

## House of Pearl PAT up 19% at Rs 14.73

*Posts impressive growth of 32% with revenues at Rs 280 crore for Q1FY08*

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House of Pearl Fashions Limited, a multinational, ready-to-wear apparel company operating in three distinct business streams: manufacturing, marketing & distribution and sourcing of garments, has reported consolidated total revenues of Rs 280 crore for Q1FY08, an increase of 33% over the corresponding quarter last fiscal. The net profit stood at Rs 14.73 crore, an increase of 19% from Rs 12.35 crore in Q1FY07. The EPS for the quarter was at Rs 7.56 as against Rs 7.45 in Q1 FY07.

The operating margin and net margin for Q1FY08 stood at 9.4% and 5.2% as against 11.5% and 5.9% respectively for the corresponding quarter last fiscal. The margins in overseas business have improved by 100 basis points but due to start up of new product lines & manufacturing facilities in India, the company has incurred a loss in Indian operations, which has impacted the consolidated operating margins.

Commenting on the margins, Mr. Deepak Seth, Chairman, HOPFL, said "The margins have been impacted due to sharp appreciation of rupee in the quarter. However, the impact of such appreciation on HoPF has been much lower than on the industry in general. This is because of the uniquely different business model of the company which has just 24% operations billed in Indian rupees. This puts us in a distinctly competitive position to make up for the loss on Indian operations with the robust growth in international operations."

The manufacturing business of HoPF contributed revenues worth Rs 106.66 crore to the total revenue and Sourcing, Distribution and Branding division accounted for Rs 201.22 crore of the company's revenue. These divisions saw an increase of 33% and 42% respectively in their revenues as compared to the corresponding quarter in the previous year in Rupee term. HOPFL has a strong presence in the international market with its operations spread across US, UK & Europe, Hong Kong, Indonesia and Bangladesh.

"We have started finalizing plans for consolidation of our various facilities in India and additional capacities being put up in Indonesia, Bangladesh and Chennai to improve margins in manufacturing business. We have already shifted some operations to Bangladesh where efficiency is much higher in terms of cost and output. This is possible as we already have established infrastructure, buyers and vendors in Bangladesh, which allows us to shift operations there without any additional costs. It is also more efficient, which would be reflecting in our improving margins in the coming quarters", added Mr. Seth.

Recently, HoPFL's subsidiary, Pearl Global Ltd, entered into an agreement with Ansal Properties and Infrastructure to develop a strategically located plot of PGL for commercial development. This JV would contribute significantly to HoPF's revenues and also diversify its revenue base.

HOPFL also recently won the best CSR award from JC penny, one of its oldest customers. The company has a diverse customer-base and is serving over 90 retailers across the globe.

**Q1FY08 Results (all comparisons with Q1 FY07 on a consolidated basis)** Revenues at Rs 280 crore, up by 33% from Rs 210 crore PAT at Rs 14.73 crore, up by 19 % from Rs 12.35 crore EPS for the quarter at 7.56 as compared to Rs 7.45 EPS (annualized) at Rs 30.24

**Key Operational Highlights of the Quarter** Marginal impact of stronger rupee due to unique business model Additional capacities in Indonesia, Bangladesh and Chennai Pearl Global JV with Ansal API for real estate development

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Forward Looking Statement

*Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local political or economic developments, technological risks, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward looking statements. House of Pearl Fashions Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.*

#### **About House of Pearl Fashions Ltd:-**

House of Pearl Fashions Limited is a multinational, ready-to-wear apparel company operating in three distinct business streams: manufacturing, marketing and distribution and sourcing of garments. HoPF operates nine modern ready-to-wear apparel manufacturing facilities, of which five are located in North India, one in South India, two in Bangladesh and one in Indonesia. It manufactures a broad range of products comprising of knits, woven, sweaters and bottoms in basic as well as complex designs. The Company has marketing and distribution offices in the U.K., the U.S. and Hong Kong, which oversee marketing and merchandising teams across Canada, Europe, Hong Kong, the U.K. and the U.S. that interact with customers at their locations. The Company also owns warehousing and processing units in the U.K. and the U.S. HoPF also has a sourcing business in Hong Kong with offices in China, Bangladesh and India. The Company has fabric development centers in China and India as well as design and product development teams in the U.K., the U.S., India and Hong Kong.

HoPF's customers include value retailers, such as J C Penny, TESCO and ASDA Wal-Mart, as well as higher-end fashion brand retailers, such as GAP, Banana Republic, NEXT and Esprit.

With its distinct business model, the company offers multi-country, multi-gender and multi-product options in each business stream to its customers

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