant utilities	5.0
5.	Pre-operative expenses	11.7
6.	Contingency provision	3.6
	Total	**143.0**

This amount of Rs.143.0 million also excludes an initial amount of Rs.1.13 million that has already been incurred for commissioning the services of the architect for this project and Rs.0.75 million as processing fee for term loan availed from ICICI Bank. The total amount of Rs.1.88 million has been invested from the internal accruals of Pearl Global and will not be recovered from the Net Proceeds.

As of the date of this Prospectus, Pearl Global has not entered into any contracts for procurement of the plant and machinery. No second-hand equipment and instruments have been bought or are proposed to be bought from the Net Proceeds.

Schedule of Implementation

The management of Pearl Global estimates that the establishment of design centre and corporate office would be completed by March 2008.

Funds Deployed

As of January 23, 2007, the Company had not directly incurred any expenditure on this project. The Company's subsidiary, Pearl Global, has incurred expenditure of Rs.1.13 million in connection with architect fee for the design centre and corporate office and Rs.0.75 million as processing fee for term loan availed from ICICI Bank as certified by S.R. Dinodia & Co., Chartered Accountants, pursuant to their certificate dated January 24, 2007. This expenditure has been funded through the internal accruals of Pearl Global and will not be recovered from the Net Proceeds. For details regarding the expenditure already incurred, please see "Objects of the Issue – Funds Deployed" beginning on page 50 of this Prospectus.

C. Setting up of an integrated information technology system

To integrate all our overseas operations and improve our business process efficiency, the Company plans to implement an enterprise resource planning ("ERP") system for use by the Company and its Subsidiaries. We believe this will help us in removing redundancy, improving transparency, planning delivery schedules and reducing the lead time. As of the date of this Prospectus, we have initiated a business requirement study and are in the process of product evaluation and vendor selection.

Means of Finance

The total project cost as estimated by the management of the Company is Rs.143.0 million. The funding for the project is proposed to be met from the Net Proceeds.

Debt

The Company does not propose to raise debt for setting up of an integrated information technology system.

In case of any shortfall/cost overrun for the above project, the Company intends meeting the funding requirements through its current cash surplus as well as its future internal accruals.

Cost of Project

On the basis of the quotation received from Lawson, an ERP vendor, the estimated cost of this project is set forth below:

(Rs. million)

S.No.	Particulars	Cost
1.	License fees	62.5
2.	Hardware cost	15.0
3.	Other software	7.5
4.	Implementation	48.0
5.	Networking	10.0
	Total	**143.0**

Schedule of Implementation

The Company believes that the implementation of this project will be completed by March 2009.

Funds Deployed

As of January 23, 2007, the Company had not incurred any expenditure on this project.

D. Pre-payment of term loans availed by the Company and the Subsidiaries

The Company intends to utilize part of the Net Proceeds towards pre-payment of certain fund-based facilities availed by the Company and the Subsidiaries. The Company will give preference to the pre-payment of high cost debts. The details of the loans availed by the Company and the Subsidiaries, which are proposed to be repaid from the Net Proceeds, are as follows:

Borrower	Lender	Facility and Loan Documentation	Interest Rate and Repayment Schedule	Amount to be repaid as of September 30, 2006 (Rs. million)*	Utilization of Loans
Loan availed by the Company					
HoPFL	Standard Chartered Investments and Loans (India) Limited	Sanction Letter dated May 5, 2006 relating to a bridge loan facility	Interest: 10.5% per annum Repayment: Repayable after 12 months with put/call option at the end of 6th and 9th month	163.0	Short term loan towards purchase of equity shares of Nor Pearl and Norp Knit operating in Bangladesh from Norwest Industries (HK)
Loans availed by the Subsidiaries					
Norp Knit	Orchid Trading Limited, Hong Kong	Loan Agreement dated March 7, 2005	Interest: LIBOR plus 400 basis points per annum	122.7	Loan to part finance the capital expenditures relating to the

Borrower	Lender	Facility and Loan Documentation	Interest Rate and Repayment Schedule	Amount to be repaid as of September 30, 2006 (Rs. million)*	Utilization of Loans
			Repayment: Repayable in 24 equal quarterly installments		establishment of a knits facility in Gazipur, Bangladesh.
Global Textiles Group and Multinational Textiles	Pallas Holdings Limited	Loan Agreements dated March 30, 2006 and May 31, 2006	Interest: 6% per annum Repayment: On demand	73.5	Amount payable for the acquisition of Depa U.S., Poeticgem and Norwest Industries (HK) from Pallas Holdings Limited, which had granted certain loans to Depa U.S., Poeticgem and Norwest Industries (HK)
Nor Pearl	HSBC Bank	Facility Offer Letter dated October 24, 2005	Interest: SIBOR plus 400 basis points per annum Repayment: Repayable in 54 equal monthly installments	108.0	Term loan to finance the acquisition of plant and machinery for the sweaters facility established in the Comilla EPZ, Bangladesh
Pearl Global	Chinatrust Commercial Bank	Loan Agreement and Deed of Hypothecation of fixed assets dated September 26, 2005	Interest: Six months USD LIBOR plus 200 basis points per annum Repayment: Bullet repayment at the end of 36th month	83.2	Loan to finance capital expenditures of Pearl Global for expansion of production capacities
Total				**550.4**	

* *To comply with SEBI Guidelines, figures in foreign currency have been converted into Rupees applying a closing rate on September 30, 2006 as follows: US$1.00=Rs.45.99 and £1.00=Rs.86.12.*

Any interest to be paid on pre-payment or pre-payment premium on the above fund-based facilities will be paid by the Company or its Subsidiaries from internal accruals. Pre-payment of the facility availed by Nor Pearl from HSBC Bank is subject to consent to pre-payment being obtained by Nor Pearl from HSBC Bank.

For further details of the terms and conditions of these loans, see the section "Our Indebtedness" beginning on page 210 of this Prospectus.

The Company has availed of a bridge loan facility in an amount of Rs.163.0 million from the Standard Chartered Investments and Loans (India) Limited for the acquisition of Nor Pearl and Norp Knit from Norwest Industries (HK). The Company proposes to use the Net Proceeds to repay this facility.

The loan pre-payment of an aggregate amount of Rs.73.5 million by Global Textiles Group and Multinational Textiles from the Net Proceeds will be made to Pallas Holdings Limited, a Promoter Group company, in which Mr. Deepak Seth and his family members have an equity interest. For further details regarding Pallas Holdings, see the section "Our Promoters and Promoter Group Companies" beginning on page 127 of this Prospectus.

E. Investment in its subsidiary company, Multinational Textiles, for payment of purchase consideration to SACB Holdings Limited and Pallas Holdings Limited as part of the Group restructuring

The Company has recently carried out a corporate restructuring to integrate its operations. As part of the restructuring, the Company incorporated its wholly owned subsidiary, Multinational Textiles, in Mauritius, which acquired a 100% equity interest in Global Textiles Group, a Mauritius company, from SACB Holdings Limited. The consideration of Rs.327.0 million for the acquisition of Global Textiles Group remains payable as of the date of this Prospectus. This consideration is payable to SACB Holdings Limited, a Promoter Group company, in which Mr. Deepak Seth and his family members have an equity interest. The Company proposes to invest Rs.327.0 million of the Net Proceeds in its subsidiary, Multinational Textiles, by way of further subscription to the share capital of Multinational Textiles. For further details regarding SACB Holdings Limited, see "Our Promoters and Promoter Group Companies" beginning on page 127 of this Prospectus.

Further, the Company's wholly owned subsidiary Multinational Textiles also acquired a 85% equity interest in Norwest Industries (HK) from Pallas Holdings. The consideration of approximately Rs.183.7 million for the acquisition of equity interest in Norwest Industries (HK) remains payable as of the date of this Prospectus. This consideration is payable to Pallas Holdings Limited, a Promoter Group company, in which Mr. Deepak Seth and his family members have an equity interest. The Company proposes to invest Rs.183.7 million of the Net Proceeds in its subsidiary, Multinational Textiles, by way of further subscription to the share capital of Multinational Textiles. For further details regarding Pallas Holdings Limited, see "Our Promoters and Promoter Group Companies" beginning on page 127 of this Prospectus.

For more information on the restructuring, see the section "History and Certain Corporate Matters" beginning on page 97 of this Prospectus.

F. Setting up a domestic branded apparel retail business

The Company proposes to invest Rs.545.0 million of the Net Proceeds for setting up a domestic branded apparel retail business. We plan to cover a product range for both genders. The Company has engaged the services of Technopak Advisors Private Limited ("Technopak") in formulating the business strategy, concept validation and implementation. Technopak has already submitted a concept validation report to the Company. Currently the project is at the feasibility stage and the Company is evaluating various business strategies. The implementation of this project may be significantly different from the advise given by Technopak in the abovementioned report.

Means of Finance

The total project cost as estimated by Technopak is Rs.733.0 million. The funding for the project is proposed to be met as follows:

(Rs. million)

S.No.	Particulars	Total
1.	Equity through Net Proceeds	545.0
2.	Through internal accruals	188.0
	Total	**733.0**

Debt

The Company currently does not intend to raise debt to set up a domestic branded apparel retail business.

Cost of Project

On the basis of the concept validation report by Technopak, the estimated cost of this project is set forth below:

(Rs. million)

S.No.	Particulars	Cost
1.	Rental deposits	233.5
2.	Interiors	433.5
3.	Fees for interior designer	13.0
4.	IT cost	5.0
5.	Contingency provision	20.0
6.	Margin money	28.0
	Total	**733.0**

This amount of Rs.733.0 million includes Rs.1.84 million that has already been incurred to commission the concept validation report from Technopak, which amount has been paid from the internal accruals of the Company and is intended to be recovered from the Net Proceeds.

Schedule of Implementation

On this project, the Company proposes to invest approximately Rs.36.4 million, Rs.141.0 million, Rs.211.9 million and Rs.155.7 million in fiscal 2007, 2008, 2009 and 2010, respectively.

Funds Deployed

As of January 23, 2007, the Company had already incurred expenditure of Rs.1.84 million in connection with this project as certified by S.R. Dinodia & Co., Chartered Accountants, pursuant to their certificate dated January 24, 2007. This expenditure has been funded through the internal accruals of the Company and will be recovered from the Net Proceeds. For details regarding the expenditure already incurred, please see "Objects of the Issue – Funds Deployed" beginning on page 50 of this Prospectus.

G. Acquisition of existing international brand in the U.S. and the U.K. for retail outside India

As part of our overall strategy, we are planning to enter the retail sector in the U.S. or the U.K.

In the past, we have grown our business and operations organically and inorganically. We believe that strategic investments and acquisitions will continue to act as an enabler for the growth of our business. We currently plan to incur approximately Rs.400.0 million for the future acquisition of an existing brand in the U.S. or the U.K. for retail outside India.

As at the date of this Prospectus, we have not entered into any letter of intent or any definitive commitment for any such acquisition. The management, in accordance with the policies set up by the Board, will have flexibility in applying the Net Proceeds received by us. Pending any use as described above, we intend to invest the funds in high quality, interest bearing liquid instruments including deposits with banks for the necessary duration. Such investments would be in accordance with investment policies as approved by the Board from time to time.

H. General Corporate Purposes

The fund requirements and the intended use of the Net Proceeds as described herein are based on management estimates and our current business plan which are subject to revision due to factors including variations in the cost structure, changes in estimates, exchange rate fluctuations and external factors, which may not be within the control of our management. In the event that such revisions in expenditure and fund requirement as envisaged above, leads to a surplus out of the Net Proceeds, such surplus Net Proceeds will be used towards general corporate purposes.Schedule of Implementation/Utilization of Net Proceeds

Schedule of Implementation/Utilization of Net Proceeds

The break-down of the proposed utilization of the Net Proceeds, as currently estimated by the Company, during fiscal 2007, 2008, 2009 and 2010, is set forth below:

(Rs. million)

S. No.	Object	Expenditure incurred as on January 23, 2007	Schedule of Deployment of funds as on March 31,					Estimated time of completion
			2007	2008	2009	2010	Total	
A.	Investment in subsidiary companies for increasing the Group's production capacity:							
	(i) Establishment of a new woven manufacturing facility by Pearl Global at SIPCOT Industrial Park, Irungattukottai, India	4.55	21.4	83.9	43.2	-	148.5	March 2009
	(ii) Establishment of a new wovens and knits manufacturing facility by Pearl Global at Narsingpur, Gurgaon, Haryana, India	22.91	26.5	84.8	13.7	-	125.0	September 2008
	(iii) Acquisition of an existing knitted garment manufacturing facility by Pearl Global in Khandsa, Gurgaon, Haryana, India	10.00	54.0	-	-	-	54.0	January 2007
	(iv) Establishment of a new knits manufacturing facility by Norp Knit in Dhaka, Bangladesh	-	26.2	123.8	58.4	41.6	250.0	March 2010
B.	Investment in Pearl Global for establishment of a design centre and corporate office in Gurgaon	1.88	38.0	-	-	-	38.0	March 2008
C.	Setting up an integrated information technology system	-	94.5	27.8	20.7	-	143.0	March 2009
D.	Pre-payment of term loans availed by the Company and its Subsidiaries	-	550.4	-	-	-	550.4	March 2007
E.	Investment in its subsidiary company, Multinational Textiles, for payment of purchase consideration to SACB Holdings Limited and Pallas Holdings Limited as part of Group restructuring	-	510.7	-	-	-	510.7	March 2007

(Rs. million)

S. No.	Object	Expenditure incurred as on November 30, 2006	Schedule of Deployment of funds as on March 31,					Estimated time of completion
			2007	2008	2009	2010	Total	
F.	Setting up a domestic branded apparel retail business	1.84	36.4	141.0	211.9	155.7	545.0	March 2010
G.	Acquisition of an existing brand in the U.K. or the U.S. for retail outside India	-	-	400.0	-	-	400.0	September 2007
H.	General corporate purposes	-	-	-	-	-	-	
	Total	**41.18**	**1,358.1**	**861.3**	**347.9**	**197.3**	**2,764.6**	

The total fund requirement for the above-stated objectives as estimated by the Company is proposed to be funded as set forth in the following table:

Means of Finance	Rs. million
Equity through Net Proceeds	2,472.5
Equity through proceeds of the Pre-IPO Placing (received after filing of the Draft Red Herring Prospectus with SEBI) (1)	89.5
Debt	645.0
Total	**3,207.0**

(1) *On December 26, 2006, the Company completed the Pre-IPO Placing by issuing 135,606 Equity Shares to Lesing Mauritius Limited at a price of Rs. 660 per Equity Share.*

A shortfall in the Net Proceeds would be met through the proceeds of the Pre-IPO Placing amounting to Rs. 89.5 million, the proceeds from the exercise of the Green Shoe Option, if any, and our Cash and Bank balances which amounted to Rs. 557.8 million as at September 30, 2006 (as per consolidated accounts). Alternatively, the Company may also consider raising debt to meet the aforesaid gap. In case such arrangements are made, the Company will reduce the utilization of the available cash as stated aforesaid.

Pearl Global has received a sanction letter dated September 6, 2006 from the Standard Chartered Bank for a Rupee denominated secured term loan facility of Rs.540.0 million for setting up a new woven manufacturing factory in SIPCOT Industrial Park, Irungattukottai and for establishing a new wovens and knits manufacturing facility at Narsingpur, Gurgaon. Pearl Global has also received a sanction letter dated September 20, 2006 from the ICICI Bank for a Rupee denominated secured term loan facility of Rs.105.0 million for establishing an international design centre and corporate office at Gurgaon. Based on the above, the Company confirms that firm arrangements of finance towards 100% of the stated means of finance, excluding Net Proceeds, have been made.

Issue Related Expenses

All expenses with respect to the Issue, will be shared between the Company and the Selling Shareholders, who have offered their shares for sale in the Offer for Sale, on a pro-rata basis in the ratio of the Equity Shares issued by the Company in the Fresh Issue and the Equity Shares being sold by the Selling Shareholders in the Offer for Sale, including the Green Shoe Portion in full.

The Issue related expenses include, among others, underwriting and selling commissions, printing and distribution expenses, legal fees, advertisement expenses and registrar and depository fees. The estimated Issue expenses are as follows:

Activity	Expense (Rs. million)
Lead management, underwriting and selling commissions	74.4
Advertising and marketing expenses	44.0
Printing and stationery	30.0
Other (Registrar's fees, legal fees, etc.)	30.2
Total estimated Issue expenses	**178.6**

Funds Deployed

The details of the amounts spent by the Company as of January 23, 2007, on projects mentioned as part of the Objects of the Issue, as certified by S.R. Dinodia & Co., Chartered Accountants, pursuant to their certificate dated January 24, 2007, are provided in the table below:

Activity	Amount (Rs. million)	Means of funding
Concept validation report from Technopak for branded retail business	1.84	Internal accruals
Total	**1.84**	

The expenditures already incurred by Pearl Global, a subsidiary of the Company, on projects mentioned above, are set forth below:

Activity	Amount (Rs. million)	Means of funding
Purchase of land at SIPCOT Industrial Park for new wovens manufacturing facility	3.82	Internal accruals
Purchase of land at Narsingpur, Gurgaon for new wovens and knits manufacturing facility	5.86	Internal accruals
Construction of shed and boundary wall at Narsingpur, Gurgaon	3.03	Internal accruals
Purchase of machines, margin money and bank charges incurred for establishing letters of credit for purchase of new machinery at Narsingpur, Gurgaon	13.39	Internal accruals
Acquisition of existing knitted garment manufacturing facility in Khandsa, Gurgaon	10.00	Internal accruals
Architect fees for the design centre and corporate office in Gurgaon	1.13	Internal accruals
Processing fee for the Term Loan for new wovens manufacturing facility at SIPCOT Industrial Park by Pearl Global	0.73	Internal accruals
Processing fee for the Term Loan for new wovens and knits manufacturing facility at Narsingpur, Gurgaon by Pearl Global	0.63	Internal accruals
Processing fee for the Term Loan for the design centre and corporate office in Gurgaon by Pearl Global	0.75	Internal accruals
Total	**39.34**	

The amount of Rs.1.84 million spent by the Company for commissioning the concept validation report from Technopak for branded retail business and Rs.10.00 million spent by Pearl Global, our subsidiary, for acquisition of existing knitted garment manufacturing facility in Khandsa, Gurgaon will be recovered from the Net Proceeds.

Appraisal Report

None of the projects for which Net Proceeds will be utilized have been financially appraised and the estimates of the costs of projects mentioned above are based on internal estimates of the Company.

Interim Use of Proceeds

The Company's management, in accordance with the policies established by the Board, will have flexibility in deploying the Net Proceeds. Pending utilization of the Net Proceeds for the purposes described above, the Company intends to temporarily invest the funds in high quality interest bearing liquid instruments including deposits with banks or temporarily deploy the funds in working capital loan accounts. Such investments would be in accordance with the investment policies or investment approvals approved by the Board from time to time.

Bridge Financing Facilities

We have raised a bridge loan from Standard Chartered Investments and Loans (India) Limited for an amount of approximately Rs.163.0 million. As of the date of this Prospectus, we have drawn down funds from this facility to the extent of Rs.163.0 million, which have been used for the acquisition of Nor Pearl and Norp Knit from Norwest Industries (HK). We propose to use the Net Proceeds to repay this bridge loan facility. For details see paragraph D above.

Monitoring of Utilization of Funds

The Board will monitor the utilization of the Net Proceeds. The Company will disclose the utilization of the Net Proceeds under a separate head in its balance sheet for such fiscal periods as required under SEBI Guidelines, the listing agreements with the Stock Exchanges and any other applicable law or regulations, clearly specifying the purposes for which such Net Proceeds have been utilized. The Company will also, in the Company's balance sheet for the applicable fiscal periods, provide details, if any, in relation to all such Net Proceeds that have not been utilized thereby also indicating investments, if any, of such unutilized Net Proceeds.

Other than as set forth above, no part of the Net Proceeds will be paid by the Company as consideration to the Promoters, the Directors, the Company's key management personnel or companies promoted by the Promoters.

BASIS FOR ISSUE PRICE

The Issue Price has been determined in consultation with the BRLM on the basis of assessment of market demand for the Equity Shares by the book building process. The face value of the Equity Shares is Rs.10 and the Issue Price is 55 times the face value. Investors should also refer to the sections "Risk Factors" and "Financial Statements" beginning on pages xv and F-1 , respectively, of this Prospectus to get a more informed view before making the investment decision.

Qualitative Factors

Internal Factors

- We have an integrated, scalable business model with capabilities across product design and development, manufacturing, marketing and distribution and sourcing.
- We are a multinational group operating in 11 strategic locations across the world. We have sourcing businesses in Hong Kong, China and Bangladesh, marketing and distribution businesses in U.K., U.S., Canada and Spain, owned/leased manufacturing facilities across India, Bangladesh and Indonesia, and strong relationships with approximately 150 third-party manufacturing units spread across China, Bangladesh and India. We believe that our multi-location operations allow us to leverage the competitive advantages of each location to optimize value for our customers, while maximizing our gross margins.
- We have developed a range of product offerings in order to address the varied and expanding requirements of our customers. We believe, this enables us to obtain additional business from existing customers as well as address a larger base of potential new customers.
- Our customers include some of the world's leading value retailers, such as JC Penny and ASDA Wal-Mart, as well as high-end fashion brands, such as The GAP, Next and Esprit.
- Our management team has extensive experience in the apparel industry. Our middle management team and skilled work force comprising designers, tailors, merchandisers and marketing personnel provide us with depth needed to manage our growth.

Other Factors

- Subsequent to the removal of quota restrictions and tariff barriers under the WTO agreements in January 2005, China, India, Hong Kong, Bangladesh and Indonesia have emerged as among the key countries in the Asia-Pacific region exporting to the primary markets of United States and European Union.
- India is the world's second-largest textiles and apparel producer after China, and enjoys several advantages such as conducive business environment, availability of raw materials, market access and supplier reliability.
- According to the WTO, following the removal of quotas, India's textile and apparel exports are projected to increase from nearly $14 billion in 2005 to over $50 billion by 2010. The key for this growth is likely to be the apparel segments.
- The Government of India has taken various steps to boost the prospects of the textile industry, of which the garment manufacturing industry is an integral part.
- Global retailers are increasingly ranking their suppliers to identify vendors capable of becoming "strategic partners". We believe that our Group has the necessary attributes to adapt to this evolving environment.

For detailed discussion on the above factors, see "Industry" and "Our Business" beginning on pages 64 and 70, respectively, of this Prospectus.

Quantitative Factors

Historically, we conducted business as a separate group of companies. Our domestic operations have been carried out by Pearl Global, a listed company in India, in which HoPFL currently owns a 62.8% equity interest. In order to integrate the international operations with our domestic operations, we commenced a restructuring of certain of our businesses, which was completed in a phased manner. On March 28, 2006, HoPFL incorporated its wholly-owned subsidiary in Mauritius, Multinational Textiles, which acquired a 100% equity interest in Global Textiles Group, a Mauritius company, on March 31, 2006, and an 85% equity interest in Norwest Industries (HK), a Hong Kong company, on May 31, 2006. Global Textiles Group owns Depa U.S., Poeticgem and PT Norwest, our principal operating companies in the United States, the United Kingdom and Indonesia, respectively. On March 28, 2006, HoPFL also acquired approximately 99.9% and 98.0%, respectively, of Nor Pearl and Norp Knit, companies incorporated in Bangladesh.

Following the restructuring, in addition to Pearl Global, each of Multinational Textiles, Nor Pearl, Norp Knit, Norwest Industries (HK), Global Textiles Group, Poeticgem, PT Norwest, Depa U.S., Poeticgem Canada and Pacific Logistics became a direct or indirect subsidiary of HoPFL. Further, on August 1, 2006, we also incorporated HoP (U.S.), a wholly-owned subsidiary in the U.S. Our indirect subsidiary, Depa International (Canada) Inc. was acquired by our subsidiary, Poeticgem on October 1, 2006. The name was changed to "Poeticgem (Canada) Limited" on October 12, 2006. For further details regarding our Group structure and the restructuring, see the section "History and Certain Corporate Matters" beginning on page 97 of this Prospectus.

The information presented in this section for fiscal 2004, 2005 and 2006 is derived from the Company's consolidated audited restated financial statements prepared in accordance with Indian GAAP prior to the consolidation of the international operations as mentioned above. As a result, the Company's future consolidated financials would be materially different from its past consolidated financials and you should not rely on the same for taking investment decisions. Investors should evaluate the Company taking into consideration its earnings following the restructuring and based on its consolidated growth strategy.

1. *Weighted average earnings per share (EPS)**

Financial Period	**EPS (Rs.)**	**Weight**
Year ended March 31, 2004	2.15	1
Year ended March 31, 2005	1.87	2
Year ended March 31, 2006	4.63	3
Weighted Average	**3.30**	

* *The Company has also issued 9,313,358 Equity Shares by way of a bonus issue to its Promoters on June 17, 2006.*

As on September 30, 2006, based on earnings in the first quarter, EPS of the Company, on a consolidated basis, was Rs.16.13.

2. *Price Earnings Ratio (P/E Ratio)*

   a. P/E based on the year ended March 31, 2006: 118.8 times

   b. Peer group[1] P/E[2]

      (i) Highest: 21.6 times

      (ii) Lowest: 18.2 times

      (iii) Peer group average: 19.9 times

1) *There is no listed company whose business is strictly comparable with that of the Company and its Subsidiaries, on a consolidated basis. However, we have chosen the companies which we believe are our peers for the Company's manufacturing operations only. Peer group for the manufacturing business only includes Gokaldas Exports and Celebrity Fashions.*

2) *P/E ratios for peer group from "Capital Market" magazine dated December 4, 2006 to December 17, 2006.*

3. *Weighted average return on net worth*

Financial Period	**Return on Net Worth **(%)**	**Weight**
Year ended March 31, 2004	4.61	1
Year ended March 31, 2005	3.68	2
Year ended March 31, 2006	8.51	3
Weighted Average	**6.25**	

** *Minority Interest has not been considered for the purpose of calculating Return of Networth.*

4. *Minimum Return on Increased Net Worth Required to Maintain Pre-Issue EPS*

The minimum return on increased net worth required to maintain pre-Issue EPS is 2.22%.

5. *Net Asset Value (NAV)*

a. NAV per Equity Share** at March 31, 2006 is Rs.139.07

b. NAV per Equity Share** after the Issue is Rs.188.66

c. Issue Price per Equity Share is Rs.550.

d. NAV per Equity Share** for the year ended March 31, 2004, 2005 and 2006 is as follows:

Financial Period	**Net Asset Value per Equity Share (Rs.)****	**Weight**
Year ended March 31, 2004	637.17	1
Year ended March 31, 2005	695.33	2
Year ended March 31, 2006	139.07	3
Weighted Average	**407.51**	

** *Minority Interest has not been considered for the purpose of calculating NAV per Equity Share.*

As on September 30, 2006, the NAV was Rs.62.86.

6. *Comparison with Industry Peers*

There is no listed company whose business is strictly comparable with that of the Company and its Subsidiaries, on a consolidated basis. However, we have chosen the companies which we believe are our peers for the Company's manufacturing operations only:

	EPS (Rs.)	**P/E (times)**	**Return on Net Worth (%)**	**Net Asset Value per Equity Share (Rs.)**
House of Pearl Fashions Limited[(1)]	4.63	118.8	8.51%	139.07
Peer Group[(2)]				
Gokaldas Exports	34.3	18.2	23.8%	201.0
Celebrity Fashions	5.0	21.6	10.1%	90.5
Peer Group Average	**19.7**	**19.9**	**17.0%**	**145.75**

(1) *Earnings Per Share, Return on Net Worth and Net Asset Value of the Company are based on the last audited consolidated restated financial statements for the year ended March 31, 2006.*

(2) *Source: "Capital Market" magazine dated December 4, 2006 to December 17, 2006.*

The Issue Price of Rs. 550 has been determined by the Company and the Selling Shareholders in consultation with the BRLM on the basis of the demand from investors through the Book Building Process. Also see the section "Risk Factors" beginning on page xv of this Prospectus and the financials of the Company including important profitability and return ratios, as set out in the section "Financial Statements" beginning on page F-1 of this Prospectus.

STATEMENT OF TAX BENEFITS

The Board of Directors
House of Pearl Fashions Limited
A-3, Community Centre
Naraina Industrial Area, Phase-II
New Delhi - 110 028

Dear Sirs,

We hereby certify that the enclosed "Annexure 1" states the tax benefits available to House of Pearl Fashions Limited (the "Company") and its Shareholders under the provisions of the Income-tax Act, 1961 and other direct tax laws presently in force. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

- The Company or its shareholders will continue to obtain these benefits in future; or
- The conditions prescribed for availing the benefits have been/would be met with.

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

This certificate is provided solely for the purpose of assisting the Company to which it is addressed in discharging their responsibilities under the Securities and Exchange Board of India (Disclosure and Investor Protection Guidelines, 2000).

For S. R. Dinodia & Co.
Chartered Accountants

(Sandeep Dinodia)
Partner
M.NO. 083689

Place: New Delhi

Dated: December 8, 2006

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO HOUSE OF PEARL FASHIONS LIMITED ("THE COMPANY") AND ITS SHAREHOLDERS

1.0 BENEFITS TO THE COMPANY UNDER THE INCOME TAX ACT, 1961 ("THE ACT"):

The Company will be entitled to deduction under the sections mentioned hereunder from its total income chargeable to Income Tax.

1.1 **Dividends exempt under Section 10(34)**

Under Section 10(34) of the Act, the Company will be eligible for exemption of income by way of dividend from domestic company referred to in Section 115-O of the Act.

1.2 **Income from units of Mutual Funds exempt under Section 10(35)**

The Company will be eligible for exemption of income received from units of mutual funds specified under Section 10(23D) of the Act, income received in respect of units from the Administrator of specified undertaking and income received in respect of units from the specified company in accordance with and subject to the provisions of Section 10(35) of the Act.

1.3 **Computation of capital gains**

1.3.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of Mutual Fund specified under Section 10(23D) or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

1.3.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/ improvement, which adjusts the cost of acquisition/ improvement by a cost inflation index as prescribed from time to time.

1.3.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(36) or 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

1.3.4 As per the provisions of Section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to Securities Transaction Tax ("STT") shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

1.3.5 *Exemption of capital gain from income tax*

- Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT. However, such income shall be taken into account in computing the book profit tax payable under Section 115JB.
- According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under Section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. However, if the said bonds are transferred or converted into money within a

period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

1.4 **Other specified deductions**

Subject to fulfillment of conditions, the Company will be eligible, *inter alia,* for the following specified deductions in computing its business income:-

1.4.1 Section 35(1)(i) and (iv) of the Act, in respect of any revenue or capital expenditure incurred, other than expenditure on the acquisition of any land, on scientific research related to the business of the Company.

1.4.2 The Company is eligible under section 35D of the Income Tax Act, 1961 to a deduction equal to one fifth of certain specified expenditure, including specified expenditure incurred in connection with the issue for the setting up new industrial unit for a period of five successive years subject to the limits provided and conditions specified under the said section.

1.4.3 The Company would be eligible for depreciation @ 15% on the cost of Plant & Machinery as per the provisions of Income Tax Act, 1961.

1.4.4 As per provisions of section 32(1)(iia) of the Income Tax Act, 1961 the Company would be entitled to additional depreciation @ 20% of the actual cost of new Plant & Machinery purchased during previous year ending on or after 31.3.2006 subject to the fulfillment of other conditions specified under the said section.

1.4.5 Under Section 115 JAA (1A) of the Act, tax credit shall be allowed of any tax paid (MAT) under Section 115 JB of the Act. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 7 years succeeding the year in which the MAT becomes allowable.

2.0 Benefits available to resident shareholders

2.1 **Dividends exempt under Section 10(34)**

Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income tax in the hands of the shareholders.

2.2 **Computation of capital gains**

2.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of Mutual Fund specified under Section 10(23D) of the Act or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

2.2.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

2.2.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

2.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

2.2.5 *Exemption of capital gain from income tax*

- Under Section 10(38) of the Act, Long term Capital Gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.
- According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.

  In such a case, the cost of such long term specified asset will not qualify for deduction under section 80C of the Act.

  However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

2.3 **Rebate under section 88E**

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax. However, the amount of deduction shall not exceed STT paid by investor.

3.0 Benefits available to Non-Resident Indian shareholders (Other than FIIs and Foreign venture capital investors)

3.1 **Dividends exempt under Section 10(34)**

Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income tax in the hands of the shareholders.

3.2 **Computation of capital gains**

3.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of Mutual Fund specified under Section 10(23D) of the Act or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

3.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of shares of an Indian company by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange. According to the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess).

3.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost.

According to the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

3.2.4 As per the provisions of Section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

3.2.5 *Options available under the Act*

Where shares have been subscribed to in convertible foreign exchange –

Option of taxation under Chapter XII-A of the Act:

Non-Resident Indians [as defined in Section 115C(e) of the Act], being shareholders of an Indian Company, have the option of being governed by the provisions of Chapter XII-A of the Act, which *inter alia* entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:

- According to the provisions of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of shares in an Indian company not exempt under Section 10(38), will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.
- According to the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset. If part of such net consideration is invested within the prescribed period of six months in any specified asset the exemption will be allowed on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

  Further, if the specified asset in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.
- As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their source of income is only investment income and/or long term capital gains defined in Section 115C of the Act, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
- Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of

income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from any foreign exchange asset being asset of the nature referred to in sub clause (ii), (iii), (iv) & (v) of Section 115C(f) for that year and subsequent assessment years until such assets are converted into money.

- As per the provisions of Section 115-I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

3.2.6 *Exemption of capital gain from income tax*

- Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.
- According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under Section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.

  In such a case, the cost of such long term specified asset will not qualify for deduction under Section 80C of the Act.

  However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.
- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

3.3 **Rebate under section 88E**

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax. However, the amount of deduction shall not exceed STT paid by investor.

4.0 Benefits available to other Non-resident Shareholders (Other than FIIs and Foreign venture capital investors)

4.1 **Dividends exempt under Section 10(34)**

Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income tax in the hands of the shareholders.

4.2 **Computation of capital gains**

4.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of Mutual Fund specified under Section 10(23D) of the Act or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as “long term capital gains”. Capital gains arising on sale of these assets held for 12 months or less are considered as “short term capital gains”.

4.2.2 Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of shares of an Indian company by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian Rupees at the prevailing rate of exchange.

As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess).

4.2.3 In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost. As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

4.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

4.2.5 *Exemption of capital gain from income tax*

- Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.
- According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.

In such a case, the cost of such long term specified asset will not qualify for deduction under Section 80C of the Act.

However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

- According to the provisions of Section 54F of the Act and subject to the conditions specified therein, in the case of an individual, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

4.3 **Rebate under section 88E**

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax. However, the amount of deduction shall not exceed STT paid by investor.

5.0 Benefits available to Foreign Institutional Investors ('FIIs')

5.1 **Dividends exempt under section 10(34)**

Under Section 10(34) of the Act, income earned by way of dividend from domestic company referred to in Section 115-O of the Act is exempt from income tax in the hands of the shareholders.

5.2 **Taxability of capital gains**

5.2.1 Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.

5.2.2 The income by way of short term capital gains or long term capital gains [in cases not covered under section 10(38) of the Act] realized by FIIs on sale of shares of the company would be taxed at the following rates as per section 115 AD of the Act-

- Short term capital gains, other than those referred to under section 111A of the Act shall be taxed @ 30% (plus applicable surcharge & education cess).
- Short term capital gains, referred to under section 111A of the Act shall be taxed @ 10% (plus applicable surcharge and education cess)
- Long Term capital gains @ 10% (plus applicable surcharge and education cess) (without cost indexation)

It may be noted here that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not applicable.

5.2.3 According to the provisions of Section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under Section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.

However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

6.0 Rebate under section 88E

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

7.0 Benefits available to Mutual Funds

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India would be exempt from income tax. However, the Mutual Funds shall be liable to pay tax on distributed income to unit holders under Section 115R of the Act.

8.0 Venture Capital Companies / Funds

In terms of section 10(23FB) of the Act, all Venture capital companies/funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including profit on sale of shares of the Company.

9.0 Tax Treaty benefits

An investor has an option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

10.0 Benefits available under the Wealth-tax Act, 1957

Shares of the Company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957, hence no Wealth Tax will be payable on the market value of shares of the Company held by the shareholder of the Company.

11.0 Benefits available under Indirect Tax Laws

- In respect of exports effected by the Company, it is entitled to claim Duty Drawback as prescribed under Exim Policy 2004-09.
- The export sales made by the Company would not be subject to Sales Tax.

Notes:

1. *All the above benefits are as per the current tax law as amended by the Finance Act, 2006.*
2. *The stated benefits will be available only to the sole / first named holder in case the shares are held by joint holders.*
3. *In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the issue.*

SECTION IV: ABOUT THE COMPANY

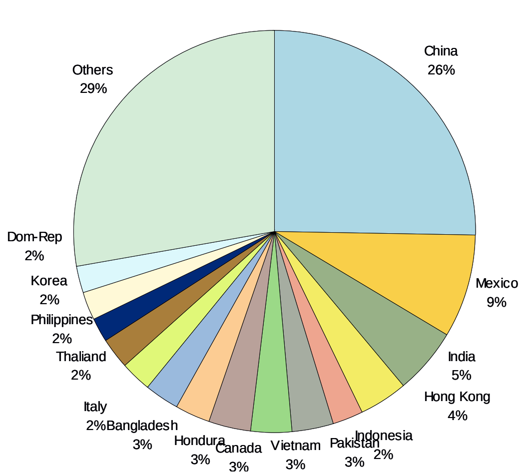
INDUSTRY OVERVIEW

The information presented in this section has been obtained from publicly available documents from various sources including officially prepared materials from the Government of India and its various ministries, industry websites and from publications and company estimates. Industry websites and publications generally state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe industry, market and government data used in this Prospectus is reliable; these have not been independently verified. Similarly, internal Company estimates, which we believe to be reliable, have not been verified by any independent agencies.

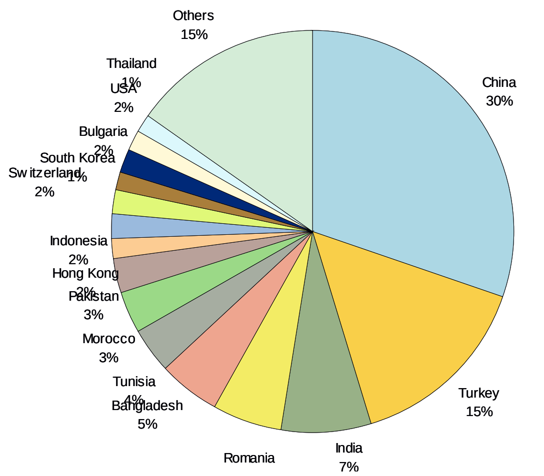
Removal of Quotas

Under World Trade Organization ("WTO") agreements, quota restrictions and tariff barriers, including those for Indian textile companies, were removed in January 2005. China, India, Hong Kong, Bangladesh and Indonesia have emerged as among the key countries in the Asia-Pacific region exporting to the United States and the European Union, as demonstrated by the following charts:

US Import Textile and Textile Products Market Share, 2005



EU Import Textile and Textile Products Market Share, 2005



(Source: Economic Association of Indonesia & India from the Indonesian Textile Association presentation on "Prospect of Indonesian Textile Industries in Trade Globalization Era", Undated)

Global Apparel Sector

The apparel manufacturing industry has, on a global scale, shifted its base several times over the last 50 years and has been concentrated in those countries which offer the most competitive labour costs. Beginning in the 1950s, the manufacture of apparel began shifting away from the western countries to eastern countries with lower labour costs, such as Korea and Taiwan. In the 1980s and 1990s, production began to shift to other countries in South-East Asia. In 2004, 55% of the U.S. textile imports and 17% of the EU textile imports came from Asia. *(Source: WTO International Trade Statistics, 2005)*

The American Textile Manufacturing Institute estimates that more than US$40 billion in customer orders will be outsourced to lower-cost countries. China is considered as one of the biggest beneficiaries of the outsourcing trend. *(Source: AT Kearney Finding Opportunity in a Post-Textile-Quota World" First Quarter 2005; All rights reserved. Quoted with permission.)*

Indian Apparel Exports Industry

India is the world's second-largest textiles and apparel producer after China. The textile, apparels and made-ups sector is one of the most important sectors in the Indian economy. Textile exports accounted for 16% of India's exports in 2005-06, 4% of India's GDP and 14% of India's industrial production. It provides direct employment to about 35 million workers. It is the second largest provider of employment after agriculture. *(Source: Ministry of Textile, Annual Report 2005-06)* The textile sector in India is fully integrated and highly diverse covering the entire supply chain from fiber production to production of finished goods. India ranks among the world leaders in the production of cotton yarn, man-made fibers and filament yarns.

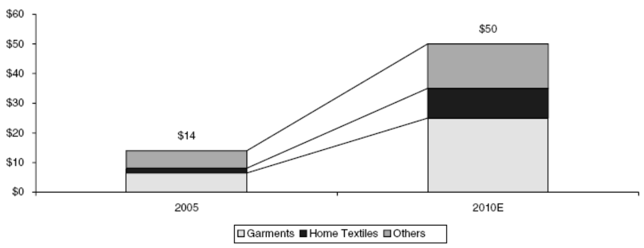
The key advantages and disadvantages for the Indian textile and apparel industry include:

Indian Textile & Apparel Industry:

Business climate	+ Stable policy
	+ Transparent and predictable legal, commercial and regulatory system
	+ Strong domestic market
	+ Easy availability of skilled labor
	+ English speaking skilled middle- and senior-level managers
	+ Compliant with internationally recognized health and labor standards
	+ Stable currency and moderate inflation
Raw materials availability	+ Self-sufficient in good quality cotton; further increases in cotton crop likely as yields improve
	+ Accessibility to quality and cost-competitive domestic yarns and
fabric production	+ Tariffs on imports of raw materials low
	+ Cost and availability of capital conducive to growth
Infrastructure and proximity to markets	+ Information technology (IT) infrastructure is strong
	+ Other infrastructure like water and telecommunications are adequate
	+ Power availability is average and most large companies tend to have
captive power facilities	- Physical infrastructure is a bottleneck; however, investments are taking place in roads and ports, and situation likely to improve
	- Shipping time and costs high
Market access	+ Likely beneficiary of fresh imposition of quotas on China's exports
	- No preferential access in major market
Level of service provided and	+ High reputation for quality and on-time delivery
reliability of supplier	+ High level of integration with buyers from the first stage of the buying
process	+ High flexibility in terms of styles, products and lot sizes offered
	- Lack of scale and inadequate infrastructure is cited as a bottleneck

According to WTO, following the removal of quotas, India's textile and apparel exports are projected to increase from nearly $14 billion in 2005 to over $50 billion by 2010, representing a CAGR of 29% and a market share of 10% of global trade in 2010. The key driver of the growth in India's textile and apparel exports would be the apparel segment, as demonstrated by the chart below.

Projected Growth in Textile exports from India ($ billion)



Source: WTO website, 2006

Readymade garments accounted for approximately 50% of the country's total textile exports from April through November 2005. The segment recorded a growth of 15.5% in exports in 2002-03 and 8.5% in 2003-04 and recorded a drop in 2004-2005 at US$5.50 billion. During April through November, 2005 the segment recorded exports of US$4.19 billion, recording an increase of 18.9%, as compared to corresponding period in 2003-04.

Indian Textile Exports:

US$MM	Apr-Nov 2004	Apr-Nov 2005	Target 2005-06	% Change in 2005 over 2004	% Target achieved
Readymade Garments	**3,519**	**4,185**	**6,450**	**19%**	**65%**
Cotton Textiles	2,223	2,311	4,200	4%	55%
Man-made Textiles	1,309	1,141	2,200	-13%	52%
Wool & Woolen	295	290	400	-2%	7 3%
Silk	371	398	625	7%	64%
Total	**7,717**	**8,325**	**13,875**	**8%**	**60%**

Source: Ministry of Textiles, Annual Report, 2005-06

India's apparel market is experiencing a trend change. With the dismantling of quotas and capacity expansions, apparel exports are expected to enter a high growth phase.

Regulatory Incentives

The Government of India has taken various steps to boost the prospects of the textile industry, of which the garment manufacturing industry is an integral part. One of the most important initiatives of the Indian government is the National Textile Policy, which is announced every decade. The government announced the National Textile Policy in 2000 ("NTP-2000") with the intention of making the Indian textile industry globally competitive and giving a boost to the export of textile products, including garments. The policy aims to achieve a target of textile and apparel exports of US$50 billion by 2010, with the share of garments at US$25 billion.

Some of the other important recent initiatives taken by the Government of India are as follows:

- In order to achieve the objectives of NTP-2000, the reservation in the garment industry which led to fragmentation and, thereby poor economies of scale, was done away with. Initially, in 2000, only the woven segment was de-reserved from the small-scale industry ("SSI") sector. Later, in 2005, the knitwear segment was also de-reserved from the SSI sector.
- The government has liberalized the textile sector by allowing foreign direct investment ("FDI") up to 100%.
- The Ministry of Textiles launched a Technology Upgradation Fund Scheme ("TUFS") in 1999 with the objective of technology upgradation of textile units. Accordingly, the Union government set up a fund of Rs. 250 billion under the TUFS to assist textile projects, commencing from April 1, 1999, through a 5% interest reimbursement in respect of loans availed from specified institutions. This scheme has now been extended until March 31, 2007.
- The Export Promotion Capital Goods ("EPCG") scheme facilitates the import of capital goods at a concessional duty of 5%, with appropriate export obligations.
- The Advance Licensing Scheme ("ALS") allows duty free import of raw materials to be used in the goods that are exported with a view to encourage exports.

The Central government released a grant of Rs.571 million in favor of the Apparel Export Promotion Council ("AEPC") for constructing an Apparel International Mart ("AIM") Complex at Gurgaon.

China Apparel Exports Industry

China is the world's largest producer and exporter of textiles and apparel and it has invested in more spinning and weaving equipment than any other country during the last 5 years.

Gross export value of textile and apparel in China was at US$97.154 billion during the period January – October 2005, increasing 22.31% as compared to the same period the previous year, and accounting for 15.81% of gross export value of foreign trade in China of which, textile export was at US$36.319 billion, increasing 25.05% compared with the corresponding period of the previous year; and apparel export was US$60.835 billion, increasing 20.74% compared with the same period the previous year.

The main export countries in the area of textiles and apparels include US, Japan and Hong Kong. Total value of export to these three countries during the period January through October, 2005 reached US$43.321 billion, accounting for 44.59% of total export of textile and apparel. China's export to the USA reached US$16.203 billion, a growth of 64.19% compared with the same period the previous year; export to Japan was US$14.976 billion, increasing 6.86% compared with the same period the previous year; export to Hong Kong area was US$12.142 billion, down 13.96% compared with the same period the previous year. Export to EU reached US$16.227 billion, increasing 59.80% compared with the same period the previous year. Export to restricted countries reached US$34.832 billion, increasing 61.10% compared with the same period the previous year. Export to non-restricted countries reached US$62.322 billion, increasing 7.81% compared with the same period last year. *(Source: China Textile Network Company, Monthly Report, December 2005)*

The dismantling of quotas has provided the Chinese market participants with a global growth opportunity. China remains the most cost-competitive destination globally in textile and apparel products.

China's key advantages in the textile industry include:

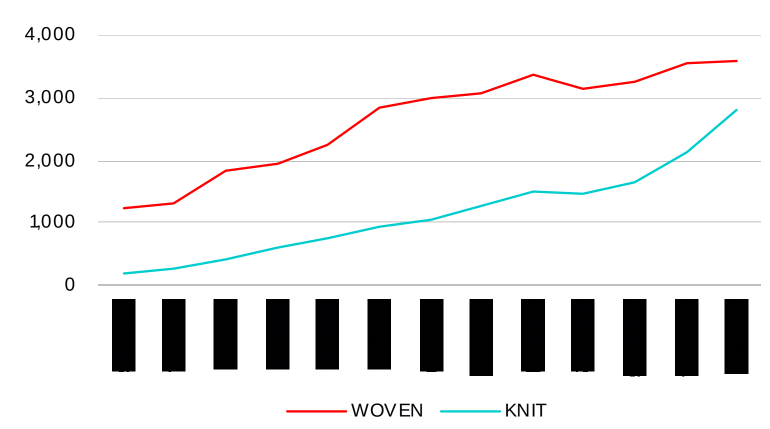
- Chinese facilities offer global scale in capacities;
- Strengths in raw material sourcing;
- Cost competitiveness;
- High focus on quality standards; and
- Pioneer in executing large orders for a single product.

Bangladesh Apparel Exports Industry

The apparel industry occupies a very significant position in the Bangladesh economy, accounting for approximately 5% of the GDP, 25% of gross value addition in the manufacturing sector of the country and 75% of total exports. The industry employs approximately 2.2 million workers, of whom almost 80% are female. (*Source: Bangladesh Garment Manufacturers and Exporters Association website (www.bgmea.com), 2006).*

Total apparel exports stood at US$6.4 billion in 2004-05.

Bangladesh total apparel exports
US$ MM



Source: Bangladesh Garment Manufacturers and Exporters Association website (www.bgmea.com), 2006

Some of the advantages Bangladesh has in the textile industry include:

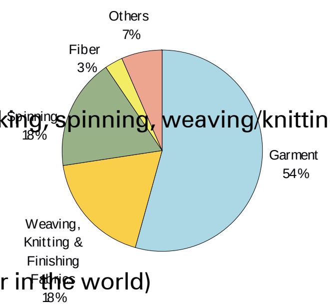
- The Bangladesh textile sector has been helped by policy support from successive governments. Some of the incentives offered include, for example, tax free import of machinery and raw materials, duty free and quota free status for textile products
- Low labour wages
- Increasing share of local raw materials
- Comparative advantage in mass-produced basic garments

(Source: Bangladesh Textile Mills Association, 2004)

Indonesia Apparel Exports Industry

The textile industry is important and strategic to the Indonesian economy, being the biggest net exporter, one of the biggest contributors to GDP and the largest employer of industrial and manufacturing workforce. Total apparel exports stood at US$6.5 billion in January through September 2005, comprising 54% of its total textile exports. *(Source: Economic Association of Indonesia & India from the Indonesian Textile Association presentation on "Prospect of Indonesian Textile Industries in Trade Globalization Era", Undated)*

Indonesia Textile Exports



Some of the advantages Indonesia has in the textile industry include:

- Integrated industry structure covering the entire process of fibre making, spinning, weaving/knitting, dyeing/printing and finishing
- Strong presence in the garment export industry
- Comparative advantage on labour and energy cost
- Access to raw material for man made fibre (seventh largest producer in the world)

(Source: Economic Association of Indonesia & India from the Indonesian Textile Association presentation on "Prospect of Indonesian Textile Industries in Trade Globalization Era", Undated)

Perspective of Global Buyers

Since the dismantling of the quota system in January 2005, global retailers have been evaluating the number of countries and suppliers with whom they work. The global retailers are increasingly ranking their suppliers to identify vendors capable of becoming "strategic partners". The key criterion being used by global retailers to rank their vendors include *among others:*

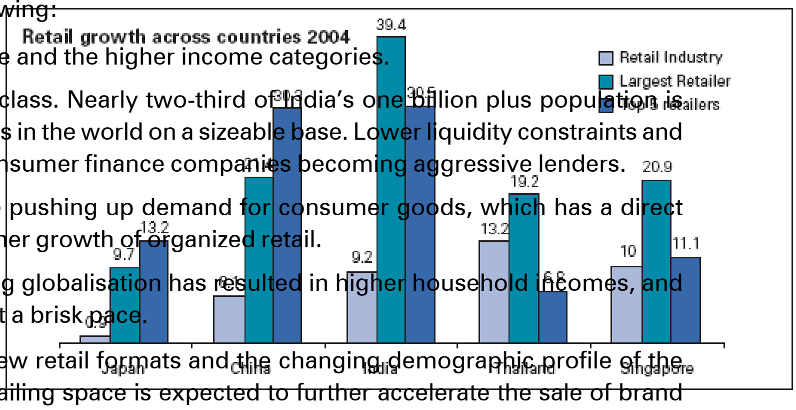
- Flexibility to offer products direct from factory or landed delivered
- Ability to offer multi-country manufacturing facilities in order to spread geo-political risk
- Ability to offer design input and product development skills
- Broad product line across casual, woven, knitted garments and sweaters

- Track record of on-time delivery, fulfillment of order and quality performance, and
- Ethical business practices

In select instances, global retailers have formed a “Supplier Council” comprising its top suppliers, which serves as a “Board of Advisors” to their sourcing teams, and provides guidance in development of long-term sourcing strategies.

Indian Retail Sector

In the last five to seven years organized retail in India has witnessed significant growth. Retailing in India is currently estimated to be a US$ 200 billion industry, of which organized retailing makes up 3 percent or US$6.4 billion. By 2010, organized retail is projected to reach US$23 billion. (*Source: FICCI-KPMG Report on Indian Retail, 2006*)



Source: FICCI-KPMG Report on Indian Retail, 2006

Key Growth Drivers in the Indian retail sector include the following:

- Growth in the number of households in the middle income and the higher income categories.
- Favourable demographics are creating a new consumer class. Nearly two-third of India’s one billion plus population is under 35 years of age, making it one of the youngest nations in the world on a sizeable base. Lower liquidity constraints and borrowing constraints have substantially reduced with consumer finance companies becoming aggressive lenders.
- Changing lifestyles and larger number of households are pushing up demand for consumer goods, which has a direct impact on the overall consumption patterns and fuels further growth of organized retail.
- Strong economic growth after liberalisation and increasing globalisation has resulted in higher household incomes, and these continue to rise with the Indian economy growing at a brisk pace.

With the Indian economy in a growth phase, emergence of new retail formats and the changing demographic profile of the country, branded apparels are growing rapidly. Increasing retailing space is expected to further accelerate the sale of brand apparels.

BUSINESS

Unless stated otherwise, the financial and other data herein is derived from our historical financial statements and other financial information beginning on page F-1 of this Prospectus. Unless the context otherwise requires, the use of "we", "us", "our" or the "Group" in this section refers to House of Pearl Fashions Limited, its Subsidiaries and Associate, on a consolidated basis.

Overview

We are a multinational, ready-to-wear apparel company operating in three business streams: manufacturing, marketing and distribution, and sourcing of garments. We also provide total supply chain solutions to our customers, which include value retailers as well as higher-end fashion brand retailers in the United States and Europe. Our multi-stream business model enables us to offer multi-country, multi-gender and multi-product options to our global customers. We believe these capabilities make us a preferred vendor for garment retailers around the world.

We began operations in 1987 with one manufacturing facility at Gurgaon, India. Over the years, we expanded our manufacturing operations in India. We also spread our business beyond India by setting up a sourcing business in Hong Kong with sourcing offices in China and Bangladesh, marketing and distribution businesses in the U.K., the U.S., Canada and Spain, and manufacturing facilities in Bangladesh and Indonesia. We believe that our integrated global business model positions us to take advantage of synergies in product design, development, manufacturing, distribution and sourcing of our ready-to-wear apparel products. We seek to leverage the competitive advantages of each location to optimize value for our customers, while maximizing our gross margins. We also seek to cater to our customers' needs of competitive pricing, quality, on-time delivery and compliance with global labour practices. Our broad spectrum of customers includes value retailers, such as JC Penny, TESCO and ASDA Wal-Mart, as well as higher-end fashion brand retailers, such as The GAP, Next and Esprit.

We currently operate ten modern ready-to-wear apparel manufacturing facilities, of which six are located in North India, one in South India, two in Bangladesh and one in Indonesia, which enable us to leverage each location's relative advantage in a particular product category. We manufacture a broad range of products comprising of knits, woven, sweaters and bottoms in basic as well as complex designs. As of August 31, 2006, our facilities were spread over 725,250 square feet of space with an aggregate installed production capacity of approximately 20 million pieces per annum compared to an aggregate installed production capacity of approximately 16 million pieces per annum as of June 30, 2006 and approximately 10 million pieces per annum as of March 31, 2006.

We have marketing and distribution offices in the U.K., the U.S. and Hong Kong. These offices oversee our marketing and merchandizing teams across Canada, Europe, Hong Kong, the U.K. and the U.S. that interact with our customers at their locations, which helps us to better understand our customers' requirements. Our U.S. operation has also developed its own brands, *DCC* and *Kool Hearts*. We also own warehousing and processing units in the U.K. and the U.S. with a combined capability to handle two million garments per month. These warehouses have processing facilities and local distribution infrastructure. We are capable of performing a range of pre-retailing processes at our warehouses and delivering garments to our customers that are ready to be placed on their store shelves for sale. We are linked to most of our customers' inventory systems and are capable of delivering garments based on our customers' requirements across all their warehouses.

We also have a sourcing business in Hong Kong with offices in China, Bangladesh and India. We have developed strong relationships with over 150 third-party manufacturing units in China, Bangladesh and India, which we have nurtured over the years. This gives us access to manufacturing capacities in excess of 120 million pieces per annum. We seek to source garments efficiently and cost effectively for our customers by matching a product order from our customer with our most competitive third-party manufacturing unit. As of June 30, 2006, our sourcing offices employed 248 employees, who manage relationships with these manufacturing units. We manage the quality of goods manufactured by them, timely shipment of inventory, local and international logistics and export documentation on behalf of our customers.

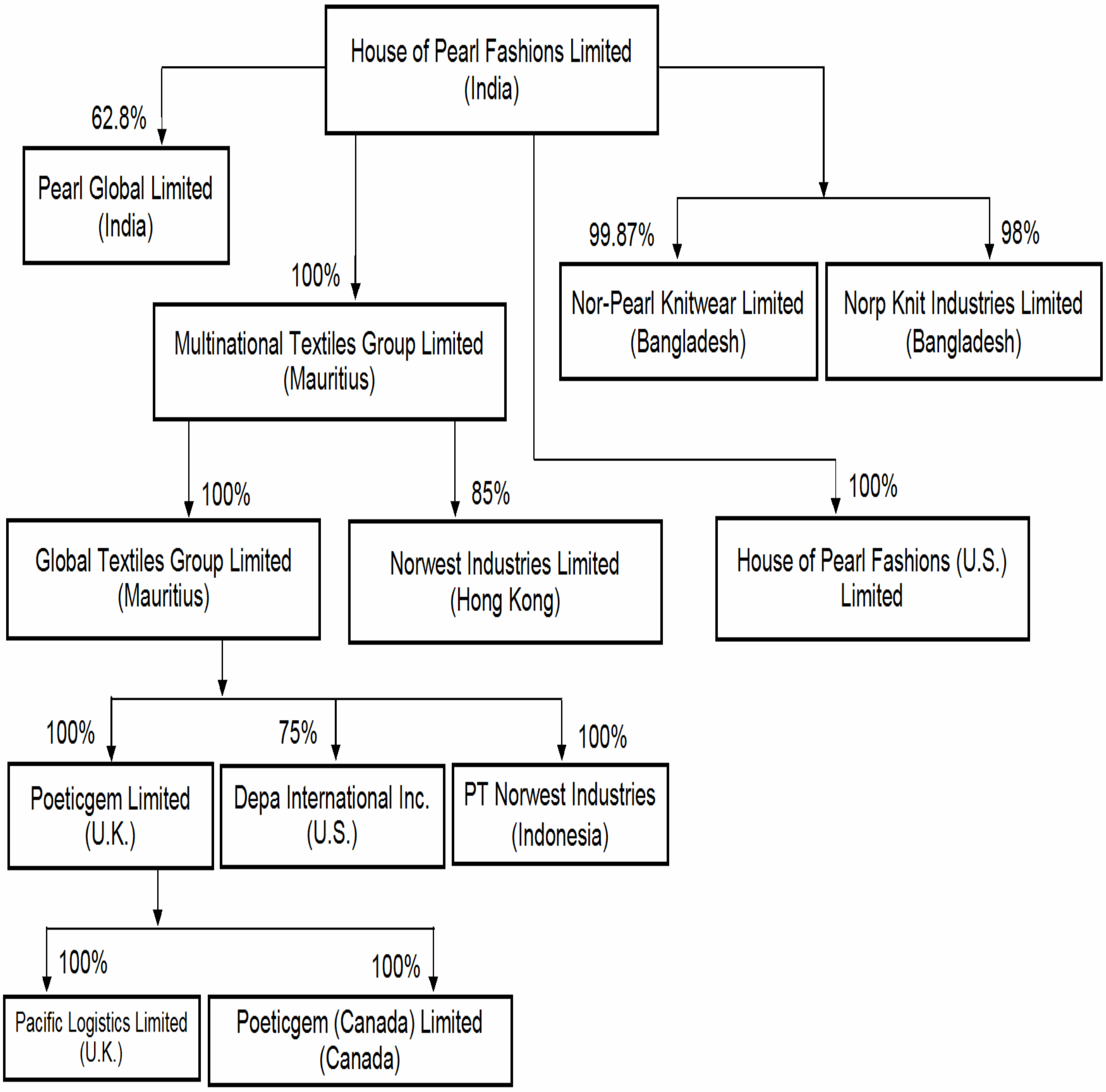
We have fabric development centres in China and India as well as design and product development teams in the U.K., the U.S., India and Hong Kong. The fabric development teams circulate the latest fabric ideas to all the designers who develop a product profile, which is then sent to the manufacturing facilities for product development. Our design and product development teams support all three streams of our business across all locations. As of June 30, 2006, we employed approximately 182 employees in our design and product development teams.

As of June 30, 2006, we employed approximately 6,496 full time employees, of which 4,193 were based outside India. We have a diversified management team with management personnel drawn from across our locations, including China, Europe and the U.S. We believe our global operations and multi-cultural environment allow us to offer our global customers a broader choice of apparel products, designs and styles than our competitors. We also believe that our strict compliance with international quality and labour standards through systematic inspection, audit and education have resulted in increased customer growth. The number of customers of the Group has increased from 54 and 40 as of March 31, 2005 and 2004, respectively, to 60 as of March 31, 2006. For information on our financials, see the section "Financial Statements" beginning on page F-1 of this Prospectus.

Group Structure

Historically, we conducted business under separate companies within our group. In March 2006, in order to derive synergies across all our operations, we commenced a corporate restructuring, pursuant to which we integrated our major international operations with our principal domestic operations under the Company. We completed our restructuring in May 2006 in a phased manner.

The following chart shows our corporate structure and the shareholding as of the date of this Prospectus:



The Company also owns 75% interest in HoPP Fashions, a partnership firm. Further, pursuant to an order dated October 6, 2006 of the Honorable High Court of Delhi, Pearl Global has merged with Pearl Styles Limited, its erstwhile subsidiary ("Pearl Styles"), and City Estates Private Limited, which was a Promoter group company ("CEPL"), with effect from April 1, 2005.

For details regarding our Group structure and recent restructuring, see the section "History and Certain Corporate Matters" beginning on page 97 of this Prospectus.

Competitive Strengths

We believe that we have the following competitive strengths to maintain and enhance our position as a leading ready-to-wear apparel business:

Integrated and Scalable Business Model

We have an integrated business model with capabilities across design and development, manufacturing, marketing and distribution and sourcing of apparel products. Our multi-stream business model enables us to offer multi-country and multi-product delivery choice to our global customers directly from our manufacturing facilities or from third-party manufacturing units on a free on board ("FOB") basis or from our distribution facilities at our customers' doorstep on a landed duty paid ("LDP") basis. We believe that our integrated multi-stream business model offering three supply options enables our customers to reduce their risk of reliance on a single supply source.

We also believe that our capabilities across manufacturing, marketing and distribution and sourcing, together with our relationships with approximately 150 third-party apparel manufacturing units, makes our business model more scalable. While a single-stream supply organization may need to make continuous investments in infrastructure in order to effect an incremental growth in its business, we believe we can use the horizontal breadth of our business and access to third-party manufacturing facilities to achieve growth with relatively lower capital outlay.

Global Footprint

We are a multinational group operating in 11 strategic locations around the world, including two in India. We believe that our multi-location operations allow us to leverage the competitive advantages of each location to enhance our competitiveness and service capabilities to our customers and reduce the geographic and political risks in our business. Our spread of manufacturing facilities across India, Bangladesh and Indonesia allows us to offer a range of apparel products in diverse styles and designs to our customers. Further, we believe that our distribution capabilities in the U.K. and the U.S. enable us to become an integral part of our customers' supply chain and deliver apparel products in a cost-effective manner with reduced lead times; our cross-country design infrastructure enables us to capture fashion trends early; and our global sourcing capability allows us to deliver apparel products to our customers faster than our competitors.

Multiple Product Capability

We have developed a range of product offerings in order to address the varied and expanding requirements of our customers. Our product offerings include wovens, knits, sweaters and bottoms for both genders across all ages. We believe that our broad range of apparel products allows our customers to source most of their product categories from a single vendor and enables us to expand our business from existing customers, as well as address a larger base of potential new customers.

Established Track Record with Leading International Customers

Our customers include some of the world's leading value retailers, such as JC Penny and ASDA Wal-Mart, as well as higher-end fashion brand retailers, such as The GAP, Next and Esprit. We focus on maintaining long-term relationships with our customers. We have a relationship of over four years with some of our leading customers, and a relationship of ten years with JC Penny, one of our largest customers in terms of revenues. We believe that our ability to address the varied and expanding requirements of global customers over long periods enables us to obtain additional business from existing customers as well as new customers. We serve most of our customers across all three streams of our business model, which we believe increases their loyalty to us.

Experienced Management Team and Skilled Employees

We benefit from the leadership of our management team, which has extensive experience in the apparel industry. Most of our key management personnel have been with us since fiscal 2003, and have successfully executed our growth strategy by expanding our manufacturing facilities, developing new customers and strengthening our customer relationships. In addition to our senior management team, we believe that our middle management team and skilled work force comprising designers, tailors, merchandisers and marketing personnel provide us with depth needed to manage our rapid growth.

We believe that we have created a distinct entrepreneurial structure within our organization, with each of our operating entities being managed as an independent profit centre. Our emphasis on creating and sharing value has attracted individuals who previously held senior management positions in other leading apparel and textile companies, which we believe will be an important competitive advantage as we enter new markets and expand our product offerings.

Business Strategy

Our objective is to strengthen our position as a ready-to-wear apparel company in each of our business streams. The key elements of our strategy are described below:

Expand manufacturing capacities

To capitalize on the increased growth in the apparel industry and associated demand for our products, we intend to increase significantly our production capacity. Although we have access to the production capacities of approximately 150 third-party manufacturing units, our strategy is to enhance the production capacities at our own manufacturing facilities to approximately 40 million pieces per annum by 2010. As of August 31, 2006, our manufacturing facilities had a production capacity of 20 million pieces per annum. In fiscal 2006, the average capacity utilization of our facilities was approximately 89%, with our facilities in North India being operated at close to full capacity. We intend to expand and modernize our existing manufacturing facilities, as well as establish new garment manufacturing facilities. We have entered into a lease agreement for approximately 217,675 square feet of land in the apparel park located at the State Industries Promotion Corporation of Tamil Nadu Limited Industrial Park, Irungattukotai, India for a new woven factory. We are also proposing to establish a new wovens and knits manufacturing facility in Narsingpur, Gurgaon, India for which we have already acquired approximately 139,000 square feet of land. For more information on our proposed projects, see the section "Objects of the Issue" beginning on page 32 of this Prospectus.

Penetrate and expand our customer base

We believe that we have a diverse customer base that includes leading global corporations in the U.S. and Europe. We have achieved strong revenue growth by establishing long and stable relationships with several of our large customers. We intend to continue to leverage our client successes to gain new customers and deepen our existing customer relationships. The number of customers of the Group has increased from 40 to 54 as of March 31, 2004 and 2005, respectively, to 60 as of March 31, 2006. This includes the addition of approximately 40 new customers in the last three years, including Esprit, S. Oliver, V F Corporation, Mervins, Sears, Next, Bonton and Gordmans.

Further, according to research by KSA Technopak, the current trend among global retailers is to consolidate their vendor base and source a majority of their apparel requirements from strategic vendors. We have already been categorized as a strategic vendor by JC Penny and ASDA Wal-Mart. We seek to leverage our integrated business model and multi-product and multi-country capabilities to be identified as a strategic vendor by an increasing number of our customers.

Develop markets in new product categories and geographies

In order to increase our product offerings, we plan to add new product categories. For example, we are proposing to manufacture formal pants, which is a new product line, in our bottoms factory in Chennai. We also intend to expand our network of third-party manufacturing units in India, Bangladesh and China, and also established a network in Vietnam for the supply of new product lines. We believe our increased product offerings will reduce our exposure to changes in fashion trends and increased competition in a single product line.

In order to service our customers locally, we also plan to expand our business to new geographic locations. For example, to better service our customers in Canada, including Wal-Mart that launched its brand *George* in Canada, we set up our Canadian operations.

Improve operating efficiencies

In our corporate structure, we have recently integrated our overseas manufacturing, sourcing, marketing and distribution businesses with our manufacturing operations in India. We believe this integration will improve our operating efficiencies and allow us to benefit from the economies of scale. Further, we plan to continue to explore and use the most efficient sources of production, whether through our own manufacturing facilities or through third-party manufacturers, at low labour and capital cost locations. We also continuously seek to improve labour productivity at our manufacturing facilities by improving production techniques and enhanced training. We have also initiated the process of consolidating functions and processes, such as freight and cartage, to increase our cost savings and we also intend to invest in the development of an enterprise resource planning system to improve the integration of our global operations.

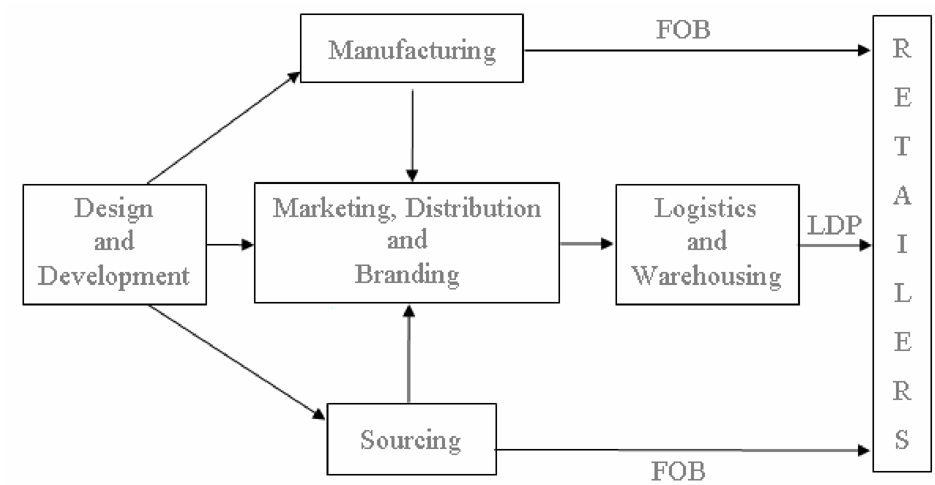
Explore opportunities in the retail sector

In order to establish our market presence, we are exploring opportunities to venture into the retail sector by leveraging our experience of sourcing garments cost effectively, in-house designing capabilities that allow us to respond to changing fashion trends, experience of retailing our own brands in the U.S., *DCC* and *Kool Hearts*, and experience in warehousing, processing and distribution logistics. We are considering retailing the products we manufacture at our manufacturing facilities in India directly to Indian consumers. We believe that retailing of export quality products manufactured by us in India at competitive prices presents us with a high-growth opportunity. In the future, we may also consider acquiring existing brands in the U.K. or the U.S. for retail operations outside India. As on the date of this Prospectus, we have not entered into any memorandum of understanding or letter of intent or any definitive agreement in connection with our retail plans.

Pursue selective acquisitions and other opportunities

Our acquisition strategy is focussed on adding complementary product lines and businesses and we intend to pursue opportunities to the extent they become available. We have acquired companies in the U.S. and the U.K. which are engaged in marketing and distribution of apparel products, including our branded products, *DCC* and *Kool Hearts,* which we believe has complemented our integrated business model and increased the growth of our business. Our intention is to continue to pursue targeted acquisitions of apparel companies or brands, strategic partnerships or joint ventures with leading manufacturers or distributors in select markets and integrate them with our existing businesses.

Our Business Model



Design and development

We are committed to design innovation in order to respond to current consumer preferences and anticipate future fashion trends. As of June 30, 2006, we employed 182 employees in our design and product development teams, who are focused on providing design and product development support globally.

Further, our dedicated fabric development and sampling centres located in China and India regularly monitor new fabric developments and feed these developments into our marketing, manufacturing and sourcing facilities. The local teams adapt the new design and fabric developments to cater to regional fashion trends, while also reflecting the price and quality requirements of the target customer.

Our design teams are supported by sophisticated computerized design systems. In order to enhance our design infrastructure and improve our design capabilities, we intend to establish a design centre in India, which would be the key centre of design activity for the Group. For more information regarding our proposed projects, see the section "Objects of the Issue" beginning on page 32 of this Prospectus.

Marketing, distribution and branding

Marketing involves managing relationships with our existing customers and meeting the needs of new customers. Our marketing and distribution offices located in the U.S., the U.K. and Hong Kong oversee our marketing and merchandizing teams in Canada, Europe, Hong Kong, the U.K. and the U.S. These offices interact face-to-face with our customers and play a critical role in showcasing our designs and products, managing the distribution of our products and providing customer specific solutions to existing and potential customers.

Following the conception of style and design, our marketing team presents garment samples to potential customers. The samples are modified based on the customers' specific design and cost requirements. Our marketing team then sends the details of the selected samples and other customer requirements to our in-house manufacturing facilities and our third-party sourcing offices for feedback on the estimated cost of production. The in-house manufacturing facilities and third-party sourcing offices compete for orders based on cost estimates and other factors, including quality, past performance and turn-around time. On receipt of the cost estimates from our in-house manufacturing facilities and third-party sourcing offices, the marketing team evaluates the feasibility of these cost estimates and quotes the lowest feasible estimate to the customer. Once our samples are approved and the price, delivery schedule and other material conditions are negotiated, the customer releases a production order containing the order details to our marketing office. The marketing team places the order with the in-house manufacturing facility or the third-party sourcing office that provided the lowest feasible cost estimate and that can manufacture products in an efficient and timely manner. The marketing office regularly monitors the progress of the orders. Once the order is executed, based on the terms of delivery of the order, the finished products are delivered to the customer's designated agent on an FOB basis or to our warehouse in the U.S. or the U.K. for delivery to the customer on an LDP basis.

Our subsidiary, Depa U.S., has also developed its own brands, *DCC* and *Kool Hearts*. We believe that our experience in branding has enabled us to better understand the requirements of our retail customers.

Manufacturing

In-house manufacturing

Our manufacturing facilities receive orders directly from our customers and through our marketing offices. In either situation, on receipt of the production order, a production plan is adopted to coordinate the manufacturing process and to ensure adherence to delivery schedules. We place orders for our raw material requirements, which comprise of finished fabric (made of natural fibres, such as cotton, wool, silk, linen, georgette and polyester), accessories and trims, such as fasteners, buttons, labels, and other consumables. We purchase the finished fabric and other raw materials from a variety of suppliers, some of which are designated by our customers. On receipt of the fabric and raw materials, our quality assurance team conducts a pre-production inspection. Following the approval of the quality assurance team, our manufacturing facility commences production, which involves cutting, sewing, finishing, washing and ironing. Each stage of production is monitored by our quality assurance team to ensure conformity with our strict quality, cost and delivery requirements.

Cutting of the fabric requires a high level of precision. To ensure minimum wastage, automated cutting tools are used for pattern grading and marker making. We have also installed computerized design systems in some of our manufacturing facilities to improve lead times and productivity. Quality initiatives in the cutting room include pre-cut fabric checking and 100% panel ticketing and checking. The stitching process takes place in an assembly line, which comprises of different stitching machines, each for a specific purpose. Our manufacturing facilities are also equipped with embroidery machines for the high-end apparel orders. We perform a range of finishing processes on our garments using specialized equipment including thread checking, ironing, steam pressing, collar pressing, accessories attachment and folding prior to packaging and delivery to customers.

Third-party sourcing

We also source our products from approximately 150 third-party manufacturing units in China, Bangladesh and India. These manufacturing units are selected, monitored and coordinated by our sourcing offices located in China, Bangladesh and India to ensure conformity with our strict quality, cost and delivery requirements. Each sourcing office comprises of eight to ten sourcing divisions. Each stage of production is closely monitored and supervised by a division manager who regularly conducts quality checks. The finished items are inspected prior to delivery to customers.

Logistics and warehousing

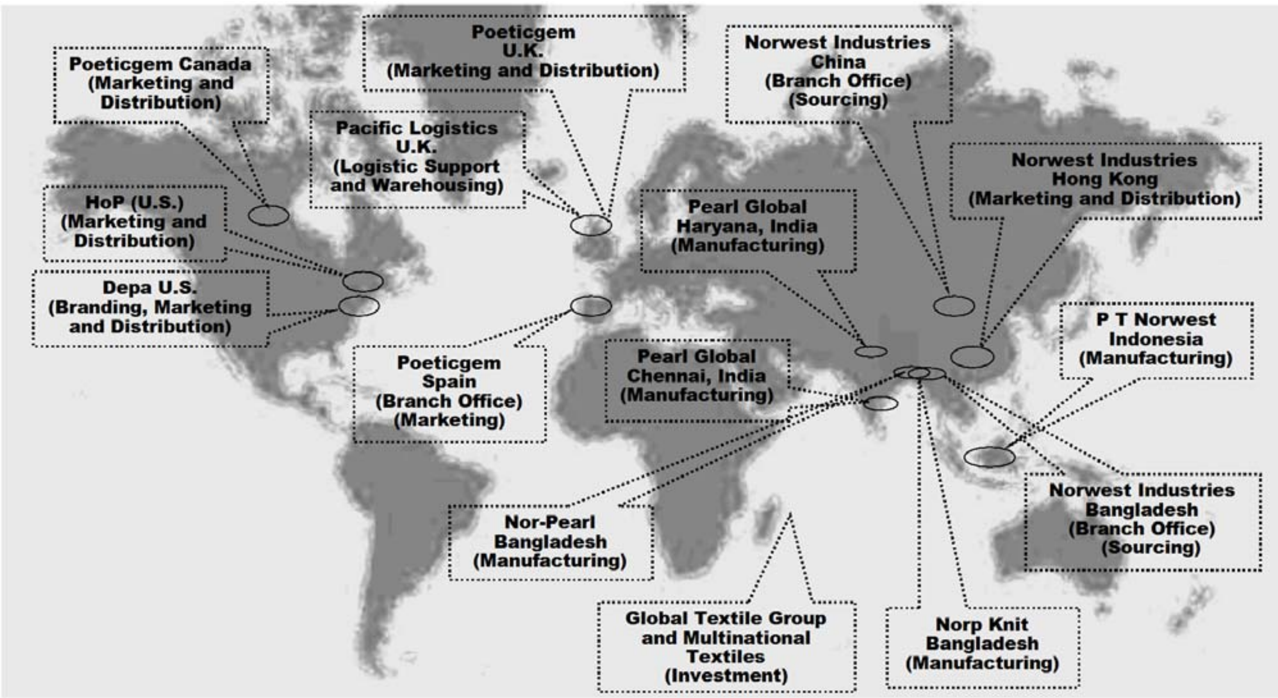
We believe we are one of a few apparel companies that can offer goods to our customers on LDP terms. Our distribution companies are fully supported by our logistics and warehousing facilities in the U.S. and the U.K., which enable us to service our customers in the vicinity of their operations. These warehouses have processing facilities and distribution infrastructure, including:

- Logistics and transportation;
- Garment processing and ironing;
- Quality control;
- Reverse logistics; and
- Shipping and forwarding.

We are capable of performing a range of pre-retailing processes at our warehouses and delivering garments to our customers that are ready to be placed on their store shelves for sale. We currently have combined warehousing capability to handle two million garments per month.

Our Operations

We have operations in 11 locations globally, including two in India, through manufacturing facilities, marketing and distribution offices, warehouses, sourcing and other offices.



The table below sets out certain key details relating to our principal operating companies:

	Group Entity					
	Pearl Global*	Norwest Industries (HK)	Poeticgem	Depa U.S.	PT Norwest	Nor Pearl and Norp Knit
Corporate Data Date of commencement of operations/ acquisition	Pearl Global: Commenced operations on September 11, 1987	Commenced operations on June 24, 1998. Acquired by us from Promoter group company on May 31, 2006	Commenced operations on May 7, 1991; Acquired by our Promoter group company on June 30, 2004 and by us from the Promoter group company on March 31, 2006	Commenced operations on April 1, 1996; 49% shares acquired by our Promoter group company on June 1, 2004 and 26% shares acquired on April 1, 2005; Acquired by us from the Promoter group company on March 31, 2006	Commenced operations in September 2002; Acquired from our Promoter group company on March 31, 2006	Nor Pearl: Incorporated on May 16, 2004; Acquired from group company on March 28, 2006 Norp Knit: Commenced operations on December 18, 2004; Acquired from group company on March 28, 2006
Operating Data Field of activity	Manufacture of apparel products	Marketing, distribution and sourcing	Marketing and distribution	Branding, marketing and distribution	Manufacture of apparel products	Manufacture of apparel products

	Group Entity					
	Pearl Global*	Norwest Industries (HK)	Poeticgem	Depa U.S.	PT Norwest	Nor Pearl and Norp Knit
Product category	Wovens, knits, and bottoms	Wovens, knits sweaters, jackets,bottoms and knitted scarves	Wovens, knits, sweaters, jackets, bottoms and essentials	Wovens, knits, sweaters, jackets and bottoms	Wovens	Nor Pearl : Sweaters Norp Knit: Knitted garments
Number of full time employees as of June 30, 2006	2,302	274	76 (including full time employees of Pacific Logistics, a subsidiary of Poeticgem)	45 (including full time employees of Poeticgem Canada, which was a subsidiary of Depa U.S. during the relevant period)	948	2,851

* *On October 6, 2006, the Honorable High Court of Delhi approved the scheme of merger and amalgamation of Pearl Global with Pearl Styles and CEPL, with effect from April 1, 2005.*

Manufacturing and Other Facilities

Manufacturing facilities

The Group operates ten factories, of which six are located in North India, one in South India, one in Indonesia and two in Bangladesh. As of August 31, 2006, we also sourced products from approximately 150 factories owned and operated by third-party manufacturers located in China, Bangladesh and India that are selected, monitored and coordinated by our sourcing offices in China, Bangladesh and India to ensure conformity with our strict quality, cost and delivery requirements.

The location and certain other details relating to the principal Group-operated manufacturing facilities are set forth below:

Location	Built-up Area (sq. ft.)	Number of machines as of			Capacity in million pieces per annum as of			Capacity utilization (%)		Status (Leased/ Owned)	Date of Commencement of operation/ acquisition
		March 31, 2006	June 30, 2006	August 31, 2006	March 31, 2006	June 30, 2006	August 31, 2006	In fiscal 2006	In quarter ended June 30, 2006		
India											
Gurgaon(1)	254,650	2,644	2,644	2,644	6.0	6.0	6.0	95.4	82.0	Owned	September 1987
Knits Facility in Khandsa, Gurgaon(2)	60,600	-	-	800	-	-	3.0	-	-	Leased	August 2006
Chennai	120,000	440	444	444	-	2.0	3.0	-	27.0	Leased	April 2006
Indonesia											
Semarang	72,000	539	539	539	2.0	2.0	2.0	85.1	90.0	Leased	September 2002 (acquired from Promoter group company in March 2006)

Location	Built-up Area (sq. ft.)	Number of machines as of			Capacity in million pieces per annum as of			Capacity utilization (%)		Status (Leased/ Owned)	Date of Commencement of operation/ acquisition
		March 31, 2006	June 30, 2006	August 31, 2006	March 31, 2006	June 30, 2006	August 31, 2006	In fiscal 2006	In quarter ended June 30, 2006		
Bangladesh											
Comilla	176,000	1,269	1,269	1,269	0.7	3.0	3.0	49.1	44.0	Leased	April 2005 (acquired from group company in March 2006)
Gazipur	42,000	257	328	499	1.5	3.0	3.0	91.4	63.0	Leased	December 2004 (acquired from group company in March 2006)
Total	**725,250**	**5,149**	**5,224**	**6,195**	**10.2**	**16.0**	**20.0**				

(1) *We own five manufacturing facilities in Gurgaon, Haryana, India. The first facility became operational in September 1987.*

(2) *We are currently using an existing knitted garment manufacturing facility located in Khandsa, Gurgaon. Our Subsidiary, Pearl Global, has entered into an agreement dated July 18, 2006 with Texport Fashions ("Texport"), a partnership among Mrs. Santosh Goenka, Mr. Akshay Goenka and Mr. Nagesh Goenka, none of whom have any relationship with the Company, the Subsidiaries or the Promoters, to acquire this facility. Of the total consideration of Rs.54.0 million, Pearl Global has already paid two installments aggregating Rs.10.0 million in respect of this facility. The outstanding consideration of Rs.44.0 million will be payable upon the execution of the sale deed and receipt of applicable regulatory permission. Recently, on August 16, 2006, Pearl Global entered into agreements with Texport pursuant to which, Pearl Global is using the building, land and machinery relating to this facility on a rental basis.*

We believe that our multi-location manufacturing facilities allow us to achieve benefits of cost competitive manufacturing operations and reduce the risk of dependence on a single location. Our factories in India, which are located at Gurgaon, Haryana and Tambaram, Chennai, provide access to well developed urban infrastructure and services. Our bottoms factory in Chennai is located in the Madras export processing zone. The sweater manufacturing facility in Bangladesh is located in the Comilla export processing zone. Our wovens factory in Indonesia is located at the Tanjung Emas export processing zone, which is a major port in the Jawa Sea and enables fabric to be sourced from China, Taiwan and Korea in approximately four to five weeks.

We have also leased approximately 217,675 square feet of land for a new woven manufacturing factory in SIPCOT Industrial Park, Irungattukottai in Chennai. We have also acquired approximately 139,000 square feet of land at Narsingpur, Gurgaon, Haryana for a new knits and wovens manufacturing unit. We propose to establish a new knits manufacturing facility in Comilla, Bangladesh. For more information on our proposed projects, see the section "Objects of the Issue" beginning on page 32 of this Prospectus. In relation to our bottoms factory in Chennai located in the Madras export processing zone (SEZ), we are eligible to import/purchase plant and machinery, raw materials, components, spares and consumables without the payment of import, central excise and other duties in accordance with the SEZ rules. The license for duty free purchase is granted subject to satisfaction of certain conditions, including the achievement of export obligations. We are required to achieve positive net foreign exchange earnings, which are calculated cumulatively for a period of five years from the date of commencement of commercial production in accordance with the specified formula in the Foreign Trade Policy, as amended (the "FTP"). In addition, we also have export obligations under the Export Promotion Capital Goods ("EPCG") scheme and the Advanced Authorization Scheme. As of November 30, 2006, we had an outstanding export obligation of US$150,290 (Rs.6.7 million) under the EPCG scheme and US$124,692 (Rs.5.6 million) under the Advanced Authorization Scheme.

As of June 30, 2006, we owned approximately 5,224 sewing machines, 15 computerized embroidery machines and a variety of other sophisticated equipment. Some of our key equipment suppliers include Juki Singapore Pte Limited, Sheng Meei Machine Manufacturing Company, Brother International Singapore Pte Limited, Sunstar Precision Company Limited, Korea, Ramsons Garment Finishing (P) Limited and Veit Brisay GmbH. We work closely with these suppliers to ensure that equipment and machinery are delivered on time and meet our stringent performance specifications. The average working life of our sewing machines is approximately seven years, which we believe is comparable to the industry standard. Our in-house technicians conduct routine maintenance and repair work, with technical support provided by suppliers.

Most of our manufacturing plants are supplied electricity from diesel generator sets, which are owned by us. We also operate low emission gas generator sets in our sweater manufacturing facility at Comilla, Bangladesh. We have not experienced any material interruptions in the availability of electric power for our operations.

Other Facilities

We also have marketing and distribution facilities, sourcing offices and logistical and warehousing facilities, details of which are set forth below:

Name of Group Entity	Location	Purpose	Area (sq. ft.)	Status (Leased/Owned)
Poeticgem	Watford, U.K.	Marketing and Distribution	20,000	Leased
	Cheshire, U.K.	Marketing and Distribution	1,000	Leased
	Milton Keynes, U.K.	Warehouse	64,500	Owned
Pacific Logistics	Milton Keynes, U.K.	Warehouse	26,500	Leased
Depa U.S.	Manhattan, New York, U.S.	Showroom	10,000	Leased
	New Jersey, U.S.	Warehouse	22,000	Leased
Poeticgem Canada	Ontario, Canada	Showroom	1,527	Leased
Norwest Industries (HK)	Kowloon, Hong Kong	Marketing and Distribution	6,290	Owned
	Dhaka, Bangladesh	Sourcing	8,700	Leased
	Hangzhou, China	Sourcing	12,097	Leased
	Gurgaon, Haryana, India	Sourcing	250	Leased
HoP (U.S.)	New York, U.S.	Showroom	1,150	Leased

Production Capacity

We have flexible and scalable production capabilities. We currently operate Group-owned/leased manufacturing facilities for our products and also source our products from third-party manufacturers located in China, Bangladesh and India. We believe that the use of third-party manufacturers increases our production flexibility and scalability by giving us access to manufacturing capacities in excess of 120 million pieces per annum, while at the same time does not require us to incur substantial capital expenditures or the cost of managing a large production work force.

Recently, we have also increased the production capacity in our Group-owned/leased manufacturing facilities. As of August 31, 2006, our facilities were spread over 725,250 square feet of space with an aggregate installed production capacity of approximately 20 million pieces per annum compared to an aggregate installed production capacity of approximately 16 million pieces per annum as of June 30, 2006 and approximately 10 million pieces per annum as of March 31, 2006. We intend to significantly enhance the production capacities at our manufacturing facilities to approximately 40 million pieces per annum by 2010. For more information on our proposed plans to increase our production capacity, see the section "Objects of the Issue" beginning on page 32 of this Prospectus.

The following table illustrates our growth as of and during fiscal 2005 and 2006 and the three months ended June 30, 2006 in respect of Group-owned/leased manufacturing facilities, area of manufacturing space, percentage of owned manufacturing space, production capacity, actual production, capacity utilization, number of sewing machines and number of employees:

Group owned/leased manufacturing facilities	Fiscal 2005[(1)]	Fiscal 2006	Three Months Ended June 30, 2006[(2)]
Number of facilities	7	9	9
Manufacturing space (sq. ft.)	368,650	664,650	664,650
Percentage of manufacturing space owned	69.0	38.3	38.3
Production capacity (number of pieces per annum)	6,390,000	10,215,000	16,000,000
Actual production (number of pieces per annum)	6,438,026	9,144,721	2,613,816
Capacity utilization (%)	100.7	89.5	65.3
Number of sewing machines	2,368	5,149	5,224
Number of employees (full time and contractual) at the Group owned/leased manufacturing facilities	5,696	9,250	10,133

(1) *The information provided above for fiscal 2005 includes information in respect of our overseas Subsidiaries, i.e., PT Norwest, Nor Pearl and Norp Knit, which were not our Subsidiaries at the time. They became our Subsidiaries effective March 2006.*

(2) *As of August 31, 2006, with the addition of the knitted garment manufacturing facility in Khandsa, Gurgaon, the number of facilities operated by us had increased to ten, manufacturing space had increased to 725,250 sq. ft. and our production capacity in our manufacturing facilities was approximately 20 million pieces per annum.*

Quality Control

We maintain strict quality control for customer compliance reasons. Our quality assurance team has adopted strict standards at each stage of garment production to ensure high quality of our products. We monitor quality through quality assurance inspectors, who are employed to identify defects when the product is manufactured. As of June 30, 2006, we employed a quality assurance team of 490 employees in our manufacturing facilities, 15 in our marketing and distribution offices and 77 in our sourcing offices in China, India and Bangladesh to ensure conformity with our strict quality, cost and delivery requirements. To date, we have not experienced any significant quality complaints from our customers.

Our Customers

Currently, a significant number of our customers are concentrated in the U.S. and the U.K. We also export our products to South America, France and Germany.

The following table sets forth the net sales of ready-to-wear apparel products of our principal operating companies by geographic region in fiscal 2005 and 2006 and six months ended September 30, 2006:

(Rs. million)

	PT	Norwest	Group Entity					
	Norwest	Industries (HK)	Poeticgem	Norp Knit	Nor Pearl	Depa U.S.	Pearl Global	Total
Fiscal 2005								
Total Sales								
U.S.	177.73	333.36	5.06	-	-	1,684.62	1,008.93	3,209.70
U.K.	12.12	1,707.40	1,153.40	-	-	93.16	73.43	3,039.51
Other	256.96	396.78	57.74	16.7	-	385.21	75.65	1,189.04
Total	**446.81**	**2,437.54**	**1,216.20**	**16.7**	**-**	**2,162.99**	**1,158.01**	**7,438.25**[(1)]

(Rs. million)

	PT	Norwest	Group Entity					
	Norwest	**Industries (HK)**	**Poeticgem**	**Norp Knit**	**Nor Pearl**	**Depa U.S.**	**Pearl Global**	**Total**
Inter Company Sales								
U.S.	123.09	94.45	-	-	-	-	28.87	246.41
U.K.	12.12	19.19	-	-	-	-	-	31.31
Other	188.06	-	54.41	14.25	-	-	-	256.72
Total	**323.27**	**113.64**	**54.41**	**14.25**	**-**	**-**	**28.87**	**534.44**
Net Sales								
U.S.	54.64	238.91	5.06	-	-	1,684.62	980.06	2,963.29
(%)	*44.23*	*10.28*	*0.44*	-	-	*77.88*	*86.8*	*42.92*
U.K.	-	1,688.21	1,153.40	-	-	93.16	73.43	3,008.20
(%)	-	*72.65*	*99.28*	-	-	*4.31*	*6.5*	*43.57*
Other	68.9	396.78	3.33	2.45	-	385.21	75.65	932.32
(%)	*55.77*	*17.07*	*0.29*	*100*	-	*17.81*	*6.7*	*13.50*
Total	**123.54**	**2,323.90**	**1,161.79**	**2.45**	**-**	**2,162.99**	**1,129.14**	**6,903.811**[1]
(%)	***100***	***100***	***100***	***100***	**-**	***100***	***100***	***100***
Fiscal 2006								
Total Sales								
U.S.	50.91	289.33	9.09	-	8.41	1,143.01	1,249.32	2,750.07
U.K.	11.59	1,634.12	1,755.00	7.08	36.24	65.37	189.75	3,699.15
Other	456.21	653.42	14.57	121.34	29.34	322.07	52.18	1,649.13
Total	**518.71**	**2,576.87**	**1,778.66**	**128.42**	**73.99**	**1,530.45**	**1,491.25**	**8,098.35**[2]
Inter Company Sales								
U.S.	26.86	35.68	-	-	-	-	-	62.54
U.K.	-	94.6	-	7.08	19.06	-	-	120.74
Other	203.14	117.86	12.89	121.34	10.57	1.25	-	467.05
Total	**230**	**248.14**	**12.89**	**128.42**	**29.63**	**1.25**	**-**	**650.33**
Net Sales								
U.S.	24.05	253.65	9.09	-	8.41	1,143.01	1,249.32	2,687.53
(%)	*8.33*	*10.89*	*0.51*	-	*18.96*	*74.75*	*83.78*	*36.08*
U.K.	11.59	1,539.52	1,755.00	-	17.18	65.37	189.75	3,578.41
(%)	*4.01*	*66.11*	*99.39*	-	*38.73*	*4.27*	*12.72*	*48.05*
Other	253.07	535.56	1.68	-	18.77	320.82	52.18	1,182.08
(%)	*87.66*	*23*	*0.1*	-	*42.31*	*20.98*	*3.5*	*15.87*
Total	**288.71**	**2,328.73**	**1,765.77**	**-**	**44.36**	**1,529.20**	**1,491.25**	**7,448.02**[2]
(%)	***100***	***100***	***100***	**-**	***100***	***100***	***100***	***100***
Six months ended September 30, 2006								
Total Sales								
U.S.	3.15	7.44	-	-	14.12	576.14	651.75	1,272.77
U.K.	2.69	1,276.06	1,260.93	21.93	34.03	40.05	19.03	2,654.72
Other	215.93	549.45	51.86	152.63	157.32	-	62.73	1,202.58
Total	**221.77**	**1,832.95**	**1,312.79**	**174.56**	**205.47**	**616.19**	**733.51**	**5,130.07**[3][4]

(Rs. million)

	PT Norwest	Norwest Industries (HK)	Group Entity					
			Poeticgem	Norp Knit	Nor Pearl	Depa U.S.	Pearl Global	Total
Inter Company Sales								
U.S.	3.15	-	-	-	-	-	12.45	15.60
U.K.	-	20.79	-	19.36	-	-	3.36	43.51
Other	32.54	6.90	51.86	85.45	49.67	-	24.33	250.75
Total	**35.69**	**27.69**	**51.86**	**104.81**	**49.67**	**-**	**40.14**	**309.86**
Net Sales								
U.S.	-	7.44	-	-	14.12	576.14	639.30	1,257.17
(%)	-	*0.41*	-	-	*9.06*	*93.50*	*92.20*	*26.08*
U.K.	2.69	1,255.27	1,260.93	2.57	34.03	40.05	15.67	2,611.21
(%)	*1.45*	*69.53*	*100.00*	*3.68*	*21.84*	*6.50*	*2.26*	*54.17*
Other	183.39	542.55	-	67.18	107.65	-	38.40	951.83
(%)	*98.55*	*30.05*	-	*96.32*	*69.09*	-	*5.54*	*19.75*
Total	**186.08**	**1,805.26**	**1,260.93**	**69.75**	**155.80**	**616.19**	**693.37**	**4,820.21**[(3)(4)]
(%)	***100.00***	***100.00***	***100.00***	***100.00***	***100.00***	***100.00***	***100.00***	***100.00***

(1) *In fiscal 2005, Norwest Industries (HK) also sold fabric in an amount of Rs.3.70 million.*

(2) *In fiscal 2006, Norwest Industries (HK) also sold fabric in an amount of Rs.34.41 million.*

(3) *In the six months ended September 30, 2006, Norwest Industries (HK) also sold fabric in an amount of Rs.25.61 million.*

(4) *In the six months ended September 30, 2006, HoPFL also sold apparel products in an amount of Rs.32.83 million, of which Rs.20.17 million sales were to the U.S. and Rs.12.66 million sales were to other countries. The total sales and net sales for the six months ended September 30, 2006 include the sales made by HoPFL during this period.*

We sell our products to leading retailers, including JC Penny, The GAP, ASDA Wal-Mart, Esprit and Next. Certain of our customers have specifically approved our manufacturing facilities and JC Penny and ASDA Wal-Mart have already categorized us as a strategic vendor. In our client engagements, we leverage our industry experience with our high quality and low cost production capabilities, our ability to address the varied and expanding requirements of our customers through our diversified apparel product offerings and design capabilities and flexibility to service our customers in the vicinity of their operations. We are dependent on a limited number of customers.

We do not have any long-term contracts with our customers and sales to them generally occur on an order-by-order basis. We have successfully demonstrated the ability to manage client relationships, which is reflected in the long and stable duration of our relationships with some of our large customers. We have a relationship of over four years with some of our leading customers and ten years with JC Penny, one of our largest customers in terms of revenues. The following table sets forth certain information regarding our leading customers:

Name of the entity/brand	Duration of relationship (Number of years)
JC Penny Inc.	10
The GAP (in respect of its brands, GAP, Old Navy and Banana Republic)	7
Charming Shoppe Inc.	7
ASDA Wal-Mart	5
Kohl's	5
Johnsons	5
Matalan	4
Ross Stores	4
Esprit	2
Next	2
H&M	2

Our Products

We manufacture a broad range of apparel products. The following table outlines certain information regarding the products we manufactured for fiscal 2005 and 2006 and the six months ended September 30, 2006:

Product category	Group Entity	Fiscal 2005	Fiscal 2006	Total sales in the six months ended September 30, 2006 (in Rs. million)
		Total sales (in Rs. million)	Total sales (in Rs. million)	
Wovens	Pearl Global	1,085.0	1,360.6	577.4[(1)]
	HoPFL	-	-	32.8
	PT Norwest	446.8	518.7	221.8
Total		**1,531.8**	**1,879.3**	**832.0**
Knits	Pearl Global	65.6	114.8	54.6
	Norp Knit	16.7	128.4	174.6
Total		**82.3**	**243.2**	**229.2**
Sweaters	Pearl Global	7.4	15.8	1.01
	Nor Pearl	-	74.0	205.5
Total		**7.4**	**89.8**	**206.5**

(1) *This includes sales of Rs.38.2 million in respect of bottoms manufactured in our manufacturing facility at Tambaram, Chennai.*

Our Suppliers

Our products are manufactured from cotton, linen, wool, silk, other natural fibres, synthetics and blends of these materials. The majority of the materials used in our manufacturing operations are purchased in the form of finished fabrics directly from a variety of suppliers. In addition, many of our buttons, zippers, thread and other trim items are also purchased from third-party suppliers. In fiscal 2006, approximately 48.2% of our basic raw materials were sourced from India. Generally, we have not had difficulties obtaining such materials. We regard our access to sources of raw materials as adequate for our needs. We do not have long-term raw materials contracts with any of our principal suppliers. However, we maintain good relationships with our suppliers and have, where possible, diversified our supplier base so as to avoid a disruption in supply. No single supplier or third-party producer accounts for a material portion of our purchases or business. Alternative competitive sources are available, and we do not anticipate significant difficulty in meeting our production requirements.

For more information regarding our supply of raw materials, see "Risk Factor - Fluctuations in the price, availability and quality of raw materials could cause delay and increase costs" beginning on page xx of this Prospectus.

Our Employees

As of June 30, 2006, we had 6,496 full-time employees, compared to 3,421 full-time employees as of March 31, 2005. The following table provides certain information about our full-time employees, by job function, as of June 30, 2006:

Function	**Number of employees as of June 30, 2006**
Administration and human resources	163
Accounts and finance	87
Costing	24
Engineers	10
IT	39
Logistics	68
Merchandizing	253
Design	35
Production	2,762
Quality control	582
Research and development	19
Sales and marketing	27
Sampling	147
Sewing machine operators and tailors	1,996
Sourcing	11
Other	273
Total	**6,496**

Additionally, as of June 30, 2006, we had approximately 4,032 contract employees. The total number of full-time salaried employees and contract employees as of June 30, 2006 was approximately 10,528, of which 6,335 were located in India, 3,010 in Bangladesh, 948 in Indonesia, 45 in the U.S. and Canada, 76 in the U.K., 26 in Hong Kong and 88 in China. We conduct periodic reviews of our employees' job performance, and determine salaries and discretionary bonuses based upon those reviews. In addition, we offer internal training programs tailored to different job requirements to enhance our employees' talents and skills.

We believe that we maintain a good working relationship with our employees and we have not experienced any strikes or lock-outs or other significant labour disputes. Typically, our employees are not subject to any collective bargaining agreements or represented by labour unions.

We believe we have created a distinct entrepreneurial structure within the organization, with each operating entity managed as an independent profit centre. Our compensation and benefit packages are developed for use across our areas of operations. We also take into consideration local economic factors when implementing our policies. We abide by provisions of the applicable labour laws, including provident fund, superannuation and other social security contributions. The compensation philosophy for management personnel is that compensation is linked to performance, with rewards through various incentives.

Our Human Resources Initiatives

The garment industry is predominantly a labour intensive sector. Our success depends on our ability to recruit, train and retain quality personnel. We seek to improve employee productivity through continuing education and training, including through the Pearl Academy of Fashion, a fashion and design institute providing training in design, merchandizing and production techniques established by a Promoter group entity.

Code of Conduct

We seek to comply with global employment practices, including compliance with local applicable laws and regulations.

Non-Discrimination: Our human resource policy is focused on nurturing talent and motivating and empowering our work force. Our policies on recruitment and promotions are based on transparency and merit.

Child Labor: We ensure strict compliance with all legal requirements in respect of the use of child labour. The mandatory age requirement for all employees is 18 years or above at the time of employment.

Competition

The garment manufacturing industry, globally and in India, is highly fragmented, with a large number of small and medium sized manufacturers having a local presence in Western Europe, China and India. With the elimination of export quotas as of January 1, 2005 under the WTO, competition in the textile and garment exporting market has increased dramatically. Our principal competitors in our manufacturing operations in India include, among others, Gokaldas Exports Limited, Orient Craft Limited and Celebrity Fashions Limited. Our competitors in Indonesia include Inti Sukses Garmindo PT and Moris Indofashion PT and in Bangladesh include SQ Group of Industries, Haesong Korea and Viyella Textile Limited. Other competitors include Andrew Sports and At Last Sportswear in the U.S.; Epic, Michelle and Tilsonborg in Hong Kong; Visage Limited and Jo-Y-Jo Limited in the U.K.

We believe that our international presence is a key factor that differentiates us from our competitors. We believe our global operations help us to compete effectively by positioning us to take advantage of synergies in product design, development, manufacturing, sourcing and distribution of our products throughout these locations. Our international operations also enable us to satisfy diverse customer requirements and effectively compete with manufacturers from India and other low-cost countries by reducing delivery lead times. In order to be competitive in the export market, we intend to continue to leverage our scalable and cost efficient production and operational capabilities, focus on providing innovative designs to our customers and maintain strong relationships with our customers.

For more information on competition, see the section “Risk Factors - We face significant competition from other apparel manufacturers” beginning on page xv of this Prospectus.

Information Technology

In order to support our global operations and to improve efficiencies and flow of information, we are proposing the implementation of an enterprise resource planning (“ERP”) system by the Company and its Subsidiaries in a phased manner. We intend to use a portion of the net proceeds of the Fresh Issue for implementing the ERP system. For details, see “Objects of the Issue” beginning on page 32 of this Prospectus. We also propose to improve our information technology network by establishing a centralized data centre in Gurgaon, Haryana. We believe this will enhance the connectivity between our dispersed operations.

Insurance

We maintain insurance policies in respect of our operations. These policies include all risk coverage in respect of loss of, or damage to, buildings, machinery, equipment, inventories and other physical assets. Our property insurance covers standard peril, fire and earthquake.

We also maintain transit insurance policies to cover cash in transit, imports, inland purchase and exports. Our transit insurance covers the safety of our goods in transit. Our transit policy also covers deemed customs and excise duty foregone on the goods. We also maintain a group health insurance policy for certain of our employees. We have a business interruption policy only in the U.S. and the U.K. and do not have key-man insurance policy. Our insurance policies are subject to customary exclusions and deductibles. We believe our insurance coverage is customary for Indian companies of our size in our industry.

The Company has taken a directors' and officers' liability insurance policy for Rs.450 million from TATA AIG General Insurance Company Limited, an Indian company, on October 26, 2006, which is valid until October 27, 2007. The Company paid a premium of Rs.0.67 million for claims that may be made against the insured for any wrongful acts done in the insured's capacity as director, officer or employee of the Company, including in connection with an offering of securities, except for the acts indemnified by the Company.

Intellectual Property

We have made an application dated April 5, 2006 for registration of the *House of Pearl* trademark and associated logo, through our subsidiary, Pearl Global, under the provisions of the Indian Trade Marks Act, 1999. On August 24, 2004, the trademark *DCC* was registered in the U.S. in the name of our subsidiary, Depa U.S., and on May 23, 2006, Depa U.S. also made an application for the registration of the Kool Hearts trademark. We do not own any other intellectual property. See also "Risk Factors – We have recently applied for registration of our trademark 'House of Pearl' and 'Kool Hearts'. Until such registrations are granted, we may not be able to prevent other persons from using the trademarks or logo" beginning on page xxv of this Prospectus.

Safety, Health and Environmental Regulation and Initiatives

We are committed to the health and safety of our employees, the environment and enriching the quality of community life. We intend to expand and manage our business operations in a safe and environmentally sustainable manner. We comply with applicable health, safety and environmental legislation and other requirements in our operations in different jurisdictions. To ensure effective implementation of our practices, we seek to identify and evaluate potential hazards and to develop and put in place adequate controls. We also emphasize training in occupational health and safety procedures as an integral part of our operations.

Our environmental management policy requires compliance with all local, state and central laws and regulations concerning environmental protection and related matters. Environmental legislation in India includes the Environmental Protection Act 1986, the Water (Prevention and Control of Pollution) Act 1974 and the Air (Prevention and Control of Pollution) Act 1981. Detailed rules and regulations have been prescribed under these acts, including rules governing the management of hazardous waste and management of noise pollution. We believe we are in compliance with all applicable health, safety and environment laws and regulations in the jurisdictions where we conduct our operations.

We have obtained necessary environmental consents. For more information regarding these licenses and approvals see "Government and Other Approvals" beginning on page 230 of this Prospectus.

Litigation

In the ordinary course of our business we are party to a number of legal proceedings that we believe are incidental to the operation of our business. Except as disclosed in this Prospectus, as of the date hereof, we are not a party to any proceeding that, if finally determined against us, would result in a material adverse effect on our business and operating results. See "Risk Factors—There are legal and regulatory proceedings that have been initiated against us in connection with our business." and "Outstanding Litigation and Material Developments" beginning on pages xxvi and 212, respectively, of this Prospectus for a summary of litigation to which we are a party.

REGULATIONS AND POLICIES

We operate in the textile industry, and are primarily engaged in the production and export of ready-to-wear garments. As such, our operations are governed and regulated by various laws, including direct and indirect taxation laws, environmental laws and labour laws in India, Bangladesh and Indonesia.

India

In India, our operations are governed and regulated by various laws, including direct and indirect taxation laws, environmental legislations and labour legislations. The unit in the Special Economic Zone ("SEZ") is governed by the provisions of the Special Economic Zones Act, 2005, as amended (the "SEZ Act"), the Special Economic Zones Rules, 2006, as amended and other applicable notifications.

Special Economic Zones

The SEZ scheme was initially promulgated as part of the Government of India's Export-Import Policy. Subsequently, the provisions governing the establishment, development and management of SEZs have been consolidated in the SEZ Act.

The SEZ Act was notified on June 23, 2005 and came into effect on February 10, 2006. Prior to the notification of the SEZ Act, SEZs were functioning under the Special Economic Zone scheme, which is part of the Government of India's Export-Import Policy and provides that SEZs form duty free zones and a unit established in an SEZ is entitled to import all types of goods (except those prohibited under the policy), without payment of any duty, including capital goods, whether new or second hand, required for its operations.

The SEZ Act provides for the establishment of SEZs, which are geographically defined enclaves set up for the purpose of promoting exports. The SEZ Act provides incentives to developers who are engaged in developing SEZs and entrepreneurs who establish units in the SEZ. Both of the above are required to apply to the Government in order to avail of SEZ privileges. Under Chapter VI of the SEZ Act, units established in SEZs are entitled to various exemptions, including exemptions from customs duty, central excise, duty drawbacks and stamp duty. These units are further entitled to income tax exemptions under the I.T. Act. The second schedule to the SEZ Act proposes an amendment to the I.T. Act which will provide for the following income tax incentives:

- An entrepreneur under the SEZ Act, who begins operations from his unit located in an SEZ on or after the April 1, 2006, is entitled to a deduction of (i) 100% of profits and gains derived from the export of articles or things or services for a period of five consecutive assessment years beginning with the assessment year relevant to the previous year in which the SEZ unit begins to manufacture or produce such articles or things or provide services, as the case may be, and 50% of such profits and gains for further five assessment years.
- Further, for the next five consecutive assessment years, so much of the amount not exceeding 50% of the profit as is debited to the profit and loss account of the previous year in respect of which the deduction is to be allowed and credited to a reserve account (to be called the ''Special Economic Zone Re-investment Reserve Account'') is to be created and utilized for the purposes of the business of the assessee in the manner laid down in the I.T. Act.

Further, under Section 26 of the SEZ Act, units in SEZs are entitled to exemptions from:

i. Duty of customs under the Customs Act or the CTA or any other law in force, on goods imported into, services provided in, an SEZ to carry out operations by an entrepreneur or developer under the Act;

ii. Duty of customs under the Customs Act or the CTA or any other law in force for the time being in force, on goods exported from or services provided from an SEZ to any place outside India;

iii. Duty of excise, under the central excise exemption from any duty of excise, under the Central Excise Act, 1944 or the Central Excise Tariff Act, 1985 or any other law for the time being in force, on goods brought from the domestic tariff area to an SEZ, to carry on the authorized operations by a developer or entrepreneur under the SEZ Act;

iv. Drawback or such other benefits as may be admissible from time to time on goods brought or services provided from the domestic tariff area into an SEZ or services provided in an SEZ by the service providers located outside India to carry on the authorized operations by the developer or entrepreneur;

v. Service tax under Chapter-V of the Finance Act, 1994 on taxable services provided to a developer or unit to carry on the authorized operations in an SEZ;

vi. Securities transaction tax leviable under section 98 of the Finance Act, 2004 in case the taxable securities transactions are entered into by a non-resident through the International Financial Services Centre, which is an authority established under the SEZ Act in order to provide international financial services in SEZs; and

vii. The levy of taxes on the sale or purchase of goods other than newspapers under the Central Sales Tax Act, 1956 if such goods are meant to carry on the authorized operations by the developer or entrepreneur.

The SEZ Act further provides that the Central Government may prescribe the manner in which, and the terms and conditions subject to which, the above exemptions, concessions, drawback or other benefits shall be granted to the developer or entrepreneur. Further, SEZs are exempted from the payment of cess under certain enactments enlisted in the first schedule to the SEZ Act.

Projects in the SEZ have only to ensure that their foreign exchange inflows (through exports) exceed foreign exchange outflows (by way of imports and import content of sales to the Indian market). Trading, manufacturing, assembly, re-packing, or a combination of these, are all permitted in the SEZ. Foreign equity can be brought in without prior approvals. Transactions have only to be reported to the Reserve Bank of India within 30 days. Free repatriation of profits, dividends, royalty, and know-how payment is permitted. SEZ units can also import construction material, capital goods and raw materials without duty and no import licenses are required. Indian-made capital goods and raw materials are also available free of duty. An exemption is granted from all local taxes like service tax, sales taxes and entry tax. Exports by SEZ units are generally exempted from export cess. SEZ units can sell in the Indian market upon payment of duties.

The RBI has also introduced specific financial incentives for units operating in SEZs, such as exemption from interest rate surcharge on import finance, permission to raise external commercial borrowings without any maturity restriction but through recognized banking channels and strictly on a stand alone basis, subject to an annual cap of US$500.0 million and permission to hedge price risks in commodities manufactured by SEZ units. SEZ units are permitted to retain 100% foreign exchange earnings in an EEFC account.

The Special Economic Zones Rules, 2006 were also released on and became effective from February 10, 2006. These rules provide for:

- Simplification of procedures for the development, operation, and maintenance of SEZs and for setting up and conducting business in SEZs;
- Single window clearance for setting up of an SEZ;
- Single window clearance for setting up a unit in an SEZ;
- Single window clearance on matters relating to Central as well as state governments;
- Simplified compliance procedures and documentation with an emphasis on self-certification;
- No requirement for providing bank guarantees;
- Contract manufacturing for foreign principals allowed; and
- The option to obtain sub-contracting permission at the initial approval stage.

Policy of the Government of Tamil Nadu on SEZs

The Government of Tamil Nadu announced a policy on SEZs in 2003 (the "TN SEZ Policy") to promote the establishment of large, self-contained areas supported by world-class infrastructure oriented towards export production. The TN SEZ Policy provides certain additional benefits over and above the benefits outlined above. Under the TN SEZ Policy, an SEZ unit is provided the following benefits:

- Adequate water supply within the SEZ, subject to water availability clearance from the authorities;
- Tamil Nadu Electricity Board ("TNEB") ensures quality power supply to the SEZ units without power cut;
- Individual units within an SEZ are permitted to put up their own captive power plants not exceeding 25 MW for their own

captive use exclusively or 110% of their captive use;

- 'Single Window Clearance' to SEZ units;
- Exemption from the requirement to pay stamp duty and registration fee on license or lease of plots and standard design factories in the Madras Export Processing Zone.

Further, the State Government shall constitute a Committee of Secretaries and other concerned officials to resolve issues pertaining to the promotion, development and functioning of SEZs in the State. Further, pursuant to an order passed by the Government of Tamil Nadu on June 28, 2005, SEZs have been exempt from payment of sales tax for purchase of certain materials. SEZ units have also been exempted from the requirement to pay central sales taxes.

National Textile Policy

The Government of India, in November 2000, announced the new National Textile Policy (the "NTP-2000"), with the objective of helping the textile industry attain global standing in the manufacture and export of clothing. In furtherance of these objectives, the NTP-2000 placed strategic importance on technological upgradation, enhancement of productivity and quality, product diversification and strengthening the raw material base of the country.

The NTP-2000 sought to increase the target of textile and apparel exports from the existing level of US$11.0 billion to US$50.0 billion by 2010, of which the share of garments would be US$25.0 billion. The NTP-2000 also provides for setting up a venture capital fund to assist the private sector in establishing financial arrangements to fund the diverse needs of the textile industry. The NTP-2000 also seeks to encourage the private sector to set up world class, environment-friendly, integrated textile complexes and textile processing units in different parts of the country and seeks to establish review procedures with respect to the working of the textile research associations to focus research on industry needs.

Certain sector specific initiatives envisaged under the NTP-2000 are set forth below:

(a) Raw Materials

The NTP-2000 aims at improving the availability, productivity and quality of raw materials at reasonable prices for the industry. Although cotton is expected to continue to be the dominant fibre, NTP-2000 seeks to give special attention to creating a balance between cotton and non-cotton fibres, in keeping with international levels.

(b) Clothing

The woven segment of the readymade garment sector has been moved out of the small scale industries' reservation list. Further, joint ventures and strategic alliances with leading world manufacturers and schemes with necessary infrastructural facilities for the establishment of textile/apparel parks is sought to be encouraged.

(c) Spinning Sector

The NTP-2000 aims at continuing efforts to modernize and upgrade technology in the spinning sector and encouraging export of cotton yarn.

(d) Handloom Industry

The NTP-2000 states that the Government of India will continue to accord priority to the handloom sector. The NTP-2000 sets forth, *inter alia*, the following measures in this regard:

- Developing training modules for weavers engaged in the production of low value added items with the objective of upgrading their skills to enable them to find alternate employment in the textile or other allied sectors;
- Implementing comprehensive welfare measures in close cooperation with state governments, for better working environment and social security of weavers; and
- Providing effective support systems in research and development, design inputs and skill upgradation.

(e) Knitting

The NTP-2000 states that the knitwear sector would be removed from the small scale industries' reservation list. The knitwear sector has been subsequently removed from this list pursuant to a notification dated March 28, 2005.

(f) Fiscal Policy

The NTP-2000 states that a growth-oriented fiscal road map will be drawn up and the existing multi-level duty structure and rates of levies will be reviewed and rationalized.

Technology Upgradation Fund Scheme ("TUFS")

The Ministry of Textiles, Government of India, launched a Technology Upgradation Fund Scheme for the textile and jute industry for a five year period from April 1, 1999 to March 31, 2004. It has since been extended until March 31, 2007. The TUFS provides for a reimbursement of 5% on the interest charged by a lending agency on a project of technology upgradation in conformity with this scheme. An additional option has been given to powerloom units for a 20% capital subsidy under the Credit Linked Capital Subsidy ("CLCS-TUFS") up to a cost of Rs.10 million in eligible machinery with a facility to obtain credit from a credit network that includes all co-operative banks and other genuine non-banking financial companies recognized by the Reserve Bank of India.

Export Promotion Capital Goods ("EPCG") Scheme

The EPCG scheme in India facilitates import of capital goods at a 5% concessional rate of duty with an obligation to export an amount equal to eight times the duty saved and maintain export obligations based on the average turnover of the last three years. Importing second hand capital goods without any restriction on age is also allowed under the new Foreign Trade Policy announced on August 31, 2004.

Export Performance Certificate

Exporters who are registered with the Apparel Export Promotion Council can make an application for the issuance of an Export Performance Certificate for importing certain eligible items for use in the manufacture of textile garments for exports. We receive concessions on imports of eligible items up to the extent of 3% of the FOB value realized on exports of ready-to-wear garments during the preceding financial year.

Advance Authorization Scheme (Formerly, Advance Licensing Scheme)

An advance authorization is issued to allow duty free import of inputs, which are incorporated in the export products. Such authorization is exempt from basic customs duty, additional customs duty and education cess.

Duty Exemption Pass Book ("DEPB") Scheme

The DEPB scheme is an alternative to the duty drawback scheme. This scheme consists of a reimbursement of basic and special customs duties paid by an exporter on an imported input used in the export product. The benefit is given by way of a grant of duty credit (by way of a tradable license) against the FOB value of export products at specified rates.

DEPB credit rates have been prescribed for 83 textile and clothing products. The DEPB credit rates were reduced on all textile items with effect from September 23, 2004. The DEPB credit rates were again revised with effect from December 30, 2004. The DEPB credit rates have recently been further reduced pursuant to a notification dated July 3, 2006.

Duty Drawback Scheme

Exporters are allowed a refund of the excise and customs duty payable on raw materials under the scheme in order to make the products more competitive in the international market. The Department of Revenue, Government of India, announced a revision in the All Industry Drawback Rates on May 2, 2005 and the new rates became effective from May 5, 2005. Pursuant to this revision, the drawback rates on all export products, except a few, have been expressed in ad valorem terms instead of the earlier system, which was based on the weight of the export product. The associated drawback caps have, however, been fixed on the basis of the weight or pieces of export products. The revised Drawback Schedule covers 2,620 entries. With respect to apparel items, the drawback rates have also been given on the basis of the composition of textiles. Further, pursuant to a notification dated July 13, 2006, which became effective on July 15, 2006, revised drawback rates have been fixed for certain items. For example, the revised drawback rate for knitted blouses, shirts or tops of cotton is 6.7% with a cap of Rs.29 per piece. For knitted blouses, shirts or tops of cotton and man made fibre blend, the drawback rate is 7.2% with a cap of Rs.30 per piece and for knitted blouses, shirts or tops of man made fibre, the drawback rate is 7.8% with a cap of Rs.32 per piece.

Target Plus Scheme

The Target Plus Scheme was introduced in 2004 to provide certain graded incentives to Star Export Houses that have achieved a certain amount of growth in exports. The scheme was operationalized on April 7, 2005. Pursuant to this scheme, high performing Star Export Houses are entitled for duty credit based on incremental exports substantially higher than the general annual export target fixed. All Star Export Houses that achieved a minimum export turnover in free foreign exchange of Rs.100 million during the previous licensing year were eligible for consideration under the Target Plus Scheme.

The Target Plus Scheme has been discontinued with effect from April 1, 2006.

Under the target plus scheme, any exporter achieving export growth at a specified rate over the previous fiscal year is entitled to a duty free import license. Under the scheme, the export target for fiscal 2006 was set at 17% and the lowest limit of performance for qualifying for rewards was pegged at 20%. The entitlement under this scheme is dependent on the incremental growth in FOB value of exports in the current licensing year. The duty credit may be used to import any capital goods, including spares.

Integrated Textile Parks Scheme ("ITPS")

Government of India has launched the ITPS scheme to create new textile parks of international standards at potential growth centres by 2007-08. This scheme is based on the public-private partnership concept and envisages engaging of a professional agency for project execution. Each Integrated Textile Park ("ITP") would normally have at least 50 units with a total estimated investment of Rs.7,500 million and on an average, provide employment to 20,000 persons. An amount of Rs.6,250 million would be provided by the Government for the development of 25 ITPs in a two-year period between 2005 and 2007.

The ITPs may also be set up in the SEZs, in which case the special provisions of SEZs would be applicable to them. In case these are set up outside SEZs, a proposal may be pursued with the Ministry of Commerce & Industry to declare the ITP as an SEZ. The ITPS is co-terminus with the 10th Five Year Plan period (2002-2007).

Marketing Development Assistance ("MDA") Scheme

The Department of Commerce has introduced the MDA scheme to assist Export Promotion Councils ("EPCs") to undertake promotional activities and undertake limited non-recurring innovative activities connected with export promotion efforts for their members.

The Textiles Committee Act, 1963

The Textiles Committee Act, 1963, as amended, has established the Textiles Committee with the primary objective of ensuring standard quality of textiles both for internal marketing and export purposes and the manufacture and use of standard type of textile machinery. Its functions include the promotion of textiles and textile exports, research in technical and economic fields, establishing standards for textiles and textile machinery, setting up of laboratories for the testing of textile etc. Additionally, the Textiles Committee regulates the imposition of cess on textile and textile machinery that is manufactured in India.

The Additional Duties of Excise (Textiles and Textile Articles) Act, 1978

The Additional Duties of Excise (Textiles and Textile Articles) Act, 1978, as amended, provides for the levy and collection of an additional duty of excise on certain textiles and textile related articles.

Other Recent Initiatives

To strengthen the domestic textile industry and enable it to meet growing global competition, the Union Budget 2006-2007 enhanced the allocation to TUFS to Rs.5,350 million.

The following important announcements were made in the Union Budget 2005–2006:

- A capital subsidy of 10% for the processing sector; 30 items of textiles products and hosiery have been identified for de-reservation from items reserved for small scale industries;
- Creation of a special purpose vehicle for financing infrastructure projects, especially debt of long term maturity. The limit was fixed at Rs.100,000 million;

- Excise duty on polyester filament yarn and polyester texturized yarn reduced from 24% to 16%;
- Optional Central Value Added Tax ("CENVAT") Scheme has been extended to stand alone texturizing units at 8% excise duty with CENVAT credit or at nil duty without CENVAT credit;
- Customs duty rates reduced from 20% to 15%; and
- Duties on textile machinery, raw materials and spare parts for manufacture of such machinery brought down from 20% to 10%. The existing concessional duty of 5% on some other machinery is being continued.

Environmental and Labor Regulations

Depending upon the nature of the manufacturing activity undertaken by us at our various units, applicable environmental and labour laws and regulations include the following:

- Air (Prevention and Control of Pollution) Act, 1981;
- Contract Labor (Regulation and Abolition) Act, 1970;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Employees' State Insurance Act, 1948;
- Environment Protection Act, 1986 and Environment (Protection) Rules, 1986;
- Factories Act, 1948;
- Industrial Disputes Act, 1947 and Industrial Disputes (Central) Rules, 1957;
- Minimum Wages Act, 1948;
- Payment of Bonus Act, 1965;
- Payment of Gratuity Act, 1972;
- Payment of Wages Act, 1936; and
- Water (Prevention and Control of Pollution) Act, 1974.

A brief description of certain labour legislations is set forth below:

The Contract Labor (Regulation and Abolition) Act, 1970

The Contract Labor (Regulation and Abolition) Act, 1970, as amended (the "CLRA") requires establishments that employ or employed in the previous 12 months, 20 or more workmen as contract labour to be registered and prescribes certain obligations with respect to the welfare and health of contract labour.

The CLRA requires the principal employer of an establishment to which the CLRA applies to make an application to the registered officer in the prescribed manner for registration of the establishment. In the absence of registration, contract labour cannot be employed in the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a license and not to undertake or execute any work through contract labour except under and in accordance with the license issued.

To ensure the welfare and health of the contract labour, the CLRA imposes certain obligations on the contractor in relation to establishment of canteens, rest rooms, drinking water, washing facilities, first aid facilities, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period.

Penalties, including both fines and imprisonment, may be levied for contravention of the provisions of the CLRA.

Factories Act, 1948

The Factories Act, 1948, as amended (the "Factories Act") defines a 'factory' to be any premises which employs or employed in the previous 12 months, ten or more workers and in which a manufacturing process is being carried on with the aid of power or any premises where there are or were in the previous 12 months, at least twenty workers working even though there is no manufacturing process being carried on with the aid of power. State governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the occupier of a factory *i.e.* the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors, shall ensure the health, safety and welfare of all workers especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers' health and safety, cleanliness and safe working conditions.

If there is a contravention of any provisions of the Factories Act or rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment for a term up to two years or with a fine up to Rs.100,000 or with both, and in case of contravention continuing after conviction, with a fine of up to Rs.1,000 per day of contravention. In case of a contravention which results in an accident causing death or serious bodily injury, the fine shall not be less than Rs.25,000 in the case of an accident causing death, and Rs.5,000 in the case of an accident causing serious bodily injury.

Minimum Wages Act, 1948

State governments may stipulate the minimum wages applicable to a particular industry. The minimum wages may consist of a basic rate of wages and a special allowance or a basic rate of wages and the cash value of concessions in respect of supplies of essential commodities or an all-inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of concessions, if any.

Workmen are to be paid for overtime at overtime rates stipulated by the appropriate government. Contravention of the provisions of this legislation may result in imprisonment up to six months or a fine up to Rs.500 or both.

Payment of Bonus Act, 1965

Pursuant to the Payment of Bonus Act, 1965, as amended (the "Bonus Act"), an employee in a factory who has worked for at least 30 working days in a year is eligible to be paid bonus.

Contravention of the provisions of the Bonus Act by a company will be punishable by for imprisonment up to six months or a fine up to Rs.1,000 or both against persons in charge of, and responsible to the company for, the conduct of the business of the company at the time of contravention.

Payment of Gratuity Act, 1972

Under the Payment of Gratuity Act, 1972, as amended (the "Gratuity Act"), an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement or resignation, superannuation or death or disablement due to accident or disease. The maximum amount of gratuity payable must not exceed Rs.350,000.

An employee in a factory is said to be in 'continuous service' for a certain period notwithstanding that his service has been interrupted during that period by sickness, accident, leave, absence without leave, lay-off, strike, lock-out or cessation of work not due to the fault of the employee. The employee is also deemed to be in continuous service if the employee has worked (in an establishment that works for at least six days in a week) for at least 240 days in a period of 12 months or 120 days in a period of six months immediately preceding the date of reckoning.

Foreign Ownership

Under the Industrial Policy and FEMA, foreign direct investment up to 100% is permitted in the textile industry.

The RBI by I.P. (DIR Series) Circular No. 16 dated October 4, 2004 granted general permission for the transfer of shares of an Indian company by Non-Residents to residents, subject to the terms and conditions, including pricing guidelines, specified in such circular.

No approval of the FIPB is required for the allotment of Equity Shares in this Issue. The Company has received a letter from the RBI dated November 27, 2006 for approval to transfer the Equity Shares offered by the NRI Selling Shareholders in the Offer for Sale to non-residents and Eligible NRIs applying on a repatriation basis.

The Government issued a press release dated January 24, 2006 announcing that the Cabinet of Ministers had approved a proposal to permit foreign direct investment up to 51% with prior approval from the FIPB in Indian companies engaged in single brand retail trading. The press release states that retailing multiple brands, even if such products are produced by the same manufacturer is not permitted. Subsequently, pursuant to Press Note No. 3 (2006 Series) dated February 10, 2006, the Government of India has permitted foreign direct investment up to 51% in retail trading of single brand products with the prior approval of the FIPB.

Investment by Foreign Institutional Investors

Foreign Institutional Investors ("FIIs") including institutions such as pension funds, mutual funds, investment trusts, insurance and reinsurance companies, international or multilateral organizations or their agencies, foreign governmental agencies, foreign central banks, asset management companies, investment managers or advisors, nominee companies and institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realize capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

Ownership Restrictions of FIIs

Under the portfolio investment scheme, the overall issue of equity shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of the company. However, the limit of 24% can be raised up to the permitted sectoral cap for that company after approval of the board of directors and shareholders of the company. The offer of equity shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company. In respect of an FII investing in equity shares of a company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of that company.

International

Multi-Fibre Arrangement ("MFA")

Until December 31, 1994, the exports of textiles to certain developed countries (e.g. the U.S., member countries of the European Union and Canada) were governed by bilateral textile arrangements entered into between India and these countries under the MFA, outside the rules of the General Agreement on Tariffs and Trade ("GATT"). The MFA provided for the application of selective quantitative restrictions when surges in imports of particular products caused, or threatened to cause, serious damage to the industry of the importing country. The MFA was a major departure from basic GATT rules and particularly from the principle of non-discrimination. With effect from January 1, 1995, the quantitative restrictions (import quotas) in the bilateral agreements under the MFA were taken over by the Agreement on Textiles and Clothing ("ATC") contained in the Final Act of the Uruguay Round negotiations of the GATT.

Under the ATC, a 10-year plan for dismantling the international quota regime on the textile trade was adopted and on December 31, 2004, the last of the quota restrictions on textile exports were removed. However, quota restrictions on China's textile exports to the United States of America and the European Union will continue until 2008 under specific bilateral agreements.

Bangladesh

Export Processing Zones ("EPZs")

In order to stimulate rapid economic growth of the country, particularly through industrialization and attract and facilitate foreign investment in the country, the Government of Bangladesh has decided to establish EPZs. The Bangladesh Export Processing Zones Authority (the "BEPZA") has been established under the Bangladesh Export Processing Zones Authority Act, 1980, as amended (the "BEPZA Act"), for creation, development, operation, management and control of the EPZs.

Specific incentives provided for investments made in the EPZs, inter alia, include:

- Tax holiday for 10 years;

- Exemption of income tax on interest on borrowed capital;
- Exemption from dividend tax for tax holiday period for foreign nationals;
- Duty free import of machineries, equipment and raw materials and export of goods produced in the EPZs;
- Prohibition on the formation labour unions and strikes within EPZs;
- Import of goods from the DTA permissible;
- Enterprises can sell 10% of their products to the DTA on payment of duties and taxes under certain conditions;
- No ceiling on the extent of foreign investment;
- Full repatriation of profits and capital permissible; and
- Repatriation of investment including capital gains, if any, permissible.

Foreign Private Investment (Promotion and Protection) Act, 1980

The Foreign Private Investment (Promotion and Protection) Act, 1980, as amended (the "Foreign Investment Protection Act"), seeks to provide for the promotion and protection of foreign private investment in Bangladesh. The Foreign Investment Protection Act provides that:

- The Government shall accord fair and equitable treatment to foreign private investment and such investment shall enjoy full protection and security in Bangladesh;
- In the event of losses of foreign investment owing to insurrection, riot, foreign private investment shall be accorded the same treatment with regard to indemnification, compensation, restitution, or other settlement as is accorded to investments by the citizens of Bangladesh;
- Foreign private investment shall not be expropriated or nationalized or be subject to any measures having effect of expropriation or nationalization except for a public purpose against adequate compensation; and
- In respect of foreign private investment, the transfer of capital and the returns from it and, in the event of liquidation of industrial undertaking having such investment, of the proceeds from such liquidation, will be guaranteed.

Other Incentives

In Bangladesh, entities engaged in the manufacture of garments for the purpose of exports are subject to a nominal income tax at the rate of 0.25% of their annual sales. Further, the member countries of the European Union and Canada have granted 100% import duty exemptions to certain varieties of garments exported from Bangladesh.

Indonesia

Bonded Zones

Bonded Zone means a zone with particular boundaries within which processing of goods and materials, construction designing, engineering activity, sorting, preliminary inspection, final inspection and packing of imported goods and materials from the other areas within Indonesian Custom Territory ("Daerah Pabean Indonesia Lainnya" or "DPIL") are carried out mainly for export. Foreign Investment ("PMA") as well as Domestic Investment ("PMDN") Companies, Limited Companies of Non PMA/PMDN and Cooperatives with legal status are permitted to own, control and manage Bonded Zones and establish units for processing of goods and materials in the Bonded Zones.

The exemptions available to us include exemption from payment of customs duty on import of machines, equipment and raw materials and exemption from payment of value added tax (PPN) on locally purchased raw material.

HISTORY AND CERTAIN CORPORATE MATTERS

The Company was incorporated as a private limited company under the name Mina Estates Private Limited on July 5, 1989 under the Companies Act, 1956. The name of the Company was subsequently changed to House of Pearl Fashions Private Limited by a special resolution of the members of the Company passed at the extra ordinary general meeting on May 9, 2006. The fresh certificate of incorporation consequent upon the change of name was granted on June 19, 2006, by the RoC. The Company became a public limited company pursuant to a special resolution of its shareholders passed at the extra ordinary general meeting on June 28, 2006. Pursuant to this special resolution, the name of the Company was changed to House of Pearl Fashions Limited. The certificate of incorporation was amended to reflect the new name on July 31, 2006 by the RoC.

On October 24, 2000, pursuant to a scheme of merger approved by the Delhi High Court (the "Merger Scheme"), the Company acquired the properties, rights and claims of Seth Real Estates Private Limited, Passion Estates Private Limited, India Watch Company Private Limited, Atlanta Estates Private Limited, Pearl Housing (India) Private Limited and J.R. Apparel Private Limited (the "Transferor Companies") and the Transferor Companies merged with and into the Company effective April 1, 1999. On January 20, 2001, under the terms of the Merger Scheme, the shareholders of the Transferor Companies were granted an aggregate of 5,98,570 Equity Shares in the Company for consideration other than cash.

Historically, we conducted business as a separate group of companies. Our domestic operations have been carried out by Pearl Global, a listed company in India, in which HoPFL owns a 62.8% equity interest. In order to integrate the international operations with our domestic operations, we commenced a restructuring of certain of our businesses, which was completed in a phased manner. On March 28, 2006, HoPFL incorporated its wholly-owned subsidiary in Mauritius, Multinational Textiles, which acquired a 100% equity interest in Global Textiles Group, a Mauritius company, on March 31, 2006, and an 85% equity interest in Norwest Industries (HK), a Hong Kong company, on May 31, 2006. Global Textiles Group owns Depa U.S., Poeticgem and PT Norwest, our principal operating companies in the United States, the United Kingdom and Indonesia, respectively. On March 28, 2006, HoPFL also acquired approximately 99.9% and 98.0%, respectively, of Nor Pearl and Norp Knit, companies incorporated in Bangladesh.

Following the restructuring, in addition to Pearl Global, each of Multinational Textiles, Nor Pearl, Norp Knit, Norwest Industries (HK), Global Textiles Group, Poeticgem, PT Norwest, Depa U.S., Poeticgem Canada and Pacific Logistics became a direct or indirect subsidiary of HoPFL. Further, on August 1, 2006, we also incorporated HoP (U.S.), a wholly-owned subsidiary in the U.S. Our indirect subsidiary, Depa International (Canada) Inc., was acquired by our subsidiary, Poeticgem on October 1, 2006. The name was changed to "Poeticgem (Canada) Limited" on October 12, 2006.

Major Events:

Date	Events
1987	Pearl Global started operations
1994	Pearl Global lists at the BSE, NSE, DSE and ASE
1998	Establishment of international presence with incorporation of Norwest Industries in Hong Kong
2002	PT Norwest, Indonesia started production
2002	Setting up of sourcing office in China
2004	The Company acquired import and distribution businesses in the U.S.A. and the U.K. and also consolidated overseas entities
2005	Setting up of sourcing office in Bangladesh
2005	Nor Pearl and Norp Knit, subsidiaries in Bangladesh commenced operations
2006	Reorganization of group companies and consolidation of operations under House of Pearl Fashions Limited
2006	HoP (U.S.), new subsidiary incorporated in U.S.

Pre-IPO Placing

On December 26, 2006, the Company completed the Pre-IPO Placing of 135,606 newly issued Equity Shares to Lesing Mauritius Limited, a Company incorporated in Mauritius and in which our Director, Mr. Tom Tar Singh, has a beneficial interest through family interests, and raised approximately Rs.89.5 million. Lesing Mauritius Limited also owns 190,000 Equity Shares, which it acquired on December 1, 2006, pursuant to a transfer from Patron India II. Lesing Mauritius Limited has acquired the Equity Shares in the Pre-IPO Placing at a fixed price of Rs. 660 per Equity Share and the Company and the Subsidiaries will not make any payment relating to any price adjustments towards differential, if any, between the price of the Equity Shares issued in the Pre-IPO Placing and the Issue Price. The rights under the newly issued Equity Shares under the Pre-IPO Placing rank *pari passu* with the rights under the Company's existing issued Equity Shares, including rights related to voting and dividends.

Main Objects:

The main objects of the Company as contained in its Memorandum of Association are:

1. To carry on the business of manufacturers, fabricators, importers and exporters, wholesale and retail dealers of and in men's, women's and children's clothing and wearing apparel of every kind, nature and description including shirts, bush-shirts, pyjama suits, vest, underwears, suits, foundation garments for ladies dresses, brasseries, maternity belts, knee caps coats, panties, nighties and so on.
2. To carry on the business of manufacturers, importers and exporters, wholesale and retail dealers of and in hosiery goods of every kind, nature and description for men, women and children including vest, underwears, socks, stockings, sweaters, laces, and so on and of all or anything which is used in hosiery goods.
3. To carry on the business as manufacturers, traders, dealers and exporters of all kinds of fibres and yarn man-made or otherwise, textiles and textile materials natural or otherwise.
4. To carry on the business of preparing, spinning, doubling, weaving, combing, scouring, sizing, mixing, twisting, bleaching, colouring, knitting, dying, printing and finishing whatever fibres or textile substance or any substitute for any of them.

Amendments to the Memorandum of Association of the Company

Since the incorporation of the Company, the following changes have been made to its Memorandum of Association:

Date	Nature of Amendment
March 21, 1990	Increase in authorized share capital from Rs.100,000 to Rs.500,000
July 6, 1998	Increase in authorized share capital from Rs.500,000 to Rs.1,500,000
July 18, 2000	Increase in authorized share capital from Rs.1,500,000 to Rs.8,000,000
January 20, 2001	Insertion of existing clause 5 and 6
July 22, 2002	Insertion of clause 7 and 8
November 11, 2002	Insertion of clause 3 (d)
October 7, 2005	Increase in authorized share capital from Rs.8,000,000 to Rs.55,000,000
March 7, 2006	Increase in authorized share capital from Rs.55,000,000 to Rs.250,000,000
May 9, 2006	Change of name from Mina Estates Private Limited to House of Pearl Fashions Private Limited
May 15, 2006	Deletion of clause 1,2,3,4,7 and 8
June 28, 2006	The shareholders of the Company adopted a special resolution to convert the Company into a public limited company and change the name to House of Pearl Fashions Limited. The certificate of incorporation was amended to reflect this change on July 31, 2006

Subsidiaries and Associate

The Company has the following direct or indirect subsidiaries:

1. Pearl Global Limited ("Pearl Global");
2. Multinational Textiles Group Limited ("Multinational Textiles");
3. Nor Pearl Knitwear Limited ("Nor Pearl");
4. Norp Knit Industries Limited ("Norp Knit");
5. Norwest Industries Limited ("Norwest Industries (HK)");
6. Global Textile Group Limited ("Global Textiles Group");
7. Poeticgem Limited ("Poeticgem");
8. Depa International Inc. ("Depa U.S.");
9. Poeticgem (Canada) Ltd. ("Poeticgem Canada");
10. PT Norwest Industry ("PT Norwest");
11. Pacific Logistics Limited ("Pacific Logistics");
12. House of Pearl Fashions (U.S.) Limited ("HoP (U.S.)"); and
13. HoPP Fashions.

Subsidiaries

The financial information of the Subsidiaries presented below is based on the audited accounts of such companies included in this Prospectus.

Pearl Global

Pearl Global was incorporated as Pearl Agencies Private Limited on October 23, 1979 under the laws of India. With effect from July 1, 1991, the company became a deemed public company under the Companies Act and the word "Private" was deleted from its name. The company subsequently became a public limited company on January 13, 1993 and the name of the company was changed to Pearl Global Limited with effect from September 2, 1993. The company is principally engaged in the manufacture of ready-made garments.

Pearl Global had filed an application before the Honorable High Court of Delhi on July 13, 2006 for its merger with Pearl Styles Limited ("Pearl Styles") and City Estates Private Limited ("CEPL"). Further, the board of directors of Pearl Global, Pearl Styles and CEPL passed separate resolutions on January 31, 2006 for merging Pearl Global, Pearl Styles and CEPL. On October 6, 2006, the Honorable High Court of Delhi approved the scheme of merger and amalgamation of Pearl Global with Pearl Styles and CEPL, with effect from April 1, 2005.

Shareholding Pattern

Pearl Global shares are listed at the NSE, the BSE, the ASE and the DSE and its shareholding pattern as of November 30, 2006 was as follows:

Name of Shareholder	No. of equity shares	Percentage (%)[1]
Mr. Deepak Seth	470,691	5.9
Mrs. Payel Seth	277,074	3.5
Mr. Pallak Seth	16,115	0.2
Mr. Pulkit Seth	26,150	0.3
Deepak Seth & Sons (HUF)	134,799	1.7

Name of Shareholder	No. of equity shares	Percentage (%)[1]
House of Pearl Fashions Limited	4,969,588	62.8
Persons acting in concert with the Promoters	200	0.1
Institutional Investors	53,035	0.7
Indian Public	1,965,125	24.8
Total	**7,912,777**	**100.00**

(1) *Pursuant to the scheme of amalgamation approved by the Honorable High Court of Delhi on October 6, 2006, the shareholders of CEPL will be entitled to receive an aggregate of 302,203 equity shares of Pearl Global. Consequently, the percentage shareholding of the existing shareholders of Pearl Global will decline, including the percentage shareholding of HoPFL which will decline from 62.8% to 60.49%.*

Board of Directors

The following is a list of members of the board of directors of Pearl Global as of November 30, 2006:

1. Mr. Deepak Seth
2. Mr. Pallak Seth
3. Mr. Pulkit Seth
4. Mr. Sanjay Pershad
5. Mr. Santosh Gadia
6. Mr. Anil Nayar

Financial Performance

The following table sets forth Pearl Global's summary financial data in accordance with Indian GAAP:

(Rs. Thousands, except share data)

	For the period ended March 31		
	2004	**2005**	**2006[3]**
Income/Sales	940,011.05	1,237,206.65	1,630,825.05
Profit/(Loss) after Tax	16,728.60	34,071.45	49,811.84
Equity Share Capital	79,127.77	79,127.77	82,150.13
Reserves and surplus (excluding revaluation reserves)[1]	529,955.97	564,211.84	562,388.85
Earnings/(Loss) per share (Rs.)[2]	2.11	4.31	6.06
Book value per share	76.97	81.30	83.24

(1) *Net of miscellaneous expenditure not written off.*

(2) *Face value of each equity share is Rs.10.00.*

(3) *This includes the financial data of the erstwhile Pearl Styles and CEPL pursuant to their merger with Pearl Global with effect from April 1, 2005.*

Pearl Global has not completed any public or rights issue in the three years preceding the Prospectus. It has not become a sick company under SICA, is not under winding up and does not have a negative net worth.

Details of the last public issue made by Pearl Global

Pearl Global has not made any public or rights issue in the last five years. In February 1994, Pearl Global made an issue of 1,986,150 equity shares of Rs.10 each at a premium of Rs.25 per equity share aggregating Rs.69.5 million.

The objects of the issue were:

1. To part finance the cost of the projects for manufacture of leather shoes;
2. To part finance the cost of the projects for manufacture of synthetic/woollen/cotton knitted sweaters;
3. To meet normal capital expenditure requirements of the existing business of the company; and
4. To augment long term working capital requirements.

Promise vs. Performance in the last public issue

Operational Projections

Particulars	1994-1995 Promise	1994-1995 Performance	1995-1996 Promise	1995-1996 Performance	1996-1997 Promise	1996-1997 Performance
Leather shoes project						
Capacity	300,000 pairs p.a.	131,460 pairs p.a.	300,000 pairs p.a.	202,894 pairs p.a.	300,000 pairs p.a.	149,758 pairs p.a.
Capacity Utilization	30% (90,000 pairs p.a.)		50% (150,000 pairs p.a.)		70% (210,000 pairs p.a.)	
Knitted sweater project			N.A.	-	N.A.	-
Capacity	255,000 pieces p.a.	26,393 pieces p.a.				
Capacity Utilization	60% (153,000 pieces p.a.)					
Issue expenses (Rs. million)	8.0	7.4	-	-	-	-

There was under performance in the leather shoes project in fiscal 1997 due to difficulty in procurement of raw material. The leather shoes project was discontinued in fiscal 1998.

Pearl Global promised to implement the project for sweaters in a phased manner and commenced commercial production in August 1994. The manufacturing orders received by Pearl Global specified use of imported yarns and provided for short delivery schedules. In 1994, as per applicable regulations, the import of yarns against advance license was subject to a six months time frame. Consequently, this resulted in short fall in the production of knitted sweaters. Pearl Global subsequently discontinued its knitted sweater facility in fiscal 1995.

Financial Projections

(Amounts in Rs. million)

Year	1994		1995		1996		1997	
Particulars	**Promise**	**Performance**	**Promise**	**Performance**	**Promise**	**Performance**	**Promise**	**Performance**
Sales	244.9	337.7	320.0	537.2	361.3	684.5	396.3	739.9
Profit Before Tax, Interest and Depreciation	52.5	63.6	60.0	99.9	70.6	126.4	79.0	105.2
Interest	10.8	8.2	16.9	10.0	18.7	19.9	19.4	25.2
Depreciation	2.0	4.1	9.2	7.1	10.2	7.4	10.4	9.6
Issue Expenses	0	0.7	0.8	0.7	0.8	0.7	0.8	0.7
Operating Profit	39.7	49.6	33.1	82.1	40.9	98.4	48.5	69.7
Non Operational Income	1.0	4.1	1.0	5.2	1.0	3.1	1.0	13.5
Profit Before Tax	40.7	50.6	34.1	87.3	41.9	101.4	49.5	83.1
Tax	0.4	0.1	0.4	(0.1)	0.4	0.2	0.5	11.2
Net Profit	40.3	50.5	33.7	87.4	41.5	101.2	49.0	71.9
Cash Accruals	42.3	55.3	43.7	95.2	52.5	109.3	60.2	82.3
Dividend								
- Amount	7.4	8.9	17.9	21.2	17.9	23.6	17.9	23.6
- Rate (%)	25	30	25	30	25	33	25	33
Equity	71.5	65.5	71.5	71.4	71.5	71.4	71.5	71.4
Reserves	144.8	138.7	160.6	219.6	184.2	297.3	215.4	343.3
Cash Earning Per Share (CEPS) (Rs.)	5.92	8.45	6.11	13.33	7.34	15.30	8.42	11.52
Earning Per Share (Rs.)	5.64	7.70	4.71	12.22	5.80	14.15	6.85	10.05
Book Value (Rs.)	29.13	27.63	31.45	39.88	34.87	50.85	39.34	57.39

There were deviations with regard to certain parameters, including shortfall relating to:

1) Reserves, book value and equity in fiscal 1994 due to non-receipt of call money in relation to certain equity shares issued by Pearl Global;
2) Interest paid in fiscals 1996 and 1997 due to expansion of business by Pearl Global; and
3) Equity in fiscals 1995, 1996 and 1997 due to non-receipt of call money in relation to certain equity shares issued by Pearl Global.

Information about Share Price

The highest and lowest market price of Pearl Global's equity shares during the preceding six months on the BSE are as follows:

Month	High (in Rs.)	Low (in Rs.)
June 2006	114.6	68.0
July 2006	126.4	85.2
August 2006	131.0	100.0
September 2006	143.9	121.7
October 2006	146.0	120.0
November 2006	124.7	100.1

There has been no change in the capital structure of Pearl Global in the last six months.

Mechanism for redressal of investor grievance

Pearl Global has constituted a Shareholders Grievance and Share Transfer Committee address investor grievances. Routine complaints, if any, are normally attended to and replied within one month of receipt by the company. For complaints that are not routine or where external agencies are involved, Pearl Global seeks to redress the complaints as expeditiously as possible. As of November 30, 2006, there were no pending investor complaints against Pearl Global.

Multinational Textiles

Multinational Textiles was incorporated on March 28, 2006 under the laws of Mauritius. It is 100% owned by the Company. It is principally a holding company with no significant operations.

Shareholding Pattern

The shareholding pattern of Multinational Textiles as of November 30, 2006 was as follows:

Name of Shareholder	No. of equity shares	Percentage (%)
HoPFL	335,000	100.0
Total	**335,000**	**100.0**

Pursuant to a Board resolution dated October 10, 2006, HoPFL has resolved to invest additional capital of US$20,000 in Multinational Textiles. HoPFL has transferred US$20,000 to Multinational Textiles, but as of the date of this Prospectus, it has not been allotted additional shares in Multinational Textiles.

Board of Directors

The following is a list of members of the board of directors of Multinational Textile as of November 30, 2006:

1. Mr. Deepak Seth
2. Mrs. Payel Seth
3. Mr. Pallak Seth
4. Mr. Pulkit Seth
5. Mr. Jayechund Jingree
6. Mr. Sushil Kumar Jogoo

Financial Performance

The following table sets forth Multinational Textiles' summary financial data in accordance with International Financial Reporting Standards ("IFRS"):

(Thousands, except share data)

	For the period ended March 31, 2006	
	USD	**Rs.**[3]
Income/Sales	Nil	Nil
Profit/(Loss) after Tax	(9.69)	(429.14)
Equity Share Capital	10.00	446.18
Reserves and surplus (excluding revaluation reserves)[1]	(9.69)	(432.35)
Earnings/(Loss) per share[2]	(0.97)	(43.23)
Book Value per share [3]	0.03	1.38

(1) *Net of miscellaneous expenditure not written off.*

(2) *Face value of each equity share is USD1.00.*

(3) *To comply with SEBI Guidelines, figures in USD have been converted to Indian Rupees applying an average rate of Rs.44.28 for USD 1.00 for Profit and Loss items and the closing rate of Rs.44.62 for USD 1.00 for Balance Sheet items for the financial year ended March 31, 2006.*

The equity shares of Multinational Textiles are not listed. Multinational Textiles has not completed any public or rights issue in the preceding three years. It has not become a sick company under SICA, is not under winding up and does not have a negative net worth.

Nor Pearl

Nor Pearl was incorporated as a private company on May 16, 2004 under the laws of Bangladesh. The company is principally engaged in the manufacture of readymade knit garments for export.

Shareholding Pattern

The shareholding pattern of Nor Pearl as of November 30, 2006 was as follows:

Name of Shareholder	**No. of equity shares**	**Percentage (%)**
HoPFL	2,337,559	99.87
Pallas Holdings	2,900	0.13
Total	**2,340,459**	**100.0**

Pursuant to a Board resolution dated August 1, 2006 and October 10, 2006, HoPFL has resolved to invest additional capital of US$65,000 and US$100,000, respectively, in Nor Pearl. HoPFL has transferred US$175,000 to Nor Pearl, but as of the date of this Prospectus, it has not been allotted additional shares in Nor Pearl.

Board of Directors

The following is a list of members of the board of directors of Nor Pearl as of November 30, 2006:

1. Mr. Pulkit Seth
2. Mr. K. R. Rao

Financial Performance

The following table sets forth Nor Pearl's summary financial data in accordance with Bangladesh GAAP:

(Thousands, except share data)

	For the period ended March 31, 2006	
	Tk.	**Rs.[3]**
Income/Sales	119,005.06	80,923.40
Profit/(Loss) after Tax	(49,653.45)	(33,764.35)
Equity Share Capital	224,356.80	148,075.49
Reserves and surplus (excluding revaluation reserves)[1]	(49,653.45)	(32,771.27)
Earnings/(Loss) per share[2]	(22.13)	(15.05)
Book Value per share[2]	68.24	45.04

(1) Net of miscellaneous expenditure not written off.

(2) Face value of each equity share is Tk.100.00.

(3) To comply with SEBI Guidelines, figures in Takka have been converted to Indian Rupees applying an average rate of Tk.0.68 for Rs.1.00 for Profit and Loss items and the closing rate of Tk.0.66 for Rs.1.00 for Balance Sheet items for the financial year ended March 31, 2006.

The equity shares of Nor Pearl are not listed. Nor Pearl has not completed any public or rights issue in the preceding three years. It has not become a sick company under SICA, is not under winding up and does not have a negative net worth.

Norp Knit

Norp Knit was incorporated as a private company on May 5, 2004 under the laws of Bangladesh and commenced operations on December 18, 2004. The company is principally engaged in the manufacture of readymade knit garments for export.

Shareholding Pattern

The shareholding pattern of Norp Knit as of November 30, 2006 was as follows:

Name of Shareholder	**No. of equity shares**	**Percentage (%)**
HoPFL	980	98.0
Mr. Pallak Seth	10	1.0
Mr. Pulkit Seth	10	1.0
Total	**1,000**	**100.0**

Pursuant to a Board resolution dated August 1, 2006 and October 10, 2006 HoPFL has resolved to invest additional capital of US$65,000 and US$70,000, respectively, in Norp Knit. HoPFL has paid subscription amount of US$335,000 for the equity shares in Norp Knit, but as of the date of this Prospectus, it has not been allotted additional shares in Norp Knit.

Board of Directors

The following is a list of members of the board of directors of Norp Knit as of November 30, 2006:

1. Mr. Pulkit Seth
2. Mr. Pallak Seth
3. Mr. Amit Bansal

Financial Performance

The following table sets forth Norp Knit's summary financial data in accordance with Bangladesh GAAP:

(Thousands, except share data)

	For the period ended March 31,			
	2005		2006	
	Tk.	Rs.[3]	Tk.	Rs.[3]
Income/Sales	22,186.38	17,083.51	189,361.54	128,765.85
Profit/(Loss) after Tax	(19,426.00)	(14,958.02)	(32,143.75)	(21,857.75)
Equity Share Capital	100.00	69.00	100.00	66.00
Reserves and surplus (excluding revaluation reserves)[1]	(19,426.00)	(13,403.94)	(51,569.74)	(34,036.03)
Earnings/(Loss) per share[2]	(19,426.00)	(14,958.02)	(32,143.75)	(21,857.75)
Book Value per share[2]	(26,256.00)	(18,116.64)	(55,801.00)	(36,828.66)

(1) *Net of miscellaneous expenditure not written off.*

(2) *Face value of each equity share is Tk.100.00.*

(3) *To comply with SEBI Guidelines, figures in Takka have been converted to Indian Rupees applying an average rate of Tk.0.77 and 0.68 for Rs.1.00 for Profit and Loss items and the closing rate of Tk.0.69 and 0.66 for Rs.1.00 for Balance Sheet items for the financial year ended March 31, 2005 and March 31, 2006, respectively.*

The equity shares of Norp Knit are not listed. Norp Knit has not completed any public or rights issue in the preceding three years. It has not become a sick company under SICA, is not under winding up and does not have a negative net worth.

Norwest Industries (HK)

Norwest Industries (HK) was incorporated as Norwest Trading Limited on June 24, 1998 under the laws of Hong Kong. Its name was subsequently changed to Norwest Industries Limited with effect from October 27, 1998. The company is principally engaged in the trading of garments.

Shareholding Pattern

The shareholding pattern of Norwest Industries (HK) as of November 30, 2006 was as follows:

Name of Shareholder	No. of equity shares	Percentage (%)
Multinational Textiles	1,020,000	85.0
Mr. Pulkit Seth	180,000	15.0
Total	**1,200,000**	**100.0**

Board of Directors

The following is a list of members of the board of directors of Norwest Industries (HK) as of November 30, 2006:

1. Mr. Pulkit Seth
2. Mr. Venkatesh Nagan

Financial Performance

The following table sets forth the company's summary financial data in accordance with Hong Kong Financial Reporting Standards ("HKFRS"):

(Thousands, except share data)

	For the period ended March 31,					
	2004		2005		2006	
	HK $	**Rs.(3)**	**HK $**	**Rs.(3)**	**HK $**	**Rs.(3)**
Income/Sales	304,284.80	1,800,148.88	436,072.86	2,514,832.18	472,560.91	2,694,542.31
Profit/(Loss) after Tax	4,937.62	29,210.95	9,948.18	57,371.18	19,374.54	110,473.61
Equity Share Capital	6,483.34	36,689.22	9,336.00	52,421.64	9,336.00	53,672.66
Reserves and surplus (excluding revaluation reserves)(1)	5,413.38	30,634.31	12,508.90	70,237.47	33,168.03	190,683.01
* Earnings/(Loss) per share(2)	4.11	24.34	8.29	47.81	16.15	92.03
Book Value per share (2)	14.28	80.80	18.20	102.22	35.42	203.63

(1) *Net of miscellaneous expenditure not written off.*

(2) *Face value of each equity share is USD 1.00.*

(3) *To comply with SEBI Guidelines, figures in HK$ have been converted to Indian Rupees applying an average rate of HK$. 5.916, 5.767 and 5.702 for Rs.1.00 for Profit and Loss items and the closing rate of 5.659, 5.615 and 5.749 for Rs.1.00 for Balance Sheet items for the financial year ended March 31, 2004, March 31, 2005 and March 31, 2006, respectively.*

* *As per IAS 33 calculation of diluted EPS is presented after retrospective adjustment for capitalization of profits in previous years.*

The equity shares of Norwest Industries (HK) are not listed. Norwest Industries (HK) has not completed any public or rights issue in the preceding three years. It has not become a sick company under SICA, is not under winding up and does not have a negative net worth.

Global Textiles Group

Global Textiles Group was incorporated on March 29, 2006 under the laws of Mauritius. The company is principally a holding company with no significant operations.

Shareholding Pattern

The shareholding pattern of Global Textiles Group as of November 30, 2006 was as follows:

Name of Shareholder	No. of equity shares	Percentage (%)
Multinational Textiles	4,515,000	100.0
Total	**4,515,000**	**100.0**

Board of Directors

The following is a list of members of the board of directors of Global Textiles Group as of November 30, 2006:

1. Mr. Deepak Seth
2. Mrs. Payel Seth
3. Mr. Pallak Seth
4. Mr. Pulkit Seth
5. Mr. Jayechund Jingree
6. Mr. Sushil Kumar Jogoo

Financial Performance

The following table sets forth the company's summary financial data in accordance with IFRS:

(Thousands, except share data)

	For the period ended March 31, 2006	
	USD	**Rs.[3]**
Income/Sales	0.00	0.00
Profit/(Loss) after Tax	(4.47)	(197.98)
Equity Share Capital	4,515.00	201,459.30
Reserves and surplus (excluding revaluation reserves)[1]	(4.47)	(199.45)
Earnings/(Loss) per share[2]	(0.00)	(0.04)
Book Value per share [2]	1.00	44.58

(1) *Net of miscellaneous expenditure not written off.*

(2) *Face value of each equity share is USD 1.00.*

(3) *To comply with SEBI Guidelines, figures in USD have been converted to Indian Rupees applying an average rate of Rs.44.29 for USD 1.00 for Profit and Loss items and the closing rate of Rs.44.62 for USD 1.00 for Balance Sheet items for the financial year ended March 31, 2006.*

The equity shares of Global Textiles Group are not listed. Global Textiles Group has not completed any public or rights issue in the preceding three years. It has not become a sick company under SICA, is not under winding up and does not have a negative net worth.

Poeticgem

Poeticgem was incorporated as a private company on May 7, 1991 under the laws of England and Wales and was acquired by our promoter group company, Pallas Holdings on June 30, 2004. The company became an indirect Subsidiary of the Company with effect from March 31, 2006. The company is principally engaged in marketing and distribution of ready-made garments.

Shareholding Pattern

The shareholding pattern of Poeticgem as of November 30, 2006 was as follows:

Name of Shareholder	No. of equity shares	Percentage (%)
Global Textiles Group	50,000	100.0
Total	**50,000**	**100.0**

Board of Directors

The following is a list of members of the board of directors of Poeticgem as of November 30, 2006:

1. Mr. Pallak Seth
2. Mr. S. Punjabi

Financial Performance

The following table sets forth Poeticgem's summary financial data in accordance with U.K. GAAP:

(Thousands, except share data)

	For the period ended March 31,			
	2005		2006	
	GBP	Rs.[3]	GBP	Rs.[3]
Income/Sales[4]	17,501.04	1,451,781.52	24,835.55	1,964,144.15
Profit/(Loss) after Tax	218.04	18,087.37	691.02	54,650.09
Equity Share Capital	50.00	4,114.05	50.00	3,881.25
Reserves and surplus (excluding revaluation reserves)[1]	1,185.66	97,556.88	1,876.68	145,676.97
Earnings/(Loss) per share[2]	4.36	361.75	13.82	1,093.00
Book Value per share[2]	24.71	2,033.42	38.53	2,991.16

[1] *Net of miscellaneous expenditure not written off.*

[2] *Face value of each equity share is GBP 1.00.*

[3] *To comply with SEBI Guidelines, figures in GBP have been converted to Indian Rupees applying an average rate of Rs.82.95 and 79.09 for GBP 1.00 for Profit and Loss items and the closing rate of Rs.82.28 and 77.62 for GBP 1.00 for Balance Sheet items for the financial year ended March 31, 2005 and March 31, 2006, respectively.*

[4] *This figure includes turnover and other operative income.*

The equity shares of Poeticgem are not listed. Poeticgem has not completed any public or rights issue in the preceding three years. It has not become a sick company under SICA, is not under winding up and does not have a negative net worth.

Depa U.S.

Depa U.S. was incorporated on November 30, 1990 under the laws of the State of New York and commenced business with effect from April 1, 1996. The company was acquired by our Promoter group company, Pallas Holdings on June 1, 2004 and became an indirect subsidiary of the Company with effect from March 31, 2006. The company is principally engaged in marketing, distribution and branding of ready-made garments.

Shareholding Pattern

The shareholding pattern of Depa U.S. as of November 30, 2006 was as follows:

Name of Shareholder	No. of equity shares	Percentage (%)
Global Textiles Group	75	75.0
Mr. Swatantra Mohan Vij	25	25.0
Total	**100**	**100.0**

Board of Directors

The following is a list of members of the board of directors of Depa U.S. as of November 30, 2006:

1. Mr. Swatantra Mohan Vij
2. Mr. Pulkit Seth

Financial Performance

The following table sets forth consolidated financial statements of Depa U.S. and its subsidiary during the relevant period, Poeticgem Canada (formerly, Depa International (Canada) Inc.), in accordance with U.S. GAAP.

(Thousands, except share data)

	For the period ended March 31,			
	2005		2006	
	USD	Rs.[3]	USD	Rs.[3]
Income/Sales	484,00.26	2,175,204.48	34,710.20	1,537,210.45
Profit/(Loss) after Tax	552.20	24,817.11	1,127.99	49,955.47
Equity Share Capital	250.00	10,947.50	250.00	11,154.50
Reserves and surplus (excluding revaluation reserves)[1]	2,028.45	88,825.87	3,156.45	140,834.26
Earnings/(Loss) per share[2]	5,522.03	248,171.07	11,279.94	499,554.70
Book Value per share[2]	22,784.51	997,733.69	34,064.45	1,519,887.63

(1) *Net of miscellaneous expenditure not written off.*

(2) *Common Shares with no par value.*

(3) *To comply with SEBI Guidelines, figures in USD have been converted to Indian Rupees applying an average rate of Rs.44.94 and 44.28 for USD 1.00 for Profit and Loss items and the closing rate of Rs.43.79 and 44.61 for USD 1.00 for Balance Sheet items for the financial year ended March 31, 2005 and March 31, 2006, respectively.*

The equity shares of Depa U.S. are not listed. Depa U.S. has not completed any public or rights issue in the preceding three years. It has not become a sick company under SICA, is not under winding up and does not have a negative net worth.

Poeticgem Canada

Poeticgem Canada was incorporated on December 20, 2004 under the laws of the State of Ontario, Canada in the name of "Depa International (Canada) Inc." and commenced business with effect from April 1, 2005. The company became an indirect Subsidiary of the Company with effect from March 31, 2006.The company was acquired by our subsidiary, Poeticgem from Depa U.S. on October 1, 2006 and changed its name to "Poeticgem (Canada) Ltd." with effect from October 12, 2006. The company is principally engaged in the business of marketing, distribution and branding of ready made garments.

Shareholding Pattern

The shareholding pattern of Poeticgem Canada as of November 30, 2006 was as follows:

Name of Shareholder	No. of equity shares[1]	Percentage (%)
Poeticgem	100	100.0
Total	**100**	**100.0**

(1) *Common shares with no par value.*

Board of Directors

The following is a list of members of the board of directors of Poeticgem Canada as of November 30, 2006:

1. Mr. Deepak Seth
2. Mr. Pallak Seth
3. Mr. Pulkit Seth

4. Dr. Ashutosh Bhupatkar
5. Mr. Rohit Girotra

Financial Performance

Poeticgem Canada is not required to prepare stand alone financial statements under applicable laws. The financial information of Poeticgem Canada is included in the financial results of Depa U.S., its parent company during the relevant period, for the six months ended September 30, 2006 and fiscal 2006.

The equity shares of Poeticgem Canada are not listed. Poeticgem Canada has not completed any public or rights issue in the preceding three years. It has not become a sick company under SICA, is not under winding up and does not have a negative net worth.

PT Norwest

PT Norwest was established by the deed of Notary Public H. Dana Sasmita SH No. 27 dated April 8, 2002 under the laws of the Republic of Indonesia. PT Norwest commenced business with effect from September 2002. The company became an indirect subsidiary of the Company with effect from March 31, 2006. PT Norwest is principally engaged in the business of manufacturing and exporting woven garments.

Shareholding Pattern

The shareholding pattern of PT Norwest as of November 30, 2006 was as follows:

Name of Shareholder	No. of equity shares	Percentage (%)
Global Textiles Group	134,980	100.0
Mr. Pallak Seth	10	0.0
Mr. Pulkit Seth	10	0.0
Total	**135,000**	**100.0**

Board of Directors

The following is a list of members of the board of directors of PT Norwest as of November 30, 2006:

1. Mr. Amit Kumar, Director
2. Mr. Pulkit Seth, President Director

Financial Performance

The following table sets forth PT Norwest summary financial data in accordance with Indonesian GAAP:

(Thousands, except share data)

	For the period ended March 31,					
	2004		2005		2006	
	USD	Rs.[3]	USD	Rs.[3]	USD	Rs.[3]
Income/Sales	8,658.65	398,547.95	9,972.77	448,196.32	11,744.09	520,110.69
Profit/(Loss) after Tax	(34.60)	(1,592.60)	(292.90)	(13,163.33)	536.17	23,745.54
Equity Share Capital	1,000.00	44,125.00	1,000.00	43,790.00	1350.00	60,234.30
Reserves and surplus (excluding revaluation reserves)[1]	(390.94)	(17,250.23)	(683.83)	(29,945.00)	(147.66)	(6,588.20)
Earnings/(Loss) per share[2]	(0.35)	(15.93)	(2.93)	(131.63)	3.97	175.89
Book Value per share[2]	6.09	268.75	3.16	138.45	8.91	397.38

(1) Net of miscellaneous expenditure not written off.

(2) Face value of each equity share is $ 10.00.

(3) To comply with SEBI Guidelines, figures in USD have been converted to Indian Rupees applying an average rate of Rs.46.02, 44.94 and 44.28 for USD 1.00 for Profit and Loss items and the closing rate of Rs.44.12, 43.79 and 44.61 for USD 1.00 for Balance Sheet items for the financial year ended March 31, 2004, March 31, 2005 and March 31, 2006, respectively.

The equity shares of PT Norwest are not listed. PT Norwest has not completed any public or rights issue in the preceding three years. It has not become a sick company under SICA, is not under winding up and does not have a negative net worth.

Pacific Logistics

Pacific Logistics was incorporated as a private company on October 27, 2003 under the laws of England and Wales and started operations on April 3, 2004. Pacific Logistics is principally engaged in the business logistics and warehousing.

Shareholding Pattern

The shareholding pattern of Pacific Logistics as of November 30, 2006 was as follows:

Name of Shareholder	No. of equity shares of GBP 1 each	Percentage (%)
Poeticgem	10,000	100.0
Total	**10,000**	**100.0**

Board of Directors

The following is a list of members of the board of directors of Pacific Logistics as of November 30, 2006:

1. Mr. Pallak Seth
2. Mr. S. Punjabi

Financial Performance

The following table sets forth Pacific Logistics' summary financial data in accordance with U.K. GAAP:

(Thousands, except share data)

	For the period ended March 31,			
	2005		2006	
	GBP	Rs.[3]	GBP	Rs.[3]
Income/Sales[4]	1,256.21	104,207.64	1,907.53	150,858.92
Profit/(Loss) after Tax	(3.15)	(260.89)	105.59	8,350.45
Equity Share Capital	10.00	822.81	10.00	776.25
Reserves and surplus (excluding revaluation reserves)[1]	(3.15)	(258.77)	102.44	7,952.14
Earnings/(Loss) per share[2]	(0.31)	(26.09)	10.56	835.05
Book Value per share[2]	0.69	56.40	11.24	872.84

(1) *Net of miscellaneous expenditure not written off.*

(2) *Face value of each equity share is GBP 1.00.*

(3) *To comply with SEBI Guidelines, figures in GBP have been converted to Indian Rupees applying an average rate of Rs.82.95 and 79.09 for GBP 1.00 for Profit and Loss items and the closing rate of Rs.82.28 and 77.62 for GBP 1.00 for Balance Sheet items for the financial year ended March 31, 2005 and March 31, 2006, respectively.*

(4) *This figure includes turnover and other operative income.*

The equity shares of Pacific Logistics are not listed. Pacifics Logistic has not completed any public or rights issue in the preceding three years. It has not become a sick company under SICA, is not under winding up and does not have a negative net worth.

HoP (U.S.)

HoP (U.S.) was incorporated on August 1, 2006 under the laws of the State of New York and commenced business with effect from August 1, 2006. The Company is principally engaged in trading of garments.

Shareholding Pattern

The shareholding pattern of HoP (U.S.) as of November 30, 2006 was as follows:

Name of Shareholder	No. of equity shares	Percentage (%)
HoPFL	200 (without par value)	100
Total	**200**	**100**

Pursuant to a Board resolution dated October 10, 2006 HoPFL has resolved to invest additional capital of US$225,000 in HoP (U.S.). HoPFL has paid subscription amount of US$255,000 for the equity shares in HoP (U.S.), but as of the date of this Prospectus, it has not been allotted additional shares in HoP (U.S.).

Board of Directors

The following is a list of members of the board of directors of HoP (U.S.) as of November 30, 2006:

1. Mr Deepak Seth
2. Mr. Pallak Seth
3. Mr. Pulkit Seth
4. Dr. Ashutosh Bhupatkar

Financial Performance

The following table sets forth HoP (U.S.)'s summary financial data in accordance with U.S. GAAP:

(Thousands, except share data)

	For the period ended September 30, 2006	
	USD	**Rs.**[3]
Income/Sales	-	-
Profit/(Loss) after Tax	(153.04)	(7,028.99)
Equity Share Capital	250.00	11,497.50
Reserves and surplus (excluding revaluation reserves)[1]	(153.04)	(7,038.17)
Earnings/(Loss) per share[2]	(765.18)	(35,144.95)
Book Value per share[2]	485.00	22,305.15

[1] *Net of miscellaneous expenditure not written off.*

[2] *Common stock with no par value.*

[3] *To comply with SEBI Guidelines, figures in USD have been converted to Indian Rupees applying an average rate of Rs.45.93 for USD 1.00 for Profit and Loss items and the closing rate of Rs.45.99 USD 1.00 for Balance Sheet items for the period ended September 30, 2006.*

The equity shares of HoP (U.S.) are not listed. HoP (U.S.) has not completed any public or rights issue in the preceding three years. It has not become a sick company under SICA, is not under winding up and does not have a negative net worth.

Associate

The Company has one associate, HoPP Fashions, a partnership firm.

HoPP Fashions

HoPP Fashions is a partnership firm established on March 9, 1996. The principal office of the partnership firm is at N-10 South Extension, Part I, New Delhi. The principal activity of Hopp Fashions is to establish and run retail stores, department stores and showrooms.

The partners of HOPP Fashions are Deepak Seth & Sons (HUF) and House of Pearl Fashions Limited.

Financial Performance

(Rs. Thousand)

	For the period ended March 31		
	2004	**2005**	**2006**
Income/Sales	53,891.27	47,908.62	58,313.18
Profit/(Loss) after Tax	928.81	622.66	805.80

OUR MANAGEMENT

Under the Articles of Association, the Company cannot have fewer than 3 directors and more than 12 directors. The Company currently has 9 directors.

The following table sets forth details regarding the Board of Directors as of the date of this Prospectus.

Name, Designation, Father's Name, Occupation and Term	Age	Address	Other Directorships
Mr. Deepak Seth (1) *Chairman* *Non-Independent and Non-Executive Director* S/o Late Mr. M.L. Seth Business Term: Non-retiring Director	55	9, Avenue Ashok, Rajokri New Delhi- 110 038, India Flat No. 1013 P.O. Box No. 9094 New Rolla Square Centre Building, Rolla, Sharjah, United Arab Emirates	Pearl Global Limited Images Pearl Retail Solutions Private Limited Nim International Commerce Private Limited Aries Travels Private Limited Pallas Holdings Limited SACB Holdings Limited Global Textiles Group Limited Transnational Textile Group Limited NAFS Limited Multinational Textiles Group Limited
Mr. Pallak Seth(1) *Vice-Chairman* *Non-Independent and Non-Executive Director* S/o Mr. Deepak Seth Business Term: Liable to retire by rotation	29	9, Avenue Ashok, Rajokri New Delhi- 110 038, India 43 Green Street, Mayfair London, W1K7FJ United Kingdom	Pearl Global Limited Images Pearl Retail Solutions Private Limited Nim International Commerce Private Limited Pallas Holdings Limited SACB Holdings Limited Transnational Textile Group Limited NAFS Limited Multinational Textiles Group Limited PAF International Limited Poeticgem Limited Pacific Logistics Limited Norp Knit Industries Limited Lerros Moden GmbH
Mr. Pulkit Seth(1) *Managing Director* *Non-Independent and Executive Director* S/o Mr. Deepak Seth Business Term: Liable to retire by rotation	26	9, Avenue Ashok, Rajokri New Delhi- 110 038, India	Pearl Global Limited Images Pearl Retail Solutions Private Limited Pallas Holdings Limited SACB Holdings Limited Transnational Textile Group Limited NAFS Limited Multinational Textiles Group Limited PAF International Limited Depa International Inc. Norp Knit Industries Limited Nor Pearl Knitwear Limited Norwest Industries Limited Lerros Moden GmbH P T Norwest Industries Limited Global Textiles Group Limited

Name, Designation, Father's Name, Occupation and Term	Age	Address	Other Directorships
Mr. Sanjay Pershad(1) *Non-Independent and Non-Executive Director* S/o Late Mr. Badri Pershad Business Term: Liable to retire by rotation	42	I-17, Maharani Bagh New Delhi - 110 065, India	Pearl Global Limited Nim International Commerce Private Limited Aries Travels Private Limited Repute Land and Leasing Private Limited
Mr. Samar Ballav Mohapatra *Independent Director* S/o Late Mr. Dhaneswar Mohapatra Retired IAS Term: Liable to retire by rotation	62	Flat no. C-15, DG (S) Cooperative Group Housing Society, Plot no. 6, Sector 22 Dwarka - 110 075	Nil
Dr. Ashutosh Prabhudas Bhupatkar *Independent Director* S/o Late Mr. Prabhudas Ramchandra Academician Term: Liable to retire by rotation	56	C 864, Sushant Lok 1, Gurgaon Haryana – 122 002	Twin Engineers Private Limited
Mr. Rajendra Aneja *Independent Director* S/o Mr. Hari Chand Aneja Business Executive Term: Liable to retire by rotation	56	A-11, Ocean Gold Twin Tower Lane, Prabhadevi Mumbai – 400 025, India	Nil
Mr. Chittranjan Dua *Independent Director* S/o Mr. I.D. Dua Professional Term: Liable to retire by rotation	55	88, Sunder Nagar New Delhi – 110 003, India	Cabot India Limited Gillette India Limited Hutchison Essar Limited Timex Watches Limited TVS Motor Company Limited Wimco Limited Amit Investments Private Limited Associated Corporate Consultants (India) Private Limited Baxter (India) Private Limited

Name, Designation, Father's Name, Occupation and Term	Age	Address	Other Directorships
			Becton Dickinson India Private Limited Cadmus Packaging Private Limited Connaught Plaza Restaurants Private Limited ELCA Cosmetics Private Limited Emerson Process Management Power & Water Solutions India Private Limited Fila Sport India Private Limited Inapex Private Limited LAF Fire Safety Systems India Private Limited LexSphere Private Limited Linde Process Technologies India Private Limited McCann-Erikson (India) Private Limited McDonald's India Private Limited Noske-Kaeser India Private Limited Polaroid India Private Limited Result Services Private Limited ST Microelectronics Private Limited Tupperware India Private Limited UL India Private Limited Van Films Remake One India Private Limited Van Films Remake Three India Private Limited Van Softech Solutions One Private Limited
Mr. Tom Tar Singh *Non- Independent and Non-Executive Director*[(2)] S/o Mr. Mehnga Singh Business Term: Liable to retire by rotation	57	Morley House Ackerman Street Sherborne Dorset – DT9 3NX, United Kingdom	NL Company No.1 Limited NL Company No.2 Limited NL Company No.3 Limited Trinitybrook Plc Vallsar (Trustees) Limited New Look Group Limited The Indus Entrepreneurs U.K. Limited Hamperwood Limited Pedalgreen Limited

(1) Mr. Deepak Seth is the father of Mr. Pallak Seth, our non-executive Vice-Chairman and Mr. Pulkit Seth, our Managing Director, and the brother-in-law of Mr. Sanjay Pershad, our non-executive Director.

(2) Mr. Tom Tar Singh has beneficial interest, through family interest, in Lesing Mauritius Limited, a company which owns an aggregate of 325,606 Equity Shares of the Company (including 135,606 Equity Shares, which it acquired on December 26, 2006 pursuant to the Pre-IPO Placing), representing 2.28% of the pre-Issue equity share capital of the Company. Accordingly, Mr. Singh is currently not an "independent director" of the Company under clause 49 of the listing agreement to be entered into with the Stock Exchanges. Upon the completion of the Issue, Mr. Singh will beneficially own, through family interests, 1.72% (if the Green Shoe Option is not exercised) of the post-Issue equity share capital of the Company and will, therefore, be an independent director of the Company under the listing agreement with the Stock Exchanges.

Brief Profile of the Directors

Mr. Deepak Seth, 55 years, a non-resident Indian, is the non-executive Chairman of the Company. He has a Bachelor of Economics from St. Stephen's College, Delhi and Post Graduate of Business Management from Jamnalal Bajaj Institute of Management, Mumbai. He is also the non-executive Chairman of Pearl Global, the listed Subsidiary of the Company. He has over 31 years of experience in the apparel industry. He led us in expanding our operations from a single manufacturing unit in

India to our current operations in 12 locations across the world. He has played an important role in setting up our sourcing business in Hong Kong, Bangladesh and China, setting up new manufacturing units in Bangladesh and Indonesia and acquiring existing businesses in the U.K. and the U.S. He was elected to the Apparel Export Promotion Council in the years 1990 and 1993, and has been inducted to the Executive Committee of the Apparel Export Promotion Council as a special invitee. He is the father of Mr. Pallak Seth, our non-executive Vice-Chairman, Mr. Pulkit Seth, our Managing Director and brother-in-law of Mr. Sanjay Pershad, our non-executive Director. He has not been paid any compensation in fiscal 2006.

Mr. Pallak Seth, 29 years, a non-resident Indian, is the non-executive Vice-Chairman of the Company. He has a Bachelor of Economics and International Business degree from Northwestern University, U.S. He has over eight years of experience in the apparel industry. He has played an important role in setting up our sourcing business in Hong Kong, Bangladesh and China by promoting Norwest Industries (HK). He was also responsible in expanding our operations in the U.K. and is currently the Managing Director of Poeticgem, a subsidiary of the Company. He has led us in establishing strong relationships with third-party manufacturing units and leading retailers such as ASDA Wal-Mart, Matalan, Next, Tesco and British Home Stores. He has not been paid any compensation in fiscal 2006.

Mr. Pulkit Seth, 26 years, a resident Indian, is the Managing Director of the Company. He has a Bachelor of Business Management degree from Leonard N. Stern School of Business, University of New York, U.S. He has over four years of experience in the apparel industry. He is also the Managing Director of Pearl Global, the listed Subsidiary of the Company. He has been overseeing the domestic operations of the Group and has played an important role in streamlining business processes and enhancing our relationships with leading retailers in the U.S. He was also the Joint Managing Director of Norwest Industries (HK) and continues to be on its board of directors. He has not been paid any compensation in fiscal 2006.

Mr. Sanjay Pershad, 41 years, a resident Indian, is a non-executive Director of the Company. He has a Bachelor of Commerce degree from Delhi University. He has over 13 years of experience in the garment industry. He has not been paid any compensation in fiscal 2006.

Mr. Samar Ballav Mohapatra, 62 years, a resident Indian, is an independent Director of the Company. He has a Bachelor in Arts degree from Delhi University and Master in Arts degree from Delhi University. He joined the Indian Administrative Services in 1967 and retired in 2004. He served as Secretary, Ministry of Textiles; Special Secretary, Ministry of Home Affairs; Additional Secretary and Financial Advisor, Ministry of Commerce and Director General of Foreign Trade. He was also the Managing Director of Industrial Development Corporation, Orissa. He has not been paid any compensation in fiscal 2006.

Dr. Ashutosh Prabhudas Bhupatkar, 55 years, a resident Indian, is an independent Director of the Company. He has a Bachelor in Commerce degree from Pune University, a Master in Management Studies from Bombay University and a Doctorate in Organizational Studies from Pune University. He has over 10 years of experience in the textile industry. He was the head of the Institute of Management Development and Research, Pune for 16 years. He has not been paid any compensation in fiscal 2006.

Mr. Rajendra Kumar Aneja, 56 years, a resident Indian, is an independent Director of the Company. He has a Bachelor in Commerce degree from Bombay University in 1971. He has over 30 years of experience in marketing, management and corporate affairs. He was working with Unilever Tanzania, Africa Business Group and Hindustan Lever Limited, India. He has not been paid any compensation in fiscal 2006.

Mr. Chittranjan Dua, 55 years, a resident Indian, is an independent Director of the Company. He has a Bachelor in Arts degree from Delhi University in 1971, Master in Economics degree from Delhi School of Economics in 1973 and Bachelor in Law degree from Delhi University in 1976. He has been a practicing advocate for over 30 years. He has not been paid any compensation in fiscal 2006.

Mr. Tom Tar Singh, 57 years, a British national, is a non-executive Director of the Company. He has a Bachelor degree in International Politics and Geography from University of Wales. He established the "New Look" ladies fashion chain in 1969 and has over 37 years of experience in the retail sector. He is presently a non-executive director on the board of New Look Group Limited. He has not been paid any compensation in fiscal 2006.

Details of Appointment and Compensation of the Directors

Name of Directors	Date of Contract/ Appointment Letter/ Resolution	Term	Compensation (per annum)
Mr. Deepak Seth	March 22, 1994	Non-retiring director	Nil
Mr. Pallak Seth	August 26, 1996	Liable to retire by rotation	Nil
Mr. Pulkit Seth	November 1, 2004	Liable to retire by rotation	Nil
Mr. Sanjay Pershad	September 30, 2004	Liable to retire by rotation	Nil
Mr. Samar Ballav	August 1, 2006	Liable to retire by rotation	Nil
Dr. Ashutosh Prabhudas Bhupatkar	August 1, 2006	Liable to retire by rotation	Nil
Mr. Rajendra Aneja	September 12, 2006	Liable to retire by rotation	Nil
Mr. Chittranjan Dua	September 12, 2006	Liable to retire by rotation	Nil
Mr. Tom Tar Singh	September 26, 2006	Liable to retire by rotation	Nil

The non-executive Directors of the Company are paid sitting fee as is permissible under the Companies Act, and actual travel, boarding and lodging expenses for attending the meetings of the Board of Directors and its sub-committees. They may also be paid commission and any other amounts as may be decided by the Board in accordance with the provisions of the Articles of Association, the Companies Act and any other applicable Indian laws and regulations.

Borrowing Powers of the Directors in the Company

Pursuant to a resolution of the shareholders of the Company dated August 25, 2006, the Board has been authorized to borrow sums of money for the purpose of the Company upon such terms and conditions and with or without security as the Board of Directors may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed, at any time, a sum of Rs.2,000 million.

Shareholding of the Directors

The Articles of Association do not require the Directors to hold any qualification Equity Shares in the Company. The following table details the shareholding of the Directors in their personal capacity, as at the date of this Prospectus.

			Equity Shares owned after the Issue			
	Equity Shares owned before the Issue		Assuming the Green Shoe Option is not exercised		Assuming the Green Shoe Option is exercised in full	
Shareholder	**No. of shares**	**% of paid-up capital**	**No. of shares**	**% of paid-up capital**	**No. of shares**	**% of paid-up capital**
Mr. Deepak Seth	5,587,995	39.05	5,097,915	26.73	5,097,915	25.90
Mr. Pallak Seth	1,396,980	9.76	1,274,460	6.68	1,274,460	6.48
Mr. Pulkit Seth	1,396,980	9.76	1,274,460	6.68	1,274,460	6.48
Total*	**8,381,955**	**58.57**	**7,646,835**	**40.09**	**7,646,835**	**38.85**

* *For the beneficial interest of our Director, Mr. Tom Tar Singh, see "Capital Structure" beginning on page 23 of this Prospectus.*

Interest of Promoters, Directors and Key Managerial Employees

Except as stated in "Related Party Transactions" beginning on page 148 of this Prospectus, and to the extent of compensation and commission, if any, and their shareholding in the Company, the Promoters do not have any other interest in our business. Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth and Mr. Pulkit Seth may be regarded as interested parties in the proceeds of the Offer for Sale. Further, Mr. Pulkit Seth may also be regarded as an interested party in the payment of fees as the Green Shoe Lender. For details, see "Green Shoe Option" beginning on page 6 of this Prospectus.

All of the Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a Committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under the Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of the Company.

The Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue. All of the Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Other than as disclosed in this Prospectus, none of the Directors are entitled to receive remuneration from the Company. For further details see the section "Our Management- Details of Appointment and Compensation of the Directors".

Except as stated in the section "Related Party Transactions" and to the extent of shareholding in the Company or its Subsidiaries, the Directors do not have any other interest in our business.

The Directors have no interest in any property acquired by the Company or its Subsidiaries within two years of the date of filing of this Prospectus.

The key managerial personnel of the Company do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of the Equity Shares held by them in the Company, if any.

Corporate Governance

The provisions of the listing agreements to be entered into with the Stock Exchanges with respect to corporate governance become applicable to the Company at the time of seeking in-principle approval of the Stock Exchanges. The Company has complied with such provisions, including with respect to the appointment of independent Directors to the Board and the constitution of the following committees of the Board: the Audit Committee, the Remuneration Committee and the Investors' Grievances Committee. The Company undertakes to take all necessary steps to comply with all the requirements of the guidelines on corporate governance and adopt the Corporate Governance Code as per Clause 49 of the listing agreement to be entered into with the Stock Exchanges, as would be applicable to the Company upon listing of its Equity Shares.

The Board has nine Directors, of which the Chairman of the Board is a non-executive Director. In compliance with the requirements of Clause 49 of the Listing Agreement, the Company has (i) not less than 50% non-executive Directors and (ii) four independent directors, which satisfies the requirement for at least one third independent Directors on the Board. For further information on our independent directors, see the section "Our Management: Brief Profiles of the Directors" in this Prospectus.

Audit Committee

The Audit Committee was constituted by the Directors at their Board meeting held on August 1, 2006. The purpose of the Audit Committee is to ensure the objectivity, credibility and correctness of the company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters.

The constitution of the Audit Committee is as follows:

S. No.	Name of the Director	Executive/Non-executive/Independent
1.	Dr. Ashutosh Prabhudas Bhupatkar (Chairman)	Independent Director
2.	Mr. Samar Ballav Mohapatra	Independent Director
3.	Mr. Sanjay Pershad	Non-executive Director

The terms of reference of the Audit Committee are as follows:

- Regular review of accounts, accounting policies, disclosures, etc.
- Review of the major accounting entries based on exercise of judgment by management and review of significant adjustments arising out of audit.
- Qualifications in the draft audit report.
- Establishing and reviewing the scope of the independent audit including the observations of the auditors and review of the quarterly, half-yearly and annual financial statements before submission to the Board.
- The Committee shall have post audit discussions with the independent auditors to ascertain any area of concern.
- Establishing the scope and frequency of internal audit, reviewing the findings of the internal auditors and ensuring the adequacy of internal control systems.
- To look into reasons for substantial defaults in the payment to depositors, debenture holders, shareholders and creditors.
- To look into the matters pertaining to the Director's Responsibility Statement with respect to compliance with Accounting Standards and accounting policies.
- Compliance with Stock Exchange legal requirements concerning financial statements, to the extent applicable.
- The Committee shall look into any related party transactions i.e., transactions of the Company of material nature, with promoters or management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large.
- Appointment and remuneration of statutory and internal auditors.
- 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 Audit Committee.

Remuneration Committee

The Remuneration Committee was constituted by the Directors at their Board meeting held on August 1, 2006. The Remuneration Committee's goal is to ensure that the Company attracts and retains highly qualified employees in accordance with its business plans, that the Company fulfils its ethical and legal responsibilities to its employees, and that management compensation is appropriate.

The constitution of the Remuneration Committee is as follows:

S. No.	Name of the Director	Executive/Non-executive/Independent
1.	Mr. Samar Ballav Mohapatra (Chairman)	Independent Director
2.	Dr. Ashutosh Prabhudas Bhupatkar	Independent Director
3.	Mr. Sanjay Pershad	Non-executive Director

The terms of reference of the Remuneration Committee are as follows:

- 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 Compensation Committee.
- Establishment and administration of employee compensation and benefit plans.

Investor Grievance Committee

The Investor Grievance Committee was constituted by the Directors at their Board meeting held on August 1, 2006. The Investor Grievance Committee is responsible for the redressal of investor grievance.

The constitution of the Investor Grievance Committee is as follows:

S. No.	Name of the Director	Executive/Non-executive/Independent
1.	Dr. Ashutosh Prabhudas Bhupatkar (Chairman)	Independent Director
2.	Mr. Pulkit Seth	Executive Director
3.	Mr. Samar Ballav Mohapatra	Independent Director

The terms of reference of the Investor Grievance Committee are as follows:

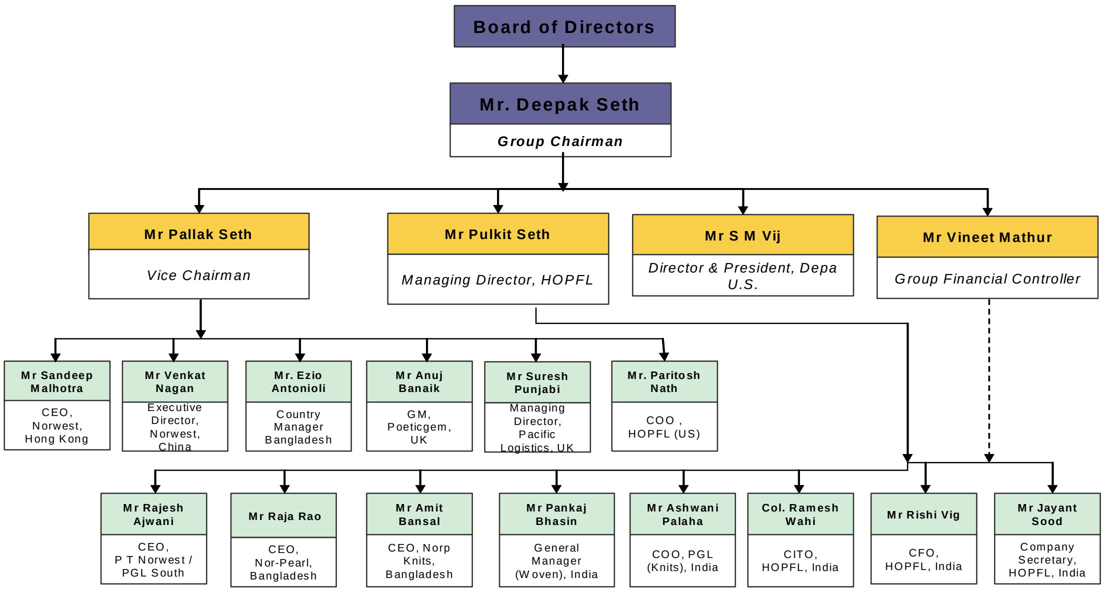
- Investor relations and redressal of investors grievance in general and relating to non-receipt of dividends, interest, non-receipt of balance sheet etc in particular.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Investor Grievance Committee.

Changes in the Board of Directors during the last three years

Name	Date of Appointment	Date of Cessation	Reason
Mr. Sanjay Pershad	September 30, 2004	-	Appointed as Additional Director
Mr. Amit Seth	June 2, 2004	April 24, 2006	Resigned
Mr. Sunil Pal Seth	June 2, 2004	July 8, 2006	Resigned
Mr. Pulkit Seth	November 1, 2004	-	Appointed as Additional Director
Mrs. Payel Seth	March 22, 1994	July 8, 2006	Resigned
Mr. Samar Ballav Mohapatra	August 1, 2006	-	Appointed as Independent Director
Dr. Ashutosh Prabhudas Bhupatkar	August 1, 2006	-	Appointed as Independent Director
Mr. Rajendra Aneja	September 12, 2006	-	Appointed as Independent Director
Mr. Chittranjan Dua	September 12, 2006	-	Appointed as Independent Director
Mr. Tom Tar Singh	September 26, 2006	-	Appointed as Independent Director(1)

(1) *For details regarding Mr. Singh's status as an independent Director of the Company, see page 117 of this Prospectus.*

Group Organizational Structure



Key Managerial Personnel

The key managerial personnel of the Company are as follows:

Colonel Ramesh Wahi, 56 years, is the Chief Information Technology Officer of the Company. He joined the Company in August 2006 and is responsible for the Information Technology (IT) function. He is also responsible for the IT function of the other Group companies. He has a Bachelor in Technology from Government Engineering College, Jabalpur and Master in Technology from Indian Institute of Technology, Kanpur. He has over 34 years of experience in information technology and allied fields. Prior to joining us, he was Vice President of NIIT GIS Limited. He has not been paid any compensation by Company in fiscal 2006.

Mr. Rishi Vig, 37 years, is Chief Financial Officer of the Company, and he functionally reports to the Group Financial Controller, Mr. Vineet Mathur. He joined the Company in July 2006 and is responsible for financial planning, control and accounting functions of the Company. He has a Bachelor in Commerce from Delhi University and Certified Public Accountant (USA) from the State of New Hampshire. He is also an associate member of Institute of Cost and Works Accountants of India. He has over 10 years of experience in the textiles and apparel industry. Prior to joining the Group, he worked with Center for Development of Telematics (C-DOT), Philips India, Texmaco, Jakarta and Shahi Exports. He has not been paid any compensation by the Company in fiscal 2006.

Mr. Jayant Sood, 34 years, is the Company Secretary of the Company. He has a Bachelor in Commerce from Delhi University. He is responsible for secretarial and corporate compliances of the Company. He has over 12 years of experience in legal and secretarial field. Prior to joining the Company, he was the company secretary at Pearl Global and Ricoh India Limited. He is a fellow member of the Institute of Company Secretaries of India, New Delhi. He has not been paid any compensation by the Company in fiscal 2006.

All the key managerial employees mentioned above are permanent employees of the Company.

Key Managerial Personnel of the Subsidiaries

Mr. Swatantra Mohan Vij, 55 years, is Director and President of Depa U.S. He joined the Group in 1990 and is responsible for overall operations of Depa U.S. He has over 32 years of experience in apparel industry. He has a Bachelor in Commerce degree from Delhi University and Master in Business Administration from IIM, Ahmedabad in 1974. His gross compensation in fiscal 2006 was US$487,635 (Rs.21,595,891).

Mr. Vineet Mathur, 46 years, is the Group Financial Controller and is an employee of Poeticgem. He joined the Group in 1993 and is responsible for the finance and accounts functions of the Group. He has over 23 years of experience in finance. He has a Bachelor of Commerce degree from Sriram College of Commerce, Delhi University. He is a qualified Chartered Accountant from the Institute of Chartered Accountants of India, New Delhi. Prior to joining the Group, he worked as Senior Manager, Finance with Usha Dragger Limited. His gross compensation in fiscal 2006 was £109,475.21 (Rs.8,657,956).

Mr. Rajesh Vishnu Ajwani, 44 years, is the Chief Executive Officer of PT Norwest and Pearl Global, South India. He joined the Group in 2002 and is responsible for overall operations of PT Norwest. He has over 13 years of experience in the apparel industry. He has a Bachelor of Commerce degree from Mumbai University and a Post Graduate of Business Administration degree from Indian Institute of Management, Ahmedabad. He is a qualified Chartered Accountant from the Institute of Chartered Accountants of India, New Delhi. Prior to joining the Group, he worked with PT Warewell. His gross compensation in fiscal 2006 was US$115,000 (Rs.5,093,005).

Mr. Venkatesh Nagan, 43 years, is the Executive Director of Norwest Industries (HK), China sourcing office. He joined the Group in 2002 and is responsible for marketing, sourcing, vendor development, human resources and systems. He has over 18 years of experience in various industries, including textile and FMCG. He has a Bachelor in Mechanical Engineering from Birla Institute of Technology & Science, Pilani and Master of Business Administration from Indian Institute of Management, Calcutta. Prior to joining the Group, he worked with Hindustan Lever Limited, Firstland Trading, U.K. and Gokaldas Images Limited. His gross compensation in fiscal 2006 was US$57,250 (Rs.2,535,030).

Mr. Ezio Antonioli, 43 years, is the Country Manager of the liaison office of Norwest Industries (HK) in Dhaka. He joined the Group in October 2006 and is responsible for managing the offshore sourcing and production business at Bangladesh liaison office. He has over 18 years of experience in the ready-to-wear garment industry at various senior level positions. He has a Baccalaurate degree in Science-Maths languages from European School of Brussels and also degree in Industrial Engineering (Electronics) from I.S.I.B. Prior to joining the Group, he worked as Country Manager Indian subcontinent, with Linmark International apart from working with OZ Smartwear, The Cotton Group, S.A., Leatherland International Services-L'UNIVERS DU CUIR. He has not been paid any compensation in fiscal 2006.

Mr. K. Raja Rao, 40 years, is the Chief Executive Officer of Nor Pearl. He joined the Group in 2004 and is responsible for the manufacturing and marketing operations of Nor Pearl. He has over 17 years of experience in the apparel industry. He has a Bachelor of Public Administration degree from Osmania University, Hyderabad. Prior to joining the Group, he worked in the SQ Group of Industries in Bangladesh and SIPLEC International. His gross compensation in fiscal 2006 was Tk.2,876,832 (Rs.1,956,246).

Mr. Anuj Banaik, 40 years, is General Manager of Poeticgem. He joined the Group in 1991 and is responsible for the sales and marketing operations of Poeticgem. He has over 15 years of experience in the apparel industry. He has a Bachelor of Commerce degree from Delhi University and a Post Graduate degree in Marketing Management from Australian Business School, Perth. His gross compensation in fiscal 2006 was £88,839.33 (Rs.7,025,921).

Mr. Paritosh Nath, 40 years, is the Chief Operating Officer of HoP (U.S.). He joined the Group in July 2006 and is responsible for developing strategic alliances for the group with multinational retailers in the U.S. market. He has over 20 years of experience in the ready-to-wear garment industry at various senior level positions. He has a degree in Marketing and Sales Management from Bombay University. Prior to joining the Group, he worked as Executive Vice president in Gokaldas Images USA, Inc. apart from working with Apeego, Proline Sportwear. He has not been paid any compensation in fiscal 2006.

Mr. Ashwini Palaha, 38 years, is Chief Operating Officer – Knits Division of Pearl Global. He joined the Group in July 2006 and is responsible for business development, marketing and overall management of knits business. He has over 15 years of experience in the garment industry. He has a Bachelor of Commerce degree from Delhi University. Prior to joining the Group, he worked with J C Textiles (Private) Limited and V & S International (Private) Limited. He has not been paid any compensation in fiscal 2006.

Mr. Sandeep Malhotra, 37 years, is the Chief Executive Officer of Norwest Industries (HK). He joined the Group in 2006 and is responsible for overall operations of Norwest Industries (HK). He has over 12 years of experience in sales and marketing. He completed "O" level and "A" level courses in 1986 and 1988, respectively. Prior to joining the Group, he worked as Sales Director of SKD Pacific. He has not been paid any compensation in fiscal 2006.

Mr. Suresh Punjabi, 34 years, is the Managing Director of Pacific Logistics. He joined the Group in July 1997 and is responsible for overall operations of Pacific Logistics. He has over 10 years of experience in the garment industry. He is a qualified Chartered Accountant from the Institute of Chartered Accountants of India, New Delhi. Prior to joining the Group, he worked with Aneja Associates, a management consultant firm. His gross compensation in fiscal 2006 was £42,500 (Rs.3,361,161).

Mr. Amit Bansal, aged 33, is the Chief Executive Officer of Norp Knit. He joined the Group in 2005 and is also on the board of Norp Knit. He has over 11 years of experience in manufacturing and export of readymade garment. He has a Bachelor in Textile Technology degree from Maharishi Dayanand University, Rohtak, Haryana. Prior to joining the Group, he worked as the General Manager, Operations with Orient Craft Limited, Gurgaon, Haryana. His gross compensation in fiscal 2006 was Tk.1,580,230 (Rs.1,074,556).

Mr. Pankaj Bhasin, 33 years, is General Manager of Pearl Global. He joined the Group in 1995 and is responsible for marketing, merchandizing and woven garments. He has over 11 years of experience in the garment industry. He has a Bachelor of Commerce degree from Delhi University. His gross compensation in fiscal 2006 was Rs.1,186,560.

All the key managerial employees mentioned above are permanent employees of the Subsidiaries.

Shareholding of the key managerial personnel

As of the date of this Prospectus, other than certain Directors, none of the key managerial personnel of the Company or the Subsidiaries hold any Equity Shares in the Company. For details of the shareholding of the Company's directors, refer to "Shareholding of the Directors" above.

Bonus or profit sharing plan of the key managerial personnel

There is no bonus or profit sharing plan for key managerial personnel of the Company. However, there are certain profit sharing plans of the Subsidiaries with respect to certain of their key managerial employees.

ESOP/ESPS

There is no Employee Stock Option Plan or Employee Stock Purchase Scheme of the Company.

Interest of Key Managerial Personnel

The key managerial personnel of the Company and the Subsidiaries do not have any interest in the Company or the Subsidiaries other than with respect to a loan advanced by Mr. Swatantra Mohan Vij, Director and President of Depa U.S., for US$187,500 (approximately Rs.8.7 million) to Depa U.S., or to the extent of any remuneration or benefits to which the key managerial personnel are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business, or to the extent of their shareholding in the Company or the Subsidiaries.

Changes in the Key Managerial Personnel

The following are the changes in the key managerial personnel of the Company and the Subsidiaries in the last three years preceding the date of filing this Prospectus.

Name	Date of Appointment	Date of Cessation	Reason
Key Managerial Personnel of the Company			
Colonel Ramesh Wahi	August 17, 2006	-	Appointment
Mr. Rishi Vig	July 21, 2006	-	Appointment
Mr. Jayant Sood	July 21, 2006	-	Appointment
Mr. Narayan Jee Jha	October 1, 2005	July 20, 2006	Transferred to Pearl Global

Name	Date of Appointment	Date of Cessation	Reason
Key Managerial Personnel of the Subsidiaries			
Mr. Amit Bansal	November 11, 2005	-	Appointment
Mr. K. Raja Rao	August 1, 2004	-	Appointment
Mr. Sandeep Malhotra	April 6, 2006	-	Appointment
Mr. Sanjeev Chhabra	May 5, 2005	October 31, 2005	Resignation from Pearl Global
Mr. Rishi Vig	February 27, 2006	July 20, 2006	Transferred to HoPFL
Mr. Jayant Sood	May 31, 2005	July 20, 2006	Transferred to HoPFL
Mr. Rajan Mittal	June 1, 2001	June 1, 2005	Resignation from Pearl Global
Mr. Ezio Antonioli	October 1, 2006	-	Appointment
Mr. Paritosh Nath	July 24, 2006	-	Appointment

Payment of Benefit to Officers of the Company

Except as disclosed in this Prospectus and the statutory payments made by the Company, in the last two years, the Company has not paid any sum to its employees in connection with superannuation payments and ex-gratia/rewards and has not paid any non-salary amount or benefit to any of its officers. None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

OUR PROMOTERS AND PROMOTER GROUP COMPANIES

Promoters

The following individuals are the Promoters of the Company:

1. Mr. Deepak Seth;
2. Mrs. Payel Seth;
3. Mr. Pallak Seth; and
4. Mr. Pulkit Seth.

Promoter Group

The following are part of the Promoter group:

The natural persons who are part of the Promoter group, other than the Promoters named above, are as follows:

1. Mrs. Faiza Seth (wife of Pallak Seth);
2. Mrs. Shefali Seth (wife of Pulkit Seth);
3. Dr. Tahir Azam Abbasi (father of Faiza Seth);
4. Ms. Tasneem Abassi (mother of Faiza Seth);
5. Mr. Sunil Pal Seth (father of Shefali Seth);
6. Ms. Geeta Seth (mother of Shefali Seth);
7. Mr. Farooq Azam Abbasi (brother of Faiza Seth);
8. Mr. Siddique Akbar Abbasi (brother of Faiza Seth);
9. Ms. Farseena H. Abbasi (sister of Faiza Seth);
10. Ms. Manavi Varshney (sister of Shefali Seth);
11. Ms. Sarika Singh (sister of Shefali Seth);
12. Mr. Chand Seth (brother of Deepak Seth);
13. Mr. Harish Seth (brother of Deepak Seth);
14. Mr. Krishen Seth (brother of Deepak Seth);
15. Dr. Mahesh Seth (brother of Deepak Seth);
16. Ms. Rajni Pershad (mother of Payel Seth); and
17. Mr. Sanjay Pershad (brother of Payel Seth).

The companies that are part of the Promoter group are as follows:

1. Pallas Holdings Limited;
2. Pearl Academy of Fashion India Limited;
3. Images Pearl Retail Solutions Private Limited;
4. SACB Holdings Limited;
5. LT Systems and Controls Private Limited;
6. Repute Land and Leasing Private Limited;
7. Transnational Textile Group Limited;
8. PAF International Limited;
9. NAFS Limited;

10. Lerros Moden, GmbH;
11. Lerros Fashion CZ, s.r.o;
12. TK's-Sportswear GmbH;
13. Nim International Commerce Private Limited; and
14. Vau Apparels Private Limited;

The HUFs that are part of the Promoter group are as follows:

1. Deepak Seth & Sons (HUF); and
2. Rajni Pershad (HUF).

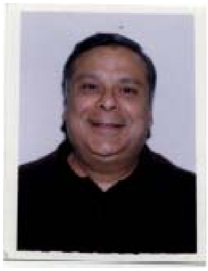
The other entities that are part of the Promoter group are:

1. JSM Trading (a free zone establishment);
2. Crown Computerized Embroideries (a partnership firm);
3. Super Engineers (a partnership firm);
4. Pearl Wears (a partnership firm); and
5. Vastra (a sole proprietorship).

Of the above, Mr. Chand Seth, Mr. Harish Seth, Mr. Krishen Seth and Dr. Mahesh Seth, the brothers of Mr. Deepak Seth, have their own ventures and companies, which each of them have promoted or in which they hold substantial equity interest. However, they do not hold any interest, equity or otherwise, in the business, properties, companies or firms of Mr. Deepak Seth or that of his relatives. In addition, the Promoters of the Company and the entities belonging to the Promoter group do not have any ownership interest in such businesses, or any direct or indirect association with or control over such businesses of Mr. Chand Seth, Mr. Harish Seth, Mr. Krishen Seth and Dr. Mahesh Seth. Accordingly, such information has not been disclosed in this Prospectus.

The details of the Promoters are as follows:

Mr. Deepak Seth



Identification	Details
PAN	AABPS2568Q
Passport No.	Z1175810
Voter ID Number	N. A.
Driving License Number	P09042000165771
Bank Account Number	0627000100166241, PNB, Naraina, New Delhi

Mr. Deepak Seth, 55 years, a non-resident Indian currently residing at Flat No. 1013, P.O. Box No. 9094, New Rolla Square Centre Building, Rolla, Sharjah, United Arab Emirates, is the non-executive Chairman of the Company. He has a Bachelor of Economics from St. Stephen's College, Delhi and Post Graduate of Business Management from Jamnalal Bajaj Institute of Management, Mumbai. He has over 31 years of experience in the apparel industry. He led us in expanding our operations from a single manufacturing unit in India to our current operations in 12 locations across the world. He has played an important role in setting up our sourcing business in Hong Kong, Bangladesh and China, setting up new manufacturing units in Bangladesh and Indonesia and acquiring existing businesses in the U.K. and the U.S. He was elected to the Apparel Export Promotion Council in the years 1990 and 1993, and has been inducted to the Executive Committee of the Apparel Export Promotion Council as a special invitee. He is the father of Mr. Pallak Seth, our non-executive Vice-Chairman and Mr. Pulkit Seth, our Managing Director and the brother-in-law of Mr. Sanjay Pershad, our non-executive Director.

Mrs. Payel Seth

Identification	Details
PAN	AABPS1006M
Passport No.	Z1399596
Voter ID Number	N. A.
Driving License Number	N. A.
Bank Account Number	0627000100246176, PNB, Naraina, New Delhi

Mrs. Payel Seth, 48 years, a non-resident Indian currently residing at Flat 16A, 15, Gros Venor Square, Mayfair, London, W1K6LD, United Kingdom, graduated from the Pearl Academy of Fashion in July 1996. She has over 10 years of experience in designing and retailing in Indian and western garments, jewellery and accessories. Her retail initiative includes the establishment of a retail store in Delhi in October 1996. She has also been actively involved in the education and social initiatives of the Promoter group companies. She is the wife of Mr. Deepak Seth, our non-executive Chairman, and the mother of Mr. Pallak Seth, our non-executive Vice-Chairman and Mr. Pulkit Seth, our Managing Director.

Mr. Pallak Seth

Identification	Details
PAN	ACXPS6333B
Passport No.	F8235747
Voter ID Number	N. A.
Driving License Number	9708137P99RT02
Bank Account Number	002101076069, ICICI Bank, Gurgaon

Mr. Pallak Seth, 29 years, a non-resident Indian currently residing at 43 Green Street, Mayfair, London, W1K7FJ, United Kingdom, is the non-executive Vice-Chairman of the Company. He has a Bachelor of Economics and International Business degree from Northwestern University, U.S. He has over eight years of experience in the apparel industry. He has played an important role in setting up our sourcing business in Hong Kong, Bangladesh and China by promoting Norwest Industries (HK). He was also responsible in expanding our operations in the U.K. and is currently the Managing Director of Poeticgem, a subsidiary of the Company. He has led us in establishing strong relationships with third-party manufacturing units and leading retailers such as ASDA Wal-Mart, Matalan, Next, Tesco and British Home Stores. He is the son of Mr. Deepak Seth, our non-executive Chairman, the brother of Mr. Pulkit Seth, our Managing Director and the nephew of Mr. Sanjay Pershad, our non-executive Director.

Mr. Pulkit Seth

Identification	Details
PAN	AJDPS7131A
Passport No.	F7949490
Voter ID Number	N. A.
Driving License Number	P09012000154839
Bank Account Number	130025349006, HSBC, Vasant Lok, New Delhi

Mr. Pulkit Seth, 26 years, a resident Indian, is the Managing Director of the Company. He has a Bachelor of Business Management degree from Leonard N. Stern School of Business, University of New York, U.S. He has over four years of experience in the apparel industry. He has been overseeing the domestic operations of the Group and has played an important role in streamlining business processes and enhancing our relationships with leading retailers in the U.S. He was earlier the Joint Managing Director of Norwest Industries (HK) and continues to be on its board of directors. He is the son of Mr. Deepak Seth, our non-executive Chairman, brother of Mr. Pallak Seth, our non-executive Vice-Chairman and nephew of Mr. Sanjay Pershad, our non-executive Director.

Shareholding Pattern

The pre-Issue and post-Issue shareholding of the Promoters and the Promoter group in the Company is as follows:

Name of Shareholder	Pre-Issue		Post-Issue (if Green Shoe Option is not exercised)		Post-Issue (if Green Shoe Option is exercised in full)	
	Number of Equity Shares	Percentage of equity share capital (%)	Number of Equity Shares	Percentage of equity share capital (%)	Number of Equity Shares	Percentage of equity share capital (%)
Promoters						
Mr. Deepak Seth	5,587,995	39.05	5,097,915	26.73	5,097,915	25.90
Mrs. Payel Seth	5,587,992	39.05	5,097,912	26.73	5,097,912	25.90
Mr. Pallak Seth	1,396,980	9.76	1,274,460	6.68	1,274,460	6.48
Mr. Pulkit Seth	1,396,980	9.76	1,274,460	6.68	1,274,460	6.48
Total Holding of the Promoters	**13,969,947**	**97.62**	**12,744,747**	**66.82**	**12,744,747**	**64.76**
Promoter Group (other than Promoters)						
Deepak Seth & Sons (HUF)	30	-	30	-	30	-
Mrs. Shefali Seth	30	-	30	-	30	-
Nim International Commerce Private Limited	30	-	30	-	30	-
Total Holding of Promoter Group (other than Promoters)	**90**	**-**	**90**	**-**	**90**	**-**
Others						
Lesing Mauritius Limited[(1)]	325,606	2.28	325,606	1.72	325,606	1.65
WG Associates Private Limited	15,000	0.10	15,000	0.08	15,000	0.08
Total Holding of Others (other than Promoters and Promoter Group)	**340,606**	**2.38**	**340,606**	**1.80**	**340,606**	**1.73**
Public and Employees in the Issue	**-**	**-**	**5,984,994**	**31.38**	**6,597,054**	**33.52**
Total	**14,310,643**	**100.00**	**19,070,437**	**100.00**	**19,682,497**	**100.00**

(1) *Represent Equity Shares held by an entity in which Mr. Tom Tar Singh, our Director, has beneficial interest through family interests; see above "Notes to Capital Structure – Share Capital History of the Company".*

Declaration

We confirm that the PAN, bank account details and passport numbers of each of Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth and Mr. Pulkit Seth have been submitted to the Stock Exchanges at the time of filing the Red Herring Prospectus with such Stock Exchanges.

Further, our Promoters and Promoter group entities, including relatives of the Promoters, have confirmed that they have not been detained as willful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or currently pending against them. None of our Promoters or persons in control of bodies corporate forming part of our Promoter group have been restricted from accessing the capital markets.

Common Pursuits

Except as disclosed in the Prospectus, the Promoters do not have an interest in any venture that is involved in any activities similar to those conducted by the Company or any of the Promoter group companies.

Interest of Individual Promoters

Mr. Deepak Seth

Mr. Deepak Seth, one of the Promoters, is interested in the Company to the extent of his shareholding and the dividend declared, if any, by the Company. He is also the non-executive Chairman of the Company.

Mrs. Payel Seth

Mrs. Payel Seth, one of the Promoters, is interested in the Company to the extent of her shareholding and the dividend declared, if any, by the Company.

Mr. Pallak Seth

Mr. Pallak Seth, one of the Promoters, is interested in the Company to the extent of his shareholding and the dividend declared, if any, by the Company. He is also the non-executive Vice-Chairman of the Company.

Mr. Pulkit Seth

Mr. Pulkit Seth, one of the Promoters, is interested in the Company to the extent of his shareholding and the dividend declared, if any, by the Company. He is also the Managing Director of the Company.

Related Party Transactions

Except as disclosed in the section "Related Party Transactions" beginning on page 148 of this Prospectus, there have been no payment of benefits to our Promoters during the last two years from the date of filing of this Prospectus.

The details of the entities that form part of our Promoter group are as follows:

Pallas Holdings Limited ("Pallas Holdings")

Pallas Holdings was incorporated on July 3, 1995. The registered office of the company is at Manor House, 1st Floor, Cnr Street, St. George Chazal Streets, Port Louis, Mauritius. The principal activity of Pallas Holdings is holding of investments.

Shareholding Pattern

The shareholding pattern of Pallas Holdings as of November 30, 2006 was as follows:

Name of Shareholder	Number of equity shares	% of Issued Capital
Mr. Deepak Seth	800	80
Mrs. Payel Seth	100	10
Mr. Pallak Seth	50	5
Mr. Pulkit Seth	50	5
Total	**1,000**	**100.0**

Board of Directors

The board of directors of Pallas Holdings comprises Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth, Mr. Pulkit Seth, Mr. Jaye Chund Jingree and Mr. Sushil Kumar Jogoo.

Financial Performance

(Thousands, except share data)

	For the period ended March 31,					
	2004		2005		2006	
	USD	Rs.(3)	USD	Rs.(3)	USD	Rs.(3)
Income/Sales	129	5,937	71	3,190	66	2,915
Profit/(Loss) after Tax	47	2,163	35	1,573	(127)	(5,635)
Equity Share Capital	1	44	1	44	1	45
Reserves and surplus (excluding revaluation reserves)(1)	448	19,768	532	23,296	405	18,063
Earnings/(Loss) per share(2)	47	2,163	35	1,573	(127)	(5,635)
Book Value per share (2)	449	19,812	533	23,340	406	18,108

(1) *Net of miscellaneous expenditure not written off.*

(2) *Face value of each equity share is $1.00.*

(3) *To comply with SEBI Guidelines, figures in USD have been converted to Indian Rupees applying an average rate of Rs.46.03, Rs. 44.94 and Rs. 44.29 for USD 1.00 for Profit and Loss items and the closing rate of Rs.44.13, Rs.43.79 and Rs. 44.62 for USD 1.00 for Balance Sheet items for the financial year ended March 31, 2004, March 31, 2005 and March 31, 2006, respectively.*

Pallas Holdings is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA, is not under winding up and does not have negative net worth.

Pearl Academy of Fashion India Limited ("PAFIL")

PAFIL was incorporated on March 24, 2003. The registered office of the company is at A-3, Community Centre, Naraina Industrial Area, Phase-II, New Delhi-110 028. The principal activity of PAFIL is to impart training and education through courses and diplomas, and advising and consulting in respect of planning and research on fashion, design and trends.

Shareholding Pattern

The shareholding pattern of PAFIL as of November 30, 2006 was as follows:

Name of Shareholder	Number of equity shares	% of Issued Capital
Mr. Deepak Seth	17,500	35
Mrs. Payel Seth	12,500	25
Mr. Pallak Seth	9,500	19
Mr. Pulkit Seth	9,500	19
Deepak Seth & Sons (HUF)	500	1
Mrs. Faiza Seth	250	0.5
Mrs. Shefali Seth	250	0.5
Total	**50,000**	**100.0**

Board of Directors

The board of directors of PAFIL comprises Mr. Sanjay Sarker, Mr. Ashok Sanghi and Mr. Ranjit Brahmachary.

Financial Performance

(Rs. Thousands, except share data)

	For the period ended March 31,		
	2004	**2005**	**2006**
Income/Sales	3,479	4,171	1,616
Profit/(Loss) after Tax	(124)	(117)	(1,220)
Equity Share Capital	500	500	500
Reserves and surplus (excluding revaluation reserves)(1)	160	268	(1,479)
Earnings/(Loss) per share (Rs.)(2)	(2.49)	(2.34)	(24.41)
Book Value per share (Rs.)(2)	6.80	4.64	(19.60)

(1) Net of miscellaneous expenditure not written off.

(2) Face value of each equity share is Rs.10.00.

PAFIL is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA, is not under winding up and does not have negative net worth.

Images Pearl Retail Solutions Private Limited ("IPRSPL")

IPRSPL was incorporated on December 16, 2004. The registered office of the company is at N-10, South Extension Part-I, New Delhi-110 049. The principal activity of IPRSPL is providing consultancy services in all areas relating to different retail formats and product categories; developing and delivering education programs on various subjects relating to retail and establishing; and running academic institutions in India and abroad.

Shareholding Pattern

The shareholding pattern of IPRSPL as of November 30, 2006 was as follows:

Name of Shareholder	Number of equity shares	% of Issued Capital
Mr. Deepak Seth	51,000	51
Mr. Amitabh Taneja	49,000	49
Total	**100,000**	**100.0**

Board of Directors

The board of directors of IPRSPL comprises Mr. Deepak Seth, Mr. Amitabh Taneja, Mr. A.K.G. Nair, Mr. Pallak Seth, Mr. Pulkit Seth, Mr. Raj Shekhar Roy and Mrs. Anjali Sondhi.

Financial Performance

(Rs. Thousands, except share data)

	For the period ended March 31,	
	2005	**2006**
Income/Sales	863	12,784
Profit/(Loss) after Tax	(1,277)	(6,513)
Equity Share Capital	1,000	1,000
Reserves and surplus (excluding revaluation reserves)[(1)]	(3,378)	(9,366)
Earnings/(Loss) per share (Rs.)[(2)]	(12.77)	(65.13)
Book Value per share (Rs.)[(2)]	(23.79)	(83.66)

(1) *Net of miscellaneous expenditure not written off.*

(2) *Face value of each equity share is Rs.10.00.*

IPRSPL is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA, is not under winding up and does not have negative net worth.

SACB Holdings Limited ("SACB")

SACB was incorporated on March 29, 2006. The registered office of the company is at Manor House, 1st Floor, Cnr Street, St. George Chazal Streets, Port Louis, Mauritius. The principal activity of SACB is holding investments in other entities.

Shareholding Pattern

The shareholding pattern of SACB as of November 30, 2006 was as follows:

Name of Shareholder	Number of equity shares	% of Issued Capital
Mr. Deepak Seth	40,000	80
Mrs. Payel Seth	5,000	10
Mr. Pallak Seth	2,500	5
Mr. Pulkit Seth	2,500	5
Total	**50,000**	**100.0**

Board of Directors

The board of directors of SACB comprises Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth, Mr. Pulkit Seth, Mr. Jaye Chund Jingree and Mr. Sushil Kumar Jogoo.

Financial Performance

(Thousands, except share data)

	For the period ended March 31, 2006	
	USD	**Rs.**[3]
Income/Sales	2,595	114,925
Profit/(Loss) after Tax	2,590	114,688
Equity Share Capital	0.002	0.089
Reserves and surplus (excluding revaluation reserves)[1]	2,590	115,545
Earnings/(Loss) per share (USD/Rs.)[2]	1,294,827	57,344,025
Book Value per share (USD/Rs.)[2]	1,294,828	57,772,658

(1) Net of miscellaneous expenditure not written off.

(2) Face value of each equity share is $1.00.

(3) To comply with SEBI Guidelines, figures in USD have been converted to Indian Rupees applying an average rate of Rs.44.29 for USD 1.00 for Profit and Loss items and the closing rate of Rs.44.62 for USD 1.00 for Balance Sheet items for the financial year ended March 31, 2006.

SACB is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA, is not under winding up and does not have negative net worth.

L T Systems and Controls Private Limited ("LTSCPL")

LTSCPL was incorporated on January 25, 1982. The registered office of the company is at 5265, Shardhanand Marg, Delhi-110006. The principal activity of LTSCPL is manufacturing, assembling, fabricating, erecting, buying, selling, altering and or otherwise dealing as distributors, agents, stockists, dealers, importers, exporters in respect of, all types of low and high tension switchgear, electric motor, generators, transformers, control panels, distribution boards and relay control panels, etc.

Shareholding Pattern

The shareholding pattern of LTSCPL as of November 30, 2006 was as follows:

Name of Shareholder	**Number of equity shares**	**% of Issued Capital**
Mr. Sunil Pal Seth	1,500	46.58
Mr. Dev Pal Seth	500	15.52
Mrs. Krishna Seth	660	20.49
Mrs. Geeta Seth	360	11.18
Ms. Sarika Seth	100	3.10
Ms. Manvi Seth	100	3.10
Total	**3,220**	**100.0**

Board of Directors

The board of directors of LTSCPL comprises Mr. Sunil Pal Seth and Mrs. Geeta Seth.

Financial Performance

(Rs. Thousands, except share data)

	For the period ended March 31,		
	2004	**2005**	**2006**
Income/Sales	1,029	1,071	1,001
Profit/(Loss) after Tax	207	155	66
Equity Share Capital	322	322	322
Reserves and surplus (excluding revaluation reserves)[(1)]	679	834	900
Earnings/(Loss) per share (Rs.)[(2)]	64.40	48.15	20.62
Book Value per share (Rs.)[(2)]	310.73	359.01	379.50

[(1)] *Net of miscellaneous expenditure not written off.*

[(2)] *Face value of each equity share is Rs.100.00*

LTSCPL is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA, is not under winding up and does not have negative net worth.

Repute Land and Leasing Private Limited ("RLLPL")

RLLPL was incorporated on February 5, 1996. The registered office of the company is at I-17, Maharani Bagh, New Delhi-110065. The principal activity of RLLPL is purchasing or otherwise acquiring lands, houses, buildings, sheds and other fixtures and leasing, renting, contracting properties.

Shareholding Pattern

The shareholding pattern of RLLPL as of November 30, 2006 was as follows:

Name of Shareholder	Number of equity shares	% of Issued Capital
Mr. Sanjay Pershad	5,490	54.9
Mrs. Anuradha Pershad	4,510	45.1
Total	**10,000**	**100.0**

Board of Directors

The board of directors of RLLPL comprises Mr. Sanjay Pershad and Mrs. Anuradha Pershad.

Financial Performance

(Rs. Thousands, except share data)

	For the period ended March 31,		
	2004	**2005**	**2006**
Income/Sales	Nil	Nil	Nil
Profit/(Loss) after Tax	(6)	(7)	(8)
Equity Share Capital	100	100	100
Reserves and surplus (excluding revaluation reserves)[(1)]	(43)	(49)	(55)
Earnings/(Loss) per share (Rs.)[(2)]	(0.63)	(0.69)	(0.76)
Book Value per share (Rs.)[(2)]	5.70	5.10	4.50

[(1)] *Net of miscellaneous expenditure not written off.*

(2) *Face value of each equity share is Rs.10.00.*

RLLPL is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA, is not under winding up and does not have negative net worth.

Transnational Textile Group Limited, Mauritius ("TTGL")

TTGL was incorporated on March 29, 2006. The registered office of the company is at Manor House, 1st Floor, Cnr Street, St. George Chazal Streets, Port Louis, Mauritius. The principal activity of TTGL is holding of investments.

Shareholding Pattern

The shareholding pattern of TTGL as of November 30, 2006 was as follows:

Name of Shareholder	Number of equity shares	% of Issued Capital
SACB Holdings Limited	2	100.0
Total	**2**	**100.0**

Board of Directors

The board of directors of TTGL comprises Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth, Mr. Pulkit Seth, Mr. Jaye Chund Jingree and Mr. Sushil Kumar Jogoo.

Financial Performance

(Thousands, except share data)

	For the period ended March 31, 2006	
	USD	Rs.(3)
Income/Sales	Nil	Nil
Profit/(Loss) after Tax	(5)	(232)
Equity Share Capital	0.002	0.089
Reserves and surplus (excluding revaluation reserves)(1)	(5)	(234)
Earnings/(Loss) per share(2)	(2,623)	(116,143)
Book Value per share(2)	(2,622)	(116,966)

(1) *Net of miscellaneous expenditure not written off.*

(2) *Face value of each equity share is $1.00.*

(3) *To comply with SEBI Guidelines, figures in USD have been converted to Indian Rupees applying an average rate of Rs.44.29 for USD 1.00 for Profit and Loss items and the closing rate of Rs.44.62 for USD 1.00 for Balance Sheet items for the financial year ended March 31, 2006.*

TTGL is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA, is not under winding up and does not have negative net worth.

PAF International Limited ("PAFIL")

PAFIL was incorporated on March 17, 2005. The registered office of the company is at House 11, Road 6, Baridhara, Dhaka, Bangladesh. The principal activity of PAFIL is promoting, establishing and running academic centres to impart training and education in the field of fashion designing related to apparels, jewellery, leather products, jute products, garments and beauty products.

Shareholding Pattern

The shareholding pattern of PAFIL as of November 30, 2006 was as follows:

Name of Shareholder	Number of equity shares	% of Issued Capital
Pallas Holdings Limited	5,900	59
Mr. Pulkit Seth	100	1
Nor Pearl Knitwear Limited	4,000	40
Total	**10,000**	**100.0**

Board of Directors

The board of directors of PAFIL comprises Mr. Pallak Seth, Mr. Pulkit Seth and Mr. Karkala Raja Rao.

Financial Performance

(Thousands, except share data)

	For the period ended March 31, 2006	
	Tk.	Rs.[(3)]
Income/Sales	419	285
Profit/(Loss) after Tax	(274)	(186)
Equity Share Capital	1,000	661
Reserves and surplus (excluding revaluation reserves)[(1)]	(8,776)	(5,799)
Earnings/(Loss) per share[(2)]	(27)	(19)
Book Value per share[(2)]	(777)	(513)

(1) *Net of miscellaneous expenditure not written off.*

(2) *Face value of each equity share is Tk.100.00.*

(3) *To comply with SEBI Guidelines, figures in Takka have been converted to Indian Rupees applying an average rate of Tk.0.68 for Rs.1.00 for Profit and Loss items and the closing rate of Tk.0.66 for Rs.1.00 for Balance Sheet items for the financial year ended March 31, 2006.*

PAFIL is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA, is not under winding up and does not have negative net worth.

NAFS Limited, UK ("NAFS")

NAFS was incorporated on March 1, 2005. The registered office of the company is at Auerbach Hope, 58-60 Berners Street, London-W1T 3JS. The principal activity of NAFS is carrying on business as a trading and commercial company. The Company has not commenced any commercial activity since inception.

Shareholding Pattern

The shareholding pattern of NAFS on November 30, 2006 was as follows:

Name of Shareholder	Number of equity shares[(1)]	% of Issued Capital
Pallas Holdings Limited	1,000	100.0
Total	**1,000**	**100.0**

(1) *The face value of each equity share is GBP 1.00.*

Board of Directors

The board of directors of NAFS comprises Mr. Deepak Seth, Mr. Pallak Seth, Mr. Pulkit Seth, Mrs. Kiran Gujral and Mr. Vineet Mathur.

Financial Performance

NAFS was incorporated on March 1, 2005 and has not yet commenced commercial activity. Accordingly, the financial results for fiscal 2005 and 2006 are not available.

NAFS is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA, is not under winding up and does not have negative net worth.

Lerros Moden, GmbH, Germany ("Lerros Germany")

Lerros Germany is a company of partnership incorporated on January 13, 1983. The registered office of the company is at 41468, Neuss, Im Taubental 35, FRG, Germany. The principal activity of Lerros Germany is the distribution of fashion articles, production, import and export of textile goods and trade with goods of all kinds.

Shareholding Pattern

The shareholding pattern of Lerros Germany on November 30, 2006 was as follows:

Name of Shareholder	Subscribed capital (in Euros)	% of Issued Capital
Pallas Holdings Limited	688965.82	89.8
Hartmut Schwenk Neuss	76693.79	10
Arun Gujral Neuss	1278.23	0.2
Total	**766937.84**	**100**

Board of Directors

The following persons are the managers of Lerros Germany: Mr. Arun Gujral, Mr. Hartmut Schwenk, Mr. Pallak Seth and Mr. Pulkit Seth.

Financial Performance

(Thousands, except share data)

	For the period ended January 31,					
	2004		2005		2006	
	EURO	Rs.[2]	EURO	Rs.[2]	EURO	Rs.[2]
Income/Sales	44,469	2,371,395	52,185	2,942,893	56,910	3,107,117
Profit/(Loss) after Tax	395	21,053	462	26,074	700	38,221
Equity Share Capital	767	43,362	767	43,717	767	40,962
Reserves and surplus (excluding revaluation reserves)[1]	2,804	158,560	3,267	186,214	3,967	211,869
Earnings/(Loss) per share	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Book Value per share	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

(1) *Net of miscellaneous expenditure not written off.*

(2) *To comply with SEBI Guidelines, figures in Euro have been converted to Indian Rupees applying an average rate of Rs.53.32, Rs.56.39 and*

Rs.54.60 for Euro 1.00 for Profit and Loss items and the closing rate of Rs.56.54, Rs.57.00 and Rs.53.41 for Euro 1.00 for Balance Sheet items for the financial year ended January 31, 2004, January 31, 2005 and January 31, 2006, respectively.

Lerros, Germany is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA, is not under winding up and does not have negative net worth.

Lerros Fashion CZ, s.r.o. ("Lerros Czeck")

Lerros Czeck is a limited liability company incorporated under the laws of the Czeck Republic on August 17, 2004. The registered office of the company is at Kvetnice 3, Vresova Konskr. No.1058, District Prague – East PLZ - 25082. The principal activity of Lerros Czeck is wholesale and retail.

Shareholding Pattern

The shareholding pattern of Lerros Czeck on November 30, 2006 was as follows:

Name of Shareholder	Subscribed capital (in Euros)	% of Issued Capital
Lerros Moden GmbH	240,000	80
Ms. Romana Novotna	60,000	20
Total	**300,000**	**100**

Board of Directors

Ms. Romana Novotna is the business manager of Lerros Czeck.

Financial Performance

(Thousands, except share data)

	For the period ended December 31,			
	2005		2006[3]	
	CZK	Rs.[2]	CZK	Rs.[2]
Income/Sales	2,313	4,270	-	-
Profit/(Loss) after Tax	85	157	-	-
Equity Share Capital	300	554	-	-
Reserves and surplus (excluding revaluation reserves)[1]	(405)	(748)	-	-
Earnings/(Loss) per share	N.A.	N.A.	N.A.	N.A.
Book Value per share	N.A.	N.A.	N.A.	N.A.

(1) *Net of miscellaneous expenditure not written off.*

(2) *To comply with SEBI Guidelines, figures in CZK have been converted to Indian Rupees applying an average rate of CZK 1.846 for Rs.1.00 for Profit and Loss items and the closing rate of CZK 1.848 for Rs.1.00 for Balance Sheet items for the financial year ended December 31, 2006.*

(3) *The financials for the period ended December 31, 2006 are not available as of the date of filing this Prospectus.*

Lerros Czeck is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA, is not under winding up and does not have negative net worth.

TK's-Sportswear GmbH ("TK's-Sportswear Germany")

TK's-Sportswear Germany was incorporated under the laws of Federal Republic of Germany on October 23, 1996 under the name "Snell Sportswear GmbH". Its name was changed to "TK's-Sportswear GmbH" on February 23, 2001. The registered office of TK's-Sportswear Germany is at 1M, Taubental 35D – 41468 Neuss, Germany. The principal activity of TK's-Sportswear Germany is trading of garments, particularly sportswear, including accessories.

Shareholding Pattern

The shareholding pattern of TK's-Sportswear Germany on November 30, 2006 was as follows:

Name of Shareholder	Subscribed capital (in Euros)	% of Issued Capital
Lerros Moden GmbH	25,565	100
Total	**25,565**	**100**

Board of Directors

Mr. Arun Gujral is the business manager of TK's-Sportswear Germany.

Financial Performance

(Thousands, except share data)

	For the period ended January 31,			
	2004		2005	
	EURO	Rs.[2]	EURO	Rs.[2]
Income/Sales	9,526	508,012	7,597	428,425
Profit/(Loss) after Tax	146	7,803	(15)	(850)
Equity Share Capital	26	1,445	26	1,457
Reserves and surplus (excluding revaluation reserves)[1]	215	12,156	200	11,400
Earnings/(Loss) per share	N.A.	N.A.	N.A.	N.A.
Book Value per share	N.A.	N.A.	N.A.	N.A.

(1) Net of miscellaneous expenditure not written off.

(2) To comply with SEBI Guidelines, figures in Euro have been converted to Indian Rupees applying an average rate of Rs.53.32 and Rs.56.39 for Euro1.00 for Profit and Loss items and the closing rate of Rs.56.54 and Rs.57.00 for Euro1.00 for Balance Sheet items for the financial year ended January 31, 2004 and January 31, 2005, respectively.

The financials for the period ended January 31, 2006 are not available as of the date of filing this Prospectus. Under German law, TK's-Sportswear Germany has until December 2007 to file its audited accounts.

TK's-Sportswear Germany is an unlisted company and has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA, is not under winding up and does not have negative net worth.

Nim International Commerce Pvt. Limited ("NIM")

NIM was incorporated on May 28, 1980. The registered office of the company is at A-3, Community Centre, Naraina Industrial Area, Phase-II, New Delhi -110 028. The principal activity of NIM is importing and exporting of natural fibre, plastic goods, chemicals, equipment, etc.

Shareholding Pattern

The shareholding pattern of NIM on November 30, 2006 was as follows:

Name of Shareholder	Number of equity shares	% of Issued Capital
Deepak Seth & Sons (HUF)	6,090	99.83
Mr. Deepak Seth	10	0.16
Total	**6,100**	**100**

Board of Directors

The board of directors of NIM comprises Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth, Mr. Sanjay Pershad and Mr. Sanjay Sarker.

Financial Performance

(Rs. Thousands, except share data)

	For the period ended March 31,		
	2004	**2005**	**2006**
Income/Sales	Nil	Nil	Nil
Profit/(Loss) after Tax	(24)	(82)	(11)
Equity Share Capital	610	610	610
Reserves and surplus (excluding revaluation reserves)[1]	44	(37)	(48)
Earnings/(Loss) per share (Rs.)[2]	(3.95)	(13.36)	(1.80)
Book Value per share (Rs.)[2]	107.21	93.93	92.13

[1] *Net of miscellaneous expenditure not written off.*

[2] *Face value of each equity share is Rs.100.00.*

NIM is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA, is not under winding up and does not have negative net worth.

Vau Apparels Private Limited ("VAU")

VAU was incorporated on March 14, 1990. The registered office of the company is at A-3, Community Centre, Naraina Industrial Area, Phase-II, New Delhi - 110028. The principal activity of VAU is manufacturing, trading, importing and exporting of readymade garments, fabrics, carpets, and other textiles and hosiery goods.

Shareholding Pattern

The shareholding pattern of VAU on November 30, 2006 was as follows:

Name of Shareholder	Number of equity shares	% of Issued Capital
Deepak Seth & Sons (HUF)	10,035	99.90
Pearl Global Limited	10	0.09
Total	**10,045**	**100.0**

Board of Directors

The board of directors of VAU comprises Mr. C. B. Dawar and Mr. Sanjay Sarker.

Financial Performance

(Rs. Thousands, except share data)

	For the period ended March 31,		
	2004	**2005**	**2006**
Income/Sales	7,298	10,691	6,375
Profit/(Loss) after Tax	(1,293)	(288)	(251)
Equity Share Capital	100	100	100
Reserves and surplus (excluding revaluation reserves)(1)	768	480	230
Earnings/(Loss) per share (Rs.)(2)	(128.76)	(28.63)	(24.95)
Book Value per share (Rs.)(2)	86.41	57.74	32.85

(1) *Net of miscellaneous expenditure not written off.*

(2) *Face value of each equity share is Rs.10.00.*

VAU is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA, is not under winding up and does not have negative net worth.

JSM Trading (FZE), Dubai ("JSM")

JSM is a free zone establishment which was incorporated on February 29, 2004. The registered office of JSM is at SAIF Zone, Sharjah, UAE. The principal activity of JSM is manufacture, general trading, export/import of all kinds of products and commodities.

Shareholding Pattern

The shareholding pattern of JSM as of November 30, 2006 was as follows:

Name of Shareholder	Number of equity shares	% of Issued Capital
Mr. Deepak Seth	1	100.0
Total	**1**	**100.0**

Board of Directors

The board of directors of JSM comprises Mr. Deepak Seth.

Financial Performance

(Thousands, except share data)

	For the period ended March 31,			
	2005		2006	
	USD	Rs.[3]	USD	Rs.[3]
Income/Sales	2,560	115,063	3,507	155,296
Profit/(Loss) after Tax	222	9,988	263	13,827
Equity Share Capital	41	1,790	41	1,824
Reserves and surplus (excluding revaluation reserves)[1]	222	9,732	263	11,748
Earnings/(Loss) per share[2]	222,231	9,987,505	263,000	11,647,481
Book Value per share[2]	263,103	11,521,280	304,170	13,571,457

(1) *Net of miscellaneous expenditure not written off.*

(2) *Face value of each equity share is USD 40,872.*

(3) *To comply with SEBI Guidelines, figures in USD have been converted to Indian Rupees applying an average rate of Rs.44.94 and Rs.44.29 for USD 1.00 for Profit and Loss items and the closing rate of Rs.43.79 and Rs.44.62 for USD 1.00 for Balance Sheet items for the financial year ended March 31, 2005 and March 31, 2006, respectively.*

JSM is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become sick under the meaning of SICA, is not under winding up and does not have negative net worth.

Crown Computerized Embroideries ("Crown")

Crown is a partnership firm established on November 5, 1988. The principal office of the partnership firm is at 16-17, Udyog Vihar, Phase-VI, Gurgaon, Haryana. The principal activity of Crown is to undertake embroidery work on garments and hosiery.

The partners of Crown are Mrs. Payel Seth and Mrs. Kusum Malik.

Financial Performance

(Rs. Thousand)

	For the period ended March 31,		
	2004	2005	2006
Income/Sales	6,542	14,653	27,755
Profit/(Loss) after Tax	(209)	332	1,479

Super Engineers ("SE")

SE is a partnership firm established on September 19, 1994. The principal office of the partnership firm is at 57, Shardhanand Marg, Delhi-110006. The principal activity of SE is purchasing and selling of machinery and electrical goods.

The partners of SE are Mr. Dev Pal Seth and Mr. Sunil Pal Seth.

Financial Performance

(Rs. Thousand)

	For the period ended March 31,		
	2004	**2005**	**2006**
Income/Sales	29,607	39,037	43,738
Profit/(Loss) after Tax	113	144	251

Pearl Wears ("Pearl Wears")

Pearl Wears is a partnership firm established on April 1, 2004. The principal office of the partnership firm is at A-3, Community Centre, Naraina Industrial Area, Phase-II, New Delhi-110028. The principal activity of Pearl Wears is manufacturing, trading, importing and exporting of readymade garments, fabrics, carpets and other textile and hosiery goods.

The partners of Pearl Wears are Mr. Deepak Seth and Mr. Sanjay Pershad.

Financial Performance

(Rs. Thousand)

	For the period ended March 31,	
	2005	**2006**
Income/Sales	22,546	14,559
Profit/(Loss) after Tax	652	1,979

Vastras ("Vastras")

Vastras is a sole proprietorship formed on August 23, 1989 by Mr. Sanjay Pershad. The principal office of Vastras is at A-3, Community Centre, Naraina Industrial Area, Phase-II, New Delhi-110 028. It is engaged in the business of buying readymade garments for export.

Financial Performance

(Rs. Thousand)

	For the period ended March 31,		
	2004	**2005**	**2006**
Income/Sales	4,498	8,191	5,249
Profit (Loss) after Tax	224	508	(801)

Defunct Promoter Group Companies

There are no defunct Promoter group companies.

Companies from which the Promoters have disassociated themselves

There are no companies from which the Promoters have disassociated themselves during the previous three years.

Social initiatives of the Promoter group

The Promoter group has taken a number of educational initiatives, including establishing the Pearl Academy of Fashion (the "Fashion Academy") under the Little People's Education Society to impart education in the field of fashion and design and the Retail School promoted by IPRSPL.

The Fashion Academy had entered into a collaboration agreement with the Nottingham Trent University, U.K. on November 26, 2003 to include fashion, textiles and design related programs with effect from September 1, 2003. The Fashion Academy has recently signed an institutional agreement with LDT Nagold (LDT) pov. Ltd., Germany for fashion retail related programs between July 1, 2005 and June 30, 2008.

The Pearl School of Business Studies (the "Pearl Business School") has been established by Little People Education Society. The Pearl Business School has signed a memorandum of understanding with Babson College, Boston, U.S. for assistance in devising curriculum in entrepreneurship and business management. The Babson College will also provide structured interaction and feedback on an on-going basis for seven years or until the first three batches of the Pearl Business School graduate.

RELATED PARTY TRANSACTIONS

The Company has various transactions with related parties, including the following:

- Subsidiaries;
- Associate;
- Directors and employees; and
- Promoter group entities.

These related party transactions include the following:

- payment of advance and remuneration;
- sale and purchase of goods; and
- payment relating to job work.

For more details on the Company's related party transactions, see note 10, Annexure V to HoPFL's restated consolidated financial statements on page F-60 of this Prospectus.

DIVIDEND POLICY

The declaration and payment of dividend will be recommended by the Board of Directors and approved by the shareholders of the Company at their discretion and will depend on a number of factors, including the results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions, applicable Indian legal restrictions and other factors considered relevant by the Board. Further, pursuant to the terms of the term loans obtained by the Company, prior written consent of the lenders of the Company is required to pay any dividends. The Board may also from time to time pay interim dividend. All dividend payments are made in cash to the shareholders of the Company.

The dividends declared by the Company in fiscal 2006, 2005, 2004, 2003 and 2002 are specified below:

(Rs. in million, except percentages)

Particulars	**Year ended March 31,**				
	2006	**2005**	**2004**	**2003**	**2002**
Number of Equity Shares of face value of Rs.10	4.65	0.73	0.73	0.73	0.73
Rate of Dividend on Equity (%)					
Interim	Nil	Nil	Nil	Nil	Nil
Final	23	Nil	Nil	Nil	Nil
Amount of Dividend on Equity (Rs. Million)					
Interim	Nil	Nil	Nil	Nil	Nil
Final	5.92	Nil	Nil	Nil	Nil

The amounts paid as dividends in the past are not necessarily indicative of the Company's dividend policy in the future. See also "Risk Factors – While the Company declared dividends in fiscal 2006, we cannot assure you that the Company will make dividend payments in future" beginning on page xxxi of this Prospectus.

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

Index of Financial Statements

AUDITORS' REPORT

SUMMARY STATEMENTS OF STANDALONE ASSETS AND LIABILITIES AS AT AND STANDALONE PROFITS AND LOSSES FOR THE HALF YEAR ENDED SEPTEMBER 30, 2006 AND FOR THE YEARS ENDED MARCH 31, 2006, 2005, 2004, 2003 AND 2002 AND STANDALONE CASH FLOWS FOR THE HALF YEAR ENDED SEPTEMBER 30, 2006 AND FOR THE YEARS ENDED MARCH 31, 2006, 2005, 2004, 2003 AND 2002, AS RESTATED, OF HOUSE OF PEARL FASHIONS LIMITED (FORMERLY MINA ESTATES PRIVATE LIMITED).

To,

The Board of Directors,
House of Pearl Fashions Ltd.,
(formerly Mina Estates Private Limited),
A-3 Naraina Industrial Area, Phase II,
New Delhi-110 028.

Dear Sirs,

We have examined the unconsolidated financial information of House of Pearl Fashions Limited ('HOPFL' or 'the Company') annexed to this report, for the purposes of inclusion in the Offer Document ('the Offer Document') proposed to be issued by House of Pearl Fashions Limited in connection with the initial public offering of its equity shares, which has been prepared in accordance with the requirements of:

a. paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b. The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 ('the Guidelines') issued by the Securities and Exchange Board of India ('SEBI') and amendments made thereto from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992.

c. the terms of reference received from the Company, requesting us to examine the unconsolidated financial information referred to above in connection with the proposed Initial Public Offering ('IPO') of equity shares by the Company.

Financial information as per the audited financial statements:

1. We have examined the attached restated summary statement of assets and liabilities of the Company as at September 30, 2006, March 31, 2006, 2005, 2004, 2003 and 2002, the attached restated summary statement of profits and losses for each of the period/years ended on those dates and the attached restated summary statement of cash flows for the half year ended September 30, 2006 and the years ended March 31, 2006, 2005, 2004, 2003 and 2002 ('summary statements') (see Annexure I, II and III) as prepared by the Company and approved by the Board of Directors. Based on our examination of these summary statements, we confirm that:
   - there have been no changes in accounting policies, which need to be disclosed separately in the summary statements;
   - there are no material prior period items, which need to be adjusted in the summary statements;
   - there are no extraordinary items, which need to be disclosed separately in the summary statements; and
   - there are no qualifications in the auditors' reports, which require any adjustments to the summary statements.
2. The summary of significant accounting policies adopted by the Company pertaining to the audited financial statements as at and for the half year ended September 30, 2006 are enclosed as Annexure V to this report.
3. The summary of notes to accounts pertaining to the audited financial statements as at and for the half year ended September 30, 2006 and the years ended March 31, 2006, 2005, 2004, 2003 and 2002 are enclosed as Annexure VI to this report.

Other financial information

4. We have examined the following financial information of the Company proposed to be included in the Offer Document as

approved by you and annexed to this report:

i. Changes in share capital as enclosed in Annexure VII,

ii. Capitalization statement as at September 30, 2006 as enclosed in Annexure VIII,

iii. Details of secured loans, as appearing in Annexure IX,

iv. Details of investments, as appearing in Annexure X,

v. Details of loans and advances, as appearing in Annexure XI,

vi. Details of sundry debtors, as appearing in Annexure XII,

vii. Details of current liabilities and provisions, as appearing in Annexure XIII,

viii. Details of other income, as appearing in Annexure XIV,

ix. Details of rates of dividend as enclosed in Annexure XV,

x. Accounting ratios based on the restated profits relating to earnings per share (basic and diluted), net asset value and return on net worth as enclosed in Annexure XVI,

xi. Statement of tax shelters as enclosed in Annexure XVII,

xii. Details of contingent liabilities not provided for, as appearing in Annexure XVIII, and

xiii. Details of related party transactions, as appearing in Annexure XIX.

5. In our opinion, the 'Financial information as per the audited financial statements' and 'other financial information' mentioned above has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.

6. This report should not be in any way construed as a re-issuance or redrafting of any of the previous audit reports issued by us nor should this report be construed as a new opinion on any of the financial statements referred to herein.

7. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Dinodia & Co.,
Chartered Accountants

Sandeep Dinodia
Partner
Membership No: 083689
Place: New Delhi
Date: 28th November, 2006

HOUSE OF PEARL FASHIONS LIMITED
(formerly known as Mina Estates Private Limited)

Annexure-I : Summary Statement of Assets and Liabilities, As Restated

(Amount in Rs.)

Particulars	As at September 30, 2006	As at March 31, 2006	2005	2004	2003	2002
Fixed Assets						
Gross Block	5,260,751	47,482,847	42,536,203	49,866,093	49,539,510	49,539,510
Less: Accumulated depreciation	1,537,572	9,854,323	9,442,508	9,473,334	8,359,908	7,818,608
Net Block	**3,723,179**	**37,628,524**	**33,093,695**	**40,392,759**	**41,179,602**	**41,720,902**
Investments	**254,247,569**	**229,389,784**	**39,303,288**	**49,180,614**	**48,211,900**	**47,694,477**
Deferred Tax Asset	**9,470,398**	**7,749,589**	**7,343,945**	**7,268,607**	**4,833,635**	**-**
Current Assets, Loans and Advances						
Inventories	3,850,491	3,850,491	212,726	212,726	283,636	283,636
Sundry Debtors	3,884,628	-	-	749,673	-	-
Cash & Bank Balances	10,437,418	21,735,241	13,782,947	245,070	448,783	232,386
Loans & Advances	44,838,796	14,758,183	45,368,026	8,807,272	8,614,737	9,360,855
Other Current Assets	44,898	-	8,500,050	-	3,618	308,737
Total	**63,056,231**	**40,343,915**	**67,863,749**	**10,014,741**	**9,350,774**	**10,185,614**
Total Assets	**330,497,377**	**315,111,812**	**147,604,677**	**106,856,721**	**103,575,911**	**99,600,993**
Liabilities and Provisions						
Secured Loans	163,000,000	-	-	-	-	-
Unsecured Loans	-	-	-	140,000	-	-
Current Liabilities	2,518,248	164,212,459	3,858,719	5,127,006	3,819,176	89,827
Provisions (Net)	2,384,105	714,605	198,605	-	84,043	84,043
Total Liabilities	**167,902,353**	**164,927,064**	**4,057,324**	**5,267,006**	**3,903,219**	**173,870**
Net Worth	**162,595,024**	**150,184,748**	**143,547,353**	**101,589,715**	**99,672,692**	**99,427,123**
Represented by:						
Equity Share Capital	139,700,370	46,566,790	7,345,700	7,345,700	7,345,700	7,345,700
Share application money pending allotment	4,500,000	-	39,221,090	-	-	-
Reserve and Surplus	18,394,654	103,617,958	96,980,563	94,244,015	92,326,992	92,081,423
Net Worth	**162,595,024**	**150,184,748**	**143,547,353**	**101,589,715**	**99,672,692**	**99,427,123**

Note:

The above statement should be read with the significant accounting policies appearing in Annexure-V, Notes to Accounts-VI and Notes on adjustments for restated financial statements appearing in Annexure-IV.

As per our report of even date attached.

For S.R. Dinodia & Co.,
Chartered Accountants

On behalf of the Board of Directors

(Sandeep Dinodia)
Partner
M.No.083689

(Deepak Seth)
Chairman

(Rishi Vig)
Chief Finance Officer

Place : New Delhi
Date : 28th November, 2006

(Jyant Sood)
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED
(formerly known as Mina Estates Private Limited)

Annexure-II: Summary Statement of Profit & Loss, As Restated

(Amount in Rs.)

Particulars	Half year ended 30.09.2006	Financial year ended March 31, 2006	2005	2004	2003	2002
Income						
Sales of Products:						
Manufactured Goods	20,170,618	-	-	-	-	-
Traded Goods	12,660,241	-	-	772,566	13,648,521	-
Export Incentives	1,224,811	-	-	59,826	1,621,753	-
Other Income	15,933,356	10,616,771	10,995,362	4,820,636	548,748	6,112,319
Total Income	**49,989,026**	**10,616,771**	**10,995,362**	**5,653,028**	**15,819,022**	**6,112,319**
Expenditure						
Cost of Goods traded	23,736,672	-	-	625,710	14,353,348	-
Personnel Expenses	850,476	27,000	60,000			
Administrative, Selling & Other Expenses	3,615,077	3,412,783	7,454,787	4,509,883	5,474,523	4,610,048
Financial Expenses	6,854,626	-	-	-	37,917	-
Depreciation	322,537	411,814	620,761	1,113,426	541,300	540,540
Total Expenditure	**35,379,388**	**3,851,597**	**8,135,548**	**6,249,019**	**20,407,088**	**5,150,588**
Net Profit before tax and extraordinary items	**14,609,638**	**6,765,174**	**2,859,814**	**(595,991)**	**(4,588,066)**	**961,731**
Provision for taxation						
Current tax	(1,600,000)	(516,000)	(198,605)	84,043	-	8,724
Deferred tax	1,720,809	405,644	75,338	2,434,972	1,494,904	
Fringe benefit tax	(69,500)	-	-	-	-	-
Wealth tax	-	-	-	-	-	-
Prior Period Income / (Expenses)	10,230	(17,423)	-	(6,000)	-	-
Net Profit after tax	**14,671,177**	**6,637,395**	**2,736,547**	**1,917,024**	**(3,093,162)**	**970,455**

Note:

The above statement should be read with the significant accounting policies appearing in Annexure-V, Notes to Accounts-VI and Notes on adjustments for restated financial statements appearing in Annexure-IV.

As per our report of even date attached.

For S.R. Dinodia & Co.,
Chartered Accountants

(Sandeep Dinodia)
Partner
M.No.083689

Place : New Delhi
Date : 28th November, 2006

On behalf of the Board of Directors

(Deepak Seth)
Chairman

(Rishi Vig)
Chief Finance Officer

(Jyant Sood)
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED
(formerly known as Mina Estates Private Limited)

Annexure-III: Summary Statement of Cash Flow, As Restated

(Amount in Rs.)

	Particulars	Half year ended	Financial year ended March 31,				
		30.09.2006	2006	2005	2004	2003	2002
A.	**Net Profit Before Tax and Extraordinary Items**	14,609,638	6,765,174	2,859,814	(595,991)	(4,588,066)	961,731
	Adjustments :						
	Depreciation	322,537	411,814	620,761	1,113,426	541,300	540,540
	Sundry Balance Written Off	63,000	79,429	-	-	32,147	(27,227)
	Loss on sale of Shares	-	-	-	-	90	2,079
	Dead Stock Written Off	-	212,726	-	-	-	-
	Foreign Exchange Fluctuation	5,940	145,060	-	22,192	-	-
	Non Operating Expenditure	-	200	6,578,303	-	37,917	-
	Share in the Profit of HoPP Fashions (Partnership)	(357,680)	(604,351)	(311,329)	(4,691,953)	(417,723)	(20,180)
	Finance Cost	6,854,626	-	-	-	-	-
	Non Operating Incomes	(15,560,191)	(10,012,421)	(10,634,968)	(127,843)	(131,025)	(6,092,139)
	Operating Profit /(loss) before working capital changes	**5,937,870**	**(3,002,368)**	**(887,419)**	**(4,280,170)**	**(4,525,360)**	**(4,635,196)**
	Adjustment for :						
	Trade and Other Receivables	(22,371,899)	42,911,297	(43,723,525)	(973,259)	1,021,066	9,171,906
	Inventories	-	(3,850,491)	-	70,910	-	-
	Trade Payables	409,892	(1,750,362)	(1,268,287)	1,307,830	3,729,349	(92,454)
	Cash Generated from operations	**(16,024,137)**	**34,308,075**	**(45,879,231)**	**(3,874,689)**	**225,055**	**4,444,256**
	Less: Prior Period Income / (Expense)	10,230	(17,423)	-	(6,000)	-	-
	Direct Taxes (Paid)/ Refunds	(1,018,320)	(1,126,320)	(109,778)	12,476	(1,976)	122,380
	Net Cash Generated / (used) in Operating Activities	**(17,032,227)**	**33,164,331**	**(45,989,009)**	**(3,868,213)**	**223,079**	**4,566,636**
B.	**Cash Flow from Investing Operation:**						
	Purchase of Fixed Assets	(2,125,840)	-	-	-	-	(16,000)
	Sale of Fixed Assets	50,000,000	8,300,900	100,000	-	-	-
	Capital Advances Given	-	-	-	(326,583)	-	-
	Investment made during the year	(24,500,104)	(39,472,923)	(1,237,113)	-	(202,500)	(18,448,300)
	Share application money paid to Subsidiaries	(5,999,500)	-	-	-	-	-
	Payment for Investment	(162,104,103)	-	-	-	-	-
	Sale of Investment/ Drawings from Partnership	-	3,313,058	20,600,160	3,723,240	102,710	2,821

(Amount in Rs.)

	Particulars	Half year ended 30.09.2006	Financial year ended March 31, 2006	2005	2004	2003	2002
	Interest on FDRs	242,065	130,814	-	573	6,565	10,709
	Dividend Received	-	24,170	15,575	7,270	4,460	5,961,430
	License Income	-	490,740	800,000	-	-	-
	Rent Received	1,026,774	2,001,203	167,173	120,000	120,000	120,000
	Cash from investing activities	**(143,460,708)**	**(25,212,039)**	**20,445,796**	**3,524,500**	**31,235**	**(12,369,340)**
C.	**Cash Flow from Financing Activities**						
	Repayment of Loans etc.	(9,266,000)	-	(140,000)	-	-	-
	Interest Expense	-	-	-	-	(37,917)	-
	Loan Taken	172,266,000	-	-	140,000	-	-
	Public Issue Expenses	(4,683,421)	-	-	-	-	-
	Dividend paid	(5,939,311)					
	Corporate Dividend Tax	(831,590)					
	Finance Cost	(6,854,626)	-	-	-	-	-
	Share Application Money Received	4,500,000	-	39,221,090	-	-	-
	Share Application Money Repaid	-	-	-	-	-	-
	Net cash used in financing activities	**149,201,052**	**-**	**39,081,090**	**140,000**	**(37,917)**	**-**
	Net Increase/(Decrease) in Cash/Cash equivalents (A+B+C)	**(11,291,883)**	**7,952,293**	**13,537,877**	**(203,713)**	**216,397**	**(7,802,704)**
	Exchange Fluctuations	**(5,940)**	**-**	**-**	**-**	**-**	**-**
	Cash / Cash equivalents at the beginning of the year	**21,735,241**	**13,782,947**	**245,070**	**448,783**	**232,386**	**8,035,090**
	Cash / Cash equivalents at the close of the year	**10,437,418**	**21,735,241**	**13,782,947**	**245,070**	**448,783**	**232,386**

Note:

The above statement should be read with the significant accounting policies appearing in Annexure-V, Notes to Accounts-VI and Notes on adjustments for restated financial statements appearing in Annexure-IV.

As per our report of even date attached.

For S.R. Dinodia & Co.,
Chartered Accountants

On behalf of the Board of Directors

(Sandeep Dinodia)
Partner
M.No.083689

(Deepak Seth)
Chairman

(Rishi Vig)
Chief Finance Officer

Place : New Delhi
Date : 28th November, 2006

(Jyant Sood)
Company Secretary

Annexure-IV: Notes on Adjustments

1. Notes on adjustments

There have been no changes in accounting policies and material prior period items, extraordinary items and qualifications resulting from incorrect accountings practices / policies or failures to make provisions or other adjustments pertaining to the audited financial statements of House of Pearl Fashions Limited as at and for the six months ended September 30, 2006 and the years ended March 31, 2006, 2005, 2004, 2003 and 2002, which require any adjustments to the summary statements. Consequently, no adjustments have been made for the same.

Annexure-V: Significant Accounting Policies

1. Accounting Convention

The financial statements are prepared under historical cost convention and on accrual basis, in accordance with the applicable accounting principles in India, the mandatory accounting standard issued by Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

2. Use of Estimates

The preparation of financial statements is in conformity with generally accepted accounting principles, requires making of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets & liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between the actual results and estimates are recognized in the year in which the results are known / materialized.

3. Inventories

Inventories of finished goods manufactured by the Company are valued at lower of cost or estimated net realizable value. Cost includes material cost on weighted average basis and appropriate share of overheads.

Inventories of finished goods traded are valued at lower of procurement cost (FIFO Method) or estimated net realizable value.

Inventories of Work in progress, Raw material, Accessories & Consumables are valued at cost (weighted average method) or at estimated net realizable value whichever is lower. For Work in Progress, cost includes appropriate overheads.

4. Cash Flow Statement

Cash flows are reported using the indirect method as specified in Accounting Standard (AS-3) 'Cash Flow Statement'.

5. Depreciation

Depreciation is provided on Straight Line Method in the manner and at the rates as specified in Schedule XIV of Companies Act, 1956. Fixed Assets costing upto Rs. 5,000/- are depreciated fully in the year of purchase.

6. Revenue Recognition

(a) Export sale is recognized on the basis of date of Airway Bill/ Bill of lading.

(b) Sales are shown as net of trade discount and include Freight & Insurance recovered from buyers as per the terms of sale.

(c) Interest income is recognized on time proportion basis.

(d) Investment income recognized as and when the right to receive the same is established.

7. Fixed Assets

Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties, taxes and incidental expenses including borrowing costs related to acquisition, less accumulated depreciation. Related Pre-operative expenses are capitalized over the total project after the commencement of Project/commercial production.

8. Foreign Currency Transactions

a) Sales made in foreign currency are translated on average monthly exchange rate. Gain/Loss arising out of fluctuation in the exchange rate on settlement of the transaction is recognized in the profit and loss account.

b) Current assets, Current liabilities and loans denominated in foreign currencies are translated at contracted rate if applicable and in other cases at the rates prevailing on the date of balance sheet, the resultant exchange gain/loss are dealt with in profit and loss account except in respect of loans denominated in foreign currencies utilized for acquisition of fixed assets where the exchange gain/loss are adjusted to the cost of such assets.

9. Investments

Investments are classified into current and long-term investments. Current investments are stated at the lower of cost or quoted / fair value. Long-term investments are stated at cost, less any provision for permanent diminution in value.

10. Leases

Lease agreements executed after April 1, 2001 for taking assets on lease are classified as either finance lease or operating lease and are accounted for in accordance with the Accounting Standard (AS-19) issued by the Institute of Chartered Accountants of India.

Lease rent paid for leased assets in respect of which agreements were entered into prior to April 1, 2001 are charged to the Profit and loss account.

11. Taxes on Income

Current tax is amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized on timing differences being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is a virtual certainty that there will be sufficient future taxable income available to reverse such losses.

12. Provision, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation as a result of past event, it is more likely that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Annexure-VI: Notes to Account

1. Contingent Liabilities

For the Half Year ended 30th September, 2006

Counter Guarantee given by the Company against bank guarantee given by the bank on its behalf for Rs.2,400,000.00 (Previous year nil).

2. Capital Commitment

The Company has no commitment on contracts remaining to execute on capital account.

3. Secured Loans

i) Rupee term loan from Standard Chartered Investments and Loans (India) Ltd. in the half year ended 30.9.2006 is secured by :-

(a) Corporate Guarantee of Pearl Global Limited

(b) Standby Letter of Credit from Standard Chartered Bank, Hongkong.

(c) Pledge of Shares of Pearl Global Limited.

(d) Negative Lien on the shares of Nor Pearl Knitwear Ltd and Norp Knitwear Industries Ltd held by the Company.

4. Deferred Tax

In view of Accounting Standard-“22” ‘Accounting for Taxes on Income’ issued by the Institute of Chartered Accountants of India, the Company has accounted for deferred tax as follows:

(Amount in Rs.)

Particulars	**Balance as at**					
	30.09.2006	**31.03.2006**	**31.03.2005**	**31.03.2004**	**31.03.2003**	**1.04.2002**
Deferred Tax Assets						
Unabsorbed Depreciation	1,070,636	1,160,907	1,086,750	1,158,748	4,419,735	3,134,605
Business losses	4,975,455	5,718,387	5,804,657	6,285,108	984,457	801,450
Capital losses	3,448,288	827,305	429,250	392,141	391,955	362,699
Depreciation	-	42,990	23,288	-	-	-
Total (A)	**9,494,379**	**7,749,589**	**7,343,945**	**7,835,997**	**5,796,147**	**4,298,754**
Deferred Tax Liabilities		Nil	Nil			
Depreciation	23,981	-	-	567,390	962,512	960,023
Total (B)	**23,981**	**Nil**	**Nil**	**567,390**	**962,512**	**960,023**
Net Deferred Tax Asset/ (Liability) (A)-(B)	**9,470,398**	**7,749,589**	**7,343,945**	**7,268,607**	**4,833,635**	**3,338,731**

The tax impact for the above purpose have been arrived at by applying the prevailing tax rate as on Balance Sheet date under the Income Tax Act, 1961.

5. **Detail of investment made & sold**.

Period ended 30.09.2006					
Name of Investment	**Face Value**	**Purchases during the year**		**Sale during the year**	
		Qty.	**Value**	**Qty.**	**Value**
Nor Pearl Knitwear Ltd.	BDT 10	96,891	8,450,104		
Multinational Textiles Group Ltd.	USD 1	325,000	14,982,500		
House of Pearl Fashions (US) Ltd.	-	100	11,567,500		
Financial year 2005-2006					
City Estates Pvt Ltd.	10			10,020	250,500
Nim International Commerce Pvt Ltd.	10			6,100	609,000
Fidelity Equity Fund	10	121,595	1,500,000	121,595	1,988,084
International Travel House Limited	10			1,000	151,051
ICICI Bank Ltd.	10	2,000	1,050,000	2,000	1,197,109
Multinational Textile Group Ltd.	USD 1	10,000	447,800		
Indian Oil Corporation	10			150	84,308
Oil & Natural Gas Corporation Ltd.	10			351	412,214
Punjab National Bank	10			802	377,405

Name of Investment	Face Value	Purchases during the year		Sale during the year	
		Qty.	Value	Qty.	Value
Financial year 2005-2006					
Principal Focused Advantage Fund	10			97,799.511	1,113,660
Prudential Infrastructure Fund	10	391,198	4,000,000	391,198	5,188,264
Magnum Multicap	10	80,000	800,000	80,000	1,024,000
Suzlon Energy Ltd	10	25	12,750	25	32,828
Norp Knit Industries Ltd.	BDT 100	980	66,545		
Nor Pearl Knitwear Ltd	BDT 100	2,240,668	161,892,500		
Pearl Global Limited	10			300	300
Financial year 2004-2005					
Vau Apparels Pvt Ltd.	10			10,035	100,350
Winner Estates Pvt Ltd.	10			1,076,900	11,275,050
Oil & Natural Gas Corpn	10	291	237,113		
Principal Mutual Fund	10	97,799.511	10,00,000		
Financial year 2003-2004					
	-	-	-	-	
Financial year 2002-2003					
Vau Apparels Pvt Ltd.	10	10,000	100,000		
City Estates Pvt Ltd	10	10,000	100,000		
Pearl Jewellery (I) Ltd.	10			10	10
Premier Rubber & Plastic Pvt Ltd.	10			10,020	100,200
Financial year 2001-2002					
Pearl Global Limited	10	1,600	16,000		
Aries Travels Pvt Ltd.	10			20	200
Anand Fashion Pvt Ltd.	10			30	300
Crown Computerised Embroidery	10			20	200
Pearl Retail Ltd.	10			10	100

6. **Detail of Investment in HoPP Fashions**

Half year ended 30.09.2006			
Name of Partner	**% of Share**	**Profit / (Loss)**	**Capital Balance**
Deepak Seth & Sons	25%	119,227	1,403,309
House of Pearl Fashions Ltd. (Previously known as Mina Estates Pvt. Ltd.)	75%	357,680	53,426,752
Financial year 2005-2006			
Deepak Seth & Sons	25%	201,450	1,284,082
House of Pearl Fashions Ltd. (Previously known as Mina Estates Pvt. Ltd.)	75%	604,351	63,569,071
Financial year 2004-2005			
Pearl Global Limited	25%	155,664	39,025,123
Deepak Seth & Sons	25%	155,664	1,082,632
House of Pearl Fashions Ltd (Previously known as Mina Estates Pvt. Ltd.)	50%	311,329	33,614,598
Financial year 2003-2004			
Pearl Global Limited	25%	2,345,977	38,869,459
Deepak Seth & Sons	25%	2,345,977	926,967
House of Pearl Fashions Ltd. (Previously known as Mina Estates Pvt. Ltd.)	50%	4,691,953	3,330,269
Financial year 2002-2003			
Pearl Global Limited	25%	208,862	34,261,325
Deepak Seth & Sons	25%	208,862	(1,419,009)
House of Pearl Fashions Ltd. (Previously known as Mina Estates Pvt. Ltd.)	50%	417,723	32,334,555
Financial year 2001-2002			
Pearl Global Limited	25%	10,090	32,990,553
Deepak Seth & Sons	25%	10,090	(1,627,871)
House of Pearl Fashions Ltd. (Previously known as Mina Estates Pvt. Ltd.)	50%	20,180	31,916,832

7. **Assets Given on Lease**

The Company has given certain assets on operating lease (Non Cancellable) and lease rent income received on such assets as follows:-

30.9.2006	**2005-06**	**2004-05**	**2003-04**	**2002-03**	**2001-02**
1,026,774	2,685,000	645,000	299,875	299,875	Nil

The future lease payments received in respect of such assets as follows:-

Minimum Lease Payments Receivables

(Amount in Rs.)

	30.9.2006	2005-06	2004-05	2003-04	2002-03	2001-02
Not later than 1 year	840,000	2,869,500	2,685,000	120,000	120,000	120,000
Later than 1 year but not later than 5 years	3,216,000	13,127,604	12,598,911	360,000	480,000	480,000
Later than 5 years	2,664,000	11,736,000	14,774,193	Nil	Nil	120,000

Gross Investment and Depreciation charged on such assets as follows:-

(Amount in Rs.)

	30.9.2006	2005-06	2004-05	2003-04	2002-03	2001-02
Gross Investment on Leased Assets	2,808,328	47,156,264	42,209,620	49,539,510	49,539,510	49,539,510
Accumulated Depreciation on Leased Assets	1,522,609	9,854,323	9,442,509	9,473,334	8,359,908	7,818,608
Depreciation for the year	29,597	411,814	620,761	1,113,426	541,300	540,540

8. Details of Pre-operative expenses as are included in capital work-in-progress in the fixed asset schedule are as follows:

Particulars of Expenses	**As at 30th September, 2006 (in Rs.)**	**As at 31st March, 2006 (in Rs.)**
Retail Business		
Professional Charges	1,838,483.00	
Total	**1,838,483.00**	

9. In view of the management, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated as on the balance sheet date.

10. The Company is planning Initial Public Offer (IPO) for subscription for public in the upcoming months and the Company has filed the Draft Red Herring Prospectus (DRHP) with Security Exchange Board of India (SEBI) on October 10, 2006. During the period the Company has incurred expenses amounting to Rs. 4,683,421 towards IPO which is classified as "Expenses relating to Public Offer" under loans and advances in the financial statements. These expenses would be adjusted against the securities premium account on completion of the Public Issue.

11. **a)** The Company through its wholly owned subsidiary Multinational Textile Group Limited in Mauritius has acquired stakes in the following companies as per details given under:-

S. No.	Name of the Company	Country	Date of acquisition	% of Stake	Nature of Business
1.	Norwest Industries Ltd.	Hongkong	31.05.2006	85%	Sourcing of Readymade Garments for Exports
2.	Global Textiles Group Limited Which in turn has acquired the following companies :-	Mauritius	31.03.2006	100%	
	(a) Depa International Inc. * including its subsidiary Depa International (Canada) Inc.	USA	30.03.2006	75%	Marketing and Distribution of Readymade Garments for Export
	(b) Poeticgem Limited including its subsidiary Pacific Logistics Ltd. UK	UK	30.03.2006	100%	
	(c) P.T. Norwest Industries	Indonesia	30.03.2006 15.5.2006	74% 25.92%	Manufacturing of Readymade Garments for Exports

* *Depa International (Canada) Inc. has been acquired by Poeticgem Limited. U.K. on 31st August, 2006 and the name of the Depa International (Canada) Inc. have been changed to Poeticgem (Canada) Ltd. w.e.f. 12th October, 2006.*

b) The Company has also acquired stakes directly in the following overseas companies.

S. No.	Name of the Company	Country	Date of acquisition	% of Stake	Nature of Business
1.	Nor Pearl Knitwear Ltd.	Bangladesh	28.03.2006	99.88%	Manufacturing of Readymade Garments for Exports
2.	Norp Knit Industries Ltd.	Bangladesh	28.03.2006	98.00%	
3.	House of Pearl Fashions (US) Ltd	US	01.08.2006	100%	Engaged in retail business of Readymade Garments

For S.R. Dinodia & Co.,
Chartered Accountants

On behalf of the Board of Directors

(Sandeep Dinodia)
Partner
M.No.083689

(Deepak Seth)
Chairman

(Rishi Vig)
Chief Finance Officer

Place : New Delhi
Date : 28th November, 2006

(Jyant Sood)
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED
(formerly known as Mina Estates Private Limited)

Annexure-VII: Changes in Share Capital

Particulars	Date of allotment	No. of equity shares allotted	Remarks
Equity Shares	10.10.2005	3,922,109	Increase in Share Capital
Equity Shares	17.06.2006	9,313,358	Allotment of Bonus Share in the ratio 1:2

For S.R. Dinodia & Co.,
Chartered Accountants

(Sandeep Dinodia)
Partner
M.No.083689

Place : New Delhi
Date : 28th November, 2006

On behalf of the Board of Directors

(Deepak Seth)
Chairman

(Rishi Vig)
Chief Finance Officer

(Jyant Sood)
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED
(formerly known as Mina Estates Private Limited)

Annexure-VIII: Capitalisation Statement as at September 30, 2006

(Amount in Rs.)

Particulars	**Pre-Issue**	**Post-Issue**
Borrowings		
(i) Short term debt	163,000,000	-
(ii) Long term debt	-	-
Total Debt	**163,000,000**	**-**
Shareholders' Fund		
(i) Share Capital	139,700,370	190,704,370
(ii) Share Application		
Pending Allotment	4,500,000	-
(iii) Reserves and Surplus	18,394,654	18,394,654
(iv) Share Premium Account	-	2,673,232,660
Total Shareholders' Fund	**162,595,024**	**2,882,331,684**
Total Capitalisation	**325,595,024**	**2,882,331,684**
Long term debt Equity ratio	-	-

* Profit and Loss after September 30, 2006 is not taken into account.

Notes:

a) Short term debt represents debts which are due within twelve months.

b) Long Term debt Equity Ratio = Long Term debt/Equity.

For S.R. Dinodia & Co.,
Chartered Accountants

On behalf of the Board of Directors

(Sandeep Dinodia)
Partner
M.No.083689

(Deepak Seth)
Chairman

(Rishi Vig)
Chief Finance Officer

Place : New Delhi
Date : 28th November, 2006

(Jyant Sood)
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED
(formerly known as Mina Estates Private Limited)

Annexure-IX: Details of Secured Loans

(Amount in Rs.)

Particulars	As at September 30, 2006	As at March 31,				
		2006	2005	2004	2003	2002
Term loan from Bank	-					
Term loan from Financial institutions	-					
Term loan from others	163,000,000					
Interest accrued and due on above	-	NIL	NIL	NIL	NIL	NIL
Working capital limits from bank	-					
Other loan from banks	-					
Total	**163,000,000**	-	-	-	-	-

Sl. No.	Name of Institution	Sanctioned Amount	Outstanding as at September 30, 2006	Interest Rate (p.a.)	Repayment Terms	Security
1.	Standard Chartered Investment and Loans (India) Limited	115,125,000	163,000,000	10.50%	Bullet Repayment in 12 months from the date of disbursement	a) Corporate Guarantee of Pearl Global Ltd. b) Standby Letter of Credit from Standard Chartered Bank, Hongkong c) Pledge of Shares of Pearl Global Ltd. d) Negative Lien on the shares of Nor Pearl Knitwear Ltd and Norp Knit Industries held by the Company
2.	Standard Chartered Investment and Loans (India) Limited	51,875,000		10.50%	Bullet Repayment in 12 months from the date of disbursement	
3.	Standard Chartered Account	50,000,000	-	At the rate as negotiated with & agreed by the Bank	Maximum 120 days	a) Other loan from bank (pre-shipment advances), are secured by first *pari passu* charge on the entire existing and future current assets of the Company and Corporate guarantee of Pearl Global Limited
	Total:		**217,000,000**	**163,000,000**		

For S.R. Dinodia & Co.,
Chartered Accountants

On behalf of the Board of Directors

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(Rishi Vig)
Chief Finance Officer

Place : New Delhi
Date : 28th November, 2006

(Jyant Sood)
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED
(formerly known as Mina Estates Private Limited)

Annexure-X: Details of Investments

(Amount in Rs.)

Particulars	As at September 30, 2006	As at March 31, 2006	2005	2004	2003	2002
Long Term						
Quoted (Non-Trade)	-	-	576,452	339,340	3,753,210	339,340
Unquoted (Non-Trade)	-	-	949,833	200	200	100,500
Investment in Subsidiary						
Quoted	3,413,870	3,413,870	3,413,870	3,413,870	-	3,411,370
Unquoted	197,406,947	162,406,843	748,536	12,123,936	12,123,936	11,926,436
Investment in Partnership firm	**53,426,752**	**63,569,071**	**33,614,598**	**33,303,269**	**32,334,555**	**31,916,832**
Total	**254,247,569**	**229,389,784**	**39,303,288**	**49,180,614**	**48,211,900**	**47,694,477**
Market Value of quoted Investment	**645,549,481**	**625,422,650**	**320,313,928**	**38,169,350**	**25,414,328**	**44,774,164**

For S.R. Dinodia & Co.,
Chartered Accountants

On behalf of the Board of Directors

(Sandeep Dinodia)
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(Rishi Vig)
Chief Finance Officer

Place : New Delhi
Date : 28th November, 2006

(Jyant Sood)
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED
(formerly known as Mina Estates Private Limited)

Annexure-XI: Details of Loans and Advances

(Amount in Rs.)

Particulars	As at September 30, 2006	As at March 31, 2006	2005	2004	2003	2002
(Unsecured Considered good)						
Loans:*						
- Associates	-	-	41,690	41,690	41,690	41,690
- Others	-	-	500,000	500,000	500,000	500,000
- Subsidiary	26,781,206	-	-	-	-	-
Advances recoverable in cash or in kind for value to be received:						
- Advances to Promoters Group Companies	127,974	1,500,000	11,590,000	6,090,000	6,090,000	6,090,000
- Advances to Subsidiary Companies	-	8,495,406	31,995,229	1,050,000	1,050,000	2,078,214
- Advances to Associates	-	-	-	-	155,000	200,000
- Other Advances	3,508,289	3,371,250	490,913	597,270	225,270	285,022
Share application money paid-Subsidiaries	5,999,500	-	-	-	-	-
Prepaid Expenses	30,000	-	7,160	13,182	12,037	8,862
Rent Receivable	106,692	-	477,827	299,875	299,875	299,875
Licence Income Receivable	-	-	-	-	72,960	-
Interest Accrued	44,898	-	-	-	3,618	-
Duty Draw Back Receivable	1,191,868	-	0.09	59,826	-	-
Expenses relating to Public issue	4,683,421	-	-	-	-	-
Advance Tax	2,409,847	1,391,527	265,207	155,429	167,905	165,929
Total	**44,883,694**	**14,758,183**	**45,368,026**	**8,807,272**	**8,618,355**	**9,669,592**

** There is no Loan amount recoverable from Promoters, Promoters' group companies or Subsidiary companies in any of the financial period presented.*

For S.R. Dinodia & Co.,
Chartered Accountants

On behalf of the Board of Directors

(Sandeep Dinodia)
Partner
M.No.083689

(Deepak Seth)
Chairman

(Rishi Vig)
Chief Finance Officer

Place : New Delhi
Date : 28th November, 2006

(Jyant Sood)
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED
(formerly known as Mina Estates Private Limited)

Annexure-XII: Details of Sundry Debtors

(Amount in Rs.)

Particulars	As at September 30, 2006	As at March 31, 2006	2005	2004	2003	2002
Outstanding for a period exceeding six months	Nil	Nil	Nil	Nil	Nil	Nil
Less than six months due from others	3,884,628	Nil	Nil	749,674	Nil	Nil
Total	**3,884,628**	**-**	**-**	**749,674**	**-**	**-**

Note:

There is no amount receivable from Promoters, Promoters' group companies, Subsidiary companies or Associate companies in any of the financial period presented.

For S.R. Dinodia & Co.,
Chartered Accountants

On behalf of the Board of Directors

(Sandeep Dinodia)
Partner
M.No.083689

(Deepak Seth)
Chairman

(Rishi Vig)
Chief Finance Officer

Place : New Delhi
Date : 28th November, 2006

(Jyant Sood)
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED
(formerly known as Mina Estates Private Limited)

Annexure-XIII: Details of Current Liabilities and Provisions

(Amount in Rs.)

Particulars	As at September 30, 2006	As at March 31,				
		2006	2005	2004	2003	2002
Sundry Creditors	1,181,334	1,794,355	2,110	4,112,271	3,608,241	-
Other Liabilities	1,336,914	162,418,104	3,856,609	1,014,735	210,935	89,827
Provision for Taxation	2,384,105	714,605	198,605	-	84,043	84,043
Total	**4,902,353**	**164,927,064**	**4,057,324**	**5,127,006**	**3,903,219**	**173,870**

For S.R. Dinodia & Co.,
Chartered Accountants

(Sandeep Dinodia)
Partner
M.No.083689

Place : New Delhi
Date : 28th November, 2006

On behalf of the Board of Directors

(Deepak Seth)
Chairman

(Rishi Vig)
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(Jyant Sood)
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HOUSE OF PEARL FASHIONS LIMITED
(formerly known as Mina Estates Private Limited)

Annexure-XIV: Details of Other Income

(Amount in Rs.)

Particulars	Half year ended 30.09.2006	Financial year ended March 31,					Nature	Arising Out of
		2006	2005	2004	2003	2002		
Profit on sale of investment	-	2,449,893	9,174,393	-	-	-	Non-Recurring	Other than normal Business Activities
Profit on sale of Assets	14,291,352	3,572,544	-	-	-	-	Non-Recurring	Other than normal Business Activities
Dividend	-	24,169	15,575	7,270	4,460	5,961,430	Recurring	Other than normal Business Activities
Interest received on Fixed Deposit (Gross)	242,065	130,814	-	573	5,125	-	Non - Recurring	Normal Business Activities
Interest received from others (Gross)	-	-	-	840	1,440	10,709	Non - Recurring	Normal Business Activities
Rent Received	1,026,774	2,685,000	645,000	120,000	120,000	120,000	Recurring	Other than normal Business Activities
Profit from Partnership firm	357,680	604,351	311,329	4,691,953	417,723	20,180	Recurring	Normal Business Activities
Claim received	15,485	-	-	-	-	-	Non - Recurring	Other than normal Business Activities
Licence Income	-	1,150,000	800,000	-	-	-	Non - Recurring	Other than normal Business Activities
Foreign Exchange Fluctuation	-	-	49,065	-	-	-	Recurring	Normal Business Activities
Total:	**15,933,356**	**10,616,771**	**10,995,362**	**4,820,636**	**548,748**	**6,112,319**		

Note : *The classification of "Other Income" as recurring or non-recurring and normal business activities or other than normal business activities is based on current operation and business activities of the Company as determined by Management.*

For S.R. Dinodia & Co.,
Chartered Accountants

On behalf of the Board of Directors

(Sandeep Dinodia)
Partner
M.No.083689

(Deepak Seth)
Chairman

(Rishi Vig)
Chief Finance Officer

Place : New Delhi
Date : 28th November, 2006

(Jyant Sood)
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED
(formerly known as House of Mina Estates Private Limited)

Annexure-XV: Detail of Rates of dividend

Particulars	For the period 30.09.2006	For the year 2006	2005	2004	2003	2002
On Equity Shares						
No. of Equity Shares	13,970,037	4,656,679	734,570	734,570	734,570	734,570
Face Value of Equity Share (Rs. each)	10	10	10	10	10	10
Rate %	-	23%	-	-	-	-
Amount of Dividend (Rs.in lacs)	-	59.29	-	-	-	-
Dividend Tax (Rs. in lacs)	-	8.32	-	-	-	-
Total Pay out (Rs. in lacs)	**Nil**	**67.61**	**Nil**	**Nil**	**Nil**	**Nil**

For S.R. Dinodia & Co.,
Chartered Accountants

On behalf of the Board of Directors

(Sandeep Dinodia)
Partner
M.No.083689

(Deepak Seth)
Chairman

(Rishi Vig)
Chief Finance Officer

Place : New Delhi
Date : 28th November, 2006

(Jyant Sood)
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED
(formerly known as Mina Estates Private Limited)

Annexure-XVI: Accounting Ratios

Particulars	Half year ended 30.09.2006	Financial year ended March 31,				
		2006	2005	2004	2003	2002
Basic earning per share (Rs.)*	1.05	0.56	0.27	0.19	(0.31)	0.10
Diluted earning per share (Rs.)	1.05	-	0.20	-	-	-
Return on net worth (%)	9.02%	4.42%	1.91%	1.89%	-3.10%	0.98%
Net Asset Value per share (Rs.)	11.64	32.25	195.42	138.30	135.69	135.35
Weighted average number of Equity Shares used for:						
Basic earnings Per share	13,970,037	11,896,150	10,047,928	10,047,928	10,047,928	10,047,928
Diluted earnings Per share	13,970,283	-	13,970,037	-	-	-
Total number of equity shares outstanding at the end of year	13,970,037	4,656,679	734,570	734,570	734,570	734,570

*Not being annualised

Notes:

1. *The ratios have been computed as below :*

   a) Basic earning per share (Rs.) $= \dfrac{\text{Net profit/(loss) (after tax), as restated, attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year}}$

   b) Diluted earning per share (Rs.) $= \dfrac{\text{Net profit/(loss) (after tax), as restated, attributable to equity shareholders}}{\text{Weighted average number of dilutive equity shares outstanding during the year}}$

   c) Return on net worth % $= \dfrac{\text{Net profit (loss) after tax, as restated as per Profit and Loss Account}}{\text{Net worth at the end of the year}}$

   d) Net assets value per equity share (Rs.) $= \dfrac{\text{Net worth, as restated at the end of the year}}{\text{Total number of basic equity shares outstanding at the end of the year}}$

2. *Net Profit, as restated, as appearing in the summary statement of profits and losses, has been considered for the purpose of computing the above ratios.*
3. *In the extra-ordinary general meeting held on June 17, 2006 the members of the Company approved the issue of 9,313,358 equity shares of Rs. 10/- each as fully paid up bonus share in the ratio of 2 shares for every one share held in the Company. In accordance with the measurement principles laid down under Accounting Standard 20 "Earning Per Share" earning per share calculations have been adjusted, for the change in the number of equity shares, for all the periods for which earnings per share data were presented.*
4. *Diluted earnings per share has been computed after considering the impact of dilutive equity shares arising from share application money.*

For S.R. Dinodia & Co.,
Chartered Accountants

(Sandeep Dinodia)
Partner
M.No.083689

Place : New Delhi
Date : 28th November, 2006

On behalf of the Board of Directors

(Deepak Seth)
Chairman

(Rishi Vig)
Chief Finance Officer

(Jyant Sood)
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED
(formerly known as Mina Estates Private Limited)

Annexure-XVII: Statement of Tax Shelters

(Amount in Rs.)

Particulars	Half year ended 30.09.2006	Financial year ended March 31, 2006	2005	2004	2003	2002
Profit /(Loss) Before Tax	**14,609,638**	**6,765,174**	**2,859,814**	**(595,991)**	**(4,588,066)**	**961,731**
As per books						
Tax Rate	33.66%	33.66%	36.59%	35.88%	36.75%	35.70%
Tax at Notional rate on book profits	4,917,604	2,277,158	1,046,406	-	-	343,338
Adjustments :						
Difference between tax depreciation and Book Depreciation	236,330	371,626	536,251	651,597	34,903	(66,848)
Other Adjustments	(15,841,283)	(9,373,777)	(3,396,065)	(4,755,128)	(497,433)	(6,035,436)
Net Adjustments	**(15,604,953)**	**(9,002,151)**	**(2,859,814)**	**(4,103,531)**	**(462,530)**	**(6,102,284)**
Tax Saving Thereon	4,917,604	2,277,158	1,046,406	-	-	343,338
Income from Business as per Income	**(995,315)**	**(2,236,977)**	**-**	**(4,699,522)**	**(5,050,596)**	**(5,140,553)**
Tax Returns						
Taxable Income as per MAT	14,251,957	6,136,653	(2,532,911)	Nil	Nil	Nil
Tax as per Income Tax Returns (Excluding Interest/Tax Impact on Capital Gain/ Tax u/s 115JB)	Nil	Nil	Nil	Nil	Nil	Nil
Taxes Paid u/s 115 JB (Excluding Interest)	**1,600,000**	**516,399**	**198,612**	**Nil**	**Nil**	**Nil**

Note:

1. *As the Income tax return for the Financial Year 2005-06 & 2006-07, has not been filed till date, so the above figures for the Financial Year 2005-06 & 2006-07 are provisional.*

For S.R. Dinodia & Co.,
Chartered Accountants

On behalf of the Board of Directors

(Sandeep Dinodia)
Partner
M.No.083689

(Deepak Seth)
Chairman

(Rishi Vig)
Chief Finance Officer

Place : New Delhi
Date : 28th November, 2006

(Jyant Sood)
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED
(formerly known as Mina Estates Private Limited)

Annexure-XVIII: Details of contingent liabilities not provided for:

(Amount in Rs.)

Particulars	As at September 30, 2006	As at March 31, 2006	2005	2004	2003	2002
Bank guarantees and letter of credit outstanding	2,400,000.00					
Export bill with banks discounted against irrevocable letter of credit	-	Nil	Nil	Nil	Nil	Nil
Corporate guarantee given on behalf of subsidiary and step down Subsidiary	-					

For S.R. Dinodia & Co.,
Chartered Accountants

On behalf of the Board of Directors

(Sandeep Dinodia)
Partner
M.No.083689

(Deepak Seth)
Chairman

(Rishi Vig)
Chief Finance Officer

Place : New Delhi
Date : 28th November, 2006

(Jyant Sood)
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED
(formerly known as Mina Estates Private Limited)

Annexure-XIX: Details of Related Party Transactions

Related party disclosure as required under accounting standard- "18" issued by the Institute of Chartered Accountants of India is given below:

Nature of Relationship	As 30.9.2006	2005-06	2004-05	2003-04	2002-03	2001-02
Subsidiary Companies	Pearl Global Ltd. Multinational Textiles Ltd. Nor Pearl Knitwear Ltd. Norp Knit Industries Ltd. Global Textiles Group Ltd. Poeticgem Ltd. Depa International Inc. (USA) Depa International Inc. (Canada) PT. Norwest Industries Pacific Logistics Ltd . Norwest Industries Ltd. House of Pearl Fashions (US) Ltd.	Pearl Global Ltd . Nim International & Commerce Pvt. Ltd. City Estates Pvt. Ltd Pearl Styles Ltd. Multinational Textiles Ltd. Nor Pearl Knitwear Ltd.- Norp Knit Industries Ltd. Global Textiles Group Ltd. Poeticgem Ltd. Depa International Inc. (USA) Depa International Inc. (Canada) PT. Norwest Industries Pacific Logistics Ltd .	Pearl Global Ltd. City Estates Pvt. Ltd. Pearl Styles Ltd. Vau Apparels Pvt. Ltd. Nim International & Commerce Pvt. Ltd.	Pearl Global Ltd. City Estates Pvt. Ltd. Pearl Styles Ltd. Vau Apparels Pvt. Ltd. Nim International & Commerce Pvt. Ltd. Winner Estates Pvt. Ltd.	Pearl Global Ltd. City Estates Pvt. Ltd. Pearl Styles Ltd. Vau Apparels Pvt. Ltd. Nim International & Commerce Pvt. Ltd. Winner Estates Pvt. Ltd.	Pearl Global Ltd. City Estates Pvt. Ltd. Pearl Styles Ltd. Vau Apparels Pvt. Ltd. Nim International & Commerce Pvt. Ltd. Winner Estates Pvt. Ltd.
Associates	Hopp Fashions Pearl Wears Little People Education Society	Hopp Fashions Pearl Wears Little People Education Society	Hopp Fashions Pearl Wears Little People Education Society	Hopp Fashions Pearl Wears Little People Education Society	Hopp Fashions Pearl Wears Little People Education Society	Hopp Fashions Pearl Wears Little People Education Society

Nature of Relationship	As 30.9.2006	2005-06	2004-05	2003-04	2002-03	2001-02
	Crown Computerised Embroideries	Crown Computerised Embroideries	Crown Computerised Embroideries	Crown Computerised Embroideries	Crown Computerised Embroideries	Crown Computerised Embroideries
	Images Pearl Retail Solution Pvt Ltd.	Images Pearl Retail Solution Pvt Ltd.	Images Pearl Retail Solution Pvt Ltd.	Images Pearl Retail Solution Pvt Ltd.	Images Pearl Retail Solution Pvt Ltd.	Images Pearl Retail Solution Pvt Ltd.
	Deepak Seth & Sons(HUF)	Deepak Seth & Sons(HUF)	Deepak Seth & Sons(HUF)	Deepak Seth & Sons(HUF)	Deepak Seth & Sons(HUF)	Deepak Seth & Sons(HUF)
	Pearl Academy of Fashion India Ltd.	Norwest Industries Ltd.	Norwest Industries Ltd.	Norwest Industries Ltd.	Norwest Industries Ltd.	Norwest Industries Ltd.
	Pallas Holdings Limited	Vastras	Pearl Academy of Fashion India Ltd.	Pearl Academy of Fashion India Ltd.	Pearl Academy of Fashion India Ltd.	Engineers Designers & Consultants
	SACB Holdings Limited		Vastras	Vastras	Vastras	Vastras
	JSM Trading					
	Vastras					
Key Managerial Persons	Mr. Deepak Seth - Chairman	Mr. Deepak Seth - Director	Mr. Deepak Seth - Director	Mr. Deepak Seth - Director	Mr. Deepak Seth - Director	Mr. Deepak Seth - Director
	Mr. Pallak Seth – Vice Chairman	Mr. Pallak Seth – Director	Mr. Pallak Seth – Director	Mr. Pallak Seth – Director	Mr. Pallak Seth – Director	Mr. Pallak Seth – Director
	Mr. Pulkit Seth – Managing Director	Mrs. Payal Seth – Director	Mrs. Payal Seth – Director	Mrs. Payal Seth – Director	Mrs. Payal Seth – Director	Mrs. Payal Seth – Director
	Mr. Sanjay Pershad -Director	Mr. Sanjay Pershad - Director	Mr. Sanjay Pershad - Director			
	Dr. Ashutosh Prabhudas Bhupatkar-Director	Mr. Amit Seth – Director	Mr. Amit Seth – Director			
	Mr. Samar Ballav Mohapatra-Director	Mr. Sunil Seth – Director	Mr. Sunil Seth – Director			
	Mr. Rajendra Aneja – Director	Mr. Pulkit Seth – Director	Mr. Pulkit Seth – Director			
	Mr. Chittranjan Dua – Director					
	Mr. Tom Tar Singh – Director					

Sl. No.	Nature of Transaction	Related Party	As at 30.9.2006	2005-06	2004-05	2003-04	2002-03	2001-02
1.	Purchase of Goods	-Subsidiary	4,437,114.31			554,800	14,903,348	
2.	Balance Transferred received	-Subsidiary						1,253,893
3.	Payment made	-Subsidiary	162,901,643		407,500	50,000	10,570,000	
4.	Expenses Reimbursed	-Subsidiary -Associates	1,885,765			 21,760	13,107 37,320	 8,807
5.	Advance given	-Subsidiary -Associates	-	21,875,000 1,000,000	45,560,000 75,000	950,000 475,000	2,200,000 505,000	200,000 450,000
6.	Advance recovered	- Subsidiary -Associates -Key Managerial Personnel / Director	-	6,350,000 1,000,000 41,690	10,110,000 75,000	950,000 575,000	2,490,000 550,000	 250,000
7.	Advance received	- Subsidiary -Associates -Key Managerial Personnel/ Director	- 7,500,000	 5,649,800		200,000 4,345,000		
8.	Advance returned	-Subsidiary -Associates -Key Managerial Personnel/ Director	 7,500,000	 5,649,800	 140,000	60,000 600,000		
9.	Investment	-Subsidiary -Associates						 18,430,000
10.	Rent Income	-Subsidiary -Associates	60,000 966,774	120,000 2,565,000	120,000 525,000	120,000	120,000	120,000
11.	Loan recovered	-Subsidiary -Associates	23,200,000				 200,000	8,000,000
12.	Loan given	-Subsidiary -Associates	52,948,200	-	-	-		- 200,000
13.	Profit received from Partnership Firm	- Associate	357,680	604,350	311,328	4,691,953	417,723	20,180
14.	Share Application Money paid	- Subsidiary - Associates	5,999,500	-	 5,500,000	-	100,000	6,380,000

Sl. No.	Nature of Transaction	Related Party	As at 30.9.2006	2005-06	2004-05	2003-04	2002-03	2001-02
15.	**Share Application Money Returned/ Refund**	**-Subsidiary -Associate - Key Managerial Personnel/ Director**	 1,500,000	16,130,000	800,000 39,221,090			
16.	**Share Purchase**	**-Subsidiary**	35,000,104	162,406,843			100,000	
17.	**Sale of Share**	**-Subsidiary - Associates - Key Managerial Personnel/ Director**		300 - 39,221,100	 100,350			
18.	**Sale of goods/ Assets**	**-Subsidiary -Associates**	 50,000,000			770		
19.	**Purchase of Assets**	**-Subsidiary - Associates**		 9,675,000				
20.	**Capital contribution towards Partnership firm**	**- Subsidiary -Associates**		 44,425,123		 3,723,240		
21.	**Drawing from Partnership firm**	**-Associates**	10,500,000	5,400,000				
22.	**Payment Received**	**-Subsidiary -Associates**			749,674	 550,00	 37,320	1,990,000 5,887,819
23.	**Fabrication**	**-Subsidiary -Associates**	5,593,310					
24.	**Expenses paid**	**-Subsidiary**	76,400					
25.	**Amount transfer**	**-Subsidiary**	251,875					
26.	**Closing Balance**	**-Subsidiary -Associates**	**26,781,205 10,372,026**	**8,495,406 (160,604,103)**	**38,175,229 (33,712,283.00)**	**2,977,729 758,481**	**3,621,759 163,807**	**7,758,214 608,807**

For S.R. Dinodia & Co.,
Chartered Accountants

On behalf of the Board of Directors

(Sandeep Dinodia)
Partner
M.No.083689

(Deepak Seth)
Chairman

(Rishi Vig)
Chief Finance Officer

Place : New Delhi
Date : 28th November 2006

(Jayant Sood)
Company Secretary

AUDITORS REPORT

SUMMARY STATEMENTS OF CONSOLIDATED ASSETS AND LIABILITIES AS AT AND CONSOLIDATED PROFITS AND LOSSES FOR THE HALF YEAR ENDED SEPTEMBER 30, 2006 AND FOR THE YEARS ENDED MARCH 31, 2006, 2005, 2004, 2003 & 2002 AND CONSOLIDATED CASH FLOWS FOR THE HALF YEAR ENDED SEPTEMBER 30, 2006 AND FOR THE YEARS ENDED MARCH 31, 2006, 2005, 2004 & 2003, AS RESTATED, OF HOUSE OF PEARL FASHIONS LIMITED (FORMERLY MINA ESTATES PRIVATE LIMITED).

To,

The Board of Directors
House of Pearl Fashions Ltd.
(Formerly Mina Estates Private Limited)
A-3 Naraina Industrial area , Phase II,
New Delhi-110 028.

Dear Sirs,

We have examined the summarized consolidated financial information annexed to this report, of House of Pearl Fashion Limited ('HOPFL or the Company'), its subsidiaries, Pearl Global Limited, erstwhile Pearl Styles Limited, Nor Pearl Knitwear Limited, Norp Knit Industries Limited and Multinational Textiles Group Limited, and its associate, Hopp Fashion (together referred to as "the Group"), for the purpose of inclusion in the offer document ('the Offer Document') proposed to be issued by House of Pearl Fashion Limited in connection with the initial public offering of its equity shares. This financial information has been prepared in accordance with the requirements of:

- paragraph B (I) of Part II of schedule to the Companies Act, 1956 ('the Act')
- the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('The Guidelines'), issued by the Securities and Exchange Board of India ('SEBI') and amendments made thereto from time to time in pursuance of section 11 of the SEBI Act, 1992 and
- the terms of reference received from the Company, requesting us to examine the consolidated financial information referred to above in connection with the proposed Initial Public Offering ('IPO') of equity shares by the Company.

Financial information as per the audited financial statements:

1. We have examined the attached restated audited summary statement of assets & liabilities, of the Company, its subsidiaries and associates as at September 30, 2006, March 31, 2006, 2005, 2004, 2003 & 2002 (Annexure I),
2. The attached restated summary statement of profits & losses for each of the period/ years ended on those dates (Annexure II)
3. The attached restated summary statement of cash flows for the half year ended September 30, 2006, March 31, 2006, 2005, 2004, 2003 (Annexure III) as prepared by the Company & approved by the Board of Directors. We have not examined the restated financial statements of Nor Pearl Knitwear Limited, Norp Knit Industries Limited and Multinational Textiles Group Limited, which have been examined by other auditors whose reports have been furnished to us and our confirmation, insofar as it relates to the amounts in respect of these subsidiaries, is based solely on the reports of these auditors.

   Based on our examination of these summary statements, we confirm that:

   - The restated profits have been arrived at after making adjustments for prior period items for the year to which they relate (Refer to Annexure V in the notes to accounts of this report);
   - There have been no changes in accounting policies, which need to be disclosed separately in the summary statements;
   - There are no extraordinary items, other than already disclosed in the profit & loss statement, which need to be disclosed separately in the summary statements; and
   - There are no qualifications in the auditors' reports, which require any adjustments to the summary statements.

4. We have also examined the consolidated summary of accounting ratios based on the adjusted profits relating to earnings per share, net assets value and return on net worth, enclosed as Annexure- VI to this report.

5. The summary of significant accounting policies adopted by the company and its subsidiaries for half year ended September 30, 2006 for the year ended March 31, 2006, 2005, 2004, 2003, and 2002 are enclosed in Annexure IV to this report.

6. The summary of notes to accounts pertaining to the audited financial statements as at and for the half year ended September 30, 2006 for the year ended March 31, 2006, 2005, 2004, 2003, and 2002 are enclosed in Annexure V to this report.

7. Pursuant to order of honorable high court of Delhi dated October 06, 2006, Pearl Styles Limited (the subsidiary of Pearl Global Limited) and City Estates Pvt. Limited have been amalgamated with Pearl Global Limited (the subsidiary of the company) w.e.f. 01.04.2005. The order has accordingly been given effect to the accounts of the company (HOPFL Consolidated) for the year 2005-06. The audit report on the same has been revised accordingly.

8. In our opinion, 'the consolidated financial information as per the audited consolidated financial information' mentioned above has been prepared in accordance with part II of Schedule II of the Act and the Guidelines.

9. This report should not in any way be construed as a reissuance or redrafting of any previous audit reports issued by us nor should this report be construed as a new opinion on any financial statements referred to herein.

10. This report is intended solely for your information and for inclusion in the offer document in connection with the public issue of the shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Dinodia & Co.
Chartered Accountants

Sandeep Dinodia
Partner
M. No. 083689

Place: New Delhi
Dated: 8th December, 2006

HOUSE OF PEARL FASHIONS LIMITED (CONSOLIDATED)
(formerly known as Mina Estates Private Limited)

Annexure-I: Summary Statement of Assets and Liabilities, As Restated

(Amount in Rs.)

S. No.	Particulars	As at September 30, 2006	As At March 31, 2006	2005	2004	2003	2002
A.	**Assets**						
	Fixed Assets						
	Gross Block	1,981,100,213	1,513,551,681	679,813,181	707,068,258	668,002,960	699,102,287
	Less: Depreciation	391,324,679	318,613,484	187,007,573	184,052,145	161,191,562	149,768,340
	Net Block	1,589,775,534	1,194,938,197	492,805,608	523,016,113	506,811,398	549,333,947
	Less: Revaluation Reserve	39,296,855	39,296,855	39,296,855	39,296,855	39,296,855	39,296,855
	Net Block after adjustment for Revaluation Reserve	1,550,478,679	1,155,641,342	453,508,753	483,719,258	467,514,543	510,037,092
	Capital Work in Progress	82,219,013	242,828,481	22,264,461	5,865,345	9,778,539	3,816,389
B.	**Investments**	22,349,038	9,852,340	7,989,625	6,804,780	6,757,980	1,767,780
C.	**Deferred Tax Asset**	-	920,773	27,271,836	15,600,295	-	8,456,298
D.	**Current Assets, Loans and Advances**						
	Inventories	886,576,585	764,111,760	490,704,280	379,943,008	294,828,671	245,865,819
	Sundry Debtors	1,389,363,192	877,950,546	153,397,564	36,170,208	67,877,137	75,769,457
	Cash & Bank Balances	557,781,516	168,329,271	90,833,265	125,903,469	124,656,135	66,684,554
	Loans & Advances	633,308,972	128,152,886	96,268,672	45,095,022	43,381,073	85,575,799
	Other Current Assets	1,350,726	771,451	459,010	5,228,910	3,659,666	2,076,354
	Sub Total (D)	**3,468,380,991**	**1,939,315,915**	**831,662,791**	**592,340,617**	**534,402,682**	**475,971,983**
	Total Assets (A+B+C+D)	**5,123,427,721**	**3,348,558,851**	**1,342,697,466**	**1,104,330,295**	**1,018,453,744**	**1,000,049,542**
E.	**Liabilities and Provisions**						
	Secured Loans	2,004,673,031	834,619,626	298,284,513	220,478,755	187,829,993	227,807,574
	Unsecured Loans	713,669,497	488,704,290	-	140,000	3,000,000	-
	Sub Total	**2,718,342,528**	**1,323,323,916**	**298,284,513**	**220,618,755**	**190,829,993**	**227,807,574**
	Deferred Tax Liability	15,154,010	-	-	-	1,221,646	-
	Current Liabilities and Provisions						

(Amount in Rs.)

S. No.	Particulars	As at September 30, 2006	As At March 31, 2006	2005	2004	2003	2002
	Current Liabilities	976,695,100	990,702,187	296,177,430	157,129,878	149,710,766	117,079,653
	Provisions (Net)	160,803,853	64,914,590	14,844,442	14,884,361	12,805,630	9,806,004
	Sub Total	**1,137,498,953**	**1,055,616,777**	**311,021,871**	**172,014,239**	**162,516,396**	**126,885,657**
	Total Liabilities (E)	**3,870,995,491**	**2,378,940,693**	**609,306,384**	**392,632,994**	**354,568,035**	**354,693,231**
F.	**Net Worth {(A+B+C+D)-E}**	**1,252,432,230**	**969,618,158**	**733,391,082**	**711,697,301**	**663,885,709**	**645,356,311**
G.	**Represented by Share Capital**						
	Equity Share Capital	139,700,370	46,566,790	7,345,700	7,345,700	7,345,700	7,345,700
	Share application money pending allotment	4,500,000	-	39,222,090	1,000	1,000	1,000
	Reserve and Surplus	790,144,586	657,430,216	503,678,004	500,364,235	478,764,440	469,092,938
	Less: Revaluation Reserve	(23,772,230)	(23,772,230)	(14,859,555)	(14,859,555)	(14,859,555)	(14,859,555)
	Minority Interest	374,261,109	322,032,946	222,625,193	243,650,931	217,623,795	209,692,690
	Less: Revaluation Reserve	(15,524,625)	(15,524,625)	(24,437,300)	(24,437,300)	(24,437,300)	(24,437,300)
	Less :						
	Miscellaneous Expenditure (To the extent not written off or adjusted)	16,876,980	17,114,939	183,049	367,711	552,371	1,479,162
	Net Worth	**1,252,432,230**	**969,618,158**	**733,391,082**	**711,697,301**	**663,885,709**	**645,356,311**

Notes:

The above statement should be read with the significant accounting policies appearing in Annexure-IV, and Notes to Accounts for restated financial statements appearing in Annexure-V.

As per our report of even date attached.

For and on behalf of the board

FOR S.R. DINODIA & CO.,
Chartered Accountants

Sandeep Dinodia
Partner
M.No. 083689

Deepak Seth
Chairman

Pulkit Seth
Managing Director

Place : New Delhi
Date: 8 December 2006

Rishi Vig
Chief Finance Officer

Jayant Sood
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED (CONSOLIDATED)
(formerly known as Mina Estates Private Limited)

Annexure-II: Summary Statement of Profit and Loss, As Restated

(Amount in Rs.)

Particulars	**Half Year Ended 30 September 2006**	**Financial Year Ended March 31,**				
		2006	**2005**	**2004**	**2003**	**2002**
Income						
Sales of goods	4,302,401,882	1,588,947,233	1,210,576,204	954,495,670	920,806,968	786,205,193
Export Incentives	33,749,581	62,680,734	46,239,100	45,792,096	53,161,369	61,203,464
Other Operative Income	-					
Job Receipts	2,360,140	4,308,480	1,305,075	14,848,006	25,141,362	23,678,311
Other Income	145,528,620	40,176,289	39,515,078	24,936,486	23,469,333	12,876,233
Total Income (A)	**4,484,040,223**	**1,696,112,736**	**1,297,635,457**	**1,040,072,258**	**1,022,579,032**	**883,963,201**
Expenditure						
Purchase of Trading Goods	2,120,411,787	98,860,808	55,601,272	70,845,153	98,302,354	116,169,708
Manufacturing, Administrative, Selling and other Expenses						
- Raw Material Consumed	644,010,401	694,712,439	643,164,904	527,066,700	472,361,565	365,969,714
- (Increase)/Decrease in Stock	(29,594,283)	10,745,069	(30,728,008)	(43,666,114)	(44,642,921)	(13,697,792)
- Manufacturing Expenses	215,122,228	375,083,355	272,597,579	158,707,625	155,690,845	99,909,830
- Personnel Expenses	523,888,134	183,512,065	169,085,842	143,818,546	137,675,389	141,701,690
- Administrative, Selling & Other Charges	515,068,479	148,056,145	130,953,746	110,554,160	126,917,961	117,721,024
Miscellaneous Expenditure Written off	1,719,118	183,050	184,422	184,661	926,791	926,790
Financial Expenses	61,442,090	26,211,845	16,300,687	11,851,855	21,956,061	23,270,921
Depreciation	51,982,642	27,690,160	26,901,070	23,742,769	23,615,754	25,298,746
Total Expenditure (B)	**4,104,050,595**	**1,565,054,936**	**1,284,061,514**	**1,003,105,355**	**992,803,799**	**877,270,631**
Net Profit before tax and extraordinary items (A-B)	**379,989,628**	**131,057,800**	**13,573,943**	**36,966,903**	**29,775,233**	**6,692,570**
Less:- Extra Ordinary Item						
Loss on Sale of Sweater Division of subsidiary Pearl Style Ltd.		-	(40,337,841)	-	-	-

(Amount in Rs.)

Particulars	Half Year Ended 30 September 2006	Financial Year Ended March 31,				
		2006	2005	2004	2003	2002
Provision for taxation						
Current tax	(104,722,124)	(11,016,000)	(2,698,605)	(1,652,000)	(988,000)	(1,140,000)
Deferred tax	(16,155,425)	(49,796,203)	11,731,491	8,366,846	(13,711,627)	(5,313,171)
Fringe benefit tax	(1,090,500)	(2,494,598)				
Wealth tax		(191,000)	(200,000)	(265,000)	(240,000)	
Tax Adjustment for earlier year		(10,500,000)	835,401	(471,662)	64,668	(65,571)
Provision written back				2,541,695		
Prior Period Expenses	224,008	(933,427)	(380,282)	300,473	(199,000)	(360,401)
Provision for doubtful debts		(145,230)			(142,750)	
Transfer from General Reserve						225,000
Net Profit after tax and extra ordinary item	**258,245,587**	**55,981,342**	**(17,475,893)**	**45,787,255**	**14,558,524**	**38,427**
Adjustment	-	-	-	-	-	
Increase/(Decrease) in Net Profits						
Taxes of Earlier Years		**10,500,000**		**(274,101)**	**(1,212,953)**	**(964,288)**
Total of Adjustments after Tax Impact		10,500,000	-	(274,101)	(1,212,953)	(964,288)
Net Profit/ (Loss) before Minorities Interest	**258,245,587**	**66,481,342**	**(17,475,893)**	**45,513,154**	**13,345,571**	**(925,861)**
Less: Minorities Interest	32,847,802	11,367,466	(21,025,735)	23,913,359	7,806,873	(1,015,150)
Dividend Paid for the year 2005-06	5,929,311					
Proposed Dividend – Equity Shares		9,378,071				
Tax on Dividend	831,590	3,329,301				
Transfer to General Reserve	663,739	4,981,184				
Utilisation against Bonus shares issued	33,518,468					
Add: Profit Brought Forward	116,027,980	78,511,930	35,591,753	13,991,957	8,453,259	8,363,970
Less: Profits of Subsidiary Disposed off		(90,730)	(3,602,997)	-	-	-
Less: Transferred to capital Reserve on Consolidation		-				
Profit/ (Loss) carried to Balance Sheet	**300,482,656**	**116,027,980**	**42,744,592**	**35,591,753**	**13,991,957**	**8,453,259**

Notes:

The above statement should be read with the significant accounting policies appearing in Annexure-IV, and Notes to Accounts for restated financial statements appearing in Annexure-V.

As per our report of even date attached.

FOR S.R. DINODIA & CO.,
Chartered Accountants

Sandeep Dinodia
Partner
M.No. 083689

Place : New Delhi
Date: 8 December 2006

For and on behalf of the Board

Deepak Seth
Chairman

Pulkit Seth
Managing Director

Rishi Vig
Chief Finance Officer

Jayant Sood
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED (CONSOLIDATED)
(formerly known as Mina Estates Private Limited)

Annexure-III: Summary Statement of Cash Flow

(Amount in Rs.)

S. No.	Particulars	Half Year Ended 30 September 2006	Financial Year Ended March 31,			
			2006	2005	2004	2003
A.	**Net Profit Before Tax and Extraordinary Items**	**379,989,628**	**131,057,800**	**13,573,943**	**36,966,903**	**29,775,233**
	Adjustments :					
	Depreciation	51,982,642	27,690,160	26,901,070	23,742,769	23,615,754
	Sundry Balance Written Off	-	993,386	702,832	4,432,931	3,082,327
	Provision for Leave Encashment	-	(16,729)	761,846	531,286	(2,326,979)
	Sundry Balance Written Back	567,266	-	-	(84,949)	(175,959)
	Provision for Doubtful Debts	(839,479)	-	-	2,541,695	-
	Loss/ (Profit) on sale of Investment	2,875,000	(2,449,893)	(9,154,337)	-	(92,080)
	Miscellaneous Expenses Written Off	237,959	183,050	184,422	184,661	926,791
	Loss/ (Profit) on sale of Assets	(13,999,671)	(1,721,438)	7,778,900	1,115,655	(15,641,341)
	Dead Stock Written Off	-	212,726	-	-	-
	Foreign Currency Translation Reserve	9,668,229	(2,705)			
	Hedging Reserve	(11,069,011)				
	Foreign Exchange Fluctuation	5,250,181	(451,804)	341,578	144,268	22,210
	Finance Cost	61,442,090	26,211,845	16,300,687	11,851,855	21,956,061
	Share in the Profit of Hopp Fashions (Partnership)	-	-	-	(6,341,322)	-
	Non operating Incomes	(3,315,819)	(6,022,787)	(2,980,475)	(2,398,259)	(2,277,499)
	Operating Profit /(loss) before working capital changes	**482,789,015**	**175,633,611**	**54,410,467**	**72,687,493**	**58,864,519**
	Adjustment for :					
	Trade and Other Receivables	(240,081,596)	14,738,876	(164,333,936)	23,990,811	45,254,049
	Inventories	(82,426,575)	(5,659,457)	(110,761,273)	(85,114,337)	(48,962,853)
	Trade Payables	(860,339,856)	(51,473,698)	139,368,889	7,710,476	32,849,912
	Cash Generated from operations	**(700,059,012)**	**133,239,333**	**(81,315,854)**	**19,274,444**	**88,005,627**
	Prior Period Expense	224,008	(933,427)	(380,282)	300,473	(199,000)
	Extraordinary items	-	-	(40,337,841)	-	-
	Direct Taxes (Paid)/ Refunds	(5,393,899)	(14,033,444)	(2,864,970)	(1,115,318)	2,950,321
	Net Cash Generated / (used) in Operating Activities	**(705,228,903)**	**118,272,462**	**(124,898,947)**	**18,459,599**	**90,756,948**
B.	**Cash Flow from Investing Operations:**					
	Purchase of Fixed Assets	(458,681,934)	(119,887,279)	(72,012,717)	(69,262,369)	(21,216,814)
	Sale of Fixed Assets	58,146,421	25,054,392	67,543,252	28,199,228	55,764,951
	(Increase)/Decrease in Capital Work in progress	160,609,469	(210,066,217)	(16,399,116)	3,913,194	(5,962,150)

(Amount in Rs.)

S. No.	Particulars	Half Year Ended 30 September 2006	Financial Year Ended March 31,			
			2006	2005	2004	2003
	Increase in Deposits	183,731,660	-	-	-	-
	Investment made during the year	(175,947,307)	(430,901,392)	(1,208,642)	(46,800)	(5,093,000)
	Outstanding Purchase consideration for investment acquired	-	162,104,103	-	-	-
	Sale of Investment	2,125,000	4,026,178	9,002,244	-	194,880
	Interest Income	1,335,545	1,404,915	417,010	1,004,814	1,102,884
	Dividend Received	35,500	125,897	82,465	74,945	48,615
	Rent Received	1,944,774	4,491,975	2,481,000	1,318,500	1,126,000
	Cash from investing activities	**(226,700,872)**	**(563,647,428)**	**(10,094,504)**	**(34,798,488)**	**25,965,366**
C.	**Cash Flow from Financing Activities**					
	Repayment of Loans	(104,983,566)	(30,074,866)	(140,000)	-	(36,977,582)
	Interest Expense	(61,442,090)	(26,211,845)	(16,300,687)	(11,851,855)	(21,956,062)
	Calls in Arrears Received	-	-	-	-	225,750
	Share Capital issued pursuant to amalgamation	-	3,022,360	-	-	-
	Dividend Paid	(5,929,311)	(316,526)	(321,336)	(206,416)	(42,840)
	Tax on Dividend	(831,590)	-	-	-	-
	Loan Taken	1,240,789,405	258,752,844	77,805,758	29,788,762	-
	Loan Taken from Related Parties	259,212,774	317,248,200	-	-	-
	Public issue Expenses	(4,683,421)	-	-	-	-
	Share Application Money Received	4,500,000	-	39,221,090	-	-
	Share Application Money Repaid	-	(1,000)	-	-	-
	Net cash used in financing activities	**1,326,632,201**	**522,419,168**	**100,264,825**	**17,730,491**	**(58,750,734)**
	Net Increase/(Decrease) in Cash/ Cash equivalents(A+B+C)	**394,702,426**	**77,044,202**	**(34,728,626)**	**1,391,601**	**57,971,581**
	Foreign Exchange Fluctuation	(5,250,181)	451,804	(341,578)	(144,268)	-
	Cash / Cash equivalents at the beginning of the year	**168,329,271**	**90,833,265**	**125,903,469**	**124,656,135**	**66,684,554**
	Cash / Cash equivalents at the close of the year	**557,781,516**	**168,329,271**	**90,833,265**	**125,903,469**	**124,656,135**

Notes:

The above statement should be read with the significant accounting policies appearing in Annexure-IV, and Notes to Accounts for restated financial statements appearing in Annexure-V.

As per our report of even date attached.

For and on behalf of the Board

FOR S.R. DINODIA & CO.,
Chartered Accountants

Sandeep Dinodia
Partner
M.No. 083689

Deepak Seth
Chairman

Pulkit Seth
Managing Director

Place : New Delhi
Date: 8 December 2006

Rishi Vig
Chief Finance Officer

Jayant Sood
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED (CONSOLIDATED)
(formerly known as Mina Estates Private Limited)

Annexure-IV: Schedule annexed to and forming part of the Summary Statements of Consolidated Assets and Liabilities, Profits and Losses as restated as at and for the half year/year, September, 2006, March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 & March 31, 2002 AND Cash Flows as restated for the half year/ year ended, September 2006, March 31, 2006, March 31, 2005, March 31, 2004 & March 31, 2003

BACKGROUND

The name of the company has been changed from M/s House of Pearl Fashion Private Limited ("HOPFL") to House of Pearl Fashion Limited vide letter dated 31st July, 2006 issued by Registrar of Companies, National Capital Territory of Delhi and Haryana, under section 23(1) of The Companies Act, 1956. Earlier the name of the company has been changed from M/s Mina Estates Pvt. Ltd. to House of Pearl Fashions Pvt. Limited vide SRN A00677617 dated 19th June 2006, under section 21 of The Companies Act, 1956.

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The consolidated financial statements of House of Pearl Fashions Limited, together with it's subsidiaries are prepared and presented under historical cost convention on accrual basis of Accounting in accordance with the accounting policies of the parent company unless otherwise stated and comply with the requirement of the Accounting Standard 'AS- 21' on "Consolidated Financial Statement" issued by the Institute of Chartered Accountants of India and the relevant provision of the Companies Act, 1956 for the parent and Indian subsidiaries.

Investments in the subsidiary companies, except where investments are acquired exclusively with a view to its subsequent disposal in the immediate near future, are accounted in accordance with accounting principles as defined in the AS 21.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires making of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets & liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between the actual results and estimates are recognized in the year in which the results are known / materialized.

3. Principles of Consolidation

The consolidated financial statements relate to M/s House of Pearl Fashions Limited ('the Company') and its subsidiary Companies. The consolidated financial statements have been prepared on the following basis:

- The financial statements of the company and its subsidiary companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
- As far as possible, the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements. Inconsistency, if any, between the accounting policies of the subsidiary, have been disclosed in the notes to accounts.
- The difference of the cost to the company of its investment in subsidiaries over its share in the equity of the investee company as at the date of acquisition of stake is recognized in financial statements as Goodwill or Capital Reserve, as the case may be.
- The Financial statement of the entities used for the purpose of consolidation as drawn up to the same reporting period as the company i.e., Financial period half year ended September 30, 2006, & financial year ended March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002.

4. The effect of Changes in Foreign Exchange Rates.

a) Translation of Financial Statements of Foreign Operations

In view of Accounting Standard-"11" 'Changes in Foreign Exchange Rates' issued by the Institute of Chartered Accountants of India, the operations of the foreign subsidiaries are non integral to the operation of the company, and thus financial statements of Foreign operations has been translated accordingly. The Assets and Liabilities of Foreign operations, including Goodwill/Capital Reserve arising on consolidation, are translated in Indian Rupee (INR) at foreign exchange rate at closing rate ruling as at the balance sheet date. The revenue and expenses of foreign operations are translated in Indian Rupee (INR) at yearly average currency exchange rate, of the respective years. Foreign exchange differences arising on translation are recognized as, 'foreign exchange translation reserve' in balance sheet.

b) Foreign Currency Transactions

a) Export sales made in foreign currencies are translated on average monthly exchange rate. Gain/Loss arising out of fluctuation in the exchange rate on settlement of the transaction is recognized in the profit and loss account.

b) Current assets, current liabilities and loans denominated in foreign currencies are translated at contracted rate if applicable and in other cases at the rates prevailing on the date of balance sheet, the resultant exchange gain/loss are dealt with in profit & loss account except

- In respect of loans denominated in foreign currencies utilized for acquisition of fixed assets where the exchange gain/losses are adjusted to the cost of such assets.
- Premium or Discount on forward Exchange contracts are amortized and recognized in the profit and loss account over the period of the contract. Forward exchange contract outstanding at the Balance sheet Date are stated at fair value and any gains or losses are recognized in the Profit and Loss Account.

5. Inventories

i) Inventories of finished goods manufactured by the company are valued at lower of cost or estimated net realizable value. Cost includes material cost on weighted average basis and appropriate share of overheads.

ii) Inventories of finished goods traded are valued at lower of procurement cost (FIFO Method) or estimated net realizable value.

iii) Inventories of work in progress (WIP), raw material, accessories & consumables are valued at cost (Weighted average method) or at estimated net realizable value, whichever is lower. For WIP, cost includes appropriate overheads.

6. Cash Flow Statement

Cash Flow is reported using the indirect method as specified in the Accounting Standard (AS)-3, 'Cash Flow Statement' issued by the Institute of Chartered Accountants of India.

7. Revenue Recognition

a) Revenue is recognized when significant risk and rewards of ownership transferred to the buyer.

Sales are shown net of Trade Discounts and include Freight & Insurance recovered from Buyers as per terms of sales.

b) Income from job work is recognized on the basis of proportionate completion method.

c) Interest income is recognized on time proportion basis.

d) Investment income is recognized as and when the right to receive the same is established.

e) Handling Fee Income, in the period in which the services are rendered.

8. Fixed Assets

Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties, taxes and incidental expenses including borrowing costs related to acquisition less depreciation.

9. **Depreciation**

In case of parent & subsidiaries**,** depreciation on fixed asset is provided on Straight Line Method in accordance with and in the manner specified in the statute governing the respective companies.

In case of Hopp Fashions, depreciation on fixed assets have been provided on written down value (WDV) method, as prescribed under Income Tax Act, 1961.

In case of Norp Knit Industries, depreciation on fixed assets has been provided on WDV basis as per the rates specified in the statute governing the subsidiaries.

10. Investments

Long term Investments are valued at cost, provision for diminution in the value of long term investment is made only if such a decline is other than temporary in the opinion of the management.

11. Retirement Benefits

In **case of Parent & Indian Subsidiaries**

a) **Provident Fund:**

Retirement Benefits in the form of provident fund are charged to profit and loss account of the year when the contribution to the respective fund is due.

b) **Gratuity:**

The Company has formed a trust which has taken a group gratuity policy with Life Insurance Corporation of India. Premium on the aforesaid policy is charged to Profit & Loss Account.

c) **Leave Encashment:**

During the year 2001-2002, the provision for cost in respect of leave encashment benefits to employees has been made as per Company's Rule. From 2002-03 onwards, the liability for the leave encashment benefits to employees is accrued and provided on the basis of the actuarial valuation made at the end of the each financial year.

In case of Foreign Subsidiaries

In case of 'Multinational Textile Group Limited' and its subsidiaries, the transitional liability of defined benefit plans for the first implementation of IFRS should be recognized immediately in the income statement on a straight line basis over up to five years, if the transitional liability is more than the liability which had previously been recognized.

In case of P.T. Norwest Industries Subsidiary of Multinational Textile Group Limited calculation of employee benefit obligation as at 30th September, 2006 is based on management estimate. Management believes there is no significant difference affected to estimated employee benefit as at 30th September, 2006.

In case of Norp Knit Industries Limited and Nor-Pearl Knitwear Limited (Foreign subsidiaries), the retirement benefits plan has not been introduced by the companies.

In case of Norwest Industry subsidiary of Multinational Textile Group Limited the company operates a defined contribution mandatory provident fund retirement benefit scheme (The "MPF Scheme") under the Mandatory Provident Fund Scheme ordinance, for all those employees who are eligible to participate in the MPF Scheme. Contribution are made based on a percentage of the employee's basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. The assets of the MPF Scheme are held separately from those of the Subsidiary in an independently administered fund. The Subsidiary's employer contributions are vest fully with the employees when contributed into the MPF Scheme.

12. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

13. Leases

In case of Parent & Subsidiaries

a) In respect of lease transactions entered into prior to April 1, 2001, lease rentals of assets acquired are charged to profit & loss account.

b) Lease transactions entered into on or after April 1, 2001:

- Assets acquired under leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalized at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.
- Assets acquired under leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit & Loss Account on accrual basis.
- Assets leased out under operating leases are capitalized. Rental income is recognized on accrual basis over the lease term.

In case of Foreign Subsidiaries

In case of 'Multinational Textile Group Limited' and its subsidiaries**,** rental payable under operating leases are charged against income on a straight line basis over the lease term.

Assets obtained under hire purchase contracts are capitalized as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of change on the net obligation outstanding in each period.

14. Taxes on Income

a) Income tax on the profit or loss for the year comprises current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date.

b) Deferred tax is recognized on timing differences; being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is a virtual certainty that there will be sufficient future taxable income available to reverse such losses.

In case of Norp Knit Industries Limited and Nor-Pearl Knitwear Limited, deferred tax is not considered necessary in view of the fact that the companies are exempted from tax for the five years and ten years respectively.

15. Impairment of Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

16. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

17. Miscellaneous Expenditure

Miscellaneous Expenditure consists of Preliminary, Preoperative and Amalgamation Expenses which were amortized as under:

Nature of Expenses	**Period of Amortization**
- Preliminary/ Preoperative Expenses	5 to 10 Years
- Amalgamation Expenses`	5 Years

Annexure-V: Material Notes to the Summary Statements of Consolidated Assets and Liabilities as restated, Profits and Losses as restated as at and for the Half year/ year ended September 30, 2006, March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003 & March 31, 2002 and Cash Flows as restated for the Half year / year ended September 30, 2006, March 31, 2006, March 31, 2005, March 31, 2004 & March 31, 2003.

1. The Subsidiary Companies considered in the consolidated financial statements:

Name of the Company	Country of Incorporation	% of voting power held as at 30.09.2006	% of voting power held as at 31.03.2006	% of voting power held as at 31.03.2005	% of voting power held as at 31.03.2004	% of voting power held as at 31.03.2003	% of voting power held as at 31.03.2002
M/s Pearl Global Ltd *	India	60.49%	60.49%	63.02%	63.02%	63.02%	63.02%
M/s City Estates Pvt Ltd	India	-	-	100.00%	100.00%	100.00%	100.00%
M/s Vau Apparels Pvt Ltd.	India	-	-	-	100.00%	100.00%	100.00%
M/s Nim International & Commerce	India	-	-	100.00%	100.00%	100.00%	100.00%
M/s Winner Estates Pvt Ltd	India	-	-	-	100.00%	100.00%	100.00%
M/s Hopp Fashion	India	75.00%	75.00%	50.00%	50.00%	50.00%	50.00%
M/s Nor Pearl Knitwear Ltd	Bangladesh	99.88%	99.87%	-	-	-	-
M/s Norp Knit Industries Ltd	Bangladesh	98.00%	98.00%	-	-	-	-
M/s Multinational Textiles Group Ltd**	Mauritius	100.00%	100.00%	-	-	-	-
M/s House of Pearl Fashions (US) Ltd.	USA	100.00%					

* **Pearl Global Ltd. holds the following subsidiary / Investment:**

Name of the Company	Country of Incorporation	% of voting power held as at 30.09.2006	% of voting power held as at 31.03.2006	% of voting power held as at 31.03.2005	% of voting power held as at 31.03.2004	% of voting power held as at 31.03.2003	% of voting power held as at 31.03.2002
M/s Pearl Styles Ltd	India	N.A.	N.A.	60.00%	60.00%	60.00%	60.00%
M/s Hopp Fashion	India	-	-	25.00%	25.00%	25.00%	25.00%

Note:

1. The House of Pearl Fashions Limited holds stakes in M/s Hopp Fashions directly and Indirectly more than 50% of the total capital, therefore the same has been consolidated with HOPFL as per Accounting Standard –"21".

2. *That M/s Pearl Styles Limited and City Estates Private Limited has been amalgamated with M/s Pearl Global Limited w.e.f. 1.4.2005.*

(a) *Pursuant to the scheme of arrangements for amalgamation of erstwhile Pearl Styles Limited, City Estates Private Limited, with the company as approved by the Honorable High Court of Delhi by its order dated 6.10.2006, the net assets and liabilities of erstwhile Pearl Styles Limited, City Estates Private Limited, were transferred to and vested with the Company with effect from 1st April 2005. The scheme has accordingly been given effect to these accounts.*

(b) *The core business of Amalgamating Companies i.e. Pearl Styles Limited was of manufacturing and trading of Readymade Garments. Whereas City Estates Private Limited, was engaged in the business of real estate.*

(c) *The amalgamation has been accounted for under the "Pooling of interest" method as prescribed by the Accounting Standard (AS-14) issued by the Institute of Chartered Accountants of India. Accordingly the assets, liabilities and reserves of erstwhile Pearl Styles Ltd, City Estates Private Limited as at 1.4.2005 have been taken over at book values. There is no difference in Accounting Polices between erstwhile companies and the company, hence no adjustment have been made.*

(d) *Pursuant to the scheme of Amalgamation the shareholders of Amalgamating Companies shall be entitled to receive the shares of amalgamated company in the following ratio:*

For every equity shares of Rs. 100/- each in Pearl Styles Ltd	Nil equity shares of the company
For every 5 equity shares of Rs. 10/- in City Estates Pvt Ltd	151 equity shares fully paid up of the company.

(e) *For the purpose of consolidation of financial year 2005-06 & half year ended September 30, 2006, the minority share of Pearl Global Limited (the subsidiary) have been considered after taking the effect of merger of Pearl Global Limited, Pearl Styles Limited and City Estates Pvt. Limited, the shares of HOPFL (the company) has come down to 60.49% from 62.80%.*

The difference of Rs. 32,468,639.00 between the share capital to be issued and the amount of share capital of transferor companies has been adjusted in General Reserve of the Company.

On 28.03.06 House of Pearl Fashions Limited acquired M/s Nor Pearl Knitwear Ltd. , M/s Norp Knit Industries Ltd and M/s Multinational Textiles Group Limited.

**** Multinational Textiles Group Limited holds the following subsidiaries:**

Name of the Company	Date of acquisition	Holding company	Country of Incorporation	% of voting power held as at 30.09.2006	% of voting power held as at 31.03.2006
Global Textiles Group Limited #	31.3.2006	Multinational Textiles Group Ltd	Mauritius	100%	100%
Norwest Industries Ltd	31.5.2006	Multinational Textiles Group Ltd	Hongkong	85%	—

Global Textiles Group Limited holds the following subsidiaries:

Name of the Company	Date of acquisition	Holding company	Country of Incorporation	% of voting power held as at 30.09.2006	% of voting power held as at 31.03.2006
Poeticgem Limited and its 100% subsidiary Pacific Logistics Limited	30.3.2006	Global Textiles Group Ltd	United Kingdom	100%	100%
Depa International Inc. Consolidated with its 100% subsidiaries Depa International Inc. Canada*	30.3.2006	Global Textiles Group Ltd	United states of America	75%	75%
P.T. Norwest Industry	30.3.2006	Global Textiles Group Ltd	Indonesia	74%	74%
	15.5.2006	Global Textiles Group Ltd	Indonesia	25.92%	—

* *Depa International (Canada) Inc. has been acquired by Poeticgem Limited U.K. on 1st October , 2006 and the name of the Depa International (Canada) Inc. have been changed to Poeticgem (Canada) Ltd. w.e.f 12th October, 2006.*

2. Audit Adjustments

Due to Retrospective amendment in Section 80 HHC, of the Income Tax Act, 1961, liability of Income tax amounting to Rs. 10,500,000/-, has been provided in the books of subsidiary Pearl Global Limited, on estimated basis. The same has been adjusted as follows in the restatement.

Year	Adjustment to Capital Reserve on Consolidation	Adjustment to Reserve and surplus	Adjustment to Profit and Loss	Adjustment to Minorities Interest
2001-02	(1,623,988)	(3,448,276)	(607,694)	(3,332,987)
2002-03			(764,703)	(448,550)
2003-04			(172,738)	(101,363)
2005-06			10,500,000	

3. Alignment of accounting policies for consolidation

a. In case of partnership firm Hopp Fashions, the WDV method of depreciation (prescribed under Income Tax Act, 1961) was used, this is inconsistent with the SLM method of depreciation used in case of the parent and other subsidiaries. As it is impractical & the amount being immaterial, no adjustment for the same has been made in the consolidated financial statements.

b. The Net Block on which WDV rates has been applied is as follows:

S. No.	Year	Net Block Rs.	Depreciation on WDV basis debited to Profit and Loss Rs.
1	2001-02	14,569,345	2,116,493
2	2002-03	12,869,662	2,404,063
3	2003-04	11,095,197	2,146,267
4	2004-05	10,679,662	481,046
5	2005-06	3,228,376	396,508
6	30.9.2006	3,009,327	219,049

c. In case of Norp Knit Industries, Depreciation had been provided on WDV method, the same has been restated as per SLM method & accordingly adjusted while consolidation. The net effect on account of the above change is an additional depreciation half year ended September 30, 2006 of Rs. 604,727 (Previous Year 240,399).

d. Multinational Textile Group Ltd has written back negative goodwill of Rs. 5,509,188 in Period ended September, 2006 and Rs. 129,858,434 in year ended March 31, 2006, on acquisition of subsidiaries. However as per Indian Accounting Standard – 21 ' Consolidated Financial Statements' any Goodwill / Capital Reserve on consolidation are required to be carried. Accordingly the amount written back by Multinational Textile Group Ltd is reversed in the Profit and Loss account and the same is carried as Capital Reserve on consolidation.

4. Goodwill/(Capital Reserve) arising on acquisition of Subsidiaries

Company	**Goodwill / (Capital Reserve)**					
	30.9.2006	**2005-2006**	**2004-2005**	**2003-2004**	**2002-2003**	**2001-2002**
Pearl Global Limited	(308,575,005)	(308,575,005)	(303,842,384)	(303,842,384)	(303,842,384)	(303,844,884)
Pearl Styles Ltd	-	-	(16,447,050)	(16,447,050)	(16,447,050)	(16,447,050)
Vau Apparels Pvt Ltd	-	-	-	(2,801,530)	(2,801,530)	(2,801,530)
Nim International Commerce Pvt Ltd	-	-	(15,173)	(15,173)	(15,173)	(15,173)
Winners Estates Pvt Ltd	-	-	-	(1,823,160)	(1,823,160)	(1,823,160)
City Estates Pvt Ltd	-	-	(17,206,782)	(17,206,782)	(17,206,782)	(17,206,782)
Hopp Fashions	-	-	-	-	-	-
Nor Pearl Knitwear Limited	34,767,277	46,737,333	-	-	-	-
Norp Knit Industries Limited	33,351,291	33,357,171	-	-	-	-
Multinational Textile Limited	23,650	1,600				
House of Pearl Fashions (US) Ltd	70,000					

Goodwill/(Capital Reserve) arising on acquisition of Multinational Textiles Group Limited:

	30.9.2006	**31.3.2006**
Global Textiles Group Ltd.	119,549,599	115,988,326
Poeticgem Ltd.	(51,083,377)	(49,561,652)
Depa International Inc.	(73,116,453)	(70,938,382)
PT Norwest Industries Ltd.	9,940,213	7,122,972
Pacific Logistic Ltd.	(9,645,740)	(9,358,403)
Norwest Industries Ltd.	(5,509,189)	

5. Loss on sale of sweater division of the subsidiary Pearl Styles Limited

In view of the continuous decline in the sweater garments business, during the financial year 2004-05, the subsidiary of Pearl Global Ltd. 'Pearl Styles Limited' sold the operations of its Sweater division, which was engaged in the manufacturing of Ready made Garments (Sweater). The division did not earn any revenue during the period April 2004 to the date of sale of its operations and total expenses (excluding depreciation) incurred till date were Rs. 267,386 . The gross amount of these machines in the balance sheet as on that date was Rs. 64,543,171, the accumulated depreciation was Rs. 19,205,330 and loss from the sale of these machines was Rs. 40,337,841. This amount has been classified as an extra ordinary item.

6. Contingent Liabilities

Half Year Ended 30th September 2006

In case of House of Pearl Fashions Limited (Holding Company)

a) Counter Guarantee given by the company against bank guarantee given by the bank on its behalf for Rs. 2,400,000.00.

In case of Pearl Global Limited (Indian Subsidiary)

a) Claims against the Company not acknowledged as debts and other matters Rs. 3,194,573.00.

b) Export Bills Discounted with banks Rs. 67,314,411.50.

c) Counter Guarantees given by the company against bank Guarantees given by the bank on its behalf Rs. 2,5 00,000.

d) Counter Guarantees given by the company to the Sales Tax Department for its associates company Rs. 100,000 for others Rs. 50,000.

e) Guarantee given by the company for other parties in respect of loans Term loan of Rs. 400 Lacs availed by them. As at 30th September, 2006 the contingent liabilities under these guarantees amounted to Rs. Nil (Loan has been repaid by Little People Education Society).

f) Guarantee given by the company for Holding Company in respect of Term Loan of Rs. 1670 lacs Working Capital Limit Rs. 700 lacs taken by them. As at 30th Sept, 2006 the contingent liabilities under these guarantees amounted to Rs. 163,000,000.

g) Guarantee given to government authorities in respect of facilities availed by holding co. & and other parties. Rs. 250,000.

In case of Norp Knit Industries Limited (Foreign Subsidiary)

a) The contingent liability of Norp Knit Industries Limited is Rs. 123,120,000 in respect of letters of credit outstanding.

In case of Nor Pearl Knitwear Limited (Foreign Subsidiary)

a) The contingent liability of Nor Pearl Knitwear Limited is Rs. 75,312,000 in respect of letters of credit outstanding and Rs.4,060,800 in respect of bank guarantee.

In case of Multinational Textile Group Limited (Foreign subsidiary)

a) Bankers of the company ‘s subsidiary Poeticgem Limited have given a guarantee amounting to Rs. 34,442,969.

b) Depa International Inc. had outstanding letters of credit amounting to a total of Rs. 105,317,100.

c) Guarantees given to banks in connection with facilities granted to third parties by Norwest Industries Limited for Rs. 394,864,529.

Financial Year ended 31st March 2006

In case of Pearl Global Limited (Indian Subsidiary)

a) Claims against the company not acknowledged as debts and other matters Rs. 3,194,573.

b) Export Bills Discounted with banks Rs. 94,707,782.

c) Counter Guarantees given by the company against bank Guarantees given by the bank on its behalf Rs. 2,500,000.

d) Guarantee given by the company to Sales Tax Department for its associate company Rs. 100,000 for others Rs. 50,000.

e) Guarantee given by the company for other parties in respect of loans: Term loan of Rs. 400 Lacs, availed by them. As at 31st March, 2006 the contingent liabilities under these guarantees amounted to Rs. 16,042,898.

f) Guarantee given to government authorities in respect of facilities availed by holding & subsidiary companies and other parties amounted to Rs. 250,000.

In case of Norp Knit Industries Limited (Foreign Subsidiary)

a) The contingent liability of Norp Knit Industries Limited is Rs. 85,892,400 in respect of letters of credit outstanding.

In case of Nor Pearl Knitwear Limited (Foreign Subsidiary)

a) The contingent liability of Nor Pearl Knitwear Limited is Rs. 35,204,400 in respect of letters of credit outstanding.

In case of Multinational Textile Group Limited (Foreign subsidiary)

a) Bankers of the company's subsidiary Poeticgem Limited have given a guarantee amounting to Rs. 7,761,337.

b) Depa International Inc. had outstanding letters of credit amounting to total of Rs. 152,466,540.

Financial Year ended 31st March 2005

In case of Pearl Global Limited (Indian Subsidiary)

a) Claims against the company not acknowledged as debts and other matters Rs. 3,194,573.

b) Export Bills Discounted with banks Rs. 197,011,699.

c) Counter Guarantees given by the company against bank Guarantees given by the bank on its behalf Rs. 10,360,093.

d) Counter guarantee given by the Company to Sales Tax department is Rs.50,000.

e) Guarantee given by the company for other parties in respect of loans: Term loan of Rs. 400 Lacs, availed by them. As at 31st March, 2005 the contingent liabilities under these guarantees amounted to Rs. 29,488,583.

In case of Pearl Styles Limited (Indian Subsidiary)

a) Bank guarantee outstanding is Rs. 584,550.

Financial Year ended 31st March 2004

In case of Pearl Global Limited (Indian Subsidiary)

a) Claims against the company not acknowledged as debts and other matters Rs.3,194,573.

b) Export Bills Discounted with banks Rs. 48,864,359.

c) Counter Guarantees given by the company against bank Guarantees given by the bank on its behalf Rs. 1,023,874.

d) Counter guarantee given by the Company to Sales Tax Department is Rs.50,000.

In case of Pearl Styles Limited (Indian Subsidiary)

a) Bank guarantee outstanding is. Rs.581,040.

b) Bill discounted but not matured Rs. 6,667,495.

Financial Year ended 31st March 2003

In case of Pearl Global Limited (Indian Subsidiary)

a) Claims against the company not acknowledged as debts and other matters Rs.4,037,047.

b) Export Bills Discounted with banks Rs. 86,231,576.

c) Counter Guarantees given by the company against bank Guarantees given by the bank on its behalf Rs. 11,466,577.

d) Counter guarantee given by the Company to Sales Tax Department is Rs. 50,000.

In case of Pearl Styles Limited (Indian Subsidiary)

a) Bank guarantee outstanding is Rs. 950,000.

Financial Year ended 31st March 2002

In case of Pearl Global Limited (Indian Subsidiary)

a) Claims against the company not acknowledged as debts and other matters Rs. 2,544,710.

b) Export Bills Discounted with banks Rs. 102,169,399.

c) Counter Guarantees given by the company against bank Guarantees given by the bank on its behalf Rs. 8,592,577.

In case of Pearl Styles Limited (Indian Subsidiary)

a) Claims against the company not acknowledged as debts Rs. 50,000.

b) Bank guarantee outstanding is Rs. 50,000

7. Capital Commitments

Half Year Ended 30th September 2006

In case of Pearl Global Limited (Indian Subsidiary)

Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs. 28,603,601.

Financial Year ended 31st March 2006

In case of Pearl Global Limited (Indian Subsidiary)

Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs. 14,298,864.

In case of Multinational Textile Group Limited (Foreign subsidiary)

Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs. 10,186,790.

Financial Year ended 31st March 2005

In case of Pearl Global Limited (Indian Subsidiary)

Estimated amount of contracts remaining to be executed on capital account Rs. 62,000.

In case of Pearl Styles Limited (Indian Subsidiary)

Estimated amount of contracts remaining to be executed on capital account and provided for (Net of advance tax) Rs. 30,000,000.

Financial Year ended 31st March 2004

In case of Pearl Global Limited (Indian Subsidiary)

Estimated amount of contracts remaining to be executed on capital account Rs. 10,455,000.

In case of Vau Apparels Private Limited (Indian Subsidiary)

Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs. 17,659,000.

Financial Year ended 31st March 2003

In case of Pearl Global Limited (Indian Subsidiary)

Estimated amount of contracts remaining to be executed on capital account Rs. 3,700,000.

In case of Pearl Styles Limited (Indian Subsidiary)

Estimated amount of contracts remaining to be executed on capital account Rs. 800,000.

In case of Vau Apparels Private Limited (Indian Subsidiary)

Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs. 17,659,000.

Financial Year ended 31st March 2002

In case of Vau Apparels Private Limited (Indian Subsidiary)

Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs. 17,659,000.

8. Secured Loans

Half Year Ended 30th September 2006

In case of House of Pearl Fashions Limited (Holding Company)

i) Rupee term loan from Standard Chartered Investment and Loans (India) Ltd is secured by:-

- Corporate Guarantee of Pearl Global Limited.
- Standby Letter of Credit from Standard Chartered Bank, Hongkong.
- Pledge of Shares of Pearl Global Limited.
- Negative Lien on the shares of Nor Pearl Knitwear Ltd and Norp Knitwear Industries held by the company.

In case of Pearl Global Limited (Indian Subsidiary)

i) Rupee term loan from UCO Bank is secured by :-

- Exclusive first charge on the machinery purchased from the proceeds of the term loan.
- Second charge on hypothecation of stock of raw material, stock in process, finished goods, stock in transit for shipments, documents in transit and stock lying with dyers, finishers and fabricators.
- Collateral security in form of extension of charge on land and building situated at 446, Udyog Vihar Phase –V , Gurgaon already equitable mortgaged with the bank and the personal guarantee of Chairman.

ii) Rupees Term Loan from the Hongkong & Shanghai Banking Corporation is secured by:

- Exclusive charge over the Fixed Assets of the Chennai unit financed from the proceeds of the term loan.
- Pari-Passu charge with UCO Bank by way of mortgage of the Property situated at 446, Udyog Vihar Phase-V, Gurgoan.

iii) ECB (External Commercial Borrowing) Loan from China Trust Commercial Bank is secured by

- Hypothecation of all Plant & Machinery, Spares, Tools and Accessories and other moveable acquired / to be acquired order ECB installed / Stored or be installed / Stored at Company premises and Godowns or wherever else the same may be including those in the course of transit.

iv) Vehicle loans are secured against hypothecation of respective vehicles.

v) Pre-shipment advances from banks are secured by hypothecation of entire current assets of the Company, first pari passu charge on specific moveable fixed assets and first charge on certain specified immovable fixed assets and are guaranteed by the chairman of the Company.

In case of Multinational Textile Group Limited (Foreign subsidiary)

i) Term loan are secured by a legal mortgage over leasehold property, fixed and floating charges over the assets of the Sub-subsidiary and a cross guarantee between two Sub-subsidiaries.

ii) Packing Credit loan – one of the Sub-subsidiaries, PT Norwest Industry's loan from HSBC represent import and export facilities with combined maximum limit amounting to Rs. 55,188,000 and subject to review at any time and in any event. These facilities are charged by interest of 1% below the banks' prime lending rate which is subject to fluctuation. The rate during the period was ranging from 10.5% to 10.8% and from 9.5% to 10% in year 2005. The loan is secured by the following:

- Standby Letter of Credit from Barclays Bank Switzerland for Rs. 11,497,500.
- Fiduciary transfer over Machinery for Rs. 32,193,000.
- Fiduciary transfer over Stocks for Rs. 22,995,000.
- Fiduciary transfer over Accounts Receivable for Rs. 22,995,000.
- Joint and several Guarantee from Mr. Pallak Seth and Mr. Rajesh Ajwani for whole facility amount; and
- Letter of undertaking from shareholders to inject additional equity/subordinated loan to cover losses.

iii) a. Other Short Term Loans - one of the Sub-subsidiaries, Poeticgem Limited's bank loans are secured by a legal mortgage over leasehold property, fixed and floating charges over the assets of the sub-subsidiary and a cross guarantee between Poeticgem Ltd and Pacific Logistics Ltd. The loans carry an average interest rate of 1.55% over base rate.

b. One of the Subsidiaries, Norwest Industries Ltd has banking facilities secured by way of :

- The Subsidiary's Pledge time deposit and marketable securities.
- Bank Guarantee issued by UBS AG for Rs. 98,188,650.
- Guarantee from the holding company, a related party company, a third party, a director of the subsidiary and a related party.
- Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximates 6.25% per annum and is determined, based on 1.75% plus base rate.

- Bank overdraft- One of the sub-subsidiaries, Pacific Logistics Ltd's bank overdrafts is repayable on demand. Overdrafts of Rs. 17,350,233 have been secured by fixed and floating charges over the sub-subsidiary's assets and a cross guarantee between Pacific Logistics Ltd and Poeticgem Ltd. The weighted average interest rates on bank overdrafts are determined based on 1.75% plus the average bank base rate.
- Bank loans are secured by a legal mortgage over leasehold property, fixed and floating charges over the assets of the Sub-subsidiary and a cross guarantee between two Sub-subsidiaries. The loans carry an average interest rate of 1.55% base rate.
- The obligations of the sub-subsidiaries, namely Poeticgem Ltd and Pacific Logistics Ltd, under hire purchase are secured by charges over the relevant assets.

In case of Norp Knit Industries Limited (Foreign subsidiary).

i) Secured Loan- Bank Overdraft from United Commercial Bank is secured against fixed deposits.

In case of Nor Pearl Knitwear Limited (Foreign subsidiary)

i) Loan Subordination Agreement from Norwest Industries Ltd for Rs.87,381,000 with supporting Board Resolution.

ii) Blanket Counter Indemnity for Guarantee facility.

iii) % of each proceeds to be retained for payment of monthly installments of the proposed term loan.

iv) Demand Promissory Note for Rs. 229,950,000 with Letter of Continuity & Revival.

v) Letter of Set Off to set off between different accounts maintained with the Bank.

vi) Personal guarantee executed by Mr. Deepak Seth, Mr. Pallak Seth and Mr. Pulkit Seth for Rs. 229,950,000 each for credit facility extended to Nor Pearl Knitwear Ltd.

vii) Corporate Guarantee executed by Pallas Holdings Ltd, Mauritius, and Norwest Industries Ltd., Hongkong for Rs. 229,950,000 with supporting Board Resolution for the credit facilities extended to Nor-Pearl Industries Ltd.

viii) Loan Subordination Agreement from Norwest Industries Ltd for Rs. 96,579,000.

ix) First Charge after BEPZA over Stocks of Raw Materials, Work in Progress and Finished Goods for Rs. 235,440,000 with registrar of Joint Stock Companies (RJSC).

x) First Charge after BEPZA over Book Debts and Receivables for Rs. 235,440,000 with RJSC.

xi) First Charge after BEPZA over Plant & Machinery for Rs. 235,440,000 with RJSC.

xii) Trade Financing General Agreement for Trade Services.

xiii) Power of Attorney for Hypothecated Goods.

xiv) Power of Attorney for Back to Back facility.

xv) No Objection Certificate (NOC) from BEPZA to be obtained for creation of charge with RJSC.

xvi) Irrevocable and Unconditional Stand by Letter of Credit for Rs. 11,497,500 from USB Bank.

Financial Year ended 31st March 2006

In case of Pearl Global Limited (Indian Subsidiary)

i) Rupee term loan from UCO Bank is secured by:

- Exclusive first charge on the machinery purchased from the proceeds of the term loan.
- Second charge on hypothecation of stock of raw material, stock in process, finished goods, stock in transit for shipments, documents in transit and stock lying with dyers, finishers and fabricators.
- Collateral security in form of extension of charge on land and building situated at 446, Udyog Vihar Phase –V , Gurgaon already equitable mortgaged with the bank and the personal guarantee of Chairman.

ii) Rupee Term Loan from the Hongkong & Shanghai Banking Corporation is secured by :

- Exclusive charge over the Fixed Assets of the Chennai unit financed from the proceeds of the term loan.
- Pari-Passu charge with UCO Bank by way of mortgage of the Property situated at 446, Udyog Vihar Phase-

V, Gurgoan.

iii) ECB (External Commercial Borrowing) Loan from China trust Commercial Bank is secured by

- hypothecation of all Plant & Machinery, Spares, Tools and Accessories and other moveable acquired / to be acquired order ECB installed / Stored or be installed / Stored at Company premises and Godowns or wherever else the same may be including those in the course of transit.

iv) Vehicle loans are secured against hypothecation of respective vehicles.

v) Pre-shipment advances from banks are secured by hypothecation of entire current assets of the Company, first pari passu charge on specific moveable fixed assets and first charge on certain specified immovable fixed assets and are guaranteed by the chairman of the Company.

In case of Multinational Textile Group Limited (Foreign subsidiary)

i) Term loan are secured by a legal mortgage over leasehold property, fixed and floating charges over the assets of the Sub-subsidiary and a cross guarantee between two Sub-subsidiaries.

ii) Packing Credit loan – one of the Sub-subsidiaries, PT Norwest Industry's loan from HSBC represent import and export facilities with combined maximum limit amounting to Rs. 53,544,000 and subject to review at any time and in any event. The loan is secured by the following:

- Standby Letter of Credit from Barclays Bank Switzerland for Rs. 11,155,000
- Fiduciary transfer over Machinery for Rs. 22,310,000
- Fiduciary transfer over Stocks for Rs. 22,310,000
- Fiduciary transfer over Accounts Receivable for Rs. 22,310,000
- Joint and several Guarantee from Mr. Pallak Seth and Mr. Rajesh Ajwani for whole facility amount; and
- Letter of undertaking from shareholders to inject additional equity/subordinated loan to cover losses.

iii) Other Short Term Loans - one of the Sub-subsidiaries, Poeticgem Limited's bank loans are secured by a legal mortgage over leasehold property, fixed and floating charges over the assets of the sub-subsidiary and a cross guarantee between Poeticgem Ltd and Pacific Logistics Ltd.

iv) Bank overdraft- One of the sub-subsidiaries, Pacific Logistics Ltd's bank overdrafts is repayable on demand. Overdrafts of Rs. 5,079,987 have been secured by fixed and floating charges over the sub-subsidiary's assets and a cross guarantee between Pacific Logistics Ltd and Poeticgem Ltd.

In case of Norp Knit Industries Limited (Foreign subsidiary).

i) Secured Loan- Bank Overdraft from United Commercial Bank is secured against fixed deposits.

In case of Nor Pearl Knitwear Limited (Foreign subsidiary)

i) Loan Subordination Agreement from Norwest Industries Ltd for Rs.84,778,000 with supporting Board Resolution.

ii) Blanket Counter Indemnity for Guarantee facility.

iii) 3% of each proceeds to be retained for payment of monthly installments of the proposed term loan.

iv) Demand Promissory Note for Rs. 223,100,000 with Letter of Continuity & Revival.

v) Letter of Set Off to set off between different accounts maintained with the Bank.

vi) Personal guarantee executed by Mr. Deepak Seth, Mr. Pallak Seth and Mr. Pulkit Seth for Rs. 223,100,000 each for credit facility extended to Nor Pearl Knitwear Ltd.

vii) Corporate Guarantee executed by Pallas Holdings Ltd, Mauritius, and Norwest Industries Ltd., Hongkong for Rs. 223,100,000 with supporting Board Resolution for the credit facilities extended to Nor-Pearl Industries Ltd.

viii) Loan Subordination Agreement from Norwest Industries Ltd for Rs. 93,702,000.

ix) First Charge after Bangladesh Export Processing Zone Authority over Stocks of Raw Materials, Work in Progress and Finished Goods for Rs. 215,820,000 with registrar of Joint Stock Companies (RJSC).

x) First Charge after Bangladesh Export Processing Zone Authority over Book Debts and Receivables for Rs. 215,820,000 with RJSC.

xi) First Charge after Bangladesh Export Processing Zone Authority over Plant & Machinery for Rs. 215,820,000 with RJSC.

xii) Trade Financing General Agreement for Trade Services.

xiii) Power of Attorney for Hypothecated Goods.

xiv) Power of Attorney for Back to Back facility.

xv) No Objection Certificate (NOC) from Bangladesh Export Processing Zone Authority to be obtained for creation of charge with RJSC.

xvi) Irrevocable and Unconditional Stand by Letter of Credit for Rs. 11,155,000 from USB Bank.

Financial Year ended 31st March 2005

In case of Pearl Global Limited (Indian Subsidiary)

i) FCNR term Loan from UCO Bank is secured by equitable mortgage by deposit of title deeds of the property situated at 446, first charge on Plant & Machinery, all the present and future stock of raw material, work in progress, finished goods, store & spares of the company and the personal guarantee of the chairman.

ii) **Rupee term loan from UCO Bank is secured by :**

- Exclusive first charge on the machinery purchased from the proceeds of the term loan.
- Second charge on hypothecation of stock of raw material, stock in process, finished goods, stock in transit for shipments, document in transit and stock lying with dyers, finishers and fabricators.
- Collateral security in form of extension of charge on land and building situated at 446, Udyog Vihar Phase – V, Gurgaon already equitable mortgaged with the bank and the personal guarantee of the chairman.

iii) Vehicle loans are secured against hypothecation of respective vehicles.

iv) Pre-shipment advances from banks are secured by hypothecation of entire current assets of the Company, first pari-passu charge on specific movable fixed assets and first charge on certain specific immovable fixed assets and are guaranteed by the chairman of the company.

Financial Year ended 31st March 2004

In case of Pearl Global Limited (Indian Subsidiary)

i) FCNR/Rupee Loan from UCO Bank is secured by equitable mortgage of specific land and building, first charge on Plant & Machinery of the Company, pari passu charge on the entire stock of the Company and the personal guarantee of Chairman cum Managing Director.

ii) Vehicle loans are secured against hypothecation of respective vehicles.

iii) Pre-shipment advances from banks are secured by hypothecation of entire current assets of the Company, first pari passu charge on specific movable fixed assets and first charge on certain specific immovable fixed assets and are guaranteed by Chairman cum Managing Director of the Company.

Financial Year ended 31st March 2003

In case of Pearl Global Limited (Indian Subsidiary)

i) FCNR Loan from UCO Bank is secured by equitable mortgage of specific land and building, first charge on Plant & Machinery of the Company, pari passu charge on the entire stock of the Company and the personal guarantee of Chairman cum Managing Director.

ii) Short Term Loan from China Trust Commercial Bank is secured by pari passu charge on entire current assets of the Company and second charge on certain specific immovable Fixed Assets and movable Fixed Assets of the Company and personal Guarantee of Chairman cum Managing Director.

iii) Term Loan from Punjab National Bank is secured by pari passu charge on certain specific immovable fixed assets and first charge on machinery purchased against Term Loan.

iv) Pre-shipment advances from banks are secured by hypothecation of entire current assets of the Company, second charge on specific fixed assets and first charge on certain specific immovable fixed assets and are guaranteed by Chairman cum Managing Director and Director of the Company.

Financial Year ended 31st March 2002

In case of Pearl Global Limited (Indian Subsidiary)

i) Term Loan from UCO Bank is secured by equitable mortgage of specific land and building and land, building and other movable Fixed Assets of Pearl Styles Ltd. (subsidiary of Pearl Global Ltd.) and personal guarantee of Chairman and Managing Director.

ii) Short term Loan of Pearl Global Limited from China Trust Commercial Bank is secured by first charge on entire current assets of the company and second charges on certain specific immovable Fixed Assets and movable Fixed Assets of the company and personal guarantee of Chairman and Managing Director.

iii) Pre -Shipment advances of Pearl Global Ltd from banks are secured by hypothecation of entire current assets of the Company and by second charge on specific fixed assets and are guaranteed by Chairman and Managing Director and Director of the Company.

iv) Vehicle loans of Pearl Global Ltd are secured against hypothecation of respective vehicle.

In case of Pearl Styles Limited (Indian Subsidiary)

i) Term loan of Pearl Styles Ltd from IDBI is secured by mortgage of immovable property of the company and first charge on all the movable properties, machinery, spares, tools, accessories and other movables, both present & future (save and except book debts), subject to prior charges created or to be created in favor of bankers on stock in trade.

9. Segment Reporting

Prior to 2005-06, the company is engaged in manufacture & sale of garments and trading of jewellery. The proportion of jewellery business is insignificant thus in context of Accounting standard “17” there is no reportable segment.

During the year 2005-06 the company acquired the assets in different geographical area at the end of the year therefore the revenue and expenses of the same have not been considered for the purpose of consolidated financial statement. Thus in the context of Accounting Standard “17” on segmental reporting, issued by Institute of Chartered Accountants of India, there is no reportable segment.

For the Half year ended September 30, 2006 the company has identified geographical segments as its primary segment and business segment as its secondary segment.

The geographical segments of the company based on the location of assets are United states of America, United Kingdom, Hong Kong, India & Bangladesh.

The business segments considered by the company are:

- Manufacturing
- Marketing, Distribution, Sourcing and Trading.

A. Geographical Segment

	USA	UK	HK	Bangladesh	India	Others	Total
SEGMENT REVENUE							
(a) External Sales	616,185,462	1,295,093,530	1,200,127,065	229,904,383	778,303,012	189,989,858	**4,309,603,311**
(b) Inter-segment Sales	-	16,326,691	20,364,338	150,128,681	31,795,576	31,772,353	**250,387,640**
(c) Total Segment Sales	**616,185,462**	**1,311,420,221**	**1,220,491,403**	**380,033,064**	**810,098,588**	**221,762,211**	**4,559,990,950**
Other Income	2,660,916	76,820,434	21,974,477	294,513	83,425,073	6,989,313	**192,164,725**
Total Segment Revenue	**618,846,378**	**1,388,240,655**	**1,242,465,880**	**380,327,577**	**893,523,661**	**228,751,524**	**4,752,155,675**
Total Revenue of each Segment as a percentage of total revenue of all segment	**13**	**29**	**26**	**8**	**19**	**5**	**100**
Total Segment operative expenses	**563,175,044**	**1,233,930,028**	**1,133,876,862**	**339,668,723**	**781,331,527**	**206,759,131**	**4,258,741,315**
Total Segment operative profit (EBIDTA)	**55,671,334**	**154,310,627**	**108,589,018**	**40,658,854**	**112,192,134**	**21,992,393**	**493,414,360**
Depreciation	2,009,943	8,459,413	3,892,358	11,899,967	20,404,610	5,316,352	**51,982,642**
Financial Expenses	-	10,065,718	9,386,643	10,618,266	29,432,339	1,939,123	**61,442,089**
Total Segment result before tax	**53,661,391**	**135,785,496**	**95,310,017**	**18,140,620**	**62,355,186**	**14,736,919**	**379,989,629**
Segment tax expenses	28,459,308	42,455,036	25,499,872	-	20,958,840	4,594,993	**121,968,050**
Total Segment result after tax but before prior period & extra ordinary items	**25,202,083**	**93,330,460**	**69,810,145**	**18,140,620**	**41,396,346**	**10,141,925**	**258,021,579**

	USA	UK	HK	Bangladesh	India	Others	Total
Prior period & extra ordinary item	**-**	**-**	**-**	**-**	**(224,008)**		**(224,008)**
Total Segment result after tax & Prior period & extra ordinary item	**25,202,083**	**93,330,460**	**69,810,145**	**18,140,620**	**41,620,354**	**10,141,925**	**258,245,587**
Combined results of all segments in profit	**25,202,083**	**93,330,460**	**69,810,145**	**18,140,620**	**41,620,354**	**10,141,925**	**258,245,587**
Combined results of all segments in loss	-	-	-	-	-	-	-
Total Segment result of each segment as a percentage of total segment result of all segment	**10**	**36**	**27**	**7**	**16**	**4**	**100**
SEGMENT ASSETS	**321,413,578**	**1,091,085,913**	**1,181,282,057**	**573,670,545**	**1,726,206,709**	**128,643,366**	**5,022,302,168**
Segment Assets as a percentage of total assets of all segments	**6**	**22**	**24**	**11**	**34**	**3**	**100**
SEGMENT LIABILITIES	**65,897,324**	**156,470,719**	**317,950,853**	**224,654,093**	**221,054,313**	**29,962,485**	**1,015,989,787**
Segment Liabilities as a percentage of total assets of all segments	**6**	**15**	**31**	**22**	**22**	**3**	**100**

B. Business Segment

	Manufacturing	Marketing, Distribution, Sourcing & Trading	Others	TOTAL
SEGMENT REVENUE				
(a) External Sales	1,183,168,819	3,126,434,492	-	4,309,603,311
(b) Inter-segment Sales	213,696,610	36,691,029	-	250,387,640
(c) Total Segment Sales	**1,396,865,429**	**3,163,125,521**	**-**	**4,559,990,950**
Other Income	90,277,938	101,879,064	7,723	192,164,725
Total Segment Revenue	**1,487,143,367**	**3,265,004,585**	**7,723**	**4,752,155,675**
Total Revenue of each segment as a percentage of total revenue of all segment	31.29	68.71	0.00	**100**
Total Segment operative expenses	**1,311,945,271**	**2,945,484,284**	**1,311,761**	**4,258,741,315**
Total Segment operative profit before tax (EBIDTA)	**175,198,097**	**319,520,301**	**(1,304,038)**	**493,414,360**
Depreciation	37,401,880	14,580,762		51,982,642
Financial Expenses	40,011,032	19,491,934	1,939,123	61,442,089
Total Segment result before tax	**97,785,185**	**285,447,605**	**(3,243,160)**	**379,989,629**
Segment tax expenses	25,340,036	96,628,014		121,968,050
Total Segment result after tax but before prior period & extra ordinary items	**72,445,148**	**188,819,591**	**(3,243,160)**	**258,021,579**
Prior period & extra ordinary item	(224,008)	-	-	(224,008)
Total Segment result after tax & Prior period & extra ordinary item	**72,669,156**	**188,819,591**	**(3,243,160)**	**258,245,587**
Combined results of all segments in profit	72,669,156	188,819,591	-	261,488,747
Combined results of all segments in loss	-	-	(3,243,160)	(3,243,160)
Total Segment result of each segment as a percentage of total segment result of all segment	**28**	**72**	**-**	**100**
SEGMENT ASSETS	**2,427,661,481**	**2,593,781,548**	**859,139**	**5,022,302,168**
Segment Assets as a percentage of total assets of all segments	**48%**	**52%**	**2%**	**102%**
SEGMENT LIABILITIES	**471,610,526**	**540,318,896**	**4,060,365**	**1,015,989,787**
Segment Liabilities as a percentage of total assets of all segments	**47%**	**53%**		**100%**

8. **Related Party Disclosure**

Related party disclosure as required under Accounting Standard- "18" issued by the Institute of Chartered Accountants of India is given below:

Nature of Relationship	Name of Entity					
	30.9.2006	2005-06	2004-05	2003-04	2002-03	2001-02
Associates	-Pearl Wears	-Pearl Wears	-Pearl Wears	-Pearl Wears	-Pearl Wears	-Pearl Wears
	-Little People Education Society	-Little People Education Society	-Little People Education Society	-Little People Education Society	-Little People Education Society	-Little People Education Society
	-Crown Computerised Embroideries	-Crown Computerised Embroideries	-Crown Computerised Embroideries	-Crown Computerised Embroideries	-Crown Computerised Embroideries	-Crown Computerised Embroideries
	-Vastras	-Vastras	-Vastras	-Engineers Designers & Consultants	-Engineers Designers & Consultants	-Engineers Designers & Consultants
	- Pearl Academy of Fashion India Ltd.	- Pearl Academy of Fashion India Ltd.	- Deepak Seth & Sons.	-Vastras	-Vastras	-Vastras
	- Deepak Seth & Sons.	- Norwest Industries Ltd	- Norwest Industries Ltd	- Deepak Seth & Sons.	- Deepak Seth & Sons.	- Deepak Seth & Sons.
	- SACB Holdings Ltd	- SACB Holdings Ltd				
	- Pallas Holding Ltd	- Pallas Holding Ltd				
	- Images Pearl Retail Solutions Pvt Ltd.	- Images Pearl Retail Solutions Pvt Ltd.				
	- PAF International Ltd	- PAF International Ltd				
	-JSM Trading					
Key Managerial Person/ Whole Time Director/ Relative of the Group	Mr. Deepak Seth	Mr. Deepak Seth	Mr. Deepak Seth	Mr. Deepak Seth	Mr. Deepak Seth	Mr.Deepak Seth
	Mr. Pallak Seth	Mr. Pallak Seth	Mr. Pallak Seth	Mr. Pallak Seth	Mr. Pallak Seth	Mr. Pallak Seth
	Mrs. Payal Seth	Mrs. Payal Seth	Mrs. Payal Seth	Mrs. Payal Seth	Mrs. Payal Seth	Mrs. Payal Seth
	Mr. Sanjay Pershad	Mr. Sanjay Pershad	Mr. Sanjay Pershad	Mr. Sanjay Pershad	Mr. Sanjay Pershad	Mr. Sanjay Pershad
	Mr. Pulkit Seth	Mr. Pulkit Seth	Mr. J.K. Sharma	Mr. J.K. Sharma	Mr. J.K. Sharma	Mr. J.K. Sharma
	Mr. S.M. Vij	Mr. Partho P. Kar (resigned w.e.f. 31.05.2005)	Mr. Pulkit Seth			
			Mr. Partho P. Kar			
	Mr. Venkatesh Nagar					
	Mr. Karkala Raja Rao					
	Mr. Amit Bansal					
	Mr. Suresh Punjabi					

Nature of Transaction	Related Party	30.9.2006	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
Advance Paid	**Associates**	31,450,000	38,235,083	82,978,874	64,582,763	26,563,476	27,597,591
Advance Recovered	**Associates**	17,895,000	36,985,083	58,945,441	67,001,025	55,413,421	52,915,110
Advance Received	**Associates**	-	2,500,000		118,140		4,200,000
	KMP/ WTD/ Relative	-	5,649,800	-	-	-	-
Advance Refund	**Director**		5,649,800				
	Associates	-					
Sale of Goods	**Associates**	1,691,754	137,007,480	125,214	1,578,660	21,068,967	8,007,649
	KMP/ WTD/ Relative			39,000		96,415	
Sale of Assets	**Associates**	50,000,000					
Purchase of Goods	**Associates**		27,955,797	15,802,952	219,205	747,124	804,594
Job Work Done	**Associates**	2,164,631	4,308,480	1,305,075	4,156,925	10,004,242	11,997,495
Job Work Recd.	**Associates**	3,669,840	21,527,314	11,321,901	1,845,092	3,311,639	758,626
Job Work Paid	**Associates**	4,482,255	22,905,491	6,026,794	2,676,106	2,515,890	754,482
Expenses Paid	**Associates**	1,253,532	9,291,350	7,195,547	736,306	1,006,977	651,670
	KMP/ WTD/ Relative		7,679,909	-	-	-	-
Expenses Recovered	**Associates**	975,423	7,892,128		491,100	150,346	2,462,352
	KMP/ WTD/ Relative			190			104,737
Payment Received	**Associates**	2,233,684	4,861,081	3,292,195	3,645,649	13,634,857	7,935,839
	KMP/ WTD/ Relative		7,679,909	30,000	-	351,230	-
Payment Made	**KMP/ WTD/ Relative**		-	10,723	833,973	-	104,737
	Associates			782,758			
Rent Received / Paid (net of Received/Paid)	**Associates**	972,774	(1,488,000)	456,000	756,000	360,240	384,000
Remuneration Paid	**KMP/WTD/ Relative**	12,331,797	2,770,060	4,948,970	4,995,665	4,322,335	5,149,748
Investment	**KMP/ WTD/ Relative**		-	-	-	211,750	4,200,000
	Associates		2,764,000	100,350			
Profit/Loss Transfer	**Associates**		201,450	155,664	-	-	10,090
	KMP/ WTD/ Relative		-	-	2,345,976	(698,737)	-
Share Application Money	**KMP/WTD /Relative**		-	39,220,900	-	-	-
Share Application Money Refund	**Associates**	1,500,000	9,950,000	-	-	-	-

Nature of Transaction	Related Party	30.9.2006	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
Sale of Shares	**KMP/ WTD /Relative**		39,221,100	-	-	-	-
Purchase of Shares	**Associates**		161,892,500	-	-	-	-
Loan Given	**Associates**	23,272,000	5,526,000	-	-	-	-
Loan Refund	**Associates**		1,500,000	-	-	-	-
Loan Received	**Associates**	11,681,110	321,464,200	-	-	-	-
Loan Recovered	**Associates**	10,000,000					
Sampling Recovery	**Associates**		44,334	-	-	-	-
Claim paid	**Associates**		1,159,350	-	-	-	-
Interest Recd.	**Associates**	386,851					
Interest Expenses	**Associates**	414,335					
Closing Balance	**Associates** **KMP/ WTD /Relative**	(535,443,044)	(510,470,993)	(2,118,036) 39,221,090	824,492 (10,723)	(1,769,498) (844,696)	10,222,465 (847,945)

9. Earning Per Share

The numerator and denominator used to calculate Basic and Diluted Earning per share

	30.9.2006	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
Net Profit/(Loss) Attributable to the equity Shareholders	225,397,785	55,113,875	3,549,841	21,599,795	5,538,698	89,289
Add: Extra Ordinary Item	-	-	15,251,739	-	-	-
Adjusted Profit	225,397,785	55,113,875	18,801,580	21,599,795	5,538,698	89,289
Basic & Weighted Average number of Equity Share during the year	13,970,037	11,896,150	10,047,928	10,047,928	10,047,928	10,047,928
Nominal value of Equity Share	10	10	10	10	10	10
Basic Earning Per Share (Rs.)	**16.13**	**4.63**	**1.87**	**2.15**	**0.55**	**0.01**
Potential Equity Shares	246	-	3,922,209	100	100	100
Total No. of Shares	13,970,283	11,896,150	13,970,037	10,048,028	10,048,028	10,048,028
Diluted Earning Per Share	**16.13**	**4.63**	**1.35**	**2.15**	**.55**	**0.01**

Note :

In the extra-ordinary general meeting held on June 17, 2006 the members of the company approved the issue of 9313358 equity shares of Rs. 10/- each as fully paid up bonus share in the ratio of 2 shares for every one share held in the company. In accordance with the measurement principles laid down under Accounting Standard 20 "Earning Per Share" earning per share calculations have been adjusted, for the change in the number of equity shares for all the periods for which earnings per share data were presented.

10. Tax Holidays

In case of Multinational Textiles Group Limited and Global Textiles Group Limited, the company is subject to income tax in Mauritius at the rate of 15% . It is however, entitled to a tax credit equivalent to the higher of the foreign tax paid and 80% of the Mauritian tax on its foreign source income. No provision for taxation has been made in the accounts due to the availability of tax losses.

However the sub subsidiaries have made the provision based on the current rates applicable on their chargeable income and deferred taxation using the balance sheet liability method.

In case of Norp Knit Industries Limited, the company being established as a 100% export oriented unit (EOU), the income of the company is exempted from tax for a period of five years from the date of start of commercial production, i.e., from December 18 2004.

In case of Nor-Pearl Knitwear Limited, the company being established in Export Processing Zone for 100% export of its manufactured products, income of the company is exempted from tax for a period of ten years from the date of start of commercial production, i.e., from April 21, 2005.

11. In view of Accounting Standard-"22" 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, the company has accounted for deferred tax as follows:

	30.9.2006	**31.3.2006**	**31.3.2005**	**31.3.2004**	**31.3.2003**	**31.3.2002**
Deferred Tax Assets						
Unabsorbed Depreciation & Business Losses	18,551,524	28,589,046	53,166,341	65,109,751	26,958,889	24,313,059
Capital Losses	5,785,912	2,394,275	1,681,651	1,211,003	1,344,207	5,880,202
Provision for Diminution in Investment and Doubtful debts	48,050	-	5,639,840	6,010,971	6,922,804	7,091,653
Others	18,622,679	14,838,040	6,416,955	4,362,125	2,963,927	1,896,952
Total (A)	**43,008,165**	**45,821,361**	**66,904,787**	**76,693,850**	**38,189,827**	**39,181,866**
Deferred Tax Liabilities						
Depreciation	58,162,175	44,900,588	39,632,951	61,093,555	39,411,473	30,725,568
Total (B)	**58,162,175**	**44,900,588**	**39,632,951**	**61,093,555**	**39,411,473**	**30,725,568**
Net Deferred Tax Assets/(Liabilities)	**(15,154,010)**	**920,773**	**27,271,836**	**15,600,295**	**(1,221,646)**	**8,456,298**

The tax impact for the above purpose has been arrived at by applying the prevailing tax rate enacted as on Balance Sheet date.

In case of Multinational Textiles Group Limited, no provision for deferred taxation has been made as it is not considered to reverse.

12. Previous Year's figures have been regrouped /recast wherever considered necessary.

FOR S.R. DINODIA & CO.,
Chartered Accountants

On behalf of the Board of Directors

Sandeep Dinodia
Partner
M.No. 083689

Deepak Seth
Chairman

Pulkit Seth
Managing Director

Place : New Delhi
Date : 8 December 2006

Rishi Vig
Chief Finance Officer

Jayant Sood
Company Secretary

HOUSE OF PEARL FASHIONS LIMITED (CONSOLIDATED)
(formerly known as Mina Estates Private Limited)

Annexure-VI: Accounting Ratios

Particulars	Half Year Ended 30.09.2006	Financial Year Ended March 31, 2006	2005	2004	2003	2002
Basic Earning per share (Rs.)*	16.13	4.63	1.87	2.15	0.55	0.01
Diluted Earning per share (Rs.)	16.13	4.63	1.35	2.15	0.55	0.01
Return on net worth (%)**	25.67%	8.51%	3.68%	4.61%	1.24%	0.02%
Net Asset Value per share (Rs.)**	62.86	139.07	695.33	637.17	607.51	593.09
Weighted average number of equity shares used for :						
Basic Earnings Per share	13,970,037	11,896,150	10,047,928	10,047,928	10,047,928	10,047,928
Diluted Earnings Per share	13,970,283	11,896,150	13,970,137	10,047,928	10,047,928	10,047,928
Total number of equity shares outstanding at the end of year	13,970,037	4,656,679	734,570	734,570	734,570	734,570

* *Not being annualized*

** *Minority Interest has not been considered for the purpose of calculating the above ratios.*

Notes:

1. *The ratios have been computed as below :*

   a) *Basic Earning per share (Rs.)* = $\dfrac{\text{Net profit/(loss) (after tax), as restated, attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year.}}$

   b) *Diluted Earning per share (Rs.)* = $\dfrac{\text{Net profit/(loss) (after tax), as restated, attributable to equity shareholders}}{\text{Weighted average number of dilutive equity shares outstanding during the year.}}$

   c) *Return on net worth %* = $\dfrac{\text{Net profit (loss) after tax, as restated as per Profit and Loss Account}}{\text{Net worth at the end of the year.}}$

   d) *Net assets value per equity share (Rs.)* = $\dfrac{\text{Net worth, as restated at the end of the year}}{\text{Total number of basic equity shares outstanding at the end of the year.}}$

2. *Net Profit, as restated, as appearing in the summary statement of profits and losses, has been considered for the purpose of computing the above ratios.*

3. *In the extra-ordinary general meeting held on June 17, 2006 the members of the company approved the issue of 9,313,358 equity shares of Rs. 10/- each as fully paid up bonus share in the ratio of 2 shares for every one share held in the company. In accordance with the measurement principles laid down under Accounting Standard 20 "Earning Per Share" earning per share calculations have been adjusted, for the change in the number of equity shares, for all the periods for which earnings* per share data were presented.

4. *Diluted earnings per share has been computed after considering the impact of dilutive equity shares arising from share application money.*

5. *Minority Interest has not been considered for the purpose of calculating the above rates.*

FOR S.R. DINODIA & CO.,
Chartered Accountants

Sandeep Dinodia
Partner
M.No. 083689

Place : New Delhi
Date: 8 December 2006

On behalf of the Board of Directors

Deepak Seth
Chairman

Pulkit Seth
Managing Director

Rishi Vig
Chief Finance Officer

Jayant Sood
Company Secretary

AUDITOR’S REPORT

STATEMENTS OF CONSOLIDATED ASSETS AND LIABILITIES AS AT AND CONSOLIDATED PROFITS AND LOSSES FOR THE HALF YEARLY ENDED SEPTEMBER 30, 2006 AND FOR THE YEARS ENDED MARCH 31, 2006, 2005, 2004, 2003 AND 2002 AND CONSOLIDATED CASH FLOWS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2006 AND FOR THE YEARS ENDED MARCH 31, 2006, 2005, 2004, 2003 AND 2002, OF PEARL GLOBAL LIMITED.

To,

The Board of Directors,
Pearl Global Limited,
446, Udyog Vihar, Phase-V
Gurgaon, Haryana

Dear Sirs,

As required for the purpose of certification of the financial statements to be incorporated in the Offer Document proposed to be issued by **House of Pearl Fashions Limited,** the holding company in connection with its initial public offering of equity shares, we state as follows:

1. We are the auditors of Pearl Global Limited (“PGL” or “the Company”) and its subsidiary, Pearl Style Limited (“PSL” or “the Subsidiary”) and its associate, Hopp Fashions (“the Associate”) wherever applicable (together referred to as “the Group”).
2. We have examined the attached summary statement of consolidated assets and liabilities of the Group as at September 30, 2006, March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 (Annexure-I), the attached summary statement of profit and losses for the six months ended September 30, 2006 and the years ended March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 (As per Annexure-II) and the attached summary statement of cash flows for the six months ended September 30, 2006 and the years ended March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002 (Annexure-III) (“Summary Statements”), alongwith the accompanying significant accounting policies and notes to the consolidated financial statements, as prepared by the Company and approved by the Board of directors.
3. The summary statements for the fiscal years 2002, 2003, 2004 & 2005 are consolidated statements of the Company, its subsidiary and the Associates. Pursuant to order of honorable high court of Delhi dated October 06, 2006, PSL and City Estates (P) Ltd have been amalgamated with the company effective from April 1, 2005. Therefore, the summary statements for the fiscal year 2006 & six months ended September 30, 2006 of the Company are prepared on a stand alone basis. Therefore, the figures of the half year ended 30th September, 2006 and for financial year ended 31st March, 2006 are not comparable with those of the previous years.
4. The Summary Statements, alongwith the accompanying significant accounting policies and notes to the financial statements, are based on the financial statements as at and for the six months ended September 30, 2006 and the years ended March 31, 2006, March 31, 2005, March 31, 2004, March 31, 2003, March 31, 2002, which have been audited and reported by us under the provisions of the Companies Act 1956 and on which we had issued our unqualified opinions vide our reports dated December 7, 2006, June 28, 2006, June 29, 2005, June 29, 2004, June 28, 2003 and June 27, 2002. The financial statements are the responsibility of the management of the Company. Our responsibility was to express an opinion on the financial statements based on our examination.

5. This report should not in any way be construed as a resource or redrafting of the previous audit reports issued by us nor should this report be construed as a new opinion on the financial statements referred to herein.

6. This report is intended solely for your information and to inclusion in the Offer Document in connection with the proposed initial Public offering of House of Pearl Fashions Limited, the holding company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.R. Dinodia & Co.,
Chartered Accountants

(Sandeep Dinodia)
Partner
M.No. 083689

Place: New Delhi
Dated: 7-DEC 2006

PEARL GLOBAL LIMITED

Annexure-I: Summary Statement of Assets and Liabilities

(Amount in Rs.)

Particulars	As at September 30, 2006	As at March 31,				
		2006	2005	2004	2003	2002
SOURCES OF FUNDS						
Shareholders' Funds						
Share Capital	82,150,130	82,150,130	79,127,770	79,127,770	79,127,770	79,063,270
Reserves & Surplus	628,515,662	601,685,709	547,098,974	547,589,159	513,883,007	497,788,007
Minority Interests						
Share Capital	-	-	20,338,850	20,338,850	20,338,850	20,338,850
Reserves & Surplus	-	-	(20,338,850)	(578,049)	(11,896,414)	(14,050,708)
Loan Funds						
Secured Loans	583,384,701	525,702,565	298,273,544	220,210,915	187,604,016	227,807,574
Unsecured Loans	26,781,206					
Deferred Tax Liability (Net)	36,104,425	19,808,073	-	437,007	6,727,184	-
	1,356,936,124	**1,229,346,477**	**924,500,288**	**867,125,652**	**795,784,413**	**810,946,994**
APPLICATION OF FUNDS						
Fixed Assets						
Gross Block	971,274,082	698,161,690	629,737,387	625,537,622	584,581,969	584,886,199
Less: Depreciation	193,915,661	176,541,437	153,099,106	147,912,290	128,685,557	120,581,852
Net Block	777,358,421	521,620,253	476,638,281	477,625,331	455,896,411	464,304,347
Capital Work in Progress	44,058,221	232,004,095	21,937,878	2,214,010	6,453,787	491,637
	821,416,642	**753,624,348**	**498,576,159**	**479,839,341**	**462,350,198**	**464,795,984**
Investments	**5,588,340**	**9,588,340**	**11,726,830**	**11,573,165**	**9,180,389**	**34,316,093**
Deferred Tax Assets (Net)	**-**	**-**	**11,698,397**	**-**	**-**	**8,456,298**
Current Assets, Loans & Advances						
Inventories	517,559,553	455,981,462	448,001,359	333,287,369	245,783,271	202,248,197
Sundry Debtors	76,968,275	164,599,689	149,951,152	34,824,180	71,304,131	82,242,893
Cash & Bank Balances	84,445,062	83,205,088	59,416,950	104,232,331	110,960,842	58,321,757
Other Current Assets	1,305,828	771,451	459,010	5,228,910	3,679,666	2,119,414
Loans & Advances	104,703,966	80,835,229	69,325,548	47,454,705	44,061,353	85,405,811
	784,982,684	**785,392,919**	**727,154,018**	**525,027,495**	**475,789,262**	**430,338,072**

(Amount in Rs.)

Particulars	As at September 30, 2006	As at March 31,				
		2006	2005	2004	2003	2002
Less : Current Liabilities & Provisions						
Current Liabilities	212,366,403	276,958,797	319,938,918	144,831,344	148,579,517	122,368,838
Provisions	42,685,139	42,300,333	4,899,248	4,850,478	3,507,813	6,069,062
	255,051,541	**319,259,130**	**324,838,166**	**149,681,822**	**152,087,330**	**128,437,900**
Net Current Assets	**529,931,143**	**466,133,789**	**402,315,852**	**375,345,673**	**323,701,932**	**301,900,172**
Miscellaneous Expenditure (To the extent not written off or adjusted)	-	-	183,050	367,472	551,894	1,478,446
Total	**1,356,936,124**	**1,229,346,477**	**924,500,288**	**867,125,652**	**795,784,413**	**810,946,994**

Note:

The above statement should be read with the significant accounting policies appearing in Annexure-IV, and Notes to Accounts appearing in Annexure-V.

As per our report of even date attached.

For S.R. Dinodia & Co.,
Chartered Accountants

For and on behalf of the Board

(Sandeep Dinodia)
Partner
M.No.083689

Place : New Delhi
Date: 7-DEC 2006

Deepak Seth
Chairman

Pulkit Seth
Managing Director

Sanjay Sarker
Vice-President
(Corporate Affairs)

Narayan Jee Jha
Company Secretary

PEARL GLOBAL LIMITED

Annexure-II: Summary Statement of Profit & Loss

(Amount in Rs.)

Particulars	Half year ended 30.09.2006	Financial year ended March 31,				
		2006	2005	2004	2003	2002
INCOME						
Turnover						
Sales	762,239,294	1,532,356,590	1,163,966,837	901,719,951	843,904,370	718,408,863
Export Incentives	32,524,771	62,680,734	46,239,100	45,732,270	52,043,616	61,203,464
Job Receipts	7,953,450	4,308,480	1,305,076	14,848,006	22,668,526	23,678,311
Other Income	25,786,128	31,479,247	28,759,231	12,779,978	21,390,302	3,515,126
	828,503,643	**1,630,825,051**	**1,240,270,244**	**975,080,205**	**940,006,814**	**806,805,764**
EXPENDITURE						
Purchase of Trading Goods	113,184,494	55,845,790	13,296,035	44,838,842	460,886,557	410,228,160
Manufacturing & Other Expenses	625,505,459	1,397,952,281	1,215,065,153	860,223,170	402,781,019	341,829,316
Finance Cost	22,538,140	26,191,539	16,262,228	11,769,910	21,918,144	23,270,921
Depreciation	19,863,024	26,641,440	25,788,337	20,108,921	20,296,236	22,052,757
	781,091,116	**1,506,631,051**	**1,270,411,753**	**936,940,843**	**905,881,957**	**797,381,154**
PROFIT						
Profit before Taxation and Prior Period Adjustments	47,412,527	124,194,000	(30,141,509)	38,139,362	34,124,857	9,424,610
Provision for Current Tax	(3,500,000)	(10,500,000)	(2,500,000)	(1,615,000)	(818,000)	(1,000,000)
Provision for Wealth Tax	-	(191,000)	(200,000)	(125,000)	(100,000)	-
Provision for Deferred Tax	(16,296,352)	(49,739,922)	12,135,404	6,290,177	(15,183,482)	(5,313,171)
Provision for Fringe Benefit Tax	(1,000,000)	(2,390,000)	-	-	-	-
Tax Adjustments for Earlier Years	-	(10,500,000)	835,401	(526,190)	64,668	1,956
Prior Period Adjustments (Net)	213,778	(916,004)	(380,282)	319,473	-	373,181
Provision Written Back	-	-		2,541,695		
Provision for Doubtful Debts	-	(145,230)	-	-	-	-
Profit /Loss before Minority Interest	**26,829,953**	**49,811,844**	**(20,250,986)**	**45,024,517**	**18,088,043**	**3,486,576**

(Amount in Rs.)

Particulars	**Half year ended 30.09.2006**	**Financial year ended March 31,**				
		2006	**2005**	**2004**	**2003**	**2002**
Proposed Dividend-Equity Shares	-	(23,738,331)				
Dividend Tax	-	(3,329,301)				
Profit brought forward	92,519,955	74,756,927	56,233,673	22,527,521	6,593,771	-
Profit/ Loss before Minority share	**119,349,908**	**97,501,139**	**35,982,687**	**67,552,038**	**24,681,814**	**3,486,576**
Less: Minority share	-	-	(19,760,801)	11,318,365	2,154,293	(3,107,195)
Transfer to General Reserve on Consolidation	-	4,981,184	-	-	-	-
Balance carried forward to Balance Sheet	**119,349,908**	**92,519,955**	**55,743,487**	**56,233,673**	**22,527,521**	**6,593,771**

Note:

The above statement should be read with the significant accounting policies appearing in Annexure-IV, and Notes to Accounts appearing in Annexure-V.

As per our report of even date attached.

For S.R. Dinodia & Co.,
Chartered Accountants

For and on behalf of the Board

(Sandeep Dinodia)
Partner
M.No.083689

Deepak Seth
Chairman

Pulkit Seth
Managing Director

Place : New Delhi
Date: 7-DEC 2006

Sanjay Sarker
Vice-President
(Corporate Affairs)

Narayan Jee Jha
Company Secretary

PEARL GLOBAL LIMITED

Annexure-III: Summary Statement of Cash Flow

(Amount in Rs.)

	Particulars	Half year ended 30.09.2006	Financial year ended March 31,				
			2006	2005	2004	2003	2002
A.	**Net Profit Before Tax and Extraordinary Items**	**47,412,527**	**124,194,000**	**(30,141,509)**	**38,139,362**	**34,124,857**	**9,424,610**
	Adjustments :						
	Depreciation	19,863,024	26,641,440	25,788,337	20,108,921	20,296,236	22,052,757
	Loss on claim of insurance	-	-	16,937	-	-	-
	Interest Expense	22,538,140	26,191,539	18,119,769	14,942,781	24,501,811	26,133,229
	Interest on income tax refund	-	-	-	(30,104)	(26,139)	-
	Misc. Expenditure Written off	-	183,050	184,422	184,422	926,552	926,552
	Bad Debts written off	-	-	-	2,541,695	(456,000)	-
	Rent Income	(978,000)	(1,926,975)	(1,956,000)	(1,318,500)	(300,000)	(792,000)
	Loss on discarded assets	-	-	-	-		-
	(Profit) / Loss on sale of Assets & Investments	2,794,143	1,801,106	41,538,438	1,115,655	(11,647,782)	5,577,810
	Exchange fluctuations	5,244,241	(596,864)	341,578	122,076	22,210	-
	Sundry balance written off (Net)	(902,479)	701,031	-	4,432,931	-	-
	Interest, Dividend & Income from other Investments	(859,771)	(1,043,149)	(340,039)	(2,617,241)	(1,012,590)	(1,256,311)
	Operating Profit /(loss) before working capital changes	**95,111,824**	**176,145,178**	**53,551,932**	**77,621,998**	**66,429,155**	**62,066,646**
	Adjustment for :						
	Inventories	-	-	-	-	-	-
	Trade and Other Receivables	2,552,689	(29,758,533)	(150,281,132)	(45,965,916)	14,242,081	64,615,769
	Trade Payables	(64,320,084)	(42,706,619)	79,797,544	(18,113,066)	8,964,982	(25,929,068)
	Cash Generated from operations	**33,344,429**	**103,680,026**	**(16,931,656)**	**13,543,017**	**89,636,219**	**100,753,347**

(Amount in Rs.)

	Particulars	Half year ended 30.09.2006	Financial year ended March 31,				
			2006	2005	2004	2003	2002
	Add: Prior period income	213,778	(916,004)	(380,282)	319,473	-	-
	Direct Taxes (Paid)/ refunds	(4,387,504)	(12,844,903)	(2,865,235)	(755,872)	3,315,801	1,411,073
	Net Cash Generated / (used) in operating activities	**29,170,703**	**89,919,119**	**(20,177,173)**	**13,106,618**	**92,952,020**	**102,164,421**
B.	**Cash Flow from Investing Operations:**						
	Purchase of Fixed Assets	(88,455,249)	(318,965,172)	(91,619,964)	(38,506,716)	(26,474,584)	(23,443,425)
	Rent Received	978,000	1,926,975	1,956,000	1,318,500	756,000	663,040
	Interest & Dividend realised	859,771	1,043,149	184,375	271,264	711,558	-
	Sale of Fixed Assets	880,788	1,739,989	5,559,434	2,055,155	51,751,392	3,157,461
	Investment made	(1,000,000)	(3,828,686)	-	(46,800)	(5,000,000)	(31,990,031)
	Investment, Loans & Advances realised	-	-	-	-	-	3,263,000
	Amalgamation Expenses (Net of write off)	-	-	-	-	-	(910,505)
	Interest, Dividend & Income from other Investment	-	-	-	-	-	1,400,000
	Investment Money received back	2,125,000	2,037,500	2,000	-	3,499,170	-
	Investment in Associates	-	39,025,123	-	(2,262,157)	(1,061,910)	-
	Investment in Subsidiary	-	-	-	-	-	-
	Loan to Associates	-	-	-	-	-	-
	Net Cash Generated / (used) in Investing Activities	**(84,611,689)**	**(277,021,122)**	**(83,918,155)**	**(37,170,754)**	**24,181,626**	**(47,860,460)**
C.	**Cash Flow from Financing Activities**						
	Dividend paid	-	(316,526)	(321,336)	(206,416)	(42,840)	-
	Interest paid	(22,538,140)	(26,191,539)	(18,119,769)	(14,942,781)	(24,451,703)	(24,355,248)

(Amount in Rs.)

	Particulars	Half year ended 30.09.2006	Financial year ended March 31,				
			2006	2005	2004	2003	2002
	Receipt against calls in arrears	-	-	-	-	64,500	-
	Increase in Share Premium	-	-	-	-	161,250	-
	Proceeds from loans	110,892,051	213,442,014	32,166,330	3,534,074	-	-
	Repayment of loans	(26,428,709)	(30,074,866)	(7,012,550)	(40,331,625)	(51,428,006)	(130,509,267)
	Proceeds from Short term borrowings		44,061,873	52,908,849	69,404,450	11,224,448	85,000,082
	Net cash Generated/ (used) in financing activities	**61,925,202**	**200,920,955**	**59,621,524**	**17,457,702**	**(64,472,351)**	**(69,864,433)**
	Increase in Cash/Cash equivalents(A+B+C)	**6,484,216**	**13,818,953**	**(44,473,804)**	**(6,606,435)**	**52,661,295**	**(15,560,472)**
	Exchange fluctuations	(5,244,241)	596,864	(341,578)	(122,076)	(22,210)	-
	Net Increase in cash/ Cash Equivalents	**1,239,974**	**14,415,817**	**(44,815,381)**	**(6,728,511)**	**52,639,085**	**(15,560,472)**
	Cash / Cash equivalents at the beginning of the year	**83,205,088**	**68,789,271**	**104,232,331**	**110,960,842**	**58,321,757**	**73,882,228**
	Cash / Cash equivalents at the close of the year	**84,445,062**	**83,205,088**	**59,416,950**	**104,232,331**	**110,960,842**	**58,321,757**

Note:

The above statement should be read with the significant accounting policies appearing in Annexure-IV, and Notes to Accounts appearing in Annexure-V.

As per our report of even date attached.

For S.R. Dinodia & Co.,
Chartered Accountants

(Sandeep Dinodia)
Partner
M.No.083689

Place : New Delhi
Date: 7-DEC 2006

For and on behalf of the Board

Deepak Seth
Chairman

Pulkit Seth
Managing Director

Sanjay Sarker
Vice-President
(Corporate Affairs)

Narayan Jee Jha
Company Secretary

ANNEXURE - IV : Significant Accounting Policies

1. Accounting Convention

The financial statements are prepared under historical cost convention and on accrual basis, in accordance with the applicable accounting principles in India, the mandatory accounting standards issued by the Institute of Chartered Accountants of India and the relevant provision of the Companies Act, 1956.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires making of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets & liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between the actual results and estimates are recognized in the year in which the results are known / materialized.

3. Principles of Consolidation

I. Subsidiary

a) The consolidated financial statements relate to M/s Pearl Global Limited ('the Company') and its subsidiary Company. The consolidated financial statements have been prepared on the following basis.

- The financial statements of the Company and its subsidiary company have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
- The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.
- The excess of the Company's portion of equity in its subsidiary (on the date of investment) over the cost of its investment in subsidiary is shown as 'Capital Reserve' and shown under the head Reserves and Surplus in the consolidated financial statements.

b) The Subsidiary Company considered in the consolidated financial statements is:

Name of the Company	Country of Incorporation	% of voting power held as at 30.09.2006	% of voting power held as at 31.03.2006	% of voting power held as at 31.03.2005	% of voting power held as at 31.03.2004	% of voting power held as at 31.03.2003	% of voting power held as at 31.03.2002
M/s Pearl Styles Limited	India	-	-	60%	60%	60%	60%

II. Associates

a) Investment in an associate has been accounted for under the equity method from the date on which the investee fall within the definition of an associate. On acquisition, as the case may be, the difference between the cost of acquisition and the share of Pearl Global Limited in the ownership of the associate has been described as goodwill or capital reserves and included in the carrying amount of the investment in the associate. The carrying amount of investments is adjusted thereafter for the post acquisition change in the investor share of net assets of the investee.

b) The Associate considered in the consolidated financial statements is:

Name of the Enterprises	Country of Incorpor-ation	% of ownership held as at 30.09.2006	% of ownership held as at 31.03.2006	% of ownership held as at 31.03.2005	% of ownership held as at 31.03.2004	% of ownership held as at 31.03.2003	% of ownership held as at 31.03.2002
M/s Hopp Fashions	India	Nil	Nil	25%	25%	25%	NIL

4. Inventories

i) Inventories of finished goods manufactured by the Company are valued at lower of cost or estimated net realizable value. Cost includes material cost on weighted average basis and appropriate share of overheads.

ii) Inventories of finished goods traded are valued at lower of procurement cost (FIFO Method) or estimated net realizable value.

iii) Inventories of work in progress (WIP), raw material, accessories & consumables are valued at cost (Weighted average method) or at estimated net realizable value, whichever is lower. For WIP, cost includes appropriate overheads.

5. Cash Flow Statement

Cash Flow are reported using the indirect method as specified in the Accounting Standard (AS)-3, 'Cash Flow Statement'.

6. Revenue Recognition

a) Export Sales is recognized on the basis of date of Airway Bill/Bill of Lading.

Sales are shown net of Trade Discounts and include Freight & Insurance recovered from Buyers as per terms of sales.

b) Income from job work is recognized on the basis of proportionate completion method.

c) Commission Income is recognized when the services are rendered.

d) Interest income is recognized on time proportion basis.

7. Fixed Assets

Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties, taxes and incidental expenses including borrowing costs related to acquisition less depreciation. Related Pre-operative expenses are capitalized over the total project after the commencement of commercial production.

8. Depreciation

Depreciation is provided on Straight Line Method in the manner and at the rates as specified in Schedule XIV to the Companies Act, 1956. Fixed Assets costing upto Rs. 5,000 are depreciated fully in the year of purchase.

9. Foreign Currency Transactions

a) Sales made in foreign currencies are translated on average monthly exchange rate. Gain/Loss arising out of fluctuation in the exchange rate on settlement of the transaction is recognized in the profit and loss account.

b) Current assets, current liabilities and loans denominated in foreign currencies are translated at contracted rate if applicable and in other cases at the rates prevailing on the date of balance sheet, the resultant exchange gain/loss are dealt with in profit & loss account except in respect of loans denominated in foreign currencies utilized for acquisition of fixed assets where the exchange gain/losses are adjusted to the cost of such assets.

c) Premium or Discount on forward Exchange contracts are amortized and recognized in the profit and loss account over the period of the contract. Forward exchange contract outstanding at the Balance sheet date are stated at fair value and any gains or losses are recognized in the profit and loss account.

10. Investments

Long term Investments are valued at cost, provision for diminution in the value of long term investment is made only if such a decline is other than temporary in the opinion of the management.

11. Retirement Benefits

a) **Provident Fund:**

Retirement Benefits in the form of provident fund are charged to profit and loss account of the year when the contribution to the respective fund is due.

b) **Gratuity:**

The Company has formed a trust which has taken a group gratuity policy with Life Insurance Corporation of India. Premium on the aforesaid policy is charged to Profit & Loss Account.

c) **Leave Encashment:**

During the year 2001-2002, the provision for cost in respect of leave encashment benefits to employees has been made as per Company's Rule. From 2002-03 onwards, the liability for the leave encashment benefits to employees is accrued and provided on the basis of the actuarial valuation made at the end of each financial year.

12. Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

13. Business Segment

The Company is exclusively engaged in the business of readymade garments. These in the context of Accounting Standard "17" on segmental reporting, issued by Institute of Chartered Accountants of India are considered to constitutes single primary segment.

14. Leases

a) In respect of lease transactions entered into prior to April 1, 2001, lease rentals of assets acquired are charged to profit & loss account.

b) Lease transactions entered into on or after April,1, 2001:

- Assets acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalized at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.
- Assets acquired under leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit & Loss Account on accrual basis.
- Assets leased out under operating leases are capitalized. Rental income is recognized on accrual basis over the lease term.

15. Taxes on Income

Current tax is amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized on timing differences; being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is a virtual certainty that there will be sufficient future taxable income available to reverse such losses.

16. Impairment of Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

17. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

18. Miscellaneous Expenditure

Miscellaneous expenditure consists of Preliminary expenses and amalgamation expenses which were amortized as under:

Nature of Expenses	Period of Amortization
- Preliminary Expenses	10 years
- Amalgamation Expenses	5 years

PEARL GLOBAL LIMITED

ANNEXURE : V - NOTES TO ACCOUNTS

1. Scheme of amalgamation

Half Year ended 30th September 2006 & Financial Year ended 31st March 2006.

a) Pursuant to the scheme of arrangements for amalgamation of erstwhile Pearl Styles Limited, City Estates Private Limited, with the Company as approved by the Honorable High Court of Delhi by its order dated 6.10.2006, the assets and liabilities of erstwhile Pearl Styles Limited, City Estates Private Limited, were transferred to and vested with the Company with effect from 1st April 2005. The scheme has accordingly been given effect to these accounts.

b) The core businesses of Amalgamating Companies i.e. Pearl Styles Limited was of manufacturing and trading of readymade garments. Whereas City Estates Private Limited, was engaged in business of real estate.

c) The amalgamation has been accounted for under the "pooling of interest" method as prescribed by the Accounting Standard (AS-14) issued by the Institute of Chartered Accountants of India. Accordingly the assets, liabilities and reserves of erstwhile Pearl Styles Limited, City Estates Private Limited as at 1.4.2005 have been taken over at book values subject to adjustments for difference in Accounting Policies between erstwhile companies and the Company which have been shown as prior period Income.

d) Pursuant to the scheme of Amalgamation the shareholders of Amalgamating Companies shall be entitled to receive the shares of amalgamated company in the following ratio:

For every equity shares of Rs.100/- each in Pearl Styles Ltd	Nil equity Shares of the Company.
For every 5 equity shares of Rs.10/- in City Estates Pvt. Ltd.	151 equity shares fully paid up of the Company.

The difference of Rs.32,468,639.00 between the share capital to be issued and the amount of share capital of transferor companies is adjusted out of General Reserve of the Company.

e) In view of the aforesaid merger with effect from 1.4.2005 the figures for the half year ended 30th September 2006 and for Financial year ended 31st March, 2006 are not comparable with those of the previous years.

Financial Year ended 31st March 2002

a) Pursuant to the scheme of arrangements for amalgamation of erstwhile Pearl Clothing Ltd, Mina Exports Ltd and Pearl Jewellery India Ltd. with the Company as approved by the Honorable High Court of Delhi by its order dated 15.04.2002, the assets and liabilities of erstwhile Pearl Clothing Ltd, Mina Exports Ltd and Pearl Jewellery India Ltd were transferred to and vested with the Company with effect from 1st April 2001. The scheme has accordingly been given effect to these accounts.

b) The core businesses of Amalgamating Companies i.e. Pearl Clothing Ltd., Mina Exports Ltd. was of manufacturing and trading of readymade garments. Whereas, Pearl Jewellery India Ltd was engaged in trading of all kinds of precious stones & jewellery.

c) The amalgamation has been accounted for under the "pooling of interest" method as prescribed by the Accounting Standard (AS-14) issued by the Institute of Chartered Accountants of India. Accordingly the assets, liabilities and reserves of erstwhile Pearl Clothing Ltd, Mina Exports Ltd, and Pearl Jewellery India Ltd as at 1.4.2001 have been taken over at book values subject to adjustments for difference in Accounting Policies between erstwhile companies and the Company which have been shown as prior period Income.

d) Pursuant to the scheme of Amalgamation the shareholders of Amalgamating Companies shall be entitled to receive the same of amalgamated company in the following ratio:

For every equity shares of Rs.100/- each in Pearl Clothing Ltd	Nil equity shares of the Company
For every 25 equity shares of Rs.10/- each in Mina Exports Ltd	86 equity shares fully paid of the Company
For every 50 equity shares of Rs.10/- each in Pearl Jewellery India Ltd	1 equity share fully paid of the Company

The difference of Rs.54.08 lacs between the share capital to be issued and the amount of share capital of transferor companies is adjusted out of General Reserve of the Company.

2) During the year 2001-02, in view of continuous losses suffered by one its subsidiary companies- M/s Pearl Retail Limited and its negative net worth the company has disposed off its investment and has consequently incurred a loss of Rs.29.34 lacs, net of provision for diminution in value on investments already made in 2000-01.

3) Contingent Liabilities

Half year ended 30th September 2006

a) Claims against the Pearl Global Limited not acknowledged as debts and other matters Rs. 3,194,573.00 (Previous year Rs.3,194,573.00)

b) Export Bills Discounted with banks Rs. 67,314,411.50 (Previous year Rs.94,707,782.43).

c) Counter Guarantees given by the Company against bank guarantees given by the bank on its behalf Rs. 2,500,000.00 (Previous year Rs.2,500,000).

d) Counter Guarantees given by the Company to the Sales Tax Department for its associates company Rs. 100,000 (Previous year Rs. 100,000), for others Rs.50,000 (Previous year Rs. 50,000).

e) Guarantee given by the Company for other parties in respect of loans: Term loan of Rs. 400 lacs availed by them. As at 30th September, 2006 the contingent liabilities under these guarantees amounted to Rs. Nil (Previous year Rs.16,042,898) (Loan has been repaid by Little People Education Society).

f) Guarantee given to government authorities in respect of facilities availed by holding co. & other parties. Rs.200,000 (Previous year Rs. 200,000).

Financial Year ended 31st March, 2006

a) Claims against the Pearl Global Limited not acknowledged as debts and other matters Rs. 3,194,573.00

b) Export Bills Discounted with banks Rs. 94,707,782.43.

c) Counter Guarantees given by the Company against Bank Guarantees given by the bank on its behalf Rs. 2,500,000.00.

d) Guarantee given to government authorities in respect of facilities availed by holding & subsidiary companies and other parties. Rs.400,000.00.

e) Guarantee given by the Company for other parties in respect of loans: Term loans of Rs. 400 lacs availed by them. As at 31st March, 2006 the contingent liabilities under these guarantees amounted to Rs.16,042,898.00.

Financial Year ended 31st March, 2005

a) Claims against the Pearl Global Limited not acknowledged as debts and other matters Rs. 3,194,573.00.

b) Export Bills Discounted with banks Rs. 197,011,698.77.

c) Counter guarantees given by the Company against bank guarantees given by the bank on its behalf Rs. 10,360,093.00.

d) Counter guarantee given by the Company to sales tax department for its holding Company for Rs.50,000.00.

e) Bank guarantee outstanding of Pearl Styles Ltd. Rs. 584,550.00.

Financial Year ended 31st March, 2004

a) Claims against the Pearl Global Limited not acknowledged as debts and other matters Rs.3,194,573.00.

b) Export Bills Discounted with banks Rs. 55,531,854.62.

c) Counter guarantees given by the Company against bank guarantees given by the bank on its behalf Rs. 1,023,874.00.

d) Estimated amount of contracts remaining to be executed on capital account Rs. 10,455,000.00.

e) Counter guarantee given by the Company to Sales Tax Department for its holding Company for Rs.50,000.00.

f) Bank guarantee outstanding of Pearl Styles Ltd. Rs.581,040.00.

Financial Year ended 31st March, 2003

a) Claims against the Pearl Global Limited not acknowledged as debts and other matters Rs.4,037,047.00.

b) Export Bills Discounted with banks Rs.86,231,576.23.

c) Counter guarantees given by the Company against bank guarantees given by the bank on its behalf Rs.11,466,577.00.

d) Estimated amount of contracts remaining to be executed on capital account Rs.4,500,000.00.

e) Counter guarantee given by the Company to Sales Tax Department for its holding Company for Rs.50,000.00.

f) Bank guarantee outstanding of Pearl Styles Ltd. Rs.9,50,000.00.

Financial Year ended 31st March, 2002

a) Claims against the Pearl Global Limited not acknowledged as debts and other matters Rs. 2,544,710.00.

b) Export Bills Discounted with banks Rs. 102,169,398.94.

c) Counter guarantees given by the Company against bank guarantees given by the bank on its behalf Rs.8,592,577.00.

d) Claims against the Pearl Styles Ltd. not acknowledged as debts Rs. 5,000,000.00.

4) Capital Commitments

Half year ended 30th September, 2006

Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs. 28,603,601.28 (Previous year Rs. 14,298,864).

Financial Year ended 31st March, 2006

Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs. 14,298,864.00.

Financial Year ended 31st March, 2005

Estimated amount of contracts remaining to be executed on capital account Rs. 30,062,000 (Previous Year Rs. 10,455,000)

5) Secured Loans

Half year ended 30th September, 2006

i) Rupee term loan from UCO Bank is secured by

- Exclusive first charge on the machinery purchased from the proceeds of the term loan.
- Second charge on hypothecation of stock of raw material, stock in process, finished goods, stock in transit for shipments, documents in transit and stock lying with dyers, finishers and fabricators.
- Collateral security in form of extension of charge on land and building situated at 446, Udyog Vihar Phase–V , Gurgaon already equitable mortgaged with the bank and the personal guarantee of Chairman.

ii) Rupee Term Loan from the Hongkong & Shanghai Banking Corporation is secured by :

- Exclusive charge over the Fixed Assets of the Chennai unit financed from the proceeds of the term loan.
- Pari-passu charge with UCO Bank by way of mortgage of the Property situated at 446, Udyog Vihar Phase-V, Gurgoan.

iii) ECB (External Commercial Borrowing) Loan from China Trust Commercial Bank is secured by

- hypothecation of all Plant & Machinery, Spares, Tools and Accessories and other moveable acquired / to be acquired order ECB installed / Stored or be installed / Stored at Company premises and Godowns or wherever else the same may be including those in the course of transit.

iv) Vehicle loans are secured against hypothecation of respective vehicles.

v) Pre-shipment advances from banks are secured by hypothecation of entire current assets of the Company, first pari-passu charge on specific moveable fixed assets and first charge on certain specified immovable fixed assets and are guaranteed by the Chairman of the Company.

Financial Year ended 31st March, 2006

i) Rupee term loan from UCO Bank is secured by

- Exclusive first charge on the machinery purchased from the proceeds of the term loan.
- Second charge on hypothecation of stock of raw material, stock in process, finished goods, stock in transit for shipments, documents in transit and stock lying with dyers, finishers and fabricators.
- Collateral security in form of extension of charge on land and building situated at 446, Udyog Vihar Phase–V , Gurgaon already equitable mortgaged with the bank and the personal guarantee of Chairman.

ii) Rupee Term Loan from the Hongkong & Shanghai Banking Corporation is secured by :

- Exclusive charge over the Fixed Assets of the Chennai unit financed from the proceeds of the term loan.
- Pari-passu charge with UCO Bank by way of mortgage of the Property situated at 446, Udyog Vihar, Phase-V, Gurgoan.

iii) ECB (External Commercial Borrowing) Loan from China Trust Commercial Bank is secured by:

- hypothecation of all Plant & Machinery, Spares, Tools and Accessories and other moveable acquired / to be acquired order ECB installed / Stored or be installed / Stored at Company premises and Godowns or wherever else the same may be including those in the course of transit.

iv) Vehicle loans are secured against hypothecation of respective vehicles.

v) Pre-shipment advances from banks are secured by hypothecation of entire current assets of the Company, first pari-passu charge on specific moveable fixed assets and first charge on certain specified immovable fixed assets and are guaranteed by the Chairman of the Company.

Financial Year ended 31st March, 2005

i) FCNR term Loan from UCO Bank is secured by equitable mortgage by deposit of title deeds of the property situated at 446, Udyog Vihar, Phase-V, Gurgaon first charges on Plant & Machinery, all the present and future stock of raw material, work in progress, finished goods, store & spares of the Company and the personal guarantee of the Chairman.

ii) Rupee term loan from UCO Bank is secured by **:**

- Exclusive first charge on the machinery purchased from the proceeds of the term loan.
- Second charge on hypothecation of stock of raw material, stock in process, finished goods, stock in transit for shipments, document in transit and stock lying with dyers, finishers and fabricators.
- Collateral security in form of extension of charge on land and building situated at 446, Udyog Vihar Phase – V, Gurgaon already equitable mortgaged with the bank and the personal guarantee of the Chairman.

iii) Vehicle loans are secured against hypothecation of respective vehicles.

iv) Pre-shipment advances from banks are secured by hypothecation of entire current assets of the Company, first pari-passu charge on specific movable fixed assets and first charge on certain specific immovable fixed assets and are guaranteed by the Chairman of the Company.

Financial Year ended 31st March, 2004

i) FCNR/Rupee Loan from UCO Bank is secured by equitable mortgage of specific land and building, first charge on Plant & Machinery of the Company, pari passu charge on the entire stock of the Company and the personal guarantee of Chairman cum Managing Director.

ii) Vehicle loans are secured against hypothecation of respective vehicles.

iii) Pre-shipment advances from banks are secured by hypothecation of entire current assets of the Company, first pari passu charge on specific movable fixed assets and first charge on certain specific immovable fixed assets and are guaranteed by Chairman cum Managing Director of the Company.

Financial Year ended 31st March, 2003

i) FCNR Loan from UCO Bank is secured by equitable mortgage of specific land and building, first charge on Plant &

Machinery of the Company, pari passu charge on the entire stock of the Company and the personal guarantee of Chairman cum Managing Director.

ii) Short Term Loan from China Trust Commercial Bank is secured by pari passu charge on entire current assets of the Company and second charge on certain specific immovable Fixed Assets and movable Fixed Assets of the Company and personal guarantee of Chairman cum Managing Director.

iii) Term Loan from Punjab National Bank is secured by pari passu charge on certain specific immovable fixed assets and first charge on machinery purchased against Term Loan.

iv) Pre-shipment advances from banks are secured by hypothecation of entire current assets of the Company, second charge on specific fixed assets and first charge on certain specific immovable fixed assets and are guaranteed by Chairman cum Managing Director and Director of the Company.

Financial Year ended 31st March, 2002

i) Term Loan from UCO Bank is secured by equitable mortgage of specific land and building and land, building and other movable Fixed Assets of Pearl Styles Ltd. (subsidiary of Pearl Global Ltd.) and personal guarantee of Chairman and Managing Director.

ii) Short term Loan of Pearl Global Limited from China Trust Commercial Bank is secured by first charge on entire current assets of the Company and second charges on certain specific immovable Fixed Assets and movable Fixed Assets of the Company and personal guarantee of Chairman and Managing Director.

iii) Pre -Shipment advances of Pearl Global Ltd. from banks are secured by hypothecation of entire current assets of the Company and by second charge on specific fixed assets and are guaranteed by Chairman and Managing Director and Director of the Company.

iv) Vehicle loans of Pearl Global Ltd are secured against hypothecation of respective vehicles.

v) Term loan of Pearl Styles Ltd from IDBI is secured by a first charge on all the movable properties, machinery, spares, tools, accessories debts) subject to prior charges created or to be created in favour of bankers on stock in trade.

6) During the year 2001-02, the land and building of subsidiary company has been revalued on the basis of report of an independent valuer and increased in the net book value of Rs.392.97 lacs arising there from has been credited to Revaluation Reserves.

7) In the year 2005-06, due to retrospective amendment in Section 80HHC of the Income Tax Act,1961, vide Tax laws (Second Amendment), 2005, liability of Income Tax amounting Rs. 1,05,00,000 has been provided on estimated basis.

8) In the year 2004-05 the losses applicable to the minority are restricted to the minority interest in the equity share capital of the subsidiary.

9) Interest received on FDR pledged with the bank has been netted off with the interest charges as given below:-

Financial Year	Interest (Rs.)	TDS (Rs.)
2002-03	2,666,960	509,007
2003-04	3,172,871	381,923
2004-05	1,819,082	497,657
2005-06	2,105,715	472,336
30.9.2006	1,163,351	Nil

10) Market Value of Quoted Investments:-

Financial Year	Market Value of Quoted Investment (Rs.)
2003-04	3,547,606
2004-05	6,254,172
2005-06	8,651,658
30.9.2006	7,620,292

11) Managerial Remuneration:-

S. No.	Particulars	Half Year ended 30.9.2006	2005-06	2004-05	2003-04	2002-03	2001-02
(a)	Salary	1,750,000	2,370,000	3,730,000	3,940,000	3,328,000	4,413,600
(b)	Contribution to the Provident	9,360	20,280	18,720	18,720	18,720	20,760
(c)	Perquisites		379,780	200,250	1,036,945	975,615	715,398
	Total	**1,759,360**	**2,770,060**	**3,948,970**	**4,995,665**	**4,322,335**	**5,149,758**

***Notes**:*

(i) Provision for / Contribution to employee retirement benefits which are based on actuarial valuations done on an overall Company basis are excluded above.

(ii) The above managerial Remuneration has been calculated in accordance to the Schedule XIII of Companies Act, 1956.

12) Auditors' Remuneration:-

S. No.	Particulars	Half Year ended 30.9.2006	2005-06	2004-05	2003-04	2002-03	2001-02
(a)	Audit Fee	206,000	426,000	400,000	310,000	325,000	310,000
(b)	Tax Audit Fees	52,500	105,000	100,000	105,000	110,000	105,000
(c)	Other Matters	115,000	310,000*	319,850*	243,700	113,900	69,750
(d)	Out of Pocket expenses	197,540	62,816	88,200	59,530	74,880	95,655
(e)	Service Tax	69,896	64,995	51,000	45,200	—	—
		640,936	**968,811**	**959,070**	**762,230**	**623,780**	**580,405**

** Included in professional charges.*

13) Related Party Disclosure:-

Related party disclosure as required under Accounting Standard- “18” issued by the Institute of Chartered Accountants of India is given below:

Nature of Relationship	**Name of Entity**					
	As on 30.9.2006	**2005-06**	**2004-05**	**2003-04**	**2002-03**	**2001-02**
Holding Company	House of Pearl Fashions Ltd. # (Formerly known as Mina Estates Pvt. Ltd.)	House of Pearl Fashions Ltd. # (Formerly known as Mina Estates Pvt. Ltd.)	House of Pearl Fashions Ltd. # (Formerly known as Mina Estates Pvt. Ltd.)	House of Pearl Fashions Ltd. # (Formerly known as Mina Estates Pvt. Ltd.)	House of Pearl Fashions Ltd. # (Formerly known as Mina Estates Pvt. Ltd.)	House of Pearl Fashions Ltd. # (Formerly known as Mina Estates Pvt. Ltd.)
Fellow Subsidiary Companies	Global Textiles Group Ltd.	Nim International & Commerce (P) Ltd.	Nim International & Commerce (P) Ltd.	Nim International & Commerce (P) Ltd.	Nim International & Commerce (P) Ltd.	Nim International & Commerce (P) Ltd.
	Multinational Textiles Group Ltd.	City Estates Pvt. Ltd.	City Estates Pvt. Ltd.	City Estates Pvt. Ltd.	City Estates Pvt. Ltd.	City Estates Pvt. Ltd.
	Nor Pearl Knitwear Ltd.	Vau Apparel Pvt. Ltd.	Winner Estates Pvt. Ltd.	Winner Estates Pvt. Ltd.	Winner Estates Pvt. Ltd.	Winner Estates Pvt. Ltd.
	Norp Knit Industries Ltd.	Multinational Textiles Group Ltd.	Vau Apparels Pvt. Ltd.	Vau Apparels Pvt. Ltd.	Vau Apparels Pvt. Ltd.	Vau Apparels Pvt. Ltd.
	Depa International Inc. -USA	Nor Pearl Knitwear Ltd.				
	Depa International Inc. -Canada	Norp Knit Industries Ltd.				
	Norwest Industries Ltd	Depa International				
	P.T. Norwest Industries	Norwest Industries Ltd.				
	Poetic Gem Ltd.	P.T. Norwest Industries				
	Pacific Logistics Ltd.	Poetic Gem Ltd.				
	Nim International & Commerce Pvt. Ltd.					
	House of Pearl Fashions (US) Ltd.					

Nature of Relationship	Name of Entity					
	As on 30.9.2006	**2005-06**	**2004-05**	**2003-04**	**2002-03**	**2001-02**
Associates	Vastras Pearl Wears Crown Computerized Embroideries Little People Education Society Pearl Academy of Fashion India Ltd. Hopp Fashions Pallas Holdings Ltd. SACB Holdings Ltd. JSM Trading	Vastras Pearl Wears Crown Computerized Embroideries Little People Education Society Pearl Academy of Fashion India Ltd. Hopp Fashions	Engineers, Designers & Consultants Vastras Pearl Wears Crown Computerized Embroideries Hopp Fashions Little People Education Society Pearl Academy of Fashion India Ltd.	Engineers, Designers & Consultants Vastras Pearl Wears Crown Computerized Embroideries Hopp Fashions Little People Education Society	Engineers, Designers & Consultants Vastras Pearl Wears Crown Computerized Embroideries Hopp Fashions Little People Education Society	Engineers, Designers & Consultants Vastras Pearl Wears Crown Computerized Embroideries Hopp Fashions
Key Managerial Persons	Mr. Deepak Seth - Chairman Mr. Pulkit Seth - Managing Director	Mr. Deepak Seth - Chairman Mr. Pulkit Seth - Managing Director	Mr. Deepak Seth - Chairman Mr. J.K. Sharma - Wholetime Director Mr. Partho P. Kar – Wholetime Director	Mr. Deepak Seth - Chairman & Managing Director Mr J.K. Sharma - Wholetime Director	Mr. Deepak Seth - Chairman & Managing Director Mr J.K. Sharma - Wholetime Director	Mr. Deepak Seth - Chairman & Managing Director Mr J.K. Sharma - Wholetime Director Mr. Sanjay Pershad – Director
Director	Mr. Pallak Seth - Director Mr. Santosh Gadia - Director	Mr. Pallak Seth - Director Mr. Santosh Gadia - Director	Mr. Pallak Seth - Director Mr. Santosh Gadia - Director	Mr. Amit Seth - Director Mr. Santosh Gadia - Director	Mr. Amit Seth - Director Mr. Santosh Gadia - Director	Mr. Amit Seth - Director Mr. Santosh Gadia - Director

Nature of Relationship	Name of Entity					
	As on 30.9.2006	2005-06	2004-05	2003-04	2002-03	2001-02
	Mr. Anil Nayyar - Director Mr. Sanjay Pershad – Director	Mr. Anil Nayyar - Director Mr. N.K. Aneja – Director Mr. Sanjay Pershad – Director Mr. J.K.Sharma - Director Mr. Amit Seth - Director	Mr. Anil Nayyar - Director Mr. N.K. Aneja – Director Mr. Sanjay Pershad – Director Mr. Pulkit Seth - Director Mr. Amit Seth - Director	Mr. Anil Nayyar - Director Mr. N.K. Aneja – Director Mr. Sanjay Pershad – Director	Mr. Anil Nayyar - Director Mr. N.K. Aneja – Director Mr. Sanjay Pershad – Director Mr. Aalok Nigam – Director	Mr. Anil Nayyar - Director Mr. N.K. Aneja – Director
Relatives of Directors					Mrs. Payel Seth	Mrs. Payel Seth

(Amount in Rs.)

Nature of Transaction	Related Party	Half year ended 30.9.2006	Year ended				
			2005-06	2004-05	2003-04	2002-03	2001-02
Purchase of Goods	**-Fellow Subsidiaries**	99,498,818	42,401,722	-	-	-	-
	-Associates	-	14,105,690	16,006,090	(241,852)	880,152	805,000
Job Work Received	**-Fellow Subsidiaries**		-	-	-	-	266,000
	-Associates	3,669,840	25,835,794	11,314,956	(1,833,988)	-	11,997,000
	-Holding Co.	-					
Job Work Charges	**-Associates**	2,164,631	22,905,491	1,305,075	4,156,925	-	-
	-Holding Co.	5,593,310					
Advance given	**-Holding Co.**		-	9,700,000	1,450,000	2,152,000	-
	-Fellow Subsidiaries		-	3,609,468	4,730,000	1,672,618	2,806,000
	-Associates	27,950,000	26,835,000	88,970,078	65,430,373	23,906,378	5,007,000
Advance refund	**-Holding Co.**	-	6,350,000	45,400,000	(1,500,000)	-	-
	-Fellow Subsidiaries		-	14,730,200	(3,850,000)	3,635,000	-
	-Associates		-	78,831,750	(64,739,165)	-	-
Rent received	**-Holding Co.**		(120,000)	-	-	-	-
	-Fellow Subsidiaries		300,000	-	-	-	-
	-Associates	96,000	468,000	84,000	(456,000)	1,041,917	80,000

(Amount in Rs.)

Nature of Transaction	Related Party	Half year ended 30.9.2006	Year ended				
			2005-06	2004-05	2003-04	2002-03	2001-02
Payment received	-Holding Co.	-	-	-	-	12,020,000	3,660,000
	-Fellow Subsidiaries	-	5,153,550	-	(837,000)	10,065,500	5,550,000
	-Associates	2,233,684	4,820,324	2,142,046	(3,197,439)	66,800,542	61,973,000
Sitting fees	-Key Managerial Personnel/ Director	-	74,000	78,000	36,000	38,000	34,000
Investment	-Associates	-	-	-	2,262,157	-	1,555,000
Sale of Investment	-Holding Co.	-	39,025,123	-	-	-	-
Sale of goods	-Holding Co.	4,437,114	-	-	554,800	14,353,348	-
	-Fellow Subsidiaries	641,137	-	-	-	8,632,882	10,590,000
	-Associates	28,409,079	-	51,252	1,388,105	31,002,870	5,110,000
Job work paid	-Associates	4,482,255	22,905,491	8,810,161	1,833,988	53,522	759,000
Remuneration	-Key Managerial Personnel/ Director	1,759,360	2,770,060	3,948,970	4,995,665	4,322,335	4,909,000
Expense paid	-Holding Co.	3,254	-	-	(770)	-	-
	-Fellow Subsidiaries	138,644,586	14,979,076	2,834,205	3,345,158	-	-
	-Associates	1,253,533	8,658,403	7,203,345	237,345	-	-
Rent charged	-Fellow Subsidiaries	-	-	-	337,000	-	-
	-Associates	-	-	-	456,000	-	-
Sale of Assets	-Associates	-	-	-	190,000	-	-
Expenses recovered	-Fellow Subsidiaries	(557,591)	155,372	-	-	-	-
	-Associates	975,423	7,775,743	-	-	-	-
	-Holding Co.	1,554,236					
Advance received	-Holding Co.	-	21,875,000	-	-	-	-
	-Fellow Subsidiaries	-	-	-	-	-	-
	- Associates	11,681,110					
Advance recovered	-Associate	178,950,000					
Sampling expenses	-Fellow Subsidiaries	5,146,913	(1,840,690)	-	-	-	-
Sampling recovery	-Fellow Subsidiaries	8,349,049	7,089,339	-	-	-	-
Commission Paid	-Fellow Subsidiaries	-	1,120,261	-	-	-	-

(Amount in Rs.)

Nature of Transaction	Related Party	Half year ended 30.9.2006	Year ended				
			2005-06	2004-05	2003-04	2002-03	2001-02
Rent paid	- Key Managerial Personnel/ Director Relative	-	-	-	-	80,000	240,000
	-Holding Co.	-	-	-	-	-	-
	-Associates	-	-	-	-	-	-
Loan Given	-Associates	21,400,000	-	-	-	-	-
Loan recovered	-Associates	10,000,000					
Loan Received	-Holding Co.	52,948,200	-	-	-	-	-
Loan Refund	-Holding Co.	23,200,000	-	-	-	-	-
Other expenses	-Associates	-	-	-	(11,104)	(21,188)	-
Interest received	-Associates	386,851					
Capital goods purchase	-Fellow Subsidiaries	1,323,644					
Total	-Key Managerial Personnel/ Director Relative	-	-	-	-	-	(8,00,000)
	-Holding Co.	(26,781,206)	(8,495,106)	(31,995,230)	3,704,000	3,608,241	(878,000)
	-Fellow Subsidiaries	(19,073,216)	(28,451,783)	5,044,697	12,657,223	9,606,065	5,730,000
	- Associates	24,165,764	(6,882,628)	(1,443,447)	2,995,355	264,309	42,754,000

14) Earning Per Share

The numerator and denominator used to calculate Basic and Diluted Earning per share:

(Amount in Rupees)

	Half year ended 30.9.2006	2005-06	2004-05	2003-04	2002-03	2001-02
Profit/(Loss) attributable to the equity shareholders	26,829,953	49,811,844	(490,185)	33,706,152	15,933,750	6,593,771
Basic & weighted average number of equity share Outstanding during the year	8,215,053	8,215,013	7,912,777	7,912,777	7,912,777	7,906,327
Nominal Value of Equity shares	10	10	10	10	10	10
Basic and Diluted Earning per share (in Rs.)	3.27*	6.06	(0.06)	4.26	2.01	0.83

**Not Annualized*

15) In view of Accounting Standard-"22" 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, the Company has accounted for deferred tax as follows:

Particulars	Balance as at 30.09.2006	Balance as at 31.03.2006	Balance as at 31.03.2005	Balance as at 31.03.2004	Balance as at 31.03.2003	Balance as at 31.03.2002
Deferred Tax Assets						
Unabsorbed Depreciation & Business losses	5,787,162	14,747,941	38,091,204	48,758,267	20,744,448	24,313,059
Capital Losses	2,337,624	1,566,970	1,252,401	818,862	952,252	5,880,202
Provision for diminution in investment and doubtful debts	-	-	5,639,840	6,010,971	6,922,804	7,091,653
Others	10,251,170	8,029,347	6,371,191	4,327,349	2,963,927	1,896,952
Total (A)	**18,375,956**	**24,344,258**	**51,354,636**	**59,915,449**	**31,583,431**	**39,181,866**
Deferred Tax Liabilities						
Depreciation	54,480,381	44,152,331	39,656,239	60,352,456	38,310,615	30,725,568
Total (B)	**54,480,381**	**44,152,331**	**39,656,239**	**(60,352,456)**	**38,310,615**	**30,725,568**
Net Deferred Tax Asset/(Liability) (A)-(B)	**(36,104,425)**	**(19,808,073)**	**11,698,397**	**(437,007)**	**(6,727,184)**	**8,456,298**

The tax impact for the above purpose have been arrived at by applying the prevailing tax rate as on Balance Sheet date under the Income Tax Act, 1961.

16) The consolidated financial statements have been prepared in accordance with Accounting Standard (AS-21) - "Consolidated Financial Statements" and Accounting Standard (AS-23) - Accounting for Investments in Associates in Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

17) The prior period adjustments (Net) comprise of the following items:

(Amount in rupees)

		Half year ended 30.9.2006	2005-06	2004-05	2003-04	2002-03	2001-02
I.	**Income**						
	Export Sales	213,718					
	Claim to buyers	-	-	-	2,158,148	-	-
	Others	-	-	-	43,434	-	-
		213,718	-	**-**	**2,201,582**	**-**	**-**
II.	**Expenditure**						
	Commission	-	-	-	1,863,053	-	-
	Factory Maintenance	-	17,189	29,277	19,056	-	-
	Interest on L/c	-	-	286,103	-	-	-

(Amount in rupees)

		Half year ended 30.9.2006	2005-06	2004-05	2003-04	2002-03	2001-02
	Computer Maintenance	-	26,342	21,980		-	-
	Bank Charges		-	23,920		-	-
	Fabric Purchase	-	10,900	-		-	-
	Imported Fabric	-	25,115	-		-	-
	Imported Fabric Sampling	-	7,072	-		-	-
	Cartage	-	6,256	-		-	-
	Embroidery		717,535	-		-	-
	Job Work	-	24,485	-		-	-
	Employee Welfare	-	110	-		-	-
	Professional Charges	-	6,275	-		-	-
	Telephone Expenses	-	9,171	-		-	-
	Hire Charges		33,000	-		-	-
	Testing Charges	-	23,084	-		-	-
	Interest	-	9,470	-		-	-
		213,718	**916,004**	**361,280**	**1,882,109**	**-**	**-**
	Prior period adjustments (net)	**213,718**	**(916,004)**	**(361,280)**	**319,473**	**-**	**-**

18) In view of the management, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated as on the balance sheet date.

19) Previous Year's figures have been regrouped/recast wherever considered necessary.

For S.R. Dinodia & Co.,
Chartered Accountants

For and on behalf of the Board

(Sandeep Dinodia)
Partner
M.No.083689

Deepak Seth
Chairman

Pulkit Seth
Managing Director

Place : New Delhi
Date: 7-DEC 2006

Sanjay Sarker
Vice-President
(Corporate Affairs)

Narayan Jee Jha
Company Secretary

AUDITOR'S REPORT

FINANCIAL INFORMATION OF POETICGEM LIMITED, UK

The Board of Directors
Poeticgem Limited
Unit 4, The Trident Centre
Imperial Way
Watford
Hertfordshire
WD24 4YB

Dear Sir,

Financial information of Poeticgem Limited

As required for the purpose of certification of the financial statements to be incorporated in the Offer Documents proposed to be issued by House of Pearl Fashions Limited in connection with the initial public offering of its equity shares, we state as follows:

1. We have audited the financial statements of Poeticgem Limited for each of the two financial years ended 31 March 2006 and for the six months ended 30 September 2006 in accordance with auditing standards generally accepted in the United Kingdom, and issued our unqualified opinions dated 30 January 2006, 2 June 2006 and 6 November 2006. The financial statements are the responsibility of the company's management. Our responsibility was to express our opinion on the financial statements based on our audits.
2. The annexed Profit and Loss Accounts and Cash Flow Statements for each of the two financial years ended 31 March 2006 and for the six months ended 30 September 2006 and the annexed Balance Sheets as at the end of the respective periods, along with the annexed notes, have been prepared from the audited financial statements referred to in 1 above, in accordance with accounting principles generally accepted in the United Kingdom and are for the purpose of incorporation of Poeticgem Limited's financial statements in the Offer Documents proposed to be issued by House of Pearl Fashions Limited in connection with its initial public offering of equity shares and are not to be and should not be used in any other offering memorandum or other document without prior consent.

Yours faithfully

Auerbach Hope
Chartered Accountants

6 November 2006

Poeticgem Limited

Profit and Loss Account

	Period ended 30 September 2006 £	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Turnover	**17,261,533**	**24,806,983**	**16,985,725**
Cost of sales	(13,024,114)	(18,461,725)	(12,711,484)
Gross Profit	**4,237,419**	**6,345,258**	**4,274,241**
Distribution costs	(901,303)	(1,840,585)	(1,526,878)
Administrative expenses	(1,893,872)	(3,403,204)	(2,773,925)
Other operating income	(3,918)	12,143	511,167
Operating profit	**1,438,326**	**1,113,612**	**484,605**
Other Interest receivable and similar income	1,408	16,422	4,151
Interest payable and similar charges	(112,835)	(118,860)	(132,181)
Profit on ordinary activities before taxation	**1,326,899**	**1,011,174**	**356,575**
Tax on profit on ordinary activities	(430,606)	(320,153)	(138,534)
Profit for the period	**896,293**	**691,021**	**218,041**

Poeticgem Limited

Balance Sheet

	As at 30 September 2006		As at 31 March 2006		As at 31 March 2005	
	£	**£**	**£**	**£**	**£**	**£**
Fixed assets						
Tangible assets		2,089,127		1,774,618		1,804,676
Investments		10,000		10,000		10,000
		2,099,127		**1,784,618**		**1,814,676**
Current assets						
Stocks	1,845,601		2,197,064		1,418,780	
Debtors	7,809,366		4,242,160		2,158,405	
Cash at bank and in hand	2,336,983		88,434		1,067,348	
	11,991,950		**6,527,658**		**4,644,533**	
Creditors: amounts falling due within one year	**(10,661,607)**		**(5,780,742)**		**(4,266,760)**	
Net current assets		**1,330,343**		**746,916**		**377,773**
Total assets less current liabilities		3,429,470		2,531,534		2,192,449
Creditors: amounts falling due after more than one year		(575,574)		(597,978)		(928,926)
Provision for liabilities		(30,927)		(6,880)		(27,868)
		2,822,969		**1,926,676**		**1,235,655**
Capital and reserves						
Called up share capital		50,000		50,000		50,000
Profit and loss account		2,772,969		1,876,676		1,185,655
Shareholders' funds		**2,822,969**		**1,926,676**		**1,235,655**

Poeticgem Limited

Cash Flow Statement

	Period ended 30 September 2006		Year ended 31 March 2006		Year ended 31 March 2005	
	£	£	£	£	£	£
Net Cash (outflow)/ inflow from operating activities		(1,800,918)		(212,092)		(99,259)
Returns on investments and servicing of finance						
Interest received	1,408		16,422		4,151	
Interest paid	(112,835)		(118,860)		(132,181)	
Net cash outflow for returns on investments and servicing of finance		**(111,427)**		**(102,438)**		**(128,030)**
Taxation		**(339,407)**		**(122,631)**		**(58,604)**
Capital expenditure						
Payments to acquire tangible assets	(389,031)		(136,482)		(188,890)	
Receipts from sale of tangible assets	1,794		16,971		-	
Net cash outflow for capital expenditure		**(387,237)**		**(119,511)**		**(188,890)**
		(2,638,989)		**(556,672)**		**(474,783)**
Financing						
New long term bank loan	-		311,089		31,057	
Other new short term loans	2,547,639		233,550		184,728	
Repayment of long term bank loan	(19,646)		(341,553)		(166,636)	
Repayment of other long term bank loan	-		(304,917)		-	
Additional advances from debt factoring	258,062		893,235		306,050	
Capital element of hire purchase contracts	(7,073)		(15,755)		(14,268)	
Net cash inflow from financing		**2,778,982**		**775,649**		**340,931**
Net (decrease)/ increase in cash		**139,993**		**218,977**		**(133,852)**

Poeticgem Limited

Notes to the Cash Flow Statement

1. Reconciliation of operating profit to net cash inflow / (outflow) from operating activities	**Period ended 30 September 2006 £**	**Year ended 31 March 2006 £**	**Year ended 31 March 2005 £**
Operating profit	1,438,326	1,113,612	484,605
Depreciation of tangible assets	71,435	152,653	127,227
Loss/(profit) on disposal of tangible assets	1,293	(3,084)	-
Decrease/(increase) in stocks	351,463	(778,284)	(449,340)
Increase/(decrease) in debtors	(3,567,467)	(2,083,755)	(527,322)
(Decrease)/increase in creditors within one year	(95,968)	1,386,766	265,571
Net cash inflow / (outflow) from operating activities	**(1,800,918)**	**(212,092)**	**(99,259)**

2. Analysis of net debt	**Period ended 30 September 2006**			
	1 April 2006 £	**Cash Flow £**	**Other non-cash changes £**	**30 September 2006 £**
Net Cash :				
Cash at bank and in hand	88,433	2,248,550	-	2,336,983
Bank overdrafts	(71,462)	(2,108,557)	-	(2,180,019)
	16,971	**139,993**	**-**	**156,964**
Debt:				
Finance leases	(37,586)	7,073	-	(30,513)
Debts falling due within one year	(3,113,816)	(2,797,645)	-	(5,911,461)
Debts falling due after one year	(573,370)	11,590	-	(561,780)
	(3,724,772)	**(2,778,982)**	**-**	**(6,503,754)**
	(3,707,801)	**(2,638,989)**	**-**	**(6,346,790)**

Analysis of net debt	**Year ended 31 March 2006**			
	1 April 2005 £	**Cash Flow £**	**Other non-cash changes £**	**31 March 2006 £**
Net Cash :				
Cash at bank and in hand	1,067,348	(978,915)	-	88,433
Bank overdrafts	(1,269,354)	1,197,892	-	(71,462)
	(202,006)	**218,977**	**-**	**16,971**
Debt:				
Finance leases	(53,341)	15,755	-	(37,586)
Debts falling due within one year	(2,004,446)	(1,109,370)	-	(3,113,816)
Debts falling due after one year	(891,336)	317,966	-	(573,370)
	(2,949,123)	**(775,649)**	**-**	**(3,724,772)**
	(3,151,129)	**(556,672)**	**-**	**(3,707,801)**

Poeticgem Limited

Notes to the Cash Flow Statement (Continued)

2. Analysis of net debt (continued)	Year ended 31 March 2005			
	1 April 2004 £	Cash Flow £	Other non-cash changes £	31 March 2005 £
Net Cash :				
Cash at bank and in hand	1,474,863	(407,515)	-	1,067,348
Bank overdrafts	(1,543,017)	273,663	-	(1,269,354)
	(68,154)	**(133,852)**	**-**	**(202,006)**
Debt:				
Finance leases	(32,960)	14,268	(34,649)	(53,341)
Debts falling due within one year	(1,513,668)	(490,778)	-	(2,004,446)
Debts falling due after one year	(1,026,915)	135,579	-	(891,336)
	(2,573,543)	**(340,931)**	**(34,649)**	**(2,949,123)**
	(2,641,697)	**(474,783)**	**(34,649)**	**(3,151,129)**

3. Reconciliation of net cash flow to movement in net debt	Period ended 30 September 2006 £	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Increase/(decrease) in cash in the year	139,993	218,977	(133,852)
Cash (inflow) / outflow from increase in debt and lease financing	(2,778,982)	(775,649)	(340,931)
Change in net debt resulting from cash flows	**(2,638,989)**	**(556,672)**	**(474,783)**
New finance lease	-	-	(34,649)
Movement in net debt in the year	(2,638,989)	(556,672)	(509,432)
Opening net debt	(3,707,801)	(3,151,129)	(2,641,697)
Closing net debt	**(6,346,790)**	**(3,707,801)**	**(3,151,129)**

Poeticgem Limited

Notes to the financial statements

1. Accounting Policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings leasehold	1% straight line on long lease and over lease term for short lease.
Computer equipment	33.33% reducing balance
Fixtures, fittings and equipment	25% reducing balance
Motor vehicles	25% reducing balance

1.4 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts are realizable as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6 Stock

Stock is valued at the lower of cost and net ealizable value.

1.7 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.8 Foreign currency transaction

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates or exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.9 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act' 1985 as it is a subsidiary undertaking of the ultimate parent company and is included in the consolidated accounts of that company.

2. Turnover

Geographical market

	Period ended 30 September 2006 £	Year ended 31 March 2006 £	Year ended 31 March 2005 £
U.K.	15,440,952	22,490,198	14,661,127
Asia	1,820,581	2,316,785	2,324,598
	17,261,533	**24,806,983**	**16,985,725**

3. Operating profit

Operating profit is stated after charging:	Period ended 30 September 2006 £	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Depreciation of tangible assets	71,435	152,653	127,227
Loss on foreign exchange transactions	29,760	35,066	-
Operating lease rentals			
- Plant and Machinery	5,448	12,154	9,320
- Other assets	47,898	143,639	131,703
Auditors' remuneration	23,600	20,000	25,000
Loss on disposal of tangible assets	1,293	-	-
And after charging :			
Profit on disposal of tangible assets	-	(3,084)	-
Profit on foreign exchange transactions	-	-	(499,634)

4. Investment income

	Period ended 30 September 2006 £	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Bank Interest	1,408	16,422	4,151

5. Interest payable

	Period ended 30 September 2006 £	Year ended 31 March 2006 £	Year ended 31 March 2005 £
On bank loans and overdraft	100,317	97,246	97,287
On other loans	9,300	17,089	31,057
Hire purchase interest	3,218	4,525	3,657
On overdue tax	-	-	180
	112,835	**118,860**	**132,181**

6. Taxation

	Period ended 30 September 2006 £	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Domestic current period tax			
U.K. corporation tax	406,559	339,408	122,631
Adjustment for prior periods	-	1,734	(10)
Current tax charge	**406,559**	**341,142**	**122,621**
Deferred tax			
Deferred tax charge/(credit)	24,047	(20,989)	15,913
	430,606	**320,153**	**138,534**
Factors affecting the tax charge for the period			
Profit on ordinary activities before taxation	**1,326,899**	**1,011,174**	**356,575**
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00%	**398,070**	**303,352**	**106,973**
Effects of:			
Non deductible expenses	3,721	22,476	19,795
Depreciation add back	20,898	44,872	38,168
Capital allowances	(16,130)	(31,292)	(33,723)
Adjustments to previous periods	-	1,734	(10)
Other tax adjustments	-	-	(8,582)
	8,489	37,790	15,648
Current tax charge	**406,559**	**341,142**	**122,621**

7. Tangible fixed assets

	Land and buildings leasehold £	Computer equipment £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2006	1,461,939	251,405	590,418	115,027	2,418,789
Additions	272,479	23,025	93,527		389,031
Disposals	-	-	-	(18,500)	(18,500)
At 30 September 2006	1,734,418	274,430	683,945	96,527	2,789,320
Accumulated Depreciation					
At 1 April 2006	66,425	141,579	384,898	51,269	644,171
On disposals				(15,413)	(15,413)
Charge for the period	14,734	19,297	29,640	7,764	71,435
At 30 September 2006	81,159	160,876	414,538	43,620	700,193
Net book value					
At 30 September 2006	1,653,259	113,554	269,407	52,907	2,089,127
At 31 March 2006	1,395,514	109,826	205,520	63,758	1,774,618

7. Tangible fixed assets (continued)

	Leasehold Land and buildings £	Computer equipment £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2005	1,449,120	181,370	554,080	118,032	2,302,602
Additions	12,819	70,035	36,338	17,290	136,482
Disposals	-	-	-	(20,295)	(20,295)
At 31 March 2006	1,461,939	251,405	590,418	115,027	2,418,789
Depreciation					
At 1 April 2005	42,986	95,722	318,115	41,103	497,926
On disposals	-	-	-	(6,408)	(6,408)
Charge for the period	23,439	45,857	66,783	16,574	152,653
At 31 March 2006	66,425	141,579	384,898	51,269	644,171
Net book value					
At 31 March 2006	1,395,514	109,826	205,520	63,758	1,774,618
At 31 March 2005	1,406,134	85,648	235,965	76,929	1,804,676

	Leasehold Land and buildings £	Computer equipment £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2004	1,389,918	127,902	493,455	67,788	2,079,063
Additions	59,202	53,468	60,625	50,244	223,539
At 31 March 2005	1,449,120	181,370	554,080	118,032	2,302,602
Depreciation					
At 1 April 2004	27,798	63,274	253,056	26,571	370,699
Charge for the period	15,188	32,448	65,059	14,532	127,227
At 31 March 2005	42,986	95,722	318,115	41,103	497,926
Net book value					
At 31 March 2005	1,406,134	85,648	235,965	76,929	1,804,676
At 31 March 2004	1,362,120	64,629	240,398	41,217	1,708,364

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor Vehicles		
	30 September 2006	31 March 2006	31 March 2005
	£	£	£
Net book values	34,165	43,988	61,357
Depreciation charge for the period	4,881	14,663	12,505

8. Fixed asset investments

	Shares in Subsidiary Undertakings		
	30 September 2006	31 March 2006	31 March 2005
	£	£	£
Cost	10,000	10,000	10,000
Net book value	10,000	10,000	10,000

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:-

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Pacific Logistics Limited	United Kingdom	Ordinary	100

The aggregate amount of capital and reserves and the results of the subsidiary for the last relevant financial periods were as follows:

Capital and Reserves as at 30 September 2006 £	Profit for the period ended 30 September 2006 £	Capital and Reserves as at 31 March 2006 £	Profit for the year ended 31 March 2006 £	Capital and Reserves as at 31 March 2005 £	Loss for the year ended 31 March 2005 £
267,105	154,664	112,443	105,587	6,855	(3,145)

The principal activity of Pacific Logistics Limited is that of the provision of logistics services to the clothing industry.

9. Stocks

	30 September 2006	31 March 2006	31 March 2005
	£	£	£
Finished goods and goods for resale	1,845,601	2,197,064	1,418,780

10. Debtors

	30 September 2006	31 March 2006	31 March 2005
	£	£	£
Trade debtors	5,291,657	3,850,389	1,461,240
Amounts owed by subsidiary undertakings	170,036	164,502	158,837
Amounts due from connected undertakings	2,067,690	1,007	1,007
Other debtors	241,552	177,312	490,416
Prepayments and accrued income	38,431	48,950	46,905
	7,809,366	**4,242,160**	**2,158,405**

Amounts falling due after more than one year and included in the debtors above are:

	30 September 2006	31 March 2006	31 March 2005
	£	£	£
Amounts owed by group undertakings	170,036	164,502	158,837

11. Creditors: amounts falling due within one year

	30 September 2006	31 March 2006	31 March 2005
	£	£	£
Bank loans and overdraft	8,091,480	3,185,278	3,273,800
Net obligation under hire purchase contracts	16,719	12,978	15,751
Trade creditors	1,474,136	1,905,876	727,366
Amounts owed to parent and fellow subsidiary undertakings	24,394	27,389	-
Amounts owed to subsidiary undertakings	523,010	140,317	42,108
Corporation tax	406,559	339,408	120,897
Other taxes and social security costs	105,076	124,601	49,561
Directors' current accounts	375	-	6,981
Other creditors	1,756	895	15,796
Accruals and deferred income	18,102	44,000	14,500
	10,661,607	**5,780,742**	**4,266,760**

The company's bank loans are secured by a legal mortgage over the leasehold property at Flat 16,15 Grosvenor Square, London, fixed and floating charges over the assets of the company and a cross guarantee between Poeticgem Limited and its subsidiary Pacific Logistics Limited.

	Period ended 30 September 2006	Year ended 31 March 2006	Year ended 31 March 2005
	£	£	£
Weighted average interest rates for bank loans and overdrafts	6.375%	6.05%	6.25%

12. Creditors: amounts falling due after more than one year

	30 September 2006 £	31 March 2006 £	31 March 2005 £
Bank loans	248,996	260,586	273,635
Other loans	312,784	312,784	617,701
Net obligations under hire purchase contracts	13,794	24,608	37,590
	575,574	**597,978**	**928,926**
Analysis of loans			
Not wholly repayable within five years by instalments:			
Amounts repayable within two years	24,744	22,585	40,000
Amounts repayable between two and five years	396,726	105,428	160,000
Amounts repayable after five years	140,310	155,158	113,635
Wholly repayable within five years	5,911,461	3,404,015	2,582,147
	6,473,241	3,687,186	2,895,782
Included in current liabilities	(5,911,461)	(3,113,816)	(2,004,446)
	561,780	**573,370**	**891,336**
Instalments not due within five years	140,310	155,158	113,635
Loan maturity analysis			
In more than one year but not more than two years	24,744	24,002	40,000
In more than two years but not more than five years	396,726	394,210	737,701
In more than five years	140,310	155,158	113,635

13. Creditors: amounts falling due after more than one year (continued)

The company's bank loans are secured by a legal mortgage over the leasehold property at Flat 16,15 Grosvenor Square, London, fixed and floating charges over the assets of the company and a cross guarantee between Poeticgem Limited and its subsidiary Pacific Logistics Limited.

	Period ended 30 September 2006 £	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Weighted average interest rates for bank loans and overdrafts	6.375%	6.05%	6.25%

Net obligations under the hire purchase contracts are secured over the relevant assets.

Net obligations under the hire purchase contracts

	30 September 2006 £	31 March 2006 £	31 March 2005 £
Repayable within one year	16,719	12,978	15,751
Repayable between one and five years	13,794	24,608	37,590
	30,513	37,586	53,341
Included in liabilities falling due within one year	(16,719)	(12,978)	(15,751)
	13,794	**24,608**	**37,590**

14. Provisions for liabilities and charges

	Deferred tax liability		
	30 September 2006	**31 March 2006**	**31 March 2005**
	£	**£**	**£**
Balance brought forward	6,880	27,869	11,956
Profit & loss account	24,047	(20,989)	15,913
Balance carried forward	30,927	6,880	27,869

The deferred tax liability is made up as follows:

	30 September 2006	31 March 2006	31 March 2005
	£	**£**	**£**
Accelerated capital allowances	30,927	6,880	27,869

15. Share Capital

	30 September 2006	31 March 2006	31 March 2005
	£	**£**	**£**
Authorised			
50,000 Ordinary shares of £1 each	50,000	50,000	50,000
Allotted, **called up and fully paid**			
50,000 ordinary shares of £ 1 each	50,000	50,000	50,000

16. Statement of movements on profit and loss account

	30 September 2006	31 March 2006	31 March 2005
	£	**£**	**£**
Balance brought forward	1,876,676	1,185,655	967,614
Profit for the period	896,293	691,021	218,041
Balance carried forward	2,772,969	1,876,676	1,185,655

17. Reconciliation of movements in shareholders' funds

	30 September 2006	31 March 2006	31 March 2005
	£	**£**	**£**
Profit for the financial period	896,293	691,021	218,041
Opening shareholders' funds	1,926,676	1,235,655	1,017,614
Closing shareholders' funds	2,822,969	1,926,676	1,235,655

18. Contingent liabilities

The company's bankers have given the following contingent liabilities on behalf of the company.

	30 September 2006	31 March 2006	31 March 2005
	£	**£**	**£**
H M Customs and Excise	450,000	200,000	100,000

19. Financial commitments

The company had annual commitments under non-cancellable leases as follows:

	Land and buildings			Other		
	30 September 2006 £	31 March 2006 £	31 March 2005 £	30 September 2006 £	31 March 2006 £	31 March 2005 £
Expiry date:						
Within one year	-	5,485	-	-	-	-
Between two and five years	77,542	86,564	-	26,132	11,694	10,709
After five years	-	-	129,232	-	-	-
	77,542	92,049	129,232	26,132	11,694	10,709

20. Capital commitments

The company had capital commitments as follows:

	30 September 2006 £	31 March 2006 £	31 March 2005 £
Contracted for but not provided in the financial statements	-	131,250	41,793

21. Directors' emoluments

	Period ended 30 September 2006 £	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Emoluments for qualifying services	101,271	220,677	178,100
Emoluments disclosed above include the following amounts paid to the highest paid director:			
Emoluments for qualifying services	101,271	220,677	178,100

22. Transactions with directors

P Seth, a director, had interest free loans during the period. The movement on these loans are as follows:

	30 September 2006 £	31 March 2006 £	31 March 2005 £
Amount outstanding	-	-	-
Maximum in period	239,844	161,123	-

23. Employees

Number of employees

The average monthly number of employees (including directors) during the period was:

	Period ended 30 September 2006 Number	Year ended 31 March 2006 Number	Year ended 31 March 2005 Number
Designers	9	7	5
Sales and warehouse	34	27	19
Administration	14	13	10
Quality control	7	6	3
	64	**53**	**37**

Employment costs

	Period ended 30 September 2006 £	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Wages and salaries	1,102,807	1,923,584	1,361,746
Social security costs	118,493	224,476	158,810
	1,221,300	**2,148,060**	**1,520,556**

24. Ultimate parent company and control

At 30 September 2006, the immediate parent company was Global Textiles Group Limited, a company registered in Mauritius, and the ultimate parent company was House of Pearl Fashions Limited (formerly known as House of Pearl Fashions Pvt. Limited), a company registered in India. House of Pearl Fashions Limited prepares group financial statements and copies can be obtained from Corporate Office: 446, Udyog Vihar, Phase-V, Gurgaon – 122 016 (Haryana), India.

At 31 March 2006, the immediate parent company was Global Textiles Group Limited, a company registered in Mauritius, and the ultimate parent company was Mina Estates Pvt. Limited (now known as House of Pearl Fashions Limited)., a company registered in India.

At 31 March 2005, the ultimate parent company was Pallas Holdings Limited, a company registered in Mauritius.

The ultimate controlling party is Mr. D Seth.

25. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

AUDITOR'S REPORT

FINANCIAL INFORMATION OF PACIFIC LOGISTICS LIMITED, UK

The Board of Directors
Pacific Logistics Limited
1 Northfield Drive
Milton Keynes
MK15 0DQ

Dear Sirs,

Financial Information of Pacific Logistics Limited

As required for the purpose of certification of the financial statements to be incorporated in the Offer Documents proposed to be issued by House of Pearl Fashions Limited in connection with the initial public offering of its equity shares, we state as follows:

1. We have audited the financial statements of Pacific Logistics Limited for each of the three financial periods ended 31 March 2005, 31 March 2006 and for the six months ended 30 September 2006 in accordance with auditing standards generally accepted in the United Kingdom, and issued our unqualified opinions dated 1 August 2005, 2 June 2006 and 6 November 2006. The financial statements are the responsibility of the company's management. Our responsibility was to express our opinion on the financial statements based on our audits.
2. The annexed Profit and Loss Accounts for each of the two financial periods ended 31 March 2006 and for the six months ended 30 September 2006 and the annexed Balance Sheets as at the end of the respective periods, along with the annexed notes, have been prepared from the audited financial statements referred to in 1 above, in accordance with accounting principles generally accepted in the United Kingdom and are for the purpose of incorporation of Pacific Logistics Limited's financial statements in the Offer Documents proposed to be issued by House of Pearl Fashions Limited in connection with its initial public offering of equity shares and are not to be and should not be used in any other offering memorandum or other document without prior consent.

Yours faithfully

Auerbach Hope
Chartered Accountants

6 November 2006

Pacific Logistics Limited

Profit and Loss Account

	Period ended 30 September 2006 £	Year ended 31 March 2006 £	Year ended 31 March 2005 £
Turnover	1,410,910	1,906,862	1,256,044
Cost of sales	(967,813)	(1,388,049)	(963,842)
Gross profit	**443,097**	**518,813**	**292,202**
Administrative expenses	(218,931)	(359,831)	(295,210)
Operating (loss)/profit	**224,166**	**158,982**	**(3,008)**
Other Interest receivable and similar income	-	670	171
Interest payable and similar charges	(233)	(633)	(308)
(Loss)/profit on ordinary activities before taxation	**223,933**	**159,019**	**(3,145)**
Tax on (loss)/ profit on ordinary activities	(69,271)	(53,431)	-
(Loss)/profit for the period	**154,662**	**105,588**	**(3,145)**

Pacific Logistics Limited

Balance Sheet

	As at 30 September 2006		As at 31 March 2006		As at 31 March 2005	
	£	**£**	**£**	**£**	**£**	**£**
Fixed assets						
Tangible assets		197,148		200,924		226,381
Current assets						
Debtors	740,393		232,757		157,182	
Cash at bank and in hand	134,412		177		717	
	874,805		**232,934**		**157,899**	
Creditors: amounts falling due within one year	(622,786)		(152,448)		(218,588)	
Net current (liabilities)/ assets		**252,019**		**80,486**		**(60,689)**
Total assets less current liabilities		**449,167**		**281,410**		**165,692**
Creditors: amounts falling due after more than one year		(177,903)		(165,651)		(158,837)
Provision for liabilities		(4,159)		(3,316)		-
		267,105		**112,443**		**6,855**
Capital and reserves						
Called up share capital		10,000		10,000		10,000
Profit and loss account		257,105		102,443		(3,145)
Shareholders' funds		**267,105**		**112,443**		**6,855**

Pacific Logistics Limited

Cash Flow Statement

	As at 30 September 2006		As at 31 March 2006		As at 31 March 2005	
	£	£	£	£	£	£
Operating (loss)/profit		**224,166**		**158,982**		**(3,008)**
Depreciation of tangible assets		28,710		69,422		39,461
Loss on disposal of tangible assets		1,157		-		-
Increase in debtors		(507,636)		(75,575)		(157,182)
Increase/(Decrease) in creditors within one year		262,151		(34,796)		70,933
Cash generated from operations		**8,548**		**118,033**		**(49,796)**
Cash from other sources						
Interest received	-		670		171	
Receipt from sale of tangible assets	3,280		-		-	
Other new long term loans	5,534		5,665		158,837	
Proceeds from new hire purchase contracts	11,375		2,000		-	
Issue of ordinary share capital	-		-		10,000	
		20,189		8,335		169,008
Application of cash						
Interest paid	233		528		308	
Payment to acquire tangible assets	29,372		43,964		265,842	
Repayment of other long term loans	-		-		-	
Capital element of hire purchase contracts	939		-		-	
Capital element of finance lease contracts	-		214		-	
		(30,544)		(44,706)		(266,150)
Net (decrease)/increase in cash		**(1,807)**		**81,662**		**(146,938)**
Cash at bank and in hand less overdraft at beginning of period		(65,276)		(146,938)		-
Cash at bank and in hand less overdraft at end of period		**(67,083)**		**(65,276)**		**(146,938)**
Consisting of:						
Cash at bank and in hand		134,412		176		717
Bank overdraft		(201,495)		(65,452)		(147,655)
		(67,083)		**(65,276)**		**(146,938)**

Pacific Logistics Limited

Notes to the financial statements

1. Accounting Policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities.

1.2 Turnover

Turnover represents amounts receivable for services net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings leasehold	Over the lease term
Plant and machinery	25% reducing balance
Fixtures, fittings and equipment	25%/33.33% reducing balance
Motor vehicles	25% reducing balance

1.4 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

2. Operating profit/(loss)

Operating profit/(loss) is stated after charging:	**Period ended 30 September 2006 £**	**Year ended 31 March 2006 £**	**Period ended 31 March 2005 £**
Depreciation of tangible assets	28,711	69,422	39,461
Loss on sale of tangible assets	1,157	-	-
Auditors' remuneration	12,000	15,500	4,500
Directors' emoluments	25,000	42,502	46,002

3. Investment Income

	Period ended 30 September 2006 £	**Year ended 31 March 2006 £**	**Period ended 31 March 2005 £**
Bank Interest	-	670	171

4. Taxation

	Period ended 30 September 2006 £	Year ended 31 March 2006 £	Period ended 31 March 2005 £
Domestic current period tax			
U.K. corporation tax	68,428	50,116	-
Current tax charge	**68,428**	**50,116**	**-**
Deferred tax			
Deferred tax charge	843	3,316	-
	69,271	**53,432**	**-**

5. Tangible fixed assets

	Land and buildings leasehold £	Plant & machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2006	5,642	249,420	44,661	10,084	309,807
Additions			14,372	15,000	29,372
Disposals	-	-	(8,606)		(8,606)
At 30 September 2006	5,642	249,420	50,427	25,084	330,573
Accumulated depreciation					
At 1 April 2006	2,256	82,732	21,375	2,520	108,883
On disposal			(4,169)		(4,169)
Charge for the period	565	20,834	4,559	2,753	28,711
At 30 September 2006	2,821	103,566	21,765	5,273	133,425
Carrying amount					
At 30 September 2006	2,821	145,854	28,662	19,811	197,148
At 31 March 2006	3,386	166,688	23,286	7,564	200,924

5. **Tangible fixed assets (continued)**

	Land and buildings leasehold £	Plant & machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2005	5,642	224,914	35,286	-	265,842
Additions	-	24,506	9,375	10,084	43,965
At 31 March 2006	5,642	249,420	44,661	10,084	309,807
Accumulated depreciation					
At 1 April 2005	1,128	27,170	11,163	-	39,461
Charge for the period	1,128	55,562	10,212	2,520	69,422
At 31 March 2006	2,256	82,732	21,375	2,520	108,883
Carrying amount					
At 31 March 2006	3,386	166,688	23,286	7,564	200,924
At 31 March 2005	4,514	197,744	24,123	-	226,381

5. **Tangible fixed assets (continued)**

	Land and buildings leasehold £	Plant & machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 27 October 2003	-	-	-	-	-
Additions	5,642	224,914	35,286	-	265,842
At 31 March 2005	5,642	224,914	35,286	-	265,842
Accumulated depreciation					
At 27 October 2003	-	-	-	-	-
Charge for the period	1,128	27,170	11,163	-	39,461
At 31 March 2005	1,128	27,170	11,163	-	39,461
Carrying amount					
At 31 March 2005	4,514	197,744	24,123	-	226,381

5. **Tangible fixed assets (continued)**

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor Vehicles		
	30 September 2006	**31 March 2006**	**31 March 2005**
	£	**£**	**£**
Net book values	13,617	3,112	-
Depreciation charge for the period	1,945	1,038	-

6. **Debtors**

	30 September 2006	**31 March 2006**	**31 March 2005**
	£	**£**	**£**
Trade debtors	7,651	8,216	17,116
Amounts owed by group undertakings and undertakings in which the company has a participating interest	523,011	140,317	42,106
Other debtors	209,731	84,224	97,960
	740,393	**232,757**	**157,182**

7. **Creditors: amounts falling due within one year**

	30 September 2006	**31 March 2006**	**31 March 2005**
	£	**£**	**£**
Bank loans and overdraft	201,495	65,452	147,655
Net obligation under the purchase contracts	4,355	638	-
Trade creditors	217,892	7,714	57,289
Taxation and social security	172,633	66,644	10,644
Other creditors	26,411	12,000	3,000
	622,786	**152,448**	**218,588**

7. **Creditors: amounts falling due within one year (continued)**

The bank overdraft is secured by a fixed and floating charge over the assets of the company and a cross guarantee between Pacific Logistics Limited and its parent company Poeticgem Limited.

8. **Creditors: amounts falling due after more than one year**

	30 September 2006	**31 March 2006**	**31 March 2005**
	£	**£**	**£**
Net obligation under the purchase contracts	7,867	1,149	-
Other creditors	170,036	164,502	158,837
	177,903	**165,651**	**158,837**

Other creditors represents amount due to Poeticgem Limited, the parent company. The loan is unsecured and interest free.

9. **Provisions for liabilities and charges**

	Deferred tax liability		
	30 September 2006	**31 March 2006**	**31 March 2005**
	£	**£**	**£**
Balance brought forward	3,316	-	-
Profit & loss account	843	3,316	-
Balance carried forward	4,159	3,316	-

The deferred tax liability is made up as follows:

	30 September 2006	**31 March 2006**	**31 March 2005**
	£	**£**	**£**
Accelerated capital allowances	4,159	3,316	-

10. **Share Capital**

	30 September 2006	**31 March 2006**	**31 March 2005**
	£	**£**	**£**
Authorised			
50,000 Ordinary shares of £1 each	50,000	50,000	50,000
Allotted, called up and fully paid			
10,000 ordinary shares of £ 1 each	10,000	10,000	10,000

11. **Statement of movements on profit and loss account**

	30 September 2006	**31 March 2006**	**31 March 2005**
	£	**£**	**£**
Balance brought forward	102,443	(3,144)	-
Profit/(loss) for the period	154,662	105,587	(3,144)
Balance carried forward	257,105	102,443	(3,144)

12. **Financial commitments**

The Company was committed to making the following payments under non-cancellable operating leases.

	30 September 2006	**31 March 2006**	**31 March 2005**
	£	**£**	**£**
Operating leases which expire: Between two and five years	123,700	123,700	115,000

13. **Control**

The immediate parent company throughout the period was Poeticgem Limited, a company registered in England and Wales.

At 30 September 2006, the ultimate parent company was House of Pearl Fashions Limited (formerly known as Mina Estates Pvt. Limited), a company registered in India. House of Pearl Fashions Limited prepares group financial statements and copies can be obtained from Corporate Office: 446, Udyog Vihar, Phase-V, Gurgaon – 122 016 (Haryana), India.

At 31 March 2006, the ultimate parent company was Mina Estates (Pvt.) Limited (now known as House of Pearl Fashions Limited), a company registered in India.

At 31 March 2005, the ultimate parent company was Pallas Holdings Limited, a company registered in Mauritius.

The ultimate controlling party is Mr. D Seth.

14. Related party transactions

The company has taken advantage of the exemption under Financial Reporting Standard for Smaller Entities from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

AUDITOR'S REPORT

SUMMARISED FINANCIAL INFORMATION OF NORWEST INDUSTRIES LIMITED, HK

To the Board of Directors
Norwest Industries Limited
7/F, Park Fook Industrial Building,
615-617 Tai Nan West Street,
Cheung Sha Wan,
Kowloon

As required for the purpose of certification of the financial statements to be incorporated in the Offer Documents proposed to be issued by House of Pearl Fashions Limited in connection with the initial public offering of its equity shares, we state as follows:

1. We have audited the financial statements of Norwest Industries Limited for each of the five years ended 31 March 2002, 2003, 2004, 2005 and 2006, and for the six months ended 30 September 2006 in accordance with accounting principles generally accepted in Hong Kong, and expressed our opinion thereon on the following dates:

Financial Year/Period	**Date**
Year ended 31 March 2002	31 October 2002
Year ended 31 March 2003	27 October 2003
Year ended 31 March 2004	28 October 2004
Year ended 31 March 2005	28 October 2005
Year ended 31 March 2006	26 June 2006
Six months ended 30 September 2006	8 November 2006

   The preparation of financial statements is the responsibility of the management of Norwest Industries Limited. Our responsibility was to express an opinion on the financial statements based on our audits.

2. This report and the annexed income statements, statements of changes in equity and cash flow statements for each of the five years ended 31 March 2002, 2003, 2004, 2005 and 2006, and for the six months ended 30 September 2006, and the annexed balance sheets as at the end of the respective periods, along with the notes to the financial statements, have been prepared based on the audited financial statements referred to in (1) above and are for the purpose of incorporation of Norwest Industries Limited's financial statements in the Offer Documents proposed to be issued by House of Pearl Fashions Limited in connection with its initial public offering of its equity shares and is not to be and should not be used in any other offering memorandum or other documents without our prior consent.

Hong Kong

24 November 2006

NORWEST INDUSTRIES LIMITED

BALANCE SHEET

30 September 2006 and 31 March 2006, 2005, 2004, 2003 and 2002

	30 September 2006 HK$	31 March 2006 HK$	31 March 2005 HK$	31 March 2004 HK$	31 March 2003 HK$	31 March 2002 HK$
NON-CURRENT ASSETS						
Property, plant and equipment/fixed assets	20,935,104	2,459,913	1,146,132	1,277,232	783,059	799,224
Interest in a subsidiary	-	-	15,707,820	-	-	1,041,065
Long term investments	2,790,478	2,790,478	2,790,478	-	3,454,575	-
Due from an investee company	-	-	-	-	281,319	-
Loan to an investee company	-	-	-	-	5,057,000	-
Long term receivable	964,720	964,720	-	-	-	-
Total non-current assets	**24,690,302**	**6,215,111**	**19,644,430**	**1,277,232**	**9,575,953**	**1,840,289**
CURRENT ASSETS						
Short term investments	-	-	-	2,790,478	-	-
Inventories	-	593,582	2,698,503	6,087,468	3,818,382	2,075,055
Trade and bill receivables	129,900,304	121,857,580	36,598,817	43,794,136	20,602,720	11,212,930
Prepayments, deposits and other receivables	19,162,244	3,256,945	1,646,182	3,081,759	10,156,113	751,777
Due from fellow subsidiaries	472,907	7,463,267	4,754,916	-	-	-
Due from a director	-	-	-	-	135,354	-
Due from holding company	61,745	26,350	26,350	-	-	-
Due from a subsidiary	-	-	57,463	-	-	-
Pledged time deposits	25,180,428	5,041,437	4,912,235	4,410,182	7,221,969	6,440,924
Cash and bank balances	3,431,592	4,248,766	7,146,637	2,397,205	4,309,451	475,885
Derivative financial instruments	-	1,557,081	-	-	-	-
Total current assets	**178,209,200**	**144,045,008**	**57,841,103**	**62,561,228**	**46,243,989**	**20,956,571**

NORWEST INDUSTRIES LIMITED

BALANCE SHEET (continued)

30 September 2006 and 31 March 2006, 2005, 2004, 2003 and 2002

	30 September 2006 HK$	31 March 2006 HK$	31 March 2005 HK$	31 March 2004 HK$	31 March 2003 HK$	31 March 2002 HK$
CURRENT LIABILITIES						
Interest - bearing bank borrowings	22,561,957	29,349,396	1,427,462	2,192,001	1,669,590	1,254,624
Accounts payable and accrued liabilities	51,418,136	52,121,997	23,480,685	28,323,498	21,001,175	6,323,248
Bills payable	1,392,385	4,503,805	1,574,505	739,458	-	47,547
Trust receipt loans	29,940,501	13,964,660	11,259,442	7,243,122	14,249,449	4,433,987
Due to a fellow subsidiary	26,589,494	-	4,646,208	-	-	-
Due to a director	-	-	-	-	15,790	9,977
Tax payable	7,537,875	3,870,529	2,425,942	1,008,848	401,321	129,279
Derivative financial instruments	1,050,308	-	-	-	-	-
Finance lease payables	-	-	-	-	-	47,323
Total current liabilities	**140,490,656**	**103,810,387**	**44,814,244**	**39,506,927**	**37,337,325**	**12,245,985**
NET CURRENT ASSETS	**37,718,544**	**40,234,621**	**13,026,859**	**23,054,301**	**8,906,664**	**8,710,586**
TOTAL ASSETS LESS CURRENT LIABILITIES	**62,408,846**	**46,449,732**	**32,671,289**	**24,331,533**	**18,482,617**	**10,550,875**
NON-CURRENT LIABILITIES						
Due to holding company	3,509,198	3,535,548	10,815,878	12,424,306	11,496,152	5,466,652
Due to an investee company	-	-	-	-	16,857	-
Deferred tax liability	107,846	410,153	10,509	10,509	10,509	68,419
Interest-bearing bank borrowing	9,674,540	-	-	-	-	-
Total non-current liabilities	**13,291,584**	**3,945,701**	**10,826,387**	**12,434,815**	**11,523,518**	**5,535,071**
Net assets	**49,117,262**	**42,504,031**	**21,844,902**	**11,896,718**	**6,959,099**	**5,015,804**
EQUITY/CAPITAL AND RESERVES						
Issued capital	9,336,000	9,336,000	9,336,000	6,483,339	3,890,000	2,483,600
Reserves	39,781,262	33,168,031	12,508,902	5,413,379	3,069,699	2,532,204
Total equity	**49,117,262**	**42,504,031**	**21,884,902**	**11,896,718**	**6,959,099**	**5,015,804**

NORWEST INDUSTRIES LIMITED

INCOME STATEMENTS

Six months ended 30 September 2006 and years ended 31 March 2006, 2005, 2004, 2003 and 2002

	Period from 1 April 2006 to 30 September 2006 HK$	Year ended 31 March 2006 HK$	Year ended 31 March 2005 HK$	Year ended 31 March 2004 HK$	Year ended 31 March 2003 HK$	Year ended 31 March 2002 HK$
REVENUE	314,476,043	457,958,626	423,312,160	300,169,945	189,538,738	96,871,414
Cost of sales	(254,732,878)	(375,962,857)	(341,180,343)	(242,062,931)	(146,367,773)	(76,855,637)
Gross profit	59,743,165	81,995,769	82,131,817	58,107,014	43,170,965	20,015,777
Other income and gains	12,222,851	14,602,284	12,760,698	4,114,855	2,734,175	3,760,648
Distribution costs	(411,658)	-	(2,191,008)	(2,518,052)	(1,884,429)	(320,806)
Administrative expenses	(46,431,715)	(68,869,660)	(77,744,602)	(51,229,341)	(39,263,276)	(19,932,678)
Other expenses	(814,964)	(1,972,783)	(1,419,430)	(974,083)	(1,064,770)	(739,903)
Finance costs	(1,846,188)	(1,775,750)	(787,795)	(1,292,170)	(1,212,339)	(921,858)
PROFIT BEFORE TAX	22,461,491	23,979,860	12,749,680	6,208,233	2,480,326	1,861,180
Tax	(4,312,709)	(4,605,323)	(2,801,496)	(1,270,604)	(537,031)	(327,118)
PROFIT FOR THE PERIOD/ YEAR	**18,148,782**	**19,374,537**	**9,948,184**	**4,937,619**	**1,943,295**	**1,534,062**
DIVIDEND						
Interim	9,336,000	-	-	-	-	-

NORWEST INDUSTRIES LIMITED

STATEMENTS OF CHANGES IN EQUITY

Six months ended 30 September 2006 and years ended 31 March 2006, 2005, 2004, 2003 and 2002

	Issued share capital HK$	**Hedging reserve HK$**	**Retained profits HK$**	**Total equity HK$**
At 1 April 2001	1,550,000	-	1,931,742	3,481,742
Capitalisation of retained profits	933,600	-	(933,600)	-
Profit for the year	-	-	1,534,062	1,534,062
At 31 March 2002 and 1 April 2002	2,483,600	-	2,532,204	5,015,804
Capitalisation of retained profits	1,406,400	-	(1,406,400)	-
Profit for the year	-	-	1,943,295	1,943,295
At 31 March 2003 and 1 April 2003	3,890,000	-	3,069,099	6,959,099
Capitalisation of retained profits	2,593,339	-	(2,593,339)	-
Profit for the year	-	-	4,937,619	4,937,619
At 31 March 2004 and 1 April 2004	6,483,339	-	5,413,379	11,896,718
Capitalisation of retained profits	2,852,661	-	(2,852,661)	-
Profit for the year	-	-	9,948,184	9,948,184
At 31 March 2005 and 1 April 2005	9,336,000	-	12,508,902	21,844,902
Net gains on cash flow hedges	-	1,284,592	-	1,284,592
Profit for the year	-	-	19,374,537	19,374,537
At 31 March 2006 and 1 April 2006	9,336,000	1,284,592	31,883,439	42,504,031
Net losses on cash flow hedges	-	(2,199,551)	-	(2,199,551)
Profit for the period	-	-	18,148,782	18,148,782
Interim dividend	-	-	(9,336,000)	(9,336,000)
At 30 September 2006	**9,336,000**	**(914,959)**	**40,696,221**	**49,117,262**

NORWEST INDUSTRIES LIMITED

CASH FLOW STATEMENTS

Six months ended 30 September 2006 and years ended 31 March 2006, 2005, 2004, 2003 and 2002

	Period from 1 April 2006 to 30 September 2006 HK$	Year ended 31 March 2006 HK$	Year ended 31 March 2005 HK$	Year ended 31 March 2004 HK$	Year ended 31 March 2003 HK$	Year ended 31 March 2002 HK$
CASH FLOW FROM OPERATING ACTIVITIES						
Profit before tax	22,461,491	23,979,860	12,749,680	6,208,223	2,480,326	1,861,180
Adjustment for:						
Finance costs	1,846,188	1,775,750	787,795	1,292,170	1,212,339	921,858
Interest income	(597,589)	(165,414)	(265,320)	(33,525)	(61,295)	(173,940)
Depreciation	709,542	1,300,726	858,878	669,311	764,397	673,988
Loss/(gain) on disposal of items of property, plant and equipment	1,494	(3,120)	(107,452)	(190,799)	-	-
Operating profit before working capital changes	24,421,126	26,887,802	14,023,581	7,945,380	4,395,767	3,283,086
Decrease/(increase) in inventories	593,582	2,104,921	3,388,965	(2,269,086)	(1,743,327)	(2,075,055)
Decrease/(increase) in trades and bills receivable	(8,042,724)	(85,258,763)	7,195,319	(23,191,416)	(9,389,790)	3,228,239
Decrease/(increase) in prepayment, deposits and other receivables	(15,905,279)	(1,610,763)	1,435,577	7,074,354	(9,404,336)	(113,058)
Decrease/(increase) in amount due from holding company	(35,395)	-	(26,350)	-	-	-
Decrease/(increase) in an amount due from director	-	-	-	135,354	(135,354)	-
Decrease/(increase) in amount due from a subsidiary	-	57,463	(57,463)	-	-	-
Decrease/(increase) in amount due from fellow subsidiary	6,990,360	(2,708,351)	(4,754,916)	-	-	-
Increase/(decrease) in accounts payable and accrued liabilities	(703,861)	28,641,312	(4,842,813)	7,322,323	14,677,927	(2,763,091)
Increase/(decrease) in bills payable	(3,111,420)	2,929,300	835,047	739,458	(47,547)	47,547
Increase/(decrease) in trust receipts loan	15,975,841	2,705,218	4,016,320	(7,006,327)	9,815,462	(2,068,063)
Increase/(decrease) in amount due to a fellow subsidiary	26,589,494	(4,646,208)	4,646,208	-	-	-
Increase/(decrease) in an amount due to a director	-	-	-	(15,790)	5,813	(920,023)
Cash generated from /(used in) operations	46,771,724	(30,898,069)	25,859,475	(9,265,750)	8,174,615	(1,380,418)
Hong Kong profits tax paid	(539,832)	(2,978,948)	(1,384,402)	(663,077)	(322,899)	(413,959)
Overseas tax paid	-	(54,633)	-	-	-	-
Interest paid	(1,846,188)	(1,775,750)	(787,795)	(1,292,170)	(1,212,339)	(921,858)
Net cash inflow/(outflow) from operating activities	44,385,704	(35,707,400)	23,687,278	(11,220,997)	6,639,377	(2,716,235)

NORWEST INDUSTRIES LIMITED

CASH FLOW STATEMENTS (continued)

Six months ended 30 September 2006 and years ended 31 March 2006, 2005, 2004, 2003 and 2002

	Period from 1 April 2006 to 30 September 2006 HK$	Year ended 31 March 2006 HK$	Year ended 31 March 2005 HK$	Year ended 31 March 2004 HK$	Year ended 31 March 2003 HK$	Year ended 31 March 2002 HK$
CASH FLOW FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment /fixed assets	(19,187,200)	(2,614,507)	(730,057)	(1,192,685)	(748,232)	(434,463)
Proceeds from disposal of items of property, plant and equipment/ fixed assets	973	3,120	109,731	220,000	-	-
Purchase of an investee company	-	-	-	-	(2,917,500)	-
Investment in a subsidiary	-	-	(14,160)	-	-	-
Purchase of long term investments	-	-	-	(2,790,478)	-	-
Proceeds from disposal of long term investments	-	-	-	3,454,575	-	-
Decrease/(increase) in pledged time deposits	(20,138,991)	(129,202)	(502,053)	2,811,787	(781,045)	(134,303)
Interest received	597,589	165,414	265,320	33,525	61,295	173,940
Net cash inflow/(outflow) from investing activities	**(38,727,629)**	**(2,575,175)**	**(871,219)**	**2,536,724**	**(4,385,482)**	**(394,826)**
CASH FLOW FROM FINANCING ACTIVITIES						
Capital element of finance lease rental payments	-	-	-	-	(47,323)	(284,005)
Advance from a holding company	(26,350)	(7,280,330)	(1,608,428)	928,154	6,029,500	1,945,000
Advance to a subsidiary	-	15,707,820	(15,693,660)	-	-	-
Advance to a investee company, net	-	-	-	5,321,462	(4,817,472)	(188,565)
Loan to a related company	-	(964,720)	-	-	-	-
New interest-bearing loan from bank	10,759,580	28,003,574	-	-	-	-
Repayment of interest bearing loan from bank	(7,741,003)	-	-	-	-	-
Dividend paid	(9,336,000)	-	-	-	-	-
Net cash inflow/(outflow) from financing activities	**(6,343,773)**	**(35,466,344)**	**(17,302,088)**	**6,249,616**	**1,164,705**	**1,472,430**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(685,698)	(2,816,231)	5,513,971	(2,434,657)	3,418,600	(1,638,631)
Cash and cash equivalents at beginning of year	2,902,944	5,719,175	205,204	2,639,861	(778,739)	859,892
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,217,426	2,902,944	5,719,175	205,204	2,639,861	(778,739)
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	3,431,592	4,248,766	7,146,637	2,397,205	4,309,451	475,885
Bank overdrafts	(1,214,346)	(1,345,822)	(1,427,462)	(2,192,001)	(1,669,590)	(1,254,624)
	2,217,246	2,902,944	5,719,175	205,204	2,639,861	(778,739)

NORWEST INDUSTRIES LIMITED

NOTES TO FINANCIAL INFORMATION

30 September 2006 and 31 March 2006, 2005, 2004, 2003 and 2002

1. CORPORATE INFORMATION

Norwest Industries Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 7/F, Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

The principal activity of the Company consisted of the trading of garments.

As at 30 September 2006, the Company is a wholly-owned subsidiary of Multinational Textile Group Limited, a company incorporated in Mauritius. House of Pearl Fashions Limited, which is incorporated in India, is considered by the directors to be the Company's ultimate holding company.

2. BASIS OF PREPARATION

Applicable to the six months ended 30 September 2006 and year ended 31 March 2006:

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRSs") (which also include Hong Kong Accounting Standard ("HKASs") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention.

Applicable to the years ended 31 March 2005, 2004, 2003 and 2002:

These financial statements have been prepared in accordance with HKFRSs or Statements of Standard Accounting Practice and Interpretations ("SSAP") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention.

Consolidation

Consolidated financial statements have not been prepared for the years ended 31 March 2005 and 2006 as, in the opinion of the directors, the preparation of such financial statements would involve expense and delay out of proportion to the benefits to the members of the Company.

Consolidated financial statements have not been prepared for the year ended 31 March 2002 as the subsidiary operated under severe long term restrictions which significantly impaired its ability to transfer funds to the parent. This interest is a subsidiary was subsequently reclassified as a long term investment from 2003 onwards.

3.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ON THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006 AND YEAR ENDED 31 MARCH 2006.

The following new and revised HKFRSs affected the Company and are adopted for the first time on the financial statements for the year ended 31 March 2006:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits

HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities

Apart from HKASs 24,32 and 39 as mentioned below, the adoption of the above HKASs has had no material impact on the accounting policies of the Company and the methods of computation in the Company's financial statements.

a) HKAS24-Related Party Disclosures

HKAS 24 has expanded the definition of related parties and affected the Company's related party disclosures.

b) HKAS 32 and HKAS 39 – Financial Instruments

i) Equity securities

In prior years, the Company classified its investments in unit trusts as short term investments and these were stated as cost in the balance sheet. Upon the adoption of HKAS 39, these investments held by the Company at 1 April 2006 in the amount of HK$2,790,478 are designated as available-for-sale investments under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised as a separate component of equity until subsequent derecognition or impairment.

ii) Derivative financial instruments – Forward currency contracts

Forward currency contracts held to hedge firm future commitments are designated as cash flow hedges from 1 April 2005 and are recorded at fair value. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity, until the transaction which is being hedged is itself recognised in the financial statements. The ineffective portion of the hedge (if any) is recognised immediately in the income statement. Previously, forward currency contracts held to hedge firm future commitments were deferred on the balance sheet until the item being hedged was itself recognised.

iii) Discounted bills with recourse

In prior years, the Company accounted for bills discounted with recourse as a contingent liability. Upon the adoption of HKAS 39, bills discounted with recourse are no longer derecognised since the derecognition criteria for financial assets are not met. Accordingly, the related bank advances received as consideration for the bills discounted are recognised as a liability prospectively on or after 1 April 2005.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Applicable to the six months ended 30 September 2006 and year ended 31 March 2006

Subsidiary

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

The result of the subsidiary is included in the Company's income statement to the extent of dividend received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditure incurred after the items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement account in the year in which it is incurred. In situations where it can be clearly demonstrated that expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that assets or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Furniture and fixtures	25%
Office equipment	33-1/3%
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the differences between the net sales proceeds and the carrying amount of the relevant asset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes the cost of purchase, conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs necessary to make the sale.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Foreign currency transactions

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an assets is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the assets is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued assets. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the assets in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an assets other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that assets, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as either investments at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivable are derecognised or impaired, as well as through the amortisation process.

Available-for- sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories, being investments at fair value through profit or loss, loans and receivables and held-to-maturity investments. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity are included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within range cannot be reasonable assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded is an organised financial market is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques included using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Financial assets – receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the receivables are derecognised or impaired, as well as through the amortisation process.

Investment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on receivables carried amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use if an allowance account. The amount of the impairment loss is recognised in the income statement.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Employee benefits

Employment Ordinance long service payments

Certain of the Company's employees have completed the required number of years of service to the Company in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Company is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

Pension schemes

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance, for all those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Related parties

A party is considered to be related to the Company if:

a) the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company; or (iii) has joint control over the Company;

b) the party is an associate;

c) the party is a jointly-controlled entity;

d) the party is a member of the key management personnel of the Company or its parent;

e) the party is a close member of the family of any individual referred to in (a) or (d); or

f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

g) the party is a post-employment benefit plan for the benefit of the employees of the Company, or of any entity that is a related party of the Company.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow of the Company and when the revenue can be measured reliably, on the following basis:

a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

b) handling fee income, in the period in which the services are rendered; and

c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to net carrying amount of the financial assets.

Cash and cash equivalents

For the purpose of the cash flow statement, cash equivalent represent short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the balance sheet classification, cash and bank balances comprise cash on hand and at bank, including term deposits, which are not restricted as to use.

Applicable to the years ended 31 March 2005, 2004, 2003 and 2002

Subsidiary

A subsidiary is a company in which the Company directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

The results of the subsidiary is included in the Company's profit and loss account to the extent of dividend received and receivable. The Company's interest in subsidiaries are stated at cost less any impairment losses.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	**Over the lease terms**
Furniture and fixtures	25%
Office equipment	33-1/3%
Motor vehicles	30%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair value on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account in the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and includes the cost of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs necessary to make the sale.

The gain or loss on disposal of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Cash and cash equivalents

For the purpose of the cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the balance sheet classification, cash and bank balances comprise cash on hand and at bank, including term deposits, which are not restricted as to use.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which its arises, unless the assets is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

Foreign currency transactions

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Employee benefits

Employment Ordinance Long Service Payments

Certain of the Company's employees have completed the required number of years of service to the Company in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Company is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

Pension Schemes

The Company operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance, for all those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

b) handling fee income, in the period in which the services are rendered; and

c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Long term investments

Long term investments are non-trading investments in unlisted equity securities intended to be held on a long term basis. Unlisted securities are stated at their estimated fair values, on an individual basis.

The gains or losses arising from changes in the fair value of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account in the period in which the impairment arises.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Company, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the lease terms or the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Lease where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating lease. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Off-balance-sheet instruments

Off-balance sheet financial instruments are undertaken by the Company for trading purposes or as part of the Company's hedging activities. Derivative transactions designed to reduce the market risks of specific assets, liabilities or position at the inception of the derivative contracts are accounted for as hedges.

Transactions undertaken for trading purposes are accounted for on the mark-to-market basis and all gains and losses arising as a result are dealt with in the profit and loss account.

Transactions designated as hedges against underlying assets or liability exposures are accounted for on the same basis as the underlying exposures.

AUDITOR'S REPORT

FINANCIAL INFORMATION OF DEPA INTERNATIONAL, INC. AND ITS SUBSIDIARY, DEPA INTERNATIONAL, INC. CANADA

To
The Board of Directors
Depa International, Inc.
300-2 Unit E
Route 17 South
Lodi, NJ 07644

Dear Sirs,

As required for the purpose of certification of the financial statements to be incorporated in the Offer Documents proposed to be issued by House of Pearl Fashions Limited in connection with the initial public offering of its equity shares, we state as follows:

1. We have audited the consolidated financial statements of Depa International, Inc. and Depa International, Inc.- Canada (the "Subsidiary") for each of the two financial years ended March 31, 2006 and 2005 and for the six months ended September 30, 2006 in accordance with auditing standards generally accepted in the United States of America and issued our unqualified opinions dated June 13, 2005, May 5, 2006 and October 25, 2006. The financial statements are the responsibility of the management of Depa International Inc. and Subsidiary. Our responsibility was to express an opinion on the financial statements based on our audits.
2. This report and the annexed statements of income and retained earnings and cash flows for each of the two financial years ended March 31, 2006 and 2005 and for the six months ended September 30, 2006, and annexed balance sheets as at the end of the respective periods, along with the notes to the consolidated financial statements, have been prepared from the audited consolidated financial statements referred to in (1) above, in accordance with accounting principles generally accepted in the United States of America, and are for the purpose of incorporation of Depa International, Inc. and Subsidiary's financial statements in the Offer Documents proposed to be issued by House of Pearl Fashions Limited in connection with its initial public offering of its equity shares and is not to be and should not be used in any other offering memorandum or other document without prior consent.

Sincerely,

FRIEDMAN LLP

ACCOUNTANTS AND ADVISORS

October 25, 2006

DEPA INTERNATIONAL, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

(Figures in $)

	September 30, 2006	March 31, 2006	March 31, 2005
ASSETS			
Current assets			
Cash	115,430	166,127	85,042
Due from factor	5,526,943	7,132,490	6,921,021
Accounts receivable	224,724	16,233	3,026
Loans receivable, affiliates	171,315	138,002	21,543
Inventories	328,739	461,938	550,971
Prepaid expenses and other current assets	57,861	30,335	36,922
Deferred income taxes	13,211	14,010	12,008
Total current assets	**6,438,223**	**7,959,135**	**7,630,533**
Property and equipment-at cost, less accumulated depreciation and amortization	316,245	360,006	458,153
Deferred income taxes	36,689	24,882	—
Security deposits	75,008	66,501	66,501
	6,866,165	**8,410,524**	**8,155,187**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	1,181,087	3,566,623	4,099,611
Accrued expenses and other current liabilities	176,232	680,976	819,595
Income taxes payable	582,134	6,480	207,530
Total current liabilities	**1,939,453**	**4,254,079**	**5,126,736**
Loans payable, shareholders – subordinated	750,000	750,000	750,000
	2,689,453	**5,004,079**	**5,876,736**
Commitments			
Shareholders' equity			
Common stock, no par value; 200 shares authorized, 100 shares issued and outstanding	250,000	250,000	250,000
Retained earnings	3,926,712	3,156,445	2,028,451
	4,176,712	3,406,445	2,278,451
	6,866,165	**8,410,524**	**8,155,187**

See notes to consolidated financial statements.

DEPA INTERNATIONAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(Figures in $)

	Six months ended September 30, 2006	**Year ended March 31, 2006**	**Year ended March 31, 2005**
Net sales	13,415,752	34,557,536	48,128,470
Cost of sales	8,465,794	22,446,407	34,488,469
Gross Profit	4,949,958	12,111,129	13,640,001
Operating expenses			
Selling and shipping	1,243,273	5,631,545	8,220,974
General and administrative	2,374,730	4,458,857	4,426,032
Financing costs	76,552	153,181	376,580
	3,694,555	10,243,583	13,023,586
Operating income	1,255,403	1,867,546	616,415
Commission income	134,487	152,660	271,789
Income before income taxes	1,389,890	2,020,206	888,204
Income taxes			
Current	630,631	919,096	315,467
Deferred	(11,008)	(26,884)	20,534
	619,623	892,212	336,001
Net income	770,267	1,127,994	552,203
Retained earnings, beginning of period	3,156,445	2,028,451	1,476,248
Retained earnings, end of period	3,926,712	3,156,445	2,028,451

See notes to consolidated financial statements.

DEPA INTERNATIONAL, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Figures in $)

	Six months ended September 30, 2006	**Year ended March 31, 2006**	**Year ended March 31, 2005**
Cash flows from operating activities			
Net income	770,267	1,127,994	552,203
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Depreciation and amortization	43,761	99,719	110,518
Deferred income taxes	(11,008)	(26,884)	20,534
Changes in assets and liabilities			
Due from factor	1,605,547	(211,469)	(2,237,830)
Accounts receivable	(208,491)	(13,207)	9,566
Inventories	133,199	89,033	769,177
Prepaid expenses and other current assets	(27,526)	6,587	108,111
Prepaid income taxes	—	—	248,112
Security deposits	(8,507)	—	(2,986)
Accounts payable	(2,385,536)	(532,988)	102,869
Accrued expenses and other current liabilities	(504,744)	(138,619)	211,512
Income taxes payable	575,654	(201,050)	207,530
Net cash provided by (used in) operating activities	(17,384)	199,116	99,316
Cash flows from investing activities			
Loans receivable, affiliates	(33,313)	(116,459)	(21,543)
Acquisition of property and equipment	—	(1,572)	(25,597)
Net cash provided by (used in) investing activities	(33,313)	(118,031)	(47,140)
Net increase (decrease) in cash	(50,697)	81,085	52,176
Cash, beginning of period	166,127	85,042	32,866
Cash, end of period	**115,430**	**166,127**	**85,042**
Supplemental cash flow disclosures			
Interest paid	—	5,662	95,563
Income taxes paid (refunded), net	57,711	1,133,106	(140,175)

See notes to consolidated financial statements.

DEPA INTERNATIONAL, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Depa International, Inc. ("Depa-U.S.") was incorporated on November 30, 1990 in the State of New York and began doing business on April 1, 1996. It designs and imports casual sportswear in wovens and knits and sells principally to mass merchandisers and department stores throughout the United States.

Depa International, Inc. – Canada ("Depa-Canada"), a wholly-owned subsidiary of Depa-U.S., was incorporated on December 20, 2004 in the Province of Ontario in Canada and began business on April 1, 2005. Depa-Canada serves as a selling agent on behalf of international manufacturers.

Principles of Consolidation

The accompanying consolidated financial statements as of September 30, 2006 and for the six months then ended and as of March 31, 2006 and for the year then ended include the accounts of Depa-U.S. and Depa-Canada (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated.

The accompanying consolidated financial statements as of March 31, 2005 and for the year then ended include only the accounts of Depa-U.S.

Effective January 1, 2005, the Company adopted Financial Accounting Standards Board Interpretation No. 46 (revised December 2003) ("FIN 46 (R)"), "Consolidation of Variable Interest Entities". In accordance with FIN 46 (R), the Company has evaluated and determined that Michelin Star, Inc. ("MS") is a variable interest entity. MS is not consolidated with the Company because the Company is not the primary beneficiary of this variable interest entity. The Company has determined that MS's activities are not significant or related to the Company, the exposure to its expected losses is minimal and the design of MS is solely for the benefit of its shareholders. Since inception, MS's equity investment and financial support have come directly from its shareholders. Advances from the Company to MS since inception total approximately $42,000.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Concentrations of Credit Risk for Cash

Depa-U.S.'s cash balances, which are maintained in two banks, are insured by the Federal Deposit Insurance Corporation for up to an aggregate of $100,000 in each bank.

Foreign Currencies

Transations in foreign currencies are translated at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate ruling at the balance sheet date, and gains or losses on translation are recognized as a separate component of shareholders' equity. Translation gains and losses were immaterial for six months ended September 30, 2006 and the years ended March 31, 2006 and 2005.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect. An allowance for doubtful accounts is recorded based on a combination of historical experience, aging analysis and information on specific accounts. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Management has determined that no allowance is required at September 30, 2006 and March 31, 2006 and 2005.

Inventories

Inventories, which consist solely of finished goods, are stated at the lower of cost (first-in, first-out) or market.

Depreciation and Amortization

Depreciation is computed using accelerated methods over estimated useful asset lives. Leasehold improvements are amortized over the term of the lease on straight-line basis.

Deferred Income Taxes

Deferred tax assets result from temporary differences between the bases of assets for financial reporting and income tax purposes, and are related to components of inventory costs and depreciable assets.

Advertising

Advertising costs are expensed as incurred. For the six months ended September 30, 2006 and the years ended March 31, 2006 and 2005, trade shows and advertising expense was $ 62,817, $273,164 and $196,385, respectively.

Shipping and Handling Expenses

Shipping and handling expenses for the six months ended September 30, 2006 and the years ended March 31, 2006 and 2005 were $260,263, $650,620 and $794,029, respectively, and are included in selling and shipping expenses in the consolidated statements of income and retained earnings.

2. FACTORING AND CREDIT AGREEMENTS

The Company has a factoring agreement with CIT Commercial Services which also provides for working capital and letters of credit/guarantee facilities. Accounts receivable are sold to the factor without recourse as to credit risk but with recourse for claims by the customer for adjustments in the normal course of business, relating primarily to errors and shortages. The Company receives advances on 85% of factored receivables, with interest 1.125% below the JP Morgan Chase prime rate, and is charged a factoring commission of .35% of factored receivables. The letters of credit/guarantee facility is for up to 50% of the value of imported inventories. Accounts receivable and inventories of the Company are pledged under the agreement.

Interest received from the factor for the six months ended September 30, 2006 and the year ended March 31, 2006 was $29,480 and $75,500, respectively. Interest charged by the factor for the year ended March 31, 2005 was $95,563.

Outstanding letters of credit at September 30, 2006 total approximately $2,290,000.

3. LOANS RECEIVABLE, AFFILIATES

Loans to affiliates are non interest-bearing and payable on demand.

4. PROPERTY AND EQUIPMENT

Major components of property and equipment are as follows:

(Figures in $)

	September 30, 2006	**March 31, 2006**	**March 31, 2005**
Office equipment	171,060	171,060	171,060
Furniture and fixtures	112,741	112,741	111,169
Leasehold improvements	458,201	458,201	458,201
	742,002	**742,002**	**740,430**
Less – Accumulated depreciation and amortization	425,757	381,996	282,277
	316,245	**360,006**	**458,153**

5. **LOANS PAYABLE, SHAREHOLDERS – SUBORDINATED**

The loans, which are non interest-bearing and subordinated to advances from the factor, consist of the following at September 30, 2006 and March 31, 2006 and 2005.

Payable to Swatantra Vij	$ 187,500
Payable to Global Textiles Group Limited, the Company's corporate shareholder	$ 562,500
	$ 750,000

6. **RELATED PARTY TRANSACTIONS**

For the six months ended September 30, 2006 and the years ended March 31, 2006 and 2005, consulting expenses of approximately $100,000, $200,000 and $185,000, respectively, were incurred to a director of the Company. Effective June 30, 2006, this individual resigned as a director of the Company. On August 29, 2006 he also resigned as a management consultant.

7. **MAJOR CUSTOMERS**

Sales to two customers were approximately 36% of net sales for the six months ended September 30, 2006, and sales to one customer were approximately 28% and 32% of net sales for the years ended March 31, 2006 and 2005, respectively.

8. **COMMITMENTS**

Lease Commitments

Depa-U.S. leases warehouse space in New Jersey under a lease which expires on March 14, 2007. Depa-U.S. also leases showroom space in New York City under a lease which expires on October 14, 2010. On September 1, 2006, Depa-U.S. entered into a lease for showroom space in California which expires on August 31, 2008. All leases require Depa-U.S. to pay additional rent based on increases in real estate taxes and operating expenses over base period amounts. Depa-Canada leases showroom space in Canada under a lease which expires on December 31, 2006. Minimum future annual rentals are approximately as follows:

(Figures in $)

Year ending September 30,	Showrooms	Warehouse	Total
2007	333,000	67,000	400,000
2008	325,000	—	325,000
2009	278,000	—	278,000
2010	278,000	—	278,000
2011	12,000	—	12,000
	1,226,000	**67,000**	**1,293,000**

Rent expense for the showrooms and warehouse for the six months ended September 30, 2006 and the years ended March 31, 2006 and 2005 was $264,214, $602,156 and $400,814, respectively.

Agency Agreements

The Company has two agency agreements with unrelated parties in Hong Kong and the United Arab Emirates expiring on March 31, 2007 and 2008, respectively, under which the agents will perform various services for the Company, including manufacturing sourcing, quality control, quota-related issues, samples and consulting. The agents are entitled to a fee of up to 20% of the imported cost of merchandise to be shipped by the Company.

9. **OWNERSHIP CHANGE**

On April 1, 2005, Pallas Holding Ltd., a 49% owner of the Company, acquired an additional 26% ownership interest from Pallak Seth, pursuant to a shareholder purchase agreement.

On March 30, 2006, Global Textiles Group Limited acquired the 75% ownership interest of Pallas Holding Ltd., pursuant to a shareholder purchase agreement.

AUDITORS REPORT

FINANCIAL INFORMATION OF PT NORWEST INDUSTRY, INDONESIA

To the Board of Directors
House of Pearl Fashions Limited,
446 Udyog Vihar Phase V
Gurgaon
India

Dear Sirs,

As required for the purpose of certification of the financial statements to be incorporated in the offer document proposed to be issued by **House of Pearl Fashions Limited** in connection with the initial public offering of its equity shares, we state as follows:

1. We have compiled the attached summary statement of assets and liabilities of PT Norwest (the "Company") as at September 30, 2006, March 31, 2006, 2005, 2004 and 2003, the attached summary statement of profit and losses for each of the period/ years ended on those dates and attached summary statement of cash flows for the six months ended September 30, 2006 and the years ended March 31, 2006, 2005, 2004 and 2003 (the "Summary Financial Statements"), as prepared by the Company and approved by the Board of Directors. The Summary Financial Statements as at and for the Six months ended September 30, 2006 and years ended March 31, 2006, 2005, 2004 and period ended March 31, 2003, are based on the financial statements for those periods which have been audited by "RSM AAJ Associates" for the Six months ended September 30, 2006, by "Tanubrata Sutanto Sibarani" for the year ended March 31, 2006 , by "Tanubrata Yogi Sibarani Hananta" for the years ended March 31, 2005 and 2004 and by "Drs. RB Tanubrata & Rekan" for the period ended March 31, 2003, in accordance with auditing standards generally accepted in Indonesia (the "Financial Statements"). RSM AAJ Associates has issued its unqualified opinion dated October 18, 2006 for the Six months ended September 30, 2006. Tanubrata Sutanto Sibarani has issued its unqualified opinion dated May 30, 2006 for the year ended March 31, 2006 and Tanubrata Yogi Sibarani Hananta has issued its unqualified opinions dated July 20, 2005 and June 25, 2004 for the years ended March 31, 2005 and March 31, 2004 and Drs. RB Tanubrata & Rekan has issued its unqualified opinion dated November 7, 2003 for the period ended March 31, 2003. The Summary Financial Statements as at and for the six months ended September 30, 2006 and years ended March 31, 2006, 2005 was expressed in USD and the Summary Financial Statements as at years ended March 31,2004 and period ended March 31, 2003 was expressed in Indonesian Rupiah. The financial statements of the year ended March 31, 2005 were expressed in US dollar. Thus, with respect to the year ended March 31, 2004, the figures in US Dollars were taken from the previous year's figures of the financial statements ended March 31, 2005.
2. With respect to the period ended March 31, 2003, we have translated the statement of assets and liabilities, statement of profit and losses, statement of cash flows and related financial information from Indonesian Rupiah to United States Dollars, the management having informed us that the Financial Statements of the Company for that period were prepared in Indonesian Rupiah and not United States Dollars. The translations have been provided solely to assist the reader in evaluating the accompanying Summary Financial Statements. The translations have been carried out after using such exchange rates and methods as in our opinion are appropriate and our more fully described in the Notes appearing in Annexure I to this report.
3. The Financial Statements are the responsibility of the management of PT Norwest. We have not audited the Financial Statements and have relied on the Financial Statements prepared by the Company, which have been reported upon by the respective auditors as indicated above, and have extracted and reproduced them for the purposes of this report. Based on our reading of the Financial Statements and Summary Financial Statements, and the procedures carried out by us, nothing came to our attention that caused us to believe that the Summary Financial Statements have not been properly compiled.

4. This report and the annexed Summary Financial Statements, together with the notes to the Summary Financial Statements and significant accounting policies, which have been properly extracted and reproduced from the audited Financial Statements referred to in (1) above, are for the purpose of incorporation of PT Norwest's Financial Statements in the offer documents proposed to be issued by House of Pearl Fashions Limited in connection with its initial public offering of its equity shares and is not to be and should not be used in any other offering memorandum or other document without prior consent.

FOR S.R. DINODIA & CO.,	**On behalf of Board of Directors**
CHARTERED ACCOUNTANTS	
(SANDEEP DINODIA)	**(Rishi Vig)**
PARTNER	**Chief Financial Officer**
M.No. 083689	

PLACE: NEW DELHI

DATE :

Annexure-I

CURRENCY EXCHANGE RATE

The balance sheet data, including the assets & liabilities and cash flow information are translated using the foreign exchange rates at the balance sheet dates. The Statement of Income data, including revenue & expenses of the foreign entity are translated at an average rate prevalent during the year/period. Any differences arising on translation are recognized as differences on re-measurement as a separate component of equity. The exchange rate used for this purpose is taken from the financial statement of the year ended March 31, 2005, which was expressed in US dollar. In these statement following conversion rates were used for the opening balances of year ended March 31, 2004.

PT Norwest Industry

Conversion Table: Indonesia Rupiah to USD

PERIOD	AVERAGE RATE	CLOSING RATE
Period Ended 31.03.2003	8866.426	8899.971

PT NORWEST INDUSTRY

Annexure-I : Summary Statement of Assets and Liabilities.

(In US Dollar)

Particulars	As At September 30, 2006	As At March 31			
		2006	2005	2004	2003
ASSETS					
Current Assets					
Cash in bank and on hand	169,717	89,856	35,807	39,262	97,365
Accounts Receivables					
Trade					
Third Parties	543,851	1,472,740	520,836	345,618	180,438
Related Party	455	-	-	-	60,109
Other					
Third Parties	125,839	90,575	8,855	16,771	-
Related Party	31,579	14,464	14,644	30,599	30,952
Inventories	1,140,487	680,641	552,039	243,274	324,429
Advance to Suppliers	206,273	-	-	-	-
Prepaid Taxes	144,870	-	41,249	16,992	7,190
Prepaid Expenses	43,876	12,872	38,401	24,025	23,593
	2,406,947	2,361,148	1,211,831	716,541	724,076
Non Current Assets					
Prepaid Taxes		73,342	-	-	-
Property and equipment, net of accumulated depreciation	344,463	451,202	638,003	692,019	731,941
Refundable Deposits	33,833	27,535	27,748	28,572	27,822
Deferred Tax Asset	130,979	112,576	84,900	47,886	6,795
	509,275	664,655	750,651	768,477	766,558
Total Assets	**2,916,222**	**3,025,803**	**1,962,482**	**1,485,018**	**1,490,634**
Current Liabilities					
Bank Loan	769,214	1,061,379	688,131	206,669	531,302
Accounts Payable					
Trade					
Third Parties	401,219	457,333	481,081	215,045	91,232
Related Party	-	-	-	7,259	-
Other	-	1,068	343	15	634
Taxes Payable	129,172	143,931	9,098	10,227	3,366
Accrued Expenses	162,448	139,793	104,639	79,861	71,567
	1,462,053	1,803,504	1,283,292	519,076	698,101

(In US Dollar)

Particulars	As At September 30, 2006	As At March 31			
		2006	2005	2004	2003
Long TeRm Liabilities					
Employee Benefit Obligation	24,996	19,957	13,022	6,878	-
Borrowing from Stockholders	-	-	350,000	350,000	650,586
	24,996	19,957	363,022	356,878	650,586
Stock Holders Equity					
Capital Stock	1,350,000	1,350,000	1,000,000	1,000,000	549,159
Capital subscribe under par value	-	-	-	-	(55,337)
Deficit	79,173	(147,658)	(683,832)	(394,063)	(353,206)
Differences on re-measurement	-	-	-	3,127	1,331
	1,429,173	1,202,342	316,168	609,064	141,947
Total Liabilities	**2,916,222**	**3,025,803**	**1,962,482**	**1,485,018**	**1,490,634**

See the Accompanying Notes which are an integral part of these Financial Statements.

For S.R. DINODIA & CO. **On behalf of Board of Directors**

(SANDEEP DINODIA)
PARTNER
M.NO.083689

(RISHI VIG)
Chief Financial Officer

Place: New Delhi
Date:

PT NORWEST INDUSTRY

Annexure-II: Summary Statement of Profit and Loss.

(In US Dollar)

Particulars	As At September 30, 2006	As At March 31			
		2006	2005	2004	2003
SALES REVENUE	4,828,265	11,712,471	9,941,810	8,645,589	896,065
Cost of Goods Sold	3,775,526	9,601,391	8,587,312	7,492,242	940,145
Gross Profit/(Loss)	1,052,739	2,111,080	1,354,498	1,153,347	(44,080)
Operating Expenses					
Selling Expenses	237,885	12,896	13,393	9,654	1,796
General & Administrative Expenses	528,079	1,264,548	1,059,079	869,196	363,877
Total Operating Expenses	765,954	1,277,444	1,072,472	878,850	365,673
Profit (Loss) from Operation	286,775	833,636	282,026	274,497	(409,753)
Other Income (Charges)					
(Loss) Gain on Foreign exchange rate - Net	31,002	(13,145)	18,909	(6,509)	9,538
Loss on Disposal of Fixed Asset	-	(654)	-	-	-
Sale Sample Income	-	-	12,053	-	-
Miscellaneous Expenses	(1,914)	-	-	-	-
Miscellaneous Income (charges)	33,871	31,623	(958)	13,057	60,322
Bank Charges/Interest	(79,525)	(192,870)	(144,605)	(103,781)	(20,135)
Claim Buyers/supplier	56,666	(13,789)	(497,335)	(245,970)	-
Other (Charges) Income - Net	40,100	(188,835)	(611,936)	(343,203)	49,726
Profit/(Loss) Before Tax	326,875	644,801	(329,910)	(68,706)	(360,027)
Income Tax					
Current	(118,447)	(136,303)	-	-	-
Deferred	18,403	27,676	37,014	34,103	6,821
Total Income Tax	(100,044)	(108,627)	37,014	34,103	6,821
Net Profit/(Loss) for the year	**226,831**	**536,174**	**(292,896)**	**(34,603)**	**(353,206)**

See the Accompanying Notes which are an integral part of these Financial Statements

PT NORWEST INDUSTRY

Annexure-III: Summary Statement of Cash Flows.

(In US Dollar)

Particulars	As At September 30, 2006	As At March 31 2006	2005	2004	2003
Cash Flow from Operating Activities					
Receipt from (Payment to) :					
Customer	5,780,594	10,760,567	9,766,592	8,540,518	652,140
Supplier	(4,435,613)	(8,456,571)	(7,415,655)	(5,261,980)	(835,215)
Salaries	(791,835)	(1,467,268)	(1,380,213)	(1,210,499)	(335,435)
Direct Cost and expenses (except salaries)	-	(798,293)	(691,523)	(1,493,629)	(229,004)
(Loss) gain on foreign exchange	-	(13,145)	18,909	(6,509)	9,502
Other Taxes	-	(35,541)	(22,453)	(7,347)	(4,945)
Finance Expenses	(79,525)	(192,870)	(144,605)	(103,781)	(20,061)
Miscellaneous	(86,287)	(63,706)	(461,453)	(248,797)	29,145
Net Cash Flows (used in)/provided by operating activities	387,334	(266,827)	(330,401)	207,976	(733,872)
Cash Flows from Investing Activities					
Acquisition of property and equipment	(37,449)	(54,820)	(155,340)	(141,924)	(820,375)
Proceed from sale of fixed asset	28,439	2,235	-	-	3,722
Refundable deposit	(6,298)	213	824	-	(27,822)
Net Cash Flow used in investing activities	(15,308)	(52,372)	(154,516)	(141,924)	(844,474)
Cash Flow from Financing Activities					
Proceed from (repayment of) Bank Loan	(292,165)	373,248	481,462	(324,155)	531,303
Proceed from stockholder borrowing	-	(350,000)	-	(300,000)	650,586
Capital Subscribed under par value	-	-	-	500,000	549,159
Paid-in Capital	-	350,000	-	-	(55,337)
Net Cash flows provided by Financing Activities	(292,165)	373,248	481,462	(124,155)	1,675,712
NET INCREASE (DECREASE) IN CASH	79,861	54,049	(3,455)	(58,103)	97,365
CASH IN BANK AND CASH ON HAND AT BEGINNING OF PERIOD	89,856	35,807	39,262	97,365	-
CASH IN BANK AND CASH ON HAND AT END OF PERIOD	169,717	89,856	35,807	39,262	97,365

See the Accompanying Notes which are an integral part of these Financial Statements

PT NORWEST INDUSTRY

Schedules forming part of the Balance Sheet and Profit & Loss Account

ANNEXURE-IV: SCHEDULE ANNEXED TO AND FORMING PART OF THE COMPILED ASSETS AND LIABILITIES , PROFITS AND LOSSES AS AT AND FOR THE SIX MONTHS/ YEAR ENDED SEPTEMBER 30, 2006, MARCH 31,2006, MARCH 31,2005, MARCH 31,2004 AND MARCH 31,2003 AND CASH FLOWS FOR THE SIX MONTHS/ YEAR ENDED SEPTEMBER 30, 2006, MARCH 31,2006, MARCH 31,2005, MARCH 31,2004 & MARCH 31,2003

NOTES TO FINANCIAL STATEMENT AND SIGNIFICANT ACCOUNTING POLICIES

1. GENERAL

Half Year ended September 30, 2006

PT Norwest Industry (the "Company"), was established based on Notarial Deed No. 27 of H. Dana Sasmita, SH, Notary in Jakarta dated 8 April 2002. The deed of establishment was approved by Ministry of Justice of Republic Indonesia in its decision letter No. C-24557.HT.01.01.TH.2002 dated August, 2002. Based on notification of approval from the Capital Investment Coordination Board (BKPM) No. 187/I/PMA/2002 dated April 4, 2002. The Company was established within the framework of the Foreign Capital Investment.

The company's articles of association have been amended several times, most recently related to changes in capital structure based on notarial deed No.67 of Inggnt Laniwali, SH, Notary in Jakarta, dated May 9, 2006 and has been approved by the Minitstry of Law and Legislation in its decision letter No. C-156.09.HT.01.04.TH 2006 dated May 30, 2006.

In accordance with article 3 of Article of Association and Notification of Approval from the Capital Investment Coordination Board (BKPM) No. 187/I/PMA/2002 dated 4 April 2002 the Company is engaged in garment and textiles industry. Notification of Approval from the Capital Investment Coordination Board has been amended several times and most recently was No. 562/II/PMA/2006 dated 05 May 2006.

The company domiciled in Jakarta and its factory located in Tanjung Emas Export Processing Zone, Semarang. The Company started its commercial activities on September 2002.

As of 30 September, 30 June, 2006 and March 31, 2006, the company has a total of 963,952 and 992 employees.

The Company's management

The company's management as of September 30, 2006 consists of the following:

Commissioner	:	Rajesh Vishnu Ajwani
President Director	:	Pulkit Seth
Director	:	Amit Kumar

Financial Year ended 31st March 2006

PT Norwest Industry (the "Company"), domiciled in Jakarta was established by deed of Notary Public H, Dana Sasmita, SH No.27, dated 8 April 2002. The articles of association have been amended several times, most recently were made before H. Dana Sasmita, SH, Notary Public by deed No.4 dated 4 June 2005 and not yet approved by the Ministry of Law and Legislation nor published in the State Gazette of Republic Indonesia. The Company was established within the framework of the Foreign Capital Investment Law No. 1 in 1967 and in connection with the law No. 11 of 1970 of the Republic Indonesia.

In accordance with article 3 of Article of Association and Notification of Approval from the Capital Investment Coordination Board (BKPM) No. 187/I/PMA/2002 dated 4 April 2002 the Company is engaged in garment and textiles industry. Notification of Approval from the Capital Investment Coordination Board has been amended several times and most recently was No. 562/II/PMA/2006 dated 05 May 2006.

The Company started its commercial activities on September 2002.

The factory is located in Tanjung Emas Export Processing Zone, Semarang.

As of 31 March 2006, the position of the Company's Board of Commissioners and Board of Directors are as follows:

Commissioner	:	Rajesh Vishnu Ajwani
President Director	:	Pulkit Seth
Director	:	Amit Kumar

As of 31 March 2006 and 2005, the Company has a total of 992 and 954 employees (unaudited).

Financial Year ended 31st March 2005

PT Norwest Industry (the "Company"), domiciled in Jakarta was established by deed of Notary Public H, Dana Sasmita, SH No.27, dated 8 April 2002. The articles of association have been amended several times, most recently were made before H. Dana Sasmita, SH, Notary Public by deed No. 4 dated 4 June 2004 and not yet approved by the Ministry of Law and Legislation nor published in the State Gazette of Republic Indonesia. The Company was established within the framework of the Foreign Capital Investment Law No. 1 in 1967 and in connection with the law No. 11 of 1970 of the Republic Indonesia.

In accordance with article 3 of Article of Association and Notification of Approval from the Capital Investment Coordination Board (BKPM) No. 187/I/PMA/2002 dated 4 April 2002 the Company is engaged in garment and textiles industry. Notification of Approval from the Capital Investment Coordination Board has been amended several times and most recently was No. 959/III/PMA/2004 dated 29 September, 2004.

The Company started its commercial activities on September 2002.

The factory is located in Tanjung Emas Export Processing Zone, Semarang.

As of 31 March 2005, the position of the Company's Board of Commissioners and Board Directors are as follows:

Commissioner	:	Rajesh Vishnu Ajwani
President Director	:	Pulkit Seth
Director	:	Amit Kumar

As of 31 March 2005 and 2004, the Company has a total of 2,156 and 891 employees (unaudited).

Financial Year ended 31st March 2004

PT Norwest Industry (the "Company"), domiciled in Jakarta was established by deed of Notary Public H, Dana Sasmita, SH No.27, dated 8 April 2002. The articles of association have been amended several times, most recently were made before H. Dana Sasmita, SH, Notary Public by deed No. 102 dated 27 June 2002 and have been approved by the Ministry of Law and Legislation by virtue of Decree No. C-14557, HT.01.01.Th.2002 dated 5 August 2002 and have been published in the State Gazette of Republic Indonesia No.77 dated 24 September 2002, Supplement No.11498. The Company was established within the framework of the Foreign Capital Investment Law No. 1 in 1967 and in connection with the law No. 11 of 1970 of the Republic Indonesia.

In accordance with article 3 of Article of Association and Notification of Approval from the Capital Investment Coordination Board (BKPM) No. 187/I/PMA/2002 dated 4 April 2002 the Company is engaged in garment and textiles industry. Notification of Approval from the Capital Investment Coordination Board has been amended several times and most recently was No. 648/III/PMA/2002 dated 27 June 2002.

The Company started its commercial activities on September 2002.

The factory is located in Tanjung Emas Export Processing Zone, Semarang.

As of 31 March 2004, the position of the Company's Board of Commissioners and Board Directors are as follows:

Commissioner	:	Rajesh Vishnu Ajwani
President Director	:	Pulkit Seth
Director	:	Ajay Kapoor

As of 31 March 2004 and 2003, the Company has a total of 891 and 895 employees (unaudited).

Period ended 31st March 2003

PT Norwest Industry (the "Company"), domiciled in Jakarta was established by deed of Notary Public H, Dana Sasmita, SH No.27, dated 8 April 2002. The articles of association have been amended several times, most recently were made before H. Dana Sasmita, SH, Notary Public by deed No. 102 dated 27 June 2002 and have been approved by the Ministry of Law and Legislation by virtue of Decree No. C-14557, HT.01.01.Th.2002 dated 5 August 2002 and have been published in the State Gazette of Republic Indonesia No.77 dated 24 September 2002, Supplement No.11498. The Company was established within the framework of the Foreign Capital Investment Law No. 1 in 1967 and in connection with the law No. 11 of 1970 of the Republic Indonesia.

In accordance with article 3 of Article of Association and Notification of Approval from the Capital Investment Coordination Board (BKPM) No. 187/I/PMA/2002 dated 4 April 2002 the Company is engaged in garment and textiles industry. Notification of Approval from the Capital Investment Coordination Board has been amended several times and most recently was No. 648/III/PMA/2002 dated 27 June 2002.

The Company started its commercial activities on September 2002.

The factory is located in Tanjung Emas Export Processing Zone, Semarang.

As of 31 March 2003, the position of the Company's Board of Commissioners and Board Directors are as follows:

Commissioner	:	Rajesh Vishnu Ajwani
President Director	:	Pallak Seth
Director	:	Ajay Kapoor

As of 31 March 2003, the Company has a total of 895 employees (unaudited).

2. ACCOUNTING POLICIES

A summary of significant accounting policies adopted by the company, which effect the determination of its financial position and the results of its operation, are presented below:

a. Financial Statements Presentation

The financial statements are presented based on the historical cost basis except for inventory, which are valued at the lower of cost or net realizable value and are presented in accordance with generally accepted accounting principles in Indonesia. The statement of cash flows is prepared based on the direct method by classifying cash flows into operating, investing and financing activities.

Period ended 31st March 2003

The company's financial statement was prepared for the period of three months ended 31 March 2003. The comparative figures of the statement of income, change in equity and cash flows was prepared for the period of eight months ended 31 December 2002, and were presented solely for reporting purpose and cannot be prepared.

b. Transaction with Related Parties

The company has made transaction with certain related parties, pursuant to the guidelines of the **Statement of Financial Accounting Standards (PSAK) No.7, "Related Party Disclosures".**

c. Revenue and Expenses Recognition

Sales are recognized when invoices are made and delivered to customers at the time of shipment. Expenses are recognized as incurred (accrual basis).

d. Trade Receivables

Half Year ended September 30 2006

Account receivable is recorded in net realizable value. The company determines allowance for doubtful accounts based on the review over accounts balances for each debtor at the end of the year. The write off relevant account receivable will be done when the management believes that such accounts were to be definitely uncollectible.

Financial Year ended 31st March 2006 , 2005 , 2004 & Period ended 31st March 2003

Trade receivables are stated at gross less allowance for doubtful accounts. The company provides allowance for doubtful account based on the result of a review on collectability of the status of the individual receivable accounts at the end of the period.

e. Inventories

Half Year ended September 30 2006 and Financial Year ended 31st March 2006 & 2005

Inventories are stated at the lower of cost or net realizable value.

Financial Year ended 31st March 2004 & Period ended 31st March 2003

Inventories are stated at the lower of cost or net realizable value. Average Method determines cost. The company provides allowance for inventory obsolescence account based on periodic review of the physical condition of the inventories.

f. Prepaid Expenses

Prepaid expenses are amortized over the period benefited.

g. Property and Equipment and Depreciation

Property and equipment are stated as cost less accumulated depreciation.

Depreciation have been computed on a straight line method, based on the estimated useful lives of the related assets, viz:

	% per annum	**Useful Lives**
Machines	20	5
Furniture and fixtures	20	5
Tools and equipment	33-20	3-5
Tools and equipment	33	3
Motor vehicle	20	5
Infrastructures	20	5

The cost of maintenance and repair are charged to operations as incurred; expenditures in significant amount that results in increase the quality of the assets, are capitalized. When assets are retired or otherwise disposed or, their carrying values and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the current year statements of income.

The recoverable amount of an asset is estimated whenever events or changes in circumstances indicate that its carrying amount may not be fully recoverable, impairment in assets value, if any, is recognized as loss in the current year's income.

Financial Year ended 31st March 2005, 2004 & Period ended 31st March 2003

The company prospectively adopted the **statement of Financial Accounting Standard No. 48 "Impairment of Assets**", which requires the company to estimate the total recoverable amount of assets whenever events or charges indicate that the recoverable amount of assets is lower than its carrying amount. The loss incurred in impairment of asset value should be recognized in the statement of income.

h. Employee benefits

Short-term employee benefits

Short-term employees benefits are recognized when they accrue to the employees.

Long-term and post employment benefits

Half Year ended September 30, 2006

The company recognized an employee benefit liability in accordance with Labor No. 13/2003 dated March 25, 2003("the law"). The company determined its employee benefit liability based on actuarial valuation and has recognized the full amount of actuarial computed benefit in its financial statement. Under SFAS No. 24 (Revised 2004), the cost of providing employee benefit under the law is determined using the projected unit credit actuarial valuation method. These gain or losses are recognized on a straight-line basis over the expected average remaining working lives of the employees. Further, past service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the period until the respective benefits become vested. The company recognized employee benefit liability in accordance with labors law. Estimated liabilities on employee benefit were presented in balance sheet and any change in actuarial calculation is charged or credited to current period.

Financial year ended March 31, 2006

Effective 1st April 2005, the company adopts **PSAK No. 24 (Revised 2004), "Employee Benefits"** (the "Standard") in relation to retirement benefits, on a retrospective basis. Under this standard, the company is required to recognize an unfunded employee benefits liability in accordance with Manpower Law No. 13/2003 (the "Law"). Prior to 1st April 2005, the Company has determined its post employment benefits liability in compliance with the Law.

The cost of providing employee benefits under the Law is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expenses when the net cumulative unrecognized actuarial gains and losses for each individual plan as the end of the previous reporting year exceeded the greater of 10% of the present value of the defined benefit obligation on the fair value of any plan assets at that date. These gains and losses are recognized on a straight –line basis over the expected average remaining working lives of the employees. Further, past-service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the period unit the benefits concerned become vested.

Termination indemnity for employees that resign voluntarily is treated as a post employment benefit and calculated using the projected unit credit method.

The previous financial statement were not restated with the adoption of this Standard as the impact of difference on the actual of benefits expense prior to 2005 is considered not material hence the impact is charged in 2006 financial statements.

i. Foreign Currencies Transaction and Balances.

Half Year ended September 30, 2006

The company maintains its accounting records in US Dollar. Transactions in other currencies are recorded at the rate of exchange prevailing on the date of the transactions. At balance sheet date, all monetary assets and liabilities in Rupiah and other currencies and other currencies are converted into US dollar at Bank Indonesia mid rates.

Exchange rates used as on September 30, 2006 were IDR 9,235, Euro 1.270, HKD 0.128, SGD 0.630, GBP 1.877, while on March 31, 2006 were IDR 9,075 and Euro 1.2.

Exchange gains or losses arising from foreign currency translations are recognized in the current period's statement of income.

The Ministry of Finance of the Republic of Indonesia, in its Decision Letter No. 592/P1 42/2003 dated 3rd December 2003 approved the company's application to maintain its accounting records and transaction in the English language and US Dollar starting 1st April 2004. Effective 1st April 2004 the company decided to use US Dollar as its reporting currency since majority of its transaction is denominated in US Dollar. For comparative purposes, the 2004 financial statements have been re-measured into US Dollar on the following basis:

- Monetary assets and liabilities are re-measured using the balance sheet rate.
- Non-monetary assets and liabilities and capital stock are re-measured using the exchange rate on the date of the transaction (historical exchange rate)
- Income statement accounts, expect for depreciation which are re-measured using historical rate of the related assets, are re-measured using the transaction date exchange rate.
- Resulting foreign exchange difference rate credited or charged to retained earnings.

Financial year ended March 31, 2006

The company's books and account are maintained in United Dollars (USD), Transaction during the period involving foreign currencies are recorded at the rates of exchange prevailing at the time the transaction are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the rates of exchange published by Bank Indonesia prevailing at that date. The resulting gains or losses are credited or charged to current operations.

The Ministry of Finance of the Republic of Indonesia, in its Decision Letter No. 592/P1 42/2003 dated 3rd December 2003 approved the company's application to maintain its accounting records and transaction in the English language and US Dollar starting 1st April 2004. Effective 1st April 2004 the company decided to use US Dollar as its reporting currency since majority of its transaction is denominated in US Dollar. For comparative purposes, the 2004 financial statements have been re-measured into US Dollar on the following basis:

- Monetary assets and liabilities are re-measured using the balance sheet rate.
- Non-monetary assets and liabilities and capital stock are re-measured using the exchange rate on the date of the transaction (historical exchange rate)
- Income statement accounts, expect for depreciation which are re-measured using historical rate of the related assets, are re-measured using the transaction date exchange rate.
- Resulting foreign exchange difference rate credited or charged to retained earnings.

The Company's audited proforma major balance sheet and statement of income accounts for the year ended 31 March, 2004 as stated in Rupiah, the reporting currency prior to the change to US Dollars, are as follows:

Balance Sheet	**Rp.**
Total current assets	6,121,581,478
Property and equipment	6,115,249,016
Total assets	12,797,801,265
Total current liabilities	4,452,802,127
Total stockholders' equity	5,280,488,138
Income Statement	
Total revenues	73,452,922,827
Net loss for the year	(235,336,989)

The above proforma financial statements are stated in Rupiah using the following basis:

- Monetary assets and liabilities are stated using the balance sheet rate.
- Non-monetary assets and liabilities and capital stock are stated using the exchange rate on the date of the transaction (historical exchange rate)
- Income statement accounts, except for depreciation, which are stated using historical rate of the related assets, are stated using the transaction date exchange rate.
- Resulting foreign exchange differences are credited or charged to retained earnings.

As of 31st March 2006, the exchange rate used were IDR 9,075 to USD 1 and Euro 1.2 to USD 1, based on the average of buying rate selling rate that were published by Bank Indonesia prevailing at that date.

Financial year ended March 31, 2005

The company's books and account are maintained in United Dollars (USD), Transaction during the period involving foreign currencies are recorded at the rates of exchange prevailing at the time the transaction are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the rates of exchange published by Bank Indonesia prevailing at that date. The resulting gains or losses are credited or charged to current operations.

As of 31st March 2005 the exchange rate used were IDR 9480 to USD 1 ,GBP0.77 to USD 1 and as on 31st March 2004 were IDR 8,587 to USD 1 & GB P0.55 to USD 1, based on the average of buying rate selling rate that were published by Bank Indonesia prevailing at that date.

Financial year ended March 31, 2004

The company's books and account are maintained in Indonesian Rupiah (IDR), transaction during the period involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the rates of exchange published by Bank Indonesia prevailing at that date. The resulting gains or losses are credited or charged to current operations.

As of 31st March 2004 the exchange rate used were IDR 8587 to USD 1 GBP0.55 to USD 1 and as on 31st March 2003 were IDR 8,908 to USD 1 & IDR 14,033 to GBP1, based on the average of buying rate selling rate that were published by Bank Indonesia prevailing at that date.

Period ended 31st March 2003

The company's books and account are maintained in Indonesian Rupiah (IDR), transaction during the period involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the rates of exchange published by Bank Indonesia prevailing at that date. The resulting gains or losses are credited or charged to current operations.

As of 31st March 2003 the exchange rate used were IDR 8,908 to USD 1 & IDR 14,033 to GBP1 and as on 31st December 2002 were IDR 8,940 to USD 1 & IDR 14,334.85 to GBP1, based on the average of buying rate selling rate that were published by Bank Indonesia prevailing at that date.

j. Taxation

Current tax expenses is determined based on the taxable income for the year computed using prevailing tax rates.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable income will be available in future periods against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited in the statement of income, except when it relates to item charged or credited directly to equity, in which case the deferred tax is also charged or credited directly to equity.

Deferred tax assets and liabilities are offset in the balance sheet in the same manner the current tax assets and liabilities are presented.

Amendments to tax liabilities are recorded when an assessment is received or, it appealed by the company when the result of appeal is determined.

k. Use of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of consignment assets at the date of the financial statement and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. CHANGE IN REPORTING CURRENCY

Financial Year ended 31st March 2005

The Ministry of Finance of the Republic of Indonesia, in its Decision Letter No. 592/PJ42/2003 dated 3 December 2003 approved the Company's application to maintain its accounting records and transactions in the English language and US Dollar starting 1 April 2004. Effective 1 April 2004 the Company decided to use US Dollar as its reporting currency since a majority of its transactions is denominated in US Dollar. For comparative purposes, the 2004 financial statements have been re-measured into US Dollar on the following basis:

- Monetary assets and liabilities are re-measured using the balance sheet rate.
- Non-monetary assets and liabilities and capital stock are re-measured using the exchange rate on the date of the transaction (historical exchange rate).

- Income statement accounts, except for depreciation which are re-measured using historical rate of the related assets, are re-measured using the transaction date exchange rate.
- Resulting foreign exchange differences are credited or charged to retained earnings.

The Company's audited proforma major balance sheet and statement of income accounts for the year ended 31 March, 2004 as stated in Rupiah, the reporting currency prior to the change to US Dollars, are as follows:

Balance Sheet	**Rupiah**
Total current assets	6,121,581,478
Property and equipment	6,115,249,016
Total assets	12,797,801,265
Total current liabilities	4,452,802,127
Total stockholders' equity	5,280,488,138
Income Statement	
Total revenues	73,452,922,827
Net loss for the year	(235,336,989)

The above Proforma Financial Statements are stated in Rupiah using the following basis:

- Monetary assets and liabilities are stated using the balance sheet rate.
- Non-monetary assets and liabilities and capital stock are stated using the exchange rate on the date of the transaction (historical exchange rate)
- Income statement accounts, except for depreciation which are stated using historical rate of the Related assets, are stated using the transaction date exchange rate.
- Resulting foreign exchange differences are credited or charged to retained earnings.

4. CASH IN BANKS AND ON HAND

(In USD Dollar)

	30-Sep-06	**2006**	**2005**	**2004**	**2003**
Cash in banks					
In Rupiah	16,359	466	20,588	31,464	2,198
In US Dollar	19,011	86,074	11,244	4,399	86,348
Euro	13,319	-	-	-	-
	48,689	86,540	31,832	35,863	88,546
Cash on hand					
In Rupiah	7,735	1,213	2,355	1,115	8,237
In US Dollar	1,332	1,772	1,399	2,013	410
In Pound sterling	192	192	192	192	172
In Hong Kong Dollar	73	135	12	79	-
In Singapore Dollar	26	4	17	-	-
Euro	13	-	-	-	-
	9,371	3,316	3,975	3,399	8,819
Deposit					
USD	90,000	-	-	-	-
Rupiah	21,657	-	-	-	-
	111,657	-	-	-	-
Total	**169,717**	**89,856**	**35,807**	**39,262**	**97,365**

5. TRADE/ACCOUNT RECEIVABLES

(In USD Dollar)

	30-Sep-06	2006	2005	2004	2003
Third parties					
Pearl Global	-	633,335	921	699	-
Esprit Europe	245,749	270,562	113,697	-	-
VF Imagewear	94,612	174,620	-	-	-
PT SOT Indo Sourcing	-	151,932	165,623	-	-
S. Oiliver Bernd Freir GMBH & Co. Kg.	44,311	-	-	-	-
Simple Approach Ltd.	134,621	150,755	-	-	-
Anand Fashion	-	59,802	-	-	-
Ben Alias Industries Corp.	24,058	24,058	-	-	-
JC Penney Purch Co.	-	-	176,465	-	-
Depa International Incorporation	-	-	59,097	293,429	180,438
Poeticgem	-	-	3,378	38,715	-
Bestindo	-	-	975	12,775	-
Norwest China	-	-	648	-	-
Kellwood Co.	-	-	32	-	-
Other debtors	500				
(Balance below USD 5,000)	-	7,676	-	-	-
	543,851	**1,472,740**	**520,836**	**345,618**	**180,438**
Related Party					
Poeticgem Ltd					
	455				
Pearl Global	-	-	-	-	-
Norwest Industries Limited	-	-	-	-	60,109
	544,306	**1,472,740**	**520,836**	**345,618**	**240,547**

Based on a review of the status of the individual account at the end of the year, the Company's management is of the opinion that no allowance for doubtful accounts is necessary since all the accounts are collectible.

6. OTHER RECEIVABLES

(In USD Dollar)

	30-Sep-06	2006	2005	2004	2003
Third parties					
PT Kanebo Indonesia	39,552	-	-	-	-
Asia Textiles	32,907				
TMS Fashion	15,350	-	-	-	-
Morningtex Co. Ltd	-	50,959	-	-	-
Pallas Holdings Limited	8,503	8,503	-	-	-
K L Mas	4,046	-			
P T Hakalex	3,398	-	-	-	-
PT Global Pratama Sukses	-	8,329	-	-	-
Newage Data Links	-	6,125	6,123	2,588	-
Zhejiang King Tex Co. Ltd.	-	-	1,579	-	-
PT Jamsostek	-	-	1,083	-	-
PT Gaibs Indonesia International	-	-	-	14,094	-
Other debtors	22,083	16,659	70	89	-
(Balance below USD 5,000)	125,839	90,575	8,855	16,771	-

(In USD Dollar)

	30-Sep-06	2006	2005	2004	2003
Related parties					
Pearl Global Chennai	9,976	-	-	-	-
Employees	21,603	14,464	5,030	7,547	4,384
PT Buana Garmen Worldwide	-	-	3,366	23,052	26,568
Pallas Holdings Limited	-	-	6,248	-	-
	31,579	14,464	14,644	30,599	30,952
	157,418	**105,039**	**23,499**	**47,370**	**30,952**

7. INVENTORIES

	30-Sep-06 USD	2006 USD	2005 USD	2004 USD	2003 USD
Work in progress	1,140,487	680,641	552,039	243,274	206,332
Inventories in transit	-	-	-	-	118,097
	1,140,487	**680,641**	**552,039**	**243,274**	**324,429**

Based on a review of inventories, the Company's management believes there is no impairment on inventories. Therefore management does not provide allowance for inventories obsolescence accounts.

8. PREPAID TAXES

	30-Sep-06 USD	2006 USD	2005 USD	2004 USD	2003 USD
Value Added Tax	80,068	64,291	34,119	11,666	4,345
Income Tax Article 25	58,668	-	-	-	-
Income Tax Article 23	4,388	4,388	4,598	4,969	2,845
Exit Permit Tax	1,746	4,663	2,532	357	-
	144,870	**73,342**	**41,249**	**16,992**	**7,190**

9. PREPAID EXPENSES

	30-Sep-06 USD	2006 USD	2005 USD	2004 USD	2003 USD
Factory Rent	3,534	3,534	27,197	3,601	-
Training	21,441				
Work Permit	6,800	4,300	5,007	5,007	2,892
Insurance Premiums	3,603	628	2,245	2,275	1,352
Telecommunication	-	-	238	-	-
Travelling	-	-	74	2,204	-
Guest House Rent	-	-	-	-	3,745
Expatriate House Rent	-	-	-	8,793	14,045
Others	8,498	4,410	3,640	2,145	1,559
	43,876	**12,872**	**38,401**	**24,025**	**23,593**

10. PROPERTY AND EQUIPMENT

Half Year ended September 30, 2006	**Opening** **USD**	**Additions** **USD**	**Reclassi-fication** **USD**	**Disposals** **USD**	**Closing** **USD**
Cost					
Direct ownership					
Infrastructure	89,791	554	-	-	90,345
Machineries	746,206	30,765	-	36,900	740,092
Furniture and Fixtures	47,020	1,942	-	-	48,962
Motor Vehicles	104,857	-	-	-	104,857
Tools and Equipment	172,187	4,167	-	-	176,354
	1,160,061	37,449	-	36,900	1,160,610
Accumulated depreciation					
Direct ownership					
Infrastructure	60,215	9,016	-	-	69,231
Machineries	458,573	72,731	-	8,461	522,843
Furniture and Fixtures	27,594	4,774	-	-	32.368
Motor vehicles	57,679	10,487	-	-	68,166
Tools and equipment	104,798	18,741	-	-	123,539
	708,859	115,749	-	8,461	816,147
Book value	**451,202**				**344,463**

Financial year ended March 31, 2006	**Opening** **USD**	**Additions** **USD**	**Reclassi-fication** **USD**	**Disposals** **USD**	**Closing** **USD**
Cost					
Direct ownership					
Infrastructure	88,760	1,031	-	-	89,791
Machineries	709,327	43,070	-	6,191	746,206
Furniture and Fixtures	42,686	4,334	-	-	47,020
Motor Vehicles	104,857	-	-	-	104,857
Tools and Equipment	112,251	6,385	53,551	-	172,187
Asset under development	53,551	-	(53,551)	-	-
	1,111,432	54,820	-	6,191	1,160,061
Accumulated depreciation					
Direct ownership					
Infrastructure	42,379	17,836	-	-	60,215
Machineries	314,883	146,992	-	3,302	458,573
Furniture and Fixtures	18,741	8,853	-	-	27,594
Motor vehicles	36,707	20,972	-	-	57,679
Tools and equipment	60,719	44,079	-	-	104,798
	473,429	238,732	-	3,302	708,859
Book value	**638,003**				**451,202**

Financial year ended March 31, 2005	**Opening** **USD**	**Additions** **USD**	**Reclassi-fication** **USD**	**Disposals** **USD**	**Closing** **USD**
Cost					
Direct ownership					
Infrastructure	83,586	5,174	-	-	88,760
Machineries	634,283	75,587	-	543	709,327
Furniture and Fixtures	38,117	4,569	-	-	42,686
Motor vehicles	71,201	35,173	-	1,517	104,857
Tools and equipment	87,414	24,837	-	-	112,251
Asset under development	43,551	10,000	-	-	53,551
	958,152	155,340	-	2,060	1,111,432
Accumulated depreciation					
Direct ownership					
Infrastructure	24,920	17,459	-	-	42,379
Machineries	182,264	132,708	-	89	314,883
Furniture and Fixtures	10,517	8,224	-	-	18,741
Motor vehicles	17,542	19,519	-	354	36,707
Tools and equipment	30,890	29,829	-	-	60,719
	266,133	207,739	-	443	473,429
Book value	**692,019**				**638,003**

Financial year ended March 31, 2004	**Opening** **USD**	**Additions** **USD**	**Reclassi-fication** **USD**	**Disposals** **USD**	**Closing** **USD**
Cost					
Direct ownership					
Infrastructure	79,984	3,602	-	-	83,586
Machineries	577,879	56,404	-	-	634,283
Furniture and Fixtures	32,656	5,461	-	-	38,117
Motor vehicles	54,509	16,692	-	-	71,201
Tools and equipment	60,822	26,592	-	-	87,414
Asset under development	11,128	32,423	-	-	43,551
	816,978	141,174	-	-	958,152
Accumulated depreciation					
Direct ownership					
Infrastructure	8,273	16,647	-	-	24,920
Machineries	58,600	123,664	-	-	182,264
Furniture and Fixtures	3,526	6,991	-	-	10,517
Motor vehicles	5,806	11,736	-	-	17,542
Tools and equipment	8,821	22,069	-	-	30,890
	85,026	181,107	-	-	266,133
Book value	**731,952**				**692,019**

[redacted]

Period ended March 31, 2003	**Opening** **USD**	**Additions** **USD**	**Reclassi-fication** **USD**	**Disposals** **USD**	**Closing** **USD**
Cost					
Direct ownership					
Infrastructure	-	79,288	-	-	79,288
Machineries	-	582,125	-	3,722	578,403
Furniture and Fixtures	-	32,372	-	-	32,372
Motor vehicles	-	54,017	-	-	54,017
Tools and equipment	-	60,694	-	-	60,694
Asset under development	-	11,879	-	-	11,879
	-	820,375	-	3,722	816,652
Accumulated depreciation					
Direct ownership					
Infrastructure	-	8,191	-	-	8,191
Machineries	-	58,929	-	434	58,495
Furniture and Fixtures	-	3,492	-	-	3,492
Motor vehicles	-	5,741	-	-	5,741
Tools and equipment	-	8,792	-	-	8,792
	-	85,145	-	434	84,711
Book value	-				**731,941**

Half year ended September 30, 2006

Based on management review and estimates of the status of individual property and equipment at the end of the period, no impairment write down should be applied to the amount recorded in the balance sheets as of September 30, 2006 and March 31, 2006.

Property and equipment are covered by insurance against, losses from fire and other risks under several blanket policies amounting to IDR 625,000,000 and USD 4,745,000 as of September 30, 2006 and IDR 760,000,000 and USD 900,000 as of 31 March 2006. Management is in opinion that sum of insured is adequate to cover possible losses from fire and other risks of related assets.

Financial year ended March 31, 2006

Based on management review and estimates of the status of individual property and equipment at the end of the period, no impairment write down should be applied to the amount recorded in the balance sheets at 31 March 2006 and 2005.

Property and equipment are covered by insurance against, losses from fire and other risks under blanket policies amounting to Rp 760,00,000 and USD 900,000 as of 31 March 2006 and Rp 1,871,725,000 and USD 720,200 as of 31 March 2005. The amount of insurance coverage, in management's opinion, is adequate to cover possible losses from fire and other risks.

Financial year ended March 31, 2005

Based on management review and estimates of the status of individual property and equipment at the end of the period, no impairment write down should be applied to the amount recorded in the balance sheets at 31 March 2005 and 2004.

Property and equipment are covered by insurance against, losses from fire and other risks under blanket policies amounting to Rp 1,871,725,000 and USD 720,200 as of 31 March 2005 and Rp. 1,623,500,000 and USD 616,200 as of 31 March 2004. The amount of insurance coverage, in management's opinion, is adequate to cover possible losses from fire and other risks.

Financial year ended March 31, 2004

Based on management review and estimates of the status of individual property and equipment at the end of the period, no impairment write down should be applied to the amount recorded in the balance sheets at 31 March 2004 and 2003.

Property and equipment are covered by insurance against, losses from fire and other risks under blanket policies amounting to Rp 1,623,500,000 and USD 616,200 as of 31 March 2004 and Rp. 15,782,582,796 as of 31 March 2003. The amount of insurance coverage, in management's opinion, is adequate to cover possible losses from fire and other risks.

Period ended March 31, 2003

Based on management review and estimates of the status of individual property and equipment at the end of the period, no impairment write down should be applied to the amount recorded in the balance sheets at 31 March 2003 and 31 December 2002.

Property and equipment are covered by insurance against, losses from fire and other risks under blanket policies amounting to Rp 15,782,582,796 as of 31 March 2003 and Rp 7,890,328,000 as of 31 December 2002.The amount of insurance coverage, in management's opinion, is adequate to cover possible losses from fire and other risks.

Depreciation are apportioned to:

	30-Sep-06 USD	**2006 USD**	**2005 USD**	**2004 USD**	**2003 USD**
Cost of goods sold	82,083	168,812	159,077	149,221	71,866
General and administrative expenses	33,666	69,920	48,662	31,886	12,845
Total	**115,749**	**238,732**	**207,739**	**181,107**	**84,711**

11. REFUNDABLE DEPOSITS

	30-Sep-06 USD	**2006 USD**	**2005 USD**	**2004 USD**	**2003 USD**
Plant	21,512	21,698	20,645	21,512	21,495
Court Case	-	-	-	-	-
Electric	3,697	3,697	3,697	3,697	3,567
Warehouse	2,160	2,140	2,198	2,198	2,198
House	-	-	904	1,165	562
Security Deposit	-	-	304	-	-
Others	6,464				
	33,833	**27,535**	**27,748**	**28,572**	**27,822**

12. BANK LOAN

	30-Sep-06 USD	**2006 USD**	**2005 USD**	**2004 USD**	**2003 USD**
Packing Credit Loan	729,176	781,681	393,990	130,000	352,155
Export L/C	40,038	279,698	294,141	76,669	61,051
Import L/C	-	-	-	-	118,097
	769,214	**1,061,379**	**688,131**	**206,669**	**531,302**

Half Year ended September 30, 2006

The company obtained credit facilities for Import and Export from HSBC with combined maximum limit amounting to US$ 1,200,000 and subject to review at any time and in any event. This facilities are charged by interest of 1% below the bank's prime lending rate which is subject to fluctuation .The rate during the period was ranging from 10.5% to 10.8% and from

9.5% to 10% in the year 2005.The facilities are secured by the following :

- Standby Letter of Credit from Barclays Banks Switzerland for US$ 250,000
- Fiduciary transfer over machinery for US$ 700,000
- Fiduciary transfer over stocks for US$ 500,000
- Joint and several Guarantee from Mr. Pallak Seth and Mr. Rajesh Ajwani for whole facility amount; and
- Letter of undertaking from shareholders to inject additional equity/subordinated loan to cover losses.

Financial year ended March 31, 2006 & March 31, 2005

The Loan from HSBC represents Import and Export facilities with combined maximum limit amounting to US$ 1,200,000 and subject to review at any time and in any event. The Loan is secured by the following:-

- Standby Letter of Credit from Barclays Banks Switzerland for US$ 250,000
- Fiduciary transfer over machinery for US$ 500,000
- Fiduciary transfer over stocks for US$ 500,000
- Joint and several guarantee from Mr. Pallak Seth and Mr. Rajesh Ajwani for whole facility amount; and
- Letter of undertaking from shareholders to inject additional equity/subordinated loan to cover losses.

Financial year ended March 31, 2004

The Loan from HSBC represents Import and Export facilities with combined maximum limit amounting to US$ 1,000,000 and subject to review at any time and in any event. The Loan is secured by the following:-

- Standby Letter of Credit from Barclays Banks Switzerland for US$ 250,000
- Fiduciary transfer over machinery for US$ 500,000
- Fiduciary transfer over stocks for US$ 500,000
- Fiduciary transfer over Account Receivable for US$ 500,000
- Joint and several guarantee from Mr. Pallak Seth and Mr. Rajesh Ajwani for whole facility amount; and
- Letter of undertaking from shareholders to inject additional equity/subordinated loan to cover losses.

Period ended March 31, 2003

The Loan from HSBC represents Import and Export facilities with combined maximum limit amounting to 500,000 and subject to review at any time and in any event by 30 August 2003. The Loan is secured by the following:-

- Standby Letter of Credit from Barclays Banks Switzerland for US$ 250,000.
- Fiduciary transfer over machinery for US$ 500,000.
- Fiduciary transfer over stocks for US$ 500,000
- Fiduciary transfer over Account Receivable for US$ 500,000
- Joint and several guarantee from Mr. Pallak Seth and Mr. Rajesh Ajwani for whole facility amount; and
- Letter of undertaking from shareholders to inject additional equity/subordinated loan to cover losses.

Under the terms of loan agreement, the company is required to maintain certain financial ratio. As of 31 March 2003, the company is in technical default with loan facilities. Under the loan agreement, such default has the consequences that the principal amount of debt together with accrued interest will become immediately due and payable, with or without prior written notice.

13. TRADE PAYABLES

	30-Sep-06 USD	2006 USD	2005 USD	2004 USD	2003 USD
Third parties					
SAI Apparel	14,479	62,663	36,849	28,363	11,266
Norwest Industries Ltd.	-	53,566	123,058	-	-
Global Fabric Sourcing	71,082	44,985	-	-	-
PT Mainetti Indonesia	-	22,944	-	19,701	15,080
PT Jawasurya Kencana Indah	19,462	22,363	-	-	-
PT Coats Rejo Indonesia	12,918	20,694	18,321	6,007	-
PT Daya Manunggal	-	19,837	-	-	-
PT Lung Fung Mas	16,237	18,204	1,860	-	-
PCC Asia LLC	-	15,564	-	4,238	-
Kufner Hongkong Ltd.		12,388	-	-	-
Ngai Shing Development	7,984	-	-	-	-
Korea Vilene Co. Ltd.	- 8,950	11,964	-	-	-
King Offset	-	-	-	-	9,261
PT Gunze Indonesia	6,027	8,744	19,022	29,853	7,926
PT Interlining Raphita	-	8,482	38,125	2,077	9,271
PT Nirwana Paratrans	26,216	8,455	-	-	-
PT Yudhanusa Ekspresindo Caraka	45,021	8,418	21,967	7,530	-
PT Plasti Form Indonesia	-	8,121	-	3,223	-
PT Mutiara Grafika	8,198	8,110	-	-	-
Everest Textile Co. Ltd.	-	6,412	-	-	-
CV Wahana Jasa Laundry	-	5,516	-	-	-
Millenium Corp.	-	-	29,626	-	-
Trans Global Logistics	-	-	26,800	-	-
Juki Singapore	-	-	26,775	-	-
PT Lamicitra Tbk.	-	-	23,439	-	-
PT Hakatex	-	-	16,961	-	-
PT Arakreasai Danekatama	-	-	14,942	34,399	3,889
PT Metro Parajaya Laundry	-	-	13,967	2,790	-
PT DHL	-	-	6,097	-	3,134
PT Birotika Semesta	-	-	2,657	5,761	-
CV Sampurna Jaya	-	-	5,297	3,547	-
PT Apac Inti Corpora	-	-	4,132	-	-
Tagen Labelindo	-	-	3,028	-	-
PT Sinerga Indonesia	5817	-	-	-	-
PT Sinar Kalibesar Jaya	-	-	2,581	15,729	3,631
CV Bintang Timur	-	-	1,752	9,080	3,040
PT Kotek Indah	-	-	2,442	-	-
PT Sedaya Finance	-	-	2,375	-	-

	30-Sep-06 USD	2006 USD	2005 USD	2004 USD	2003 USD
Everwin Trading Co.Hkg	-	-	2,258	-	-
CV Indonesia Golden Button	-	-	2,018	-	-
Dwitama Mandiri Perkasa	-	-	1,614	-	-
Anand Fashion	-	-	-	7,466	-
PT Birotika Semesta	5,190	2,931	-	-	-
PT Gemco Indoputra Perkasa	7,901	4,883	-	-	-
P T Kukuh Tangguh Sandang Mills	25,988	-	-	-	-
SML Lables	15,608	1,333	-	-	-
PT Alok Textiles	20,658	-	-	-	-
Wendler	16,584	-	-	-	-
PT Meiya Button	11,488	3,922	1,795	-	-
PT Halim Pratama Plasindo	5,115	2,773			
Other creditors					
(Balances below USD 5,000)	50,296	74,061	27,245	38,224	24,737
	401,219	**457,333**	**481,081**	**217,988**	**91,235**
Related Parties					
Norwest Industries Limited	**-**	**-**	**-**	7,259	-
	-	-	-	7,259	-
	401,219	**457,333**	**481,081**	**222,304**	**91,235**

14. TAXATION

Six months ended September 30, 2006 and Financial year ended March 31, 2006

a. Prepaid Taxes	**30-Sep-06 USD**	**2006 USD**	**2005 USD**	**2004 USD**	**2003 USD**
Value Added Tax	80,068	64,291	34,119	-	-
Income Tax Article 23	4,363	4,388	4,598	-	-
Income Tax Article 25	58,668	-	-	-	-
Exit Permit Tax	1,746	4,663	2,532	-	-
	144,870	**73,342**	**41,249**	-	-

b. Taxes Payable	**30-Sep-06 USD**	**2006 USD**	**2005 USD**	**2004 USD**	**2003 USD**
Estimated Income Tax	118,447	-	-	-	-
Income Tax Article 29 as of March 2006	-	135,445	-	-	-
Income Tax Article 21 - Tax Return 1721	-	-	-	-	62
Income Tax Article 21	7,681	5,273	3,295	5,527	1,058
Income Tax Article 4(2)	-	2,538	2,650	-	1,868
Income Tax Article 23	3,044	675	3,091	4,638	333
Tax penalty	-	-	62	62	45
	129,172	**143,931**	**9,098**	**10,227**	**3,366**

Financial year ended March 31, 2005

There are no provision for corporate income for the years ended 31 March 2005 and 2004, since the company suffers fiscal losses for the periods. The fiscal loss computation is presented in Notes.

The Presidential decree No. 11 dated 10 February 1993 has appointed PT Lamicitra Nusantara Tbk Industrial Area as the Tax Bonded Zone Area. Based on lease agreement between PT Norwest Industry and PT Lamicitra Nusantara Tbk dated 15 May, 2002, the company has received a facility for rent a building and trade export activities in Kawasan Tanjung Emas Export Processing Zone.

Financial year ended March 31, 2004

There are no provision for corporate income for the year ended 31 March 2004 and for the period of since the date of establishment 8 April, 2002 upto 31 March 2003, since the company suffers fiscal losses for the periods. The fiscal loss computation is presented in Notes.

The Presidential decree No. 11 dated 10 February 1993 has appointed PT Lamicitra Nusantara Tbk Industrial Area as the Tax Bonded Zone Area. Based on lease agreement between PT Norwest Industry and PT Lamicitra Nusantara Tbk dated 15 May, 2002, the company has received a facility for rent a building and trade export activities in Kawasan Tanjung Emas Export Processing Zone.

Period ended March 31, 2003

There are no provision for corporate income for the period of three months ended 31 March 2003 and for the period of eight months ended 31 December 2002 , since the company suffers fiscal losses for the periods. The fiscal loss computation is presented in Notes.

The Presidential decree No. 11 dated 10 February 1993 has appointed PT Lamicitra Nusantara Tbk Industrial Area as the Tax Bonded Zone Area. Based on lease agreement between PT Norwest Industry and PT Lamicitra Nusantara Tbk dated 15 May, 2002, the company has received a facility for rent a building and trade export activities in Kawasan Tanjung Emas Export Processing Zone.

c. Tax Computation / Income Tax Benefit (Expenses)

Reconciliation between income before estimated income tax as shown in the statements of income and estimated taxable income of the Company is as follows:

	30-Sep-06 USD	**2006 USD**	**2005 USD**	**2004 USD**	**2003 USD**
Profit/(Loss) as per accounting records, before tax	326,875	644,801	(329,910)	(68,706)	(358,670)
Permanent differences					
Income already subjected to final tax					
Interest on credit bank balances	(1355)	(8)	(58)	-	
Non deductible expenses					
Entertainment	1,500	2,977	14,038	-	1,762
Retainer charges	-	-	-	-	792
Tax expense	-	-	-	-	112
Factory Rent	-	-	-	-	458
Jamstock	-	-	-	-	1,331
Tax and duty	-	1,652	1,578	-	-
Travelling foreign	3,221	2,437	-	429	-
Guest house expense	1,233	3,553	-	-	2,402
Tax penalty	224	2,738	785	122	44
Expat House premise	811	2,400	-	-	873
Expat House rent	-	-	-	-	8,240
Expat Travelling expense	-	-	-	-	5,213
Local Income Tax	-	-	-	-	1,705

	30-Sep-06 USD	2006 USD	2005 USD	2004 USD	2003 USD
Non Deductible Depreciation	2875	-	-	-	-
Local Food Allowance	-	-	-	-	215
Local Medical Expense	-	-	-	-	154
Mobile phone	1,421	2,378	1,265	955	81
Expat work permit	-	1,215	-	-	-
Travelling domestic	-	1,593	-	252	-
Food and drink	-	-	-	210	679
Transportation office	-	-	-	29	-
Conveyance	-	561	-	10,306	-
Donation	256	511	4,187	-	-
Maintenance	-	453	1,618	-	-
Differences on accounting and fiscal loss of fixed asset disposal	-	(2,238)	-	-	-
Expatriate income tax	-	-	21,943	20,700	8,104
Bonus and allowance	-	-	41,220	32,471	-
Salaries and Bonus	-	-	-	-	8
Insurance premiums	-	-	1,015	-	-
Other expense	-	-	4,163	310	16
	13,068	20,230	91,754	65,784	32,189
Timing differences					
Differences on accounting and fiscal depreciation	56,304	125,600	117,236	106,800	22,651
Employee benefit	5,039	6,935	6,144	6,878	-
	61,343	132,535	123,380	113,678	22,651
Fiscal loss / Taxable Income before compensated tax loss Compensated Tax Loss: for half year ended September 30, 2006	401,286				
- Year 2006	-	797,558	-	-	-
- Year 2005	-	(114,776)	(114,776)	-	-
- Year 2004	-	110,756	110,756	110,756	-
- Year 2003	-	(79,143)	(79,143)	(79,143)	(303,830)
- Year 2002	-	(253,620)	(253,620)	(253,620)	-
Taxable Income (Net Tax Loss)	401,286	460,775	(336,783)	(222,007)	(303,830)
Tax Credit:					
Exit Permit Tax	-	858	-	-	-
Estimated Income Tax Payables	-	135,445	-	-	-

The above corporate tax calculation is a preliminary estimate made for accounting purposes and is subject to revision when the Company lodges its annual corporate tax return.

d. Deferred Tax

Six months ended September 30, 2006	31 March 2005 USD	Charged to statement of income USD	31 March 2006 USD	Charged to statement of income USD	September30 2006 USD
Deferred tax asset					
Property and equipment	80,994	25,595	106,589	4,206	123,481
Employee Benefit	3,906	2,081	5,987	751	7,499
	84,900	**27,676**	**112,576**	**4,957**	**130,979**

Financial year ended March 31, 2006

This account relates to the tax effect of temporary differences between income and expenses recognized on a fiscal and commercial purposes, and is recognized as deferred tax assets, as follows:

	31 March 2004 USD	Charged to statement of income USD	31 March 2005 USD	Charged to statement of income USD	31 March 2006 USD
Deferred tax asset					
Property and equipment	45,823	35,171	80,994	25,595	106,589
Employee Benefit	2,063	1,843	3,906	2,081	5,987
	47,886	**37,014**	**84,900**	**27,676**	**112,576**

Financial year ended March 31, 2005

This account relates to the tax effect of temporary differences between income and expenses recognized on a fiscal and commercial purposes, and is recognized as deferred tax assets, as follows:

	31 March 2003 USD	Charged to statement of income USD	31 March 2004 USD	Charged to statement of income USD	31 March 2005 USD
Deferred tax asset					
Property and equipment	13,783	32,040	45,823	35,171	80,994
Employee Benefit	-	2,063	2,063	1,843	3,906
	13,783	**34,103**	**47,886**	**37,014**	**84,900**

The recognition of deferred tax assets of the company is based on management's estimates of the results of future operations including an estimated of output levels and prices of the company's product, the timing and exert of reversal of certain of the company's deferred tax liabilities and certain tax planning strategies. Based on these estimates management believes that it is more likely than not that the company will not realize its deferred tax asset. Accordingly, no deferred tax asset was recognized on fiscal loss carry forward.

Under the taxation laws of Indonesia, the Company submits tax return on the basis of self-assessment. The tax authorities may assess or amend taxes within ten years from the date tax become due. Amendments to the company's taxation liabilities are recorded when the tax assessment letter is received or if appealed against when the results of appeal are determined.

[redacted]

Financial year ended March 31, 2004

This account relates to the tax effect of temporary differences between income and expenses recognized on a fiscal and commercial purposes, and is recognized as deferred tax assets, as follows:

	1 April 2002 USD	Charged to statement of income USD	31 March 2003 USD	Charged to statement of income USD	31 March 2004 USD
Deferred tax asset					
Property and equipment	-	13,783	13,783	32,040	45,823
Employee Benefit	-	-	-	2,063	2,063
	-	13,783	13,783	34,103	47,886

The recognition of deferred tax assets of the company is based on management's estimates of the results of future operations including an estimated of output levels and prices of the company's product, the timing and exert of reversal of certain of the company's deferred tax liabilities and certain tax planning strategies. Based on these estimates management believes that it is more likely than not that the company will not realize its deferred tax asset. Accordingly, no deferred tax asset was recognized on fiscal loss carry forward.

Under the taxation laws of Indonesia, the Company submits tax return on the basis of self-assessment. The tax authorities may assess or amend taxes within ten years from the date tax become due. Amendments to the company's taxation liabilities are recorded when the tax assessment letter is received or if appealed against when the results of appeal are determined.

15. ACCRUED EXPENSES

	30-Sep-06 USD	2006 USD	2005 USD	2004 USD	2003 USD
Salaries and Wages	84,768	87,686	66,287	46,657	52,308
Bonus	66,820	37,819	26,103	22,476	13,741
Jamsostek payable	6,685	6,132	4,418	4,327	-
Audit fee/legal & professional fee	4,175	8,156	4,512	4,952	2,638
Travelling expense	-	-	3,319	1,449	2,879
	162,448	**139,793**	**104,639**	**79,861**	**71,566**

16. POST-EMPLOYMENT BENEFITS/EMPLOYEE BENEFITS OBLIGATION

Half Year ended September 30, 2006

The company calculated employee benefit obligation as of September 30, 2006 based on management estimate. The underlying actuarial assumption used was in accordance with actuary report on March 31, 2006. Management believes there is no significant differences affected to estimated employee benefit as of September 30, 2006.

As of March 31, 2006, the liability for employee benefits is calculated by an independent actuary (PT Dayamandiri Dharmakons using the "Projected Unit Credit" method for calculating the Present Value Benefit Obligation and Current Service Cost, with the following assumptions.

Financial assumptions:	30-Sep-06 USD	2006 USD
Discount rate	12%	12%
Future salary increases	10 - 11%	9 – 10%

Other assumptions:	30-Sep-06 USD	2006 USD
Mortality rate	CSO'88	CSO'88
Disability rate	10%	10%
Normal retirement age	55 years	55 years

Voluntary resignation determined of 2 - 37% for employee before the age of 20-22 and will linearly decrease until 0% at the age of 54.

Past service cost - non-vested:

- Amortization method: straight line.
- Amortization periods: the average period until the benefits becomes vested.

The amount recognized in income statement for the period of September 30, 2006 and March 31, 2006 is as follows:

Unrecognized service cost	30-Sep-06 USD	2006 USD
Current service cost	4,502	6,088
Interest cost	888	1,065
Amortization-net	(351)	(218)
Net expense charged in income statements	**5,039**	**6,935**

Movements in the liability recognised in the balance sheets are as follows:

	30-Sep-06 USD	2006 USD
Beginning of the year	19,957	(13,022)
Benefit payments	-	-
Charged to income statements	5,039	(6,935)
End of the year	**24,996**	**(19,957)**

Financial year ended March 31, 2006

The liability for employee benefits is calculated by an independent actuary (PT Dayamandiri Dharmakonsolindo) using the "Projected Unit Credit" method for calculating the Present Value Benefit Obligation and Current Service Cost, with the following assumptions.

Financial assumptions:

	2006 USD	2005 USD
Discount rate	12%	11%
Future salary increases	10 - 11%	9 - 10%

Other assumptions:

	2006 USD	2005 USD
Mortality rate	CSO'80	CSO'80
Disability rate	10%	10%
Normal retirement age	55 years	55 years

Voluntary resignation determined of 2 - 37% for employee before the age of 20-22 and will linearly decrease until 0% at the age of 54.

Past service cost - non-vested:

- Amortization method: straight line.
- Amortization periods: the average period until the benefits becomes vested.

Following are the key matters disclosed in the actuarial report dated 22 May 2006 to calculate employee benefits obligations as of 31 March 2006.

The amounts of employee benefits obligations recognized in the balance sheet and in the income statement were determined as follows:

The amount recognized in the 2006 balance sheet are as follows:

	2006 USD	2005 USD
Present value of obligations	(15,279)	(10,836)
Unrecognized actuarial losses	(4,678)	(2,186)
Liability in the balance sheet	(19,957)	(13,022)

The amount recognized in the 2006 income statement are as follows:

	2006 USD	2005 USD
Unrecognised service cost	6,088	(6,144)
Current service cost	1,065	-
Inteerst cost	(218)	-
Amortization-net	6,935	(6,144)

Movements in the liability recognised in the balance sheets are as follows:

	2006 USD	2005 USD
Beginning of the year	(13,022)	(7,351)
Benefit payments	-	473
Charged to income statements	(6,935)	(6,144)
End of the year	**(19,957)**	**(13,022)**

Financial year ended March 31, 2005 & 2004

The company used the provision under Law 13 year 2003 as the basis in the determining the provision for post employee benefits.

	2005 USD	2004 USD
Beginning balance	6,878	-
Addition for current	6,144	6,878
Ending Balance	**13,022**	**6,878**

The net annual cost for employee benefits is based on an actuarial valuation, using the projected unit credit method, and considering the following assumptions:

	2005 USD	2004 USD
Discount rate	**11%**	**11%**
Annual Salary increase	**9% - 10%**	**9% - 10%**
Retirement age	**55**	**55**

Period ended March 31, 2003

Based on the deregulation of labour in Indonesia regarding the settlement of Work Dismissal and Determination of Separation, Appreciation and compensation payments by companies, which requires companies to pay their employees termination, gratuity and compensation benefits in case of employment dismissal based on the employee's number of year of service provided the conditions set forth in the decree are met.

The company is presently evaluating the effects of the decree. The accompanying 31 March 2003 financial statements do not include accrual for such employee benefits.

17. CAPITAL STOCK

Half Year ended September 30, 2006

	Number of shares	Par Value USD	%
Stockholders			
Global Textiles Group Limited	134,998	1,349,980	99.99
Mr. Pallak Seth	1	10	0.05
Mr. Pulkit Seth	1	10	0.05
	135,000	**1,350,000**	**100**

Based on Shares Purchase Agreement dated May 15, 2006, Mrs. Gitashree Vij has agreed to sale 34,998 shares of PT Norwest Industry to Global Textiles Group Limited. 1 share to Mr. Pallak Seth and 1 share to Mr. Pulkit Seth. This transfer share was approved by all stockholders but and was not approved by The Ministry of Law and Legislation of the Republic of Indonesia.

Financial year ended March 31, 2006

Upto 31 March 2006, the capital of the Company amounting to Rs.19,550,000,000 or USD 2,000,000 (200,000 shares at par value of USD 10 per share) and the issued and fully paid-in capital of the Company are as follows:

	Number of shares	Par Value USD	%
Stockholders			
Global Textiles Group Limited	100,000	1,000,000	74
Gitashree Vij	35,000	350,000	26
	135,000	1,350,000	100

Based on Shareholders Agreement dated 20 October 2005, Pallas Holding Limited converted their USD 250,000 shareholders loan to paid-up capital and Mrs. Gitashree Vij converted her USD 100,000 shareholders loan to paid-in capital. The changed in Company's shareholder structure was approved by all shareholders and covered by Notary Deed No. 67 dated 9 May 2006 was made before Inggrid Lannywaty, S.H. the Notary.

Based on Share Transfer Agreement between Pallas Holdings Limited and Global Textiles Group Limited dated 30 March 2006, Pallas Holdings Limited had agreed to transfer 100,000 shares of the Company to Global Textiles Limited. The changed in Company's shareholder structure was approved by all shareholders and was not covered yet by Notary deed.

Financial year ended March 31, 2005

Upto 31 March 2005, the capital of the Company amounting to Rs.19,550,000,000 or USD 2,000,000 (200,000 shares at par value of USD 10 per share) and the issued and fully paid-in capital of the Company are as follows:

	Number of shares	Par Value USD	%
Stockholders			
Pallas Holding Limited	75,000	750,000	75
Gitashree Vij	25,000	250,000	25
	100,000	1,000,000	100

Based on sale and purchase of Shares Agreement dated 24 March, 2004 between Norwest Industries Limited and Pallas Holding Limited. Norwest Industries Limited had agreed to sell 75,000 shares of the Company to Pallas Holding Limited. The changing in Company's shareholder structure was approved by the other shareholders and were covered by Notarial Deed No. 56 of H. Dana Sasmita S.H. dated 16 August, 2005.

Financial year ended March 31, 2004

Upto 31 March 2004, the capital of the Company amounting to Rs.19,550,000,000 or USD 2,000,000 (200,000 shares at par value of USD 10 per share) and the issued and fully paid-in capital of the Company are as follows:

	Number of shares	**Par value USD**	**%**
Stockholders			
Norwest Industries Limited	75,000	750,000	75
Gitashree Vij	25,000	250,000	25
	100,000	1,000,000	100

Based on sale and purchase of Shares Agreement dated 1 September 2003 between Pallak Seth and Gitashree Vij, Pallak Seth had agreed to sell 12,500 shares of the Company to Gitashree Vij. The changing in Company's shareholder structure was approved by the other shareholders and were covered by Notarial Deed No. 4 of H. Dana Sasmita S.H. dated 04 June, 2004.

Period ended March 31, 2003

	Number of shares	**Par value USD**	**%**
Stockholders			
Norwest Industries Limited	37,500	375,000	75
Pallak Seth	12,500	125,000	25
	50,000	500,000	100

18. SALES REVENUE

	30-Sep-06 USD	**2006 USD**	**2005 USD**	**2004 USD**	**2003 USD**
Export sales – Net	4,828,265	11,712,471	9,941,810	8,645,589	896,065

Half Year ended September 2006

This account represents export sales of 64,921 dozens amounted to USD 2,866,000 and EUR 1,539,679 as of September 30,2006 (6 months) and 165,740 dozens amounted to USD 8,884,727 and EUR 2,315,201 as of March 31,2006 (1 Year).

Financial year ended March 31, 2006

This account represents export sales of 165,740 dozens amounted to USD 8,884,727 and EUR 2,315,201 as of 31 March 2006 and 183,170,63 dozens amounted to USD 9,214,708 and EUR 314,099 as of 31 March 2005.

Financial year ended March 31, 2005

This account represents export sales of 183,170,63 dozens amounted to USD 9,214,708 and EUR 314,099 as of 31 March 2005 and 155,256.42 dozens amounted to USD 8,645,589 as of 31 March, 2004.

Financial year ended March 31, 2004

This account represents export sales of 155,256.42 dozens amounted to USD 8,645,589 or equivalent to Rp. 73,452,922,827 as of 31 March, 2004 and 18,859.25 dozens amounted to USD 753,685.84 and GBP 88,111.80 or equivalent to Rp. 7,944,888,247 as of 31 March, 2003.

Period ended March 31, 2003

This account represents export sales of 12,930.25 dozens amounted to USD 509,988.38 and GBP 71,376.60 or equivalent to Rp. 5,531,091,280 as of 31 March, 2003 and 5,929 dozens amounted to USD 243,697.46 and GBP 16,735.20 or equivalent to Rp. 2,413,796,967 as of 31 December, 2002.

19. COST OF GOODS SOLD

	30-Sep-06 USD	2006 USD	2005 USD	2004 USD	2003 USD
Material	2,913,608	6,462,936	6,231,969	5,473,587	595,561
Labour	582,137	1,127,633	1,062,240	919,431	263,074
Overhead Cost:					
Depreciation	82,083	168,812	159,077	149,221	72,138
Freight Cost	70,780	-	-	-	
Spare Parts	43,378	-	-	-	
Power & Fuel	39,222	-	-	-	
Factory Rent	40,544	-	-	-	
Maintenance	3,774	-	-	-	
Others	-	1,842,010	1,134,026	950,003	9,371
	3,775,526	**9,601,391**	**8,587,312**	**7,492,242**	**940,144**

Half Year ended September 30, 2006

The company carries out production activity based on order received from customers. All finished doods inventory are directly delivered to customer when finished. Therefore, cost of goods sold represents cost of finished goods that already shipped to customers during the period.

20. OPERATING EXPENSES

	30-Sep-06 USD	2006 USD	2005 USD	2004 USD	2003 USD
Selling expenses					
Commissions	229,199	-	-	-	-
Advertising	1,507	387	7,488	1,829	28
Marketing	149	240	-	-	-
Entertainment	7,031	12,269	5,905	7,825	1,768
	237,885	12,896	13,393	9,654	1,796
General and Administrative expenses					
Salaries	173,452	299,775	258,473	216,578	99,754
Export-import charges	92,155	218,783	133,713	101,369	20,570
Rental	7,307	105,291	102,616	76,912	42,619
Freight and courier service	9,284	93,536	75,459	60,581	14,641
Power and Fuel	1,613	81,759	60,213	60,196	15,640
Bonus and Allowances	55,191	74,953	80,525	81,981	30,613
Depreciation	33,666	69,920	48,662	31,886	12,894
Telecommunication	51,321	45,422	45,648	52,304	11,367
Maintenance	12,266	41,511	14,762	9,748	9,561
Employee income tax	-	40,326	21,943	20,700	10,687
Travelling	15,337	36,469	44,339	28,594	22,041
Transportation	17,503	27,169	19,792	4,689	1,717

	30-Sep-06 USD	2006 USD	2005 USD	2004 USD	2003 USD
Factory supplies	-	25,777	15,764	-	-
Work permit	9,578	18,713	14,558	11,005	8,832
Spare and Supplies	-	13,575	33,909	34,226	7,987
Legal and Professional fee	13,278	11,378	18,338	11,057	17,995
Insurance	5,291	10,657	11,027	3,947	1,359
Sampling	-	10,279	582	6,647	2,919
Office stationery	-	7,637	7,148	7,137	8,302
Employee Future Benefit	5,039	6,935	6,144	6,878	-
Food and drinks	-	6,642	9,233	9,952	4,600
Water	2,564	-	-	-	-
Printing & Stationery	6,034	4,763	7,040	7,908	10
Tax penalty	-	2,738	785	122	45
Tax and duty	1,336	2,718	2,727	960	-
Entertainment	-	2,020	8,133	-	-
Conveyance	-	1,476	9,196	16,034	7,128
Retainer charges	-	-	-	744	795
Donation	-	511	4,187	-	-
General expenses:					
Office consumables	3,526	3,033	3,135	5,543	1,862
Termination cost	-	605	466	-	-
Staff recruitment	9,895	117	90	1,046	9,418
Loading and unloading	-	60	472	452	521
Others (each below USD 1,000)	2,423	-	-	-	-
	528,079	1,264,548	1,059,079	869,196	363,877
Total Operating Expenses	**765,965**	**1,277,444**	**1,072,472**	**878,850**	**365,673**

21. RELATED PARTIES TRANSACTIONS

In running its operation, the Company has trade transactions with related parties (including stockholders) such as job order and availability of loans. Related parties transaction consisting of:

Trade Payable	30-Sep-06 USD	2006 USD	2005 USD	2004 USD	2003 USD
Norwest Industries Ltd.	-	-	-	7,259	60,109
Other Receivable					
Employee	-	14,464	5,030	7,547	4,384
PT Buana Garmen Worldwide	-	-	3,366	23,052	26,568
Pallas Holdings Limited	-	-	6,248	-	-
	-	14,464	14,644	30,599	30,952
	-	**14,464**	**14,644**	**37,858**	**91,061**

Receivable occurred because the Company paid expenses on behalf of PT Buana Garmen Worldwide.

Borrowings from Stockholder

	30-Sep-06 USD	2006 USD	2005 USD	2004 USD	2003 USD
Pallas Holdings Limited	-	-	250,000	-	-
Gitashree Vij	-	-	100,000	100,000	-
Norwest Industries Limited	-	-	-	250,000	-
	-	-	350,000	350,000	-

Financial year ended March 31, 2005

Pallas Holdings Limited is Holding Company. These loans are interest free and no fixed repayment schedules. The nature of these loans is borrowed from shareholder.

22. RECONCILIATION OF NET INCOME AND STOCKHOLDERS' EQUITY DETERMINED UNDER INDONESIAN GAAP AND IFRS

Half Year ended September 30,2006 and Financial year ended March 31, 2006 & 2005

The following is a summary of the significant adjustments to net income (loss) for the 6 months period ended September 30, 2006, the year ended March 31, 2006 and the year ended March 31, 2005 and to stockholders' equity as September 30, 2006, March 31, 2006 and March 31, 2005 which would be required if IFRS had been applied instead of Indonesian GAAP in the financial statements.

	30-Sep-06 USD	2006 USD	2005 USD
Net income (loss) as reported in the statements of income	226,831	536,174	(292,896)
Items increasing (decreasing) reported net income (loss):			
Provision for employee benefits	(688)	(1,376)	(1,376)
Impairment of prepaid tax	62969	(26,108)	(41,249)
Fair value gain from other financial receivables (unrealised)	1368	1,150	1,096
Net increase(decrease) in reported net income (loss)	63,649	(26,334)	(41,529)
Approximate net Income (loss) in accordance with IFRS	290,480	509,840	(334,425)
Stockholders' equity as reported in the statements of income	1,429,173	1,202,342	316,168
Items increasing (decreasing) reported stockholders' equity:			
Provision for employee benefits	2,064	2,752	4,128
Impairment of prepaid tax	(4,388)	(67,357)	(41,249)
Fair value gain (loss) from other financial receivables (unrealized)	(1,878)	(3,246)	(4,396)
Net increase (decrease) in reported stockholders' equity	(1,878)	(67,851)	(41,517)
Approximate stockholders' equity in accordance with IFRS	**1,424,971**	**1,134,491**	**274,651**

As a result of the IFRS adjustment to net income, the following tables presents the approximate balance sheet figures as of September 30, 2006, March 31, 2006 and 2005 as determined under IFRS:

	30-Sep-06 USD	**2006 USD**	**2005 USD**
ASSETS			
Current Assets			
Cash in banks and on hand	169,717	89,856	35,807
Accounts receivables:			
Trade	-	1,472,740	520,836
Third party	543,851	90,575	8,855
Related Party	455	14,464	14,644
Other receivables:			
Third Parties	125,839	-	-
Related Parties	31,579	-	-
Inventories	1,140,487	680,641	552,039
Prepaid Taxes	140,482	-	-
Prepaid Expenses	43,876	12,872	38,401
Advance to Supplier	206,273		
Total Current Assets	**2,402,559**	**2,361,148**	**1,170,582**
Non Current Assets			
Prepaid Taxes	-	5,985	-
Property and equipment	344,463	451,202	638,003
(Net of accumulated depreciation of USD 816,147 and USD 708,859 as of September 30, 2006 and March 31, 2006)			
Refundable deposits	31,955	24,289	23,352
Deferred tax assets	130,979	112,576	84,900
Total Non Current Assets	**507,397**	**594,052**	**746,255**
TOTAL ASSETS	**2,909,956**	**2,955,200**	**1,916,837**

	30-Sep-06 USD	2006 USD	2005 USD
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Bank loan	769,214	1,061,379	688,131
Accounts payables			
Trade	401,219	457,333	481,081
Others	-	1,068	343
Taxes Payable	129,172	143,931	9,098
Accrued Expenses	162,448	139,793	104,639
Total Current Liabilities	1,462,053	1,803,504	1,283,292
Non Current Liabilities			
Provision for post employee benefit	22,932	17,205	8,894
Borrowing from stockholders	-	-	350,000
Total Non-Current Liabilities	**22,932**	**17,205**	**358,894**
STOCKHOLDERS' EQUITY			
Capital Stock	1,350,000	1,350,000	1,000,000
(Authorised 200,000 shares, issued and fully paid			
135,000 shares with Par Value USD 10 per share)			
Retained Earning (Accumulated deficit)	74,971	(215,509)	(725,349)
Total Stockholders' Equity	**1,424,971**	**1,134,491**	**274,651**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**2,909,956**	**2,955,200**	**1,916,837**

23. RECLASSIFICATION

Half Year ended September 30, 2006

Certain account in the financial statements as of March 31, 2006 has been reclassified to conform with the presentation of financial statement as of September 30, 2006 as follows:

	Before Classification	After Classification
Cost of Goods sold	9,601,391	9,597,777
General & Administration expenses	1,264,528	1,281,059

Period ended March 31, 2003

The account trade receivable of Depa International Incorporation in the financial statements 2002 have been reclassified as trade receivables from third party in line with the presentation of the financial statements 2003.

24. RESPONSIBILITY / APPROVAL REISSUED ON THE FINANCIAL STATEMENTS

Half Year ended September 30, 2006

The management of the company is responsible for the preparation of the consolidated financial statements completed on October 18, 2006.

Financial year ended March 31, 2005

The financial statements were approved by the company's management and authorised for issued on 20 July 2005.

25. CAPITAL SUBSCRIBED IN UNDER OF PART

Financial year ended March 31, 2004 & Period ended 31st March 2003

The capital of the Company is stated in the articles of incorporation in both Indonesian and the United States currency. Capital subscribed in under of par value of shares issued represents deduction funds received by the Company as a result of the exchange differential between Rupiah equivalent to the United States Dollar as stated in the articles of incorporation and actual exchange rate ruling on the date the foreign currency capital was contributed by the stockholders.

26. DEFICIT / ACCUMULATED DEFICIT

Financial year ended March 31, 2006

The accompanying financial statements have been prepared assuming that the company will continue to operate as a going concern. As of 31 March 2006, the company has an accumulated deficit of US$ 147,658 (2005: US$ 683,382). The company's ability to continue as a going concern depends on management's plans concerning this matter and financial support from its shareholders. The financial statements do not included adjustments that might result from the outcome of this uncertainty.

Financial year ended March 31, 2005

The financial statements for the year ended 31 March, 2005 have been prepared assuming that the Company will continue to operate as a going concern. The Company has suffered recurring losses of USD 708,747 or 70.87% for the year ended 31 March 2005 (2004: USD 390,936 or 39.09%) from authorized capital, which raise substantial doubt about its ability to continue as a going concern.

The management has received confirmation from the majority stockholders that they will continue providing financial, operational and management support to the Company and have no plans to sell or otherwise dispose of all, or a significant portion of their investment in the company. The company is also not required to repay the amounts of its borrowings to other related companies or stockholders unless it is financially capable to do so.

Financial year ended March 31, 2004

The financial statements for the year ended 31 March 2004 have been prepared assuming that the Company will continue to operate as a going concern. The Company has suffered recurring losses of Rp 3,243,723,562 or 37.51% and Rp 3,131,674,873 or 71.89% for the period of since the date of establishment 8 April 2002 up to 31 March 2003 from authorized capital, which raise substantial doubt about its ability to continue as a going concern. Management's plans with regard to this matter are prepared in line with the response of adverse economic condition.

The management has received confirmation from the majority stockholders that they will continue providing financial, operational and management support to the Company and have no plans to sell or otherwise dispose of all, or a significant portion of their investment in the company. The company is also not required to repay the amounts of its borrowings.

Period ended 31st March 2003

The financial statements for the year ended 31 March 2003 have been prepared assuming that the Company will continue to operate as a going concern. The Company has suffered recurring losses of Rp 3,131,674,873 or 71.89% and Rp 2,459,390,482 or 50.32% for the period of eight months ended 31 December from authorized capital, which raise substantial doubt about its ability to continue as a going concern. Management's plans with regard to this matter are prepared in line with the response of adverse economic condition.

The management has received confirmation from the majority stockholders that they will continue providing financial, operational and management support to the Company and have no plans to sell or otherwise dispose of all, or a significant portion of their investment in the company. The company is also not required to repay the amounts of its borrowings.

27. ECONOMIC CONDITION

Financial year ended March 31,2006 & 2005

Indonesia has been experiencing a prolonged period of economic difficulty. Indonesia's return to economic stability is dependent to a large extent on the effectiveness of measures taken by the government, decisions of international lending organizations, changes in global economic conditions and other factors including regulatory and political development, which are beyond the Company's control.

These conditions give rise to continued economic and political uncertainties. No adjustments relating to these uncertainties have been included in the accompanying financial statements.

Period ended 31st March 2003

Indonesia has been experiencing a prolonged period of economic difficulty. Indonesia's return to economic stability is dependent to a large extent on the effectiveness of measures taken by the government, decisions of international lending organizations, changes in global economic conditions and other factors including regulatory and political development, which are beyond the Company's control.

These conditions give rise to continued economic and political uncertainties. No adjustments relating to these uncertainties have been included in the accompanying financial statements.

In response to these economic events in 2004 the company's management letter have the following plans:

- Looking for potential new buyers
- Expanding the production capacity

28. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN COMPANY'S ACCOUNTING PRINCIPLES AND INTERNATIONAL FINANCIAL REPORTING STANDARD (IFRS)

Half Year ended September 30, 2006 and Financial year ended March 31, 2006

The financial statements of the Company are prepared and presented in accordance with Indonesian GAAP which differs in certain respects from IFRS. These differences between Indonesian GAAP and US GAAP are described below and presented in the accompanying reconciliation of net income and certain balance sheet items.

Employee benefits

Under Indonesian GAAP, a method of accounting for employee benefits is substantially consistent with the requirement of IFRS. However, under IFRS, the transitional liability of defined benefit plans for the first implementation of this standard should be recognized immediately in the statement of income or as an expense on a straight line basis over up to five years if the transnational liability is more than the liability which had previously been recognized. Under Indonesian GAAP, the first implementation of this standard is treated as a change in accounting policy and should be applied retrospectively.

Financial Receivables and Other Receivables

Under Indonesian GAAP, receivables are stated at gross less allowance for doubtful accounts (estimated reliable value). Under IFRS, receivables should be stated at amortized cost less provision for impairment, not estimated realizable value and the provision should reflect both the likelihood of being paid and the timing of the cash flows.

Property, plant and equipment

Under Indonesian GAAP, subsequent maintenance expenditure is expense as incurred. Replacements of parts that increase the valid of asset in significant amount can be capitalized. Under IFRS, cost should be capitalized only if they increase the benefit that property, plant and equipment is expected to generate. All other cost are charged in operation, even if they increase the asset's value. Indonesian GAAP permits revaluation of property, plant and equipment if the revaluation is made in accordance with government regulations. Under IFRS, revaluations must be kept sufficiently up to date so that the carrying amount does not differ materially from the fair value. This requires regular revaluations of all property, plant and equipment when the revaluation policy is adopted.

29. ADDITIONAL DISCLOSURES REQUIRED BY IFRS

Half Year ended September 30, 2006 and Financial year ended March 31, 2006

a. ***Financial Risk Management***

The company's activities expose it to a variety of financial risks : foreign exchange risk, credit risk and interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

- Foreign exchange risk : The Company is exposed to foreign exchange risk from various currency exposures primarily Indonesian Rupiah. The Company has not hedged its exposure to foreign currency risk in connection with the recording currency.

- Credit risk : The Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit/exposure to any financial institution.
- Interest rate risk : The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest bearing assets.

b. ***Critical Accounting Estimates and Assumptions***

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Employee benefits**

  The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality bonds that are denominated in the currency in which the benefits will be paid (Rupiah currency), and that have maturity approximating the terms of the related post employment benefit liability.

- **Income taxes**

  The Company is subject to income tax in Indonesian tax jurisdictions. Significant judgment is required in determining local provision for income-tax, among other, non deductible expenses. The Company recognizes provision for income tax based on self-assessment. Where the final tax outcome as a result of tax audit is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Prepaid taxes are impaired as the carrying amounts may not be recoverable.

- **Fair value estimation**

  The Company determines that the face values less any estimated credit adjustments for loans and receivables with a maturity of less than one year are assumed to approximate their fair values.

  Half Year *ended September 30, 2006*

a) Trade and other receivables

The fair values of trade receivables and other receivables are as follows:

	30-Sep-06 USD	2006 USD	2005 USD
Trade receivable	544,306	1,472,740	-
Other receivable - Third parties	125,839	87,737	-
Other receivable - Related parties	31,579	17,302	-
Other financial receivables-refundable deposit	31,955	24,289	-
	733,679	**1,602,068**	**-**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when Company provides money or goods directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maluntities greater than 12 months after the balance sheet date. These are classified as non-current assets.

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5%. The nominal value less estimated credit adjustments of trade receivables are assumed to approximate their fair values.

There are no concentrations of credit risk with respect to trade receivables as the company has a number of customers, internationally dispersed.

b) Bank Loan

The carrying amount of short-term bank loan approximates their fair value.

c) Trade and other payables

The carrying amount of trade and other payables approximates their fair value which is based on an estimate of the recoverable amount. Recoverable amount is determined by calculating the present value of expected future cash outflows.

AUDITOR'S REPORT

FINANCIAL INFORMATION OF NOR-PEARL KNITWEAR LTD., BANGLADESH

The Board of Directors
Nor-Pearl Knitwear Ltd.
Plot 61-71 & 85, Comilla EPZ
Comilla, Bangladesh

Dear Sirs,

Financial information of Nor-Pearl Knitwear Ltd.

As required for the purpose of certification of the financial statements to be incorporated in the Offer Documents proposed to be issued by House of Pearl Fashions Limited in connection with the initial public offering of its equity shares, we state as follows:

1. We have audited the financial statements of Nor-Pearl Knitwear Ltd. for each of the two financial periods ended 31 March 2005 and 31 March 2006 and for the six months ended 30 September 2006 in accordance with Bangladesh Standards on Auditing, and issued our unqualified opinions dated 10 November 2005, 9 July 2006 and 8 November 2006. The financial statements were the responsibility of the Company's management. Our responsibility was to express an independent opinion on these financial statements based on our audit.
2. The annexed Profit & Loss Accounts and Cash Flow Statements for the financial period ended 31 March 2005, 31 March 2006 and for the six months ended 30 September 2006 and the annexed Balance Sheets as at the end of the respective periods, along with the annexed notes, have been prepared from the audited financial statements referred to in paragraph 1 above. In accordance with the Bangladesh Accounting Standards and are for the purpose of incorporation of Nor-Pearl Knitwear Limited's financial statements in the Offer Documents proposed to be issued by House of Pearl Fashions Limited in connection with its initial public offering of equity shares and are not to be and should not be used in any other offering memorandum or other document without prior consent.

Yours faithfully

Rahman Rahman Huq
Chartered Accountants

Dhaka, 14 November 2006

Nor-Pearl Knitwear Ltd.

Balance Sheet

	Notes	30-September-06 Taka	31-March-06 Taka	31-March-05 Taka
Sources of fund				
Shareholders' equity:	**3**			
Share capital		234,045,900	224,356,800	100,000
Share money deposits		4,258,400	-	30,584,799
Retained earnings		(37,663,051)	(49,653,455)	-
		200,641,249	174,703,345	30,684,799
Long term liabilities:				
Long term portion of term loan	**4**	110,483,145	130,342,658	22,640,144
Loan from Norwest Industries Ltd.	**5**	8,928,000	8,928,000	94,488,000
		119,411,145	139,270,658	117,128,144
		320,052,394	**313,974,003**	**147,812,943**
Application of fund				
Property, plant and equipment:				
At cost less accumulated depreciation	**6**	297,989,970	300,533,148	62,724,505
Investment	**7**	400,000	400,000	-
Pre-operating expenses	**8**	20,408,253	21,600,309	21,434,167
Current assets:				
Inventories		72,196,831	29,083,731	-
Trade receivables		87,869,951	5,637,868	-
Inter-company receivables		531,468	942,161	-
Loan to PAF International Ltd.	**9**	8,700,000	6,100,000	-
Advances, deposits and prepayments		33,365,851	28,544,221	55,007,965
Cash and bank balances		3,486,723	7,574,201	14,174,706
		206,150,824	**77,882,182**	**69,182,671**
Current liabilities:				
Advance from customers	**10**	9,360,000	9,360,000	-
Secured loan	**11**	8,173,243	2,067,769	-
Short term portion of term loan	**4**	39,617,243	38,584,974	3,249,887
Trade and other payables		139,499,306	36,428,893	1,810,678
Inter company payables		8,246,861	-	467,835
		204,896,653	86,441,636	5,528,400
Net current assets		**1,254,171**	**(8,559,454)**	**63,654,271**
		320,052,394	**313,974,003**	**147,812,943**

The annexed notes form an integral part of these financial statements.

Nor- Pearl Knitwear Ltd.

Profit and Loss Account

	1-April-06 to 30-September-06 Taka	21-April-05 to 31-March-06 Taka	16-May-04 to 31-March-05 Taka
Turnover	297,792,481	108,804,010	-
Cost of goods sold	(233,675,240)	(114,989,454)	-
Gross profit/(loss)	**64,117,241**	**(6,185,444)**	-
Administrative, selling and distribution expenses	(51,246,825)	(51,428,253)	-
Pre-operating expenses	(1,192,056)	(2,240,807)	-
	11,678,360	(59,854,504)	-
Other income	312,044	10,201,049	-
Net profit/(loss) for the period	**11,990,404**	**(49,653,455)**	-

The annexed notes form an integral part of these financial statements.

Nor-Pearl Knitwear Ltd.

Cash Flow Statement

	30-September-06 Taka	31-March-06 Taka	31-March-05 Taka
Cash flow from operating activities:			
Net profit/(loss) for the period/year	11,990,404	(49,653,455)	-
Add: Adjustment of items not involving the movement of cash			
Pre-operating expenses	-	(2,406,949)	(21,434,167)
Pre-operating expenses - written off	1,192,056	2,240,807	-
Depreciation	11,857,148	9,913,100	588,889
	13,049,204	9,746,958	(20,845,278)
Operating profit/(loss) before changes in working capital	25,039,608	(39,906,497)	(20,845,278)
Adjustment for changes in working capital:			
Decrease/(increase) in inventories	(43,113,100)	(29,083,731)	-
Decrease/(increase) in trade receivables	(82,232,083)	(5,637,868)	-
Decrease/(increase) in inter-company receivables	410,693	(942,161)	-
Loan to PAF International Ltd.	(2,600,000)	(6,100,000)	-
Decrease/(increase) in advances, deposits and prepayments	(4,821,630)	26,463,744	(55,007,965)
Advance from customer	-	9,360,000	-
Increase/(decrease) in secured loan	6,105,474	2,067,769	-
Increase/(decrease) in trade and other payables	103,070,413	34,618,215	1,810,678
Increase/(decrease) in inter company payables	8,246,861	(467,835)	467,835
	(14,933,372)	30,278,133	(52,729,452)
Net cash flows from operating activities	10,106,236	(9,628,364)	(73,574,730)
Cash flow from investing activities:			
Investment in share of PAF International Ltd.	-	(400,000)	-
Purchase of fixed assets	(9,313,970)	(247,721,743)	(63,313,394)
Net cash used in investing activities	(9,313,970)	(248,121,743)	(63,313,394)
Cash flow from financing activities:			
Proceeds from the issue of share	9,689,100	224,256,800	100,000
Increase/(decrease) of share money deposit	4,258,400	(30,584,799)	30,584,799
Term loan taken from HSBC	-	152,387,571	25,890,031
Payment of term loan installments	(18,827,244)	(9,349,970)	-
Receipt (payment) of loan from shareholders	-	(85,560,000)	94,488,000
Net cash flows from financing activities	(4,879,744)	251,149,602	151,062,830
Increase/(decrease) in cash and bank balances	**(4,087,478)**	**(6,600,505)**	**14,174,706**
Cash and bank balances at opening	**7,574,201**	**14,174,706**	**-**
Cash and bank balances at closing	**3,486,723**	**7,574,201**	**14,174,706**

Nor-Pearl Knitwear Ltd.

Notes to the Accounts

1. Legal status and nature of the company

Nor-Pearl Knitwear Ltd. (NPKL) was incorporated in Bangladesh as a private limited company on 16 May 2004. The shares of the company are held by House of Pearl Fashions Ltd. (previously Mina Estates Pvt. Ltd.), India (99.876%) and Pallas Holdings Ltd., Mauritius (0.124%). The company is mainly engaged in producing ready-made knit garments for the purpose of exporting the same. The factory of the company is located in Comilla Export Processing Zone (EPZ). The company started commercial operation from 21 April 2005.

2. Significant accounting policies

2.1 Basis of accounting

The financial statements have been prepared on going concern basis under historical cost convention, using the accrual basis of accounting. This financial statements of Nor-Pearl Knitwear Limited have been prepared in accordance with the Bangladesh Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh, Companies Act 1994 and other applicable laws.

2.2 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure directly attributable to the acquisition and installation of the assets. Depreciation on property, plant and equipment is charged on straight line basis using different rates varying from 5% to 50% on the estimated useful life of the assets. Depreciation was charged from the month of acquisition/installation of the assets.

2.3 Pre-operating expenses

Pre-operating expenses are being writing off over a period of 10 years starting from 2005.

2.4 Foreign currency translation

Foreign currencies are translated into Taka at a notional rate on the transaction dates. All monetary assets and liabilities are reconverted into Taka at the rate of exchange prevailing on the balance sheet date. Exchange gains or losses arising out of translation of assets and liabilities at the closing date are recognised in the income statement.

2.5 Inventories

Inventories include raw materials, work-in-progress and finished goods. These are measured at the lower of cost and net realizable value. Cost is determined using the first-in-first-out principle, and includes expenditure for raw material in acquiring the same and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

2.6 Revenue recognition

Revenue from the sale of goods is recognised when:

* Significant risk and rewards of ownership is transferred to the buyer.
* The company has no managerial involvement of ownership to the goods.
* The amount of revenue and cost of the transaction can be measured reliably.
* It is probable that the economic benefits of the transaction will flow to the company.

2.7 Taxation

The company being established in Export Processing Zone for 100% export of its manufactured products, income of the company is exempted from tax for a period of 10 years from the date of commercial operation i.e. from 21 April 2005.

2.8 Deferred tax

Deferred tax is not considered necessary in view of the fact that the company is exempted from tax for 10 years effective from 21 April 2005.

2.9 Employee benefits

The company has not yet introduced any provident fund, gratuity scheme and pension scheme for the employees.

2.10 Reporting currency

The figures in the financial statements represents Bangladesh currency (Taka).

Nor-Pearl Knitwear Ltd.

Notes to the Accounts

3. Share capital

	30-September-06 Taka	31-March-06 Taka	31-March-05 Taka
Authorised capital:			
Ordinary shares of Tk 100 each	300,000,000	300,000,000	100,000,000
Issued, subscribed and paid up capital:			
Ordinary shares of Tk 100 each	234,045,900	224,356,800	100,000
The aforesaid share capital was subscribed as under:			
Subscribers	**30-September-06 No. of shares**	**31-March-06 No. of shares**	**31-March-05 No. of shares**
Norwest Industries Ltd.	-	-	990
Mina Estates Pvt. Ltd.	2,337,559	2,240,668	-
Pallas Holdings Ltd.	2,900	2,900	10
	2,340,459	**2,243,568**	**1,000**

The company has changed its authorised share capital from Tk 100,000,000 to Tk 300,000,000 by a resolution passed in an extra-ordinary general meeting held on 16 February 2006.

The company has issued additional 2,242,568 shares during the year ended 31 March 2006 and 96,891 shares during the period ending 30 September 2006.

4. Term loan

The company has availed one-off term loan from The Hongkong & Shanghai Banking Corporation Ltd., Dhaka to finance plant and machinery imported against L/C opened through documentary credit facility with the bank. The sanctioned limit of the loan is USD 2,500,000. The loan is repayable in 54 equal monthly instalments, commencing six months after the date of disbursement.

Break up of the term loan is as follows:	30-September-06 Taka	31-March-06 Taka	31-March-05 Taka
Short term portion of term loan	39,617,243	38,584,974	3,249,887
Long term portion of term loan	110,483,145	130,342,658	22,640,144
	150,100,388	**168,927,632**	**25,890,031**

5. Loan from Norwest Industries Ltd.

This represents amount received as loan from the above company from time to time towards financing of the project in Comilla EPZ.

Nor-Pearl Knitwear Ltd.,

Notes to the Accounts

6. Property, plant and equipment

Particulars	Cost			Depreciation			Written down value as on 30 Sep 2006
	Balance as on 1 April 2006 Taka	Addition during the period Taka	Balance as on 30 Sep 2006 Taka	Balance as on 1 April 2006 Taka	Charged during the period Taka	Balance as on 30 Sep 2006 Taka	Taka
Building	126,608,080	3,289,268	129,897,348	1,582,601	3,212,073	4,794,674	125,102,674
Plant and machinery	166,916,528	2,199,367	169,115,895	3,805,534	5,345,880	9,151,414	159,964,481
Furniture and fixtures	9,891,961	1,957,975	11,849,936	2,895,271	2,024,147	4,919,418	6,930,518
Office equipment	2,554,202	400,375	2,954,577	890,221	460,042	1,350,263	1,604,314
Factory equipment	1,723,697	1,412,985	3,136,682	389,395	478,238	867,633	2,269,049
Vehicles	3,340,669	54,000	3,394,669	938,967	336,768	1,275,735	2,118,934
Total (30 Sep 2006)	**311,035,137**	**9,313,970**	**320,349,107**	**10,501,989**	**11,857,148**	**22,359,137**	**297,989,970**

Particulars	Cost			Depreciation			Written down value as on 31 March 2006
	Balance as on 1 April 2005 Taka	Addition during the year Taka Taka	Balance as on 31 March 2006 Taka	Balance as on 1 April 2005 Taka	Charged during the year Taka	Balance as on 31 March 2006 Taka	Taka
Building	7,577,949	119,030,131	126,608,080	-	1,582,601	1,582,601	125,025,479
Plant and machinery	48,044,990	118,871,538	166,916,528	-	3,805,534	3,805,534	163,110,994
Furniture and fixtures	2,199,567	7,692,394	9,891,961	138,161	2,757,110	2,895,271	6,996,690
Office equipment	1,695,469	858,733	2,554,202	179,896	710,325	890,221	1,663,981
Factory equipment	454,750	1,268,947	1,723,697	-	389,395	389,395	1,334,302
Vehicles	3,340,669	-	3,340,669	270,832	668,135	938,967	2,401,702
Total (31 March 2006)	**63,313,394**	**247,721,743**	**311,035,137**	**588,889**	**9,913,100**	**10,501,989**	**300,533,148**

Particulars	Addition during the period Taka	Charged during the period Taka	Written down value as on 31 March 2005 Taka
Building	7,577,949	-	7,577,949
Plant and machinery	48,044,990	-	48,044,990
Furniture and fixtures	2,199,567	138,161	2,061,406
Office equipment	1,695,469	179,896	1,515,573
Factory equipment	454,750	-	454,750
Vehicles	3,340,669	270,832	3,069,837
Total (31 March 2006)	**63,313,394**	**588,889**	**62,724,505**

6.1 Allocation of depreciation:

	01-April-06 to 30-Sep-06 Taka	21-April-05 to 31-March-06 Taka	16-May-04 to 31-March-05 Taka
Cost of goods sold	9,036,191	5,777,530	-
Administrative, selling and distribution expenses	2,820,957	4,028,234	-
Pre-operating expenses	-	107,336	588,889
	11,857,148	**9,913,100**	**588,889**

7. **Investment**

The amount shown under the above head represents investment in 4,000 shares of PAF International Limited at Tk 100 each.

8. Pre-operating expenses

	30-Sep-06 Taka	31-March-06 Taka	31-March-05 Taka
Opening balance	21,600,309	21,434,167	-
Addition during the period/year	-	2,406,949	21,434,167
	21,600,309	**23,841,116**	**21,434,167**
Written off during the period/ year	1,192,056	2,240,807	-
Closing balance	**20,408,253**	**21,600,309**	**21,434,167**

In accordance with existing policy, pre-operating expenses are to be amortised over a period of 10 years starting from the date of commercial production i.e. from April 2005. Accordingly, upto 30 September 2006 pre-operating expenses of Tk 3,432,863 out of total expenses of Tk 23,841,116 have been amortised. However, the entire balance of Tk 20,408,253 will be amortised in accordance with Bangladesh Accounting Standard 38 within 31 March 2007 at the time of preparing annual financial.

9. Loan to PAF International Ltd.

The amount shown under the above head represents short term non-interest bearing loan given to PAF International Limited.

10. Advance from customers

The amount shown under the above head represents money received in advances from customers for supply of goods.

11. Secured loan

The amount shown under the above head represents interest bearing loan taken from The Hongkong & Shanghai Banking Corporation Ltd., Dhaka.

12. Related parties

Name of the parties	Nature	Transactions	Transaction Value			Balance outstanding		
			Six months ended	Year ended	Year ended	At	At	At
			30-Sep-06	31-Mar-06	31-Mar-05	30-Sep-06	31-Mar-06	31-Mar-05
			Taka	Taka	Taka	Taka	Taka	Taka
Norwest Industries Ltd.	Group Company	Sales of goods	7,407,355	13,377,907	-	531,468	477,739	
		Expenses payable	868,248	-	457,934	656,363	-	457,934
		Loan taken	-	6,200,000	94,488,000	8,928,000	8,928,000	94,488,000
		Claims	-	1,704,926	-	-	-	-
PAF International Ltd.	Group Company	Loan disbursed	2,600,000	6,100,000	-	8,700,000	6,100,000	-
		Investment in shares	-	400,000	-	400,000	400,000	-
Poeticgem Ltd.	Group Company	Expense payable	3,048	-	-	3,048	-	-
		Advance received	7,200,000	-	-	7,200,000	-	-
		Expense recoverable	-	464,422	-	-	464,422	-
		Sale of goods	-	28,031,678	-	-	-	-
Pearl Global Ltd.	Group Company	Sale of goods	64,585,296	-	-	-	-	-
House of Pearl	Share holder	Expenses recoverable	3,361,002	-	-	-	-	-
Fashions Ltd.		Share money deposit	13,947,500	-	-	4,258,400	-	-
Norp Knit Industries Ltd.	Group Company	Purchase of goods	3,902,094	-	-	387,450	-	-

Outstanding balances in respect of sale of goods and expenses with these related parties are priced on an arm's length basis.

The Company purchased raw materials from the group company. The purchases are on the same terms and conditions as those entered into with other suppliers and payable under normal payment terms.

In addition, the Company disbursed loan, received advance against sale, received equity money to/from group companies from time to time as per normal business norm.

13. Contingent Liability

Contingent liability of the Company was Tk 104.60 million (31 March 2006: Tk 53.34) million (31 March 2005: Tk 95.15) million as on 30 September 2006 in respect of letters of credit outstanding and Tk 5.64 million (31 March 2006: Nil, 31 March 2005: Nil) million in respect of bank guarantee.

14. Number of employees

The number of employees engaged during the period from 1 April to 30 September 2006 who received a total remuneration of Tk 36,000 or above was 1,273 (31 March 2006: 760, 31 March 2005: 22).

15. Exchange gain/(loss)

This represents gain/(loss) arisen from translation of foreign currency balances into local currency.

16. Events after balance sheet date

No material events had occurred after the balance sheet date to the date of issue of these financial statements, which could affect the values stated in the financial statements.

17. General

17.1 Figures are rounded off to the nearest Taka.

17.2 Previous period's figures have been rearranged, wherever necessary, to conform to financial statements preparation.

AUDITORS' REPORT

FINANCIAL INFORMATION OF NORP KNIT INDUSTRIES LIMITED, BANGLADESH

Report and financial statements

Half yearly ended September 30, 2006 and years ended March 31, 2006 and 2005

The Board of Directors
Norp Knit Industries Limited
133/1, New Bailey Road,
Dhaka, Bangladesh

Dear Sirs,

Financial information of Norp Knit Industries Limited

As required for the purpose of certification of the financial statements to be incorporated in the Offer Documents proposed to be issued by the holding Company 'House of Pearl Fashions Limited', in connection with the initial public offering of its equity shares, we state as follows:

1. We have audited the financial statements of Norp Knit Industries Limited for each of the two financial periods ended March 31, 2005 and March 31, 2006 and for the six months ended September 30, 2006 in accordance with Bangladesh Standards on Auditing, and issued our unqualified opinions dated October 2, 2005, June 22, 2006 and October 19, 2006. The financial statements are the responsibility of the Company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.
2. The annexed Profit & Loss Accounts and Cash Flow Statements for the financial period ended March 31, 2005, March 31, 2006 and for the six months ended September 30, 2006 and the annexed Balance Sheets as at the end of the respective periods, along with the annexed notes, have been prepared from the audited financial statements referred to in 1 above, in accordance with the Bangladesh Accounting Standards and are for the purpose of incorporation of Norp Knit Industries Limited's financial statements in the Offer Documents proposed to be issued by the holding Company 'House of Pearl Fashions Limited' in connection with its initial public offering of equity shares and are not to be and should not be used in any other offering memorandum or other document without prior consent.

Yours faithfully

G. Biswas & Co.
Chartered Accountants

Dhaka, 14 November 2006

NORP KNIT INDUSTRIES LIMITED
133/1, New Bailey Road, Dhaka

BALANCE SHEET

(Amount in Taka)

	As on 30 September 2006	As on 31 March 2006	As on 31 March 2005
Sources of fund			
Shareholders' equity			
Share capital	100,000	100,000	100,000
Share money deposit	4,328,300		
Retained earnings	(36,392,975)	(51,569,740)	(19,425,994)
	(31,964,675)	**(51,469,740)**	**(19,325,994)**
Long Term Liabilities			
Loan from Orchid Trading Ltd.	170,406,858	163,367,926	66,940,282
	138,442,184	**111,898,185**	**47,614,289**
Application of fund			
Property, plant and equipment:			
At cost less accumulated depreciation	93,764,889	59,785,724	36,259,801
Pre-operative expenses	3,031,997	4,331,417	6,930,257
Current assets:			
Inventories	70,676,119	41,305,707	13,235,143
Trade receivables	27,985,578	-	46,883
Inter-company receivables	15,285,063	18,650,366	16,782,989
Advances, deposits and prepayments	12,362,984	8,193,693	6,915,089
Cash and bank balances	72,549,218	45,381,389	7,567,635
	198,858,962	**113,531,155**	**44,547,739**
Current liabilities:			
Secured loan from United Commercial Bank	2,300,258	5,995,851	-
Trade and other payables	151,193,252	54,646,032	40,123,509
Inter-company payables	3,720,155	5,108,228	-
	157,213,665	**65,750,111**	**40,123,509**
Net current assets	**41,645,298**	**47,781,044**	**4,424,230**
	138,442,184	**111,898,185**	**47,614,289**

The annexed notes form an integral part of these financial statements

Managing Director **Director**

As per our annexed report of the same date

G. Biswas & Co.
Chartered Accountants

Dhaka, 14 November 2006

NORP KNIT INDUSTRIES LIMITED

133/1, New Bailey Road, Dhaka

PROFIT AND LOSS ACCOUNT

(Amount in Taka)

	01 April 2006 to 30 September 2006	01 April 2005 to 31 March 2006	18 Dec 2004 to 31 March 2005
Turnover	252,980,076	188,850,006	21,686,444
Cost of goods sold	(206,783,218)	(162,068,556)	(30,617,345)
Gross profit/(loss)	**46,196,858**	**26,781,449**	**(8,930,900)**
Administrative, selling and distribution expenses	(29,835,458)	(56,837,892)	(10,128,750)
Pre-operative expenses	(1,299,420)	(2,598,840)	(866,280)
	15,061,980	**(32,655,283)**	**(19,925,930)**
Other income	114,786	511,536	499,936
Net profit/(loss)	**15,176,766**	**(32,143,747)**	**(19,425,994)**

The annexed notes form an integral part of these financial statements

Managing Director **Director**

As per our annexed report of the same date

G. Biswas & Co.
Chartered Accountants

Dhaka, 14 November 2006

NORP KNIT INDUSTRIES LIMITED

133/1, New Bailey Road, Dhaka

CASH FLOW STATEMENT

(Amount in Taka)

	01 April 2006 to 30 September 2006	01 April 2005 to 31 March 2006	18 Dec 2004 to 31 March 2005
Cash flow from operating activities			
Net profit for the year	15,176,766	(32,143,747)	(19,425,994)
Add: Adjustment of items not involving movement of cash			
Pre-operating expenses	1,299,420	2,598,840	(6,930,257)
Depreciation	4,512,764	7,555,304	1,850,945
	5,812,184	10,154,144	(5,079,312)
Operating loss before changes in working capital	20,988,950	(21,989,603)	(24,505,306)
Adjustment for changes in working capital			
Inventories	(29,370,412)	(28,070,564)	(13,235,143)
Trade receivables	(27,985,578)	46,883	(46,883)
Inter-company receivables	3,365,303	(1,867,377)	(16,782,989)
Decrease/(increase in advances, deposits and prepayments)	(4,169,292)	(1,278,604)	(6,915,089)
Secured loan	(3,695,593)	5,995,851	-
Creditors for goods	97,848,471	14,367,892	36,904,012
Increase/(decrease) in accrued expenses and other payables	(1,322,354)	124,604	3,148,678
Inter-company payables	(1,388,074)	5,108,228	-
Withholding Tax	21,103	30,027	70,819
	33,303,576	(5,543,060)	3,143,404
Net cash from operating activities	**(54,292,525)**	**(27,532,663)**	**(21,361,901)**
Cash flow from investing activities:			
Purchase of fixed assets	(38,491,928)	(31,081,227)	(38,110,746)
Net cash used in investing activities	**(38,491,928)**	**(31,081,227)**	**(38,110,746)**
Cash flow from financing activities:			
Proceeds from issue of shares	-	-	100,000
Share money deposit received	4,328,300.00		
Loan from Orchid Trading Limited	7,038,932	96,427,644	66,940,282
Net cash flow from financing activities	**11,367,232**	**96,427,644**	**67,040,282**
Increase in cash and cash equivalents	**27,167,829**	**37,813,754**	**7,567,635**
Cash and cash equivalent at opening	**45,381,389**	**7,567,635**	**-**
Cash and cash equivalent at closing	**72,549,218**	**45,381,389**	**7,567,635**

G. Biswas & Co.
Chartered Accountants

Dhaka, 14 November 2006

NORP KNIT INDUSTRIES LIMITED

Notes to the Accounts

1. Legal status and nature of the company

Norp Knit Industries Limited is a Private Company Limited by Shares incorporated on 5th day of May 2004 under the Companies Act, 1994 as adopted in Bangladesh. The shares of the Company as on 30 September, 2006 are held by House of Pearl Fashions Ltd, India (98%), Mr. Pallak Seth (1%) and Mr. Pulkit Seth (1%). The Company is mainly engaged in producing ready made knit garments for the purpose of exporting the same. The factory of the Company is located in Gazipur.

2. Significant accounting policies

2.1 Basis of accounting

The financial statements have been prepared on going concern basis under historical cost convention, using the accrual basis of accounting. These financial statements of Norp Knit Industries Limited have been prepared in accordance with the Bangladesh Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh, Companies Act 1994 and other applicable laws.

2.2 Property, plant, equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure directly attributable to the acquisition and installation of the assets. Depreciation on fixed assets is charged on written down value basis using different rates varying from 10% to 20% on the estimated useful life of the assets. Depreciation was charged from the month of acquisition/installation of the assets.

2.3 Pre-operating expenses

Pre-operating expenses are being writing off over a period of three years.

2.4 Foreign currency translation

Foreign currencies are translated into Taka at a notional rate on the transaction dates. All monetary assets and liabilities are reconverted into Taka at the rate of exchange prevailing on the balance sheet date. Exchange gains or losses arising out of translation of assets and liabilities at the closing date are recognised in the income statement.

2.5 Inventories ‘

Inventories include raw materials, work-in-progress and finished goods. These are measured at the lower of cost and net realizable value in accordance with BAS 2. Cost is determined using the first-in-first-out formula. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.6 Revenue recognition’

Revenue from the sale of goods is recognised when:

* Significant risk and rewards of ownership is transferred to the buyer.
* The Company has no managerial involvement of ownership to the goods.
* The amount of revenue and cost of the transaction can be measured reliably.
* It is probable that the economic benefits of the transaction will flow to the Company.

2.7 Events after balance sheet date

No material events had occurred after the balance sheet date to the date of issue of these financial statements, which could affect the values stated in the financial statements.

2.8 Taxation

The Company being established as a 100% export oriented unit (EOU), the income of the Company is exempted from tax for a period of five years from the date of start of commercial production i.e. from December 18, 2004.

2.9 Deferred tax

Deferred tax is not considered necessary in view of the fact that the Company is exempted from tax for five years effective from December 18, 2004.

2.10 Employee benefits

The Company has not yet introduced any provident fund, gratuity scheme and pension scheme for the employees.

2.11 Reporting currency

The figure in the financial statements represents Bangladesh currency (Taka).

3. Share capital

Authorised capital:	**30-Sep-06 Taka**	**31-Mar-06 Taka**	**31-Mar-05 Taka**
500,000 (2006: 500,000 and 2005: 500,000) ordinary shares of Tk 100 each	50,000,000	50,000,000	50,000,000
Issued, subscribed and paid up capital:			
1,000 (2006: 1,000 and 2005: 1,000) ordinary shares of Tk 100 each	100,000	100,000	100,000
The aforesaid share capital was subscribed as under:			
Subscribers	**30-Sep-06 No. of shares**	**31-Mar-06 No. of shares**	**31-Mar-05 No. of shares**
Syed Mustafa Zamal	-	-	990
Syed Golam Kobaria	-	-	10
House of Pearl Fashions Limited	980	980	-
Mr. Pallak Seth	10	10	-
Mr. Pulkit Seth	10	10	-
	1,000	**1,000**	**1,000**

4. Loan from Orchid Trading Limited

This represents amount received as loan from the above company from time to time towards financing of the project in Gazipur, Bangladesh.

5. **Property, plant and equipment**

(Amount in Taka)

Particulars	Cost as on 31.03.2006	Addition for the period	Cost as on 30.09.2006	Depreciation upto 31.03.2006	Depreciation for the period	Total depreciation as on 30.09.2006	W.D. Value as on 31.03.2006	W.D. Value as on 30.09.2006
Building & Civil Works	8,470,387	-	8,470,387	1,529,124	694,126	2,223,250	6,941,263	6,247,137
Plant & Machinery	35,570,589	3,638,361	39,208,950	6,274,203	3,111,840	9,386,043	29,296,385	29,822,907
Vehicles	2,628,113	-	2,628,113	563,932	206,418	770,350	2,064,181	1,857,763
Furniture & Fixtures	2,950,378	363,818	3,314,196	311,602	188,154	499,756	2,638,776	2,814,440
Office Equipments & Computers	2,352,613	315,092	2,667,705	463,903	202,363	666,266	1,888,710	2,001,439
Telephone Installation & Connection	397,030	75,854	472,884	80,012	36,499	116,511	317,018	356,373
Air Conditioners	727,800	-	727,800	138,040	58,976	197,016	589,760	530,784
Fire extinguisher	189,300	10,500	199,800	45,432	14,387	59,819	143,868	139,981
Total	**53,286,210**	**4,403,625**	**57,689,835**	**9,406,249**	**4,512,764**	**13,919,013**	**43,879,961**	**43,770,822**
Capital Work in Progress:								
Building & Civil Works	748,435	4,137,837	4,886,272	-	-	-	748,435	4,886,272
Plant & Machinery	15,157,329	25,966,445	41,123,774	-	-	-	15,157,328	41,123,774
Furniture & Fixtures	-	3,294,021	3,294,021					3,294,021
Air Conditioners	-	690,000	690,000					690,000
Total	**15,905,764**	**34,088,303**	**49,994,067**	**-**	**-**	**-**	**15,905,763**	**49,994,067**
Total Fixed Assets	**69,191,973**	**38,491,928**	**107,683,902**	**9,406,249**	**4,512,764**	**13,919,013**	**59,785,724**	**93,764,889**

(Amount in Taka)

Particulars	Cost as on 31.03.2005	Addition for the Year	Cost as on 31.03.2006	Depreciation upto 31.03.2005	Depreciation for the year	Total depreciation as on 31.03.2006	W.D. Value as on 31.03.2005	W.D. Value as on 31.03.2006
Building & Civil Works	5,994,621	2,475,766	8,470,387	299,731	1,229,393	1,529,124	5,694,890	6,941,263
Plant & Machinery	24,974,847	10,595,742	35,570,589	1,248,742	5,025,461	6,274,203	23,726,105	29,296,385
Vehicles	2,150,865	477,248	2,628,113	107,543	456,389	563,932	2,043,322	2,064,181
Furniture & Fixtures	2,183,690	766,688	2,950,378	54,592	257,010	311,602	2,129,098	2,638,776
Office Equipments & Computers	1,795,273	557,340	2,352,613	89,764	374,139	463,903	1,705,509	1,888,710
Telephone Installation & Connection	287,150	109,880	397,030	14,358	65,654	80,012	272,792	317,018
Air Conditioners	535,000	192,800	727,800	26,750	111,290	138,040	508,250	589,760
Fire extinguisher	189,300	-	189,300	9,465	35,967	45,432	179,835	143,868
Total	**38,110,746**	**15,175,464**	**53,286,210**	**1,850,945**	**7,555,304**	**9,406,249**	**36,259,801**	**43,879,961**
Capital Work in Progress:								
Building & Civil Works	-	748,435	748,435	-	-	-	-	748,435
Plant & Machinery	-	15,157,328	15,157,328	-	-	-	-	15,157,328
Total	**-**	**15,905,763**	**15,905,763**	**-**	**-**	**-**	**-**	**15,905,763**
Total Fixed Assets	**38,110,746**	**31,081,227**	**69,191,973**	**1,850,945**	**7,555,304**	**9,406,249**	**36,259,801**	**59,785,724**

(Amount in Taka)

Particulars	Cost as on 05.05.2004	Addition for the year	Cost as on 31.03.2005	Depreciation for the period	Total depreciation as on 31.03.2005	W.D. Value as on 31.03.2005
Building & Civil Works	-	5,994,621	5,994,621	299,731	299,731	5,694,890
Plant & Machinery	-	24,974,847	24,974,847	1,248,742	1,248,742	23,726,105
Vehicles	-	2,150,865	2,150,865	107,543	107,543	2,043,322
Furniture & Fixtures	-	2,183,690	2,183,690	54,592	54,592	2,129,098
Office Equipments & Computers	-	1,795,273	1,795,273	89,764	89,764	1,705,509
Telephone Installation & Connection	-	287,150	287,150	14,358	14,358	272,792
Air Conditioners	-	535,000	535,000	26,750	26,750	508,250
Fire extinguisher	-	189,300	189,300	9,465	9,465	179,835
Total	**-**	**38,110,746**	**38,110,746**	**1,850,945**	**1,850,945**	**36,259,801**

(Amount in Taka)

5.01 Allocation of depreciation

	1 April 2006 to 30 September 2006 Taka	1 April 2005 to 31 March 2006 Taka	05 May 2004 to 31 March 2005 Taka
Cost of goods sold	3,820,353	6,290,821	1,557,938
Administrative, selling and distribution expenses	692,411	1,264,483	293,007
	4,512,764	**7,555,304**	**1,850,945**

6. Pre-operating expenses

	30-Sep-06 Taka	31-Mar-06 Taka	31-Mar-05 Taka
Opening balance	4,331,417	6,930,257	-
Addition during the year	-	-	7,796,537
	-	**6,930,257**	**7,796,537**
Written off during the year	1,299,420	2,598,840	866,280
Closing balance	**3,031,997**	**4,331,417**	**6,930,257**

7. Secured loan

The amount shown under the above head represents interest bearing LTR facility taken from United Commercial Bank Ltd.

8. Related party disclosures

Related party transactions

Name of the parties	Nature	Transactions	30-Sep-06 Taka	31-Mar-06 Taka	31-Mar-05 Taka
Norwest Industries Ltd.	Group company	Sales	85,956,616	179,714,553	18,433,717
		Sampling Income	2,160,000	-	-
		Expenses payable	372,268	2,558,350	321,837
		Purchases	202,162	21,936,645	-
Poeticgem Ltd.	Group company	Sampling Income	817,560	783,000	-
		Sales	28,051,697	6,597,628	3,185,528
		Expenses payable	535,566	-	-
Pearl Global Ltd.	Group Company	Sales	33,987,659	-	-
Nor-pearl Knitwear Ltd.	Group Company	Sales	3,902,094		-

Related party balance

Name of the parties	Heads	Taka	Taka	Taka
Norwest Industries Ltd.	Payable	3,720,155	5,108,228	-
	Receivable	9,738,204	17,867,366	15,241,854
Poeticgem Ltd.	Receivable	5,159,409	783,000	1,541,135
Nor-Pearl Knitwear Ltd	Receivable	387,450	-	-

9. Contingent liability

Contingent liability of the Company was Tk 171.00 (2006: 130.14, 2005: 63.51) million as on 30 September 2006 in respect of letters of credit outstanding.

10. Number of employees

The number of employees engaged during the year who received a total remuneration of Tk 36,000 or above was 490 (2006: 79, 2005: 29).

11. Exchange gain/(loss)

This represents gain/(loss) arisen from translation of foreign currency balances into local currency

12. General

12.1 Figures are rounded off to the nearest Taka.

AUDITORS' REPORT

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION FOR THE PERIOD AUGUST 1, 2006 (DATE OF INCEPTION) TO SEPTEMBER 30, 2006 AND INDEPENDENT AUDITORS' REPORT OF HOUSE OF PEARL FASHIONS (US) LTD.

To the Shareholder
House of Pearl Fashions (US) Ltd.

We have audited the accompanying balance sheet of House of Pearl Fashions (US) Ltd. as of September 30, 2006, and the related statements of operations, changes in shareholder's equity and cash flows for the period August 1, 2006 (date of inception) to September 30, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of House of Pearl Fashions (US) Ltd. as of September 30, 2006, and the results of its operations and its cash flows for the period August 1, 2006 (date of inception) to September 30, 2006 in conformity with International Financial Reporting Standards.

Friedman LLP
Accountants and Advisors

November 13, 2006

HOUSE OF PEARL FASHIONS (US) LTD.

BALANCE SHEET

SEPTEMBER 30, 2006

(In U.S. Dollars)

	Notes	
ASSETS		
Cash	$	173,506
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and other current liabilities	$	3,852
Due to affiliate	2	72,691
Total current liabilities		76,543
Commitments		
Shareholder's equity		
Share capital	3	250,000
Accumulated deficit		(153,037)
		96,963
	$	173,506

See notes to financial statements.

HOUSE OF PEARL FASHIONS (US) LTD.

STATEMENT OF OPERATIONS

FOR THE PERIOD AUGUST 1, 2006 TO SEPTEMBER 30, 2006

(In U.S. Dollars)

	Notes	Amount
Expenses		
Selling and shipping	$	61,530
General and administrative		91,507
Total expenses and net loss	**$**	**153,037**

See notes to financial statements.

HOUSE OF PEARL FASHIONS (US) LTD.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE PERIOD AUGUST 1, 2006 TO SEPTEMBER 30, 2006

(In U.S. Dollars)

	Notes	Share Capital	Accumulated Deficit	Total
Issuance of common stock	3	$ 250,000	$ -	$ 250,000
Net loss		-	(153,037)	(153,037)
Balance, September 30, 2006		**$ 250,000**	**$ (153,037)**	**$ 96,963**

See notes to financial statements.

HOUSE OF PEARL FASHIONS (US) LTD.

STATEMENT OF CASH FLOWS

FOR THE PERIOD AUGUST 1, 2006 TO SEPTEMBER 30, 2006

(In U.S. Dollars)

	Notes	
Cash flows from operating activities		
Net loss before working capital changes	$	(153,037)
Accounts payable and other current liabilities		3,852
Net cash used in operating activities		(149,185)
Cash flows from investing activities		
Due to affiliate		72,691
Cash flows from financing activities		
Proceeds from issuance of common stock		250,000
Net increase in cash		**173,506**
Cash, beginning of period		-
Cash, end of period	**$**	**173,506**

See notes to financial statements.

HOUSE OF PEARL FASHIONS (US) LTD.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

House of Pearl Fashions (US) Ltd. ("HOPF" or the "Company") was incorporated on August 1, 2006 in the State of New York in the United States of America and began doing business on August 1, 2006. The address of the registered office of HOPF is 300-2 Unit E, Route 17, South Lodi, NJ 07644. The Company is a wholly owned subsidiary of House of Pearls Fashions Limited, India, a public company headquartered in Delhi, India. The primary business objective of HOPF is to market and sell its parent's apparel products. HOPF's parent's manufacturing facilities are located in India, Indonesia, Bangladesh and China. The Company focuses on major North American brands like Haggar, Perry Ellis, Jones, Liz Claiborne, Philips Van Huesen and others.

Basis of Preparation

The financial statements have been prepared on an accrual basis and in accordance with International Financial Reporting Standards ("IFRS"). The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Related Parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Concentrations of Credit Risk for Cash

Cash is comprised of cash at banks. HOPF maintains cash in a bank that is insured by the Federal Deposit Insurance Corporation for up to an aggregate of $100,000.

Trade and Other Payables

Trade and other payables are stated at cost.

2. RELATED PARTY TRANSACTIONS

The Company enters into transactions with other companies that fall within the definition of a related party contained in International Accounting Standards 24.

At September 30, 2006, balances with related parties were as follows:

Disclosed as due to affiliate	$	72,691

The officer's salary from August 1, 2006 to September 30, 2006 was $ 71,196.

3. **SHARE CAPITAL**

Common stock, no par value;

200 shares authorized, 100 shares issued and outstanding	$	250,000

4. **NUMBER OF EMPLOYEES**

The number of Company employees at September 30, 2006 is two.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Shareholder

House of Pearl Fashions (US) Ltd.

Our report on our audit of the basic financial statements of House of Pearl Fashions (US) Ltd. for 2006 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information shown on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Friedman LLP
Certified Public Accountants

New York,

November 13, 2006

HOUSE OF PEARL FASHIONS (US) LTD.

SCHEDULES OF SELLING AND SHIPPING AND

GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE PERIOD AUGUST 1, 2006 TO SEPTEMBER 30, 2006

(In U.S. Dollars)

Selling and Shipping		
Travel	$	25,100
Design		33,120
Consulting fees		3,000
Warehouse expense		310
	$	**61,530**
General and Administrative		
Officer's salary	$	71,196
Office salaries		500
Payroll taxes		2,156
Insurance		2,304
Professional fees		430
Telephone		1,451
Couriers and messengers		986
Computer expense		12,469
Bank charges		15
	$	**91,507**

See Independent Auditors' Report on Supplementary Information.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements, including the notes thereto, included elsewhere in this Prospectus. Indian GAAP differs in certain significant respects from U.S. GAAP, U.K. GAAP and Hong Kong Financial Reporting Standards. For more information on these differences, see "Summary of Significant Differences Among Indian GAAP, IFRS, U.S. GAAP and U.K. GAAP" beginning on page 197 of this Prospectus.

Unless otherwise indicated, references in this discussion and analysis to our results of operations or financial condition for a specified year are to our fiscal year ended March 31 of such year. In this section, any reference to "we", "us", "our" or the "Group", unless the context otherwise implies, refers to House of Pearl Fashions Limited, the Subsidiaries and Associate, on a consolidated basis.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section "Risk Factors" and elsewhere in this Prospectus.

Overview

We are a multinational, ready-to-wear apparel company operating in three business streams: manufacturing, marketing and distribution, and sourcing of garments. We also provide total supply chain solutions to our customers, which include value retailers as well as higher-end fashion brand retailers in the United States and Europe. Our multi-stream business model enables us to offer multi-country, multi-gender and multi-product options to our global customers. We believe these capabilities make us a preferred vendor for garment retailers around the world.

We began operations in 1987 with one manufacturing facility at Gurgaon, India. Over the years, we expanded our manufacturing operations in India. We also spread our business beyond India by setting up a sourcing business in Hong Kong with sourcing offices in China and Bangladesh, marketing and distribution businesses in the U.K., the U.S., Canada and Spain, and manufacturing facilities in Bangladesh and Indonesia. We believe that our integrated global business model positions us to take advantage of synergies in product design, development, manufacturing, distribution and sourcing of our ready-to-wear apparel products. We seek to leverage the competitive advantages of each location to optimize value for our customers, while maximizing our gross margins. We also seek to cater to our customers' needs of competitive pricing, quality, on-time delivery and compliance with global Labour practices. Our broad spectrum of customers includes value retailers, such as JC Penny, TESCO and ASDA Wal-Mart, as well as higher-end fashion brand retailers, such as The GAP, Next and Esprit.

We generate revenues primarily from the sale of ready-to-wear apparel products to our customers. HoPFL is a holding company with limited manufacturing and trading operations and conducts most of its business through its Subsidiaries. Our consolidated net profit before tax and extraordinary item was Rs.380.0 million in the six months ended September 30, 2006 and Rs.131.1 million in fiscal 2006.

Background and Basis of Presentation

Historically, we conducted business as a separate group of companies. Our domestic operations have been carried out by Pearl Global, a listed company in India, in which HoPFL currently owns a 62.8% equity interest. In order to integrate the international operations with our domestic operations, we commenced a restructuring of certain of our businesses, which was completed in a phased manner. On March 28, 2006, HoPFL incorporated its wholly-owned subsidiary in Mauritius, Multinational Textiles, which acquired a 100% equity interest in Global Textiles Group, a Mauritius company, on March 31, 2006, and an 85% equity interest in Norwest Industries (HK), a Hong Kong company, on May 31, 2006. Global Textiles Group owns Depa U.S., Poeticgem and PT Norwest, our principal operating companies in the United States, the United Kingdom and Indonesia, respectively. On March 28, 2006, HoPFL also acquired approximately 99.9% and 98.0%, respectively, of Nor Pearl and Norp Knit, companies incorporated in Bangladesh.

Following the restructuring, in addition to Pearl Global, each of Multinational Textiles, Nor Pearl, Norp Knit, Norwest Industries (HK), Global Textiles Group, Poeticgem, PT Norwest, Depa U.S., Poeticgem Canada (formerly, Depa International (Canada) Inc.) and Pacific Logistics became a direct or indirect subsidiary of HoPFL. Further, on August 1, 2006, we also incorporated HoP

(U.S.), a wholly-owned subsidiary in the U.S. For further details regarding the restructuring, see the section "History and Certain Corporate Matters" beginning on page 97 of this Prospectus.

As we have recently completed our restructuring and acquired our Subsidiaries, our restated consolidated financial statements for the year ended March 31, 2006 and the prior fiscal years do not reflect the performance of all of the Subsidiaries for full periods or what our financial condition, results of operations or cash flows would have been had the restructuring occurred at the beginning of the period covered thereby. The performance of all of the Subsidiaries will be fully reflected in the consolidated financial statements starting fiscal 2007, other than with respect to Norwest Industries (HK), in which we acquired an 85% equity from a Promoter group company on May 31, 2006, and HoP (U.S.), which was incorporated on August 1, 2006, which will be reflected from their date of acquisition or incorporation.

We have set forth in this Prospectus the following financial statements:

- stand-alone financial statements of HoPFL for fiscal 2002, 2003, 2004, 2005 and 2006 and the six months ended September 30, 2006, prepared in accordance with Indian GAAP and restated in accordance with SEBI Guidelines;
- consolidated financial statements of HoPFL and its subsidiaries and associate entities, as applicable, for fiscal 2002, 2003, 2004, 2005 and 2006 and the six months ended September 30, 2006, prepared in accordance with Indian GAAP and restated in accordance with SEBI Guidelines;
- consolidated financial statements of Pearl Global and its subsidiaries and associate entities, as applicable, for fiscal 2002, 2003, 2004 and 2005 and stand-alone financial statements of Pearl Global for fiscal 2006 and the six months ended September 30, 2006 giving effect to the merger of Pearl Global with Pearl Styles Limited, its erstwhile subsidiary ("Pearl Styles"), and City Estates Private Limited, which was a Promoter group company ("CEPL"), prepared in accordance with Indian GAAP. The scheme of merger and amalgamation of Pearl Global with Pearl Styles and CEPL was approved by the Honorable High Court of Delhi on October 6, 2006, with effect from April 1, 2005;
- stand-alone financial statements of Norwest Industries (HK) for fiscal 2002, 2003, 2004, 2005 and 2006 and the six months ended September 30, 2006, prepared in accordance with Hong Kong Financial Reporting Standards;
- stand-alone financial statements of Nor Pearl, which was incorporated on May 16, 2004, for fiscal 2005 and 2006 and the six months ended September 30, 2006, prepared in accordance with Bangladesh GAAP;
- stand-alone financial statements of Norp Knit, which commenced operations on December 18, 2004, for fiscal 2005 and 2006 and the six months ended September 30, 2006, prepared in accordance with Bangladesh GAAP;
- consolidated financial statements of Depa U.S., in which a 49% interest was acquired by a Promoter group company in June 2004, and its subsidiary during the relevant period, Poeticgem Canada (formerly, Depa International (Canada) Inc.), for fiscal 2005 and 2006 and the six months ended September 30, 2006, prepared in accordance with U.S. GAAP. Poeticgem Canada was recently acquired by Poeticgem on October 1, 2006;
- stand-alone financial statements of Poeticgem, which was acquired by a Promoter group company in June 2004, for fiscal 2005 and 2006 and the six months ended September 30, 2006, prepared in accordance with U.K. GAAP (Poeticgem has a 100% subsidiary, Pacific Logistics, and does not prepare financial statements on a consolidated basis);
- stand-alone financial statements of Pacific Logistics for fiscal 2005 and 2006 and the six months ended September 30, 2006 prepared in accordance with U.K. GAAP;
- stand-alone financial statements of PT Norwest, which commenced operations in September 2002, for fiscal 2003, 2004, 2005 and 2006 and the six months ended September 30, 2006, prepared in accordance with Indonesian GAAP; and
- stand-alone financial statements of HoP (U.S.), which was incorporated on August 1, 2006, for the two month period ended September 30, 2006, prepared in accordance with IFRS.

This Prospectus does not contain a pro forma balance sheet or a pro forma income statement prepared in accordance with applicable U.S. federal securities regulations or in accordance with common practices in other jurisdictions, which would have shown the historical results of operations of the Company assuming the restructuring had occurred at the beginning of the relevant reporting period. Following the restructuring, the consolidated financial statements of the Company will consolidate all the Subsidiaries. Accordingly, the consolidated group now includes, and is expected to continue to include, additional significant business operations, the results of which are not fully reflected in the Company's historical financial statements.

If a pro forma balance sheet or a pro forma income statement prepared in accordance with such regulations had been prepared, such balance sheet or income statement would reflect certain adjustments required by such regulations, such as:

- elimination of inter company balances and inter company transactions;
- adjustments to conform accounting policies and various GAAPs;
- reclassification and regrouping of various items; and
- adjustments relating to foreign currency transactions.

As a result, due to intra-group transactions between the Company and our Subsidiaries, the pro forma consolidated sales revenue of the Company prepared in accordance with such regulations would have been less than the sales revenue derived from simply adding the sales revenues of such Subsidiaries, and the Company's sales revenues. The above examples of adjustments are not, and are not intended to be construed as, a complete or comprehensive list of all adjustments that would have been required to have been made in preparing any such pro forma balance sheet or pro forma income statement.

Factors Affecting Our Results of Operations

Set forth below is a discussion of some of the important factors affecting our results of operations.

Demand for our products

Over the years North American and European retailers have increasingly moved their sourcing of apparel to lower cost developing nations, including China, India, Bangladesh and Indonesia. Until December 31, 2004, apparel sourcing was subject to quantitative quotas under bilateral agreements between countries. Although price was a consideration by a retailer to select the source country and vendor, the availability of quota was the more important factor. With the elimination of these quotas from January 1, 2005, retailers are able to source their requirements from the most competitive vendor and price, quality and delivery have become their key considerations to determine the source country and the vendor. Countries which offer competitive prices due to their low Labour costs, such as India, Bangladesh, Indonesia and China are experiencing a rapid growth in their business volumes. As we have operations in these countries, our business volumes are also growing.

The sales volumes and prices for our ready-to-wear apparel products are influenced by the demand for these products in the international markets. Demand for our products is influenced by factors such as quality of our products, fashion content, consumer preferences, competition, tax and manufacturing incentives and the macroeconomic and retail environment in countries where we export our products. Changes in demand from our customers may change our product mix from period to period, such as the trend for increased demand for knitted garments, which may impact our revenues and margins.

Almost all of our sales to date have been to customers in the U.S. and Europe. The demand for our products and the consumer mix is dependent upon the economic situation and level of consumer spending, each of which has experienced increasing growth in the recent past. During an economic slow down, we may continue to experience increased demand for our products from value retailers although our margins will be under pressure. However, if economic conditions in the U.S. and Europe substantially deteriorate, or if there is any major reduction in the levels of discretionary spending or consumer income growth or increases in interest rates in any of these regions, even the value retailers may see a decline in their business and our customers may reduce or delay their purchases from us, which may lower the demand for our products. Accordingly, economic conditions and growth in these markets impact our operations, including the level of demand for our products. Our operating results are also affected by the level of business activity of our major customers.

Competition and pricing pressures

While the removal of the quantitative restrictions has increased the market share of the developing countries, such as India, Bangladesh, China and Indonesia, it has also resulted in significant price competition among suppliers from these countries. Furthermore, restrictions on imports from China imposed by the U.S. and the EU in various garment categories may be removed after December 31, 2008, which may result in further competitive pressure on the prices and margins in the apparel industry. We believe our multi-location operations allow us to leverage the competitive advantages of each location to enhance our competitiveness and service capabilities to our customers, resulting in customer growth. Our continuing ability to anticipate and respond to pricing pressures and increased competition in the apparel industry will be critical to our results of operations in the coming years.

Dependence on a limited number of customers

Certain customers are material to our business and operations. JC Penney and ASDA Wal-Mart are among our largest customers in terms of revenues. We do not have long-term sales contracts with our customers and are not an exclusive supplier to our large customers. Any material change in the sourcing strategies of our customers may impact our business volumes.

In addition, we believe that a trend exists among our major customers to concentrate purchasing among a narrowing group of vendors. Moreover, the global retail industry in the post-quota regime is progressively sourcing its requirements from 'strategic vendors' that demonstrate innovative product designs, quality manufacturing, effective inventory management, efficient logistics infrastructure, secured supply of raw materials, effective technologies and systems and compliance with ethical norms. While we have been categorized as a strategic vendor for two of our key customers, we need to continue to undertake efforts to be selected as a strategic vendor for our increasing number of customers.

Furthermore, on-going consolidation and other ownership changes in the global retail industry has resulted in centralized purchasing decisions and the ability of customers to exercise greater leverage over suppliers like us, and we expect this trend to continue in the future. Our results of operations could also become more vulnerable to deterioration in the financial condition of, or other adverse developments with, one or more of our customers. In addition, if one of our customers were acquired by a non-customer, it is possible that our business with that customer could be reduced or eliminated.

Growth of new customers and increased sales to existing customers

Our revenues are dependant on growth of new customers and increase in sales to existing customers. We believe that our track record of timely delivery and quality of goods has allowed us to establish long and stable relationships with several of our large customers, and we have achieved strong revenue growth from increased sales to our customers. We seek to leverage our long-term relationships with our existing customers to gain new customers. The number of customers of the Group has increased from 54 and 40 as of March 31, 2005 and 2004, respectively, to 60 as of March 31, 2006. This includes approximately 40 new customers in the last three years, including Esprit, S. Oliver, V F Corporation, Mervins, Sears, Next, Bonton and Gordmans. We also plan to extend our business to new geographic locations. As part of our growth strategy, we plan to expand further our operations in Europe and North America. We recently established operations in Spain and Canada. We also aim to be identified as a strategic vendor for our existing and future customers and accordingly, may incur additional costs. In addition, in the past, we have also entered into competitive pricing structures with our new customers in the initial stages of our relationship with them and may continue to do so in the future.

Price and availability of raw materials

We rely on third-party suppliers for fabric and other raw materials. Our raw material requirements include finished fabric (made of natural fibres such as cotton, wool, silk, linen, georgette and polyester), accessories and trims such as fasteners, buttons, labels, and other consumables. Fluctuations in the price, availability and quality of the fabrics or other raw materials used by us in our manufactured apparel could have a material adverse effect on our cost of sales or our ability to meet our customers' demands. The price and availability of such raw materials may fluctuate significantly, depending on many factors, including crop yields and weather patterns. Any material shortage or interruption in the supply or decrease in the quality of these raw materials due to natural causes or other factors could result in increased production costs that we may not successfully be able to pass on to our customers, which in turn would have a material adverse effect on our margins and results of operations.

Increases in production capacity

Recently, we have significantly increased production capacity in Group-owned/leased manufacturing facilities. As of August 31, 2006, our facilities were spread over 725,250 square feet of space with an aggregate installed production capacity of approximately 20 million pieces per annum compared to an aggregate installed production capacity of approximately 16 million pieces per annum as of June 30, 2006 and approximately 10 million pieces per annum as of March 31, 2006. We intend to significantly enhance the production capacities at our manufacturing facilities to 40 million pieces per annum by 2010. We have also leased approximately 217,675 square feet land for a new manufacturing factory for woven garments in SIPCOT Industrial Park, Irungattukottai in Chennai. We have also acquired approximately 139,000 square feet at Narsingpur, Gurgaon, Haryana for a new knits and wovens manufacturing unit. We also propose to establish a new knits manufacturing facility in Comilla, Bangladesh. For more information on our proposed plans to increase our production capacity, see the section "Objects of the Issue" beginning on page 32 of this Prospectus. We believe that these additions to our facilities and subsequent increase in our capabilities will enhance our business and, consequently, lead to an increase in our revenues and a concurrent increase in expenses, including non-operating expenses such as depreciation.

Regulatory incentives

We take advantage of a number of government-sponsored incentives that are available to us as an export company. These incentives take the form of cash assistance or cash compensatory support on exports of certain items.

These incentives are subject to change as a result of changes in applicable tax laws or the actions of applicable income tax or other regulatory authorities. Changes have occurred in the past and are likely to occur in the future and any such changes could materially affect our profitability.

The following are the primary incentives and tax benefits, which have a material impact on our results of operations:

Special Economic Zone ("SEZ")/Export Processing Zone ("EPZ")/Bonded Zone

- *SEZ.* Our bottoms factory in Chennai, which commenced operations in April 2006, is located in the Madras Export Processing Zone (SEZ). One of the special features of an SEZ is that no government license is required for imports, including second hand machines. These units are entitled to various exemptions, including exemptions on customs duty, central excise, service tax on taxable services provided in an SEZ and securities transaction tax, subject to certain specified conditions. These units are further entitled to income tax exemptions under Section 10AA of the Income Tax Act. Further, SEZs are exempt from the payment of cess under certain enactments listed in the first schedule to the SEZ Act. Projects in an SEZ have to ensure that their foreign exchange inflows (through exports) exceed foreign exchange outflows (by way of imports and import content of sales in the Indian market), including amortized outflow of foreign exchange on capital goods and technical know-how. In an SEZ unit, foreign investment is allowed under the automatic route, without government approval, subject to certain reporting requirements. Free repatriation of profits, dividends, royalty and know-how payment is also permitted. SEZ units are allowed to import or procure domestically construction material, capital goods and raw materials without payment of import duty or central excise duty.

  Further, the RBI has also introduced specific financial incentives for units operating in SEZs, such as exemption from interest rate surcharges on import finance, permission to raise external commercial borrowings without any maturity restriction but through recognized banking channels and strictly on a stand alone basis, subject to an annual cap of US$500.0 million and permission to hedge price risks in commodities manufactured by SEZ units. SEZ units are permitted to retain 100% foreign exchange earnings in the EEFC account.

  In addition, the State Government of Tamil Nadu announced a policy on SEZs in 2003 (the "TN SEZ Policy") to promote the establishment of large, self-contained areas supported by world-class infrastructure oriented towards export production. The TN SEZ Policy provides certain additional benefits over and above the benefits outlined above, including exemption from the requirement to pay stamp duties and registration fees on licenses or leases of plots and standard design factories in the Madras Export Processing Zone. Further, pursuant to an order passed by the Government of Tamil Nadu, SEZs are exempt from payment of sales tax for purchase of certain materials. SEZs are also exempt from payment of central sales tax.

- *EPZ.* Our sweater manufacturing facility in Bangladesh is located in the Comilla export processing zone. Specific incentives provided for investments made in EPZs include a tax holiday for 10 years, exemption from payment of dividend tax during the tax holiday period, duty free import of machinery, equipment and raw materials and exemption from duties on the export of goods produced in the EPZ, full repatriation of capital and dividends, no restriction on remittance of royalties, technical and consultancy fees and foreign currency loans under automatic route.

- Bonded Zone. Our wovens factory in Indonesia is located at Tanjung Emas export processing zone. The exemptions available to us include exemption from payment of customs duties on the import of machines, equipment and raw materials and exemption from the value added tax (PPN) on locally purchased raw material.

Incentives to us amounted to Rs.67.42 million in fiscal 2006.

Technology Upgradation Fund Scheme ("TUFS")

The Ministry of Textiles, Government of India, launched TUFS for the textile and jute industry for a five year period from April 1, 1999 to March 31, 2004. It has since been extended until March 31, 2007. The TUFS provides for a reimbursement of 5% on the interest charged by a lending agency on a project of technology upgrading in conformity with this scheme. During fiscal 2006, Pearl Global had a term loan in an amount of Rs.135 million under TUFS from HSBC Bank to help finance the establishment of its bottoms manufacturing facility at Tambaram, Chennai, which is located at the Madras export processing zone. Pearl Global recently made an application dated August 14, 2006 to IDBI Bank, which is the agency for processing the interest subsidy, for reimbursement of Rs.3.0 million under this scheme.

Export Promotion Capital Goods ("EPCG") Scheme

The EPCG scheme in India facilitates import of capital goods at a 5% concessional rate of duty with an obligation to export an amount equal to eight times the duty saved and maintain export obligations based on the average turnover of the last three years. Importing second hand capital goods without any restriction on age is also allowed under the new Foreign Trade Policy announced on August 31, 2004. We have imported certain of our equipment under license pursuant to the EPCG scheme. Under this scheme we are required to refund an amount to the Government of India equivalent to the duty benefit enjoyed by us under the said scheme, plus interest, if we fail to make the required exports within the required time period. Incentives to us from this scheme amounted to Rs.2.1 million in fiscal 2006.

Duty Drawback Scheme

Exporters are allowed a refund of the excise and customs duty payable on raw materials under the scheme in order to make the products more competitive in the international market. The Department of Revenue, Government of India, announced a revision in the All Industry Drawback Rates on May 2, 2005 and the new rates became effective from May 5, 2005. Pursuant to this revision, the drawback rates on all export products, except a few, have been expressed in ad valorem terms instead of the earlier system, which was based on the weight of the export product. The associated drawback caps have, however, been fixed on the basis of the weight or pieces of export products. The revised Drawback Schedule covers 2,620 entries. With respect to apparel items, the drawback rates have also been given on the basis of the composition of textiles. Further, pursuant to a notification dated July 13, 2006, which became effective on July 15, 2006, revised drawback rates have been fixed for certain items. For example, the revised drawback rate for knitted blouses, shirts or tops of cotton is 6.7% with a cap of Rs.29 per piece. For knitted blouses, shirts or tops of cotton and man made fibre blend, the drawback rate is 7.2% with a cap of Rs.30 per piece and for knitted blouses, shirts or tops of man made fibre, the drawback rate is 7.8% with a cap of Rs.32 per piece. Incentives to us from this scheme amounted to Rs.62.7 million in fiscal 2006.

Target Plus Scheme

Under the target plus scheme, any exporter achieving export growth at a specified rate over the previous fiscal year is entitled to a duty free import license. Under the scheme, the export target for fiscal 2006 was set at 17% and the lowest limit of performance for qualifying for rewards was pegged at 20%. The entitlement under this scheme is dependent on the incremental growth in FOB value of exports in the current licensing year. The duty credit may be used to import any capital goods, including spares. Incentives to us from this scheme amounted to Rs.1.61 million in fiscal 2006. This scheme has been discontinued for exports effective April 1, 2006.

Export Performance Certificate

Exporters who are registered with the Apparel Export Promotion Council can make an application for the issuance of an Export Performance Certificate for importing certain eligible items for use in the manufacture of textile garments for exports. We receive concessions on imports of eligible items up to the extent of 3% of the FOB value realized on exports of ready-to-wear garments during the preceding financial year. Incentives to us from this scheme amounted to Rs.6.29 million in fiscal 2006.

Advance Authorization Scheme (formerly, Advance License Scheme)

An advance authorization is issued to allow duty free import of raw materials, which are incorporated in the export products. Such authorization is exempt from basic customs duty, additional customs duty and education cess. Incentives to us from this scheme amounted to Rs.21.8 million in fiscal 2006.

Duty Exemption Pass Book ("DEPB") Scheme

The DEPB scheme is an alternative to the duty drawback scheme. This scheme consists of a reimbursement of basic and special customs duties paid by an exporter on imported raw materials used in the export product. The benefit is given by way of a grant of duty credit (by way of a tradable license) against the FOB value of export products at specified rates.

DEPB credit rates have been prescribed for 83 textile and clothing products. The DEPB credit rates were reduced on all textile items with effect from September 23, 2004. The DEPB credit rates were again revised with effect from December 30, 2004. The DEPB credit rates have recently been further reduced pursuant to a notification dated July 3, 2006. Incentives to us from this scheme amounted to Rs.7.05 million in fiscal 2005. We did take advantage of this scheme in fiscal 2006.

Other Incentives

In Bangladesh, entities engaged in the manufacture of garments for the purpose of exports are subject to a nominal income tax at the rate of 0.25% of their annual sales. Further, the member countries of the European Union and Canada have granted 100% import duty exemptions to certain varieties of garments exported from Bangladesh.

Exchange rate changes

We are exposed to foreign currency fluctuation risks in businesses in which we sell our products in one currency and make purchases in a different currency. We seek to mitigate the effect of exchange rate fluctuation on our operating results by purchasing fixed forward contracts or options above the costing rates. Any exchange rate fluctuations that we are unable to effectively hedge could have a significant impact on our reported net income (loss), assets or liabilities. We incurred a foreign exchange gain of Rs.5.6 million in the six months ended September 30, 2006. For more information, see the HoPFL restated consolidated financial statements beginning on page F-32 of this Prospectus.

Labour disruptions

Our activities are Labour intensive. Strikes and other Labour action may have an adverse impact on our operations, though we have not experienced any such Labour disruption in the past. In addition, the third-party suppliers of raw materials or apparel products which we use may experience strikes, or other industrial action. Work stoppages could result in production losses and delays in delivery of our products, which may adversely affect our operations. In addition, we may experience wage increases and other Labour costs, which could have a material adverse effect on our results of operations. For further details, see the section "Risk Factor — We may face Labour disruptions and other planned and unplanned outages that would interfere with our operations" beginning on page xxi of this Prospectus.

Critical Accounting Policies and Estimates of HoPFL, on a Consolidated Basis

The restated consolidated financial statements of HoPFL are prepared and presented under historical cost convention on accrual basis of accounting in accordance with the accounting policies of the parent company unless otherwise stated and comply with the requirement of the Accounting Standard 21 ("'AS-21") on "Consolidated Financial Statement" issued by the Institute of Chartered Accountants of India and the relevant provision of the Companies Act, 1956 for the parent and Indian subsidiaries. Investments in the subsidiary companies, except where investments are acquired exclusively with a view to its subsequent disposal in the immediate near future, are accounted for in accordance with accounting principles as defined in the AS-21.

We believe that the following are some of the more significant accounting policies that affect our reported financial condition and results of operations. For a further discussion of the application of these and other accounting policies, see Annexure IV to HoPFL's restated consolidated financial statements prepared in accordance with Indian GAAP and included on page 197 of this Prospectus.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires making of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between the actual results and estimates are recognized in the year in which the results are known or materialized.

Principles of Consolidation

The restated consolidated financial statements of HoPFL have been prepared on the following basis:

1) The restated consolidated financial statements of HoPFL have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.

2) To the extent possible, the restated consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as HoPFL's stand-alone financial statements. Inconsistency, if any, between the accounting policies of any subsidiary, has been disclosed in the notes to accounts.

3) The difference of the cost to HoPFL of its investment in the subsidiaries over its share in the equity of the investee company as at the date of acquisition of stake is recognized in financial statements as goodwill or capital reserve, as the case may be.

4) The financial statement of the entities used for the purpose of consolidation is drawn up to the same reporting period as HoPFL.

5) The following entities have been considered for the purpose of consolidation for the periods specified below:

   (i) Pearl Global for fiscal 2002, 2003, 2004, 2005 and 2006 and the six months ended September 30, 2006 (Pursuant to the order of the Hon'ble High Court of Delhi dated October 6, 2006, Pearl Global has merged with erstwhile Pearl Styles Limited and City Estates Private Limited. The net assets and liabilities of erstwhile Pearl Styles Limited and City Estates Private Limited were transferred to and vested with Pearl Global with effect from April 1, 2005. Further, Pearl Global had an investment in HoPP Fashions until fiscal 2005);

   (ii) City Estates Private Limited (now merged with Pearl Global with effect from April 1, 2005) for fiscal 2002, 2003, 2004 and 2005;

   (iii) Vau Apparels Private Limited for fiscal 2002, 2003 and 2004;

   (iv) Nim International Commerce Private Limited for fiscal 2002, 2003, 2004 and 2005;

   (v) Winner Estates Private Limited for fiscal 2002, 2003 and 2004;

   (vi) HoPP Fashions for fiscal 2002, 2003, 2004, 2005 and 2006 and the six months ended September 30, 2006;

   (vii) Nor Pearl for fiscal 2006 and the six months ended September 30, 2006 (HoPFL acquired Nor Pearl on March 28, 2006);

   (viii) Norp Knit for fiscal 2006 and the six months ended September 30, 2006 (HoPFL acquired Norp Knit on March 28, 2006);

   (ix) Multinational Textiles for fiscal 2006 and the six months ended September 30, 2006 (HoPFL incorporated Multinational Textiles on March 28, 2006, which acquired 100% equity interest in Global Textiles Group on March 31, 2006 and 85% equity interest in Norwest (HK) on May 31, 2006. Global Textiles Group owns interest in Poeticgem, Depa U.S. and PT Norwest); and

   (x) HoP (U.S.) for the two month period ended September 30, 2006 (HoP U.S. was incorporated on August 1, 2006).

Effect of Changes in Foreign Exchange Rates

1) Translation of Financial Statements of Foreign Operations

   In view of Accounting Standard 11 ("AS-11"), 'Changes in Foreign Exchange Rates', issued by the Institute of Chartered Accountants of India, the operations of the foreign subsidiaries are non-integral to the operation of HoPFL, and thus financial statements of the foreign operations have been translated accordingly. The assets and liabilities of foreign operations, including goodwill/capital reserve arising on consolidation, are translated in Indian Rupee at foreign exchange rate at the closing rate ruling as at the balance sheet date. The revenue and expenses of foreign operations are translated in Indian Rupee at the yearly average currency exchange rate of the respective years. Foreign exchange differences arising on translation are recognized as 'foreign exchange translation reserve' in the balance sheet.

2) Foreign Currency Transactions

   a) Export sales made in foreign currencies are translated on an average monthly exchange rate. Gain/Loss arising out of fluctuation in the exchange rate on settlement of the transaction is recognized in the profit and loss account.

   b) Current assets, current liabilities and loans denominated in foreign currencies are translated at contracted rate if applicable and in other cases at the rates prevailing on the date of the balance sheet, the resultant exchange gain/loss are dealt with in the profit and loss account, except:

      i) In the case of Indian companies' loans denominated in foreign currencies utilized for acquisition of fixed assets where the exchange gain/losses are adjusted to the cost of such assets. In the case of foreign subsidiaries, such exchange differences are recognized in the income statement.

      ii) Premium or discount on forward exchange contracts are amortized and recognized in the profit and loss account over the period of the contract. Forward exchange contracts outstanding at the balance sheet date are stated at fair value and any gains or losses are recognized in the profit and loss account.

Inventories

1) Inventories of finished goods manufactured by HoPFL are valued at the lower of cost or estimated net realizable value. Cost includes the material cost on a weighted average basis and appropriate share of overheads.
2) Inventories of finished goods traded are valued at the lower of procurement costs (FIFO Method) or estimated net realizable value.
3) Inventories of work in progress ("WIP"), raw material, accessories and consumables are valued at cost (weighted average method) or at estimated net realizable value, whichever is lower. For WIP, cost includes appropriate overheads.

Cash Flow Statement

Cash flow is reported using the indirect method as specified in the Accounting Standard 3 ("AS-3"), 'Cash Flow Statement', issued by the Institute of Chartered Accountants of India.

Revenue Recognition

1) Revenue is recognized when significant risk and rewards of ownership are transferred to the buyer. Sales are shown net of trade discounts and include freight and insurance recovered from buyers as per terms of sales.
2) Income from job work is recognized on the basis of proportionate completion method.
3) Interest income is recognized on time proportion basis.
4) Investment income is recognized as and when the right to receive the same is established.
5) Handling fee income is recognized in the period in which services are rendered.

Fixed Assets

Fixed Assets are stated at cost of acquisition inclusive of inward freight, duties, taxes and incidental expenses including borrowing costs related to acquisition less depreciation.

Depreciation

In the case of HoPFL and its subsidiaries, depreciation on fixed assets is provided on a straight line method in accordance with and in the manner specified in the statute governing the respective companies.

In case of HoPP Fashions, depreciation on fixed assets has been provided on written down value ("WDV") method, as prescribed under I.T. Act.

In case of Norp Knit, depreciation on fixed assets has been provided on WDV basis as per the rates specified in the statute governing the subsidiary.

Investments

Long-term investments are valued at cost, provisions for the diminution in value of long-term investment is made only if such a decline is other than temporary in the opinion of the management.

Retirement Benefits

1) In case of HoPFL and its Indian subsidiaries

   a) Provident Fund: Retirement Benefits in the form of provident fund are charged to the profit and loss account of the year when the contribution to the respective fund is due.

   b) Gratuity: HoPFL has formed a trust which has taken a group gratuity policy with Life Insurance Corporation of India. Premium on the aforesaid policy is charged to the profit and loss account.

   c) Leave Encashment: During fiscal 2002, the provision for cost in respect of leave encashment benefits to employees has been made as per HoPFL's rule. From fiscal 2003 onwards, the liability for the leave encashment benefits to employees is accrued and provided on the basis of the actuarial valuation made at the end of the each fiscal year.

2) In case of Multinational Textiles and its subsidiaries, the transitional liability of defined benefit plans for the first implementation of IFRS should be recognized immediately in the income statement on a straight line basis over up to five years, if the transitional liability is more than the liability which had previously been recognized.

3) In case of PT Norwest, calculation of employee benefit obligation as at September 30, 2006 is based on management estimate. Management believes there is no significant difference affected to estimated employee benefit as at September 30, 2006.

4) In case of Norp Knit and Nor Pearl Knitwear, a retirement benefits plan has not been introduced.

5) In case of Norwest Industry (HK), the company operates a defined contribution mandatory provident fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme ordinance, for all those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately in an independently administered fund. The employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing Costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

Leases

1) In case of HoPFL and its subsidiaries:

   a) With respect to lease transactions entered into prior to April 1, 2001, lease rentals of assets acquired are charged to the profit and loss account.

   b) Lease transactions entered into on or after April,1, 2001:

      i) Assets acquired under leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalized at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

      ii) Assets acquired under leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the profit and loss account on accrual basis.

      iii) Assets leased out under operating leases are capitalized. Rental income is recognized an on accrual basis over the lease term.

2) In case of Multinational Textiles and its subsidiaries, rental payable under operating leases are charged against income on a straight line basis over the lease term.

   Assets obtained under hire purchase contracts are capitalized as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of change on the net obligation outstanding in each period.

Taxes on Income

1) Income tax on the profit or loss for the year comprises current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date.
2) Deferred tax is recognized on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

   Deferred tax assets with respect to unabsorbed depreciation and the carrying forward of losses are recognized if there is a virtual certainty that there will be sufficient future taxable income available to reverse such losses.

   In case of Norp Knit and Nor Pearl, deferred tax is not considered necessary in view of the fact that the companies are exempt from tax for five years and ten years, respectively.

Impairment of Assets

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the profit and loss account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

Provision, Contingent Liabilities and Contingent Assets

Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

Miscellaneous Expenditure

Miscellaneous Expenditure consists of preliminary, preoperative and amalgamation expenses, which were amortized as under:

	Nature of Expenses	Period of Amortization
1)	Preliminary/preoperative expenses	5 to 10 years
2)	Amalgamation expenses	5 years

Results of Operations and Cash Flow Data

The discussion below covers the following results of operations and cash flow data for the periods specified below:

(i) HoPFL, on a consolidated basis;

(ii) HoPFL, on a stand-alone basis;

(iii) Depa U.S., on a consolidated basis;

(iv) Poeticgem, on a stand-alone basis; and

(v) Norwest Industries (HK), on a stand-alone basis.

Results of Operations of HoPFL, on a Consolidated Basis

You should read the following discussion of the results of operations of HoPFL, on a consolidated basis, together with the financial statements of HoPFL for fiscal 2002, 2003, 2004, 2005 and 2006 and the six months ended September 30, 2006, including notes thereto, prepared in accordance with Indian GAAP and restated in accordance with SEBI Guidelines, which appear elsewhere in this Prospectus. As used in this section, "HoPFL" means House of Pearl Fashion Limited on a consolidated basis.

The following table sets forth certain information with respect to income, expenditures and profits for HoPFL for the periods indicated. The principal operating entity that has been consolidated in HoPFL's results of operations until fiscal 2006 is Pearl Global, a company listed in India, and its subsidiaries during the applicable periods. Our Subsidiaries in Bangladesh were acquired on March 28, 2006; our Subsidiary in Mauritius, Multinational Textiles, was incorporated on March 28, 2006; and our other overseas Subsidiaries, other than Norwest Industries (HK) and HoP (U.S.), were acquired on March 31, 2006. The consolidated information set forth below does not include income and expenses in respect of these entities for fiscal 2006. The accumulated profits of these overseas Subsidiaries have been transferred to the pre-acquisition reserves. For the six months ended September 30, 2006, the audited consolidated information of HoPFL includes the income and expenses in respect of these entities for the entire period, other than Norwest Industries (HK), which is included with effect from June 1, 2006 and HoP (U.S.), which is included with effect from August 1, 2006.

Particulars	**Financial Year Ended March 31,**						**Six months ended September 30, 2006**	
	2004		**2005**		**2006**			
	(Rs.)	**(%)**	**(Rs.)**	**(%)**	**(Rs.)**	**(%)**	**(Rs.)**	**(%)**
Income								
Sales of goods	954,495,670	100.0%	1,210,576,204	100.0%	1,588, 947,233	100.0%	4,302,401,882	100.0%
Export Incentives	45,792,096	4.8%	46,239,100	3.8%	62,680,734	3.9%	33,749,581	0.8%
Job Receipts	14,848,006	1.6%	1,305,075	0.1%	4,308,480	0.3%	2,360,140	0.1%
Other Income	24,936,486	2.6%	39,515,078	3.3%	40,176,289	2.5%	145,528,620	3.4%
Total Income (A)	**1,040,072,258**	**109.0%**	**1,297,635,457**	**107.2%**	**1,696,112,736**	**106.7.%**	**4,484,040,223**	**104.2%**
Expenditure								
Purchase of Trading Goods	70,845,153	7.4%	55,601,272	4.6%	98,860,808	6.2%	2,120,411,787	49.3%
- Raw Material Consumed	527,066,700	55.2%	643,164,904	53.1%	694,712,439	43.7%	644,010,401	15.0%
- (Increase)/Decrease in Stock	(43,666,114)	4.6%	(30,728,008)	2.5%	10,745,069	0.7%	(29,594,283)	0.7%
- Manufacturing Expenses	158,707,625	16.6%	272,597,579	22.5%	375,083,355	23.6%	215,122,228	5.0%
- Personnel Expenses	143,818,546	15.1%	169,085,842	14.0%	183,512,065	11.5%	523,888,134	12.2%
- Administrative, Selling & Other Charges	110,554,160	11.6%	130,953,746	10.8%	148,056,145	9.3%	515,068,479	12.0%
Miscellaneous Expenditure Written off	184,661	-	184,422	-	183,050	-	1,719,118	-
Financial Expenses	11,851,855	1.2%	16,300,687	1.3%	26,211,845	1.6%	61,442,090	1.4%
Depreciation	23,742,769	2.5%	26,901,070	2.2%	27,690,160	1.7%	51,982,642	1.2%
Total Expenditure (B)	**1,003,105,355**	**105.1%**	**1,284,061,514**	106.1%	**1,565,054,936**	98.4%	**4,104,050,595**	**95.4%**
Net Profit before tax and extraordinary items (A-B)	**36,966,903**	**3.9%**	**13,573,943**	1.1%	**131,057,800**	8.2%	**379,989,628**	**8.8%**
Less:- Extraordinary Item								
Loss on Sale of Sweater Division of subsidiary Pearl Style Limited	-	-	(40,337,841)	3.3%	-	-	-	-

Particulars	Financial Year Ended March 31,						Six months ended September 30, 2006	
	2004		2005		2006			
	(Rs.)	(%)	(Rs.)	(%)	(Rs.)	(%)	(Rs.)	(%)
Provision for taxation								
Current tax	(1,652,000)	0.2%	(2,698,605)	0.2%	(11,016,000)	0.7%	(104,722,124)	2.4%
Deferred tax	8,366,846	0.88%	11,731,491	0.97%	(49,796,203)	3.1%	(16,155,425)	0.4%
Fringe benefit tax	-	-	-	-	(2,494,598)	0.2%	(1,090,500)	-
Wealth tax	(265,000)	-	(200,000)	-	(191,000)			
Tax Adjustment for earlier year	(471,662)	-	835,401	0.1%	(10,500,000)	0.7%	-	-
Provision written back	2,541,695	0.3%						
Prior Period Expenses	300,473	-	(380,282)	-	(933,427)	0.1%-	224,008	-
Provision for doubtful debts	-	-	-	-	(145,230)	-	-	-
Transfer from General Reserve								
Net Profit after tax and extraordinary item	**45,787,255**	**4.8%**	**(17,475,893)**	1.4%	**55,981,342**	3.5%	**258,245,587**	**6.0%**
Adjustment	-	-	-	-	-	-	-	
Increase/(Decrease) in Net Profits								
Taxes of Earlier Years	(274,101)	-			10,500,000	0.7%	-	-
Total of Adjustments after Tax Impact	**(274,101)**	**-**	**-**		**10,500,000**	**0.7%**	**-**	**-**
Net Profit/ (Loss) before Minorities Interest	**45,513,154**	**4.8%**	**(17,475,893)**	1.4%	**66,481,342**	4.2%	**258,245,587**	**6.0%**
Less: Minorities Interest	23,913,359	2.5%	(21,025,735)	1.7%	11,367,466	0.7%	32,847,802	0.8%
Dividend Paid for the year 2005-06	-	-	-	-	-	-	5,929,311	0.1%
Proposed dividend-Equity Shares	-	-	-	-	9,378,071	0.6%	-	-
Tax on Dividend	-	-	-	-	3,329,301	0.2%	831,590	-
Transfer of General Reserve	-	-	-	-	4,981, 184	0.3%	663,739	-
Utilization against bonus shares issued	-	-	-	-	-	-	33,518,468	0.8%
Add: Profit Brought Forward	13,991,957	1.5%	35,591,753	2.9%	78,511,930	4.9%	116,027,980	2.7%
Less: Profits of Subsidiary Disposed off -		-	(3,602,997)	0.3%	(90,730)	-		
Profit/ (Loss) Carried to Balance sheet	**35,591,753**	**3.7%**	**42,744,592**	3.5%	**116,027,980**	7.3%	**300,482,656**	**7.0%**

Adjustments

The consolidated financial statements of HoPFL have been restated in compliance with SEBI Guidelines and in accordance with Indian GAAP. The effects of restatement are shown as a cumulative effect on our adjusted profit after tax rather than as restatements of individual line items in our income statement. Consistent with this presentation, in the comparison of our results of operations from fiscal period to fiscal period, we have provided a discussion of the effects of the restatement on our adjusted profit at the end of each such fiscal period to fiscal period comparison. The principal adjustments to our financial statements in connection with the restatement include changes in accounting policies and estimates relating to depreciation, interest expenses, deferred taxes, and prior period adjustments and material re-groupings and rectifications. For more information, please see note 2, Annexure V to HoPFL's restated consolidated financial statements prepared in accordance with Indian GAAP and included on page F-47 of this Prospectus.

Income

Sales of Goods

HoPFL's consolidated sales constitute sales of ready-to-wear garments manufactured or traded by the Group. Sales are shown net of trade discounts and include freight and insurance recovered from buyers.

Export Incentives

Export incentives includes refunds of duty drawback as described in "Factors Affecting our Results of Operations — Export Incentives" above. As a percentage of sales, HoPFL's export incentives constituted 4.8 %, 3.8% and 3.9% in fiscal 2004, 2005 and 2006, respectively and 0.8% in the six months ended September 30, 2006. These incentives relate primarily to our operations in India, and have declined in the six months ended September 30, 2006 as a result of the effect of the consolidation of our overseas Subsidiaries.

Job Receipts

Job receipts constitute income received by way of conversion charges for making garments on a job work basis. HoPFL does not derive and is not expected to derive in the future any significant income from job work as it is not its principal business activity. As a percentage of sales, HoPFL's job receipts constituted 1.6%, 0.1% and 0.3% in fiscal 2004, 2005 and 2006, respectively and 0.1% in the six months ended September 30, 2006.

Other Income

Other income includes rent, interest income, dividend, profit on sale of assets and investment, profit from partnership firm, commission income and miscellaneous income. As a percentage of sales, HoPFL's revenue from other income constituted 2.6%, 3.3% and 2.5% in fiscal 2004, 2005 and 2006, respectively and 3.4% in the six months ended September 30, 2006.

Expenditure

HoPFL's expenditures have the following major components: purchase of trading goods; raw materials consumed, change in stock; manufacturing expenses; personnel expenses; administrative, selling and other charges; miscellaneous expenditure written off; financial expenses; and depreciation.

Purchase of Trading Goods

HoPFL's expenditure on trading goods includes purchases of ready-to-wear apparel products for sale to customers. As a percentage of its sales, HoPFL's purchase of trading goods constituted approximately 7.4%, 4.6% and 6.2% in fiscal 2004, 2005 and 2006, respectively and 49.3% in the six months ended September 30, 2006. We conduct trading of apparel products primarily through our overseas Subsidiaries, including Depa U.S., Poeticgem and Norwest Industries (HK), which have been consolidated in the six months ended September 30, 2006 resulting in a significant increase in the expenses on purchase of trading goods, including as a percentage of net sales.

Raw Material Consumed

Fabric is the major raw material, and is the most significant cost to HoPFL's business. As a percentage of its sales, HoPFL's raw materials consumed constituted approximately 55.2%, 53.1% and 43.7% in fiscal 2004, 2005 and 2006, respectively and

15.0% in the six months ended September 30, 2006. These expenses, as a percentage of sales, have declined significantly in the six months ended September 30, 2006, due to the effect of the consolidation of our overseas Subsidiaries, most of which do not have manufacturing operations. HoPFL currently has no long-term contracts with any of its suppliers and raw materials are purchased on an order-by-order basis. The other raw materials for HoPFL's business comprise thread, elastic, buttons, zips, lining, beads, sequins, tags, labels, foam, paper foam, embroidery thread and elastic thread.

Variations in Stock

Variations in stock refer to changes in our inventory of finished goods and work in progress compared across two accounting periods.

Manufacturing Expenses

HoPFL's manufacturing expenses include: manufacturing expenses in respect of fabrication, embroidery, finishing and washing; stores and spares consumed; power and fuel charges; repair and maintenance charges for machinery. As a percentage of sales, HoPFL's manufacturing expenses constituted approximately 16.6%, 22.5% and 23.6% in fiscal 2004, 2005 and 2006, respectively and 5.0% in the six months ended September 30, 2006. These expenses, as a percentage of sales, have declined significantly in the six months ended September 30, 2006, due to the effect of the consolidation of our overseas Subsidiaries, most of which do not have manufacturing operations.

Personnel Expenses

Personnel expenses include salaries, wages and bonuses; contributions to employees' provident fund and other funds; gratuity; and staff welfare expenses. As a percentage of sales, HoPFL's personnel expenses constituted approximately 15.1%, 14.0% and 11.5% in fiscal 2004, 2005 and 2006, respectively and 12.2% in the six months ended September 30, 2006.

Administrative, Selling and Other Expenses

Administrative, selling and other expenses include audit fees, legal and professional charges, travel expenses, ground rent, insurance charges, expenses resulting from foreign exchange fluctuation, bank charges, rates and taxes, cartage and freight and miscellaneous charges. As a percentage of sales, HoPFL's administrative, selling and other expenses constituted approximately 11.6%, 10.8% and 9.3% in fiscal 2004, 2005 and 2006, respectively and 12.0% in the six months ended September 30, 2006. These expenses have increased in the six months ended September 30, 2006 as a result of the effect of consolidation of our overseas Subsidiaries.

Miscellaneous Expenditure Written off

Miscellaneous expenditure written off comprises of amortization charge for deferred expenses, such as preliminary expenses relating to establishment of new facilities.

Financial Expenses

Financial expenses include interest expense on both long-term loans and short term working capital loans. These loans have been availed both in Rupees and in foreign currency. As a percentage of sales, HoPFL's financial expenses constituted approximately 1.2%, 1.3% and 1.6% in fiscal 2004, 2005 and 2006, respectively and 1.4% in the six months ended September 30, 2006.

Depreciation

In case of HoPFL and the Subsidiaries, depreciation on fixed asset is provided on straight line method in accordance with and in the manner specified in the statute governing the respective companies. In case of HoPP Fashions, depreciation on fixed assets have been provided on written down value ("WDV") method, as prescribed under Income Tax Act, 1961. In case of Norp Knit, depreciation on fixed assets has been provided on WDV basis as per the rates specified in the statute governing the subsidiary. However, this has been converted to straight line basis for maintaining uniform accounting policies for consolidation. As a percentage of sales, depreciation constituted approximately 2.5%, 2.2% and 1.7% in fiscal 2004, 2005 and 2006, respectively and 1.2% in the six months ended September 30, 2006.

Segment Information

For the six months ended September 30, 2006, we have identified geographical segments as our primary reportable segment and business segments as our secondary reportable segment. The geographical segments based on the location of our assets are the United States of America, United Kingdom, Hong Kong, India and Bangladesh. The secondary segments are: (i) manufacturing and (ii) marketing, distribution, sourcing and trading. The other categories in these segments are not significant.

Six months ended September 30, 2006

Income

Sales of Goods. HoPFL's sales of goods were Rs.4,302.4 million in the six months ended September 30, 2006.

Export Incentives. HoPFL recorded income from export incentives of Rs.33.7 million in the six months ended September 30, 2006, constituting approximately 0.8% of sales.

Job Receipts. HoPFL recorded income from job receipts of Rs.2.4 million in the six months ended September 30, 2006, constituting approximately 0.1% of sales.

Other Income. Other income was Rs.145.5 million in the six months ended September 30, 2006, constituting approximately 3.4% of sales.

Expenditure

Purchase of Trading Goods. HoPFL recorded expenditure for purchase of trading goods of Rs.2,120.4 million in the six months ended September 30, 2006, constituting approximately 49.3% of sales.

Raw Material Consumed. HoPFL incurred expenditure for raw material consumed of Rs.644.0 million in the six months ended September 30, 2006, constituting approximately 15.0% of sales.

Variations in Stock. HoPFL recorded an increase in stock of Rs.29.6 million in the six months ended September 30, 2006, constituting approximately 0.7% of sales.

Manufacturing Expenses. HoPFL recorded total manufacturing expenses of Rs.215.1 million in the six months ended September 30, 2006, constituting approximately 5.0% of sales.

Personnel Expenses. HoPFL incurred personnel expenses of Rs.523.9 million in the six months ended September 30, 2006, constituting approximately 12.2% of sales.

Administrative, Selling and Other Charges. HoPFL incurred administrative, selling and other charges of Rs.515.1 million in the six months ended September 30, 2006, constituting approximately 12.0% of sales.

Miscellaneous Expenditure Written Off. Miscellaneous expenditure written off was Rs.1.7 million in the six months ended September 30, 2006.

Financial Expenses. HoPFL recorded financial expenses of Rs.61.4 million in the six months ended September 30, 2006, constituting approximately 1.4% of sales.

Depreciation. Depreciation was Rs.52.0 million in the six months ended September 30, 2006, constituting approximately 1.2% of sales.

Net Profit Before Tax and Extraordinary Item. As a result of the foregoing, HoPFL recorded net profit before tax and extraordinary item of Rs.380.0 million in the six months ended September 30, 2006, constituting approximately 8.8% of sales.

Provision for Taxation. HoPFL recorded a total tax liability of Rs.122.0 million in the six months ended September 30, 2006, constituting approximately 2.8% of sales.

Net Profit after Tax and Extraordinary Item. HoPFL recorded a net profit after tax and extraordinary item of Rs.258.2 million in the six months ended September 30, 2006, constituting approximately 6.0% of sales.

Net Profit, as restated. There were no adjustments in the six months ended September 30, 2006. Accordingly, HoPFL's restated net profit was Rs.258.2 million in the six months ended September 30, 2006, constituting approximately 6.0% of sales.

Segment Information

Geographic Segment

The table below sets forth certain information in respect of geographic segments for the six months ended September 30, 2006:

(In Rs. million)

	U.S.	**U.K.**	**Hong Kong**	**Bangladesh**	**India**	**Others**
Total segment revenue	616.2	1,311.4	1,220.5	380.0	810.1	221.8
Total revenue of each segment as a percentage of total revenue of all segments	13.0%	29.0%	26.0%	8.0%	19.0%	5%
Total segment operative profit	55.7	154.3	108.6	40.7	112.2	22.0
Total segment result after tax but before prior period and extraordinary items	25.2	93.3	69.8	18.1	41.4	10.1
Total segment result of each segment as a percentage of total segment result of all segments	10.0%	36.0%	27.0%	7.0%	16.0%	4.0%

Business Segment

The table below sets forth certain information in respect of business segments for the six months ended September 30, 2006:

(In Rs. million)

	Manufacturing	**Marketing, Distribution, Sourcing & Trading**	**Others**
Total segment revenue	1,487.1	3,265.0	-
Total revenue of each segment as a percentage of total revenue of all segments	31.3%	68.7%	-
Total segment operative profit before tax	175.2	319.5	(1.3)
Total segment result after tax but before prior period and extraordinary items	72.4	188.8	(3.2)
Total segment result of each segment as a percentage of total segment result of all segments	28.0%	72.0%	-

Comparison of the year ended March 31, 2005 with the year ended March 31, 2006

Income

Sales of Goods. Sales of goods increased by Rs.378.3 million, or 31.2%, from Rs.1,210.6 million in fiscal 2005 to Rs.1,588.9 million in fiscal 2006. This increase was primarily due to increased sales to existing customers, such as JC Penny and The GAP and the addition of new customers, such as Esprit and Kohls. The number of customers increased from 20 in fiscal 2005 to 25 in fiscal 2006. Sales to one customer were approximately 61.8% and 53.9% of sales for fiscal 2005 and 2006, respectively.

Export Incentives. Export incentives increased by Rs.16.5 million, or 35.7%, from Rs.46.2 million in fiscal 2005 to Rs.62.7 million in fiscal 2006. This increase was primarily due to increase in the sales volume. As a percentage of sales, export incentives marginally increased from 3.8% in fiscal 2005 to 3.9% in fiscal 2006.

Job Receipts. Job receipts increased by Rs.3.0 million, or 230.8%, from Rs.1.3 million in fiscal 2005 to Rs.4.3 million in fiscal 2006. This increase was primarily due to an increase in job work outsourced to us. As a percentage of sales, job receipts increased marginally from 0.1% in fiscal 2005 to 0.3% in fiscal 2006.

Other Income. Other income increased by Rs.0.7 million, or 1.8%, from Rs.39.5 million in fiscal 2005 to Rs.40.2 million in fiscal 2006. This increase was primarily due to an increase in miscellaneous income from Rs.9.2 million in fiscal 2005 to Rs.25.6 million in fiscal 2006, which represents gains due to foreign currency fluctuation on account of hedging. As a percentage of sales, other income decreased from 3.3% in fiscal 2005 to 2.5% in fiscal 2006.

Expenditure

Purchase of Trading Goods. Expenditure for purchase of trading goods increased by Rs.43.3 million, or 77.9%, from Rs.55.6 million in fiscal 2005 to Rs.98.9 million in fiscal 2006. This increase was primarily due to an increase in the volume of traded goods, which were purchased from Bangladesh and Indonesia. As a percentage of sales, purchase of trading goods increased from 4.6% in fiscal 2005 to 6.2% in fiscal 2006.

Raw Material Consumed. Cost of raw material consumed increased by Rs.51.5 million, or 8.0%, from Rs.643.2 million in fiscal 2005 to Rs.694.7 million in fiscal 2006. This increase was primarily due to increased sales volume. As a percentage of sales, raw material consumed decreased from 53.1% in fiscal 2005 to 43.7% in fiscal 2006. The decrease in percentage terms was primarily due to shift in the business focus to value added products, which resulted in an increase in our gross margins.

Variations in Stock. HoPFL recorded an increase in stock of Rs.30.7 million in fiscal 2005 compared to a decrease in stock of Rs.10.7 million in fiscal 2006. This decrease in stock was primarily due to efficient inventory management and increased content of the fabrics sourced locally with staggered deliveries.

Manufacturing Expenses. Total manufacturing expenses increased by Rs.102.5 million, or 37.6%, from Rs.272.6 million in fiscal 2005 to Rs.375.1 million in fiscal 2006. This was primarily due to an increase in expenses in respect of fabrication, embroidery, finishing and washing from Rs.235.7 million in fiscal 2005 to Rs.326.0 million in fiscal 2006 resulting from increase in sales volumes and focus on value added products, including embroidery and special processes. Increase in power and fuel expenses from Rs.28.9 million in fiscal 2005 to Rs.37.2 million in fiscal 2006 also contributed to an increase in manufacturing expenses. As a percentage of sales, manufacturing expenses increased from 22.5% in fiscal 2005 to 23.6% in fiscal 2006.

Personnel Expenses. Personnel expenses increased by Rs.14.4 million, or 8.5%, from Rs.169.1 million in fiscal 2005 to Rs.183.5 million in fiscal 2006. This increase was primarily due to an increase in expenses relating to salaries, wages and bonuses from Rs.144.0 million in fiscal 2005 to Rs.156.0 million in fiscal 2006. As a percentage of sales, personnel expenses decreased from 14.0% in fiscal 2005 to 11.5% in fiscal 2006. This decrease in percentage was attributable to an increase in sales volume without a corresponding increase in establishment cost.

Administrative, Selling and Other Charges. Administrative, selling and other charges increased by Rs.17.1 million, or 13.1%, from Rs.130.9 million in fiscal 2005 to Rs.148.0 million in fiscal 2006. This was primarily due to an increase in bank charges from Rs.15.7 million in fiscal 2005 to Rs.19.3 million in fiscal 2006, increase in cartage and freight from Rs.18.6 million in fiscal 2005 to Rs.24.1 million in fiscal 2006 and increase in outward freight from Rs.27.6 million in fiscal 2005 to Rs.32.9 million in fiscal 2006. As a percentage of sales, administrative, selling and other charges decreased from 10.8% in fiscal 2005 to 9.3% in fiscal 2006. This decrease in percentage is primarily attributable to an increase in sales volume without a corresponding increase in fixed cost.

Miscellaneous Expenditure Written Off. Miscellaneous expenditure written off decreased marginally by Rs.1,372, or 0.7%, from Rs.184,422 in fiscal 2005 to Rs.183,050 in fiscal 2006.

Financial Expenses. Financial expenses increased by Rs.9.9 million, or 60.7%, from Rs.16.3 million in fiscal 2005 to Rs.26.2 million in fiscal 2006. This increase was primarily due to increase in term loans to part finance HoPFL's capital expansion plans and increased working capital requirements. In addition, interest rates have increased during the last year increasing the amounts needed to service the existing loans. As a percentage of sales, financial expenses increased from 1.3% in fiscal 2005 to 1.6% in fiscal 2006.

Depreciation. Depreciation increased by Rs.0.8 million, or 3.0%, from Rs.26.9 million in fiscal 2005 to Rs.27.7 million in fiscal 2006. This increase was primarily due to an increase in capital expenditures due to increase in production capacity.

Net Profit Before Tax and Extraordinary Item. As a result of the foregoing, HoPFL's net profit before tax and extraordinary item increased by Rs.117.5 million, or 864.0%, from Rs.13.6 million in fiscal 2005 to Rs.131.1 million in fiscal 2006. As a percentage of sales, net profits before tax and extraordinary item increased from 1.1% in fiscal 2005 to 8.2% in fiscal 2006. Further, in fiscal 2005, we also incurred an extraordinary loss in an amount of Rs.40.3 million, constituting 3.3% of our sales during that period, due to sale of assets of our sweater division operated by our erstwhile subsidiary, Pearl Styles Limited, which was discontinued as it was not generating expected returns.

Provision for Taxation. HoPFL recorded a deferred tax asset of Rs.11.7 million in fiscal 2005 and a deferred tax liability of Rs.49.8 million in fiscal 2006, which was primarily due to resulting from adjustment of accumulated losses of Pearl Styles with the profit of Pearl Global as a result of the merger of erstwhile Peal Styles Limited with Pearl Global . There was also an increase in current tax liability from Rs.2.7 million in fiscal 2005 to Rs.11.0 million in fiscal 2006 due to an increase in the profit for fiscal 2006. In fiscal 2006, we also paid Rs.2.5 million as a fringe benefit tax, which was introduced by the Government of India during this period.

Net Profit after Tax and Extraordinary Item. HoPFL recorded a net loss after tax and extraordinary item of Rs.17.5 million in fiscal 2005 and a net profit after tax and extraordinary item of Rs.56.0 million in fiscal 2006.

Adjustment. Pursuant to SEBI Guidelines, for purposes of restatement of our consolidated financial statements, we have added back an income tax provision of Rs.10.5 million in fiscal 2006, which has been provided in the respective years to which this liability relates.

Net Profit, as restated. As a result of the foregoing, HoPFL's restated net profit increased by Rs.84.0 million, from a loss of Rs.17.5 million in fiscal 2005 to a profit of Rs.66.5 million in fiscal 2006. As a percentage of sales, net loss, as restated, was 1.4% in fiscal 2005 and net profit, as restated, was 4.2% in fiscal 2006.

Comparison of the year ended March 31, 2004 with the year ended March 31, 2005

Income

Sales of Goods. Sales of goods increased by Rs.256.1 million, or 26.8%, from Rs.954.5 million in fiscal 2004 to Rs.1,210.6 million in fiscal 2005. This increase was primarily due to increased sales to existing customers, such as JC Penny and The GAP and the addition of new customers, such as American Eagle, Belk International Inc. and Carrefour. The number of customers increased from 12 in fiscal 2004 to 20 in fiscal 2005.

Export Incentives. Export incentives increased by Rs.0.4 million, or 0.9%, from Rs.45.8 million in fiscal 2004 to Rs.46.2 million in fiscal 2005. This increase was primarily due to increase in the sales volume. As a percentage of sales, export incentives decreased from 4.8% in fiscal 2004 to 3.8% in fiscal 2005 due to import of the fabrics, which did not qualify for exemption under the Duty Drawback Scheme.

Job Receipts. Job receipts decreased by Rs.13.5 million, or 91.2%, from Rs.14.8 million in fiscal 2004 to Rs.1.3 million in fiscal 2005. This decrease was primarily due to a reduction in job work outsourced to us, reflecting capacity constraints. As a percentage of sales, job receipts decreased from 1.6% in fiscal 2004 to 0.1% in fiscal 2005.

Other Income. Other income increased by Rs.14.6 million, or 58.6%, from Rs.24.9 million in fiscal 2004 to Rs.39.5 million in fiscal 2005. This increase was primarily due to an increase in commission income from Rs.7.3 million in fiscal 2004 to Rs.18.1 million in fiscal 2005, reflecting revenues from a new marketing contract procured during this period. As a percentage of sales, other income increased from 2.6% in fiscal 2004 to 3.3% in fiscal 2005.

Expenditure

Purchase of Trading Goods. Expenditure for purchase of trading goods decreased by Rs.15.2 million, or 21.5%, from Rs.70.8

million in fiscal 2004 to Rs.55.6 million in fiscal 2005. This decrease was primarily due to a decrease in trade volume. As a percentage of sales, purchase of trading goods decreased from 7.4% in fiscal 2004 to 4.6% in fiscal 2005.

Raw Material Consumed. Cost of raw materials consumed increased by Rs.116.1 million, or 22.0%, from Rs.527.1 million in fiscal 2004 to Rs.643.2 million in fiscal 2005. This increase was primarily due to an increase in sales volume, which increased our bargaining power with raw material suppliers and allowed us to procure materials at competitive prices. As a percentage of sales, raw materials consumed decreased from 55.2% in fiscal 2004 to 53.1% in fiscal 2005.

Variations in Stock. HoPFL recorded an increase in stock of Rs.43.7 million in fiscal 2004 compared to an increase in stock of Rs.30.7 million in fiscal 2005. This was primarily due to an increase in anticipated future sales in the first quarter of fiscal 2006.

Manufacturing Expenses. Total manufacturing expenses increased by Rs.113.9 million, or 71.8%, from Rs.158.7 million in fiscal 2004 to Rs.272.6 million in fiscal 2005. This was primarily due to increase in expenses in respect of fabrication, embroidery, finishing and washing from Rs.126.7 million in fiscal 2004 to Rs.235.7 million in fiscal 2005 due to an increase in sales volumes and our increased focus on value added services, including embroidery. An increase in power and fuel expenses from Rs.26.9 million in fiscal 2004 to Rs.28.9 million in fiscal 2005 also contributed to an increase in manufacturing expenses. As a percentage of sales, manufacturing expenses increased from 16.6% in fiscal 2004 to 22.5% in fiscal 2005. This was because we added capacity in fiscal 2005, which operated below optimum efficiency level in the initial start-up phase.

Personnel Expenses. Personnel expenses increased by Rs.25.3 million, or 17.6%, from Rs.143.8 million in fiscal 2004 to Rs.169.1 million in fiscal 2005. This increase was primarily due to an increase in expenses on account of salaries, wages and bonuses from Rs.123.1 million in fiscal 2004 to Rs.144.0 million in fiscal 2005. As a percentage of sales, personnel expenses decreased from 15.1% in fiscal 2005 to 14.0% in fiscal 2006. The decrease was due to an increase in sales volume without a corresponding increase in fixed establishment cost.

Administrative, Selling and Other Charges. Administrative, selling and other charges increased by Rs.20.4 million, or 18.5%, from Rs.110.5 million in fiscal 2004 to Rs.130.9 million in fiscal 2005. This was primarily due to an increase in bank charges from rs.12.7 million in fiscal 2004 to Rs.15.7 million in fiscal 2005, increase in cartage and freight from Rs.11.8 million in fiscal 2004 to Rs.18.6 million in fiscal 2005 and increase in outward freight from Rs.14.2 million in fiscal 2004 to Rs.27.6 million in fiscal 2005. As a percentage of sales, administrative, selling and other charges decreased from 11.6% in fiscal 2004 to 10.8% in fiscal 2005.

Miscellaneous Expenditure Written Off. Miscellaneous expenditure written off decreased marginally by Rs.239, or 0.1%, from Rs.184,661 in fiscal 2004 to Rs.184,422 in fiscal 2005.

Financial Expenses. Financial expenses increased by Rs.4.5 million, or 38.1%, from Rs.11.8 million in fiscal 2004 to Rs.16.3 million in fiscal 2005. This increase was primarily due to an increase in other loans to partially finance HoPFL's additional working capital resulting from the growth in its business. In addition, interest rates increased during fiscal 2005 compared to fiscal 2004, increasing the servicing cost of our loans. As a percentage of sales, financial expenses increased marginally from 1.2% in fiscal 2004 to 1.3% in fiscal 2005.

Depreciation. Depreciation increased by Rs.3.2 million, or 13.5%, from Rs.23.7 million in fiscal 2004 to Rs.26.9 million in fiscal 2005. This was primarily due to an increase in capital expenditures resulting from capacity expansion.

Net Profit Before Tax and Extraordinary Item. As a result of the foregoing, HoPFL's net profit before tax and extraordinary items decreased by Rs.23.4 million, or 63.2%, from Rs.37.0 million in fiscal 2004 to Rs.13.6 million in fiscal 2005. As a percentage of sales, net profits before tax and extraordinary items decreased from 3.9% in fiscal 2004 to 1.1% in fiscal 2005. This decrease was primarily due to the operating losses of an underperforming sweater division in Gurgaon, Haryana, which was subsequently shut down in fiscal 2005.

Provision for Taxation. HoPFL recorded a net tax credit of Rs.6.4 million in fiscal 2004 compared to a net tax credit of Rs.8.8 million in fiscal 2005. This was primarily due to an increase in deferred tax credits from Rs.8.4 million in fiscal 2004 to Rs.11.7 million in fiscal 2005, which was due to the write-off of assets of the sweater division in Gurgaon, Haryana.

Net Profit after Tax and Extraordinary Item. Due to the discontinuation of the sweater division, HoPFL incurred an extraordinary loss of Rs.40.3 million in fiscal 2005. Accordingly, HoPFL recorded a net profit after tax and extraordinary item of Rs.45.8 million in fiscal 2004 compared to a net loss after tax and extraordinary item of Rs.17.5 million in fiscal 2005.

Adjustment. Pursuant to SEBI Guidelines, for purposes of restatement of our consolidated financial statements, we have added back an income tax provision of Rs.10.5 million in fiscal 2006, which has been provided in the respective years to which this liability relates. Of this amount, Rs.0.3 million relates to fiscal 2004.

Net Profit, as restated. As a result of the foregoing, HoPFL's restated net profit decreased by Rs.63.0 million from a profit of Rs.45.5 million in fiscal 2004 to a loss of Rs.Rs17.5 million in fiscal 2005. As a percentage of sales, net profit, as restated, decreased from 4.8% in fiscal 2004 to 1.4% in fiscal 2005.

Cash Flow Data for HoPFL, on a Consolidated Basis

The table below summarizes the cash flow of HoPFL on a consolidated basis for the years ended March 31, 2006, 2005 and 2004 and the six months ended September 30, 2006.

(Amount in Rs.)

	For the years ended March 31,			Six months ended September 30, 2006
	2004	2005	2006	
Net cash flows from (used in) operating activities	18,459,599	(124,898,947)	118,272,462	(705,228,903)
Net cash flows from (used in) investing activities	(34,798,488)	(10,094,504)	(563,647,428)	(226,700,872)
Net cash flows from (used in) financing activities	17,730,491	100,264,825	522,419,168	1,326,632,201
Net increase (decrease) in cash and cash equivalents	1,391,601	(34,728,626)	77,044,202	394,702,426

Cash flows from (used in) operating activities

Six months ended September 30, 2006. HoPFL's net cash outflow from operating activities in the six months ended September 30, 2006 was Rs.705.2 million, reflecting a net profit before tax and extraordinary items of Rs.380.0 million and direct taxes paid of Rs.5.4 million, and adjusted for depreciation of Rs.52.0 million, finance cost of Rs.61.4 million, loss on sale of investment of 2.9 million, hedging reserve of Rs.14.2 million, profit on sale of assets of Rs.14.0 million and non-operating income of Rs.3.3 million, among others. Working capital changes included, among others, a Rs.240.0 million increase in trade and other receivables, reflecting increase in the sales volume, a Rs.82.4 million increase in inventories and a Rs.860.3 million decrease in trade payables due to consolidation of the overseas Subsidiaries.

Fiscal 2006. HoPFL's net cash from, or net cash inflow, from operating activities in fiscal 2006 was Rs.118.3 million, reflecting a net profit before tax and extraordinary items of Rs.131.1 million, direct taxes paid of Rs.14.0 million and prior period expense of Rs.933,427, and adjusted for depreciation of Rs.27.7 million, finance cost of Rs.26.2 million, loss on sale of investment of Rs.2.9 million, profit on sale of assets of Rs.1.7 million and non-operating incomes of Rs.6.0 million, among others. Working capital changes included a Rs.14.7 million decrease in trade and other receivables, reflecting realization of debt and receivables during the relevant period, Rs.5.6 million increase in inventories, reflecting growth in business, and a Rs.51.4 million decrease in trade payables, resulting from a change in terms of payment to fabric suppliers that now required advance payment for goods supplied.

Fiscal 2005. HoPFL's net cash outflow from operating activities in fiscal 2005 was Rs.124.9 million, reflecting a net profit before tax and extraordinary items of Rs.13.6 million, direct taxes paid of Rs.2.9 million, extraordinary items of Rs.40.3 million reflecting loss on sale of assets of our sweater division in Gurgaon, Haryana and prior period expense of Rs.380,282, and adjusted for depreciation of Rs.26.9 million, loss on sale of assets of Rs.7.8 million, finance cost of Rs.16.3 million, profit on sale of investment of Rs.9.1 million and non-operating incomes of Rs.3.0 million, among others. Working capital changes included a Rs.164.3 million increase in trade and other receivables, a Rs.110.8 million increase in inventories, and a Rs.139.4 million increase in trade payables, reflecting growth in business.

Fiscal 2004. HoPFL's net cash inflow from operating activities in fiscal 2004 was Rs.18.4 million, reflecting a net profit before tax and extraordinary items of Rs.37.0 million, direct taxes paid of Rs.1.1 million and prior period expense of Rs.300,473, and adjusted for depreciation of Rs.23.7 million, sundry balance written off of 4.4 million, provision of doubtful debts of Rs.2.5 million, finance cost of Rs.11.8 million, share in profit of partnership firm of Rs.6.3 million and non-operating incomes of Rs.2.4

million, among others. Working capital changes included a Rs.24.0 million decrease in trade and other receivables, a Rs.85.1 million increase in inventories, reflecting growth in business and a Rs.7.7 million increase in trade payables, reflecting increased sales volumes.

Cash flows from (used in) investing activities

Six months ended September 30, 2006. HoPFL's net cash outflow from investing activities was Rs.226.7 million in the six months ended September 30, 2006, which was primarily a result of payment for investment made during the year of Rs.175.9 million, purchase of fixed assets of Rs.458.7 million, decrease in capital work in progress of Rs.160.6 million, increase in deposits of Rs.183.7 million and partially offset by sale of fixed assets of Rs.58.1 million and sale of investment of Rs.2.0 million. The payment for investment included payment for acquisition of Norwest Industries (HK) and buyout of minority share in PT Norwest. The purchase of fixed assets reflected the effect of the consolidation of the overseas Subsidiaries. Decrease in capital work in progress reflected capitalization of the plant and machinery of the bottoms facility in the Madras Export Processing Zone, increase in deposits reflected increase in fixed deposits with the banks, sale of fixed assets reflected assets sold in the ordinary course of business and sale of real property and sale of investment reflected sale in the normal course of business.

Fiscal 2006. HoPFL's net cash outflow from investing activities was Rs.563.6 million in fiscal 2006, which was primarily a result of the purchase of fixed assets of Rs.119.9 million, an increase in capital work in progress of Rs.210.1 million, investment made during the year of Rs.430.9 million, and partially offset by sale of fixed assets of Rs.25.0 million, sale of investment of Rs.4.0 million, rent received of Rs.4.5 million and outstanding purchase consideration of Rs.162.1 million, among others. The purchase of fixed assets included capital expenditures on expansions of facilities in North India, increase in capital work in progress included funds deployed in our bottoms factory in Chennai, India, and investment made during the year included acquisition of certain overseas Subsidiaries. Sale of fixed assets and sale of investment included sales in the ordinary course of business, purchase consideration outstanding included Rs.162.1 million payable to Norwest Industries (HK) for acquisition of Subsidiaries, Nor Pearl and Norp Knit in Bangladesh, and rent received included rental income from various leased properties.

Fiscal 2005. HoPFL's net cash outflow from investing activities was Rs.10.1 million in fiscal 2005, which was primarily a result of the purchase of fixed assets of Rs.72.0 million, an increase in capital work in progress of Rs.16.4 million, and partially offset by sale of fixed assets of Rs.67.5 million, sale of investment of Rs.9.0 million and rent received of Rs.2.5 million, among others. The purchase of fixed assets included capital expenditures on expansions of facilities in North India, increase in capital work in progress included funds deployed in capacity expansions of facilities in North India, sale of fixed assets included assets sold in connection with our sweater manufacturing facility in Gurgaon, Haryana, sale of investment included sale of certain subsidiaries, Nim International Commerce Private Limited and City Estates Private Limited and rent received included rental income from various leased properties.

Fiscal 2004. HoPFL's net cash outflow from investing activities was Rs.34.8 million in fiscal 2004, which was primarily a result of the purchase of fixed assets of Rs.69.3 million and partially offset by decrease in capital work in progress of Rs.3.9 million and sale of fixed assets of Rs.28.2 million. The purchase of fixed assets included capital expenditures on expansions of facilities in North India, decrease in capital work in progress resulting from capitalization of assets and sale of fixed assets included sale of assets of our sweater manufacturing facility in Gurgaon, Haryana.

Cash flows from (used in) financing activities

Six months ended September 30, 2006. HoPFL's net cash inflow from financing activities was Rs.1,326.6 million in the six months ended September 30, 2006, composed primarily of Rs.1,500.0 million in increase in loan taken reflecting the consolidation of the overseas Subsidiaries and partially offset by repayment of loan of Rs.105.0 million and interest expense of Rs.61.4 million, among others.

Fiscal 2006. HoPFL's net cash inflow from financing activities was Rs.522.4 million in fiscal 2006, composed primarily of a Rs.576.0 million increase in loans, which include a bridge loan from Standard Chartered Investments and Loans (India) Limited for acquisition of our Subsidiaries, Norp Knit and Nor Pearl, and partially offset by repayment of loan of Rs.30.1 million and interest expense of Rs.26.2 million, among others.

Fiscal 2005. HoPFL's net cash inflow from financing activities was Rs.100.3 million in fiscal 2005, composed primarily of Rs.39.2 million in share application money received from one of the Promoters for purchase of additional shares in HoPP Fashions, a partnership firm and Rs.77.8 million in loan taken, and partially offset by interest expenses of Rs.16.3 million, among others.

Fiscal 2004. HoPFL's net cash inflow from financing activities was Rs.17.7 million in fiscal 2004, composed primarily of Rs.29.8 million in loan taken, and partially offset by interest expense of Rs.11.8 million, among others.

Results of Operations of HoPFL, on a Stand-Alone Basis

You should read the following discussion of the results of operations of HoPFL, on a stand-alone basis, together with the financial statements of HoPFL for fiscal 2002, 2003, 2004, 2005 and 2006 and the six months ended September 30, 2006, including notes thereto, prepared in accordance with Indian GAAP and restated in accordance with SEBI Guidelines, which appear elsewhere in this Prospectus. As used in this section, "HoPFL" means House of Pearl Fashion Limited on a stand-alone basis, without giving effect to the consolidation of any subsidiaries.

Overview

HoPFL was incorporated on July 5, 1989 under the laws of India. Currently, HoPFL has limited operations of its own and conducts its business primarily through its direct or indirect Subsidiaries.

The following table sets forth certain information with respect to income, expenditures and profits for HoPFL for the periods indicated.

Particulars	**For the years ended March 31,**			**Six months ended September 30, 2006**
	2004	**2005**	**2006**	
	(Rs.)	**(Rs.)**	**(Rs.)**	**(Rs.)**
Income				
Sales of Products:				
Manufactured Goods	-	-	-	20,170,618
Traded Goods	772,566	-	-	12,660,241
Export Incentives	59,826	-	-	1,224,811
Other Income	4,820,636	10,995,362	10,616,771	15,933,356
Total Income	**5,653,028**	**10,995,362**	**10,616,771**	**49,989,026**
Expenditure				
Cost of Goods Traded	625,710	-	-	23,736,672
Personnel Expenses	-	60,000	27,000	850,476
Administrative, Selling & Other Expenses	4,509,883	7,454,787	3,412,783	3,615,077
Financial Expenses	-	-	-	6,854,626
Depreciation	1,113,426	620,761	411,814	322,537
Total Expenditure	**6,249,019**	**8,135,548**	**3,851,597**	**35,379,388**
Net Profit before tax and extraordinary items	**(595,991)**	**2,859,814**	**6,765,174**	**14,609,638**
Provision for taxation				
Current tax	84,043	(198,605)	(516,000)	(1,600,000)
Deferred tax	2,434,972	75,338	405,644	1,720,809
Fringe benefit tax	-	-	-	(69,500)
Wealth tax -	-	-	-	
Prior Period Expenses	(6,000)	-	(17,423)	10,230
Net Profit after Tax	**1,917,024**	**2,736,547**	**6,637,395**	**14,671,177**
Adjustments for restatement	**Nil**	**Nil**	**Nil**	**Nil**
Net Profit/(Loss), as restated	**1,917,024**	**2,736,547**	**6,637,395**	**14,671,177**

Adjustments

There have not been any changes in accounting policies, material prior period items, extraordinary items and qualifications resulting from incorrect accounting practices or policies or failure to make provisions or other adjustments in respect of the audited financial statements of HoPFL as at and for fiscal 2004, 2005 and 2006 and for the six months ended September 30, 2006, which require any adjustments to the financial statements of HoPFL, on a stand-alone basis. Accordingly, we have not made any adjustments to the financial statements of HoPFL in connection with the restatement in accordance with the SEBI Guidelines. For more information, see Annexure IV to HoPFL's restated financial statements, on a stand-alone basis, prepared in accordance with Indian GAAP and included on page F-9 of this Prospectus.

Income

Traded Goods

HoPFL's income from traded goods consists of revenues from sales of ready-to-wear garments traded by the company. Export sales are recognized on the basis of date of airway bill or bill of lading. Sales are shown net of trade discount and include freight and insurance recovered from buyers under the terms of sale.

Export Incentives

HoPFL's income from export incentives includes refunds of duty drawback and other incentives described in "Factors Affecting our Results of Operations — Export Incentives" above.

Other Income

Other income includes dividends, profit from partnership firm, license income, rental income, income from interest, profit on sale of investment and assets and income from foreign exchange fluctuation.

Expenditure

HoPFL's expenditures have the following major components: cost of goods traded; personnel expenses; administrative, selling and other expenses; financial expenses; and depreciation.

Cost of Goods Traded

HoPFL's cost of goods traded includes purchases of finished goods, fabrics and fabrication charges.

Personnel Expenses

Personnel expenses include salaries.

Administrative, Selling and Other Expenses

Administrative, selling and other expenses include audit fees, legal and professional charges, ground rent, insurance charges, charges relating to repair and maintenance, expenses resulting from foreign exchange fluctuation, bank charges, rates and taxes, freight and miscellaneous charges.

Financial Expenses

Financial expenses include interest payable on fixed loans.

Depreciation

Depreciation is provided on a straight line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. Fixed assets costing up to Rs.5,000 are depreciated fully in the year of purchase.

Six months ended September 30, 2006

Total Income. HoPFL recorded total income of Rs.50.0 million in the six months ended September 30, 2006, which was primarily attributable to the sale of manufactured goods of Rs.20.2 million and sale of traded goods of Rs.12.7 million.

Total Expenditure. HoPFL recorded total expenditure of Rs.35.4 million in the six months ended September 30, 2006. HoPFL incurred expenditure of Rs.23.7 million on cost of goods sold, Rs.3.6 million on administrative, selling and other expenses and Rs.6.8 million on financial expenses, among others in the six months ended September 30, 2006.

Net Profit before Tax and Extraordinary Items. As a result of the foregoing, HoPFL recorded a net profit before tax and extraordinary items of Rs.14.6 million in the six months ended September 30, 2006.

Provision for Taxation. HoPFL recorded a net tax credit of Rs.51,309 in the six months ended September 30, 2006. This was primarily due to a deferred tax credit of Rs.1.7 million, partially offset by a current tax liability of Rs.1.6 million and fringe benefit tax of Rs.69,500.

Net Profit after Tax. HoPFL's net profit after tax was Rs.14.7 million in the six months ended September 30, 2006.

Comparison of the year ended March 31, 2005 with the year ended March 31, 2006

Income. Total income decreased by Rs.0.4 million, or 3.6%, from Rs.11.0 million in fiscal 2005 to Rs.10.6 million in fiscal 2006. This decrease was due to a decrease in other income, which was primarily attributable to a loss on account of sale of investment in the regular course of business from Rs.9.2 million in fiscal 2005 to Rs.2.4 million in fiscal 2006.

Expenditure. Total expenditure decreased by Rs.4.3 million, or 53.1%, from Rs.8.1 million in fiscal 2005 to Rs.3.8 million in fiscal 2006. This was primarily due to a decrease in administrative, selling and other charges from Rs.7.4 million in fiscal 2005 to Rs.3.4 million in fiscal 2006 due to a loss on sale of fixed asset of Rs.6.6 million in fiscal 2005, among others.

Net Profit before Tax and Extraordinary Items. As a result of the foregoing, HoPFL's net profit before tax and extraordinary items increased by Rs.4.0 million, or 142.8%, from Rs.2.8 million in fiscal 2005 to Rs.6.8 million in fiscal 2006.

Provision for Taxation. HoPFL's income tax liability increased by Rs.4,512, or 3.7%, from Rs.123,267 in fiscal 2005 to Rs.127,779 in fiscal 2006. Current tax charge increased from Rs.198,605 in fiscal 2005 to Rs.516,000 in fiscal 2006. The increase in provision for taxation was partially offset by a deferred tax credit of Rs.405,644 in fiscal 2006.

Net Profit after Tax. HoPFL's net profit after tax increased by Rs.3.9 million, or 144.4%, from Rs.2.7 million in fiscal 2005 to Rs.6.6 million in fiscal 2006.

Comparison of the year ended March 31, 2004 with the year ended March 31, 2005

Income. Total income increased by Rs.5.4 million, or 96.4%, from Rs.5.6 million in fiscal 2004 to Rs.11.0 million in fiscal 2005. This increase was primarily due to an increase in other income, which was attributable to a Rs.9.2 million increase in profit on sale of investment in Winner Estates Private Limited in fiscal 2005.

Expenditure. Total expenditure increased by Rs.1.9 million, or 30.6%, from Rs.6.2 million in fiscal 2004 to Rs.8.1 million in fiscal 2005. This was primarily due to an increase in administrative, selling and other charges from Rs.4.5 million in fiscal 2004 to Rs.7.4 million in fiscal 2005 due to a loss on the sale of a fixed asset of Rs.6.6 million in fiscal 2005, among others.

Net Profit before Tax and Extraordinary Items. As a result of the foregoing, HoPFL incurred a net loss before tax and extraordinary items of Rs.0.6 million in fiscal 2004 and a net profit before tax and extraordinary items of Rs.2.8 million in fiscal 2005.

Provision for Taxation. HoPFL recorded a current and deferred tax credit of Rs.2.5 million in fiscal 2004 and an income tax liability of Rs.0.1 million in fiscal 2005.

Net Profit after Tax. HoPFL's net profit after tax increased by Rs.0.8 million, or 42.1%, from Rs.1.9 million in fiscal 2004 to Rs.2.7 million in fiscal 2005.

Cash Flow Data for HoPFL, on a Stand-Alone Basis

The table below summarizes the cash flow of HoPFL on a stand-alone basis for the years ended March 31, 2006, 2005 and 2004 and the six months ended September 30, 2006.

(Amount in Rs.)

	Years ended March 31,			Six months ended September 30, 2006
	2004	**2005**	**2006**	
Net cash flows from (used in) operating activities	(3,868,213)	(45,989,009)	33,164,331	(17,032,227)
Net cash flows from (used in) investing activities	3,524,500	20,445,796	(25,212,039)	(143,460,708)
Net cash flows from (used in) financing activities	140,000	39,081,090	-	149,201,052
Net increase (decrease) in cash and cash equivalents	(203,713)	13,537,877	7,952,293	(11,291,883)

Cash flows from (used in) operating activities

Six months ended September 30, 2006. HoPFL's net cash outflow from operating activities in the six months ended September 30, 2006 was Rs.17.0 million, reflecting a net profit before tax and extraordinary items of Rs.14.6 million and direct taxes paid of Rs.1.0 million, and adjusted for depreciation of Rs.322,537, finance cost of Rs.6.8 million and non-operating incomes of Rs.15.6 million, among others. Working capital changes included, among others, a Rs.22.4 million increase in trade and other receivables, reflecting an increase in the sales volume.

Fiscal 2006. HoPFL's net cash inflow from operating activities in fiscal 2006 was Rs.33.2 million, reflecting a net profit before tax and extraordinary items of Rs.6.8 million, direct taxes paid of Rs.1.1 million and prior period expense of Rs.17,423, and adjusted for depreciation of Rs.411,814, non-operating incomes of Rs.10.0 million and share in the profit of a partnership firm of Rs.604,351, among others. Working capital changes included, among others, a Rs.42.9 million decrease in trade and other receivables, reflecting adjustment of advance paid to our Subsidiary for acquiring further interest in HoPP Fashions, a partnership firm, a Rs.3.8 million increase in inventories, reflecting an increase in anticipated sales in the quarter ended June 30, 2006 and a Rs.1.7 million decrease in trade payables, reflecting a reduction in the bank overdraft.

Fiscal 2005. HoPFL's net cash outflow from operating activities in fiscal 2005 was Rs.46.0 million, reflecting a net profit before tax and extraordinary items of Rs.2.8 million and direct taxes paid of Rs.109,778, and adjusted for depreciation of Rs.620,761, non-operating expenditure of Rs.6.6 million and non-operating incomes of Rs.10.6 million, among others. Working capital changes included, among others, a Rs.43.7 million increase in trade and other receivables, reflecting an advance paid to our Subsidiary for acquiring further interest in HoPP Fashions, a partnership firm and a Rs.1.3 million decrease in trade payables, reflecting a reduction in the bank overdraft.

Fiscal 2004. HoPFL's net cash outflow from operating activities in fiscal 2004 was Rs.3.9 million, reflecting a net loss before tax and extraordinary items of Rs.595,991, direct taxes refunds of Rs.12,476 and prior period expense of Rs.6,000, and adjusted for depreciation of Rs.1.1 million and share in the profit of a partnership firm of Rs.4.7 million, among others. Working capital changes included, among others, a Rs.973,259 increase in trade and other receivables, a Rs.70,910 decrease in inventories, and a Rs.1.3 million increase in trade payables, reflecting an increase in the bank overdraft.

Cash flows from (used in) investing activities

Six months ended September 30, 2006. HoPFL's net cash outflow from investing activities was Rs.143.5 million in the six months ended September 30, 2006, which was primarily a result of payment for investment of Rs.162.1 million, investment made during the year of Rs.24.5 million and share application money paid to subsidiaries of Rs.6.0 million, and partially offset by advance payment received against sale of fixed assets of Rs.50.0 million, among others. The payment for investment included payment for investment in Multinational Textiles and acquisition of Nor Pearl and Norp Knit.

Fiscal 2006. HoPFL's net cash outflow from investing activities was Rs.25.2 million in fiscal 2006, which was primarily a result of investment made during the year of Rs.39.5 million, and partially offset by sale of fixed assets of Rs.8.3 million and sale of investment/drawings from partnership of Rs.3.3 million, among others. The investment made during the year included further increase in interest in HoPP Fashions, a partnership firm, which was partially offset by sale of land. Sale of investment represented sale of subsidiaries, Nim International and Commerce Private Limited and erstwhile City Estates Private Limited.

Fiscal 2005. HoPFL's net cash inflow from investing activities was Rs.20.4 million in fiscal 2005, which was primarily a result of the sale of investment/drawings from partnership of Rs.20.6 million, and partially offset by investment made during the year of Rs.1.2 million, among others. The sale of investment included the sale of a subsidiary, Winner Estates Private Limited and investment made during the year included investments in the regular course of business.

Fiscal 2004. HoPFL's net cash inflow from investing activities was Rs.3.5 million in fiscal 2004, which was primarily a result of sale of investment/drawings from partnership of Rs.3.7 million, and partially offset by capital advances given of Rs.326,583, among others. The sale of investment/drawings from partnership included profit from, HoPP Fashions, a partnership firm, net of drawings and investment made during the year included investments in the regular course of business.

Cash flows from (used in) financing activities

Six months ended September 30, 2006. HoPFL's net cash inflow from financing activities was Rs.149.2 million in the six months ended September 30, 2006, composed primarily of Rs.172.3 million in a loan taken from Standard Chartered Investments and Loans (India) Limited for the acquisition of Norp Knit and Nor Pearl, and partially offset by repayment of loans of Rs.9.3 million, dividend paid of Rs.5.9 million, public issue expenses of Rs.4.7 million and finance costs of Rs.6.8 million.

Fiscal 2006. HoPFL did not experience any cash flows from (used in) financing activities in fiscal 2006.

Fiscal 2005. HoPFL's net cash inflow from financing activities was Rs.39.1 million in fiscal 2005, composed primarily of Rs.39.2 million in share application money received from one of the Promoters for the purchase of additional interest in HoPP Fashions, partnership firm, and partially offset by repayment of loan of Rs.140,000.

Fiscal 2004. HoPFL's net cash inflow from financing activities was Rs.140,000 in fiscal 2004, which was composed of Rs.140,000 in loan taken.

Results of Operations of Depa U.S., on a Consolidated Basis

You should read the following discussion of the results of operations of Depa U.S. together with the consolidated financial statements of Depa U.S. for fiscal 2005 and 2006 and the six months ended September 30, 2006, including notes thereto, prepared in accordance with the U.S. GAAP, which appear elsewhere in this Prospectus. The consolidated financial statements of Depa U.S. have not been restated in accordance with SEBI Guidelines. As used in this section, "Depa U.S." means Depa International, Inc. consolidated with its then 100% subsidiary, Poeticgem Canada (formerly, Depa International (Canada) Inc.), which was acquired by our Subsidiary, Poeticgem, on October 1, 2006.

Foreign Currency Translations

The consolidated financial statements of Depa U.S. under the U.S. GAAP are reported in U.S. dollars and have been translated into Rupees for each period solely to comply with the requirements of Clause 6.9.7.1 of the SEBI Guidelines and have been translated in accordance with AS-11 of the Indian accounting standards. Investors are cautioned to not rely on such translated amounts. The following table sets forth, for each period indicated, information concerning the number of Rupees for which one U.S. dollar could be exchanged. The balance sheet and cash flow statements are translated based on the closing rate prevailing at the balance sheet date of the particular period. The income statement is translated at an average rate prevailing during each period. The source of the exchange rate used is www.oanda.com, a currency website. The translations should not be considered as a representation that U.S. dollar amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated below, or at all.

	Year ended March 31,		Six months ended September 30, 2006
	2005	2006	
Closing Rate (per one US$)	Rs.43.79	Rs.44.61	Rs.45.99
Average Rate (per one US$)	Rs.44.94	Rs.44.28	Rs.45.93

Source: www.oanda.com

Any percentage amounts, set forth herein, unless otherwise indicated, have been calculated on the basis of U.S. dollar amounts derived from Depa U.S.'s consolidated financial statements prepared in accordance with U.S. GAAP, and not on the basis of any translated Rupee amount presented solely pursuant to SEBI requirements. Calculation of percentage amounts on the basis of Rupee amounts may lead to results that are different, in a material way, from those calculated as per U.S. dollar amounts.

Overview

Depa U.S. was incorporated on November 30, 1990 under the laws of the State of New York, U.S. and commenced business with effect from April 1, 1996. In June 2004, Pallas Holdings Limited, a Promoter group company, acquired 49% of Depa U.S. and in April 2005, it acquired an additional 26% ownership interest. On March 30, 2006, Global Textiles Group acquired a 75% interest in Depa U.S. and on March 31, 2006, pursuant to a shareholder purchase agreement, HoPFL, through its wholly owned subsidiary in Mauritius, acquired 100% interest in Global Textiles Group. Poeticgem Canada (formerly, Depa International (Canada) Inc.) was incorporated on December 20, 2004 in the Province of Ontario in Canada and commenced business on April 1, 2005. It has been consolidated in Depa U.S.'s results of operations for the six months ended September 30, 2006 and fiscal 2006 only. Depa U.S. is principally engaged in marketing, distribution and branding of ready-made garments in the United States. Depa U.S. has owned the *DCC* brand in the U.S. since 1996 and has recently launched another brand, *Kool Hearts*, to augment its branded business.

The following table sets forth certain information with respect to income, expenditures and profits for Depa U.S. for the periods indicated.

	Year ended March 31,						**Six months ended September 30, 2006**		
	2005			**2006**					
	(US$)	**(Rs.)**	**(%)**	**(US$)**	**(Rs.)**	**(%)**	**(US$)**	**(Rs.)**	**(%)**
Net sales	48,128,470	2,162,989,699	100.0%	34,557,536	1,530,449,597	100.0%	13,415,752	616,145,242	100.0%
Cost of sales	34,488,469	1,549,980,774	71.7	22,446,407	994,084,027	65.0	8,465,794	388,808,521	63.1%
Gross profit	**13,640,001**	**613,008,925**	**28.3**	**12,111,129**	**536,365,570**	**35.0**	**4,949,958**	**227,336,721**	**36.9%**
Operating expenses									
Selling and shipping	8,220,974	369,467,014	17.1	5,631,545	249,404,233	16.3	1,243,273	57,099,799	9.3%
General and administrative	4,426,032	198,914,730	9.2	4,458,857	197,469,400	12.9	2,374,730	109,064,225	17.7%
Financing costs	376,580	16,924,258	0.8	153,181	6,783,927	0.4	76,552	3,515,804	0.6%
	13,023,586	**585,306,002**	**27.1**	**10,243,583**	**453,657,560**	**29.6**	**3,694,555**	**169,679,828**	**27.5%**
Commission income	271,789	12,214,741	0.6	152,660	6,760,853	0.4	134,487	6,176,584	1.0%
Income before income taxes	**888,204**	**39,917,664**	**1.8**	**2,020,206**	**89,468,863**	**5.8**	**1,389,890**	**63,833,477**	**10.4%**
Income taxes:									
Current	315,467	14,177,718	0.7	919,096	40,704,005	2.7	630,631	28,962,990	4.7%
Deferred	20,534	922,839	-	(26,884)	(1,190,612)	0.1	(11,008)	(505,564)	0.1%
Total Income Tax	336,001	15,100,557	0.7	892,212	39,513,393	2.6	619,623	28,457,426	4.6%
Net income	**552,203**	**24,817,107**	**1.1%**	**1,127,994**	**49,955,470**	**3.3%**	**770,267**	**35,376,051**	**5.7%**

Net Sales and Commission Income

Net Sales

Depa U.S.'s net sales consist of revenues from sales of ready-to-wear garments traded by the company. Depa U.S.'s revenue represents the net amount invoiced for goods shipped, net of trade discounts. Poeticgem Canada recognizes revenue when services are performed and commission is earned.

Commission Income

Commission income comprises commissions received in respect of certain orders booked by Depa U.S., which are transferred to other vendors for execution. As a percentage of net sales, Depa U.S.'s commission income was 0.6% and 0.4% in fiscal 2005 and 2006, respectively and 1.0% in the six months ended September 30, 2006.

Cost of Sales and Operating Expenses

Cost of Sales

Depa U.S.'s cost of sales consists of purchases of finished goods, fabrics, trims and other accessories and freight and duty costs. Being a trading company, purchases accounted for the largest portion of Depa U.S.'s cost of sales in fiscal 2005 and 2006. As a percentage of net sales, Depa U.S.'s cost of sales was 71.7% and 65.0% in fiscal 2005 and 2006, respectively and 63.1% in the six months ended September 30, 2006.

Operating Expenses

Operating expenses consist of selling and shipping expenses and general and administrative expenses.

Selling and shipping expenses include commissions, consulting fees, travel expenses, outward freight, expenses relating to alterations, packaging and forwarding, showroom and warehouse rent, design, product development and sample expenses, trade shows and advertising costs, warehouse expense, including for its maintenance and repair, and quality control, including charges for fabric testing outsourced to third-party agents. As a percentage of net sales, Depa U.S.'s selling and shipping expenses were approximately 17.1% and 16.3% in fiscal 2005 and 2006, respectively and 9.3% in the six months ended September 30, 2006.

General and administrative expenses include salaries, payroll taxes, hospitalization expenses, insurance charges, expenses relating to couriers and messengers, professional fees, equipment rental, office expense, bank charges and depreciation and amortization. As a percentage of net sales, general and administrative expenses were approximately 9.2% and 12.9% in fiscal 2005 and 2006, respectively and 17.7% in the six months ended September 30, 2006.

Financing Costs

Financing costs consist of net factor interest expense and factor's commission and charges. Depa U.S. has a factoring agreement with CIT Commercial Services which also provides working capital and letters of credit/guarantee facility. Account receivables are sold to the factor without recourse to Depa U.S. as to credit risk but with recourse for claims by the customer for adjustments in the normal course of business, relating primarily to errors and shortages. Depa U.S. receives an advance on 85% of factored receivables, with interest 1.125% below the JP Morgan Chase prime rate, and is charged a factoring commission of 0.35% of factored receivables. If Depa U.S. does not draw funds from the factor even after the debt is realized, the factor pays interest to the company and if Depa U.S. draws funds in advance of debt realization, interest is payable by the company to the factor. Interest received from the factor for the six months ended September 30, 2006 and year ended March 31, 2006 was US$29,480 (Rs.1.3 million) and US$75,500 (Rs.3.4 million), respectively. Interest charged by the factor in fiscal 2005 was US$95,563 (Rs.4.3 million). As a percentage of net sales, financing costs were approximately 0.8% and 0.4% in fiscal 2005 and 2006, respectively and 0.6% in the six months ended September 30, 2006.

Six months ended September 30, 2006

Net Sales. Depa U.S. recorded net sales of US$13.4 million (Rs.616.1 million) in the six months ended September 30, 2006.

Cost of Sales. Depa U.S. recorded cost of sales of US$8.5 million (Rs.388.8 million) in the six months ended September 30, 2006, constituting approximately 63.1% of its net sales.

Gross Profit. Depa U.S. recorded a gross profit of US$4.9 million (Rs.227.3 million) in the six months ended September 30, 2006, constituting approximately 36.9% of its net sales.

Operating Expenses. Depa U.S. incurred total operating expenses of US$3.7 million (Rs.169.7 million) in the six months ended September 30, 2006, constituting approximately 27.5% of its net sales. Total operating expenses comprised of selling and shipping expenses of US$1.2 million (Rs.57.1 million), general and administrative expenses of US$2.4 million (Rs.109.1 million) and financing costs of US$76,552 (Rs.3.5 million).

Commission Income. Depa U.S. recorded commission income of US$134,487 (Rs.6.2 million) in the six months ended September 30, 2006, constituting approximately 1.0 % of its net sales.

Income before Income Taxes. As a result of the foregoing, income before income taxes in the six months ended September 30, 2006 was US$1.4 million (Rs.63.8 million), constituting approximately 10.4% of its net sales.

Income Taxes. Provision for income taxes in the six months ended September 30, 2006 was US$619,623 (Rs.28.4 million), constituting approximately 4.6% of its net sales.

Net Income. Depa U.S.'s net income was US$770,267 (Rs.35.4 million) in the six months ended September 30, 2006, constituting approximately 5.7% of its net sales.

Comparison of the year ended March 31, 2005 with the year ended March 31, 2006

Net Sales. Net sales decreased by US$13.6 million (Rs.632.6 million), or 28.3%, from US$48.1 million (Rs.2,163.0 million) in fiscal 2005 to US$34.5 million (Rs.1,530.4 million) in fiscal 2006. This decrease was primarily due to a shift in business strategy pursuant to the acquisition of Depa U.S. by a Promoter group company. Depa U.S. changed its customer focus to retailers who sought value added services, such as design, style and trend input and offered better margins. Depa U.S. also discontinued its men's wear division, which was not generating the expected margins, and focused on its women's wear business, which has been its core strength. Sales to the largest customer were approximately 32% and 28% of net sales for fiscal 2005 and 2006, respectively.

Cost of Sales. Cost of sales decreased by US$12.1 million (Rs.555.9 million), or 35.1%, from US$34.5 million (Rs.1,550.0 million) in fiscal 2005 to US$22.4 million (Rs.994.1 million) in fiscal 2006. This decrease was primarily due to a decrease in purchases of finished goods, fabrics, trims and other accessories from US$26.8 million (Rs.1,204.4 million) in fiscal 2005 to US$17.1 million (Rs.757.2 million) in fiscal 2006 and freight and duty expenses from US$6.9 million (Rs.310.1 million) in fiscal 2005 to US$5.2 million (Rs.230.3 million) in fiscal 2006. Depa U.S.'s purchases of finished goods, fabrics, trims and other accessories decreased due to a decrease in the sales volumes. As a percentage of net sales, cost of sales also decreased from 71.7% in fiscal 2005 to 65.0% in fiscal 2006, which resulted from lower sales but better sales realizations.

Gross profit. While Depa U.S.'s gross profit decreased in absolute terms by US$1.5 million (Rs.76.6 million), or 11.0%, from US$13.6 million (Rs.613.0 million) in fiscal 2005 to US$12.1 million (Rs.536.4 million) in fiscal 2006, as a percentage of net sales, its gross profit increased from 28.3% in fiscal 2005 to 35.0% in fiscal 2006. This was primarily due to an increase in Depa U.S.'s margins resulting from a shift in its business strategy to focus on higher margin business. Another factor contributing to increased gross profit was Depa U.S.'s increase in sales of its own branded products, *DCC*.

Operating Expenses. Total operating expenses decreased by US$2.8 million (Rs.131.6 million), or 22.5%, from US$13.0 million (Rs.585.3 million) in fiscal 2005 to US$10.2 million (Rs.453.7 million) in fiscal 2006.

The decrease in total operating expenses was primarily due to a decrease in selling and shipping expenses by US$2.6 million (Rs.120.1 million), or 31.7%, from US$8.2 million (Rs.369.5 million) in fiscal 2005 to US$5.6 million (Rs.249.4 million) in fiscal 2006. Decrease in costs associated with product development and samples from US$4.7 million (Rs.211.2 million) in fiscal 2005 to US$2.5 million (Rs.110.7 million) contributed significantly to a decrease in selling and shipping expenses. Decrease in quality control costs, design costs, commissions and costs relating to alterations, packing and forwarding also contributed to a decrease in selling and shipping expenses. This decrease was principally a result of a decrease in sales volumes. During this period, Depa U.S. also reduced its reliance on third-party agents for design, product development and quality control and increasingly relied on in-house capabilities of the Promoter group companies, which resulted in lower costs associated with product development and samples.

A decrease in financing costs by US$0.3 million (Rs.10.1 million), or 75.0%, from US$0.4 million (Rs.16.9 million) in fiscal 2005 to US$0.1 million (Rs.6.8 million) in fiscal 2006 also contributed to a decrease in Depa U.S.'s total operating expenses. The decrease in financing costs was primarily due to a decrease in factor's commission and charges from US$281,017 (Rs.12.6 million) in fiscal 2005 to US$228,876 (Rs.10.1 million) in fiscal 2006. Depa U.S. also incurred a factor interest expense of US$95,563 (Rs.4.3million) in fiscal 2005 compared to a factor interest income of US$75,695 (Rs.3.4 million), which also contributed to a decrease in financing costs.

The decrease in total operating expenses was marginally offset by an increase in general and administrative expenses of US$32,825, or 0.7%, from US$4,426,032 (Rs.198.9 million) in fiscal 2005 to US$4,458,857 (Rs.197.5 million) in fiscal 2006. On a reducing sales volume, as a percentage of net sales, total operating expenses increased from 27.1% in fiscal 2005 to 29.6% in fiscal 2006.

Commission Income. Commission income decreased by US$119,129 (Rs.5.4 million), or 43.8%, from US$271,789 (Rs.12.2 million) in fiscal 2005 to US$152,660 (Rs.6.8 million) in fiscal 2006. This decrease was primarily because Depa U.S. discontinued its commission business in fiscal 2006 to focus on direct sales to retail customers. During this period, Poeticgem Canada, however, booked orders for execution by third-party vendors.

Income before Income Taxes. As a result of the foregoing, Depa U.S.'s income before income taxes increased by US$1.1 million (Rs.49.6 million), or 122.2%, from US$0.9 million (Rs.39.9 million) in fiscal 2005 to US$2.0 million (Rs.89.5 million) in fiscal 2006. As a percentage of net sales, income before income taxes increased from 1.8% in fiscal 2005 to 5.8% in fiscal 2006.

Income Taxes. Depa U.S.'s income tax liability increased by US$556,211 (Rs.24.4 million), or 165.5%, from US$336,001 (Rs.15.1 million) in fiscal 2005 to US$892,212 (Rs.39.5 million) in fiscal 2006. As a percentage of net sales, income taxes increased from 0.7% in fiscal 2005 to 2.6% in fiscal 2006. This was primarily due to higher profits in fiscal 2006 as compared to fiscal 2005.

Net Income. Depa U.S.'s net income after income tax increased by US$575,791 (Rs.25.2 million), or 104.3%, from US$552,203 (Rs.24.8 million), representing 1.1% of the net sales, in fiscal 2005 to US$1.1 million (Rs.50.0 million), representing 3.2% of the net sales, in fiscal 2006.

Cash Flow Data for Depa U.S., on a Consolidated Basis

The table below summarizes the cash flows of Depa U.S. on a consolidated basis in the years ended March 31, 2006 and 2005 and in the six months ended September 30, 2006.

	Year ended March 31,				**Six months ended September 30, 2006**	
	2005		**2006**			
	US$	**Rs.**	**US$**	**Rs.**	**US$**	**Rs.**
Net cash flows from (used in) operating activities	99,316	4,349,048	199,116	8,884,156	(17,384)	(799,455)
Net cash flows from (used in) investing activities	(47,140)	(2,064,261)	(118,031)	(5,266,307)	(33,313)	(1,531,998)
Net cash flows from (used in) financing activities	-	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	52,176	2,284,787	81,085	3,617,850	(50,697)	(2,331,453)

Cash flows from (used in) operating activities

Six months ended September 30, 2006. Depa U.S.'s net cash outflow from operating activities in the six months ended September 30, 2006 was US$17,384 (Rs.0.8 million), reflecting a net income of US$770,267 (Rs.35.4 million) and adjusted for depreciation and amortization of US$43,761 (Rs.2.0 million), among others. Changes in assets and liabilities included, among others, a US$133,199 (Rs.6.1 million) decrease in inventories, reflecting an anticipated decrease in sales in the next quarter, a US$2.4 million (Rs.109.7 million) decrease in accounts payable and a US$504,744 (Rs.23.2 million) decrease in accrued expenses and other current liabilities, reflecting payment to creditors, a US$1.6 million (Rs.73.8 million) decrease in due from factor and a US$575,654 (Rs.26.5 million) increase in income tax payable.

Fiscal 2006. Depa U.S.'s net cash inflow from operating activities in fiscal 2006 was US$199,116 (Rs.8.9 million), reflecting a net income of US$1.1 million (Rs.50.32 million) and adjusted for depreciation and amortization of US$99,719 (Rs.4.4 million), among others. Changes in assets and liabilities included, among others, a US$89,033 (Rs.3.97 million) decrease in inventories, reflecting an anticipated decrease in sales in the first quarter of fiscal 2007, a US$211,469 (Rs.9.43 million) increase in due from factor, reflecting debts realized by the factor on or after the due date but funds not drawn by Depa U.S., a US$201,050 (Rs.9.0 million) decrease in income tax payable, a US$532,988 (Rs.23.8 million) decrease in accounts payable and a US$138,619 (Rs.6.2 million) decrease in accrued expenses and other current liabilities, reflecting decreased sales volumes in fiscal 2006.

Fiscal 2005. Depa U.S.'s net cash inflow from operating activities in fiscal 2005 was US$99,316 (Rs.4.3 million), reflecting a net income of US$552,203 (Rs.24.2 million) and adjusted for depreciation and amortization of US$110,518 (Rs.4.8 million), among others. Changes in assets and liabilities included, among others, a US$769,177 (Rs.33.7 million) decrease in inventories, reflecting an anticipated decrease in sales in the first quarter of fiscal 2006, a US$2.2 million (Rs.98.0 million) increase in due from factor, reflecting debts realized by the factor on or after the due date but funds not drawn by Depa U.S., a US$207,530 (Rs.9.1 million) increase in income tax payable, a US$102,869 (Rs.4.5 million) increase in accounts payable and a US$211,512 (Rs.9.3 million) increase in accrued expenses and other current liabilities, reflecting increased sales volumes in fiscal 2005.

Cash flows from (used in) investing activities

Six months ended September 30, 2006. Depa U.S.'s net cash outflow from investing activities was US$33,313 (Rs.1.5 million) in the six months ended September 30, 2006, which was a result of receipt of due from affiliates.

Fiscal 2006. Depa U.S.'s net cash outflow from investing activities was US$0.1 million (Rs.5.3 million) in fiscal 2006, which was a result of a loan receivable from affiliates of US$116,459 (Rs.5.2 million) and purchases of property and equipment of US$1,572 (Rs.0.01 million).

Fiscal 2005. Depa U.S.'s net cash outflow from investing activities was US$47,140 (Rs.2.1million) in fiscal 2005, which was a result of loan receivables from affiliates of US$21,543 (Rs.0.9 million) and purchases of property and equipment of US$25,597 (Rs.1.1 million).

Results of Operations for Poeticgem, on a Stand-Alone Basis

You should read the following discussion of the results of operations of Poeticgem, on a stand-alone basis, together with the financial statements of Poeticgem for fiscal 2005 and 2006 and the six months ended September 30, 2006, including notes thereto, prepared in accordance with U.K. GAAP, which appear elsewhere in this Prospectus. The financial statements of Poeticgem have not been restated in accordance with SEBI Guidelines. As used in this section, "Poeticgem" means Poeticgem Limited on a stand-alone basis, without giving effect to the consolidation of its 100% subsidiary, Pacific Logistics.

Foreign Currency Translations

The financial statements of Poeticgem under U.K. GAAP are reported in pound sterling and have been translated into Rupees for each period solely to comply with the requirements of Clause 6.9.7.1 of the SEBI Guidelines and have been translated in accordance with AS-11 of the Indian accounting standards. Investors are cautioned to not rely on such translated amounts. The following table sets forth, for each period indicated, information concerning the number of Rupees for which one pound sterling could be exchanged. The balance sheet and cash flow statements are translated based on the closing rate prevailing at the balance sheet date of the particular period. The income statement is translated at an average rate prevailing during each period. The source of the exchange rate used is www.oanda.com, a currency website. The translations should not be considered as a representation that pound sterling amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated below, or at all.

	Year ended March 31,		Six months ended September 30, 2006
	2005	2006	
Closing Rate (per one pound sterling)	Rs.82.28	Rs.77.62	Rs.86.11
Average Rate (per one pound sterling)	Rs.82.95	Rs.79.09	Rs.85.02

Source: www.oanda.com

Any percentage amounts, set forth herein, unless otherwise indicated, have been calculated on the basis of pound sterling amounts derived from Poeticgem's financial statements prepared in accordance with U.K. GAAP, and not on the basis of any translated Rupee amount presented solely pursuant to SEBI requirements. Calculation of percentage amounts on the basis of Rupee amounts may lead to results that are different, in a material way, from those calculated as per pound sterling amounts.

Overview

Poeticgem was incorporated on May 7, 1991 under the laws of England and Wales. Poeticgem was acquired by Pallas Holdings Limited, a Promoter group company, on June 30, 2004. On March 30, 2006, Global Textiles Group acquired a 100% equity interest in Poeticgem and on March 31, 2006, pursuant to a purchase agreement, HoPFL, through its wholly owned subsidiary in Mauritius, acquired 100% interest in Global Textiles Group. Poeticgem is principally engaged in marketing and distribution of ready-made garments.

The following table sets forth certain information with respect to income, expenditures and profits for Poeticgem for the periods indicated.

	Year ended March 31,						**Six months ended September 30, 2006**		
	2005			**2006**					
	(£)	**(Rs.)**	**(%)**	**(£)**	**(Rs.)**	**(%)**	**(£)**	**(Rs.)**	**(%)**
Turnover	16,985,725	1,409,033,832	100.0%	24,806,983	1,961,885,058	100.0%	17,261,533	1,467,592,797	100.0%
Cost of sales	(12,711,484)	(1,054,468,444)	74.8	(18,461,725)	(1,460,063,983)	74.4	(13,024,114)	(1,107,323,196)	75.5
Gross profit	**4,274,241**	**354,565,388**	**25.2**	**6,345,258**	**501,821,075**	**25.6**	**4,237,419**	**360,269,601**	**24.5**
Distribution costs	(1,526,878)	(126,660,638)	9.0	(1,840,585)	(145,564,505)	7.4	(901,303)	(76,629,682)	5.2
Administrative expenses	(2,773,925)	(230,108,174)	16.3	(3,403,204)	(269,145,792)	13.7	(1,893,872)	(161,018,891)	11.0
Other operating income	511,167	42,403,347	3.0	12,143	960,341	-	(3,918)	(333,112)	-
Operating profit	484,605	40,199,923	2.9	1,113,612	88,071,119	4.5	1,438,326	122,287,916	8.3
Other interest receivable and similar charges	4,151	344,342	-	16,422	1,298,750	-	1,408	119,710	-
Interest payable and similar charges	(132,181)	(10,964,943)	0.8	(118,860)	(9,400,162)	0.5	(112,835)	(9,593,345)	0.7
Profit on ordinary activities before taxation	**356,575**	**29,579,322**	**2.1**	**1,011,174**	**79,969,707**	**4.1**	**1,326,899**	**112,814,281**	**7.7**
Tax on profit on ordinary activities	(138,534)	(11,491,949)	0.8	(320,153)	(25,319,620)	1.3	(430,606)	(36,610,553)	2.5
Profit for the Period	**218,041**	**18,087,373**	**1.3**	**691,021**	**54,650,087**	**2.8**	**896,293**	**76,203,728**	**5.2**

Turnover, Other Operating Income and Other Interest Receivable and Similar Charges

Turnover

Poeticgem's turnover consists of revenues from sales of ready-to-wear garments traded by the company and commissions on orders booked by Poeticgem and transferred to Norwest Industries (HK), for execution. Poeticgem's turnover represents amounts receivable from the distribution of garments net of trade discounts and value added taxes.

Other Operating Income

Other operating income comprises sundry income and foreign exchange gains. Sundry income consists of claims received from suppliers and other income. Foreign exchange gains or losses arise due to currency fluctuations between pound sterling and U.S. dollar.

Other Interest Receivable and Similar Charges

Other interest receivable and similar charges comprises of income from bank interest on fixed deposit maintained with the bank as margin against guarantees.

Cost of Sales, Distribution Costs, Administrative Expenses and Interest Payable and Similar Charges

Cost of Sales

Poeticgem's cost of sales consists of purchases of finished goods, fabrics, trims and other accessories, carriage and freight costs, designing expenses and testing charges. Being a trading company, purchases accounted for the largest portion of Poeticgem's cost of sales in fiscal 2005 and 2006 and the six months ended September 30, 2006. As a percentage of turnover, Poeticgem's cost of sales was 74.8% and 74.4% in fiscal 2005 and 2006, respectively and 75.5% in the six months ended September 30, 2006.

Distribution Costs

Distribution costs include agent's commissions, advertising and promotion costs, costs associated with samples, motor, travel and subsistence costs and entertaining expenses. As a percentage of turnover, Poeticgem's distribution costs were approximately 9.0% and 7.4% in fiscal 2005 and 2006, respectively and 5.2% in the six months ended September 30, 2006.

Administrative Expenses

Administrative expenses include wages and salaries, directors' remuneration, social security contributions, staff recruitment costs, rent, postage, stationary and courier costs, legal and professional fees, factoring charges, bank charges, depreciation and amortization. As a percentage of turnover, Poeticgem's administrative expenses were approximately 16.3% and 13.7% in fiscal 2005 and 2006, respectively and 11.0% in the six months ended September 30, 2006.

Interest Payable and Similar Charges

Interest payable and similar charges include interest payable on bank loans and overdrafts, other loans and hire purchase. As a percentage of turnover, Poeticgem's interest payable and similar charges were approximately 0.8% and 0.5% in fiscal 2005 and 2006, respectively and 0.7% in the six months ended September 30, 2006.

Six months ended September 30, 2006

Turnover. Poeticgem recorded turnover of £17.3 million (Rs.1,467.6 million) in the six months ended September 30, 2006.

Cost of Sales. Poeticgem recorded cost of sales of £13.0 million (Rs.1,107.3 million) in the six months ended September 30, 2006, constituting approximately 75.5% of its turnover.

Gross Profit. Poeticgem recorded a gross profit of £4.2 million (Rs.360.3 million) in the six months ended September 30, 2006, constituting approximately 24.5% of its turnover.

Distribution Costs. Poeticgem incurred distribution costs of £0.9 million (Rs.76.6 million) in the six months ended September 30, 2006, constituting approximately 5.2% of its turnover.

Administrative Expenses. Poeticgem incurred administrative expenses of £1.9 million (Rs.161.0 million) in the six months ended September 30, 2006, constituting approximately 11.0% of its turnover.

Other Operating Income. Poeticgem recorded an other operating loss of £3,918 (Rs.0.3 million) in the six months ended September 30, 2006.

Operating Profit. Poeticgem recorded an operating profit of £1.4 million (Rs.122.3 million) in the six months ended September 30, 2006, constituting approximately 8.3% of its turnover.

Other Interest Receivable and Similar Charges. Poeticgem recorded an investment income from bank interest of £1,408 (Rs.0.1 million) in the six months ended September 30, 2006.

Interest Payable and Similar Charges. Interest payable on bank and other loans and overdrafts and hire purchase interest was £0.1 million (Rs.9.6 million) in the six months ended September 30, 2006.

Profit on Ordinary Activities before Taxation. As a result of the foregoing, Poeticgem's profit on ordinary activities before taxation in the six months ended September 30, 2006 was £1.3 million (Rs.112.8 million), constituting approximately 7.7% of its turnover.

Tax on Profit on Ordinary Activities. Provision for income taxes in the six months ended September 30, 2006 was £0.4 million (Rs.36.6 million), constituting approximately 2.5% of its turnover.

Profit for the Period. Poeticgem's profit after tax was £0.9 million (Rs.76.2 million) in the six months ended September 30, 2006, constituting approximately 5.2% of its turnover.

Comparison of the year ended March 31, 2005 with the year ended March 31, 2006

Turnover. Turnover increased by £7.8 million (Rs.552.9 million), or 45.9%, from £17.0 million (Rs.1,409.0 million) in fiscal 2005 to £24.8 million (Rs.1,961.9 million) in fiscal 2006. This increase was primarily due to increased sales to existing customers, such as ASDA Wal-Mart, and sales to new customers, such as Next, Peacock, MacKays, Officers' Club and Matalan, on an LDP basis. Of the total turnover of £17.0 million and £24.8 million in fiscal 2005 and fiscal 2006, respectively, £14.7 million and £22.5 million, respectively, was derived from sales to customers on an LDP basis and the remaining was derived from commissions receivable on orders booked by Poeticgem and transferred to Norwest Industries (HK), for execution. During this period, Poeticgem secured more business from existing customers and added new customers in part due to the design, manufacturing, sourcing and distribution infrastructure support of the Promoter group companies. As a result, Poeticgem experienced an increase in the number of customers from 5 in fiscal 2005 to 14 in fiscal 2006. Sales to the largest customer were approximately 99.3% and 95.0% of turnover for fiscal 2005 and 2006, respectively.

Cost of Sales. Cost of sales increased by £5.8 million (Rs.405.6 million), or 45.7%, from £12.7 million (Rs.1,054.5 million) in fiscal 2005 to £18.5 million (Rs.1,460.1 million) in fiscal 2006. This increase was primarily due to an increase in purchases of finished goods, fabrics, trims and other accessories from £12.0 million (Rs.995.4 million) in fiscal 2005 to £17.3 million (Rs.1,368.3 million) in fiscal 2006 and carriage and freight expenses from £0.9 million (Rs.74.7 million) in fiscal 2005 to £1.9 million (Rs.150.3 million) in fiscal 2006. These increases were a result of an increase in the sales volumes and addition of new customers. As a percentage of turnover, cost of sales marginally decreased from 74.8% in fiscal 2005 to 74.4% in fiscal 2006, reflecting increasing margins resulting from the addition of high-end retailers in the customer mix and more efficient sourcing of garments.

Gross profit. Poeticgem's gross profit increased by £2.0 million (Rs.147.2 million), or 46.5%, from £4.3 million (Rs.354.6 million) in fiscal 2005 to £6.3 million (Rs.501.8 million) in fiscal 2006. As a percentage of turnover, gross profit increased marginally from 25.2% in fiscal 2005 to 25.6% in fiscal 2006.

Distribution Costs. While Poeticgem's distribution costs increased in absolute terms by £0.3 million (Rs.18.9 million), or 20.0%, from £1.5 million (Rs.126.7 million) in fiscal 2005 to £1.8 million (Rs.145.6 million) in fiscal 2006 as a result of increased sales volumes, as a percentage of turnover, distribution costs decreased from 9.0% in fiscal 2005 compared to 7.4% in fiscal 2006 as a result of greater cost control measures.

Administrative Expenses. Administrative expenses increased by £0.6 million (Rs.39.0 million), or 21.4%, from £2.8 million (Rs.230.1 million) in fiscal 2005 to £3.4 million (Rs.269.1 million) in fiscal 2006. The increase in administrative expenses was primarily due to an increase in wages and salaries from £1.3 million (Rs.107.8 million) in fiscal 2005 to £1.8 million (Rs.142.3 million) in fiscal 2006 as the average monthly number of employees increased from 37 as of March 31, 2005 to 53 as of March 31, 2006. Increase in directors' remuneration, social security contribution and other charges reflecting increased sales volumes relating to postage, stationary and courier, bank charges and factoring charges also contributed to an increase in administrative expenses in fiscal 2006. As a percentage of turnover, administrative expenses decreased from 16.3% in fiscal 2005 to 13.7% in fiscal 2006 reflecting better utilization of infrastructure.

Other Operating Income. Other operating income decreased by £0.5 million (Rs.41.4 million), or 97.6%, from £511,167 (Rs.42.4 million) in fiscal 2005 to £12,143 (Rs.1.0 million) in fiscal 2006. Poeticgem incurred a foreign exchange loss of £35,066 (Rs.2.8 million) in fiscal 2006 compared to a foreign exchange gain of £499,634 (Rs.41.5 million) in fiscal 2005, which primarily contributed to the decrease in other operating income in fiscal 2006. The foreign exchange loss was a result of conversion of U.S. dollar denominated assets into pound sterling on account of the difference between the conversion rate on the balance sheet date and the rate used in the books of accounts.

Operating Profit. Operating profit increased by £0.6 million (Rs.47.9 million), or 120.0%, from £0.5 million (Rs.40.2 million) in fiscal 2005 to £1.1 million (Rs.88.1 million) in fiscal 2006. As a percentage of turnover, operating profit increased from 2.9% in fiscal 2005 to 4.5% in fiscal 2006.

Other Interest Receivable and Similar Charges. Investment income from bank interest increased from £4,151 (Rs.0.3 million) in fiscal 2005 to £16,422 (Rs.1.3 million) in fiscal 2006.

Interest Payable and Similar Charges. Interest payable decreased from £132,181 (Rs.11.0 million) in fiscal 2005 to £118,860 (Rs.9.4 million) in fiscal 2006. This decrease primarily resulted from the shifting of the working capital facility to a more competitive bank and more efficient utilization of funds. Although the business volumes increased, the interest payable on loans decreased from £31,057 (Rs.2.6 million) in fiscal 2005 to £17,089 (Rs.1.3 million) in fiscal 2006. As a percentage of turnover, the interest payable and similar charges decreased slightly from 0.8% in fiscal 2005 to 0.5% in fiscal 2006.

Profit on Ordinary Activities before Taxation. As a result of the foregoing, profit on ordinary activities before taxation increased by £0.7 million (Rs.50.4 million), or 233.3%, from £0.3 million (Rs.29.6 million) in fiscal 2005 to £1.0 million (Rs.80.0 million) in fiscal 2006. As a percentage of turnover, profit on ordinary activities before taxation increased from 2.1% in fiscal 2005 to 4.1% in fiscal 2006.

Tax on Profit on Ordinary Activities. Poeticgem's income tax liability increased by £0.2 million (Rs.13.8 million), or 200.0%, from £0.1 million (Rs.11.5 million) in fiscal 2005 to £0.3 million (Rs.25.3 million) in fiscal 2006. This increase was primarily due to an increase in current tax charge from £0.1 million (Rs.10.2 million) in fiscal 2005 to £0.3 million (Rs.27.0 million) in fiscal 2006. The increase in tax on profit on ordinary activities was partially offset by a deferred tax credit of £20,989 (Rs.1.7 million) in fiscal 2006. As a percentage of turnover, tax on profit from ordinary activities increased from 0.8% in fiscal 2005 to 1.3% in fiscal 2006.

Profit for the Period. Poeticgem's profit after tax increased by £0.5 million (Rs.36.5 million), or 250.0%, from £0.2 million (Rs.18.1 million), representing 1.3% of the turnover, in fiscal 2005 to £0.7 million (Rs.54.6 million), representing 2.8% of the turnover, in fiscal 2006.

Cash Flow Data for Poeticgem, on a Stand-Alone Basis

The table below summarizes the cash flows of Poeticgem on a stand-alone basis in the years ended March 31, 2006 and 2005 and in the six months ended September 30, 2006.

	Year ended March 31,				**Six months ended September 30, 2006**	
	2005		**2006**			
	£	**Rs.**	**£**	**Rs.**	**£**	**Rs.**
Net cash flows from (used in) operating activities	(99,259)	(8,167,130)	(212,092)	(16,463,642)	(1,800,918)	(155,087,854)
Net cash flows from (used in) capital expenditure	(188,890)	(15,542,058)	(119,511)	(9,277,041)	(387,237)	(33,347,301)
Net cash flows from (used in) financing activities	340,931	28,052,144	775,649	60,209,754	2,778,982	239,314,814
Net increase (decrease) in cash and cash equivalents	(133,852)	(11,013,476)	218,977	16,998,090	139,993	12,055,637

Cash flows from (used in) operating activities

Six months ended September 30, 2006. Poeticgem's net cash outflow from operating activities in the six months ended September 30, 2006 was £1.8 million (Rs.155.1 million), reflecting an operating profit of £1.4 million (Rs.122.3 million) and adjusted for depreciation of tangible assets of £71,435 (Rs.6.1 million), a decrease in stocks of £351,463 (Rs.30.3 million) reflecting higher sales at the beginning of the period, a decrease in debtors of £3.6 million (Rs.309.9 million) reflecting realization of outstanding debt and a decrease in creditors within one year of £95,968 (Rs.8.3 million) reflecting utilization of cash for settlement of creditors.

Fiscal 2006. Poeticgem's net cash outflow from operating activities in fiscal 2006 was £212,092 (Rs.16.5 million), reflecting an operating profit of £1.1 million (Rs.88.1 million) and adjusted for depreciation of tangible assets of £152,653 (Rs.11.9 million), an increase in stocks of £778,284 (Rs.60.4 million) reflecting build up of inventory to meet expected customer deliveries based on their requirements, a decrease in debtors of £2.1 million (Rs.163.0 million) reflecting higher realization from debtors and an increase in creditors within one year of £1.4 million (Rs.108.7 million) reflecting an increase in purchases.

Fiscal 2005. Poeticgem's net cash outflow from operating activities in fiscal 2005 was £99,259 (Rs.8.2 million), reflecting an operating profit of £484,605 (Rs.40.2 million) and adjusted for depreciation of tangible assets of £127,227 (Rs.10.5 million), an increase in stocks of £449,340 (Rs.37.0 million) reflecting build up of inventory to meet expected customer deliveries based on their requirements,, a decrease in debtors of £527,322 (Rs.43.4 million) reflecting higher realization from debtors and an increase in creditors within one year of £265,571 (Rs.21.9 million) reflecting an increase in purchases.

Cash flows from (used in) capital expenditure

Six months ended September 30, 2006. Poeticgem's net cash outflow from capital expenditure in the six months ended September 30, 2006 was £387,237 (Rs.33.3 million), which was primarily a result of payments for purchase of tangible assets of £389,031 (Rs.33.5 million), and partially offset by receipts from sale of tangible assets of £1,794 (Rs.154,492). The purchase of tangible assets was primarily on account of renovation of the corporate office and purchase of fixtures, fittings and equipment.

Fiscal 2006. Poeticgem's net cash outflow from capital expenditure in fiscal 2006 was £119,511 (Rs.9.3 million), which was primarily a result of payments for purchase of tangible assets of £136,482 (Rs.10.6 million), and partially offset by receipts from sale of tangible assets of £16,971 (Rs.1.3 million). The purchase of tangible assets was primarily on account of purchase of computer equipment and fixtures, fittings and equipment.

Fiscal 2005. Poeticgem's net cash outflow from capital expenditure in fiscal 2005 was £188,890 (Rs.15.5 million), which was a result of payments for purchase of tangible assets. Payments for purchase of tangible assets were primarily on account of renovation of the corporate office, purchase of computer equipment, fixtures, fittings and other equipment and purchase of an automobile.

Cash flows from (used in) financing activities

Six months ended September 30, 2006. Poeticgem's net cash inflow from financing activities was £2,778,982 (Rs.239.3 million) in the six months ended September 30, 2006, composed primarily of £2.5 million (Rs.219.4 million) in proceeds from new short term loans and £0.2 million (Rs.22.2 million) in proceeds from advances from debt factoring.

Fiscal 2006. Poeticgem's net cash inflow from financing activities was £775,649 (Rs.60.2 million) in fiscal 2006, composed primarily of £0.9 million (Rs.69.3 million) in proceeds from additional advances from debt factoring, £0.3 million (Rs.24.1 million) in proceeds from new long-term bank loans and £0.2 million (Rs.18.1 million) in proceeds from new short-term loans, partially offset by, among others, £0.3 million (Rs.26.5 million) in repayment of long-term bank loan and £0.3 million (Rs.23.7 million) in repayment of other long-term loans.

Fiscal 2005. Poeticgem's net cash inflow from financing activities was £340,931 (Rs.28.0 million) in fiscal 2005, composed primarily of £0.3 million (Rs.25.2 million) in proceeds from additional advances from debt factoring and £0.2 million (Rs.15.2 million) in proceeds from new short-term loans, partially offset by, among others, £0.2 million (Rs.13.7 million) in repayment of long-term bank loan.

Results of Operations for Norwest Industries (HK), on a Stand-Alone Basis

You should read the following discussion of the results of operations of Norwest Industries (HK), on a stand-alone basis, together with the financial statements of Norwest Industries (HK) for fiscal 2002, 2003, 2004, 2005 and 2006 and 2006 and the six months ended September 30, 2006, including notes thereto, prepared in accordance with Hong Kong Financial Reporting Standards, which appear elsewhere in this Prospectus. The financial statements of Norwest Industries (HK) have not been restated in accordance with SEBI Guidelines. As used in this section, "Norwest" means Norwest Industries Limited, on a stand-alone basis.

Foreign Currency Translations

The financial statements of Norwest under the Hong Kong Financial Reporting Standards are reported in HK$ and have been translated into Rupees for each period solely to comply with the requirements of Clause 6.9.7.1 of the SEBI Guidelines and have been translated in accordance with AS-11 of the Indian accounting standards. Investors are cautioned to not rely on such translated amounts. The following table sets forth, for each period indicated, information concerning the number of Rupees for which one HK$ could be exchanged. The balance sheet and cash flow statements are translated based on the closing rate prevailing at the balance sheet date of the particular period. The income statement is translated at an average rate prevailing during each period. The source of the exchange rate used is www.oanda.com, a currency website. The translations should not be considered as a representation that HK$ amounts have been, could have been or could be converted into Rupees at any particular rate, the rate stated below, or at all.

	Year ended March 31,			**Six months ended September 30, 2006**
	2004	**2005**	**2006**	
Closing Rate (per one HK$)	Rs.5.66	Rs.5.61	Rs.5.75	Rs.5.90
Average Rate (per one HK$)	Rs.5.92	Rs.5.77	Rs.5.70	Rs.5.91

Source: www.oanda.com

Any percentage amounts, set forth herein, unless otherwise indicated, have been calculated on the basis of HK$ amounts derived from Norwest's financial statements prepared in accordance with Hong Kong Financial Reporting Standards, and not on the basis of any translated Rupee amount presented solely pursuant to SEBI requirements. Calculation of percentage amounts on the basis of Rupee amounts may lead to results that are different, in a material way, from those calculated as per HK$ amounts.

Overview

Norwest was incorporated on June 24, 1998 under the laws of Hong Kong. Pallas Holdings Limited, a Promoter group company, owned an 85% interest in Norwest. On May 31, 2006, Multinational Textiles, a 100% subsidiary of HoPFL, acquired an 85% equity interest in Norwest. Norwest is principally engaged in the marketing and distribution of ready-made garments.

The following table sets forth certain information with respect to income, expenditures and profits for Norwest for the periods indicated.

	Year ended March 31,									Six months ended September 30, 2006		
	2004			2005			2006					
	(HK$)	(Rs.)	(%)	(HK$)	(Rs.)	(%)	(HK$)	(Rs.)	(%)	(HK$)	(Rs.)	(%)
Revenue	300,169,945	1,775,805,395	100.0	423,312,160	2,441,241,227	100.0	457,958,626	2,611,280,085	100.0	314,476,043	1,859,496,842	100.0
Cost of sales	(242,062,931)	(1,432,044,300)	80.6	(341,180,343)	(1,967,587,038)	80.6	(375,962,857)	(2,143,740,211)	82.1	(254,732,878)	(1,506,235,508)	81.0
Gross profit	**58,107,014**	**343,761,095**	**19.4**	**82,131,817**	**473,654,189**	**19.4**	**81,995,769**	**467,539,875**	**17.9**	**59,743,165**	**353,261,335**	**19.0**
Other income and Gains	4,114,855	24,343,482	1.4	12,760,698	73,590,945	3.0	14,602,284	83,262,223	3.2	12,222,851	72,273,718	3.9
Distribution costs	(2,518,052)	(14,896,796)	0.8	(2,191,008)	(12,635,543)	0.5	-	-	-	(411,658)	(2,434,134)	0.1
Adminis-trative Expenses	(51,229,341)	(303,072,781)	17.0	(77,744,602)	(448,353,120)	18.4	(68,869,660)	(392,694,801)	15.0	(46,431,715)	(274,550,731)	14.8
Other operating expenses	(974,083)	(5,762,675)	0.3	(1,419,430)	(8,185,853)	0.3	(1,972,783)	(11,248,809)	0.4	(814,964)	(4,818,882)	0.3
Finance cost	(1,292,170)	(7,644,478)	0.4	(787,795)	(4,543,214)	0.2	(1,775,750)	(10,125,327)	0.4	(1,846,188)	(10,916,510)	0.6
Profit before tax	**6,208,223**	**36,727,847**	**2.1**	**12,749,680**	**73,527,405**	**3.0**	**23,979,860**	**136,733,162**	**5.2**	**22,461,491**	**132,814,796**	**7.1**
Tax	(1,270,604)	(7,516,893)	0.4	(2,801,496)	(16,156,227)	0.7	(4,605,323)	(26,259,552)	1.0	(4,312,709)	(25,501,048)	1.4
Net profit for the period/year	**4,937,619**	**29,210,954**	**1.6**	**9,948,184**	**57,371,177**	**2.4**	**19,374,537**	**110,473,610**	**4.2**	**18,148,782**	**107,313,748**	**5.8**

Revenue, Other Income and Gains

Revenue

Norwest's revenue consists of revenues from sales of ready-to-wear garments traded by the company. Revenue represents the net invoiced value of goods sold, net of trade discounts.

Other Income and Gains

Other income consists of interest income, handling fee income, including income from Group companies that source goods from Norwest and sundry income. Gains include gains from disposal of property, plant and equipment and net foreign exchange gains.

Cost of Sales, Distribution Costs, Administrative Expenses, Other Operating Expenses and Finance Costs

Cost of Sales

Norwest's cost of sales consists of purchases of finished goods, fabrics, trims and other accessories. Being a trading company, as a percentage of revenue, Norwest's cost of sales was 80.6% in fiscal 2004, 80.6% in fiscal 2005, 82.1% in fiscal 2006 and 81.0% in the six months ended September 30, 2006.

Distribution Costs

Distribution costs include freight, commissions and fees payable to third-party agencies for services such as quality control, and other related expenses. As a percentage of revenue, distribution costs were approximately 0.8% and 0.5% in fiscal 2004 and 2005, respectively and Nil in fiscal 2006 and 0.1% in the six months ended September 30, 2006.

Administrative Expenses

Administrative expenses include personnel costs, communication expenses, printing and stationary, office expenses, traveling and sampling and establishment costs, including charges in respect of electricity, house keeping and local taxes. As a percentage of revenue, administrative expenses were approximately 17.0%, 18.4% and 15.0% in fiscal 2004, 2005 and 2006, respectively and 14.8% in the six months ended September 30, 2006.

Other Operating Expenses

Other operating expenses include legal and professional charges, depreciation and vehicle expenses. As a percentage of revenue, other operating expenses remained relatively flat at 0.3% in each of fiscal 2004 and 2005 and increased slightly to 0.4% in fiscal 2006. As a percentage of revenue, other operating expenses were 0.3% in the six months ended September 30, 2006.

Finance Costs

Finance costs consist of interest on bank loans and overdrafts. As a percentage of revenue, finance costs were approximately 0.4%, 0.2% and 0.4% in fiscal 2004, 2005 and 2006, respectively and 0.6% in the six months ended September 30, 2006.

Six months ended September 30, 2006

Revenue. Norwest recorded revenue of HK$314.5 million (Rs.1,859.5 million) in the six months ended September 30, 2006.

Cost of Sales. Norwest recorded cost of sales of HK$254.7 million (Rs.1,506.2 million) in the six months ended September 30, 2006, constituting approximately 81.0% of its revenue.

Gross Profit. Norwest recorded a gross profit of HK$59.7 million (Rs.353.3 million) in the six months ended September 30, 2006, constituting approximately 19.0% of its revenue.

Distribution Costs. Norwest incurred distribution costs of HK$0.4 million (Rs.2.4 million) in the six months ended September 30, 2006, constituting approximately 0.1% of its revenue.

Administrative Expenses. Norwest incurred administrative expenses of HK$46.4 million (Rs.274.5 million) in the six months ended September 30, 2006, constituting approximately 14.8% of its revenue.

Other Operating Expenses. Norwest incurred other operating expenses of HK$0.8 million (Rs.4.8 million) in the six months ended September 30, 2006, constituting approximately 0.3% of its revenue.

Finance Cost. Norwest incurred finance cost of HK$1.8 million (Rs.10.9 million) in the six months ended September 30, 2006, constituting approximately 0.6% of its revenue.

Profit before Tax. As a result of the foregoing, Norwest's profit before tax in the six months ended September 30, 2006 was HK$22.5 million (Rs.132.8 million), constituting approximately 7.1% of its revenue.

Tax. Provision for income taxes in the six months ended September 30, 2006 was HK$4.3 million (Rs.25.5 million), constituting approximately 1.4% of revenue.

Net Profit for the Period/Year. Norwest's net profit after tax was HK$18.1 million (Rs.107.3 million) in the six months ended September 30, 2006, constituting approximately 5.8% of its revenue.

Comparison of the year ended March 31, 2005 with the year ended March 31, 2006

Revenue. Revenue increased by HK$34.6 million (Rs.170.1 million), or 8.2%, from HK$423.3 million (Rs.2,441.2 million) in fiscal 2005 to HK$457.9 million (Rs.2,611.3 million) in fiscal 2006. This increase was primarily due to increased sales to existing customers, such as Colby, ASDA and Matalan and the addition of new customers, such as Peacock. In fiscal 2006, Norwest changed its strategy and discontinued sales to certain customers in Germany primarily due to low margins. It changed its focus to sales to customers in other geographic locations, including JC Penny and Colby in North America and Johnson and Falabella in South America. Sales to the largest customer were approximately 54.0% and 40.0% of revenue for fiscal 2005 and 2006, respectively.

Cost of Sales. Cost of sales increased by HK$34.8 million (Rs.176.1 million), or 10.2%, from HK$341.2 million (Rs.1,967.6 million) in fiscal 2005 to HK$376.0 million (Rs.2,143.7 million) in fiscal 2006. This increase was the result of an increase in the sales volumes resulting from increase in sales to existing customers and addition of new customers. As a percentage of revenue, cost of sales increased from 80.6% in fiscal 2005 to 82.1% in fiscal 2006.

Gross Profit. Norwest's gross profit decreased slightly by HK$136,048 (Rs.6.1 million), or 0.2%, from HK$82,131,817 (Rs.473.6 million) in fiscal 2005 to HK$81,995,769 (Rs.467.5 million) in fiscal 2006. This decrease in gross profit was primarily due to a higher increase in the cost of sales compared to an increase in revenue in fiscal 2006. As a percentage of revenue, gross profit decreased from 19.4% in fiscal 2005 to 17.9% in fiscal 2006.

Other Income and Gains. Other income and gains increased by HK$1.8 million (Rs.9.7 million), or 14.1%, from HK$12.8 million (Rs.73.6 million) in fiscal 2005 to HK$14.6 million (Rs.83.3 million) in fiscal 2006. This increase was primarily due to an increase in handling fee income from HK$4.4 million (Rs.24.7 million) in fiscal 2005 to HK$10.6 million (Rs.61.0 million) in fiscal 2006, resulting from an increase in the sourcing of goods by Poeticgem and other Group companies from Norwest upon the establishment of a sourcing office in Bangladesh in April 2005. An increase in sundry income from HK$1.3 million (Rs.7.3 million) in fiscal 2005 to HK$1.6 million (Rs.9.2 million) in fiscal 2006 also contributed to an increase in other income and gains. As a percentage of revenue, other income and gains was 3.0% in fiscal 2005 compared to 3.2% in fiscal 2006.

Distributions Costs. Distribution costs were HK$2.2 million (Rs.12.6 million) in fiscal 2005, constituting approximately 0.5% of Norwest's revenue. Previously Norwest outsourced certain services such as quality control to third-party agencies. With the establishment of the sourcing office in Bangladesh in April 2005 Norwest ceased to outsource such services and did not incur any distribution costs in fiscal 2006.

Administrative Expenses. Administrative expenses decreased by HK$8.8 million (Rs.55.6 million), or 11.3%, from HK$77.7 million (Rs.448.3 million) in fiscal 2005 to HK$68.9 million (Rs.392.7 million) in fiscal 2006. The decrease in administrative expenses was primarily due to increased cost cutting measures, including curtailment of establishment costs and realignment of staff in Hong Kong. The number of personnel declined from 36 as of March 31, 2005 to 25 as of March 31, 2006. As a percentage of revenue, administrative expenses decreased from 18.4% in fiscal 2005 to 15.0% in fiscal 2006.

Other Operating Expenses. Other operating expenses increased by HK$0.6 million (Rs.3.0 million), or 42.8%, from HK$1.4 million (Rs.8.2 million) in fiscal 2005 to HK$2.0 million (Rs.11.2 million) in fiscal 2006. As a percentage of revenue, other operating expenses increased marginally from 0.3% in fiscal 2005 to 0.4% in fiscal 2006.

Finance Costs. Finance costs increased by HK$1.0 million (Rs.5.6 million), or 125.0%, from HK$0.8 million (Rs.4.5 million) in fiscal 2005 to HK$1.8 million (Rs.10.1 million) in fiscal 2006. This increase was due to an increase in interest on bank loans and overdrafts, resulting from an increase in indebtedness to fund the working capital requirements of Norwest in fiscal 2006 that were earlier being funded from internal accruals. As a percentage of revenue, finance costs increased from 0.2% in fiscal 2005 to 0.4% in fiscal 2006.

Profit Before Tax. As a result of the foregoing, Norwest's profit before tax increased by HK$11.3 million (Rs.63.2 million), or 89.0%, from HK$12.7 million (Rs.73.5 million) in fiscal 2005 to HK$24.0 million (Rs.136.7 million) in fiscal 2006. As a percentage of revenue, profits before tax increased from 3.0% in fiscal 2005 to 5.2% in fiscal 2006.

Tax. Norwest's tax liability increased by HK$1.8 million (Rs.10.1 million), or 64.3%, from HK$2.8 million (Rs.16.1 million) in fiscal 2005 to HK$4.6 million (Rs.26.2 million) in fiscal 2006 primarily due to an increase in taxable income. As a percentage of revenue, tax increased from 0.7% in fiscal 2005 to 1.0% in fiscal 2006.

Net Profit for the Period/Year. Norwest's net profit after tax increased by HK$9.5 million (Rs.53.1 million), or 95.9%, from HK$9.9 million (Rs.57.4 million), representing 2.4% of the revenue, in fiscal 2005 to HK$19.4 million (Rs.110.5 million), representing 4.2% of the revenue, in fiscal 2006.

Comparison of the year ended March 31, 2004 with the year ended March 31, 2005

Revenue. Revenue increased by HK$123.1 million (Rs.665.4 million), or 41.0%, from HK$300.2 million (Rs.1,775.8 million) in fiscal 2004 to HK$423.3 million (Rs.2,441.2 million) in fiscal 2005. This increase was primarily due to increased sales to ASDA on an FOB basis, which increased from HK$89.8 million (Rs.532.0 million) in fiscal 2004 to HK$217.2 million (Rs.1,253.2 million) in fiscal 2005. Norwest also expanded its customer base with sales to customers such as JC Penney. The number of customers increased from 11 in fiscal 2004 to 20 in fiscal 2005. Sales to the largest customer were approximately 30.0% and 54.0% of revenue for fiscal 2004 and 2005, respectively.

Cost of Sales. Cost of sales increased by HK$99.1 million (Rs.535.6 million), or 40.9%, from HK$242.1 million (Rs.1,432.0 million) in fiscal 2004 to HK$341.2 million (Rs.1,967.6 million) in fiscal 2005. This increase was primarily associated with the increase in sales. As a percentage of revenue, cost of sales remained at 80.6% in each of fiscal 2004 and 2005.

Gross Profit. Norwest's gross profit increased by HK$24.0 million (Rs.129.8 million), or 41.3%, from HK$58.1 million (Rs.343.8 million) in fiscal 2004 to HK$82.1 million (Rs.473.6 million) in fiscal 2005. This increase in gross profit was primarily due to a higher increase in revenue compared to an increase in cost of sales in fiscal 2005. As a percentage of revenue, gross profit remained at 19.4% in each of fiscal 2004 and 2005.

Other Income and Gains. Other income and gains increased by HK$8.7 million (Rs.49.3 million), or 212.2%, from HK$4.1 million (Rs.24.3 million) in fiscal 2004 to HK$12.8 million (Rs.73.6 million) in fiscal 2005. This increase was primarily due to an increase in interest income from HK$33,525 (Rs.0.2 million) in fiscal 2004 to HK$0.3 million (Rs.1.7 million) in fiscal 2005, an increase in handling fee income from HK$2.8 million (Rs.15.9 million) in fiscal 2004 to HK$4.4 million (Rs.24.7 million) in fiscal 2005 and an increase in sundry income from HK$1.0 million (Rs.5.7 million) in fiscal 2004 to HK$1.3 million (Rs.7.3 million) in fiscal 2005. The increase in handling fee income was attributable to the increased sourcing of goods by Poeticgem and other Group companies from Norwest's sourcing office in China. Gains on disposal of fixed assets and net foreign exchange gains also contributed to an increase in other income and gains in fiscal 2005. As a percentage of revenue, other income and gains increased from 1.4% in fiscal 2004 to 3.0% in fiscal 2005.

Distributions Costs. Distribution costs decreased by HK$0.3 million (Rs.2.3 million), or 12.0%, from HK$2.5 million (Rs.14.9 million) in fiscal 2004, constituting approximately 0.8% of Norwest's revenue, to HK$2.2 million (Rs.12.6 million) in fiscal 2005, constituting approximately 0.5% of Norwest's revenue. This decrease was primarily due to a decrease in outsourcing of services to third-party agencies due to increased sourcing from Norwest's office in China during fiscal 2005.

Administrative Expenses. Administrative expenses increased by HK$26.5 million (Rs.145.3 million), or 51.7%, from HK$51.2 million (Rs.303.0 million) in fiscal 2004 to HK$77.7 million (Rs.448.3 million) in fiscal 2005. The increase in administrative expenses was primarily due to increase in marketing commission paid to Poeticgem on account of increased sales to buyers in fiscal 2005. As a percentage of revenue, administrative expenses increased from 17.0% in fiscal 2004 to 18.4% in fiscal 2005.

Other Operating Expenses. Other operating expenses increased by HK$0.4 million (Rs.2.4 million), or 40.0%, from HK$1.0 million (Rs.5.8 million) in fiscal 2004 to HK$1.4 million (Rs.8.2 million) in fiscal 2005. As a percentage of revenue, other operating expenses remained at 0.3% in each of fiscal 2004 and 2005.

Finance Costs. Finance costs decreased by HK$0.5 million (Rs.3.1 million), or 38.5%, from HK$1.3 million (Rs.7.6 million) in fiscal 2004 to HK$0.8 million (Rs.4.5 million) in fiscal 2005. This decrease was due to a decrease in interest bearing bank borrowings. As a percentage of revenue, finance costs decreased from 0.4% in fiscal 2004 to 0.2% in fiscal 2005.

Profit Before Tax. As a result of the foregoing, Norwest's profit before tax increased by HK$6.5 million (Rs.36.8 million), or 104.8%, from HK$6.2 million (Rs.36.7 million) in fiscal 2004 to HK$12.7 million (Rs.73.5 million) in fiscal 2005. As a percentage of revenue, profits before tax increased from 2.1% in fiscal 2004 to 3.0% in fiscal 2005.

Tax. Norwest's tax liability increased by HK$1.5 million (Rs.8.6 million), or 115.4%, from HK$1.3 million (Rs.7.5 million) in fiscal 2004 to HK$2.8 million (Rs.16.1 million) in fiscal 2005 primarily due to an increase in taxable income. As a percentage of revenue, tax increased from 0.4% in fiscal 2004 to 0.7% in fiscal 2005.

Net Profit for the Period/Year. Norwest's net profit increased by HK$5.0 million (Rs.28.2 million), or 102.0%, from HK$4.9 million (Rs.29.2 million), representing 1.6% of the revenue, in fiscal 2004 compared to HK$9.9 million (Rs.57.4 million), representing 2.4% of the revenue, in fiscal 2005.

Cash Flow Data for Norwest, on a Stand-Alone Basis

The table below summarizes the cash flows of Norwest on a stand-alone basis in the years ended March 31, 2006, 2005 and 2004 and in the six months ended September 30, 2006.

	Year ended March 31,						Six months ended September 30, 2006	
	2004		2005		2006			
	HK$	Rs.	HK$	Rs.	HK$	Rs.	HK$	Rs.
Net cash flows from (used in) operating activities	(11,220,997)	(63,510,843)	23,687,278	133,004,066	(35,707,400)	(205,317,550)	44,385,704	262,008,811
Net cash flows from (used in) investing activities	2,536,724	14,357,858	(860,868)	(4,891,895)	(2,575,175)	(14,807,256)	(38,727,629)	(228,609,194)
Net cash flows from (used in) financing activities	6,249,616	35,372,827	(17,302,088)	(97,151,224)	35,466,344	203,931,478	(6,343,773)	(37,447,292)
Net increase (decrease) in cash and cash equivalents	(2,434,657)	(13,780,159)	5,513,971	30,960,947	(2,816,231)	(16,193,328)	(685,698)	(4,047,675)

Cash flows from (used in) operating activities

Six months ended September 30, 2006. Norwest's net cash inflow from operating activities in the six months ended September 30, 2006 was HK$44.4 million (Rs.262.0 million), reflecting a profit before taxation of HK$22.5 million (Rs.132.6 million) and total tax paid of HK$0.5 million (Rs.2.95 million), and adjusted for HK$1.8 million (Rs.10.9 million) for finance costs, HK$0.7 million (Rs.4.2 million) for depreciation, partially offset by an adjustment of HK$0.5 million (Rs.3.5 million) for interest income. Working capital changes included, among others, a HK$26.6 million (Rs.156.9 million) increase in the amount due to a fellow subsidiary, reflecting an increase in marketing commission payable to Poeticgem, a HK$16.0 million (Rs.94.3 million) increase in trust receipt loans, reflecting increased imports, a HK$3.1 million (Rs.18.4 million) decrease in bills payable, reflecting payment to the creditors, a HK$7.0 million (Rs.41.3 million) decrease in amount due from fellow subsidiaries, reflecting remittances received from subsidiaries, a HK$15.9 million (Rs.93.9 million) increase in prepayment, deposits and other receivable, reflecting an increase in deposits to the landlord of the Bangladesh sourcing office and increase in amount receivable from customers in Hong Kong and a HK$8.0 million (Rs.47.5 million) increase in accounts and bills receivable, reflecting increased sales.

Fiscal 2006. Norwest's net cash outflow from operating activities in fiscal 2006 was HK$35.7 million (Rs.205.3 million), reflecting a profit before taxation of HK$24.0 million (Rs.137.9 million), and total tax paid of HK$3.0 million (Rs.17.4 million), and adjusted for HK$1.8 million (Rs.10.2 million) for finance costs and HK$1.3 million (Rs.7.5 million) for depreciation, partially offset by an adjustment of HK$0.2 million (Rs.0.9 million) for interest income, among others. Working capital changes included, among others, a HK$28.6 million (Rs.164.7 million) increase in accounts payable and accrued liabilities, reflecting increased purchases on account of higher sales volumes], a HK$2.9 million (Rs.16.8 million) increase in bills payable, reflecting increased purchases, a HK$85.2 million (Rs.490.2 million) increase in accounts and bills receivable, reflecting increased sales, and a HK$4.6 million (Rs.26.7 million) decrease in amount due to a fellow subsidiary, reflecting remittance made to a fellow subsidiary.

Fiscal 2005. Norwest's net cash inflow from operating activities in fiscal 2005 was HK$23.7 million (Rs.133.0 million), reflecting a profit before taxation of HK$12.7 million (Rs.71.6 million) and total tax paid of HK$1.4 million (Rs.7.8 million), and adjusted for HK$0.8 million (Rs.4.4 million) for finance costs and HK$0.8 million (Rs.4.8 million) for depreciation, partially offset by an adjustment of HK$0.3 million (Rs.1.5 million) for interest income and HK$0.1 million (Rs.0.6 million) for gain on disposal of items of property, plant and equipment. Working capital changes included, among others, a HK$7.2 million (Rs.40.4 million) decrease in accounts and bills receivable, reflecting remittances from customers, a HK$3.4 million (Rs.19.0 million) decrease in inventories, reflecting utilization of stock, a HK$4.6 million (Rs.26.1 million) increase in amount due to a fellow subsidiary, reflecting an increase in marketing commission, a HK$4.0 million (Rs.22.5 million) increase in trust receipts loan, reflecting increases in imports, a HK$4.8 million (Rs.27.2 million) decrease in accounts payable and accrued liabilities, reflecting amounts paid to creditors, and HK$4.7 million (Rs.26.7 million) increase in amount due from a fellow subsidiary on accounts of certain business transactions with the fellow subsidiary.

Fiscal 2004. Norwest's net cash outflow from operating activities in fiscal 2004 was HK$11.2 million (Rs.63.51 million), reflecting a profit before taxation of HK$6.2 million (Rs.35.1 million) and total tax paid of HK$0.7 million (Rs.3.7 million), and adjusted for HK$1.3 million (Rs.7.3 million) for finance costs and HK$0.7 million (Rs.3.8 million) for depreciation, partially offset by an adjustment of HK$33,525 (Rs.0.2 million) for interest income and HK$0.2 million (Rs.1.1 million) for gain on disposal of items of property, plant and equipment. Working capital changes included, among others, a HK$23.2 million (Rs.131.3 million) increase in accounts and bills receivable, reflecting an increase in sales, a HK$7.0 million (Rs.40.0 million) decrease in prepayment, deposits and other receivable, reflecting a decrease in amount receivable from customers in Hong Kong, a HK$7.3 million (Rs.41.4 million) increase in accounts payable and accrued liabilities, reflecting an increase in purchases, and a HK$7.0 million (Rs.39.6 million) decrease in trusts receipts loan, reflecting lower utilization of working capital facilities.

Cash flows from (used in) investing activities

Six months ended September 30, 2006. Norwest's net cash outflow from investing activities was HK$38.7 million (Rs.228.6 million) in the six months ended September 30, 2006, which was primarily a result of increase in pledged time deposits of HK$20.1 million (Rs.118.9 million) and purchase of items of property, plant and equipment of HK$19.2 million (Rs.113.3 million). The increase in pledged time deposits represent increase in cash deposits placed with banks as collateral for working capital limits and purchase of items of property, plant and equipment primarily represent leasehold improvements, purchase of furniture and fixtures and office equipment.

Fiscal 2006. Norwest's net cash outflow from investing activities was HK$2.6 million (Rs.14.8 million) in fiscal 2006, which was primarily a result of purchase of items of property, plant and equipment of HK$2.6 million (Rs.15.0 million) and increase in pledged time deposits of HK$129,202 (Rs.742,912), and partially offset by interest received of HK$165,414 (Rs.951,131). The purchase of items of property, plant and equipment included items purchased in the ordinary course of business, increase in pledged time deposits represent increase in cash deposits placed with banks as collateral for working capital limits and interest received included interest on bank deposits.

Fiscal 2005. Norwest's net cash outflow from investing activities was HK$0.9 million (Rs.4.9 million) in fiscal 2005, which was primarily a result of purchase of items of property, plant and equipment of HK$0.7 million (Rs.4.1 million) and increase in pledged time deposits of HK$0.5 million (Rs.2.8 million), and partially offset by, among others, interest received of HK$0.3 million (Rs.1.5 million). The purchase of items of property, plant and equipment included items purchased in the ordinary course of business.

Fiscal 2004. Norwest's net cash inflow from investing activities was HK$2.5 million (Rs.14.3 million) in fiscal 2004, which was primarily a result of disposal of long term investment of HK$3.4 million (Rs.19.5 million) and a decrease in pledged time deposits of HK$2.8 million (Rs.15.9 million), and partially offset by, among others, purchase of fixed assets HK$1.2 million (Rs.6.7 million) and purchase of marketable securities of HK$2.8 million (Rs.15.8 million). The disposal of long term investment included sale of interest in PT Norwest. Purchase of fixed assets included purchases in the ordinary course of business. During this period, Norwest transferred funds from pledged time deposits to marketable securities pledged to the bank as collateral for working capital.

Cash flows from (used in) financing activities

Six months ended September 30, 2006. Norwest's net cash outflow from financing activities was HK$6.3 million (Rs.37.4 million) in the six months ended September 30, 2006, composed primarily of HK$9.3 million (Rs.55.1 million) in dividends paid and HK$7.7 million (Rs.45.7 million) in the repayment of an interest bearing loan from the bank, partially offset by HK$10.7 million (Rs.63.5 million) in new interest bearing loan from bank.

Fiscal 2006. Norwest's net cash inflow from financing activities was HK$35.5 million (Rs.203.9 million) in fiscal 2006, composed primarily of HK$28.0 million (Rs.161.0 million) in proceeds from a new interest bearing loan from the bank and HK$15.7 million (Rs.90.3 million) in proceeds from repayment of advance to a subsidiary, partially offset by, among others, HK$7.3 million (Rs.41.9 million) in repayment of an advance from a holding company.

Fiscal 2005. Norwest's net cash outflow from financing activities was HK$17.3 million (Rs.97.1 million) in fiscal 2005, composed primarily of HK$15.7 million (Rs.88.1 million) in advance to a subsidiary and HK$1.6 million (Rs.9.0 million) in repayment of an advance from a holding company.

Fiscal 2004. Norwest's net cash inflow from financing activities was HK$6.2 million (Rs.35.4 million) in fiscal 2004, composed of HK$0.9 (Rs.5.2 million) in advance from a holding company and HK$5.3 million (Rs.30.1 million) in repayment of an advance to investee company.

Indebtedness, Contractual Obligations, Commitments and Other Off-Balance Sheet Arrangements

The table below sets out the details of HoPFL's secured and unsecured long-term loans, on a consolidated basis, as of September 30, 2006:

(Amount in Rs. million)

Indebtedness	Total outstanding amount as on September 30, 2006	Payment due by September 30,			After September 30, 2011
		2007	2008	2011	
Secured	585.4	245.1	80.2	216.5	43.6
Unsecured	122.7	44.5	18.2	54.7	5.3

The Company proposes to pay Rs.354.2 million of the total outstanding secured loans and Rs.122.7 million of the total outstanding unsecured loans out of the net proceeds of the Fresh Issue. As of September 30, 2006, HoPFL, on a consolidated basis, also had certain secured working capital loans in an amount of Rs.1,417.6 million, which are payable on demand. For details on our indebtedness, see "Our Indebtedness" beginning on page 210 of this Prospectus.

The following table summarises contractual obligations and commitments to make future payments for HoPFL, on a consolidated basis, as of September 30, 2006, and the effect such obligations and commitments are expected to have on liquidity and cash flow in future periods:

	As of September 30, 2006				
	Payment Due by Period (in millions)				
	Total	Within 1 year	Second Year	Third to Fifth Year	After Five Years
Long-term bank loans					
- Loans in Local Currencies	Rs.335.5	Rs.80.3	Rs.79.4	Rs.132.2	Rs.43.6
- Foreign Currency Loans	$1.8	-	-	$1.8	-
Long-term loans from others	Rs.126.4	Rs.46.3	Rs.19.0	Rs.55.8	Rs.5.3
Short-term and other loans					
- Payable on demand	Rs.2,010.2	-	-	-	-
- With repayment schedule	Rs.163.0	Rs.163.0	-	-	-
Other capital commitments	Rs.28.6	Rs.12.0	Rs.4.1	Rs.12.5	-

Some of the contractual obligations, including purchase obligations, are not generally required to be recognised as liabilities in the balance sheet. The table below sets out the details of HoPFL's off-balance sheet items and contingent liabilities, on a consolidated basis:

(Amount in Rs. million)

	For the year ended March 31, 2006	For the six months ended September 30, 2006
Bank Guarantees outstanding	10.3	43.4
Corporate Guarantees outstanding	16.4	558.3
Bills discounted	94.7	67.3
Disputed Sales Tax Liability	2.3	2.3
Letters of Credit	273.6	303.8
Other Liabilities	0.8	0.8

Historical and Planned Capital Expenditures

HoPFL's capital expenditures, on a consolidated basis, in each of the years ended March 31 2004, 2005 and 2006 and the six months ended September 30, 2006 were Rs.69.2 million, Rs.72.0 million, Rs.120.1 million and Rs.437.5 million, respectively. The capital expenditures in the six months ended September 30, 2006, reflect the consolidation of the overseas Subsidiaries. The table below sets out the capital expenditures incurred by certain entities in the Group in each of the years ended March 31, 2004, 2005 and 2006 and the six months ended September 30, 2006:

(Amount in Rs. million)

Group Entity	For the year ended March 31,			For the six months ended September 30, 2006
	2004	2005	2006	
HoPFL (on a stand-alone basis)	-	-	9.7	0.3
Pearl Global	64.6	66.7	108.9	276.4
Pearl Styles[(1)]	4.3	5.2	-	-
Poeticgem -	-	18.4	10.6	33.5
Pacific Logistics	-	21.9	3.4	2.5
Norwest Industries (HK)	6.7	4.1	15.0	113.2
PT Norwest	6.2	6.8	2.4	1.7
Nor Pearl	-	43.8	163.5	6.7
Norp Knit	-	26.4	10.0	3.2

[(1)] *Pearl Styles has merged with Pearl Global with effect from April 1, 2005.*

We expect to incur capital expenditures of approximately Rs.1,403.5 million through fiscal 2010 principally on increasing our production capacity, establishing a design centre and establishing an enterprise resource planning system. Please see "Objects of the Issue" beginning on page 32 of this Prospectus for further information on our proposed capital expenditure plans.

We expect to finance these capital expenditures primarily through a combination of cash flows from operations, net proceeds of the Fresh Issue and additional loans or borrowings from lenders or other third parties, as may be required. We may increase or decrease the amount of our planned capital expenditures, decide to incur other capital expenditures or cancel currently planned capital expenditures depending on, among other factors, market conditions, product demand, cost, availability and quality of raw materials, our financial results and availability of financing on favorable terms and interest rates.

Market Risks

Our exposure to market risks derives primarily from changes in interest rates and foreign exchange rates. Generally, our objective is to ensure that we understand, measure and monitor these risks and take appropriate actions to minimize our exposure to such risks. Our policies for managing these risks are described below.

Foreign exchange risk. Our global operations expose us to foreign exchange risks. We transact a major portion of our business in foreign currencies, particularly the U.S. dollar, pound sterling and the Hong Kong dollar. Our foreign exchange risk primarily arises from our foreign currency revenues, receivables, payables and other foreign currency assets and liabilities. To manage our foreign exchange risk arising from commercial transactions and recognized assets and liabilities, we use forward contracts and selectively enter into hedging transactions to reduce the risks of currency fluctuations. As of September 30, 2006, we had outstanding forward contracts of Rs. 1,240.81 million.

Interest rate risk. Our interest rate risk arises from short-term and long-term borrowings. Borrowings obtained at variable rates expose us to cash flow interest rate risk. Borrowings issued at fixed rates expose us to fair value interest rate risk. We also seek to negotiate the terms of our borrowings with lenders to convert high interest bearing borrowings into lower interest bearing borrowings.

Related Party Transactions

For details, see note 10 to Annexure V of the restated consolidated financial statements of HoPFL beginning on page F-60 of this Prospectus.

Inflation

In recent years, although India has experienced fluctuation in inflation rates, inflation has not had a material impact on our business and results of operations.

Unusual or Infrequent Events or Transactions

Except as described in this Prospectus, there have been no events or transactions to our knowledge which may be described as "unusual" or "infrequent".

Known trends or uncertainties

Other than as described in the sections "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Prospectus, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income from continuing operations.

Future relationship between costs and income

Other than as described in the sections "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Prospectus, to our knowledge there are no known factors which will have a material adverse impact on our operation and finances.

Competitive conditions

For details, please refer to the discussions of our competition in the sections "Risk Factors" and "Our Business" beginning on pages xv and 70, respectively, in this Prospectus.

Significant developments after September 30, 2006 that may affect our future results of operations

Except as stated elsewhere in this Prospectus, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in this Prospectus which materially and adversely affects or is likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next twelve months.

Except as stated elsewhere in this Prospectus, there is no subsequent development after the date of the Auditor's Report which we believe is expected to have a material impact on our reserves, profits, EPS and book value.

SUMMARY OF SIGNIFICANT DIFFERENCES AMONG INDIAN GAAP, IFRS, U.S. GAAP AND U.K. GAAP

The Company's financial statements are prepared in conformity with the generally accepted accounting principles followed in India ("Indian GAAP"), which differ in certain significant respects from International Accounting Standards/International Financial Reporting Standards ("IAS/IFRS") and generally accepted accounting standards in the United States of America ("US GAAP") and United Kingdom ("U.K. GAAP"). Such differences involve methods for measuring the amounts shown in the financial statements of the Issuer, as well as additional disclosures required by IAS/IFRS, U.S. GAAP and U.K. GAAP, which the Company has not made.

The following summarizes the areas in which differences between Indian GAAP, IAS/IFRS, US GAAP and U.K. GAAP could be significant to the financial position and results of operations of the Company. The summary below should not be construed to be exhaustive as no attempt has been made by management of the Company to quantify the effects of those differences, nor has a complete reconciliation of Indian GAAP to IAS/IFRS, U.S. GAAP and U.K. GAAP been undertaken by management. Had any such quantification or reconciliation been undertaken by the management of the Company, other potential significant accounting and disclosure differences may have come to its attention, which is not identified below.

Further, no attempt has been made to identify future differences between Indian GAAP, IAS/IFRS, U.S. GAAP and U.K. GAAP as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate Indian GAAP, IAS/IFRS, U.S. GAAP and U.K. GAAP have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between Indian GAAP and IAS/IFRS, U.S. GAAP and U.K. GAAP that may affect the financial information as result of transactions or events that may occur in the future.

Potential investors should consult their own professional advisors for an understanding of the principal differences between Indian GAAP, IAS/IFRS, U.S. GAAP and U.K. GAAP and how these differences might affect the financial statements of the Company set out in this Prospectus.

Elements of the Company's accounting principles followed in the preparation of the Indian GAAP financial statements, which differ significantly from IAS/IFRS , U.S. GAAP and U.K. GAAP are described below:

Indian GAAP	IAS/IFRS	U.S. GAAP	U.K. GAAP
Components of Financial Statements			
Balance Sheet, Income Statement, Cash Flow & Notes to Account.	Balance Sheet, Income Statement, statement of change in equity (SOCE), Cash Flow & Notes to Accounts. The concept of SOCE does not prevail, however they are represented by the captions "Share Capital & Reserves & Surplus" in the Balance Sheet.	Balance Sheet, Income Statement, Statement of changes in other comprehensive income, Cash Flow & Notes to Accounts.	Balance Sheet, Income Statement ,Cash Flow & Notes to Account.
Changes in Accounting Policy			
Any change in an accounting policy, which has a material effect, should be disclosed. The impact of and the adjustments resulting from, such change, if material, should be shown in the financial statements of the period in which such change	Changes in accounting policy should be accounted for retrospectively, with comparative information restated and the amount of the adjustment relating to prior periods adjusted against the opening balance of	The effect of a change in accounting policy is generally included (net of taxes) in the current year income statement, after extraordinary items. Pro forma comparatives	An entity should implement a new accounting policy if it is judged more appropriate to the entity's particular circumstances than the present accounting policy. Where a change in accounting

Indian GAAP	IAS/IFRS	U.S. GAAP	U.K. GAAP
is made, to reflect the effect of such change. Where the effect of such change is not ascertainable, wholly or in part, the fact should be indicated. If a change is made in the accounting policies which has no material effect on the financial statements for the current period but which is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the period in which the change is adopted. Policy changes made on the adoption of a new standard must be accounted for in accordance with that standard's transition provisions.	retained earnings of the earliest year presented. An exemption applies when it is impracticable to change comparative information. Policy changes made on the adoption of a new standard must be accounted for in accordance with that standard's transition provisions. If transition provisions are not specified, the method described above must be used.	reflecting the impact of the change is generally disclosed.	policy results in a prior year adjustment, the amounts for the current and corresponding periods should be restated on the basis of the new policy. The cumulative adjustments should also be noted at the foot of the statement of total recognized gains and losses of the current period and included in the reconciliation of movements in shareholders funds of the corresponding period in order to highlight for users the effects of the adjustments.
Property, Plant and Equipment			
Fixed assets are recorded at the historical costs or revalued amounts as the case may be. Borrowing Costs incurred on qualifying assets is capitalized as part of the cost of the fixed asset. Foreign exchange gains or losses relating to the procurement of fixed assets from outside India have to be capitalized as part of the cost of such fixed asset. Depreciation is recorded over the asset's useful life. Schedule XIV to the Companies Act, 1956 prescribes minimum rates of depreciation and typically companies use these as the basis for useful life.	Cost is the amount of cash or cash equivalent paid or the fair value of other consideration given to acquire an asset at the time of its acquisition or construction. Borrowing Costs in the period of getting the asset ready for its intended use may be capitalised in accordance with the requirements of IAS-23 Borrowing Costs. Foreign exchange results may – under very restrictive conditions be capitalised as part of the asset, subject to the requirements of IAS-21. Depreciation rates prescribed in the Companies Act for a minimum depreciation provision, where applicable, higher depreciation based on useful life of the asset should be provided.	Revaluation of fixed assets is not permitted under U.S. GAAP. The interest cost, if material , eligible for capitalization shall be the interest cost recognized on borrowings and other obligations. The amount capitalized is an allocation of the interest cost incurred during the period required to complete the asset. All foreign exchange gains or losses relating to the payables for the procurement of property, plant and equipment are recorded in the income statement Depreciation is recorded over the assets useful life. Therefore the useful life may be different from the useful life based on schedule XIV.	Initially measured at cost - only those costs directly attributable to bringing the asset into working condition for its intended use. Capitalisation of finance costs is optional and where adopted, should be applied consistently. Assets acquired in a foreign currency should be recorded at the exchange rate on the date of acquisition. Any difference should be taken to the profit and loss account and not adjusted against the cost of the asset. The depreciable amount should be allocated on a systematic basis over the assets useful economic life.

Indian GAAP	IAS/IFRS	U.S. GAAP	U.K. GAAP
Inventory			
Valued at lower of cost and Net Realizable Value. Reversal required for subsequent increase in inventory previously written down. LIFO method is not allowed.	Carried at the lower of cost or net realisable value (sale proceeds less all further costs to bring the inventories to completion). Reversal (limited to the amount of the original write-down) is required for a subsequent increase in value of inventory previously written down. Inventories of producers and dealers of agricultural and forest products and mineral ores are allowed at net realisable value even if above cost.	Impact of other GAAP differences on the overhead (e.g. depreciation) should be considered in inventory valuation. Valued at lower of cost and Market i.e. replacement cost. Reversal of write down prohibited.	Valued at lower of cost and Net Realizable Value. LIFO is discouraged unless justified by the directors. Otherwise similar to IFRS.
Impairment of Assets			
AS-28 requires that the company has to assess whether there is any indication that an asset has been impaired. Impairment loss, if any, is provided to the extent the carrying amount of assets exceeds its recoverable amount.	An entity should assess annually whether there are any indications that an asset may be impaired. If there is any such indication, the assets must be tested for impairment. An impairment loss must be recognized in the income statement when an assets carrying amount exceeds its recoverable amount. Assets classified as held for disposal must be measured at the lower of the carrying amount or fair value less selling costs.	An impairment analysis is performed, if impairment indicators exits. An impairment loss shall be recognized only, if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset (asset group) is not recoverable, if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group). An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset (which is determined based on discounted cash flows).	Generally, fixed assets (and goodwill) need be reviewed for impairment only, if there is some indication that impairment has occurred. Annual impairment testing is required for tangible fixed assets (other than land) which are not depreciated on grounds of immateriality or have a useful economic life of over 50 years. Impairment losses are recognised in the profit and loss account, unless they arise on a previously revalued fixed asset, these being recognised in the STRGL. However, impairment caused by a clear consumption of economic benefits must be recognized in the profit and loss account even if the asset is a revalued one. Impairment reversals may only arise due to changes in economic conditions or the expected use of the asset.

Indian GAAP	IAS/IFRS	U.S. GAAP	U.K. GAAP
Intangible Assets			
Intangible assets are capitalized if specific criteria are met and are amortised over their useful life, generally not exceeding 10 years. The recoverable amount of an intangible asset that is not available for use or is being amortized over a period exceeding 10 years should be reviewed at least at each financial year end even if there is no indication that the asset is impaired. Goodwill arising on amalgamation in nature of purchase is amortised to P&L over 5years. Goodwill under AS-21, 23 and 27 need not be amortised though there is no prohibition. In case of amalgamation in nature of merger, excess amount over net assets taken over is adjusted against revenue reserves. Negative Goodwill. Negative Goodwill (i.e. the excess of the fair value of net assets acquired over the aggregate purchase consideration) is computed based on the book value of assets (not fair value) of assets taken/ over acquired & credited to the capital reserve account, which is a component of shareholders funds.	An intangible asset must be recognised separately from goodwill if it represents contractual or legal rights or is capable of being separated or divided and sold, transferred, licensed, rented or exchanged. Acquired in process research and development (R&D) is recognised as a separate intangible asset if it meets the definition of an intangible asset and its fair value can be measured reliably. Goodwill should not be amortised but should be reviewed for impairment at least annually at the cash-generating-unit level.	Intangibles are recorded at cost. The cost at which the intangibles are recorded depends upon whether the intangible was developed internally acquired from others. In general, expenses incurred to develop an identifiable intangible asset, such as patents, trademarks and copyrights should be capitalized. Similar to IFRS. Goodwill should not be amortised but must be reviewed for impairment at least annually at the reporting unit level. Negative Goodwill. Negative Goodwill is allocated to reduce proportionately the fair value assigned to non current assets. Any remaining excess is considered an extraordinary gain.	The standard requires purchased goodwill and certain intangible assets to be capitalised and, in most circumstances, to be amortised systematically through the profit and loss account (usually over 20 years or less). Impairment reviews must be undertaken, particularly if the goodwill or intangible asset is not being amortised or is being amortised over a period exceeding 20 years. Internally generated goodwill should not be capitalised and internally developed intangible assets should be capitalised only where they have a readily ascertainable market value.
Consolidated Financials Statements			
In accordance with AS-21 on "Consolidated Financial Statements", the financial statements of the parent and its subsidiaries should be combined on a line by line basis by adding together like items of assets, liabilities, income and expenses.	The Consolidated financial statements include the figures of the Company, the Subsidiary and the Sub-Subsidiaries that the controlled by the Company. **Goodwill:-** Goodwill or capital reserves	The equity method is typically used to account for a majority owned unconsolidated subsidiary when the parent has effective control over the subsidiary. **Goodwill:-** Goodwill or capital reserves	Similar to IFRS. **Goodwill** Similar to IFRS. **Uniform Accounting Policy** Similar to IFRS.

Indian GAAP	IAS/IFRS	U.S. GAAP	U.K. GAAP
Goodwill:- Goodwill or capital reserves within the investment amount are required to be separately identified. Negative goodwill is treated as capital reserve, which is not amortised. **Uniform Accounting Policy:-** CFS should be prepared using uniform accounting policies for like transactions and other events in similar circumstances. **Minority interest:-** Minority interests should be presented in the consolidated balance sheet separately from liabilities and the equity of the parent's shareholders. Minority interests in the income of the group should also be separately presented.	within the investment amount are not required to be separately identified. Negative goodwill should recognised immediately in Profit & Loss Account. **Uniform Accounting Policy:-** Compliance with uniform accounting policies is mandatory. **Minority interest** Minority interests shall be presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity. Minority interests in the profit or loss of the group shall also be separately disclosed.	within the investment amount are required to be separately identified. Not amortised goodwill after reduction of non-current assets, is recognised in the income statement immediately as an extraordinary gain. **Uniform Accounting Policy:-** Similar to IFRS. **Minority interest** Minority interests should be disclosed separately in the balance sheet, but not as part of stockholders' equity. Similarly, the minority interest in income of consolidated subsidiaries should be separately disclosed. Most companies reflect minority interests as part of non-current liabilities or between liabilities and stockholders' equity (the 'mezzanine') in the balance sheet.	**Minority interest** Minority interests must be computed based on the carrying amounts on consolidation.
Cash Flow Statement:			
Similar to IFRS. However, in case of listed companies SEBI permits only indirect method. Cash flow is not mandatory for SMEs. Cash comprises cash on hand and demand deposits with banks. There is no stipulation in AS-3 for classification of bank overdrafts. Changes in balance of cash flow are classified as short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.	The cash flow statement may be prepared using either the direct method (cash flows derived from aggregating cash receipts and payments associated with operating activities) or the indirect method (cash flows derived from adjusting net income for transactions of a non-cash nature such as depreciation). The latter is more common in practice. The cash flow should be classified into operating. Investing and financing cash flow. Cash comprises not only cash on hand but also demand deposits with banks or other financial institutions. Cash equivalents are short-term, highly liquid investments that	Similar to IFRS. However, use of Direct method is recommended. If the direct method is used, a reconciliation of net income to cash flows from operating activities must be disclosed. A statement of cash flows is required as part of a full set of financial statements for all business enterprises other than defined benefit pension plans and certain other employee benefit plans and highly liquid investment companies that meet specified conditions. Similar to IFRS except that cash equivalents do not include advances from banks that are repayable within three months, e.g. overdrafts. As a	The statement is based on cash and does not include cash equivalents. Cash includes cash in hand and deposits repayable on demand less all bank overdrafts repayable on demand. Interest, equity dividends paid and taxation are presented as separate classes of items. The cash flow of foreign subsidiaries (i.e. those not dependent on the reporting currency of the parent) should be included on the same basis used for translating the profit and loss account.

Indian GAAP	IAS/IFRS	U.S. GAAP	U.K. GAAP
	are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent only when it has a maturity of three months or less from its acquisition date. Bank borrowings are normally part of financing activities. Nonetheless, bank overdrafts that are repayable on demand and that form an integral part of an entity's cash management are included in cash equivalents.	result, movements within advances from banks that are repayable within three months have to be reported as cash flow from financing activities.	
Related –party transactions			
Similar to IAS except the following additional disclosures: • Volume of transaction. • Amounts due from related parties outstanding at the balance sheet date together with provision for doubtful debts due from related parties. • Amounts written off or written back during the period in respect of debts due from related parties.	The objective of the disclosures required by IFRS, U.S. GAAP and U.K. GAAP in respect of related-party relationships and transactions is to ensure that users of financial statements are made aware of the extent to which those statements might be influenced by the existence of related parties. Related-party relationships are generally determined by reference to the control or indirect control of one party by another, or by the existence of joint control or significant influence by one party over another. The accounting frameworks are broadly similar as to which parties would be included within the definition of related parties, including subsidiaries, joint ventures, associates, directors and shareholders, if the relationship is one based on control, certain disclosures are always required (regardless of whether transactions between the parties have taken place).	The nature and extent of any transactions with all related parties and the nature of the relationship must be disclosed, together with the amounts involved. Unlike IFRS, all material related-party transactions (other than compensation arrangements, expense allowances and similar items) must be disclosed in the separate financial statements of wholly-owned subsidiaries, unless these are presented in the same financial report that includes the parent's consolidated financial statements (including those subsidiaries).	Similar to IAS. Exemptions are more widely available than under IAS. No disclosure is required in consolidated financial statements of intragroup transactions and balances eliminated on consolidation. A parent undertaking is not required to provide related-party disclosures in its own financial statements when those statements are presented with consolidated financial statements of its group. Disclosure is not required in the financial statements of the subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, of transactions with entities that are part of the group or investees of the group qualifying as related parties provided that the consolidated financial statements in which that subsidiary is included are publicly available.

Indian GAAP	IAS/IFRS	U.S. GAAP	U.K. GAAP
	These include the existence of the related-party relationship, the name of the relatedparty and the name of the ultimate controlling party. There are some exemptions from disclosure available for certain subsidiaries and transactions. **Disclosures and exemptions** There is no specific requirement to disclose the name of the related-party (other than the ultimate parent entity). There is a requirement to disclose the amounts involved in a transaction, as well as the balances for each major category of related-parties. However, these disclosures would appear to be needed in order to present meaningfully the 'elements' of the transaction, which is a disclosure requirement. IFRS also requires disclosure of the compensation of key management personnel in total and by category of compensation. Exemptions from disclosures about related-party transactions in the financial statements of subsidiaries are limited. The subsidiary must be wholly owned and the parent must be incorporated in the same country and provide consolidated financial statements. State-controlled entities are required to disclose related-party transactions under IFRS.		Extensive disclosure in respect of transactions with director are required.

Indian GAAP	IAS/IFRS	U.S. GAAP	U.K. GAAP
Revenue Recognition			
Broadly based on IFRS, though IFRS criterias are more eLabourate and detailed. Dividend is recognised when the right to receive payment is established. Interest is recognised on time proportion basis. Royalty is recognised on an accrual basis.	Revenue should be measured at the fair value of the consideration received or receivable. Where the inflow of cash or cash equivalents is deferred, discounting to a present value is required to be done. Revenue from the sale of goods should be recognised when all the following conditions have been satisfied: • the enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; • the amount of revenue can be measured reliably; • it is probable that the economic benefits associated with the transaction will flow to the enterprise and • the costs incurred or to be incurred in respect of the transaction can be measured reliably. Dividend is recognised when the right to receive payment is established. Interest revenue must be recognised on a basis that takes into a/c the assets effective yield. Royalty is recognised on an accrual basis.	Similar to IFRS except that discounting is not required. The SEC Staff believe that for revenue to have been realised or realisable and earned, all of the following criteria must be met (SAB 104): • persuasive evidence of an arrangement exits; • delivery has occurred or services have been rendered; • the seller's price to the buyer is fixed or determinable; and • collectability is reasonably assured. Dividend is recognised when the right to receive payment is established. Interest is recognised on time proportion basis. Royalty is recognised on an accrual basis.	Similar to IFRS.

Indian GAAP	IAS/IFRS	U.S. GAAP	U.K. GAAP
Segment Information			
Segment disclosures are required to be disclosed by all Public Co. or in process of setting listed. Specific requirements govern the format and content of a reportable segment and the basis of identification of a reportable segment. The information for disclosure is to be prepared in conformity with the AS-17 on Segment Reporting.	Listed entities and entities in process of listing are required to disclose segment reporting as Business and Geographical segment. One as primary format other is secondary. The choice will depend on the impact as business risks and returns, the Secondary format required less disclosure.	Listed Co. are required for related disclosure about products and services, geographic areas, and major customers. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments. The amount reported for each segment item is based on what is used by the "chief operating decision maker" in formulating a determination as to how many resources to assign to a segment and how to appraise the performance of that segment.	Companies which fall within certain criteria are required to provide segmental disclosure under the Companies Act, 1985. The information in the financial statements can be segmented in two ways i.e. business and geographical segments.
Employee Benefits			
The liability for defined benefit plan is actuarilly determined. Several alternative methodologies are considered acceptable for the purposes of valuation and the actuary has discretion over selection of the assumptions. Leave encashment or vacation accrual is viewed as retirement benefit and is reported based on actuarial valuation.	The accounting is not different for foreign schemes. A defined contribution plan is one under which the enterprise pays fixed contributions into a separate entity and has no further obligations. All other plans are defined benefit plans. The rate used to discount plan liabilities is based on rates applicable to corporate or government bonds. Plan assets are recognised at fair value. Defined benefit obligations are measured using the projected unit credit method. Past service costs are spread on a straight-line basis over the period until they vest. There are explicit limits on the recognition of a net pension asset.	The liability for defined benefit plan is reported at the present value of future benefits using the projected unit credit method, with a stipulated method to determine assumptions. Acturial gains and losses arising on periodic valuation of liability would need to be recognized net gain or loss shall be included as a component of employee cost for a year if, as of the beginning of the year, that unrecognized net gain or loss exceeds 10 per cent of the projected benefit obligation or 10% of the fair value of any plan assets. Actuarial gains or losses are amortized based on the expected average remaining working lives of the employees. Other systematic method such as immediate recognition of all gains and losses is also permitted.	The cost of a defined contribution scheme is equal to the contributions payable to the scheme for the period. Defined benefit scheme assets are measured at fair value and liabilities are measured using the projected unit method. The liabilities are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Full actuarial valuations should be obtained at intervals not exceeding three years and should be updated at each balance sheet date. Past service costs are recognised in the profit and loss account over the period until the benefits vest. If the benefits vest immediately, the past service cost is recognized immediately.

Indian GAAP	IAS/IFRS	U.S. GAAP	U.K. GAAP
	Actuarial gains and losses do not need to be recognised to the extent that they are outside the "corridor".	However, immediate recognition of actuarial gains or losses is not permitted if all or almost all plan participants are retired in which case it is amortised over the remaining life expectancy of the plan participants. Compensated absences outstanding at the balance sheet date are reported as liability and is priced at the salary rate prevalent on the balance sheet date.	Actuarial gains and losses are recognised immediately in full in the STRGL.
Deferred Income Taxes			
Deferred tax resulting from "timing differences" between accounting for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. Deferred tax assets relating to carry forward losses and unabsorbed depreciation should be recognised only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. All other deferred tax assets should be recognized to the extent that there is reasonable certainty that future taxable income will be available for such deferred tax assets will be realized.	In general deferred tax is recognised on all asset revaluations, including fair value adjustments in a business combination, and even if "rollover relief" is expected. Deferred tax assets are recognised when recovery is probable. Where assets are sold intragroup the deferred tax is computed at the tax rate applicable to the buying enterprise. Goodwill is adjusted if deferred tax assets acquired in a business combination are recovered excess of the original estimate. Deferred tax in respect of temporary differences on subsidiaries, associates and joint ventures is not recognised in some circumstances. Deferred tax is provided in respect of the remeasurement of a hyperinflationary subsidiary's financial statements.	Deferred tax liabilities and assets are recorded for the tax effect of all temporary differences between the accounting and tax base of assets and liabilities, and operating loss carry-forwards, at enacted rates. Changes in tax rates are reported in the income statements in the period of enactment. A valuation allowance is made against deferred taxes if, based on the weight of available evidence, it is more likely than not the some portion or all of the deferred tax asset will not be realized.	Full provision should be made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. In general deferred tax is not recognized on asset revaluations, including fair value adjustments in a business combination. Provision is not made on gains if it is more than likely that rollover relief will be claimed. Deferred tax assets are recognised to the extent that they are recoverable. Goodwill generally is not adjusted if deferred tax assets acquired in a business combination are recovered in excess of the original estimate. Deferred tax is not recognized in respect of the remeasurement of assets or liabilities into the reporting

Indian GAAP	IAS/IFRS	U.S. GAAP	U.K. GAAP
	The discounting of deferred tax is not permitted. All assets and liabilities are presented gross of the related deferred tax.		currency as a result of changes in exchange rates or indexing for tax purposes. The discounting of deferred tax is permitted. Under FRS 17 pension assets and liabilities are presented net of the related deferred tax.
Investments			
Investments are classified as current or long term. Current Investments are carried at lower of cost and quoted/fair value. Long-term investments are stated at cost. Provision for diminishing in the value of long-term investments is made only if such decline is other than temporary in the opinion of the management.	Investments are classified as trading, held-to-maturity or available-for-sale. Investments acquired principally for the purposes of generating profits from short-term price fluctuations or dealers' margins are classified as trading. Held-to-maturity investments are investments with fixed or determinable payments and fixed maturity together with the entity's intent and ability to hold till maturity. Available-for-sale investments are those that do not qualify as either trading or held-to-maturity investments. Changes in fair values of trading investments are recognize as profit or loss in the income statement. Held-to-maturity investments are carried at amortized cost. Changes in fair values of available-for-sale investments can either be recognized in the income statement or in the statement of shareholder' equity.	Similar to IFRS except that changes in fair value of available-for-sale investments are recognized as other comprehensive income under shareholders' equity, other than temporary impairment of available-for-sale securities and held to maturity securities, cannot be reversed.	- Carry fixed asset investment at cost less any necessary provisions, market value or other appropriate basis, such as fair value. - Carry current asset investment at lower of cost and net realisable value; or at current costs.
Earning Per Share			
Basic earnings per share should calculated by dividing the net profit or loss for the period attributable to equity shareholders after deducting preference dividend by the weighted average number of equity shares outstanding during the period.	Basic EPS is calculated as profit available to common shareholders, divided by the weighted average number of shares in issue during the period. For the purpose of calculating basic earning per share, the amounts attributable to	Similar to IFRS.	EPS is calculated on the profit attributable to equity shareholders of the reporting entity, after accounting for minority interests, extraordinary items, preference dividends and other appropriations in respect of preference shares.

Indian GAAP	IAS/IFRS	U.S. GAAP	U.K. GAAP
	ordinary equity holders of the parent entity in respect of: - profit or loss from continuing operations attributable to the parent entity; and - profit or loss attributable to the parent entity shall be adjusted for the after tax amounts of preference dividend.		
Accounting for Foreign exchange transactions			
All gains or losses arising out of foreign exchange differences are required to be included in the determination of net income, unless these differences are regarded as an adjustment to interest costs, which are eligible for capitalization as borrowing costs on fixed assets. The revised AS 11 distinguishes between integral and non-integral foreign operations and accordingly prescribes separate accounting treatment for integral operations and non-integral one. The financial statements of an integral foreign operation should be translated using the principles and procedures in as if the transactions of the foreign operation had been those of the reporting enterprise itself. In translating the financial statements of a non-integral foreign operation for incorporation in its financial statements, the reporting	Foreign exchange difference relating to acquisition of fixed assets is adjusted to the carrying cost of such assets. Other foreign exchange differences are recognized in the profit and loss account. Premium or discount on forward exchange contracts is amortized and recognized in the income statement over the period of such contract, except in respect of contracts relating to liabilities for purchase of fixed assets where the amortization is adjusted to the carrying value of the fixed assets. • There is no distinction being made between integral and non-integral foreign operation as per the revised IAS-21. There is a concept of functional currency. All enterprises are required to prepare their financial statements in functional currency. Any exchange gain/loss to record a transaction in its functional currency is recognized in the P&L A/c. If the financial	Exchange differences relating to monetary assets and liabilities are recorded through the income statement and those on all non-monetary assets are not recorded. Similar to IFRS. Similar to IFRS. Similar to IFRS.	Transactions denominated in a foreign currency should be translated at the rate in operation on the date the transaction occurred; an average rate is permitted where there is no significant fluctuation in rates. All monetary assets and liabilities should be retranslated at the closing rate at each balance sheet date. Non-monetary assets, once recorded in the balance sheet are not retranslated. Fair value adjustments and goodwill arising on the acquisition of foreign entities (i.e. those not dependent on the reporting currency of the parent) are treated as assets and liabilities of the foreign operation and translated accordingly. The financial statements of a foreign entity in a hyperinflationary economy may be measured in a stable currency. All amounts should be restated using the measuring unit current at the latest balance sheet date and the gain or loss on the net

Indian GAAP	IAS/IFRS	U.S. GAAP	U.K. GAAP
enterprise should use the following procedures:- • the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation should be translated at the closing rate. • Income and expense items of the non-integral foreign operation should be translated at exchange rates at the dates of the transactions, and • All resulting exchange differences should be accumulated in foreign currency translation reserve until the disposal of Net Investment.	statements are presented in any other currency other than functional currency, the assets/ liabilities are translated at closing rate and income/ expenses at an average rate. The resultant exchange gain/ loss if recognized in SOCE.		monetary position is treated as part of the profit and loss for the period. Cumulative exchange differences which have been treated through the STRGL are recognised in the profit and loss in calculating the profit or loss on disposal on the sale or liquidation of a foreign entity.

OUR INDEBTEDNESS

Set forth below is a brief summary of the secured borrowings of the Company and its Subsidiaries as of September 30, 2006, together with a brief description of certain significant terms of such financing agreements.

Name of the Lender	Name of Borrower	Loan Documentation	Amount outstanding as of September 30, 2006*	Interest Rate	Repayment Schedule
Standard Chartered Investments and Loans (India) Limited[(1)]	Mina Estates Private Limited (now HoPFL)	Sanction Letter dated May 5, 2006	Rs.163.0 million	10.5% per annum	Repayable after 12 months with put/call option at the end of 6th and 9th month
Chinatrust Commercial Bank	Pearl Global	Loan Agreement and Deed of Hypothecation of fixed assets dated September 26, 2005	US$1.80 million (Rs.83.2 million)	Six months USD LIBOR plus 200 basis points per annum	Bullet repayment at the end of the 36 month from the date of the first draw down
HSBC Bank	Pearl Global	Loan Agreement dated September 16, 2005 and Deed of Hypothecation dated September 16, 2005	Rs.115.51 million	8.4% per annum	Repayable in 35 monthly instalments
UCO Bank	Pearl Global	Loan Agreement dated June 11, 2004	Rs.17.77 million	BPLR, presently 12.0% per annum	Repayable in 12 equal quarterly instalments
Centurion Bank of Punjab Limited[(2)]	Pearl Global	Loan Agreement dated October 30, 2006	Rs.100.0 million	3.25% below BPLR, presently 9.25% per annum	Bullet repayment after 180 days from the date of the first draw down
Centurion Bank of Punjab Limited[(2)]	Pearl Global	Loan Agreement dated December 12, 2006	Rs.50.0 million	3.0% below BPLR, presently 9.50% per annum	Bullet repayment after 180 days from the date of the first draw down
Orchid Trading Limited, Hong Kong	Norp Knit	Loan Agreement dated March 7, 2005	USD 2.37 million (Rs.122.7 million)	LIBOR plus 400 basis points per annum	Repayable in 24 equal quarterly instalments
HSBC Bank	Nor Pearl	Facility Offer Letter dated October 24, 2005	USD 2.08 million (Rs.108.0 million)	SIBOR plus 400 basis points per annum	Repayable in 54 equal monthly instalments
Royal Bank of Scotland	Poeticgem	Loan Agreement dated August 17, 2005	GBP 0.27 million (Rs.23.5 million)	1.6% per annum over the Bank's base rate for the time period	Repayable in 120 equal monthly instalments
HSBC Bank	Norwest Industries (HK)	Sanction Letter dated July 26, 2006	HK$10.75 million (Rs.63.5 million)	HIBOR + 1.5 % per annum	Repayable in 120 equal monthly instalments

[(1)] *Under this sanction letter, the borrower has covenanted not to permit any change in the Company's constitution and management and reduction in promoter shareholding without the prior written consent of the lender. The Company has obtained the prior written consent of lender for undertaking this Issue, provided that the Promoter's shareholding in the Company does not fall below 51%.*

[2] Pearl Global availed this loan after September 30, 2006. The amount outstanding shown is the amount sanctioned by Centurion Bank of Punjab Limited.

* *Figures in USD have been converted to Indian Rupees applying average rate of Rs.45.99 for USD1.00, figures in GBP have been converted to Indian Rupees applying average rate of Rs.86.12 for GBP 1.00 and figures in HK$ have been converted to Indian Rupees applying average rate of Rs.5.90 for HK$1.00.*

In general, under the terms of the secured term loans, we are under an obligation not to permit any change in ownership or control or undertake new projects or create any additional charge, lien or other encumbrances on the secured assets or create any interest in such security in favoUr of any other party without prior consent of the lender. Further, we also have certain working capital facilities from several banks and financial institutions. For further information on working capital facilities, see the section "Financial Statements" beginning on page F-1 of the Prospectus.

Description of Guarantees given by Promoters

Several personal guarantees have been provided by the Promoters for certain long term and short term loans availed from banks and other financial institutions.

(Rs. millions)

Name of the Promoters	Amount of facility as on September 30, 2006 against which guarantee has been provided	Amount outstanding against loans availed as on September 30, 2006
Mr. Deepak Seth	1,373.16	872.42
Mr. Pallak Seth[1]	4,753.95	3,193.13
Mr. Pulkit Seth	3,437.49	1,728.43

[1] For one of the facilities of Rs.1,430.68 million, the liability of the Promoter is limited to Rs.64.58 million.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below, there are no outstanding litigations and material developments, suits, criminal or civil prosecutions, proceedings or tax liabilities against the Company and its Subsidiaries, and there are no defaults, non payment of statutory dues, over-dues to banks or financial institutions, defaults against banks or financial institutions, defaults in dues payable to holders of any debenture, bonds or fixed deposits or arrears of preference shares issued by the Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic, civil or any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Promoters or Directors, that may have a material adverse effect on our consolidated financial position, nor, so far as we are aware, are there any such proceedings pending or threatened. Except as disclosed in this Prospectus, no additional litigation has arisen after the date of filing the Draft Red Herring Prospectus with SEBI on October 10, 2006 and the filing of the Red Herring Prospectus with RoC on January 3, 2007.

None of the companies or persons referred to in the paragraph above are on the list of wilful defaulters of the Reserve Bank of India.

Contingent liabilities of the Company as of September 30, 2006: The Company has certain contingent liabilities not provided for appearing in the restated consolidated financial statements of Rs.975.9 million. For further information, please see note 6 of Annexure V of restated consolidated financial statements as of September 30, 2006, beginning on page F-49 of this Prospectus.

Outstanding Litigation and Material Developments/Proceedings against the Company and the Subsidiaries

Against the Company: There is no outstanding litigation and material developments/proceeding against the Company.

The Company has recently received two notices, both dated January 17, 2007. The first notice is on behalf of two entities, Pearl Fashions and Pearl Fashions Private Limited and the second notice is on behalf of Pearl Fashions Private Limited (the "Complainants"). In the notices, it is *inter alia* alleged that the Complainants have acquired proprietorship with respect to the label mark "Pearl Fashions", which was registered under the Trade Marks Act on January 5, 2006, and that the Company is infringing the trade mark of the Complainants. In addition, the Complainants have alleged passing off of the label mark "Pearl Fashions" and proposed action under Section 20 of the Companies Act for use of the name "Pearl Fashions". The notices call upon the Company to discontinue the use of the name "House of Pearl Fashions Limited".

The Company is disputing the allegations made in the notices and has replied to these notices stating *inter alia* that (i) the Company has prior statutory and common law rights in the name and mark "Pearl" as the Company, through its subsidiary, Pearl Global Limited, has been using the mark and name "Pearl" since 1979, (ii) the Company has been using the mark "House of Pearl" since 1987 and (iii) the name and mark "Pearl" is associated among the members of the trade and public, including the fashion industry, with the Company.

Outstanding Litigation and Material Developments/Proceedings filed by the Company (including appeal from adverse decisions): There is no outstanding litigation and material developments/proceeding filed by the Company.

Outstanding Litigation and Material Developments involving the Subsidiaries

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under Consideration	Brief Description of Case	Status
Pearl Global Limited								
1.	F.PA/DC-1/ 2002-03/ 2289/I/4	April 24, 1995 (assessment year 1991-92)	Pearl Global	Sales Tax Officer	Deputy Commissioner, Sales Tax, Bikrikar Bhawan	Rs.794,819	Replenishment licenses issued by Custom Department were disposed of by the company. Sales tax department termed the disposing of license by the company as sale of goods and imposed sales tax.	The company has filed an application on April 29, 2005 stating that the matter be kept pending until the Supreme Court order on a similar question of law. The matter has been adjourned sine die.

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under Consideration	Brief Description of Case	Status
2.	F.PA/DC-1/ 2002- 03/4797/7/7	March 4, 1996 (assessment year 1992-93)	Pearl Global	Sales Tax Officer	Deputy Commissioner, Sales Tax, Bikrikar Bhawan	Rs.206,767	Replenishment licenses issued by Custom Department were disposed off by the company. Sales tax department termed the disposing of license by the company as sale of goods and imposed sales tax.	The company has filed an application on March 10, 2005 stating that the matter be kept pending until the Supreme Court order on a similar question of law. The matter has been adjourned sine die.
3.	F.PA/DC-VI/ 2000- 01/4882/1/ 6/8	February 28, 2002 (assessment year 1999-2000)	Pearl Global	Sales Tax Officer	Deputy Commissioner, Sales Tax, Bikrikar Bhawan	Rs.1,469,102	Replenishment licenses issued by Custom Department were disposed of by the company. Sales tax department termed the disposing of license by the company as sale of goods and imposed sales tax.	The company has filed an application on March 10, 2005 stating that the matter be kept pending until the Supreme Court order on a similar question of law. The matter has been adjourned sine die.
4.	SO-127/ HA.02/ 1973/S.40/ 2001	June 29, 2002 (assessment year 1995-96)	Pearl Global	Deputy Excise and Taxation Commissioner, Haryana	Tax Tribunal, Chandigarh (Haryana)	Rs.170,564	The company sold certain leather cut pieces and paid the sales tax at 4%. However, the Joint Excise and Taxation Commissioner held that the	The next date of hearing is yet to be notified.

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under Consideration	Brief Description of Case	Status
							sale of leather cut pieces is liable to be termed as sale of leather scrap and tax should have been paid at 8%. The company deposited the said liability under protest and filed an appeal before Tax Tribunal, Chandigarh.	
5.	425/1998	January 1998	Pearl Global	Sterling Holiday Resorts (India) Limited	Patiala House Court, New Delhi	Rs.200,000	The cheque issued in favor of the company bounced and the company filed a criminal complaint under section 138 of the Negotiable Instruments Act.	The next date of hearing is July 25, 2007
6.	28/2005	January 28, 2005 (assessment year 2001-02)	Pearl Global	Deputy Commissioner of Income Tax, New Delhi	Income Tax Appellate Tribunal, New Delhi	Rs. 27,220,864	The assessing officer disallowed loss claimed on account of damaged stock. The Commissioner Income Tax (Appeals) allowed 50% of the loss claimed. The company has filed appeal before the Tribunal for the balance amount.	The next date for hearing is yet to be notified

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under Consideration	Brief Description of Case	Status
7.	807/03	August 28, 2003	Narain Rai	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged misconduct.	The next date of hearing is February 20, 2007
8.	8030/03	November 11, 2004	Alok Kumar	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is February 14, 2007
9.	278/03	April 24, 2003	Rajesh Singh	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is February 21, 2007
10.	32/04	July 26, 2004	Umesh Chand	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged theft from office premises.	The next date of hearing is March 21, 2007

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under Consideration	Brief Description of Case	Status
11.	7930/03	September 9, 2003	Santosh Chauhan	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is February 28, 2007
12.	4359/03	October 13, 2003	Kamruddin	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is May 16, 2007
13.	4353/03	October 13, 2003	Bhanu Pratap	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is February 28, 2007
14.	579/03	July 22, 2003	Heera Lal Bharti	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is March 7, 2007

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under Consideration	Brief Description of Case	Status
15.	227/06	May 5, 2006	Pratap Singh	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is January 24, 2007
16.	329/03	November 24, 2003	Vasudeo	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is February 7, 2007
17.	1275/05	April 15, 2005	Sunil Gupta	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged misconduct.	The next date of hearing is January 24, 2007
18.	161/06	April 4, 2006	Pearl Global	Recovery Officer, ESIC	ESI Corporation Court, Civil Court, Gurgaon	577,045	The company has received a notice from recovery officer demanding penalty for not maintaining proper register of workers	The next date of hearing is March 8, 2007

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under Consideration	Brief Description of Case	Status
							and payment of appropriate contribution on behalf of employees. Pursuant to the interim order dated April 15, 2006, the company was required to deposit 35% of the amount in court.	
19.	313/05	October 24, 2005	Rajesh Kumar	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is January 24, 2007
20.	47/02	December 12, 2000	Anil Kumar Singh	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged misconduct.	The next date of hearing is March 15, 2007

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under Consideration	Brief Description of Case	Status
21.	53/02	December 12, 2000	Brijesh Kumar	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged misconduct.	The next date of hearing is March 15, 2007
22.	49/02	December 12, 2000	Raghu Nath Singh	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged misconduct.	The next date of hearing is March 15, 2007
23.	51/02	December 12, 2000	Raj Narain	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged misconduct.	The next date of hearing is March 15, 2007
24.	55/02	December 12, 2000	Suraj Prasad	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged misconduct.	The next date of hearing is March 15, 2007

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under Consideration	Brief Description of Case	Status
25.	N.A.	December 24, 2004	Sunil Kumar	Pearl Global	Labour Officer, Circle Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged misconduct.	The next date of hearing is yet to be notified
26.	1426/97	January 2, 1997	Ajay Kant Rai, Shankar Singh Sohan Lal, Sri Krishan, Sudhir Kumar Jha	Pearl Global	Labour Court, Kothi No.38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged misconduct and negligence on duty.	The next date of hearing is February 7, 2007
27.	182/05	July 15, 2004	Durg Pal	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged misconduct.	The next date of hearing is February 14, 2007
28.	139/06	October 5, 2004	Nanadan Singh	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker	The next date of hearing is February 28, 2007

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under Consideration	Brief Description of Case	Status
							with back wages who has been dismissed for alleged theft.	
29.	1131/03	May 22, 2003	Ram Avtar	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the alleged illegal termination of employment.	The next date of hearing is April 13, 2007
30.	1759/02	June 14, 2001	Rajbir Singh	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the alleged termination of employment.	The next date of hearing is Februar 21, 2007
31.	364/05	May 21, 2005	Sharda Prasad	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is March 16, 2007
32.	179/04	September 17, 2004	Pearl Global	Recovery Officer, ESIC	ESI Corporation Court, Civil Court, Gurgaon	184,000	This case has been filed in connection with the production of a document by the ESIC.	The next date of hearing is January 24, 2007

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under Consideration	Brief Description of Case	Status
33.	237/04	January 16, 2003	Pearl Global	Recovery Officer, ESIC	ESI Corporation Court, Civil Court, Gurgaon	38,840	This case has been filed in connection with relief sought by Pearl Global against a recovery by ESIC of amount already paid.	The next date of hearing is January 29, 2007
34.	124/06	October 21, 2006	Pearl Global	Recovery Officer, ESIC	E S I Corporation Court, Civil Court, Gurgaon	260,760	This case has been filed in connection with relief sought by Pearl Global against a recovery by ESIC of amount already paid.	The next date of hearing is January 29, 2007
35.	1068/03	November 28, 2002	Munna Kumar	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is yet to be notified
36.	73/03	September 25, 2001	Ashok Kumar	Pearl Global	Labour Court Kothi, No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is February 6, 2007

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under Consideration	Brief Description of Case	Status
37.	224/06	March 31, 2005	Recovery Officer, ESIC	Pearl Global	ESI Corporation Court, Civil Court, Gurgaon	Rs.287,379	The company had received a notice from recovery officer demanding penalty for not maintaining proper register of workers and payment of appropriate contribution on behalf of employees. The company has obtained a stay on the notice from the ESIC.	The next date of hearing is January 24, 2007
38.	17/03	January 17, 2003	Pearl Global	Recovery Officer, ESIC	ESI Corporation Court, Civil Court, Gurgaon	Rs.364,829	The company had received a notice from recovery officer demanding penalty for not maintaining proper register of workers and payment of appropriate contribution on behalf of employees. Pursuant to final order dated April 11, 2002, penalty was imposed on the company, which paid the amount under protest and filed an appeal.	The next date of hearing is January 29, 2007

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under Consideration	Brief Description of Case	Status
Pearl Global: Unit 16-17, Udyog Vihar, Phase VI, Gurgaon, Haryana, India *								
1.	1580/02	August 21, 2001	Praveen	Pearl Styles	Presiding Officer, Industrial Tribunal, Labour Court, Kothi No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is March 15, 2007
2.	991/03	May 14, 2003	Deendayal	Pearl Styles	Presiding Officer, Industrial Tribunal, Labour Court, Kothi No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is February 14, 2007
3.	413/04	February 27, 2004	Subash	Pearl Styles	Presiding Officer, Industrial Tribunal, Labour Court, Kothi No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is March 14, 2007
4.	1245/01	November 29, 1999	Yoginder Singh	Pearl Styles	Presiding Officer, Industrial Tribunal, Labour Court, Kothi No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who	The next date of hearing is January 25, 2007

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under Consideration	Brief Description of Case	Status
							has been dismissed for alleged long absenteeism.	
5.	180/05	July 12, 2004	Ramesh Kushwaha	Pearl Styles	Presiding Officer, Industrial Tribunal, Labour Court, Kothi No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is March 21, 2007.
6.	188/05	July 26, 2004	Mukesh	Pearl Styles	Presiding Officer, Industrial Tribunal, Labour Court, Kothi No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is February 26, 2007
7.	479/03	July 13, 2000	Ashutosh	Pearl Styles	Presiding Officer, Industrial Tribunal, Labour Court, Kothi No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is February 22, 2007

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under Consideration	Brief Description of Case	Status
8	NA	May 10, 2006	Vimal	Pearl Styles	Deputy Labour Commissioner	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged misconduct.	The next date of hearing is yet to be notified
9.	43/05	June 10, 2004	Tara Devi	Pearl Styles	Presiding Officer, Industrial Tribunal, Labour Court, Kothi No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed for alleged termination of employment without proper cause.	The next date of hearing is January 24, 2007
10.	477/05	December 4, 2004	Kripa Shankar	Pearl Styles	Presiding Officer, Industrial Tribunal, Labour Court, Kothi No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed for alleged termination of employment without proper cause.	The next date of hearing is February 13, 2007
11.	65/04		Deepak	Pearl Styles	Presiding Officer, Industrial Tribunal, Labour Court, Kothi No. 38, Sector 14, Gurgaon	Not Quantifiable	This case has been filed in connection with the reinstatement of worker with back wages who has been dismissed for alleged long absenteeism.	The next date of hearing is April 17, 2007

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount under Consideration	Brief Description of Case	Status
12.	A02229912	July 19, 2006	Pearl Styles and its directors	Registrar of Companies, NCT of Delhi and Haryana	Regional Director, Ministry of Company Affairs, Government of India	Not Quantifiable	This case has been initiated for alleged failure to completely disclose the accounts in the balance sheet and the profit and loss statement as required under Section 211 of the Companies Act.	The next date of hearing is yet to be notified.

* *Erstwhile Pearl Styles Limited has merged with Pearl Global pursuant to an order of the Honorable High Court of Delhi dated October 6, 2006, with effect from April 1, 2005.*

In addition, Pearl Global received letters dated August 30, 2002, October 10, 2002 and October 18, 2002 from the NSE noting instances of non-compliance with certain provisions of the listing agreement and the SEBI Takeover Regulations. Further, on September 16, 2002, Pearl Global received a notice from the NSE requiring Pearl Global to show cause as to why admission of the securities of Pearl Global for dealings on the exchanges should not be suspended since Pearl Global had not provided necessary explanations/submissions sought through NSE's letter dated August 30, 2002. Subsequently, on October 28, 2002, another letter was received from the NSE informing Pearl Global of its decision to suspend the trading in the equity shares of Pearl Global with effect from November 11, 2002 if satisfactory response was not provided in connection with the non-compliances. Consequent to Pearl Global's satisfactory response to the above letters, the NSE revoked its decision to suspend the trading in the equity shares of Pearl Global on November 8, 2002.

PT Norwest

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court Arbitration Panel	Amount Under Consideration	Brief Description of Case	Status
1.	U.310/SP.21/ 2006	April 25, 2006	Tax department	PT Norwest	Tax Court, Ministry of Health, D Building, 5th Floor, Jl. Dr. Wahidin No. 1, Jakarta-10710	$11,000	Non-recovery of VAT for 'job work' done during January to March 2003	Pending in court of first instance

Litigation/Proceeding involving the Directors of the Company

Except as described below, there are no outstanding litigations and material developments, suits or criminal prosecutions or civil proceedings, and there are no defaults, non-payment of statutory dues, over dues to banks/financial institutions or defaults against banks/financial institutions by the Directors (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act).

Outstanding Litigation and Material Developments/Proceedings against the Directors

There is no outstanding litigation and material developments/proceeding against the Directors.

Outstanding Litigation and Material Developments/Proceedings filed by the Directors

There is no outstanding litigation and material developments/proceeding filed by the Directors.

Litigation involving Promoters

There is no outstanding litigation and material developments/proceeding against our Promoters.

Litigation involving Promoter Group Companies

Except as described below, there are no outstanding litigation and material developments, suits or criminal proceedings or civil prosecutions or tax liabilities against companies promoted by the Promoters, and there are no defaults, non-payment of statutory dues, over dues to banks/ financial institutions, defaults in dues payable to holders of any debentures, bond or fixed deposits and arrears on preference shares issued by the group companies (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act, 1956).

S. No.	Appeal No./ Case No.	Dated	Complainant/ Applicant	Respondents	Name & Address of the Court/ Arbitration Panel	Amount Under Consideration	Brief Description of Case	Status
Lerros Germany								
1.	33 O 35/05	2005	Erhard Lederer	Lerros Germany	Dusseldorf District Court, 3rd Chamber for Commercial Matters	Claim of approximately Euro 500,000	Dispute regarding commission on use of the brand name "Lerros"	Orders for evidence issued
2.	1-16 U 38/ 05	2005	Edith Geyer GmbH	Lerros Germany	Dusseldorf Higher Regional Court	Claim of approximately Euro 1,175,214.28 plus interest	Dispute regarding commission to sales agent	Pending in appeal

Past Penalties paid by the Subsidiaries and Promoter Group Companies

1. PT Norwest:

(i) For late payment of taxes and delay in reporting: USD 45, USD 1,082, USD 2,363 and USD 1,652 in fiscal 2003, 2004, 2005 and 2006, respectively; and

(ii) For non-deduction of withholding tax: USD 2,738 in fiscal 2006.

2. Poeticgem:

(i) For delay in submission of value added tax return for the quarter ended March 2004: GBP 2,488.95 to Her Majesty's Revenue and Customs; and

(ii) For delay in submission of value added tax return for the quarter ended June 2004: GBP 7,572 to Her Majesty's Revenue and Customs.

3. Pallas Holdings

(i) For delay in submission of tax return for the assessment year 2003-04: USD 55 to the Commissioner of Income Tax.

Material Developments Since the Last Balance Sheet Date

In the opinion of the Board, save as disclosed in this Prospectus, there has not arisen, since the date of the last financial statements set out herein, any circumstances that materially or adversely affect our profitability taken as a whole or the value of our consolidated assets or our ability to pay our material liabilities over the next twelve months.

GOVERNMENT AND OTHER APPROVALS

On the basis of the indicative list of approvals provided below, the Company can undertake this Issue and its current business activities and no further major approvals from any Government or regulatory authority, including RBI, are required to undertake the Issue or continue these activities. Unless otherwise stated, these approvals are valid as of the date of this Prospectus.

Approvals for the Issue

The following approvals have been obtained or will be obtained in connection with the Issue:

The Board of Directors has, pursuant to resolution passed at its meeting held on August 1, 2006, authorized the Fresh Issue and Green Shoe Option subject to the approval by the shareholders of the Company under Section 81(1A) of the Companies Act, and such other authorities as may be necessary. The shareholders of the Company have, pursuant to a resolution dated August 25, 2006 under Section 81(1A) of the Companies Act, authorized the Fresh Issue and Green Shoe Option. The Board has, pursuant to a resolution dated August 1, 2006 authorized a committee of its Directors, referred to as the IPO Committee, to take decisions relating to the Issue on behalf of the Board.

The Selling Shareholders by their letters dated October 9, 2006 have authorized the offer of their Equity Shares as part of the Offer for Sale.

Investors should note that the Company has received a letter from the RBI dated November 27, 2006 for approval to transfer the Equity Shares offered by Mr. Deepak Seth, Mrs. Payel Seth and Mr. Pallak Seth in the Offer for Sale to non residents and Eligible NRIs applying on a repatriation basis.

The Company has also obtained all necessary contractual approvals required for the Issue.

Approvals for the Business

We require various approvals to carry on our business in India and overseas. The approvals that we require include the following:

Approvals Obtained by the Company

S. No.	No./Description of Permit/License	Issuing Authority	Date	Comments/Remarks
General Approvals				
1.	PAN No. AAACM0175F under I.T. Act	Income Tax Department, Delhi	December 6, 1995	Valid until cancelled
2.	TAN No. DELM03396B under I.T. Act	Income Tax Department, Delhi		Valid until cancelled
3.	Registration No..LC/ 23/141916/0390 under Delhi Sales Tax Rules, 1975	Sales Tax Officer, New Delhi	June 29, 1990	Valid until cancelled
4.	Registration No. LC/ 23/141916/0390 under Central Sales Tax Act, 1956	Sales Tax Officer, New Delhi	June 29, 1990	Valid until cancelled
5.	Registration No. GRE – 23285 under Haryana General Sales Tax Rules, 1973	Assistant Excise and Taxation Officer, Haryana	April 29, 2003	Valid until March 31, 2008
6.	Registration No. GRE – 23285 under Central Sales Tax Act, 1956	Assistant Excise and Taxation Officer, Haryana	April 29, 2003	Valid until cancelled
7.	Importer-Exporter Code (IEC) No. 0589043528	Assistant Director General of Foreign Trade, New Delhi	January 24, 1990	Valid until cancelled
8.	Registration-cum-Membership-Certificate (RCMC) No. AEPC/REG/ 21477/ MER	Deputy Director, Apparel Export Promotion Council, Ministry of Textile, New Delhi	December 4, 1989	Valid until March 31, 2008

Approvals Obtained by the Subsidiaries Located in India

S. No.	No./Description of Permit/License	Issuing Authority	Date	Comments/Remarks
Pearl Global Limited				
General Approvals				
9.	PAN No. AAACP0455F under I.T. Act	Income Tax Department, Delhi	December 1, 1995	Valid until cancelled
10.	TAN No. RTKP02042F under I.T. Act	Income Tax Department, Haryana	December 1, 1995	Valid until cancelled
11.	TAN No. CHEP06509G under I.T. Act	Income Tax Department, Chennai	June 5, 2006	Valid until cancelled
12.	TIN 07320114077 under Delhi Value Added Tax Rules, 2005	Value Added Tax Officer, New Delhi	April 1, 2005	Valid until cancelled
13.	TIN 07320114077 under Central Sales Tax Act, 1956	Value Added Tax Officer, New Delhi	April 1, 2005	Valid until cancelled
14.	TIN 06591814840 under the Haryana General Value Added Tax Act, 2003	Assessing Authority, Haryana	December 27, 1988	Valid until cancelled
15.	Registration No. AAACP0455FXM002 under the Central Excise Rules, 2002	Assistant Commissioner, Central Excise, Haryana	April 8, 2003	Valid until cancelled
16.	Registration No. TNGST 0885425 / 2004-05 under Tamil Nadu Sales Act, 1959	Commercial Tax Officer, Tambaram, Tamil Nadu	March 16, 2005	Valid until cancelled
17.	Registration No. CST 839289 under Central Sales Act, 1956	Commercial Tax Officer, Tambaram, Tamil Nadu	March 16, 2005	Valid until cancelled
18.	Importer-Exporter Code (IEC) No. 0592055914	Assistant Director General of Foreign Trade, New Delhi	February 15, 1993	Valid until cancelled
19.	Registration-cum-Membership-Certificate (RCMC) No. AEPC/REG/ 100067MFG	Deputy Director, Apparel Export Promotion Council, Ministry of Textile, New Delhi	August 30, 1991	Valid until July 24, 2009

Approvals for Unit located at Plot No. 870, Udyog Vihar, Phase V, Gurgaon, Haryana, India

20.	License No. 5617 under Factories Act, 1948	Additional Chief Inspector of Factories, Haryana (Chandigarh)	March 9, 2006	Valid until December 31, 2008
21.	Consent No. HSPCB/NOC/ 2006/326 under Water Act, 1974	Chairman, Haryana State Pollution Control Board	January 2, 2006	Valid until January 1, 2008
22.	Certificate of Registration No. CLA/ RG-141/1575/340/GGN/ I-833/NI-139/ HR/684/GGN/ 374/05 under the Contract Labour (Regulation & Abolition) Act, 1970	Labour Commissioner, Haryana	June 8, 2006	Valid for up to 1,015 workers. Valid until cancelled
23.	Certificate of Registration No. CLA/ RG-141/ 1420 /332/GGN/I-752/NI-138/ HR/317/GGN/ 176/05 under the Contract Labour (Regulation & Abolition) Act, 1970	Joint Labour Commissioner, Haryana	March 1, 2006	Valid for up to 965 workers. Valid until cancelled

S. No.	No./Description of Permit/License	Issuing Authority	Date	Comments/Remarks
24.	No Objection Certificate No. FS-06/ 410 for fire safety arrangement	Fire Station Officer, Sector 29, HUDA, Gurgaon	July 12, 2006	Valid until July 16, 2007
25.	Certificate No. HSPCB/GR/2005/ 1308 under Noise Pollution Rules, 2000	Regional Officer, Haryana State Pollution Control Board	May 16, 2005	Valid until cancelled
26.	Consent No. HSPCB/ Consent/ 2006/ 243 under Air Act, 1981 and Water Act, 1974	Chairman, Haryana State Pollution Control Board	June 24, 2006	Valid until March 31, 2011
27.	Memo No. 4330 for setting up DG sets	Executive Engineer, Haryana	September 1, 2005	Valid until August 31, 2007

Approvals for Unit located at Plot No. 138, , Udyog Vihar, Phase I, Gurgaon, Haryana

28.	License No. 4847 under Factories Act, 1948	Additional Chief Inspector of Factories, Haryana, (Chandigarh)	May 4, 2006	Valid until December 31, 2006. Pearl Global has filed an application for renewal, which is currently pending
29.	No Objection Certificate No. FS-29/ 1482-469/06 for fire safety arrangement	Fire Station Officer, Sector 29, HUDA, Gurgaon	July 17, 2006	Valid until July 16, 2007
30.	Certificate of Registration No. CLA/ RG-293/1575/340/GGN/ I-833/NI-139/ HR/684/GGN/ 374/05 under the Contract Labour (Regulation & Abolition) Act, 1970	Labour Commissioner, Haryana	June 9, 2006	Valid for up to 529 workers. Valid until cancelled
31.	Consent No. HSPCB/ Consent/ 2006/ 249 under Air Act, 1981 and Water Act, 1974	Chairman, Haryana State Pollution Control Board	June 24, 2006	Valid until March 31, 2011
32.	Memo No. 4336 for setting up DG sets	Executive Engineer, Haryana	September 9, 2005	Valid until August 31, 2007

Approvals for Unit located at Plot No. 446, Udyog Vihar, Phase V, Gurgaon, Haryana, India

33.	License No. 6197 under Factories Act, 1948	Additional Chief Inspector of Factories, Haryana (Chandigarh)	March 9, 2006	Valid until December 31, 2006. Pearl Global has filed an application for renewal, which is currently pending
34.	Consent No. HSPCB/NOC/2006/326 under Air Act, 1981	Chairman, Haryana State Pollution Control Board	January 2, 2006	Valid up to January 1, 2008
35.	Certificate of Registration No. CLA/ RG-256/ 1531 /337/GGN/I-811/NI-134 HR/606/GGN/ 332/05 under the Contract Labour (Regulation & Abolition) Act, 1970	Labour Commissioner, Haryana	May 31, 2006	Valid for up to 837 workers. Valid until cancelled

S. No.	No./Description of Permit/License	Issuing Authority	Date	Comments/Remarks
36.	Certificate of Registration No. CLA/ RG-256/1420 /332/GGN/I-752/NI-138 HR/316/GGN/ 175/05 under the Contract Labour (Regulation & Abolition) Act, 1970	Labour Commissioner, Haryana	March 2, 2006	Valid for up to 848 workers. Valid until cancelled
37.	No Objection Certificate No. FS-05/ 1149-94/06 for fire safety arrangement	Fire Station Officer, Sector 29, HUDA, Gurgaon	June 2, 2006	Valid until June 6, 2007
38.	Memo No. 3081 for setting up DG sets	Executive Engineer, Haryana	July 12, 2006	Valid until July 3, 2007
39.	Registration No. HR/25479/642 under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952	Regional Commissioner, Provident Fund, Haryana	August 20, 2002	Valid until cancelled
40.	Employer Code No. 13/24151/18 under the Employees State Insurance Act, 1948	Regional Office, ESIC, Haryana	January 23, 1998	Valid until cancelled

Approvals for Unit located at Plot No. 222, Udyog Vihar, Phase I, Gurgaon , Haryana, India

41.	License Serial No. 4847 under Factories Act, 1948	Additional Chief Inspector of Factories, Haryana (Chandigarh)	March 23, 2006	Valid until December 31, 2006. Pearl Global has filed an application for renewal, which is currently pending
42.	Certificate of Registration No. CLA/ RG-69/1575/340/GGN/ I-833/NI-139/ HR/684/GGN/ 374/05 under the Contract Labour (Regulation & Abolition) Act, 1970	Labour Commissioner, Haryana	June 8, 2006	Valid for up to 535 workers. Valid until cancelled
43.	No Objection Certificate No. 30/06 for fire safety arrangement	Fire Station Officer, Sector 29, Haryana Urban Development Authority, Gurgaon	March 8, 2006	Valid until March 9, 2007
44.	Consent No. HSPCB/ Consent/ 2006/ 245 under Air Act, 1981 and Water Act, 1974	Chairman, Haryana State Pollution Control Board	June 24, 2006	Valid until March 31, 2011
45.	Memo No. 4340 for setting up DG sets	Executive Engineer, Haryana	September 9, 2005	Valid until August 31, 2007

SEZ Unit at Madras-EPZ, Tambaram, Chennai, India

46.	Letter. No. 8/48/2004/SEZ	Assistant Development Commissioner, Madras EPZ	July 2, 2004	Valid until cancelled
47.	Green Card No. 108/SEZ for 100% Export Oriented Unit	Development Commissioner, Madras EPZ	July 26, 2004	Valid until July 25, 2009
48.	License No. 32426 under Factories Act, 1948	Deputy Chief Inspector of Factories, Chennai	March 27, 2006	Valid until December 31, 2007

S. No.	No./Description of Permit/License	Issuing Authority	Date	Comments/Remarks
49.	Approval No. 115/61/2006-RIO/3139 under the Indian Electricity Rules, 1956	Assistant Director, Central Electricity Authority	March 7, 2005	Valid until cancelled
50.	Consent Order No.423 under Air Act, 1981	District Environmental Engineer, Tamil Nadu Pollution Control Board	April 10, 2006	Valid until March 31, 2007
51.	Consent Order No.423 under Water Act, 1974	District Environmental Engineer, Tamil Nadu Pollution Control Board	April 10, 2006	Valid until March 31, 2007
52.	ESI Code No. TN/60908 under the Employees Provident Funds Act, 1952	Assistant Provident Fund Commissioner	March 6, 2006	Valid until cancelled
53.	Employer's Code No. 11-12956-19 (Salem) under the Employee's State Insurance Corporation Act, 1948	Assistant Director, ESIC, Chennai	March 17, 2006	Valid until cancelled
54.	Letter No. Tech.II/T7607/488 M/06 under the Indian Boilers Act, 1923	Chief Inspector of Boilers, Tamil Nadu	February 7, 2006	Valid until August 22, 2007
55.	Planning Permit No. C3429 for Layout/ Sub-Division of Land/Building Construction/ Change in Land Use and Building	Director, Town and Country Planning, Haryana at Chandigarh	December 6, 2005	Valid until December 5, 2008
56.	Registration No. 390/2006 under the Contract Labour (Regulation & Abolition) Act, 1970	Deputy Chief Inspector of Factories, Haryana at Chandigarh	March 30, 2006	Valid until cancelled

Pearl Global: Unit 16-17, Udyog Vihar, Phase VI, Gurgaon, Haryana, India *

General Approvals

57.	PAN No. AAACS0273N under I.T. Act	Income Tax Department, Delhi	December 6, 1995	Valid until cancelled
58.	TAN No. RTKP02063F under I.T. Act	Income Tax Department, Haryana	December 6, 2005	Valid until cancelled
59.	Importer-Exporter Code (IEC) No. 0589049925	Assistant Director General of Foreign Trade, New Delhi	February 27, 1990	Valid until cancelled
60.	Registration No. GRG/CST-1920535 under Central Sales Tax Act, 1956	Assessing Authority, Gurgaon, Haryana	June 2, 1998	Valid until cancelled
61.	Registration No. D-III/ST/R-II/GTA/455/ 2005 under the Finance Act,1994	Superintendent (Range-II), Service Tax Division, Gurgaon, Haryana	March 30, 2005	Valid until cancelled
62.	Central Excise Registration No. AAACS0273NXM001 under the Central Excise Rules, 2002	Assistant Commissioner, Central Excise, Gurgaon, Haryana	April 3, 2003	Valid until cancelled
63.	Registration-cum-Membership-Certificate (RCMC) No. AEPC/REG/ 22028/MAF	Deputy Director, Apparel Export Promotion Council, Ministry of Textile, New Delhi	December 12, 1989	Valid until March 31, 2007

S. No.	No./Description of Permit/License	Issuing Authority	Date	Comments/Remarks
64.	License No. 6963 under Factories Act, 1948	Chief Inspector of Factories, Haryana (Chandigarh)	March 19, 2004	Valid until December 31, 2007
65.	Registration No. CLA/RG-1 181/I447/ 335/GGN/ I-768/NI-138-HR/422/GGN/ 235/05 for under the Contract Labour (Regulation & Abolition) Act, 1970	Labour Commissioner, Haryana	March 21, 2006	Valid for up to 3104 workers. Valid until cancelled
66.	Consent No. HSPCB/ Consent/ 2006/ 247 under Air Act, 1981 and Water Act, 1974	Chairman, Haryana State Pollution Control Board	June 24, 2006	Valid until March 31, 2011
67.	No Objection Certificate No. FS-29/ 1481 for fire safety arrangement	Fire Station Officer, Sector 29, Haryana Urban Development Authority, Gurgaon	July 14, 2006	Valid until July 16, 2007
68.	Memo No. 3084 for setting up DG sets	Executive Engineer, Haryana	July 12, 2006	Valid until July 6, 2007
69.	Registration No. HR/9921/4606 under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952	Regional Commissioner, Provident Fund, Haryana	November 11, 1998	Valid until cancelled
70.	Employer Code No. 13/24248/14 under the Employees State Insurance Act, 1948	Regional Office, ESIC, Haryana	June 12, 1998	Valid until cancelled

* *These approvals relate to erstwhile Pearl Styles Limited which has merged with Pearl Global pursuant to an order of the Honorable High Court of Delhi dated October 6, 2006, with effect from April 1, 2005.*

Approvals Obtained by the Subsidiaries Located Outside India

S. No.	No./Description of Permit/License	Issuing Authority	Date	Comments/Remarks
Global Textiles Group Limited				
1.	Certificate of Incorporation No: 61836 C1/GBL	Registrar of Companies, Mauritius	March 29, 2006	Valid until cancelled
2.	Global Business Category 1 License No. C106002404	Financial Services Commission, Republic of Mauritius	March 31, 2006	Valid until March 30, 2007
3.	Ref. No. 25081829/6/93/6825 /RB/19 for the purpose of residency in Mauritius under the Mauritian Income Tax Act	Income Tax Department, Mauritius	March 29, 2006	Valid until cancelled
Multinational Textiles Group Limited				
1.	Certificate of Incorporation No: 61811 C1/GBL	Registrar of Companies, Mauritius	March 28, 2006	Valid until cancelled
2.	Global Business Category 1 License No. C106002409	Financial Services Commission, Republic of Mauritius	March 29, 2006	Valid until March 28, 2007
3.	Ref. No. 25082059/6/93/6839 /RB/19 for the purpose of residency in Mauritius under the Mauritian Income Tax Act	Income Tax Department, Mauritius	March 28, 2006	Valid until cancelled

S. No.	No./Description of Permit/License	Issuing Authority	Date	Comments/Remarks

Norwest Industries Limited

1.	Certificate of Incorporation No. 648235	Registrar of Companies, Hong Kong	October 27, 1998	Valid until cancelled
2.	Permission allowing Norwest Industries Limited to open branch office in India under the Foreign Exchange Regulation Act, 1973	Reserve Bank of India	November 6, 2003	The RBI has put conditions on the operation of the branch office, including not allowing it to undertake local activities, prohibiting it to undertake expansion without permission, not accepting any deposits from India. Valid until cancelled
3.	Permission allowing setting up of a liaison office in Bangladesh	Board of Investment, Prime Minister's Office, Bangladesh	August 11, 2004	Valid until July 1, 2007

Norp Knit Industries Limited

1.	Certificate of Incorporation No. C-52664(2959)/2004	Registrar of Joint Stock Companies, Bangladesh	May 5, 2004	Valid until cancelled
2.	License No. 12417 under the Factories Act, 1965 of Bangladesh	Chief of Factories, Government of Bangladesh	May 30, 2006	Valid until December 31, 2007. Norp Kinit Industries Limited has filed on application for renewal dated January 22, 2007
3.	Membership Certificate of Bangladesh Garment Manufacturers and Exporters Association No. 4007	Bangladesh Garment Manufacturers and Exporters Association	January 1, 2006	Valid until December 31, 2006. Norp Kinit Industries Limited has filed on application for renewal dated January 22, 2007
4.	Enrolment Certificate of the Export Promotion Board Certificate No. 4582	Export Promotion Bureau, Bangladesh	September 28, 2004	Valid until December 31, 2006
5.	Trade License No. 3943 under the Dhaka City Corporation Ordinance, 1983	Gacha Union Council	July 16, 2006	July 16, 2007

Nor Pearl Knitwear Limited

1.	Certificate of Incorporation No. C-52765(3060)/2004	Registrar of Joint Stock Companies, Bangladesh	May 16, 2004	Valid until cancelled
2.	Trade License No. 129442 under the Dhaka City Corporation Ordinance, 1983	Dhaka Union Council	July 17, 2006	Valid until June 30, 2007
3.	Enrolment Certificate of the Export Promotion Board Certificate No. 4599	Export Promotion Bureau, Bangladesh	August 20, 2005	Valid until December 31, 2006. Nor Pearl Knitwear Limited has filed on application for renewal dated December 14, 2006
4.	Membership Certificate of Bangladesh Garment Manufacturers and Exporters Association No. 4089	Bangladesh Garment Manufacturers and Exporters Association	January 1, 2006	Valid until December 31, 2007
5.	License of Business and Profession No. 1394 under the Municipal Order, 1977	Comilla Sadar South Municipality	July 16, 2006	Valid until July 16, 2007

S. No.	No./Description of Permit/License	Issuing Authority	Date	Comments/Remarks
Poeticgem Limited				
1.	Certificate of Incorporation No. 2608346	Companies Registration Office, Cardiff	May 7, 1991	Valid until cancelled
Pacific Logistics Limited				
1.	Certificate of Incorporation No. 4944346	Registrar of Companies for England and Wales	October 27, 2003	Valid until cancelled
Depa International Inc.				
1.	Certification of subsisting corporation No. 19960418002753	Department of State, State of New York	April 17, 1996	Valid until cancelled
2.	Reg. No. 2876240 for "DCC" trademark	United States Patent and Trademark Office	August 24, 2004	Valid until cancelled
Depa International (Canada) Inc.				
1.	Ontario Corporation No. 002061092	Director, Business Corporations Act	December 20, 2004	Valid until cancelled
House of Pearl Fashions (U.S.) Limited				
1.	Employer Identification No. 20- 5377606	Department of the Treasury, Internal Revenue Service, P.O. Box 9003, Holtsville, NY 11742 - 9003	August 22, 2006	Valid until cancelled
PT Norwest				
1.	Certificate of domicile No. 503/II/Brs/ IV/2002	Chief of Baranangsiang Sub-district, Bogo Timur District, Bogor, Indonesia	April 18, 2002	Valid until cancelled

Approvals Applied For But Not Yet Received

S. No.	No./Description of Permit/License	Issuing Authority	Date	Comments/Remarks
Pearl Global Limited				
1.	Application No. 276 under the Trademarks Act, 1999	Assistant Registrar, Trademarks Registry, New Delhi	April 5, 2006	Application for trademark registration for "House of Pearl" in respect of manufacturing, trading and export of readymade garments
2.	Letter No. 103914 under Indian Boilers Act, 1923	Chief Inspector of Boilers, Chandigarh	May 1, 2006	Application for installation of boiler at Plot No. 16/17, Udyog Vihar, Phase VI, Gurgaon, Haryana, India
Depa International Inc.				
1.	Application No. 78890231	United States Patent and Trademark Office	May 23, 2006	Application for trademark registration for "Kool Hearts" rademark

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Company

The Board of Directors has, pursuant to resolution passed at its meeting held on August 1, 2006, authorized the Fresh Issue and Green Shoe Option subject to the approval by the shareholders of the Company under Section 81(1A) of the Companies Act, and such other authorities as may be necessary.

The shareholders of the Company have, pursuant to a resolution dated August 25, 2006 passed at the Annual General Meeting under Section 81(1A) of the Companies Act, authorized the Fresh Issue and Green Shoe Option in accordance with law.

The Board of Directors has, pursuant to its resolution dated October 9, 2006, approved the Draft Red Herring Prospectus. The Board of Directors has, pursuant to its resolution dated December 16, 2006, approved the Red Herring Prospectus. The Board of Directors has, pursuant to its resolution dated January 24, 2007 approved this Prospectus

Investors should note that the Company has received a letter from the RBI dated November 27, 2006 for approval to transfer the Equity Shares offered by Mr. Deepak Seth, Mrs. Payel Seth and Mr. Pallak Seth in the Offer for Sale to non residents and Eligible NRIs applying on a repatriation basis.

The Company has also obtained all other necessary contractual approvals required for the Issue. For further information, see "Government and Other Approvals" beginning on page 230 of this Prospectus.

Selling Shareholders

The Selling Shareholders by their letters dated October 9, 2006 have authorized the offer of their Equity Shares as part of the Offer for Sale.

Prohibition by SEBI, RBI or governmental authorities

The Company, the Directors, the Promoters, the directors or person(s) in control of the Promoter or the Promoter Group, Subsidiaries and the companies in which the Directors are associated as directors, have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by the SEBI.

None of the Company, Subsidiaries, the directors of the Subsidiaries, its Promoters, Promoter Group companies or relatives of the Promoters, its Directors and the companies in which the Directors are associated as directors, have been declared as a wilful defaulter by the RBI or any other governmental authority and there has been no violation of any securities law committed by any them in the past and no such proceedings are pending against any of them.

The Selling Shareholders have also not been prohibited from dealing in the securities market and the Equity Shares being offered by them in the Offer for Sale are free from encumbrances.

Eligibility for the Issue

The Company is eligible to make the Issue in accordance with Clause 2.2.2 of the SEBI Guidelines as explained below:

Clause 2.2.2 of the SEBI Guidelines states as follows:

" An unlisted company not complying with any of the conditions specified in Clause 2.2.1 may make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets both the conditions (a) and (b) given below:

(a)(i) The issue is made through the book-building process, with at least 50% of the issue size being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.

OR

(a)(ii) The "project" has at least 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded.

AND

(b)(i) The minimum post-issue face value capital of the company shall be Rs.100 million.

OR

(b)(ii) There shall be a compulsory market-making for at least 2 years from the date of listing of the shares, subject to the following:

(a) Market makers undertake to offer buy and sell quotes for a minimum depth of 300 shares;

(b) Market makers undertake to ensure that the bid-ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%;

(c) The inventory of the market makers on each of such stock exchanges, as of the date of allotment of securities, shall be at least 5% of the proposed issue of the company."

The Company is an unlisted company not complying with the conditions specified in Clause 2.2.1 of the SEBI Guidelines and is therefore required to meet both the conditions detailed in Clause 2.2.2(a) and 2.2.2(b) of the SEBI Guidelines.

- The Company will comply with Clause 2.2.2(a)(i) of the SEBI Guidelines and at least 50% of the Net Issue is proposed to be allotted to QIBs and in the event the Company fails to do so, the full subscription monies shall be refunded to the Bidders.
- The Company will comply with the second proviso to Clause 11.3.5(i) of the SEBI Guidelines; accordingly, Non-Institutional Bidders and Retail Individual Bidders will be allocated not less than 15% and 35% of the Issue, respectively, subject to valid Bids being received.
- The Company will comply with Clause 2.2.2(b)(i) of the SEBI Guidelines and the post-issue face value capital of the Company shall be Rs.190.7 million (excluding the Green Shoe Option), which is more than the minimum requirement of Rs.10 crore (Rs.100 million).

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, the Company shall ensure that the number of prospective allottees to whom the Equity Shares will be allotted will be not less than 1,000, failing which the entire application monies will be refunded forthwith. In the event that there is any delay in refunding application monies, the Company shall pay interest on the application moneys at the rate of 15% per annum for the period of delay.

Accordingly, the Company is eligible for the Issue under Clause 2.2.2 of the SEBI Guidelines.

Disclaimer Clause

AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, JM MORGAN STANLEY PRIVATE LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, JM MORGAN STANLEY PRIVATE LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED OCTOBER 10, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS 1992 WHICH READS AS FOLLOWS:

1. "(I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABOURATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALIZATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;

(II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,

WE CONFIRM THAT:

(A) THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPER RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH;

(C) THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;

(D) BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID; AND

(E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR EQUITY SHARES AS PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED OR SOLD OR TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE RED HERRING PROSPECTUS WITH SEBI UNTIL THE DATE OF COMMENCEMENT OF THE LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.

THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI, FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS."

All legal requirements pertaining to the Issue will be complied with at the time of filing of the Prospectus with the RoC in terms of section 60B of the Companies Act. All legal requirements pertaining to the Issue will be complied with at the time of registration of the Prospectus with the RoC in terms of section 56, section 60 and section 60B of the Companies Act.

Disclaimer from the Company, the Selling Shareholders and the BRLM

The Company, the Selling Shareholders, the Directors and the BRLM accept no responsibility for statements made otherwise than in this Prospectus or in the advertisements or any other material issued by or at the Company's instance and anyone placing reliance on any other source of information, including the Company's website www.houseofpearl.com, or the website of any Subsidiary, Promoter, Promoter group company, or of any affiliate or associate of the Company or its Subsidiaries, would be doing so at his or her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in the memorandum of understanding entered into among the BRLM, the Selling Shareholders and the Company on October 9, 2006, and the Underwriting Agreement to be entered into among the Underwriters, the Selling Shareholders and the Company on January 24, 2007.

All information shall be made available by the Company, the Selling Shareholders and the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centres or elsewhere.

Neither the Company nor the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Selling Shareholders, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not offer, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Selling Shareholders, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

Investors should note that the Company has received a letter from the RBI dated November 27, 2006 for approval to transfer the Equity Shares offered by Mr. Deepak Seth, Mrs. Payel Seth and Mr. Pallak Seth in the Offer for Sale to non residents and Eligible NRIs applying on a repatriation basis.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorized under their constitution to hold and invest in shares, public financial institutions as specified in Section 4A of the Companies Act, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs.250 million and pension funds with minimum corpus of Rs.250 million, and permitted non-residents including FIIs registered with SEBI, Eligible NRIs, multilateral and bilateral development financial institutions, foreign venture capital investors registered with SEBI and eligible foreign investors, provided that they are eligible under all applicable laws and regulations to hold Equity Shares of the Company. This Prospectus does not, however, constitute an invitation to subscribe to Equity Shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions.

Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in New Delhi only.

No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus has been filed with the SEBI for its observations and SEBI has given its observations and the Red Herring Prospectus has been filed with the RoC. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been, and will not be, registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S of the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

The Equity Shares have not been, and will not be, registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Further, each Bidder where required must agree in the CAN that such Bidder will not sell or transfer any Equity Shares or any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Disclaimer clause of the BSE

Bombay Stock Exchange Limited ("the Exchange") has given vide its letter dated November 16, 2006 permission to this Company to use the Exchange's name in this offer document as one of the stock exchanges on which this company's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

i. warrant, certify or endorse the correctness of completeness of any of the contents of this document;

ii. warrant that this Company's securities will be listed or will continue to be listed on the Exchange;

iii. take any responsibility for the financial or other soundness of this Company, its promoter, its management, or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquire any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Disclaimer clause of the NSE

As required, a copy of this offer document has been submitted to National Stock Exchange of India Limited (hereinafter referred to as NSE). NSE has given vide its letter Ref. No. NSE/LIST/33383-X dated November 20, 2006 permission to the Issuer to use the Exchange's name in this offer document as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document, nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus dated October 10, 2006 has been filed with the SEBI at the Division of Issues and Listing, 29th Floor, Centre 1, World Trade Centre, Cuffe Parade, Mumbai - 400 005.

A copy of the Red Herring Prospectus, along with the other documents required to be filed under Section 60B of the Companies Act, have been filed with the RoC and a copy of the Prospectus along with the other documents required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC.

Listing

Applications have been made to the BSE and the NSE for permission for listing of the Equity Shares being offered and sold in the Issue.

If the permissions to deal in, and for an official quotation of, the Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company shall forthwith repay, without interest, all monies received from applicants in reliance on this Prospectus. If such money is not repaid within eight days after the Company has become liable to repay it (i.e. from the date of refusal or within 10 weeks from the Bid/Issue Closing Date, whichever is earlier), then the Company and every Director of the Company who is an officer in default shall, on and from expiry of eight days, be liable to repay the monies, with interest at the rate of 15% per annum on the application monies, as prescribed under Section 73 of the Companies Act.

The Company and the Selling Shareholders shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalization of the basis of allotment for the Issue.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, the legal advisors, the Bankers to the Company and the Bankers to the Issue; and (b) the BRLM, the Syndicate Member, the Escrow Collection Bankers and the Registrar to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the RoC, as required under Sections 60 and 60B of the Companies Act and such consents will not be withdrawn up to the time of delivery of this Prospectus for registration with the RoC.

In accordance with the Companies Act and the SEBI Guidelines, S.R. Dinodia & Co., Chartered Accountants, have given their written consent to the inclusion of their report in the form and context in which it appears in this Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Prospectus to the RoC.

S.R. Dinodia & Co., Chartered Accountants, have given their written consent to inclusion of their report relating to the possible tax benefits accruing to the Company and its shareholders and the summary of differences among different accounting standards in the form and context in which it appears in this Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Prospectus to the RoC.

Expert Opinion

Except as stated elsewhere in this Prospectus (in particular in the sections "Statement of Tax Benefits", "Financial Statements" and "Summary of Significant Differences Among Indian GAAP, IFRS, U.S. GAAP and U.K. GAAP"), the Company has not obtained any expert opinions.

Issue Related Expenses

All expenses with respect to the Issue will be paid by the Company, will be shared between the Company and the Selling Shareholders who have offered their shares for sale on a pro-rata basis in the ratio of the Equity Shares issued by the Company in the Fresh Issue and the Equity Shares being sold by the Selling Shareholders in the Offer for Sale, including the Green Shoe Portion in full.

The Issue related expenses include, among others, underwriting and selling commissions, printing and distribution expenses, legal fees, advertisement expenses and registrar and depository fees. The estimated Issue expenses are as follows:

Activity	Expense (Rs. million)	As a % of Total Issue Expenses	As a % of Issue Size
Lead management, underwriting and selling commissions	74.4	41.64%	2.26%
Advertising and marketing expenses	44.0	24.64%	1.34%
Printing and stationery	30.0	16.80%	0.91%
Other (Registrar's fees, legal fees, etc.)	30.2	16.91%	0.92%
Total estimated Issue expenses	178.6	100.00%	5.42%

Fees Payable to the BRLM and the Syndicate Member

The total fees payable to the Book Running Lead Manager and the Syndicate Member (including underwriting commission and selling commission and reimbursement of their out of pocket expenses) will be as per the engagement letter dated April 2, 2006, a copy of which is available for inspection at the Company's corporate office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of applications, data entry, printing of CANs/refund orders (or revised CANs, if required), preparation of refund data on magnetic tape and printing of bulk mailing register will be as per the memorandum of understanding among the Company and the Registrar to the Issue dated August 1, 2006, a copy of which is available for inspection at the Company's corporate office.

The Registrar to the Issue will be reimbursed for all out of pocket expenses including cost of stationery, postage, stamp duty, and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to make refunds in any of the modes described in this Prospectus or send allotment advice by registered post/speed post/under certificate of posting.

Particulars regarding Public or Rights Issues during the last five years

The Company has not made any previous rights and public issues in India or abroad in the five years preceding the date of this Prospectus.

Previous issues of Equity Shares otherwise than for cash

Except as stated in the sections "Capital Structure" and "History and Certain Corporate Matters" beginning on pages 23 and 97, respectively, of this Prospectus, the Company has not made any previous issues of shares for consideration otherwise than for cash.

Underwriting commission, brokerage and selling commission on Previous Issues

Since this is the initial public offering of the Company's Equity Shares, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since the Company's inception.

Companies Under the Same Management

No company under the same management within the meaning of section 370(1B) of the Companies Act has made any public or rights issue during the last three years.

Promise v/s performance

For details of the promise versus performance of the group companies, please see section "History and Certain Corporate Matters" beginning on page 97 of this Prospectus.

Outstanding Debentures or Bond Issues or Preference Shares

The Company has no outstanding debentures or bonds or redeemable preference shares as of the date of this Prospectus.

Stock Market Data of the Equity Shares

This being an initial public offering of the Equity Shares of the Company, the Equity Shares are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The memorandum of understanding among the Registrar to the Issue, the Company and the Selling Shareholders will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of the letters of allotment, or refund orders, demat credit or where refunds are being made electronically, giving of refund instructions to the clearing system, to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount paid on application, Depository Participant and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances by the Company

The Company estimates that the average time required by the Company or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of complaints that are not routine or where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible.

The Company has appointed Mr. Jayant Sood, Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. Jayant Sood
Company Secretary
446, Udyog Vihar, Phase V
Gurgaon - 122 016, Haryana, India
Tel: +91 124 4308164
Fax: +91 124 4004 085
Email: jayantipo@hopfl.org

Other Disclosures

Except as disclosed in this Prospectus, the Promoter group, the directors of the Promoters or the Promoter group companies or the Directors have not purchased or sold any securities of the Company during a period of six months preceding the date of this Prospectus.

Disposal of investor grievances by listed companies under the same management as the Company

Pearl Global is the only listed company under the same management as the Company. For details of the investor grievance mechanism of Pearl Global for the period of three years prior to the date of filing of this Prospectus with the RoC, please see "History and Certain Corporate Matters" beginning on page 97 of this Prospectus.

Change in Auditors

There have been no changes in the Company's auditors in the last three years.

Capitalization of Reserves or Profits

The Company has not capitalized its reserves or profits at any time during the last five years.

Tax Implications

Investors that are allotted Equity Shares in the Issue will be subject to capital gains tax on any resale of the Equity Shares at applicable rates, depending on the duration for which the investors have held the Equity Shares prior to such resale and whether the Equity Shares are sold on the stock exchanges. For details, see "Statement of Tax Benefits" in this Prospectus.

Revaluation of Assets

The Company has not revalued its assets in the last five years.

Interest of Promoters and Directors

Promoters

Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth and Mr. Pulkit Seth are the Company's Promoters. Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth and Mr. Pulkit Seth may be regarded as interested parties in the proceeds of the Offer for Sale. Further, Mr. Pulkit Seth may also be regarded as an interested party in the payment of fees as Green Shoe Lender. For details, see "Green Shoe Option" beginning on page 6 of this Prospectus.

Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth and Mr. Pulkit Seth are also interested parties in any dividend and distributions made by the Company or to the extent of their shareholding in the Company.

The Company's Promoters will also be interested parties in any future contracts that the Company may enter into with any Promoter group companies.

Directors

All the Directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or any committee thereof. The Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trusts, in which they are interested as directors, members, partners and/or trustees.

The following Directors are interested to the extent of the contracts/relationship with the Company:

1. Mr. Deepak Seth;
2. Mr. Pallak Seth; and
3. Mr. Pulkit Seth

We appointed Mr. Tom Tar Singh as a Director on September 26, 2006. Pursuant to arrangements with him, Patron India II was issued and allotted 190,000 Equity Shares on October 3, 2006. On December 1, 2006, the Equity Shares held by Patron India II were transferred to Lesing Mauritius Limited, a company in which Mr. Singh has a beneficial interest through family interests. On December 26, 2006, Lesing Mauritius Limited was issued an additional 135,606 Equity Shares in the Pre-IPO Placing.

Payment or Benefit to Officers of the Company

Except as stated otherwise in this Prospectus, no amount or benefit has been paid or given or is intended to be paid or given during the preceding two years to any of its officers except the normal remuneration rendered as Directors, officers or employees. Except statutory benefits upon termination of their employment in the Company or superannuation, no officer of the Company is entitled to any benefit upon termination of such officer's employment in the Company or superannuation. None of the beneficiaries of loans, and advances and sundry debtors are related to the Directors of the Company.

Purchase of Property

Except as stated in the section "Objects of the Issue" in this Prospectus, there is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the net proceeds of the Issue or the purchase or acquisition of which has not been completed on the date of this Prospectus, other than property in respect of which:

- the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of the Issue nor is the Issue contemplated in consequence of the contracts; or
- the amount of the purchase money is not material.

We have not purchased any property in which any Directors have any direct or indirect interest in any payment made thereof.

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles, the terms of the Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus, Bid-cum-Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to all applicable laws, guidelines, rules, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, Registrar of Companies, RBI, FIPB and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

From the Company

The Board of Directors has, pursuant to resolution passed at its meeting held on August 1, 2006, authorized the Fresh Issue and Green Shoe Option subject to the approval by the shareholders of the Company under Section 81(1A) of the Companies Act, and such other authorities as may be necessary.

The shareholders of the Company have, pursuant to a resolution dated August 25, 2006 under Section 81(1A) of the Companies Act, authorized the Fresh Issue and Green Shoe Option in accordance with law.

Authority from the Selling Shareholders

The Selling Shareholders by their letters dated October 9, 2006 have authorized the offer of their Equity Shares as part of the Offer for Sale.

Based on the letters provided by the Selling Shareholders, the Company understands that the Selling Shareholders have not been prohibited from dealing in the securities market. Further, the Equity Shares offered by them are fully paid and free from any charge, lien, encumbrance or any transfer restriction, of any kind whatsoever. The Equity Shares being included in the Issue have been held by the Selling Shareholders for a continuous period of at least one year prior to the date of filing of the Draft Red Herring Prospectus.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Memorandum and Articles and shall rank pari-passu with the existing Equity Shares of the Company including rights in respect of dividends. See the section “Main Provisions of Articles of Association” beginning on page 278 of this Prospectus for a description of the Articles of Association. The allottees in receipt of allotment of Equity Shares under this Issue shall be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of allotment.

Mode of Payment of Dividend

The Company shall pay dividends to its shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The face value of the Equity Shares is Rs.10 each. The Issue Price of Equity Shares being issued in terms of this Prospectus is Rs. 550 per Equity Share. At any given point of time there shall be only one denomination of the Equity Shares.

Compliance with SEBI Guidelines

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders of the Company shall have the following rights:

- Right to receive dividends, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive any surplus on liquidation subject to any statutory and other preferential claims being satisfied;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreements executed with the Stock Exchanges, and the Memorandum and Articles.

For a detailed description of the main provisions of the Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to the section "Main Provisions of the Articles of Association" beginning on page 278 of this Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. As per the SEBI Guidelines, the trading of the Equity Shares shall only be in dematerialized form. Since trading of the Equity Shares is in dematerialized form, the tradable lot is one Equity Share. Allotment in this Issue will be done in electronic form in multiples of 10 Equity Share, subject to a minimum allotment of 10 Equity Shares.

Jurisdiction

Exclusive jurisdiction for purposes of this Issue is with the competent courts in New Delhi, India.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the period the nominee is a minor. A nomination shall stand rescinded upon a sale/transfer/alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of the Company or to the Registrar and transfer agents of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied within a period of ninety (90) days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment/transfer of Equity Shares in the Issue will be made only in dematerialized form, there is no need to make a separate nomination with the Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors require a change in their nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Fresh Issue less the Employee Reservation Portion, including devolvement of Underwriters within sixty (60) days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Company becomes liable to pay the amount, the Company shall pay interest prescribed under Section 73 of the Companies Act. The requirement for 90% minimum subscription is not applicable to the Offer for Sale. Any expense incurred by the Company on behalf of the Selling Shareholders with regard to refunds, interest for delays, etc. for the Equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholders to the Company.

Further in terms of Clause 2.2.2A of the SEBI Guidelines, the Company and the Selling Shareholders shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold only (i) in the United States to "qualified institutional buyers", as defined in and in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Withdrawal of the Issue

The Company and the Selling Shareholders in consultation with the BRLM, reserve the right not to proceed with the Issue at any time including after the Bid/Issue Opening Date, but before final allotment of the Equity Shares in the Issue at a meeting of the Board, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after the final allotment of the Equity Shares in the Issue.

ISSUE STRUCTURE

The present Issue of 5,984,994 Equity Shares comprises of a Fresh Issue of 4,759,794 Equity Shares and an Offer for Sale of 1,225,200 Equity Shares at the Issue Price for cash, aggregating Rs.3,291.7 million. 122,600 Equity Shares will be reserved in the Issue for subscription by Employees at the Issue Price. There will also be a Green Shoe Option of up to 612,060 Equity Shares for cash at the Issue Price aggregating Rs.336.6 million. The Issue will constitute 31.38% of the fully diluted post-Issue Equity Share capital of the Company, assuming that the Green Shoe Option is not exercised. The Issue will constitute 33.52% of the fully diluted post-Issue Equity Share capital of the Company, assuming that the Green Shoe Option is exercised in full.

If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money shall be refunded forthwith. The Issue is being made through the 100% Book Building Process.

	QIBs	**Non-Institutional Bidders**	**Retail Individual Bidders**	**Employee Reservation Portion**
Number of Equity Shares*	At least 2,931,197 Equity Shares	Not less than 879,359 Equity Shares or Issue Size less allocation to QIB Bidders and Retail Individual Bidders available for allocation, subject to valid Bids being received at or above the Issue Price.	Not less than 2,051,838 Equity Shares or Issue Size less allocation to QIB Bidders and Non-Institutional Bidders available for allocation, subject to valid Bids being received at or above the Issue Price.	122,600 Equity Shares.
Percentage of Issue Size available for allotment/ allocation	At least 50% of Net Issue Size being allocated. However, 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion in the Mutual Fund reservation will be available to QIBs.	Not less than 15% of the Net Issue or the Net Issue less allocation to QIB Bidders and Retail Individual Bidders available for allocation, subject to valid Bids being received at or above the Issue Price.	Not less than 35% of the Net Issue or the Net Issue less allocation to QIB Bidders and Non-Institutional Bidders available for allocation, subject to valid Bids being received at or above the Issue Price.	Up to 2.05% of the Issue.
Basis of Allotment/ Allocation if respective category is oversubscribed	Proportionate as follows: (a) 146,560 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 2,784,637 Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate	Proportionate

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Employee Reservation Portion
Minimum Bid	Such number of Equity Shares so that the Bid Amount exceeds Rs.100,000 and in multiples of 10 Equity Shares.	Such number of Equity Shares so that the Bid Amount exceeds Rs.100,000 and in multiples of 10 Equity Shares.	10 Equity Shares and thereafter in multiple of 10 Equity Shares	10 Equity Shares and thereafter in multiple of 10 Equity Shares
Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue subject to applicable limits.	Such number of Equity Shares per Retail Individual Bidder so as to ensure that the Bid Amount does not exceed Rs.100,000 in value.	If the demand exceeds the number of Equity Shares in the Employees Reservation Portion, the maximum allotment to any Eligible Employee shall be capped at 200 Equity Shares.
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share.
Who can Apply **	Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs.250 million and pension funds with minimum corpus of Rs.250 million in accordance with applicable law.	Eligible NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Individuals (including HUFs, Eligible NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs.100,000 in value.	Eligible Employees as on the date of the Red Herring Prospectus.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Employee Reservation Portion
Terms of Payment	QIB Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the Syndicate Member.	Margin Amount shall be payable at the time of submission of Bid-cum-Application Form to the Syndicate Member.
Margin Amount	10% of the Bid Amount.	100% of the Bid Amount.	100% of the Bid Amount.	100% of the Bid Amount.

* *This Issue is being made through a 100% Book Building Process wherein at least 50% of the Net Issue shall be allotted on a proportionate basis to QIBs. 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, 122,600 Equity Shares shall be available for allocation on a proportionate basis to Employees, subject to valid Bids being received at or above the Issue Price. Any under-subscription in the Equity Shares under the Employee Reservation Portion will be added back to the categories of Non Institutional Bidders and Retail Individual Bidders in the ratio 50:50. If the aggregate demand in the Employee Reservation Portion is greater than 122,600 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis, provided that the maximum allotment to any Employee shall be capped at up to 200 Equity Shares.*

Under-subscription, if any, in the Non-Institutional and Retail categories, would be allowed to be met with spill-over from any other category or combination of categories at the sole discretion of the Company and the Selling Shareholders in consultation with the BRLM. Additional allocation to each of these categories would be made on a pro-rata basis to the extent of the Green Shoe Option Portion. See "Issue Procedure" beginning on page 253 of this Prospectus.

** *In case the Bid-cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form.*

As per Chapter VIII-A of the SEBI Guidelines, the Green Shoe Option will be utilized for stabilizing the post-listing price of the Equity Shares. The Company has appointed JMMS as the Stabilizing Agent. The Green Shoe Option consists of the option to over-allot up to 612,060 Equity Shares at the Issue Price exercisable during the period commencing from the date of obtaining trading permission from the Stock Exchanges for the Equity Shares of the Company and ending 30 days thereafter, unless terminated earlier by the Stabilizing Agent. Mr. Pulkit Seth as the Green Shoe Lender has agreed to lend up to 612,060 Equity Shares to the Stabilizing Agent for the purposes of the Green Shoe Option. The allotment of the Over-Allotment Shares shall be done pro-rata with respect to the proportion of allotment in the Issue to various categories.

Bid/Issue Program

BID/ISSUE OPENED ON	**: TUESDAY, JANUARY 16, 2007**
BID/ISSUE CLOSED ON	**: TUESDAY, JANUARY 23, 2007**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid-cum-Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid/Issue Closing Date.

The Company and the Selling Shareholders in consultation with the BRLMs, reserves the right to revise the Price Band during the Bidding/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid/Issue Opening Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of Price Band subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLM and at the terminals of the other members of the Syndicate.

ISSUE PROCEDURE

Book Building Procedure

This Issue is being made through a 100% Book Building Process wherein at least 50% of the Net Issue shall be allotted on a proportionate basis to QIBs. 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. If at least 50% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, 122,600 Equity Shares shall be available for allocation on a proportionate basis to Employees, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be submitted only through the BRLM. In case of QIB Bidders, the Company and the Selling Shareholders in consultation with the BRLM may reject Bids at the time of acceptance of Bid-cum-Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Bidders in the Employee Reservation Portion, the Company and the Selling Shareholders would have a right to reject the Bids only on technical grounds.

Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialized form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized the Company to make the necessary changes in the Red Herring Prospectus and the Bid-cum-Application Form as would be required for filing the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid-cum-Application Form for various categories is as follows:

Category	Colour of Bid-cum-Application Form
Indian public and Eligible NRIs applying on a non-repatriation basis	White
Non-Residents, including Eligible NRIs, FVCIs, FIIs applying on a repatriation basis	Blue
Eligible Employees	Pink

Who can Bid?

- Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
- Indian nationals resident in India who are not minors, in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid-cum-Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in equity shares;
- Mutual Funds registered with SEBI;

- Indian financial institutions, scheduled commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable);
- Venture capital funds registered with SEBI;
- Foreign Venture Capital Investors ("FVCIs") registered with SEBI, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their constitution to hold and invest in equity shares;
- Eligible NRIs on a repatriation basis or a non-repatriation basis subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
- FIIs registered with SEBI, on a repatriation basis, subject to compliance with applicable laws, rules, regulations, guidelines and approvals in the Issue;
- Scientific and/or Industrial research organizations in India authorized under their constitution to invest in equity shares;
- Insurance companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with minimum corpus of Rs.250 million and who are authorized under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs.250 million and who are authorized under their constitution to hold and invest in equity shares;
- Multilateral and bilateral development financial institutions; and
- Eligible Employees (as defined in the section "Definitions and Abbreviations" beginning on page iii of this Prospectus.)

As per existing regulations, OCBs are prohibited from investing in this Issue.

Participation by Associates of BRLM and Syndicate Member

The BRLM and Syndicate Member shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM and Syndicate Member may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis.

Investors should note that the Company has received a letter from the RBI dated November 27, 2006 for approval to transfer the Equity Shares offered by Mr. Deepak Seth, Mrs. Payel Seth and Mr. Pallak Seth in the Offer for Sale to non residents and Eligible NRIs applying on a repatriation basis.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 146,560 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry-specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. The applications made by the asset management companies or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which the application is being made.

5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

Bids by Eligible NRIs

1. Bid-cum-Application Forms have been made available for Eligible NRIs at the registered corporate office of the Company, members of the Syndicate or the Registrar to the Issue.
2. Eligible NRI applicants may please note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for allotment. The Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid-cum-Application Form meant for resident Indians (white in colour).

Application by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

Foreign Institutional Investors ("FIIs") including institutions such as pension funds, mutual funds, investment trusts, insurance and reinsurance companies, international or multilateral organizations or their agencies, foreign governmental agencies, foreign central banks, asset management companies, investment managers or advisors, nominee companies and institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realize capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

Under the portfolio investment scheme, the overall issue of equity shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of the company. However, the limit of 24% can be raised up to the permitted sectoral cap for that company after approval of the board of directors and shareholders of the company. HoPFL has not sought the approval of its shareholders to increase such FII limit. The offer of equity shares to a single FII should not exceed 10% of the post-issue paid-up capital of the Company. In respect of an FII investing in equity shares of a company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of that company.

Application by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per existing regulations, the following restrictions are applicable for SEBI registered venture capital funds and foreign venture capital investors:

The SEBI (Venture Capital Funds) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding in the Company by any individual venture capital fund registered with SEBI should not exceed 25% of the corpus of such venture capital fund.

Pursuant to a recent amendment to the SEBI Guidelines, the shares owned by venture capital funds and foreign venture capital investors registered with SEBI in a company prior to an initial public offering by the Company, are exempt from the lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing of the draft prospectus with SEBI.

The above information is given for the benefit of the Bidders. The Company, the Selling Shareholders and the BRLM do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. The Company, the Selling Shareholders and the BRLM are not liable to inform the investor of any amendments or modification or changes in

applicable laws or regulations, which may happen after the date of this Prospectus. Bidders are advised to make their independent investigation and ensure that the number of Equity Shares that they Bid for do not exceed any applicable limit under laws or regulations.

Maximum and Minimum Bid Size

a) **For Retail Individual Bidders:** The Bid must be for a minimum of 10 Equity Shares and in multiples of 10 Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs.100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs.100,000. In case the Bid Amount is over Rs.100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off Price option, the Bid would be considered for allocation under the Non-Institutional Bidders Portion. The Cut-off Price option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

b) **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs.100,000 and in multiples of 10 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the QIB Margin Amount upon submission of the Bid.**

   In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs.100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs.100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at Cut-off Price.

c) **For Bidders in the Employee Reservation Portion:** The Bid must be for a minimum of 10 Equity Shares and in multiples of 10 Equity Shares thereafter. The allotment in the Employee Reservation Portion will be on a proportionate basis. However, in case of an over-subscription in the Employee Reservation Portion, the maximum allotment to any Employee will be capped at up to 200 Equity Shares. Eligible Employees, whose Bid Amount does not exceed Rs.100,000, including due to any revision in the Price Band, may Bid at the Cut-off Price. Eligible Employees whose Bid Amount exceeds Rs.100,000 may not Bid at Cut-off Price.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Prospectus.

Refund amounts following a permitted withdrawal of a Bid shall be paid in the manner described in "Refunds" below.

Information for the Bidders:

a) The Company filed the Red Herring Prospectus with the RoC on January 3, 2007 which was more than 3 (three) days before the Bid/Issue Opening Date.

b) The members of the Syndicate circulated copies of the Bid-cum-Application Form to potential investors, and at the request of potential investors, copies of the Red Herring Prospectus.

c) Any investor (who is eligible to invest in the Equity Shares) who wished to obtain the Red Herring Prospectus and/or the Bid-cum-Application Form could have obtained the same from the registered office of the Company or from any of the members of the Syndicate.

d) Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLM or Syndicate Member or their authorized agent(s) to register their Bids.

e) The Bids should be submitted only on the prescribed Bid-cum-Application Form. Bid-cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-cum-Application Forms which do not bear the stamp of the members of the Syndicate will be rejected.

Method and Process of Bidding

a) The Company and the BRLM declared the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and have also published the same in two widely circulated national newspapers (one each in English and Hindi). This advertisement, subject to the provisions of Section 66 of the Companies Act, is in the format prescribed in Schedule XX–A of the SEBI Guidelines, as amended by the SEBI Circular No. SEBI/CFD/DIL/DIP/17/2005/11/11 dated November 11, 2005. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.

b) The Bidding/Issue Period shall be for a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and the Bidding/Issue Period will be published in two widely circulated national newspapers (one each in English and Hindi) and also by indicating the change on the website of the BRLM and at the terminals of the other members of the Syndicate and the Bidding/Issue Period may be extended, if required, for an additional three working days, subject to the total Bidding /Issue Period not exceeding ten (10) working days. During the Bidding/Issue Period, eligible investors who are interested in subscribing for the Equity Shares should approach the members of the Syndicate or their authorized agents to register their Bid.

c) Each Bid-cum-Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the section "Issue Procedure" beginning on page 253 in this Prospectus) within the Price Band and specify the demand (i.e. the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares bid for by a Bidder at or above the Issue Price will be considered for allocation/allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

d) The Bidder cannot bid on another Bid-cum-Application Form after a Bid(s) on one Bid-cum-Application Form has been submitted to any member of the Syndicate. Submission of a second Bid-cum-Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section "Issue Procedure" beginning on page 253 in this Prospectus.

e) The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip or TRS, for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid-cum-Application Form.

f) During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids.

g) Along with the Bid-cum-Application Form, all Bidders will make payment in the manner described under the section "Issue Procedure – Terms of Payment and Payment into the Escrow Accounts" beginning on page 258 in this Prospectus.

Bids at Different Price Levels

a) The Price Band has been fixed at Rs.525 to Rs.600 per Equity Share, Rs. 525 being the Floor Price and Rs. 600 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re.1 (Rupee One).

b) The Company and the Selling Shareholders, in consultation with the BRLM, reserve the right to revise the Price Band during the Bidding/Issue Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.

c) In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional working days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a public notice in two widely circulated national newspapers (one each in English and Hindi), and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate Member.

d) The Company and the Selling Shareholders, in consultation with the BRLM, have finalized the Issue Price within the Price Band without the prior approval of, or intimation, to the Bidders.

e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding up to Rs.100,000 may bid at Cut-off price. However, bidding at Cut-off price is not permitted for QIB Bidders or Non-Institutional Bidders or Bidders in the Employee Reservation Portion whose Bid Amount exceeds Rs.100,000 and such Bids from QIBs, Non-Institutional Bidders or Eligible Employees shall be rejected.

f) Retail Individual Bidders and Bidders in the Employee Reservation Portion who bid at the Cut-off price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Bidders in the Employee Reservation Portion bidding at Cut-off price shall deposit the Bid Amount based on the higher end of the Price Band in the Escrow Account. In the event the Bid Amount is higher than the amount that has been paid by the Retail Individual Bidders and Bidders in the Employee Reservation Portion, who Bid at Cut-off-price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), Retail Individual Bidders and Bidders in the Employee Reservation Portion shall receive the refund of the excess amounts from the respective Refund Account.

g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Bidders in the Employee Reservation Portion who had Bid at Cut-off price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs.100,000, if the Bidder wants to continue to bid at Cut-off price), with the Syndicate Member to whom the original Bid was submitted. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allocation, such that the no additional payment would be required from the Bidder, and the Bidder shall be deemed to have approved such revised Bid at the Cut-off price.

h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Bidders in the Employee Reservation Portion who have bid at Cut-off price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the respective Refund Account.

i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 10 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs.5,000 to Rs.7,000.

Escrow Mechanism

The Company, the Selling Shareholders and the members of the Syndicate have opened Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus, the Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account, the GSO Bank Account and the Refund Account, as per the terms of the Escrow Agreement, the Red Herring Prospectus and the Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement among the Company, the Selling Shareholders, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder shall pay the applicable Margin Amount together with the submission of the Bid-cum-Application Form by drawing a cheque or demand draft for the maximum amount of the Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the section "Issue Procedure" beginning on page 253 of this Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being deposited. In case of the QIB Portion, the Margin Amount has to be submitted along with the Bid to the Syndicate. Bid-cum-Application Forms accompanied by cash/stock invest/money order shall not be accepted. The maximum Bid Amount has to be paid at the time of submission of the Bid-cum-Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold all monies collected for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds in respect of those Bidders whose Bids have been accepted from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account and the GSO Bank Account. The balance amounts after transfer to the Public Issue Account and the GSO Bank Account, lying credited with the Escrow Collection Bank(s) shall be held for the benefit of the Bidders who are entitled to a refund in the Refund Account. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allocation to the Bidders.

Each category of Bidders i.e. QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and Bidders in the Employee Reservation Portion would be required to pay their applicable Margin Amount at the time of the submission of the Bid-cum-Application Form. The Margin Amount payable by each category of Bidders is mentioned under the section "Issue Structure" beginning on page 250 of this Prospectus and will be available with the Syndicate and will be as per the Syndicate Agreement. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date specified in the CAN. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Amount for Bidders is 100%, the full Bid Amount has to be paid at the time of submission of the Bid-cum-Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than such Bidder had bid for, the excess amount paid, if any, after adjustment for allocation, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which the Company shall pay interest at 15% per annum for any delay beyond the period mentioned above.

Electronic Registration of Bids

a) The members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city where a stock exchange centre is located in India, and where Bids are accepted.

b) BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding/Issue Period. Members of the Syndicate can also set-up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid/Issue Closing Date, members of the Syndicate will upload the Bids until such time as may be permitted by the Stock Exchanges.

c) The aggregate demand and price for Bids registered on each of the electronic facilities of BSE and NSE will be consolidated on half hourly basis. A graphical representation of consolidated demand and price was made available at the bidding centres during the Bidding/Issue Period.

d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor;
- Investor Category – Individual, Corporate, Eligible NRI, FII, FVCIs, Mutual Funds or QIBs, etc.;
- Numbers of Equity Shares bid for;
- Bid Amount;
- Bid-cum-Application Form number;
- Margin Amount paid upon submission of Bid-cum-Application Form; and
- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the

Bidder.

e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate**. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or the Selling Shareholders or the Company.

f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

g) In case of QIB Bidders, members of the Syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Bidders in the Employee Reservation Portion, Bids shall not be rejected except on the technical grounds listed in the section "Issue Procedure" beginning on page 253 of this Prospectus.

h) It is to be distinctly understood that the permission given by BSE and NSE to use their network and software of the on-line IPO system should not in any way be deemed or construed that the compliance with various statutory and other requirements by the Company or the BRLM are cleared or approved by BSE or NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, the Promoters, the management or any scheme or project of the Company.

i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that the Draft Red Herring Prospectus or the Red Herring Prospectus has been cleared or approved by the BSE or NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus or the Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

Build-Up of the Book and Revision of Bids

a) Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on half hourly basis.

b) The book gets build-up at various price levels. This information will be available with the BRLM on a regular basis.

c) During the Bidding/Issue Period, any Bidder who has registered an interest in the Equity Shares at a particular price level is free to revise the Bid within the Price Band using the printed Revision Form that is a part of the Bid-cum-Application Form.

d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. The Bidder must also complete details of all the options in the Bid-cum-Application Form or earlier Revision Form and revisions for all the options as per the Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has bid for three options in the Bid-cum-Application Form or the earlier Revision Form and is changing only one of the options in the Revision Form, the Bidder must complete the details of the other two options that are not being revised in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

e) The Bidder can make this revision any number of times during the Bidding/Issue Period. However, for any revision(s) in the earlier Bid, the Bidders will have to use the services of the same member of the Syndicate through whom the original Bid was placed. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must only be made on that Revision Form (or copies thereof).**

f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of the Red Herring Prospectus and this Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft or electronic transfer of funds through RTGS for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

g) When a Bidder revises a Bid, the Bidder shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of having revised the Bid.**

h) Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/allotment. In the event of discrepancy of data between the bids registered on the online IPO system and the physical Bid-cum-Application Form, the decision of the Company in consultation with the BRLM based on the physical records of Bid-cum-Application Forms, shall be final and binding on all concerned.

Price Discovery and allocation

a) After the Bid/Issue Closing Date, the BRLM will analyze the demand generated at various price levels and discuss pricing strategy with the Company and the Selling Shareholders.

b) The Company and the Selling Shareholders in consultation with the BRLM shall finalize the "Issue Price" and the number of Equity Shares to be allocated in each investor category.

c) The allotment to QIBs will be at least 50% of the Net Issue, on a proportionate basis and the availability for allocation to Non-Institutional and Retail Individual Bidders will be not less than 15% and 35% of the Net Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines the Red Herring Prospectus and the Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price. If at least 50% of the Net Issue cannot be allotted to QIBs then the entire application money will be refunded. The allocation under the Employee Reservation Portion would be on a proportionate basis, in the manner specified in the SEBI Guidelines and this Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

d) In case of over-subscription in all categories, at least 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be reserved for Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. However, if the aggregate demand by Mutual Funds is less than 5% of the QIB Portion, the balance Equity Shares from the portion specifically available for allocation to Mutual Funds in the QIB Portion will first be added to the QIB Portion and be allocated proportionately to the QIBs in proportion to their Bids. In the event that the aggregate demand in the QIB Portion has been met, under-subscription, if any, will be met with spill-over from any other category or combination of categories at the discretion of the Company, in consultation with the BRLM and the Designated Stock Exchange. Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

   Under-subscription, if any, in the Retail and Non-Institutional categories, would be allowed to be met with spill-over from any other category or combination of categories at the sole discretion of the Company and the Selling Shareholders, in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 146,560 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. Any under-subscription in the Equity Shares under the Employee Reservation Portion will be added back to the categories of Non Institutional Bidders and Retail Individual Bidders in the ratio 50:50.

e) Allotment to Eligible NRIs, FIIs and foreign venture capital funds registered with SEBI applying on repatriation basis will be subject to applicable laws, rules, regulations, guidelines and approvals.

f) The BRLM, in consultation with the Company and the Selling Shareholders, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

g) The Company and the Selling Shareholders reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before the allotment on the Designated Date, without assigning any reason therefor.

h) In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

Notice to QIBs: Allotment/Transfer Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of the Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc. and these rejected applications will be reflected in the reconciliation and basis of allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. Any revised CAN, if issued, will supersede in entirety the earlier CAN.

Issuance of CAN

Subject to the section "Notice to QIBs: Allotment/Transfer Reconciliation and Revised CANs" as setforth above:

a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLM, or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allotment for the Retail Individual Bidders and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the demat credit of Equity Shares pursuant to allotment shall be made on the same date to all investors in this Issue.

b) The BRLM or members of the Syndicate would then dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

c) Bidders who have been allocated Equity Shares and who have already paid the Margin Amount for the said Equity Shares into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

d) The Issuance of CAN is subject to "Notice to QIBs: Allotment/Transfer Reconciliation and Revised CANs" as setforth above.

Signing of Underwriting Agreement and RoC Filing

i. The Company, the Selling Shareholders, the BRLM and the Syndicate Member entered into an Underwriting Agreement on January 24, 2007.

ii. After signing the Underwriting Agreement, the Company has updated and will file the Red Herring Prospectus with the RoC, which would then be termed the Prospectus . The Prospectus has details of the Issue Price, size of the Issue, underwriting arrangements and is complete in all material respects.

Filing of the Prospectus with the RoC

The Company will file a copy of the Prospectus with the RoC in terms of Sections 56, 60 and 60B of the Companies Act.

Announcement of the pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company has after receiving final observations, if any, on the Draft Red Herring Prospectus from SEBI, published an advertisement, in the form prescribed by the SEBI Guidelines in two national newspapers (one each in English and Hindi).

Advertisement regarding Issue Price and Prospectus

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Designated Date and allotment of Equity Shares

a) The Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account, the GSO Bank Account and the Refund Account on the Designated Date, the Company would ensure the credit to the successful Bidders Depository Accounts within two working days from the date of allotment.

b) In accordance with the SEBI Guidelines, Equity Shares will be issued, transferred and allotment shall be made only in the dematerialized form to the Allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/allotted to them pursuant to this Issue.

General Instructions

Do's:

a) Check if you are eligible to apply having regard to applicable laws, rules, regulations, guidelines and approvals and the terms of this Prospectus;

b) Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour) or Non-Resident Bid-cum-Application Form (blue in colour) or Employee Reservation Portion, Bid-cum-Application Form (pink in colour), as the case may be;

c) Ensure that the details about Depository Participant and beneficiary account are correct as allotment of Equity Shares will be in the dematerialized form only;

d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

e) Ensure that bid within the Price Band and that you have collected a TRS for all your Bid options;

f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

g) Where Bid(s) is/are for Rs.50,000 or more, each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN Card or PAN allotment letter should be submitted with the Bid-cum-Application Form. If you have mentioned "Applied for" or "Not Applicable", in the Bid-cum-Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof. In case neither the PAN nor the GIR number has been allotted mention "Not allotted" in the appropriate place;

h) Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects; and

i) Ensure that the name(s) given in the Bid-cum-Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid-cum-Application Form is submitted in joint names, Bidders should ensure that the beneficiary account is also held in the same joint names and such joint names are in the same sequence in which they appear in the Bid-cum-Application Form.

Don'ts:

a) Do not Bid for lower than the minimum Bid size;

b) Do not Bid/revise the Bid to less than the lower end of the Price Band or higher than the higher end of the Price Band;

c) Do not Bid on another Bid-cum-Application Form after you have submitted the Bid to the members of the Syndicate;

d) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest;

e) Do not send Bid-cum-Application Forms by post; instead submit the same to a member of the Syndicate only;

f) Do not bid at Cut-off price (for QIB Bidders, Non-Institutional Bidders and such Bidders in the Employee Reservation Portion whose maximum Bid exceeds Rs.100,000);

g) Do not complete the Bid-cum-Application Form such that the Equity Shares bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held by the Bidder under applicable laws or regulations or maximum amount permissible under the terms of this Prospectus; and

h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Instructions for Completing the Bid-cum-Application Form

Bidders can obtain Bid-cum-Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revision of Bids

Bids and revision of Bids must be:

a) Made only in the prescribed Bid-cum-Application Form or Revision Form, as applicable (white, blue or pink).

b) Completed in full, in BLOCK LETTERS in English and in accordance with the instructions contained herein, in the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.

c) For Retail Individual Bidders, the Bid must be for a minimum of 10 Equity Shares and in multiples of 10 thereafter subject to a maximum Bid Amount of Rs.100,000.

d) For Non-Institutional and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs.100,000 and in multiples of 10 Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws and regulations.

e) For Bidders in the Employee Reservation Portion, the Bid must be for a minimum of 10 Equity Shares and in multiples of 10 thereafter. The allotment in the Employee Reservation Portion will be on a proportionate basis. However, in case of over-subscription in the Employee Reservation Portion, the maximum allotment to any Bidder in the Employee Reservation Portion will be capped at up to 200 Equity Shares.

f) Made in single name or in joint names (not more than three, and in the same order as their Depository Participant details).

g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Bank Account Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant identification number and beneficiary account number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository, the Bidders bank account details, MICR code and occupation (hereinafter referred to as "Demographic Details"). These bank account details would be printed on the refund order, if any, to be sent to Bidders. Since the Issue is being made entirely in dematerialized form, the bank account details of the Bidder to whom an electronic refund is being made will also be taken from the data provided by such Bidder to the Depository Participant. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Company nor the Selling Shareholders shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details on the Bid-cum-Application Form.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUM-APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID-CUM-APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND SUCH JOINT NAMES ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID-CUM-APPLICATION FORM.

Bidders should carefully complete their Depository Account and other Demographic Details in the Bid-cum-Application Form.

These Demographic Details may be used for all correspondence with the Bidders including mailing of the refund orders/CANs/ allocation advice/NEFT or RTGS for refunds and printing of bank particulars on the refund order or making refunds electronically and the Demographic Details given by Bidders in the Bid-cum-Application Form would not be used for any other purpose by the Registrar to the Issue. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid-cum-Application Form, the Bidder will be deemed to have authorized the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders (where refunds are not being made electronically)/allocation advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/ allocation advice/CANs may get delayed if the same, once sent to the address obtained from the Depositories, are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid-cum-Application Form would be used only to ensure dispatch of CANs/refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Escrow Collection Bank(s) nor the BRLM shall be liable to compensate the Bidders for any loss caused to the Bidder due to any such delay, or pay any interest for such delay. **In case of refunds through electronic modes as detailed in this Prospectus, Bidders may note that refunds may get delayed if bank particulars obtained from the DP are incorrect**.

In case no corresponding record is available with the Depositories, that match three parameters, i.e. name of the Bidder (including the order of names of jointholders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company in its absolute discretion, reserves the right to permit the holders of the powers of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund orders/CANs/allocation advice or refunds through electronic transfer of funds, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid-cum-Application Form instead of those obtained from depositories.

Bids by Eligible Employees

Subject to the following paragraph, all or any of the following:

a) A permanent employee of the Company;

b) A Director of the Company (whether a whole-time Director, part time Director or otherwise); or

c) An employee as defined in sub-clauses (a) and (b) of a Subsidiary in India.

An Employee, as used in the context of the Employee Reservation Portion, means an Indian National who is a person resident in India (as defined under FEMA) and is not a resident of any jurisdiction other than India, and excludes any Promoter or member of the Promoter group. The Employee should be on the payroll of the Company or its Subsidiary on the date of filing of the Red Herring Prospectus with the RoC.

Bids under Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid-cum-Application Form or Revision Form (i.e. pink colour form).
- Eligible Employees, as defined above, should mention their Employee Number at the relevant place in the Bid-cum-Application Form.
- The sole/first bidder should be Eligible Employees as defined above. In case the Bid-cum-Application Form is submitted in joint names, it should be ensured that the Depository Account is also held in the same joint names and in the same sequence in which they appear in the Bid-cum-Application Form.
- Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion.
- Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Eligible Employees who apply or bid for securities of or for a value of not more than Rs.100,000 in any of the bidding options can apply at the Cut-off price. This facility is not available to other Eligible Employees whose minimum Bid Amount

exceeds Rs.100,000.

- Bid/Application by Eligible Employees can also be made in the Net Issue portion and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 122,600 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.
- Under-subscription in the Employee Reservation Portion would be treated as part of the Net Issue and proportionate allocation of the same will be added back to the categories of Non Institutional Bidders and Retail Individual Bidders in the ratio 50:50.
- If the aggregate demand in this category is greater than 122,600 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis, subject to maximum allotment to any Employee of up to 200 Equity Shares.

Bids by Non Residents, Eligible NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made in the following manner:

1. On the Bid-cum-Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three and in the same order as their Depository Participant details).
3. Eligible NRIs for a Bid Amount of up to Rs.100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs.100,000 would be considered under Non-Institutional Portion for the purposes of allocation;
4. By other Eligible NRIs for a minimum of such number of Equity Shares and in multiples of 10 thereafter that the Bid Amount exceeds Rs.100,000. For further details, please refer to the section "Issue Structure" in this Prospectus.
5. In the names of individuals, or in the names of FIIs or FVCIs registered with the SEBI and multilateral and bilateral development financial institutions, but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only at the prevailing exchange rate and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid-cum-Application Form. The Company and the Selling Shareholders will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

There is no reservation for Non Residents, Eligible NRIs, FIIs and foreign venture capital funds and all Non Residents, Eligible NRIs, FIIs and foreign venture capital funds applicants will be treated on the same basis as with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, eligible corporate bodies, registered societies, a certified copy of the Power of Attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be submitted with the Bid-cum-Application Form. Failing this, the Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, the Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid-cum-Application Form. Failing this, the Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs.250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid-cum-Application Form. Failing this, the Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by Mutual Funds, venture capital funds registered with SEBI and FVCIs registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

The Company and the Selling Shareholders in their absolute discretion, reserve the right to relax the above condition of simultaneous submission of the Power of Attorney along with the Bid-cum-Application Form, subject to such terms and conditions that the Company and the BRLM may deem fit.

The Company and the Selling Shareholders in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar to the Issue that, for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic Details as given on the Bid-cum-Application Form instead of those obtained from the Depositories.

Payment Instructions

The Company and the Selling Shareholders have opened Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation/ allotment in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/ allotment as per the following terms:

Payment into Escrow Account

1. The Bidders for whom the applicable Margin Amount is equal to 100%, shall, with the submission of the Bid-cum-Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate, along with the Bid-cum-Application Form.
2. In case the above Margin Amount paid by the Bidders during the Bidding/Issue Period is less than the Issue Price multiplied by the Equity Shares allotted to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
3. In case the payment of the Bid Amount has been waived by a member of the Syndicate during the Bidding/Issue Period on receipt of the CAN, an amount equal to the Issue Price multiplied by the Equity Shares allocated to the Bidder shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be a minimum period of two days from the date of communications of the allocation list to the member of the Syndicate by the BRLM.
4. The payment instruments for payment into the Escrow Account should be drawn in favour of:
    - In case of Resident QIB Bidders: "Escrow Account– HoPFL Public Issue – QIB – R"
    - In case of Non-resident QIB Bidders: "Escrow Account- HoPFL Public Issue – QIB– NR"
    - In case of Resident Retail Individual Bidders and Non-Institutional Bidders: "Escrow Account – HoPFL Public Issue - Retail and Non-Institutional - R"

- In case of Non-Resident Retail Individual Bidders and Non-Institutional Bidders: "Escrow Account – HoPFL Public Issue – Retail and Non-Institutional - NR"
- In case of Eligible Employees: "Escrow Account – HoPFL Public Issue – Employees"

5. In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.
6. In case of Bids by Eligible NRIs applying on a non-repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.
7. In case of Bids by FIIs/FVCIs registered with the SEBI/multilateral and bilateral financial institutions, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.
8. Where a Bidder has been allocated/allotted a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated will be refunded to the Bidder from the Refund Account.
9. The monies deposited in the Escrow Account will be held for the benefit of the Bidders until the Designated Date.
10. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
11. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders in accordance with the Escrow Agreement.
12. Payments should be made by cheque, or demand draft drawn on any bank (including a Co-operative bank), which is situated at and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders will not be accepted.

Payment by Stockinvest

In terms of RBI Circular DBOD No. FSC BC 42/24 47 001/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money was withdrawn. Accordingly, payment through stockinvest will not be accepted in this Issue.

SUBMISSION OF BID-CUM-APPLICATION FORM

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid-cum-Application Forms. A member of the Syndicate may at its discretion waive the requirement of payment at the time of submission of the Bid-cum-Application Form and the Revision Form in the case of QIB Bidders, provided however that the Syndicate Member shall collect the QIB Margin and deposit the same in a special Escrow Account.

No separate receipts shall be issued for the money paid on the submission of Bid-cum-Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all refund amounts will be made only in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form ("First Bidder"). All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is the same person.

In this regard, an illustration of certain procedures which may be followed by the Registrar to the Issue to detect multiple applications are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which will serve as a multiple master document.
2. In this master document, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.
3. The Registrar will obtain from the depositories, details of the applicants' addresses based on the DIP ID and Beneficiary Account Number provided in the Bid-cum-Application Form and create an address master document.
4. The addresses of all the applicants in the multiple master document will be strung from the address master document. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of addresses and pin code will be converted into a string for each application received and a photo match will be carried out among all the applications processed. A print-out of the addresses will be taken to check for common names. Applications with the same name and address will be treated as multiple applications.
5. The applications will be scrutinized for similar DP ID and Beneficiary Account Numbers . In case where applications bear the same DP ID and Beneficiary Account Numbers, they will be treated as multiple applications.
6. After consolidation of all the masters as described above, a print out of the multiple master document will be taken and applications will be physically verified to tally signatures and the name of father's or husband's. On completion of this, applications will finally be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids made by Employees both under Employee Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids. The Company and the Selling Shareholders in consultation with the BRLM reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number or PAN

Where Bid(s) is/are for Rs.50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the sole/First Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid-cum-Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/First Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) ration card (b) passport (c) driving license (d) identity card issued by any institution (e) copy of the electricity bill or telephone bill showing residential address (f) any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61, as the case may be.**

Unique Identification Number ("UIN")

With effect from July 1, 2005, SEBI suspended all fresh registrations for obtaining UIN and the requirement to provide or quote a UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations. Therefore MAPIN is not required to be quoted with the Bids. **At present, investors are required to provide a UIN**.

The Company's Right to Reject Bids

In case of QIB Bidders, the Company and the Selling Shareholders in consultation with the BRLM may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Bids under the Employee Reservation Portion, the Company and the Selling Shareholders will have a right to reject Bids based on technical grounds. Consequent refunds shall be made in the manner described in this Prospectus and will be sent to the Bidder at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on technical grounds, including the following:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Bank account details (for refund) are not given;
3. Age of First Bidder not given;
4. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
5. Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
6. PAN photocopy or PAN communication or Form 60 or Form 61 declaration along with documentary evidence in support of address given in declaration or PAN is not given if Bid is for Rs.50,000 or more;
7. GIR number furnished instead of PAN;
8. Bids for lower number of Equity Shares than specified for that category of investor;
9. Bids at a price less than the lower end of the Price Band;
10. Bids at a price more than the higher end of the Price Band;

11. Bids at Cut-off price by Non-Institutional, QIB Bidders and such Bidders in the Employee Reservation Portion whose maximum Bid exceeds Rs.100,000
12. Bids for number of Equity Shares which are not in multiples of 10;
13. Category not ticked;
14. Multiple Bids;
15. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
16. Bids accompanied by stockinvest/money order/postal order/cash;
17. Signature of sole and/or joint Bidders missing;
18. Bid-cum-Application Forms that do not have the stamp of the BRLM or Syndicate Member;
19. Bid-cum-Application Forms that do not have the Bidder's depository account details;
20. Bid-cum-Application Forms not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Forms, Bid/Issue Opening Date advertisement, the Red Herring Prospectus and the Prospectus and as per the instructions in the Red Herring Prospectus, the Prospectus and the Bid-cum-Application Forms;
21. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of jointholders), the Depository Participant's identity (DP ID) and the beneficiary's account number;
22. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
23. Bids by QIBs not submitted through members of the Syndicate;
24. Bids by OCBs;
25. Bids by employees or directors of the Company or its Subsidiaries who are not eligible to apply in the Employee Reservation Portion;
26. Bids by U.S. persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act or other than in reliance on Regulation S under the Securities Act; and
27. Bids by any persons outside India if not in compliance with applicable foreign and Indian laws, or by any persons who are not eligible to acquire Equity Shares of the Company, in terms of all applicable laws, rules, regulations, guidelines and approvals.

Basis of allotment

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue size less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this portion is less than or equal to 2,051,838 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid bids.
- If the valid bids in this category are greater than 2,051,838 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of 10 Equity Shares and in multiple of 10 Equity Shares thereafter. For the method of proportionate basis of allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

- The Net Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid bids in this category are less than or equal to 879,359 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the valid bids in this category are greater than 879,359 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of 10 Equity Shares and in multiple of 10 Equity Shares thereafter. For the method of proportionate basis of allotment refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

    (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

    (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid Bids received above the Issue Price.

    (iii) Equity Shares remaining unsubscribed, if any, and not allocated to Mutual Funds shall be available for allotment to all QIB Bidders as set out in (b) below;

  (b) In the second instance allotment to all QIBs shall be determined as follows:

    (i) In the event of an oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be Allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

    (ii) Mutual Funds who have received allocation as per (a) above, for less than the number of Equity Shares bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

    (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc. and these rejected applications will be reflected in the reconciliation and Basis of allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. Any revised CAN, if issued, will supersede in entirety the earlier CAN.

- The aggregate allotment to QIB Bidders shall be not less than 2,931,197 Equity Shares.

D. Employee Reservation Portion

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Employees will be made at the Issue Price.

- If the aggregate demand in this category is less than or equal to 122,600 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 122,600 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a maximum of 200 Equity Shares. For the method of proportionate allocation, refer below.
- Only Eligible Employees may apply for Equity Shares under the Employee Reservation Portion.

Method of Proportionate Basis of allotment in the Issue

In the event of the Issue being over-subscribed, the Company and the Selling Shareholders shall finalize the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM, and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorized according to the number of Equity Shares applied for by them.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate allotment is less than 10 Equity Shares per Bidder, the allotment shall be made as follows:

    - Each successful Bidder shall be allotted a minimum of 10 Equity Shares; and
    - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

e) If the proportionate allotment to a Bidder is a number that is more than 10 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Equity Shares in dematerialized form with NSDL or CDSL

In terms of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a dematerialized form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode).

In this context, two tripartite agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

a) Agreement dated December 18, 2006 among NSDL, the Company and the Registrar to the Issue for offering the Depository option to the investors;

b) Agreement dated December 7, 2006 among CDSL, the Company and the Registrar to the Issue for offering the Depository option to the investors.

All Bidders can seek allotment only in dematerialized mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the depository participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the beneficiary account number and depository participant's identification number) appearing in the Bid-cum-Application Form or Revision Form.

c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the depository participant) of the Bidder.

d) Names in the Bid-cum-Application Form or Revision Form should be identical to those appearing in the account details in the depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid-cum-Application Form or Revision Form, it is liable to be rejected.

f) The Bidder is responsible for the correctness of his or her demographic details given in the Bid-cum-Application Form vis-à-vis those with his or her Depository Participant.

g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares of the Company would be in dematerialized form only for all investors in the demat segment of the respective Stock Exchanges.

i) Non-transferable allotment advice or refund orders will be directly sent to the Bidder by the Registrar to the Issue.

Communications

All future communications in connection with Bids made in the Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid-cum-Application Form number, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refunds, etc.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

shall be punishable with imprisonment for a term which may extend to five years."

Disposal of Applications and Application Money and interest in case of delay

The Company shall ensure dispatch of allotment advice or refunds (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with depository participants and submission of the allotment and listing documents to the Stock Exchanges within two working days of finalization of the basis of allotment of Equity Shares. The Company shall ensure the dispatch of refunds by using any of the means described in "Refunds" below.

The Company and the Selling Shareholders shall use their best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of finalization of the basis of allotment.

In case of applicants who receive refunds through the electronic clearing system ("ECS"), direct credit or through real time gross settlement ("RTGS"), the refund instructions will be given to the clearing system within 15 days from the Bid/Issue Closing Date. An appropriate communication shall be sent to the Bidders receiving refunds in this manner within 15 days of the Bid/Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and the expected date of electronic credit of refund.

In accordance with the Companies Act, the requirements of the stock exchanges and SEBI Guidelines, the Company further undertakes that:

- allotment/transfer of Equity Shares shall be made only in dematerialized form within 15 days of the Bid/Issue Closing Date;
- the Company would ensure dispatch of refund orders or giving of refund instructions to the clearing system (where the refund or a portion thereof is being made electronically) within 15 days of the Bid/Issue Closing Date; and
- the Company and the Selling Shareholders shall pay interest at 15% per annum for any delay beyond the 15 day time period as mentioned above, if allotment is not made or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner, and/or demat credits are not made to investors within the 15 day time period prescribed above as per the Guidelines issued by the Government of India, Ministry of Finance, pursuant to their letter No. F/8/S/79 dated 31 July, 1983, as amended by their letter No. F/14/SE/85 dated 27 September, 1985, addressed to the stock exchanges, and as further modified by the SEBI's Clarification XXI dated 27 October, 1997, with respect to the SEBI Guidelines.

Delay in Dispatch of allotment Letters/Refund Orders

The Company and the Selling Shareholders shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the prescribed manner and/or demat credits are not made to investors within 15 days from the Bid/Issue Closing Date.

The Company and the Selling Shareholders will provide adequate funds required to the Registrar to the Issue for making refunds in the manner described below or for dispatch of allotment advice.

Refunds will be made in the manner described below and bank charges, if any, for cashing cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

The Company and the Selling Shareholders shall not have recourse to the Issue proceeds until the approvals for trading of the Equity Shares has been received from the Stock Exchanges.

The Company shall transfer to the Selling Shareholders, the proceeds from the Offer for Sale, on the same being permitted to be released in accordance with applicable laws.

REFUNDS

Payment of Refunds

Bidders must note that on the basis of a Bidder's name, the Depository Participant's name, the Depository Participant's Identification number, the Beneficiary Account number provided by the Bidder in the Bid-cum-Application Form, the Registrar will obtain from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in the dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the concerned Bidder's sole risk and neither the Company, the Selling Shareholders, the Registrar, the Escrow Collection Banks, the Bankers to the Issue nor the BRLM shall be liable to compensate such Bidders for any losses caused to them due to any such delay or be liable to pay any interest for such delay.

Manner of Making Refunds

The payments of refunds, if any, will be effected through various modes in the following order of preference:

1. **ECS**: Payment of refunds will be done through ECS for applicants having an account at any of the following fifteen (15) centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. Only applicants having a bank account at any of these 15 centers where clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes details in herein.

   This method of payment of refunds will be subject to the availability of the Bidder's complete bank account details, including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds through ECS is mandatory for applicants having a bank account at any of the abovementioned fifteen centres, except where the applicant, being eligible, opts to receive the refund through direct credit or RTGS.

   The Company and the Selling Shareholders, in consultation with the BRLM, may decide to use the National Electronic Funds Transfer ("NEFT") facility for payment of refunds.

2. **Direct Credit**: Applicants having bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Bankers to the Issue for the same will be borne by the Company.

3. **RTGS**: Applicants having a bank account at any of the abovementioned fifteen centres and for whom the refund amount exceeds Rs. 5 million, have the option to receive refund through RTGS. Such eligible applicants, who indicate their preference to receive refund through RTGS, are required to provide the Indian Financial System Code in the Bid-cum-Application Form. In the event the code is not provided, refund shall be made through ECS. Charges, if any, levied by the Bankers to the Issue for the same will be borne by the Company. Charges, if any, levied by the applicant's bank that receives the credit will be borne by the applicant.

4. **Refund Orders**: For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs.1,500 and through speed post or registered post for refund orders of Rs.1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received, Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Interest on Refund of Excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched or, where refunds are being made electronically, refund instructions are not provided to the clearing system, within 15 days from the Bid/Issue Closing Date as per the Guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No.F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines. Any expense incurred by the Company on behalf of the Selling Shareholders with regard to refunds, interest for delays, etc. for the Equity Shares being offered through the Offer for Sale will be reimbursed by the Selling Shareholders to the Company.

Undertakings by the Company and the Selling Shareholders

The Company undertakes the following:

- that there would be no further issue of capital of the Company whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Red Herring Prospectus with the RoC until the Equity Shares allotted/to be allotted pursuant to the Issue have been listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.;
- that all complaints received in respect of this Issue shall be dealt with promptly;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of the basis of allotment;

- that the funds required for dispatch of refund orders/allotment letters to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by the Company;
- that the refund orders or allotment advice to the Non-Resident Bidders shall be dispatched within the specified time; and
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of Bid/Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Selling Shareholders undertake the following:

- that the Equity Shares being sold pursuant to the Offer for Sale have been held by them for a period of at least one year prior to the date of filing the Draft Red Herring Prospectus and the Equity Shares are free and clear of all liens or encumbrances and shall be transferred to the successful Bidders within the specified time; and
- that there would be no further transfer of Equity Share during the period commencing from submission of this Prospectus with SEBI until the Equity Shares allotted/to be allotted pursuant to the Issue have been listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilization of Issue proceeds

The Board of Directors of the Company certifies that:

- all monies received out of the Fresh Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilized out of Fresh Issue shall be disclosed under an appropriate head in the balance sheet of the Company indicating the purpose for which such monies have been utilized;
- details of all unutilized monies out of the Fresh Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilized monies have been invested;

The Board of Directors of the Company also certifies that:

- the utilization of monies received from the Employee Reservation Portion shall be disclosed under an appropriate head in the balance sheet of the Company, indicating the purpose for which such monies have been utilized; and
- the details of all unutilized monies out of the funds received from the Employee Reservation Portion shall be disclosed under a separate head in the balance sheet of the Company, indicating the form in which such unutilized monies have been invested.

The Company and the Selling Shareholders shall not have recourse to the Issue proceeds until the final listing and trading approvals from all the Stock Exchanges have been obtained.

SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/ or on their consolidation/splitting are detailed below. Please note that the each provision herein below is numbered as per the corresponding article number in the Articles of Association. Certain defined terms used in the Articles of Association are set forth below. All other defined terms used in this section have the meaning given to them in the Articles of Association.

Share Capital

3. The Authorised Share Capital of the Company shall be such amount and be divided into such shares as may, from time to time, be provided in Clause V of the Memorandum of Association with power to consolidate, increase, reduce, divide and/or sub-divide the Share Capital or reclassify them into several classes and attach thereto respectively such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether in regard to Dividend, voting, return of capital, distribution of assets or otherwise, as may be determined in accordance with the law and the regulations from time to time of the Company and the provisions of the Companies Act, 1956 for the time being in force including statutory modifications, amendments or re-enactment of the Act thereof and to vary, modify or abrogate any such rights, privileges, conditions or restrictions in such manner as may, from time to time, be provided by the regulations / resolutions of the Company and to consolidate or sub-divide or reorganise shares or issue shares of higher or lower denominations.

Dematerialisation of Securities

3A. (i) Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, 1996.

Options for Investors

(ii) a) Every person subscribing to securities offered by the Company shall have the option to receive security certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by Law, in respect of any security in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the Beneficial Owner the required certificates of Securities.

b) If a person opts to hold his security with a depository, the Company shall intimate such Depository the details of allotment of the Security and, on receipt of the information, the Depository shall enter in its record the name of the allottee as the Beneficial Owner of the Security.

Securities in Depositories to be in fungible form

(iii) All Securities held by a Depository shall be dematerialised and be in fungible form. Nothing contained in Sections 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial Owners.

Rights of Depositories and Beneficial Owners

(iv) a) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of Security on behalf of the Beneficial Owner.

b) Save as otherwise provided in (a) above, the Depository as the registered owner of the Securities shall not have any voting rights or any other rights in respect of the Securities held by it.

c) Every person holding Securities of the Company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a Member of the Company. The Beneficial Owner of the securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his Securities which are held by a Depository.

Service of Documents

(v) Notwithstanding anything in the Act or these Articles to the contrary, where Securities are held in a Depository, the records of the Beneficial Ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.

Transfer of Securities

Transfer of Securities held in a depository will be governed by the provisions of the Depositories Act, 1996.

(vi) Nothing contained in Section 108 of the Act or these Articles shall apply to transfer of securities effected by a transferor and transferee both of whom are entered as Beneficial Owners in the records of a Depository.

Power to Issue Preference Shares

4. i. Subject to the provisions of the Act and these Articles, any shares in the Company may be issued with such preferred or other special rights, or such restrictions, whether in regard to Dividend or repayment of Capital or both, as the Company may, from time to time, by ordinary resolution determine and any preference shares may be issued on the terms that they are, or at the option of the Company are, liable to be redeemed and/or convertible on such terms and conditions as may be determined by the Company in General Meeting ("Redeemable Preference shares").

ii. Unless the Company in General Meeting otherwise determine or the terms of issue of Redeemable Preference shares otherwise provide, the redemption of Redeemable Preference shares shall be effected in the manner set out below:

a. The redemption shall be made by repayment of Capital paid-up on such shares, together with premium, if any, agreed to be paid on redemption at any time or times after such date or dates as the Directors may determine.

b. Such shares may be redeemed in entirety or in parts. In the latter case, the Directors may decide the number of shares and the individual shares to be redeemed on each occasion in such manner as they may deem fit.

c. The registered holders of the shares to be redeemed shall be given one month's notice of the intention of the Directors to redeem the same as aforesaid at their registered addresses and also by public notice in at least two newspapers, of which one should be in Hindi and other in English, circulating in and around the place where the Registered Office of the Company is situated. The notice for redemption to the registered shareholders shall specify the particulars of the shares to be redeemed, the date fixed for redemption and the place at which the certificate for such shares are to be presented for redemption. On or before the date fixed for redemption, the holder of such shares shall be bound to deliver to the Company at the specified place the related share Certificate/s for cancellation. If any certificate so delivered to the Company includes shares not redeemable on that date, a fresh certificate for unredeemed shares shall be issued to the registered holder of the shares.

d. Upon surrender of the shares as aforesaid and after the expiry of the date fixed for redemption, the Company shall pay to such holder the amount paid-up thereon together with premium, if any, agreed to be paid on redemption and accumulated Dividend, subject to deduction of income tax at the prescribed rates, whether declared or not on the Capital paid-up on the date of redemption, where after Dividend shall cease to accrue on the shares so redeemed.

iii. In the event of winding up, the preference shareholders of the Company will be entitled to receive all arrears of Dividend accrued up to the commencement of the winding up, whether such Dividend s have been declared or not.

Shares with non Voting/Varied Rights

4A. In the event it is permitted by the Law to issue non voting shares or shares which have rights attached thereto different from the rights attached to Equity Shares or any other kind, class or type of shares, the Board of Directors may issue such shares upon such terms and conditions and with such rights and privileges attached thereto as thought fit and as may be permitted by the Law.

Allotment of Shares

5. Subject to the provisions of the Companies Act, 1956 and these Articles, the share shall be under the control of the Board who may allot or otherwise dispose of the same to such person, on such terms and conditions, at such times, either at par or at a premium, and for such consideration whether in cash or in kind as the Board thinks fit. Provided that the option or right to call of shares shall not be given to any person or persons except with the sanction of the Company in General Meeting.

Commission for placing Shares, Debentures etc.

6. The Company may, subject to and in accordance with the provisions of Section 76 and other applicable provisions (if any) of the Act, at any time, pay a commission to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in or debentures of the Company or his procuring or agreeing to procure subscription, whether absolute or conditional for any share in, or debentures of the Company. The commission may be satisfied by the payment of the cash or the allotment of full or partly paid shares or debentures or partly in one way and partly in the other subject to the applicable provisions, if any, of the Act. The company may also, on any issue of shares or debentures, pay such brokerage as may be lawful, and usual or reasonable.

Shares at a discount

7. With the previous authority of the Company in General Meeting and the sanction of the Company Law Board and upon otherwise complying with Section 79 and other applicable provisions, if any, of the Act, the Board may issue at a discount any shares of a class already issued.

Deposits and Calls etc. to be a Debt Payable Immediately

8. The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call, or otherwise, in respect thereof, shall immediately on the insertion of the name of the allottee in the Register of Members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof and shall be paid by him accordingly.

Instalments to be paid

9. If by the conditions of allotment of any shares, the whole or part of the amount of issue price thereof shall be payable by instalments, every such instalment shall, when due, be paid to the Company by the person, who, for the time being, shall be the registered holder of the shares or by his executors or administrator.

Increase in Share Capital

11. a. The Company may, from time to time, by ordinary resolution increase the authorised Share Capital by such sum, to be divided into shares of such amount as may be specified in the resolution.

New Capital Same as Existing Capital

b. Except so far as otherwise provided by the conditions of issue or by these presents, any Capital raised by the creation of issue of new shares shall be considered to be part of the then existing Capital, and shall be subject to the provisions herein contained.

c. That option or right to call of shares shall not be given to any person except with the sanction of the Company in General Meeting.

Further Issue of Capital

12. (1) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed Capital of the Company by allotment of further shares:

(a) Such further shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the Capital paid up on those shares at that date;

(b) the offer aforesaid shall be made by notice specifying the number of shares offered and limiting a time, not being less than fifteen days from the date of the offer, within which the offer if not accepted, will be deemed to have been declined;

(c) the offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in sub-clause (b) shall contain a statement of this right;

(d) after the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of the shares in such manner as they think most beneficial to the Company.

(2) Notwithstanding anything contained in clause (1) of this Article, the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in sub-clause (a) of clause (1) of this Article), in any manner whatsoever;

(a) if such offer is authorised by a special resolution of the Company in General Meeting or,

(b) where no such resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in that General Meeting (including the casting vote, if any, of the chairman) by Members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board in this behalf, that the proposal is most beneficial to the Company.

(3) Nothing in sub-clause (c) of clause (1) hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or

(b) To authorize any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

(4) Nothing in this Article shall apply to the increase of the subscribed Capital of the Company caused by the exercise of an option attached to the debentures issued by the Company:

(a) To convert such debentures or loans into shares in the Company; or

(b) To subscribe for shares in the Company.

Provided that the terms of Issue of such debentures or the terms of such loans include a term providing for such option and such term:

(a) Either has been approved by the Central Government before the issue of debentures or the raising of the loans or is in conformity with the applicable Rules made by the Government in this behalf; and

(b) In the case of debentures or loans or other than debentures issued to, or loans obtained from the Government or any institution specified by the Central Government in this behalf, has also been approved by the Special Resolution passed by the Company in General Meeting before the issue of the loans.

Buy Back its own Shares or give Loans for the Purpose

13A. Subject to the provisions of Sections 77A and 77B of the Act and Securities and Exchange Board of India (Buy-back of Securities), Regulations, 1998 ("Regulations") as may be in force at any time and from time to time, the Company may acquire, purchase, own, resale any of its own shares and any other securities as may be specified under the Act, Rules and Regulations from time to time and may make payment thereof out of funds at its disposal or in any manner as may be permissible or in respect of such acquisition/purchase on such terms and conditions and at such time or times in one or more installments as the board may in its discretions decide and deem fit. Such shares which are so bought back by the Company may either be extinguished and destroyed or reissued as may be permitted under the Act or the Regulations as may prevail at the relevant time subject to such terms and conditions as may be decided by the Board and subject further to the rules and regulations governing such issue.

Reduction of Capital

14. The Company may, subject to the provisions of Section 100 to 105 and other applicable provisions, if any, of the Act, from time to time, by special resolution, reduce its Capital and any Capital redemption reserve account or premium account in any manner for the time being authorised by Law and in particular Capital may be paid off on the footing that it may be called up again or otherwise, and the Company may, if and as far as is necessary, alter its Memorandum and Articles of Association by reducing the amount of its Share Capital and of its shares accordingly. Provided that such special resolution shall not be necessary in case of application of share premium account in the manner authorised by Section 78 of the Act.

Sub-Division and consolidation of Shares

15. (1) Subject to the provisions of the Act and other applicable Law, the Company may, at a General Meeting, from time to time, by an ordinary resolution, consolidate, sub-divide or cancel its shares in the following manner:

(a) consolidate and divide all or any of its share Capital into shares of larger amount than its existing shares;

(b) sub-divide its shares, or any of them, into shares of smaller amount, such that the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; or

(c) cancel any shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share Capital by the amount of the shares so cancelled. Cancellation of shares in pursuance of this Article shall not be deemed to be a reduction of the share Capital within the meaning of the Act.

(2) Whenever the Company shall do any one or more of the things provided for in the foregoing Article 15(1) (a), (b) and (c), the Company shall, within thirty (30) days thereafter give notice thereof to the Registrar of Companies specifying, as the case may be, the shares consolidated, divided, sub-divided or cancelled.

(3) The Company in General Meeting may also, subject to the provisions of the Act, determine by ordinary resolution that as between the holders of the shares resulting from each sub-division, one or more of such shares shall have some preferential or special rights as regards Dividends, payment of Capital or otherwise.

Surrender of Shares

16. Subject to the provisions of Section 100 to 104 of the Act, the Board may accept from any Member the surrender, on such terms and conditions as shall be agreed of all or any of his shares.

Power to Vary Rights

17. a. It at any time the Share Capital is divided into different classes of shares, rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Act and whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate General Meeting of the holders of the shares of that class. To every such separate General Meeting, the provisions of these Articles relating to General Meeting shall, to the extent consistent, apply.

b. The rights conferred upon the holders of the shares of any class with preferred or other rights shall not, unless otherwise expressly provided by terms of the issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

If Call or Instalment not Paid, Notice May be given

27. If any Member fails to pay any call or instalment of a call on or before the day appointed for the payment of the same, the Board may, at any time, thereafter during such time as the call or instalment remains unpaid, serve notice on such Member requiring him to pay the same, together with interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

If Notice is not complied with Share may be Forfeited

29. If the requirements of any such notices aforesaid are not complied with, any share in respect of which such notice has

been given may, at any time thereafter before payment of all calls or instalments, interests and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all Dividends declared in respect of the forfeited shares and not actually paid before the forfeiture subject to Section 205A of the Act.

Notice After Forfeiture

30. When any share have been so forfeited, notice of the resolution shall be given to the Member in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

Forfeited Share to Become Property of the Company

31. Any share so forfeited shall be deemed to be the property of the Company, and the board may sell, re-allot or otherwise dispose of the same in such manner as it thinks fit.

Power to Annul Forfeiture

32. The Board may, at any time before any share so forfeited shall have been re-allotted or otherwise disposed off annul the forfeiture thereof upon such conditions as it thinks fit.

Liability on Forfeiture

33. A person whose shares have been forfeited shall cease to be a Member in respect of the shares, but shall notwithstanding such forfeiture, remain liable to pay, and shall forthwith pay to the company, all calls, or instalments, interest and expenses, owing upon or in respect of such shares, at the time of the forfeiture, together with interest thereon, from the time of the forfeiture until payment at fifteen percent per annum or at such lower rate as the Board may, from time to time, determine and the board may enforce the payment thereof, or any part thereof, without any deduction or allowance for the value of the shares at the time of forfeiture, but shall not be under any obligation to do so.

Evidence of Forfeiture

34. A duly verified declaration in writing that the declarant is a Director, Manager or Secretary of the Company and has been authorised by a Board resolution to act as declarant and that certain shares in the Company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the fact therein stated as against all persons claiming to be entitled to the shares and such declaration and the receipt of the Company, for the consideration, if any, given for the shares on the sale or disposition thereof shall constitute a good title to such shares and for the shares on the sale or disposition thereof shall constitute a good title to such shares and the person to whom any such share is sold shall be registered as the holder of such share and shall not be bound to see application of purchase money, nor shall his title to such share be affected by any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or disposition.

Forfeiture Provisions to Apply to Non Payment in Terms of Issue

35. The forfeiture provisions of these Articles shall apply in the case of non-payment of any sum which by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Company’s Lien

36. The Company shall have a first and paramount lien upon every share not being fully paid-up, registered in the name of each Member (whether solely or jointly with others), and upon the proceeds of sale thereof for moneys called or payable at a fixed time in respect of such share whether the time for payment thereof shall have actually arrived or not no equitable interest in any share shall be created except upon the footing and condition that Article 10 thereof is to have full effect. Such lien shall extend to all Dividends from time to time declared in respect of such share subject to Section 205A of the Act.

Provided the Board may at any time declare any share to be wholly or in part exempt from the provisions of these Articles.

Provided further that unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company’s lien, if any, on such shares.

As to Enforcing Lien by Sale

37. For the purpose of enforcing such lien, the Board may sell the shares in such manner as it thinks fit, but no sale shall be made until the sum in respect of which such lien exists is presently payable and until a notice in writing of the intention to sell has been served on such Member, the executor or administrator or other legal representatives as the case may be and default has been made by him or them in the payment of the money called or payable a fixed time in respect of such share for thirty days after date of such notice.

Application of Proceeds of Sales

38. The net proceeds of the sale shall be received by the Company and after payment of the costs of such sale, applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the share before the sale) be paid to the persons entitled to the share at the date of the sale.

Validity of Sales in Exercise of Lien and after Forfeiture

39. Upon any sale after forfeiture or for enforcing lien in the purported exercise of the powers hereinbefore given, the Board may appoint some persons, to execute an instrument of transfer of the share sold and cause the purchasers' name to be entered in the Register in respect of the share sold, and the purchasers' shall not be bound to see to the regularity of the proceedings or to the application of the purchase money and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damages only.

Board may Issue New Certificate

40. Where any share under the powers in that behalf herein contained is sold by the Board and the certificate in respect thereof has not been delivered to the Company by the former holder of such share, the Board may issue a new certificate for such share distinguishing it in such manner as it may think fit from the certificate not so delivered. On the issue of such certificate the original certificate in respect of such share shall stand automatically cancelled and be void.

TRANSFER AND TRANSMISSION OF SHARES

Execution of Transfers Etc.

41. Save as provided in Section 108 of the Act, transfer of a share shall not be registered unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee has been delivered to the Company together with the certificate, or, if no such certificate is in existence, with the letter of allotment of the share and such other evidence as the Board may require to prove the title of transferor and transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register in respect thereof. Each signature to such transfer deed shall be duly attested by the signature of one credible witness who shall add his name and address.

Company not to Register Transfer of Less Than Such Number of Shares as May be Fixed

42. The Company may not accept application for transfer of less than such number of shares as may, in consultation with the stock exchange/s on which the shares of the Company are listed, be fixed, provided, however, the said prohibition shall not apply to:

   a. The transfer of equity shares made in pursuance of a statutory provision or an order of a court of Law;

   b. The transfer of the entire equity shares by the existing equity shareholder of the Company by a single transfer to single or joint names;

   c. The transfer of more shares than the minimum prescribed in the aggregate in favour of same transferee under two or more transfer deeds, out of which one or more relates to the transfer of less than the minimum prescribed.

Directors may Refuse to Register Transfer

44. Subject to the provision of Section 111A, these Articles or other applicable provisions of the Act or any other Law, the Board may refuse whether in pursuance of any power of the Company under these Articles or otherwise to register the

transfer of, or the transmission by, operation of Law of the right to any shares or interest of the Member in debentures of the Company. The Company shall within one month from the date on which the instrument of transfer or the intimation of such transmission as the case may be, was delivered to the Company, send notice of the refusal to the transferee and the transferor giving reasons for such refusal.

Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons, indebted to the Company on any account whatsoever, except where the Company has a lien on the shares.

Transfer of Debentures

55. The provisions of these Articles shall mutatis mutandis apply to the transfer or transmission by operation of law on debentures or other securities of the Company.

Power to Borrow

60. The Board may, from time to time, and at its discretion, subject to the provisions of Section 58A, 292, 293 and 370 of the Act and of these Articles, accept deposits from Members either in advance of calls or otherwise and generally raise or borrow moneys, either from the Directors, their friends and relatives or from others for the purposes of the Company and or secure the payment of any such sum or sums of money, provided however, where the moneys to be borrowed together with the moneys already borrowed (apart from the temporary loans obtained from the Company's bankers in ordinary course of business) and remaining outstanding and un-discharged at that time exceed the aggregate, for the time being of the paid up Capital of the Company and its free reserves, that is to say, reserves, not set apart for any specific purposes the Board shall not borrow such money without the consent of the Company in General Meeting by an ordinary resolution. The Board may raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit, and in particular by receiving deposits, issue of bonds, debentures perpetual, redeemable, debenture stock, or any security of the Company or by mortgage or charge or other security upon all or any part of the property or undertaking of the company (both present and future), including its uncalled Capital for the time being; provided that the Board shall not give any option or right to any person for making calls on the shareholders of the Company in respect of the amount unpaid for the time being on the shares held by them, without the previous sanction of the Company in General Meeting.

Issue at Discount etc. or Special Privileges

61. Subject to the provisions of the Act, and these Articles, any debentures, debenture stock, bond or other securities may be issued at a discount, premium or otherwise and with any special privileges and conditions as to redemption, surrender, drawings, attendance at General Meeting of the Company, allotment of share, appointment of Directors and otherwise, Debentures, debenture stock, bond and other securities may be made assignable, free from any equities between the Company and the person to whom the same may be issued.

Provided that debenture/debenture stock, loan/loans stock with the right of conversion into equity shares, shall not be issued except with the sanction of the Company in General Meeting.

Indemnity May be Given

62. Subject to the provisions of the Act, if the Directors or any of them or any other person shall incur or about to incur any liability or become personally liable, whether as principal or as surety, for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

Annual General Meeting

63. The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year. All General Meetings other than Annual General Meeting of the Company shall be called "Extraordinary General Meetings". An Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall lapse between the date of one Annual General Meeting and that of the next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon

the Registrar under the provisions of the Act to extend the time within which any Annual General Meeting may be held. Every Annual General Meeting shall be called for a time during business hours, on a day that is not a public holiday, and shall be held at the Office of the Company or at some other place within the city in which the Registered Office of the Company is situated as the Board may determine and the notices calling the meeting shall specify it as the Annual General Meeting. The Company may in any one Annual General Meeting fix the time for its subsequent Annual General Meetings. Every Member of the Company shall be entitled to attend either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any General Meeting which he attends on any part of the business which concerns him as Auditor. At every Annual General Meeting of the Company there shall be laid on the table the Directors' Report and Audited Statement of Accounts, Auditors report (if not already incorporated in the Audited Statement of Accounts), the Proxy Register with proxies and the Register of Directors' Shareholdings which latter Register shall remain open and accessible during the continuance of the meeting. The Board shall cause to be prepared the annual list of Members, Summary of the Share Capital, Balance Sheet and Profit and Loss Account and forward the same to the Registrar in accordance with the provisions of the Act. If for any reason beyond the control of the Board the General Meeting (including an Annual General Meeting) cannot be held on the appointed day, the Board shall have the power to postpone the General Meeting of which a notice should be given to the Members through advertisement in at least two newspapers, of which one should be on the language of the region in which the Registered Office of the Company is situated.

Extraordinary General Meeting

64. The Board may whenever it thinks fit, and shall on the requisition of the Members in accordance with the provisions of Section 169 of the Act, proceed to call an Extraordinary General Meeting of the Company. Provided that unless the Board refuses in writing to permit the requisitionists to hold the said meeting at the Office, it shall be held at the Office.

Twenty-one days' notice of meeting to be given

65. At least twenty-one days' notice of every General Meeting, Annual or Extraordinary, and by whomsoever called specifying the day, place and hour of the General Meeting, and the general nature of the business to be transacted thereat, shall be given in the manner hereinafter provided, to such persons as are under these Articles entitled to receive notice from the Company. Provided that in the case of an Annual General Meeting with the consent in writing of all the Members entitled to vote thereat and in case of any other meeting, with the consent of Members holding not less than 95 per cent of such part of the paid-up Share Capital of the Company as gives a right to vote at the meeting, a meeting may be convened by a shorter notice. In the case of an Annual General Meeting, if any business other than (1) the consideration of the Accounts, Balance Sheets and Reports of the Board of Directors and Auditors, (2) the declaration of Dividend, (3) the appointment of Directors in place of those retiring, (4) the appointment of, and fixing of the remuneration of the Auditors, is to be transacted, and in the case of any other meeting in any event there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each such item of business, including in particular the nature of the concern or interest, if any, therein of every Director and the manager (if any). Where any such items or special business relates to, or affects any other company, the extent of share holding interest in the other company, and the extent of share holding interest in the other company of every Director and the manager, if any of the company shall also be set out in the statement if the extent of such share holding interest is not less than 2% (Two per cent) of the paid up Share Capital of that other company. Where any item of business consists of the according of approval to any documents by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

Notice of Business to be Given

67. The ordinary business of the Annual General Meeting shall be to receive and consider the Profit and Loss Account, the Balance Sheet and the reports of the Directors and of the Auditors, to elect Directors in place of those retiring by rotation, to appoint Auditors and to fix their remuneration and to declare Dividends. All other business transacted at General Meeting shall be deemed as Special Business. No General Meeting, Annual or Extraordinary, shall be competent to enter upon, discuss or transact any business which has not been mentioned in the notice or notices upon which it was convened.

Quorum to be Present When Business Commenced

68. 1. No business shall be transacted at General Meeting unless quorum is present at the time of the commencement of the business. Save as herein otherwise provided, at least five members present in person shall constitute a quorum.

2. If within half an hour from the time appointed for holding the meeting quorum shall not be present, the meeting, if convened by or upon the requisition of Members shall stand dissolved, but in any other case, the meeting shall stand adjourned, in accordance with the provisions of sub-sections (3), (4) and (5) of Section 174 of the Act.

Chairman of the General Meeting

69. 1. The chairman of the Board shall preside as chairman at every General Meeting of the Company. In the absence of the chairman of the Board, the vice chairman of the Board or if at a meeting, the chairman/vice chairman of the Board is not present within fifteen minutes after the time appointed for holding such meeting or is unwilling to act as chairman of the meeting, the Directors present shall elect one of their Members to be the Chairman of the meeting and if no Director be present, or if all the Directors present decline to take the chair, then the Members present shall elect one of their Members, being a Member entitled to vote, to be the chairman of such meeting.

Votes by Show of Hands

71. 1. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the voting on a show of hands) demanded by at least five Members having the right to vote on the resolution and present in person or by proxy, or by the chairman of the meeting or by any Member or Members holding not less than one-tenth of the total voting power in respect of the resolution or by any Member or members present in person or by proxy and holding shares in the Company conferring a right to vote on the resolution being shares on which an aggregate sum has been paid-up which is not less than one-tenth of the total sum paid-up on all the Shares conferring that right.

Passing of Resolution by Postal Ballot

73. Notwithstanding anything contained in the Articles of Association of the Company, the Company do adopt the mode of passing the resolution by the members of the Company by means of a Postal Ballot (including voting by "Electronic mode") and/or other ways as may be prescribed by the Central Government in this behalf in respect of the following matters instead of transacting such business in a General Meeting of the Company:

i) Any business that can be transacted by the Company in General Meeting; and

ii) Particularly, resolutions relating to such business as the Central Government, may by notification, declare to be conducted only by Postal Ballot.

The Company shall comply with the procedure for such Postal Ballot and/or other ways prescribed by the Central Government in this regard from time to time.

MINUTES OF MEETING

Minutes of General Meeting and inspection thereof by Members

81. (1) The Company shall cause minutes of all proceedings of every General Meeting to be kept within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered.

(2) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such book shall be dated and signed by the chairman of the same meeting within the aforesaid period of thirty days or in the event of the death or inability of that chairman within that period, by a Director duly authorised by the Board for that purpose.

(3) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.

(4) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.

(5) All appointments of officers made at any meeting aforesaid shall be included in the minutes of the meeting.

(6) Nothing herein contained shall require or be deemed to require the inclusion in any such minutes of any matter which in the opinion of the chairman of the meeting (a) is or could reasonably be regarded as defamatory of any person, or (b) is irrelevant or immaterial to the proceedings, or (c) is detrimental to the interests of the Company. The chairman of the meeting shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the aforesaid grounds.

(7) Any such minutes shall be evidence of the proceedings recorded therein.

(8) The book containing minutes of proceedings of General Meetings shall be kept at the Office of the Company and shall be open during business hours, for such periods not being less in the aggregate than two hours in each day as the Directors determine, to the inspection of any member without charge.

Numbers of Directors

82. The Board of Directors shall consist of not less than three Directors and not more than twelve Directors, or such higher number not exceeding fifteen as may be approved by the Central Government. The first directors of the company shall be the subscribers to the Memorandum of Association.

Chairman and Vice Chairman

92. Subject to the provisions of the Act, the Board of Directors shall appoint a Chairman and a vice chairman of the Board. In the absence of chairman, the vice-chairman shall act as a chairman. If no such chairman/vice-chairman is appointed, or if at any meeting, the chairman and vice chairman are not present within five minutes after the time appointed for holding the meeting or in the absence of chairman, vice-chairman present declines to act as a chairman, the directors present may choose one of their members to be the chairman of such meeting.

Managing Directors

93. The Board may, from time to time, appoint one or more of them to be managing director or managing directors of the Company, and may, from time to time, remove or dismiss him from office, and appoint another in his place but his appointment shall be subject to determination ipso facto if he ceases from any cause to be a Director of the company.

The Board may, from time to time, entrust to and confer upon a managing director for the time being, such of the powers exercisable under these presents by the directors as it may think fit, and may confer such powers from such time, and to be exercised for such objects and purposes, and upon such terms and conditions, and with such restrictions, as it thinks expedient, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

The remuneration of managing director shall be such as may from time to time be fixed by the Board subject to the provisions of Section 309 of the Act.

Meeting of Directors

94. The Directors may meet together as a Board for despatch of business from time to time and shall so meet at least once in every three calendar months, and the Board may adjourn and otherwise regulate its meetings and proceedings as it may think fit.

Quorum

95. Subject to Section 287 of the Act, the quorum for a meeting of the Board shall be one-third of its total strength (excluding directors, if any, whose places may be vacant at the title and any fraction contained in the one-third being rounded off as one), or two directors, whichever is higher, provided that where at any time the number of interested Directors exceeds or is equal to two-third of the total strength, the number of Directors who are not interested, and are present at the meeting, being not less than two, shall be the quorum for such time.

Question at Board Meeting How Decided

98. Questions arising at any meeting of the Board shall be decided by a majority of votes, and in case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

Resolution by Circulation

101. 1. Subject to the provisions of the Sections 289, 292 and 297 of the Act, a resolution passed by circulation, without a meeting of the Board or a committee of the Board shall be as valid and effectual as a resolution duly passed at a meeting of the Board or a Committee thereof duly called and held.

2. A resolution shall be deemed to have been duly passed by the Board or by a committee thereof by circulation, if the resolution has been circulated in draft together with the necessary papers, if any, to all the directors or to all the Members of the Committee at their respective addresses registered with the Company and has been approved by a majority of directors or members of the committee as are entitled to vote on resolution.

Minutes of Proceedings of Meetings of the Board and Committee

102. (1) The Company shall cause minutes of all proceedings of every meeting of the Board and committee thereof be kept by making within thirty days of the conclusion of every such meeting entries thereof in books kept for the purpose with their pages consecutively numbered.

(2) Each page of every such book shall be initialled or signed and the last page of the record of proceedings of every meeting in such book shall be dated and signed by the chairman of the next succeeding meeting.

(3) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.

(4) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.

(5) All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meetings.

(6) The minutes shall also contain:

(a) The name of the Directors present at the meeting; and

(b) In the case of each resolution passed at the meeting, the names of the Directors, if any, dissenting from, or not concurring in the resolution.

(7) Nothing contained in sub-clause (1) to (6) shall be deemed to require the inclusion in any such minutes of any matter which, in the opinion of the Chairman of the meeting:-

(i) is or could reasonably be regarded as defamatory of any person;

(ii) is irrelevant or immaterial to the proceedings; or

(iii) is detrimental to the interests of the Company.

The chairman shall exercise an absolute discretion in regard to the inclusion of any matter in the minutes on the grounds specified in the sub-clauses.

(8) Minutes of meetings kept in accordance with the aforesaid provisions shall be evidence of proceedings recorded therein.

Division of Profits

108. The profits of the company, subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the provisions of these Articles, shall be divisible among the Members in proportion to the amount of Capital paid-up on the share held by them respectively. Provided always that subject as aforesaid any Capital paid-up on a share during the period in respect of which a Dividend is declared shall unless the Board otherwise determine, only entitle the holder of such share to a proportionate amount of such Dividend as from the date of payment.

Declaration of Dividend

114. The Company in General Meeting may declare a Dividend to be paid to the Members according to their respective rights and interest in the profits and may, subject to the provisions of Section 207 of the Act, fix the time for payment.

114A. "Dividend" includes any Interim Dividend declared by the Board and all the provisions of the Companies Act, 1956 for the time being in force including any statutory modifications, amendments or re-enactment of the Act, shall, as far as may be, also apply to any interim dividend.

Declarations of Interim Dividends

116. The Board may, from time to time, pay to the Members such interim Dividends as appear to the Board to be justified by the financial position of the Company.

Capitalisation

121. 1. Any General Meeting may, upon the recommendation of the Board, resolve that any moneys standing to the credit of the share premium account or Capital redemption reserve account or any moneys, investments or others assets forming part of the undivided profits of the Company (including profits or surplus money realised on sale of capital assets of the Company) standing to the credit fund or reserve of the Company or in the hands of the Company and available for Dividend to be capitalised and distributed.

a. By the issue and distribution, among the holders of the shares of the Company or any of them on the footing that they become entitled there to as Capital in accordance with their respective rights and interest and in proportion to the amount paid or credited as paid thereon of paid up shares, bonds or other obligations of the Company; or

b. By crediting shares of the Company which may have been issued and are not fully paid-up, in proportion to the amounts paid or credited as paid thereon respectively, with the whole or any part of the same remaining unpaid thereon.

2. The Board shall give effect to such resolution and apply such portion of the profits or Reserve Fund or any other funds as may be required for the purposes of making payments in full or in part for the shares, of the Company so distributed or (as the case may be) for purpose of paying in whole or in part, the amount remaining unpaid on the shares which may have been issued and are not fully paid-up provided that no such distribution or payment shall be made unless recommended by the Board and if so recommended, such distribution and payment shall be accepted by such shareholders in full satisfaction of their interest in the paid capitalised sum.

3. For the purpose of giving effect to any such resolution, the Board may settle any difficulty which may arise in regard to the distribution or payment as aforesaid as they think expedient and in particular they may issue fractional certificates and generally may make such arrangements for the acceptance, allotment and sale of such shares, bonds or otherwise as they may think fit, and may make cash payment to any holders of shares, on the footing of the value so fixed in order to adjust rights and may vest any shares, bonds or other obligations in trustees upon such trust for adjusting such rights as may seem expedient to the Board.

4. In cases where some of the shares of the Company are fully paid and other are partly paid, only such capitalisation may be effected by the distribution of further shares in respect of the fully paid shares and by crediting the partly paid shares with whole or part of the unpaid liability thereon but so that as between the holders of the fully paid shares and partly paid, the sum so applied in the payment of such further shares and in the extinguishment or diminution of the liability on the partly paid shares shall be so applied pro rata in proportion to the amounts then already paid or credited as paid on the existing fully paid and partly paid shares respectively.

5. Where deemed requisite, a proper contract shall be filed in accordance with Section 75 of the Act, and the Board may appoint any person to sign such contract on behalf of the person entitled to the Dividend or capitalised fund, such appointment shall be effective.

Distribution of the Realisation of Capital Assets etc.

122. A General Meeting may resolve that any surplus money arising from the realisation of any Capital Assets of the Company or any investments represents the same or any other undistributed profits of the Company be distributed amongst the Members on the footing that they receive the same as Capital.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years before the date of this Prospectus) which are or may be deemed material have been entered or to be entered into by the Company. These contracts, copies of which have been attached to the copy of this Prospectus, delivered to the Registrar of Companies, Delhi and Haryana at New Delhi for registration and also the documents for inspection referred to hereunder, may be inspected at the corporate office of the Company from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts to the Issue

1. Engagement Letter dated April 2, 2006 for appointment of JMMS as the BRLM.
2. Memorandum of Understanding dated October 9, 2006 among the Company, the Selling Shareholders and the BRLM.
3. Memorandum of Understanding dated August 1, 2006 between the Company and the Registrar to the Issue.
4. Escrow Agreement dated January 13, 2007, 2007 among the Company, the Selling Shareholders, the BRLM, the Escrow Collection Banks and the Registrar to the Issue.
5. Syndicate Agreement dated January 13, 2007 among the Company, the Selling Shareholders, the BRLM and the Syndicate Member.
6. Underwriting Agreement dated January 24, 2007 among the Company, the Selling Shareholders, the BRLM and the Syndicate Member.
7. Stabilizing Agreement dated October 9, 2006 among the Stabilizing Agent, Mr. Deepak Seth, Mrs. Payel Seth, Mr. Pallak Seth, Mr. Pulkit Seth and the Company, together with the Amendment Agreement dated December 14, 2006.

Material Documents

1. The Company's Memorandum and Articles of Association, as amended.
2. The Company's certificate of incorporation, as amended for a change of name effective June 19, 2006 and a copy of the special resolution passed in the EGM held on June 28, 2006 towards conversion of the Company into a public limited company.
3. Shareholders' resolutions dated August 25, 2006 in relation to this Issue and other related matters such as appointment of auditors, formation and revision of Audit, Remuneration and other committees.
4. Letters of authorization from the Selling Shareholders for the Issue dated October 9, 2006.
5. Board resolution dated August 1, 2006 authorizing the Issue.
6. Letter from the Selling Shareholders dated October 9, 2006, authorizing the Company Secretary to address investors' complaints.
7. Present terms of employment between the Company and the Directors as approved by the Board and the Shareholders of the Company.
8. Report of the Auditors, S.R. Dinodia & Co., Chartered Accountants, dated November 28, 2006 and December 8, 2006, of the Company, on a stand-alone and consolidated basis, respectively, prepared as per Indian GAAP and mentioned in the Red Herring Prospectus.
9. Copies of annual reports of the Company, its Subsidiaries and Associate for the years ended March 31, 2002, 2003, 2004, 2005 and 2006, as applicable.
10. Consent of the Auditors, being auditors S.R. Dinodia & Co., Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in this Prospectus.
11. Consents of Auditors, Bankers to the Company, the BRLM, Syndicate Member, Registrar to the Issue, Escrow Collection Bank(s), Banker to the Issue, Legal Counsel to the Company and Underwriters, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities

12. Initial listing applications dated October 30, 2006 and October 17, 2006 filed with the BSE and the NSE, respectively.
13. In-principle listing approval dated November 16, 2006 and November 20, 2006 from the BSE and the NSE, respectively.
14. Tripartite Agreement among NSDL, the Company and the Registrar to the Issue dated December 18, 2006.
15. Tripartite Agreement among CDSL, the Company and the Registrar to the Issue dated December 7, 2006.
16. Due diligence certificate dated October 10, 2006 and January 3, 2007 to SEBI from the BRLM.
17. SEBI observation letter No. CFD/DIL/ISSUES/PB/PR/80262/2006, dated November 21, 2006.
18. Share Purchase Agreement between SACB Holdings Limited and Multinational Textiles Group Limited dated March 31, 2006.
19. Loan Agreement dated March 30, 2006 between Global Textiles Group Limited, Pallas Holdings Limited and Poeticgem Limited.
20. Loan Agreement dated March 30, 2006 between Global Textiles Group Limited, Pallas Holdings Limited and Depa International Inc.
21. Loan Agreement dated May 31, 2006 between Multinational Textiles Group Limited, Pallas Holdings Limited and Norwest Industries Limited.
22. Declaration dated January 4, 2007 by Mr. Jayant Sood, Company Secretary and Compliance Officer, confirming that all the observations/ stipulations made by SEBI have been duly complied with.

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be. We further certify that all statements in this Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF THE COMPANY

Mr. Deepak Seth

Mr. Pulkit Seth

Mr. Pallak Seth

Mr. Sanjay Pershad

Mr. Samar Ballav Mohapatra

Dr. Ashutosh Prabhudas Bhupatkar

Mr. Rajendra Aneja

Mr. Chittranjan Dua

Mr. Tom Tar Singh

SIGNED BY THE CHIEF FINANCIAL OFFICER, MR. RISHI VIG

SIGNED BY ALL THE SELLING SHAREHOLDERS

Mr. Deepak Seth

Mrs. Payel Seth

Mr. Pallak Seth

Mr. Pulkit Seth

Date: January 29, 2007

Place: Gurgaon

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