

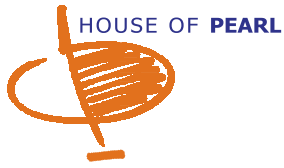


## HOUSE OF PEARL FASHIONS LIMITED

### CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

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## HOUSE OF PEARL FASHIONS LIMITED

### CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

[Under Regulation 12(1) of SEBI (Prohibition of Insider Trading) Regulation, 1992]

#### INTRODUCTION

The Securities and Exchange Board of India (SEBI) to protect the interest of Investors in general, had formulated the SEBI (Insider Trading) Regulation, 1992 under the powers conferred on it under the SEBI Act, 1992. These regulations came into force with effect from 19<sup>th</sup> November 1992 and were made applicable to all companies whose shares were listed on Indian Stock Exchange.

SEBI has subsequently amended the existing regulations. The amended regulations were notified in the Gazette and made effective from 20<sup>th</sup> February 2002. These regulations are now called “*Securities & Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992*” (hereinafter referred to as “the Regulations”). The amended Regulations seek to prohibit insider trading.

Regulation 3 of the Regulations, which prohibits insider trading is reproduced below:

“No Insider shall –

- (i) *either on his own behalf or on behalf of any other person, deal in securities of a company listed on any stock exchange when in possession of any unpublished price sensitive information; or*
- (ii) *communicate, counsel or procure, directly or indirectly, any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities.*

Provided that nothing contained above shall be applicable to any communication required in the ordinary course of profession or employment or business or under any law.”

It is also mandatory in terms of the Regulations for every listed Company / entity to formulate a Code of Conduct for Prevention of Insider Trading for its Directors, Officers and Employees.

In order to comply with the mandatory requirement of the Regulations, it was necessary to formulate a specific Code of Conduct for HOUSE OF PEARL FASHIONS LTD. (hereinafter referred to as “the Company”) for use by its Directors, Officers and Employees.

The document embodies the code of Conduct for Prevention of Insider Trading (“the Code”) to be adopted by the Company and followed by its directors, Officers, and Employees of the Company owe a fiduciary duty to, among others, the shareholders of the Company, to place the interest of the shareholders above their own and to conduct their personal securities transactions in a manner that does not create any conflict of interest situation. The Code is also intended to serve as a guiding charter for all concerned persons associated with the functioning of the Company and their adequate disclosure of Price Sensitive information to the investor community by the Company to enable them to take informed investment decisions with regard to the Company’s Securities.

## 1. DEFINITIONS

As used in this Code

- (a) **“Act”** means the Securities and Exchange Board of India Act, 1992
- (b) **“Board”** means the Board of Directors of the Company.
- (c) **“Code”** means this Code of Conduct for Prevention of Insider Trading, including modifications made thereto from time-to-time.
- (d) **“Company”** – means House of Pearl Fashions Limited.
- (e) **“Compliance Officer”** means an Employee appointed by the Board as per listing agreement entered with the Stock Exchanges, for implementation of and overseeing compliance with regulations and the Code across the Company.
- (f) **“Dealing in Securities”** means an act of subscribing, buying, selling or agreeing to subscribe, buy, sell or deal in any Securities of the Company either as principal or agent.
- (g) **“Designated employee”** means and include the following:
  - (i) every Employee in the top three layers of the management,
  - (ii) any other Employee as may be designated by the Compliance Officer in consultation with the Managing Director of the Company considering the objectives of the Code.
- (h) **“Director”** means a member of the Board of Directors of the Company.
- (i) **“Dependent Family Member”** shall include spouse, minor son, unmarried daughter, dependent parent, dependent major son, dependent brother and dependent sister.
- (j) **“Employee”** means every employee of the Company or Subsidiary Companies including the Director in the employment of the Company.
- (k) **“Insider “** means any person who, is or was connected with the Company or is deemed to have been connected with the Company, and who is reasonably expected to have access to unpublished Price Sensitive Information in respect of securities of the Company, or who has received or has had access to such unpublished Price Sensitive Information.
- (l) **“Officer”** includes any Director, Manager or Secretary or any person in accordance with whose directions or instructions the Board of Directors of the Company or any one or more of the Directors is or are accustomed to act, including an auditor.
- (m) **“Price Sensitive Information”** means any information, which relates directly or indirectly to the company and which if published, is likely to materially affect the price of securities of the Company;

### Explanation:

The following shall be deemed to be Price Sensitive information:

- (i) Periodical financial results of the company;
  - (ii) Intended declaration of dividends (both interim and final);
  - (iii) Issue of Securities or buy-back of Securities;
  - (iv) Any major expansion plans or initiation or execution of new projects;
  - (v) Amalgamation, mergers or takeovers;
  - (vi) Disposal of the whole or substantial part of the undertaking;
  - (vii) Any significant changes in policies, plans or operations of the Company.
- (n) **“Securities”** includes:
    - (i) shares, scripts, bonds, debentures, debenture stock or other marketable securities of a like nature.
    - (ii) put, call or any other option on the Company's Securities even though they are not issued by the Company,
    - (iii) futures, derivatives and hybrids, and
    - (iv) such other instruments recognized as securities and issued by the Company from time to time.
  - (o) **Specified Persons”** – the Directors, the Officers and the Designated Employees are collectively referred to as Special Persons.

All terms used in this Code, but not defined hereinabove shall have the meanings ascribed to them under the Regulations or the Companies Act, 1956.

## **2. COMPLIANCE OFFICER**

The Board of the Company shall appoint the Company Secretary as the Compliance Officer to ensure compliance and for effective implementation of the Regulations and also this Code across the Company.

The Compliance Officer shall hold the position so long as he is in the employment of the Company. Till such time a successor is appointed, the Managing Director shall, in the interim period, act as the Compliance Officer. During the period Company Secretary is on long leave, the Managing director may designate himself or any other senior executive of the Company as the Acting Compliance Officer.

In order to discharge his functions effectively, the Compliance Officer shall be adequately empowered and provided with adequate manpower and infrastructure to effectively discharge his function. In the performance of his duties, the Compliance Officer shall have access to all information and documents relating to the Securities of the Company.

The Compliance Officer shall act as the focal point for dealings with SEBI in connection with all matters relating to the compliance and effective implementation of the Regulations and this Code

## **3. DUTIES OF THE COMPLIANCE OFFICER**

The Compliance Officer shall be responsible for setting forth policies, procedures, monitoring adherence to the rules for preservation of Price Sensitive information, pre-clearing of Specified Person and their Dependent Family Members trades, monitoring of trades and the implementation of this Code under the overall supervision of the Board of Directors.

The Compliance Officer shall maintain a record of Specified Persons and any changes made in the List of Specified Persons.

The Compliance Officer shall assist all the Specified Persons in addressing any clarifications regarding the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and the Company's Code. The Compliance Officer shall place status reports, on a monthly basis, before the Share and Debenture Committee of directors, detailing dealings in the Securities by the Specified Persons along with the documents that such persons had executed in accordance with the pre-dealing procedure prescribed under the Code.

## **4. RESPONSIBILITIES OF DIRECTORS, OFFICERS, ETC.**

### **4.1 Preservation of Price Sensitive Information**

All the Specified Persons shall maintain the confidentiality of all Price Sensitive Information ("PSI") coming into their possession or control.

To comply with this confidentiality obligation, the Specified Persons shall not pass on PSI to any person directly or indirectly by way of making a recommendation for the purchase or sale of Securities of the Company.

### **4.2 Need to know**

The Specified Persons who are privy to unpublished PSI, shall handle the same strictly on "Need to know" basis. This means the unpublished PSI shall be disclosed only to those persons within the Company who need to know the same in the course of performance of discharge of their duty and whose possession of unpublished PSI will not in any manner give rise to a conflict of interest or likelihood of misuse of the information.

#### 4.3 Limited access to Price Sensitive Information

The Specified Persons privy to PSI shall, in preserving the confidentiality of information, and to prevent its wrongful dissemination, adopt among others, the following safeguards:

- ◆ files containing confidential information shall be kept secure.
- ◆ Computer files must have adequate security of login through a password.
- ◆ Follow the guidelines for maintenance of electronic records and systems as may be prescribed by the Compliance Officer from time to time in consultation with the person in charge of the information technology function.

### 5. **TRADING WINDOW**

5.1 The Trading Window shall be deemed to be open, except when specifically closed.

5.2 Trading window shall be closed 15 days preceeding the date of the Board Meeting / Committee Meeting where the following items would be considered.

- a) declaration of financial results (quarterly, half-yearly and annual),
- b) declaration of dividends (both interim and final),
- c) Issue of securities or buy back of securities,
- d) any major expansion plans or execution of new projects,
- e) amalgamation, mergers, takeovers and buy-back,
- f) disposal of the whole or substantial part of the undertaking,
- g) any significant changes in policies, plans or operations of the company.

The Trading Window shall be opened 24 (Twenty-four) hours after the information referred to above

All the Specified Persons and their Dependent Family Members shall not deal in the Securities of the Company during the period the Trading window is closed or during any other period as may be specified by the Compliance Officer from time to time.

### 6. **PRE-CLEARANCE OF DEALS IN SECURITIES**

#### 6.1 Applicability

Every Specified Person who intends to deal in any Securities of the Company, where the market value exceeds Rs.1,00,000, in value or 100 equity shares, whichever is lower, shall obtain a *pre-dealing* approval for the proposed transaction as per the procedure prescribed hereunder.

#### 6.2 Pre-dealing Procedure

For the purpose of obtaining a pre-dealing approval, the concerned Specified Person shall make an application in the prescribed form (**Annexure 1**) to the Compliance Officer. (The Compliance Officer should submit his application for *pre-dealing* approval to the Managing Director). Such application should be complete and correct in all respects.

#### 6.3 Approval

- (a) The Compliance Officer shall consider the application made as above and shall approve it as far as possible within 4 working days unless he is of the opinion that grant of such an approval would result in a breach of the provisions of this Code, or the Regulations. Such approval / rejection would be conveyed to the Applicant.
- (b) Every approval letter shall be issued in such format as may be prescribed by the Company from time to time. Every approval shall be dated and shall be valid for a period 1 (one) week from the date of approval.

6.4 Completion of Pre-cleared Dealing:

- (a) All the Specified Persons shall ensure that they complete execution of every pre-cleared deal in the Company's Securities as prescribed above and no later than 1 (one) week from the date of approval.  
The Specified Person shall file within 4 (four) days of the execution of the deal, the details of such deal, with the Compliance Officer in the prescribed form (**Annexure 2**). In case the transaction is not undertaken, a report to that effect shall be filed (Annexure 2).
- (b) If a deal is not executed by the concerned a certified person pursuant to the approval granted by the Compliance Officer within one week the specified person shall apply once again to the compliance Officer for the pre-clearance of the transaction covered under the said approval.

6.5 Holding Period

All the Specified Persons shall hold their investments in Securities of the Company for a minimum period of 30 days in order to be considered as being held for investment purposes.

In case the sale of Securities of the Company is necessitated due to personal reasons or emergency situations, the holding period referred to above may be waived by the Compliance Officer after recording the reasons in this regard.

6.6 Advice regarding Pre-Clearance

In case of doubt, the Specified Person shall check with the Compliance Officer or the Officer designated by him/her from time to time whether the provisions relating to *pre-clearance* are applicable to any proposed transaction in the Company's Securities.

**7. PERIODICAL DISCLOSURE BY SPECIFIED PERSON**

All Specified Persons shall be required to forward the following details to the Compliance Officer.

- (a) Initial disclosure of number of shares and other securities held as on 01.03.2007. This disclosure shall be made within 15 days in the form set out in **Annexure3**;
- (b) Annual disclosure on the number of shares and other securities as on 31<sup>st</sup> March each year. This disclosure shall be made within 15 days in the form set out in **Annexure 4**;
- (c) Any Specified Person shall, in case there has been change in his or his dependant Family Members holding of shares and other Securities and such change exceeds Rs. 5,00,000/- in value or 2500 shares or 1% of total shareholding or voting rights, whichever is lower, shall disclose to the Company the total number of shares or voting rights held and change therein from the last disclosure made. Such change should be intimated to the Company in the form set out in **Annexure 5** within 4 working days of receipt of intimation of allotment of shares / acquisition or sale of shares or voting rights, as the case may be. The Company shall disclose the above information to all stock exchanges on which the company is listed.
- (d) All new Specified Persons shall within 15 days from the date of joining, give details of securities held by themselves and their Dependant Family Members in the form set out in Annexure 3.

The Compliance Officer shall maintain records of all the above declarations in an appropriate form for a minimum period of 3 (three) years from the date of the filing thereof.

**8. PENALTY FOR CONTRAVENTION**

Any Specified person who trades in securities or communicates any information for trading in Securities in contravention of this Code may be penalized and appropriate action may be taken by the Company which may include withholding of dividend, disciplinary action namely wage freeze and suspension after investigation. The action of the Company shall not preclude SEBI from taking any action in case of violation of SEBI (Prohibition of Insider Trading) Regulation, 1992.

**9. INFORMATION TO SEBI**

In case it is observed by the company / Compliance Officer that there has been a violation of SEBI (prohibition of Insider Trading) Regulations, 1992, SEBI shall be informed by the Company.

**10. CLARIFICATIONS**

For all queries concerning this Code, the Directors, Officers and Employees may please contact the Compliance Officer.

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