

## Annual Report 06-07



Vishal Retail Limited

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# Corporate Information

## BOARD OF DIRECTORS

Chairman & Managing Director  
**Ram Chandra Agarwal**

Whole time Directors  
**Uma Agarwal**  
**Surendra Kumar Agarwal**

Non Executive Independent Directors  
**Bharat Jain**  
**Jai Prakash Shukla**  
**Rakesh Aggarwal**

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Company Secretary  
**Arun Gupta**

Chief Operating Officer  
**Ritesh Rathi**

Head-Finance & Accounts  
**Amit Kumar Chaturvedi**

Statutory Auditors  
**Haribhakti & Co., Chartered Accountants**  
42-43, Press Free House, 215, Nariman Point  
Mumbai-400021

### Bankers

State Bank of India  
HSBC Ltd.  
Centurion Bank of Punjab Ltd.  
Axis Bank Ltd.  
ICICI Bank Ltd.

### Registered Office

RZ-A- 95 & 96,  
Road No. 4, Street No. 9,  
Mahipalpur Extn., New Delhi-110037  
Phone : 011-30622002

### Share Transfer Agents

**Intime Spectrum Registry Limited**  
C-13, Panna Lal Silk Mill Compound  
L.B.S. Marg, Bhandup(west),  
Mumbai-400078  
Tel 022-25960320-28  
Fax 022-25960329

### Corporate Office/Investor's Service Centre

Khasra No. 332,  
Near Telco Service Station,  
Behind Shokeen Farm Lands, Rangpuri,  
New Delhi-110037  
Phone : 011-32431314-15  
Fax : 011-26784281  
E mail ; [vishalipo@vrpl.in](mailto:vishalipo@vrpl.in)

# From the Chairman's Desk



Dear Shareholders, Customers & all Stakeholders,

I feel really enlightened to address you all in first year of our going public. Your alliance with us really gives me a feeling that our Vishal Retail's family has really grown 'Vishal' now and I wholeheartedly welcome you all to be a part of our family.

In this season of high sprits, at the very onset I would like to express my sincere thankfulness to all of you for having faith in us and enduring your kind support to us for the growth of your company.

The year has marked a continued strong growth in retail industry. Asian markets are getting hotter; India has topped the Global Retail Development Index with an

estimated market of \$ 350 bn and Vietnam rose to 3<sup>rd</sup> place. China, however, continues to decline as international retailers saturate the market Overall if we talk, the Asian tigers remain attractive and have the longest window of opportunity across the markets. Thailand and South Korea are still in the top 15, with annual retail growth of 7% and 19% respectively in 2005. In India, organized retail is growing at CAGR of 24-26% with an offering of tremendous opportunities in the future to become globally competitive and uplifting the shopping experience for Indian Consumers.

The memories are still so fresh in my mind of the times when our company was formed in 2001. We initiated our setup in Kolkata as a retailer of ready made apparels. Year 2003 was another year of great stride in our growth when we acquired manufacturing facilities from Vishal Fashions Private Limited and M/s Vishal Apparels. Since then we have never looked back and have always made best efforts to meet the expectations of our patrons on a continuous basis.

With the evaluation of retail industry in India and changes in consumer aspirations, we have diversified our portfolio of offerings to include other retail goods such as household merchandise and other consumer good such as footwear, toys, watches, toiletries, grocery items, sports items, crockery, gifts and novelties. Our endeavor has always been to facilitate one-stop-shop convenience for the customers and to cater the needs of the entire family. Being a customer & investor oriented company, our progress in the past years has been quiet satisfactory.

Today, our country is in grip of retail revolution with big retailers like Wal-Mart eager to take over Indian markets. Even within our country, big business houses like TATA, Reliance, Bharti have already made there foray into the retail market, At this time of bloodthirsty competition we aspire to distinguish our selves in the retail industry by our competitive strengths we offer. Our concept of

'value retailing' i.e. targeting on the needs of the middle and lower income group has been our foremost strength which has enabled us to cling the focus of the market. Our prime concern has been to establish our base structure in Tier II and Tier III cities and to serve their needs at the best. Our continuous aim is to evolve ourselves to meet the demands of the highly dynamic society. To accomplish this goal we have been introducing private labels, identifying new and globally distributed locations to set up new show rooms and hire experienced and skilled management team.

Currently, our company owns 54 showrooms in various parts of our country and we intend to open 30 showrooms upto March 31, 2009 making our tally to 83 covering around 21,00,000 Sq Ft of retail space around the country.

During the last financial year, our turnover has increased by 109 % i.e. from Rs. 2884.43 millions to Rs. 6026.53 millions and I strongly believe that will able to achieve a steady growth in the coming years also.

Besides focusing on the profitability of the company and providing true value of money to our stakeholders, we are making steady efforts towards betterment of the governance of the company and meeting the societal and moral objectives of the company.

We here at Vishal Retail, hope to share the same patronage from your side as ever and with this ending note I would again express my gratitude towards all those who have trusted us and have given us a chance to serve the society at large in the best possible manner.

Best Wishes & God Bless

Sd/-

**Ram Chandra Agarwal**



# DIRECTORS' REPORT 2006-07

Your Directors have great pleasure in presenting the Sixth Director's Report of the company with the audited statements of accounts for the year ended March 31, 2007.

## FINANCIAL HIGHLIGHTS

| Description  | (Rs. In Millions) |                |
|--|-------------------|----------------|
|  | 2006-07           | 2005-06        |
| <b>Sales</b>   | <b>6026.53</b>    | <b>2884.43</b> |
| Other Income   | 23.90             | 6.45           |
| Earnings before Interest, depreciation and Tax (EBIDT) | <b>694.28</b>     | <b>268.89</b>  |
| Less: Interest   | (147.54)          | (29.11)        |
| Earnings before depreciation and Tax (EBDT)            | <b>546.74</b>     | <b>239.78</b>  |
| Less: Depreciation                                     | (152.93)          | (53.61)        |
| Profit before Taxation                                 | 393.81            | 186.17         |
| Provision for Taxation (Current and deferred)          | 143.14            | 62.30          |
| Profit after Taxation (PAT)                            | <b>250.67</b>     | <b>123.87</b>  |
| Balance Brought forward from previous year             | 166.00            | 42.13          |
| Balance carried to Balance Sheet                       | 416.67            | 166.00         |

## REVIEW OF FINANCIAL PERFORMANCE

Your company has continued its march with another strong year of continued growth. The Company achieved new scales of height this year. Following are the few benchmarks

- INCOME** : Continuing the positive trend, your company has further improved its performance during the year; the turnover including other income was Rs. 6050.42 millions compared to Rs. 2890.88 millions in the previous period of 12 months, recording a whopping 109 % increase on annualized basis.
- EBIDT** : At the end of financial year, EBIDT stood at Rs. 694.28 Million as compared to Rs. 268.89 Million in the previous year, recording a 152.8% increase on annualized basis.
- PAT** : At the end of financial year, the profit after tax has risen from Rs. 123.87 millions to Rs. 250.67 millions this year, recording a 102.36% increase on annualized basis.

## 2006-2007: A GLIMPSE

### Launch of New Stores:

Since the set up of Vishal Mega Mart, the focus of your company has been on setting up stores in the Tier II and Tier III Cities & catering the needs of Medium and Upper Medium Segment of the Society, where the future of Retail Industry rests. To tap the opportunities in Organised Retail, your Company opened up 26 Stores in the Tier II and Tier III Cities. & 1 Store in Tier I city. These new Stores contributed significantly to the revenues of the Company and providing your Company a PAN India presence.

## Private Labels

Retail Industry is cost competitive Industry, the margins are low. These margins are further reduced, if the Retailers are engaged only in the distribution of high cost branded products. Therefore, in an effort to jack up gross margins, we have evolved the concept of Private Labels. Private Labels carries the brand name of the Company itself, but manufacturing of the same is outsourced to Local Manufacturers.

We have a number of in house brands (these are called private labels) such as Zepplin, Paranoia, Chlorine, Kittan Studio, Famenne, Fleurier Women and Roseau etc. In fiscal 2007, our income from our private labels was Rs. 583.60 million compared to Rs. 483.50 Million in the fiscal 2006, which accounted for 9.68% of our total sales for fiscal 2007. We believe that our focus on our private labels and their recognition in our customer segment enables us to differentiate ourselves from our competitors as well as to improve our margins.

## Human Resource

Retail Industry in India is still in the nascent stage. People are not much aware about growth in the Retail Industry. The importance of stable, talented and efficient workforce is further enhanced by these factors. To overcome these work factors, we have created a favourable work environment that encourages innovation and meritocracy. We are in the process of putting up a scalable recruitment and human resource management process, which will enable us to attract and retain high caliber employees & meet the challenges of the Retail Industry.

Our Key focus has been to change the mindset from 'human resource utilization' to 'nurturing and leveraging talent'. We believe in investing in people competencies for the business requirements of tomorrow. With a view to creating a strong management base, the company has tied up with various Management Institutions viz Asia Pacific Institute of Management, Amity International School of Business, JIMS, IILM etc.

The Board of Directors wishes to place on record their appreciation to all the employees of the Company for their sustained efforts, dedication and hard work during the year

## FUNDS RAISED

### Issue of Preferential Equity to 49 Investors:

Your Company has made a preferential Allotment of 12,50,000 Equity Shares of nominal value of Rs. 10/- each at a premium of Rs. 190/- each to 49 Investors on June 05, 2006, for which your approval was taken at the Extra Ordinary General Meeting of the Company held on June 02, 2006.

### Issue of Preferential Equity to HDFC Ltd :

Your Company has made a preferential Allotment of 2,00,000 Equity Shares of nominal value of Rs. 10/- each at a premium of Rs. 190/- each to HDFC Ltd. on July 21, 2006, for which your approval was taken at the Extra Ordinary General Meeting of the Company held on July 03, 2006.

### Issue of Preferential Equity through IPO:-

Your Company has come out with an Initial Public Offering of its shares. An amount of Rs. 1100 Million was raised through IPO and based upon the bids received for the IPO, 4,074,074 shares of nominal value of Rs. 10 each were allotted at a premium of Rs. 260/- per share on June 26, 2007.

### Issue of Debentures to LIC Mutual Fund:-

Your Company has privately placed 600 secured Redeemable Non Convertible Debentures of Rs. 10 Lakhs each amounting to Rs. 60 Crores with LIC Mutual Fund on November 14, 2006. The said debentures are due for redemption on November 13, 2007.

## FUTURE PLANS

The Company has drawn up an aggressive expansion plan for the Fiscal years 2008 & 2009. The Company is planning to add another 30 stores by March 31, 2009. The total retail space stood at 12,82,000 (Approx) on May 21, 2007. We have already identified locations for few of our forthcoming stores and are in the process of entering into Memorandum of Understanding with respective Landlords' for the same. Your company will be adding more Private Labels in its portfolio to enhance the growth margins.

***Your Company has opened up three new stores during this financial year at Patna (Bihar), Karnal (Haryana) & Dahisar (Mumbai).*** Few more stores are in the pipeline and we will be launching them in the near future.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis has been dealt extensively in the Annexure I to this report.

## DIVIDEND

Your directors opine that funds are needed to be augmented for the growth initiatives of the Company. Hence, no dividend has declared for this year.

## PUBLIC DEPOSIT

During the year, the Company has not accepted any deposit under Section 58A of the Companies Act, 1956.

## DIRECTORS

Mr. Surender Kumar Agarwal, Executive Director of the Company retires by rotation and being eligible offers himself for reappointment at this Annual General Meeting.

Mr. Praveen Kumar Jain and Mr. Shyam Sunder Dhanuka resigned from the directorship of the Company on August 25, 2006 & November 09, 2006 respectively. Further Mr. Jai Prakash Shukla and Mr. Rakesh Agarwal were appointed as Additional director on September 30, 2006 and October 31, 2006 respectively and whose tenure expires at the date of ensuing Annual General meeting. The company has received letters from members proposing their appointment as a regular director of the Company at ensuing Annual General meeting.

## AUDITORS

The existing auditors M/s Haribhakti & Co., Chartered Accountants, retires at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The Auditor's Report is self explanatory in nature and do not need any clarification.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimated that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period under review;



- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts for the year ended 31<sup>st</sup> March 2007 on a 'going concern' basis.

#### FOREIGN EXCHANGE EARNING/EXPENDITURE & CONSERVATION OF ENERGY

A Statement giving details of Conservation of energy, technology absorption and foreign exchange earnings as required u/s 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of particulars in the Report of Directors) Rules 1988, has been enclosed as Annexure- II to this report.

#### OTHER INFORMATION

A statement showing particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is annexed hereto as Annexure III, to this report.

#### ACKNOWLEDGEMENT

The Directors wish to thank and deeply acknowledge the co-operation, assistance and support extended by the Central Government, the State Governments, the Company's Bankers, the Shareholders, the Dealers, Vendors, Customers and all others involve in the success and growth of the Company. The Directors also wish to place on record their appreciation for the co-operation and contribution made by the employees at all levels.

On behalf of the Board of Directors

Sd/-

**Ram Chandra Agarwal**  
Chairman

Date : 13.08.2007  
Place : New Delhi

**Annexure-I**

# MANAGEMENT DISCUSSION AND ANALYSIS

**INDUSTRY EVALUATION**

Indian Retail Industry is ranked among the ten largest retail markets in the world. The attitudinal shift of the Indian consumer in terms of "Choice Preference", "Value for Money" and the emergence of organised retail formats have transformed the face of Retailing in India. As per CRIS INFAC Report, 2005, the Indian retail industry is currently estimated to be a US\$ 200 billion industry and organised Retailing comprises of 3 per cent (or) US\$6.4 Billion of the retail industry. With a growth over 20 percent per annum over the last 5 years, organised retailing is projected to reach US\$ 30 Billion by 2010.

Retailing in India is gradually inching its way to becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping. Modern retail has entered India as seen in sprawling shopping centres, multi-storeyed malls and huge complexes offer shopping, entertainment and food all under one roof.

Retail is India's largest industry, accounting for over 10 percent of the country's GDP and around 8 percent of employment. Retail in India is at the crossroads. It has emerged as one of the most dynamic and fast paced industries with several players entering the market.

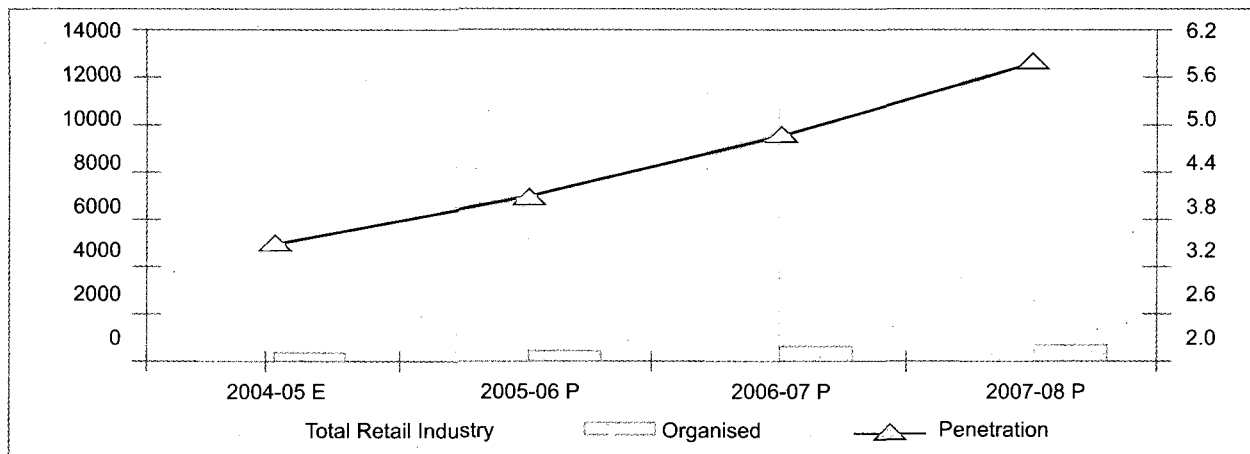
The Indian retailing sector is at an inflexion point where the growth of organised retail and growth in the consumption by Indians is going to adopt a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector are going to be the key growth drivers of the organised retail sector.

Organised retail in India is on a high growth trajectory and is growing at the rate of 24-26% annually. The size of the total retail industry market is estimated to be around Rs. 9,990 billion in 2004-05, with organised retailing accounting for a mere 3.5% of the India's total retail market. In its Annual Review, CRIS INFAC, 2005 estimated the organised retail penetration to increase to 8% by 2010 at a CAGR of 26%. The organised retail penetration is projected to increase to 5.8% by 2007-08.

**Organised Retail Penetration**

| Rs. Billion                          | Units              | 2004-05 E   | 2005-06 P    | 2006-07 P    | 2007-08 P    |
|--------------------------------------|--------------------|-------------|--------------|--------------|--------------|
| <b>Total Retail Industry</b>         | <b>Rs. billion</b> | <b>9990</b> | <b>10659</b> | <b>11374</b> | <b>12136</b> |
| <b>Growth Rate</b>                   | <b>Per Cent</b>    | <b>6.7</b>  | <b>6.7</b>   | <b>6.7</b>   | <b>6.7</b>   |
| <b>Organised</b>                     | <b>Rs. Billion</b> | <b>350</b>  | <b>441</b>   | <b>556</b>   | <b>700</b>   |
| <b>Penetration</b>                   | <b>Per Cent</b>    | <b>3.5</b>  | <b>4.1</b>   | <b>4.9</b>   | <b>5.8</b>   |
| <b>Organised Retail Y-O-Y growth</b> | <b>Per Cent</b>    | <b>24</b>   | <b>26</b>    | <b>26</b>    | <b>26</b>    |

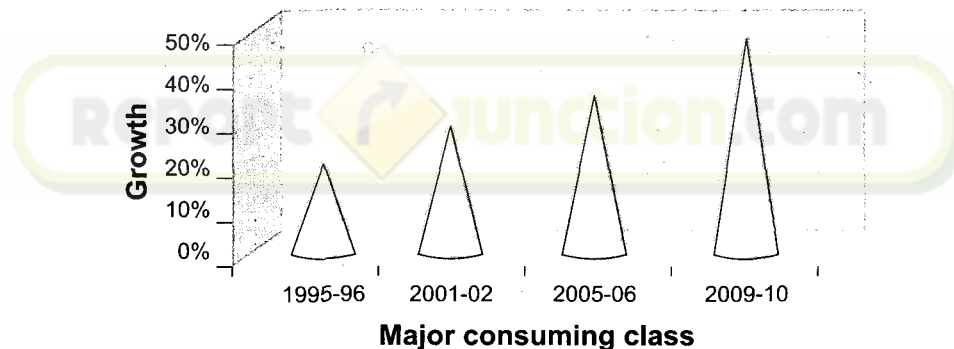
**E-Estimated, P-Projected****Source : CRIS INFAC, 2005**



## DRIVERS FOR GROWTH IN RETAILING

### Higher Disposable Income

The disposable income of Indian consumers has increased steadily. The proportion of the major consuming class (population that has an annual income that is higher than Rs. 90,000) is expected to grow at a CAGR of 9.3 per cent (2002-2010) over the next 8 years and will result in higher spending capacity and eventually into greater consumption



### Higher level of working women

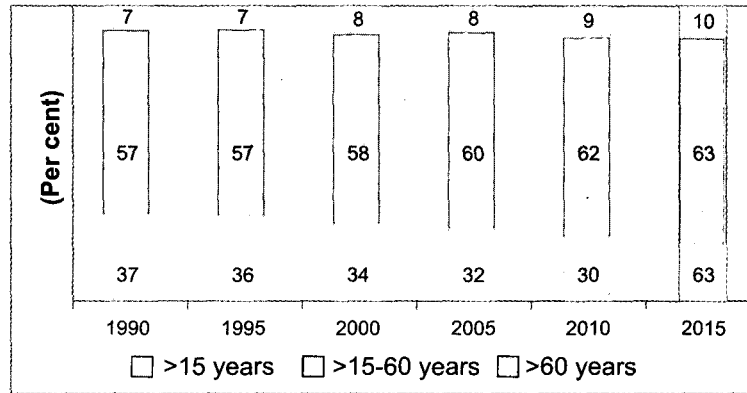
According to the 2001 census report, the population of working women has increased from 22 per cent in 1991 to 26 per cent in 2001. The purchasing habit of a working woman is different from that of a housewife, since the former has lesser time to devote to the task. Working women would prefer a one-stop shop for purchasing their regular products. Also, a working woman's propensity for spending is higher than that of a housewife

### Increase in nuclear families

In the recent past, nuclear families as a percentage of the total household population have increased. Average household sizes have decreased from 5.57 in 1991 to 5.36 in 2001. Per capita consumption increases in the case of a nuclear family. The rise in the number of nuclear families will, thus, drive consumption and boost the retail industry.

### Baby boomer effect

There has been a strong demographic shift in India's population distribution. The percentage of the earning population (15 to 60 yrs) in the total population is rising. This will increase the overall purchasing capacity in the country, propelling growth in the retail segment.

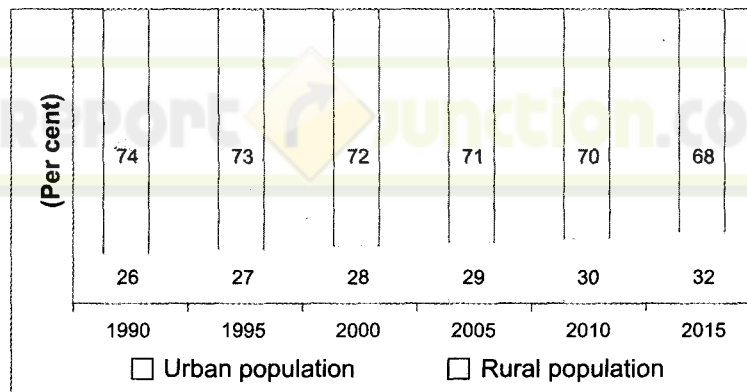


Source: CRIS INFAC

### Higher growth in urban population

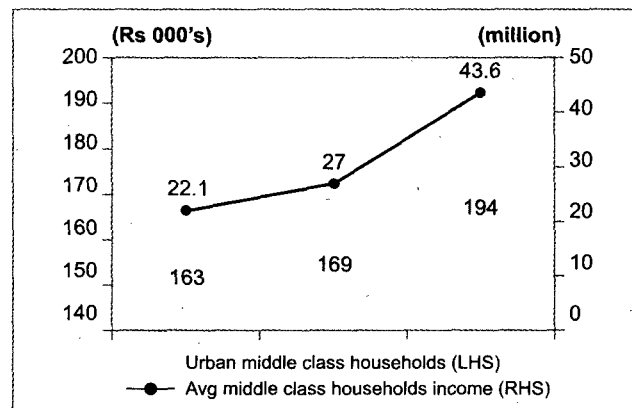
At present, organised retailing is focused in metros and is expected to expand to Tier-II and Tier-III cities. For the next 10 years, growth in organised retailing is expected to take place in urban areas. Thus, the target market for organised retail players is the urban population.

Urbanisation has increased at a rate of 2.7 per cent over the last 10 years (1990-2000) and is expected to increase at 2.4 per cent from 2000 to 2015. In 2015, the population in urban areas is expected to touch 401 million, accounting for about 32.2 per cent of the total population



### HIGHER INCOME LEVELS IN URBAN POPULATION

Greater growth in the numbers of the urban middle class and strong growth in income levels augurs well for the growth of organised retailing, as we believe that in the medium term organised retailing will be restricted to the urban areas of India.



The proportion in total population of the segment with an annual income higher than Rs 90,000 (that is, the major consuming class) has increased from 20.4 per cent in 1995-96 to 28.1 per cent in 2001-02. However, the share of the major consuming class in the urban region has increased at a higher rate, from 45 per cent in 1998-99 to 51 per cent in 2001-02, and it is expected to touch 63 per cent by 2009-10. Further, the income levels of the urban middle class are also expected to register a strong growth in the medium term.

### Change in outlook on branded products and Growth in the number of retail malls

In the last 4-5 years, Indian markets have witnessed a strong shift towards branded products as Indian consumers have started feeling that branded goods offer better quality and greater value for money. This increase in the awareness of branded goods has been the highest in the case of apparel. Increased exposure to international consumerism trends and fast changing lifestyles can result in a 10-15 per cent growth in branded goods, which will, in turn, provide a platform for the growth of organised retail.

The last 2-3 years have also witnessed a proliferation in malls in India, particularly in the metros and mini metros. The growth in retail malls provides more options for retailers, as it reduces the time required to set up a retail outlet. It also provides retail space, which can be leased by retailers instead of investing in building up their own store. This significantly reduces the capital intensity of the retail industry. Typically, a retail chain would prefer to lease store space in a mall instead of setting up a standalone store, since this reduces capital investment, which can be employed in their core business of retailing.

### Increased use of credit cards and availability of cheap finance

The use of plastic money (credit and debit cards) has increased significantly in the last 4-5 years. In fact the ease of payments (ability to spend without cash) due to the use of credit and debit cards, has also led to an increase in total spending on shopping and eating out.

With the acceptance of and the increase in the number of electronic data converter machines installed in retailing outlets, we believe credit and debit cards will provide further fillip to organised retail.

### Segments in Retail

Retail as a whole can be broken into various categories, depending on the types of products serviced. Food and groceries has the biggest share in the retail pie, accounting for the around 76%. However, it has the lowest organised retail penetration. This is indicative of the opportunity for organised retail growth in this segment. The footwear and clothing segments have the highest penetration of organised retail.

| Category                  | Total Retail                 |                            | Organised Retail             |                            |                           |
|---------------------------|------------------------------|----------------------------|------------------------------|----------------------------|---------------------------|
|                           | Market size<br>(Rs, billion) | Market Share<br>(per cent) | Market size<br>(Rs, billion) | Market Share<br>(per cent) | Penetration<br>(per cent) |
| Food beverage and tobacco | 7.738                        | 75.8                       | 65                           | 19                         | 1                         |
| Clothing and textile      | 716                          | 7                          | 141                          | 40                         | 20                        |
| Consumer durables         | 416                          | 4.1                        | 43                           | 13                         | 10                        |
| Jewelleries               | 416                          | 4.1                        | 25                           | 7                          | 6                         |
| Home decor and furnishing | 300                          | 2.9                        | 25                           | 7                          | 8                         |
| Beauty care products      | 214                          | 2.1                        | 7                            | 2                          | 3                         |
| Footwear                  | 104                          | 1                          | 32                           | 9                          | 31                        |
| Books, music and gifts    | 87                           | 0.8                        | 11                           | 3                          | 13                        |
| <b>Total</b>              | <b>9,990</b>                 | <b>100</b>                 | <b>349</b>                   |                            |                           |

Source : CRIS INFAC Annual Review, 2005



Home décor and food and grocery are emerging as the fastest-growing segments. The proliferation of hypermarkets and supermarkets has led to a growth in food and grocery retail; thus, value retailing is seen to be gaining ground in India. The other high growth verticals are apparel and durables. Impulse goods like books and music are also gaining a larger share in the organised retail market, with players making stores more accessible to consumers.

| (Rs. in billion)                          | 2005 | 2002 | CAGR (per cent) |
|---|------|------|-----------------|
| Clothing, textile and fashion accessories | 141  | 50   | 41.3            |
| Footwear                                  | 32   | 20   | 17.0            |
| Jewelleries and watches                   | 25   | 25   | 0.0             |
| Food and grocery                          | 65   | 20   | 48.1            |
| Durables                                  | 43   | 15   | 42.1            |
| Books, music and gifts                    | 11   | 5    | 30.1            |
| Home decor                                | 25   | 5    | 71.0            |
| Beauty care products                      | 7    | n.a. |                 |

Source : CRIS INFAC Annual Review, 2005

## BUSINESS EVALUATION

We are a leading player in the Indian Retail Industry focused on value retailing in Tier II and Tier III cities of the country. Our business is modeled on the concept of 'value for money' retailing and has established a strong customer connect with the middle and lower middle income consumer groups. Our Key strategy is to offer quality products, at the minimum possible cost, with a focus on private label and quasi private label products at a fashion at affordable price.

We started as a retailer of ready-made apparels in Kolkata in 2001. In 2003, we acquired the manufacturing facilities from Vishal Fashions Private Limited and M/s Vishal Apparels. Subsequently, with evolution of retail industry in India and change in consumer aspirations, we diversified our portfolio of offerings to include other retail goods. Currently, we sell ready-made apparels and a wide range of household merchandise and other consumer goods such as footwear, toys, watches, toiletries, grocery items, sports items, crockery, gift and novelties.

In order to reduce costs and take advantage of economies of scale we have embarked on backward integration of our products. Our apparel manufacturing plant is located at Gurgaon, Haryana. For ensuring efficiency in supply chain, we have set up seven regional distribution centres located around Kolkata (West Bengal), Thane (Maharashtra), Jaipur (Rajasthan), Ghaziabad (Uttar Pradesh), Ludhiana (Punjab), Gurgaon (Haryana) and Delhi. Further, we have focussed on developing a cost and time efficient distribution and logistics network, which currently comprises seven distribution centers and a fleet of trucks for transportation.

We achieved total sales of Rs. 6,026.53 million for fiscal 2007, as opposed to a turnover of Rs. 2,884.43 million for fiscal 2006 and Rs. 1,463.12 million for fiscal 2005. During the same period our profit after tax was Rs. 249.83 million, Rs. 124.74 million and Rs. 30.20 million, respectively. As a result, our sales increased between fiscal 2004 and fiscal 2007 at a CAGR of 89.83% and our profit after tax increased between fiscal 2004 and fiscal 2007 at a CAGR of 302.89%.

## Segment Wise Performance

| Category           | Fiscal 2007          | Fiscal 2006          | % growth        |
|--------------------|----------------------|----------------------|-----------------|
| Apparel            | 3,800,968,337        | 2,043,676,792        | 85.98%          |
| FMCG               | 905,884,507          | 257,489,344          | 251.32%         |
| Non Apparel        | 1,314,429,767        | 580,538,128          | 124.41%         |
| <b>Grand Total</b> | <b>6,021,282,611</b> | <b>2,882,064,264</b> | <b>108.92 %</b> |

## OUR COMPETITIVE STRENGTHS

We believe that the following are our principal competitive strengths which have contributed to our current position in the retail sector in India:

### Understanding of the 'value retail' segment

Our business plan involves implementation of the concept of the 'value retailing', targeting the middle and lower middle income groups, which constitute majority of the population in India. We intend to provide quality products at competitive prices. Our emphasis has been to maximise the value that the customers derive in spending on goods bought in our stores. We endeavour to continuously reduce our costs through a variety of measures, such as, in-house production of apparels, procurement of goods directly from the small and medium size vendors and manufacturers, efficient logistics and systems along with customized product mix at our stores depending on the regional customer behaviour and preferences. Central to our value retail strategy is to pass on the benefits of cost reduction measures to our customers.

### Supply chain management

Our supply chain management involves planning, merchandizing sourcing, standardization, vendor management, production, logistics, quality control, 'pilferage' control replacement and replenishment. Our supply chain management provides us flexibility to adapt to changing patterns in consumer behaviour and our ability to add value at various steps/levels. In particular, our supply chain management gains strength from our ability to undertake in-house manufacture, design and development of apparels.

### Logistics and distribution network

Our distribution and logistics network comprises seven distribution centres. Besides, we have our own fleet of 41 trucks, which helps us to transport and deliver our products in a cost and time efficient manner. We believe that our distribution and logistics set up is well networked and allows us to fulfil the store requisition within short time period of generation and receipt of order, which has helped us to optimize in-store availability of merchandise and minimize transportation costs. Our strong distribution and logistics network has enabled us to dispense with the requirement of a dedicated storage space at every store, which is an industry practice, and instead undertake periodical replenishment of depleted stock. Due to adoption of an efficient racking system, we are able to benefit from optimum utilization of the space allocated for display in our stores. This provides us assistance in maintaining a low working capital requirement and less carrying cost.

### Geographical spread

Our stores and distribution centers are spread in various parts and regions of the country. This has not only enabled us to build our brand value but also facilitated us to explore cost-effective sourcing from different locations, identify potential markets and efficiently establish new stores in different locations. An aggregate of 45 of 53 of our existing stores are located in Tier II and Tier III cities, which, we believe, enables us to capture market share in locations where a majority of our target customers are located.

### Identifying new locations

We believe that we possess the ability to identify locations with potential for growth, in particular in Tier II and Tier III cities. We have an exclusive site identification and assessment team, which undertakes systematic analysis of the business prospects, taking into account factors such as population, literacy levels, nature of occupation, income levels, accessibility, basic infrastructure and establishment and running costs. Further, we have a dedicated warehouse for the purposes of storing the materials essential for setting up of new stores.

## Information technology systems

We are constantly upgrading our technology and has invested around Rs. 50 mn in the implementation of SAP in the organisation. This package, implemented by Tata Consultancy Services is capable of supporting 1,000 users, thus providing enough scope to scale up our operations. To further ensure the profitability and sustained growth, the company is in the process of revamping its current IT set up to implement more advanced applications and integrate all its business process right from planning to implementation and material management, to finance.

The stores and warehouses facilities are linked through a company wide Virtual Network Connection together with hotlines to ensure online connectivity. All of our stores are linked with broadband technology for online and video conferencing connectivity to ensure proper centralized and control over stores and monitoring of inventory, ensuring a pilferage level of less than 1.5%.

## Sales promotion and Customer Service

Our Category management team planes promotional schemes on a weekly basis. Apart from general sales promotion, the category management team formulates promotional plans for 'slow movers'. In addition, to promote sales, the company focuses on the layout of its stores and positioning, presentation and display of merchandise, in order to appeal to the customers. Under arrangements and merchandise manufactures, we also receive payment on account of display of their products.

## Focus on private labels

Our objective has always been to offer quality products at the minimum possible cost. Thus, the company strives to offer differentiated products that are not available elsewhere at very competitive prices, by either manufacturing them in house or directly sourcing them from manufacturers. Our Core strength lies in garment manufacturing and the ability to understand the apparel business, which has translated into an active and strong Private label offering. Further, in house manufacturing (private labels) contributed 9.68% of our total sales in fiscal 2007 aggregating Rs. 583.58 million.

## Experienced and skilled management team

We have an experienced management team which is complemented by a committed workforce. Our management team comprises of talented professionals who are skilled in the retail sector. This has assisted us in management of our stores. We believe we have created the right balance of performance bonuses and other incentives for our employees.

## CONCERNS

### Execution Risks

Although the Industry growth potentially appears to be immense and we are having a tract record of capturing such opportunities, we have to steadily keep up with the pace of Industry growth. We face two type of Execution Risk

- The pace of New Stores Roll out
- Managing the profitability of these stores

### Retaining existing talent and acquiring new talent will present a huge challenge

The Organised Retail Industry is expected to reach US\$ 30bn by 2010, for which it will be requiring 0.5mn of people. With the entry of new big players into the market, such as Wal-Mart, Reliance and the huge expansion of existing big Retailers, we would be witnessing a huge amount of poaching leading to an increase in employee cost thereby impacting margins.

### Concentrated Geographical Presence

Currently, we are having strong presence in central and northern India, wherein we derive 61.93% of our revenues. Further all our manufacturing and warehousing facilities are located in this region. Our Aggressive plans for the next two years in other regions of the country may pose a concern in terms of the company's execution skills and logistic set up.

### Increase in competition to impact Margins

Considering the industry's huge growth potential, new players, both domestic and international, are likely to enter the market. Groups such as Reliance Industries, Bharti etc., and foreign players like Wal Mart, Tesco, Carrefour and Metro have already expressed their keenness to operate in India. Increased Competitive pressure is likely to alter the dynamics of business quite dramatically, further staining land and manpower resources. Further, the advent of competition may also dent the high level of profitability enjoyed by us.

### Retail Landscape

According to Images 2006, organised retail is set to grow at a 35% CAGR over the next few years and will reach US 30bn by 2010. However, in order to reach this target, several initiatives and huge investments would be required on the part of retailers. We estimate that Retail Industry would be requiring 145-060 mn sq.ft. of space to reach this target. Further, in view of large expansion plans of Pantaloon, Reliance and Wal Mart making a foray into Indian Retail Industry with Bharti, prominent land space would be a big threat to the industry.

## FUTURE OUTLOOK

Today, our country is in grip of retail revolution with big retailers like Wal-Mart eager to take over Indian markets. Even within our country, big business houses like TATA, Reliance, Bharti have already made there foray into the retail market, At this time of bloodthirsty competition we aspire to distinguish our selves in the retail industry by the competitive strengths we offer. Our concept of 'value retailing' i.e. targeting on the needs of the middle and lower income group has been our foremost strength which has enabled us cling the focus of the market. Our prime concern has been to establish our base structure in Tier II and Tier III cities and to serve to their needs at the best. Our continuous aim is to evolve ourselves to meet the demands of the highly dynamic society. To accomplish this goal we have been introducing private labels, identifying new and globally distributed locations to set up new show rooms and hire experienced and skilled management team.

We have aggressive Roll out plans for the future. We would be opening stores under the new Retail Formats such as Convenient Stores, Specialty Stores to cater to the demand of existing and forthcoming stores, which will contribute significantly to our revenues and our customer base.

We are targeting to achieve a turnover of Rs. 5,000/- (Rupees five thousand only) Crores by the financial year ending March 2010 and become the leading Retailers in India. For this, we are planning to enter into tie ups with branded manufacturers, suppliers, service providers for diversifying our operations and unleashing more opportunities for the growth of our business and providing our stakeholders, the value for their money.

## OPPORTUNITIES

### Presence in Tier II and Tier III cities

We are operating 45 Stores out of 53 Stores in India in the Tier II and Tier III cities. We are having strong presence in these cities. Big players have not ventured into these cities. In Future, we would be operating more stores in such cities and aid in the development of the organised Retail Industry in such cities

## New Retail Format

We are in the process of launching Convenient Stores and Specialty Stores all over India, by which we would be able to reach every consumer and also gain a wide spread geographical presence all over the India. These stores would be spread in the area of approximate 5,000-10,000 Sq. Ft. We have already identified some of the suitable locations for the same and have entered into Memorandum of Understanding with some of the owners for running these stores from their premises.

## Booming Industry Scenario

The Retail Industry, which was a few time back at the nascent stage, is progressively moving forward to become the biggest industry contributing a large chunk of resources in the development of economy. The Industry is having a CAGR of 25%, which is supposed to increase further. We, being one of the major Retailers in the Industry, will be garnering a strong share in the Retail Industry growth and providing value for money to our stakeholders.

## Private Labels

Our objective has always been to offer quality products at the minimum possible costs. Thus, we strive to offer differentiated products that are not available elsewhere at very competitive prices, by either manufacturing them in house or directly sourcing them from manufacturers. We have a number of in house brands which are contributing significantly to our total revenues.

We would be launching more products under our private labels, which will pave the way for our margins and create a strong value for our stakeholders.

## De-risking our Business Model

We are working on de-risking our business model. While keeping our products range wide, we have ensured a balanced mix of in house manufactured products (private labels) and products sourced from manufactureres (quasi private labels) to optimize margins and minimize risks.

Currently, apparels contribute a significant portion to our revenues. In order to reduce our dependence on the apparels business and de-risk our business from the seasonality of apparel retailing, we are focusing more on non-apparels and FMCG retailing. This segment would be contributing significantly to our revenues in future, thereby minimizing the risk.

## HUMAN RESOURCES

Our human resource policies are aimed towards creating a skilled and motivated work force. We have 6,801 employees both employed in our stores as well as in our manufacturing unit and other facilities, on April 30, 2007.

The following tables provide a classification of our employees on the basis of their age and education.

| Age          | No. of Employees |
|--------------|------------------|
| 18-24        | 3,793            |
| 25-35        | 2,178            |
| 35 and above | 830              |
| <b>Total</b> | <b>6,801</b>     |



| <b>Education</b> | <b>No. of Employees</b> |
|------------------|-------------------------|
| Under Graduates  | 4,060                   |
| Graduates        | 2,498                   |
| Post Graduates   | 243                     |
| <b>Total</b>     | <b>6,801</b>            |

### Compensation and Performance Based Incentives

Our compensation policy is performance based and we believe it is competitive with industry standards in India. We endeavour to recognise talent and potential in our employees and encourage them to take additional responsibilities. Based on performance, we calibrate our employees and reward loyalty by preferring in-house promotions.

### Training

Our Key focus has been to change the mindset from 'human resource utilization' to 'nurturing and leveraging talent'. We believe in investing in people competencies for the business requirements of tomorrow. In essence, we wish to train our employees to become next generation entrepreneurs, who can effectively lead the growth of our business.

We have created a favourable work environment that encourages innovation and meritocracy. We are in the process of putting up a scalable recruitment and human resource management process, which will enable us to attract and retain high caliber employees & meet the challenges of the Retail Industry.

### Internal Control System and their adequacy

The company has installed adequate internal control systems and procedures commensurate with the size and nature of the business. The Company has implemented SAP to ensure that proper checks and balances are in place to ensure the functioning of Internal Control Systems. The discrepancies pointed out by our Internal Control System are taken care of and proper actions are taken on the same, after taking approval of the Audit Committee on the same

### Comparison of Fiscal year 2007 and Fiscal year 2006

Some of the significant events that took place during the Fiscal year 2007 were as follows:

1. 27 new stores were opened, aggregating to an area of 770,890 square feet. Our store at Hyderabad has been shifted to another location at the same place with a higher area and also we have closed our operations at Siliguri First store and have opened another store "Siliguri Second" with a higher area. Our stores located at Meerut, Agra were closed due to fire in such store.
2. We have made preferential allotment of 1,450,000 Equity Shares in month of June and July 2006 at an issue price of Rs. 200 per Equity Share.
3. During Fiscal year 2007 we have tested and partly implemented SAP ERP package for management information system. During the transition face from old information package to new ERP system, we faced operational difficulties in terms of delayed and improper receipt of operational data particularly of sales. This has even led to over stocking of the materials to overcome the replenishment requirements of the company.

### Profit after Tax

Net profit increased by 102.36% to Rs. 250.67 mn in Fiscal year 2007 from Rs. 123.87 mn in Fiscal year

2006-07. The increase was mainly on account of increase in sales due to opening of new stores, change in sales mix with an increase sales mix of non apparel goods with better net margins and FMCG products.

### Other Income

Other income earned in Fiscal year 2007 was Rs. 23.90 million in comparison to Rs. 6.46 million in Fiscal year 2006, an increase of 254.80%. This increase was mainly on account of increase in display charges on account of FMCG goods, receipt of commission on account of issuance of credit card under the co-branded card agreement with SBI Cards & Payment Services Private Limited

### Capital Employed

The total capital employed in the business increased by Rs. 242,208,720/- in 2006-07. This is reflected in the liabilities side of the balance sheet of the company through an increase in borrowing by Rs. 1,881,592,013/- and an increase in share capital by Rs. 540,616,707/-.

### Capital Structure

- The Company has authorised equity share capital of Rs. 25.00 Crores comprising 2.50 Crores equity shares of Rs. 10/- each and authorised preference share capital of Rs. 5.84 Crores divided into 4.00 Lacs preference shares of Rs. 146/- each.
- The paid up equity share capital of the Company increased from Rs. 164,906,050 in financial year 2005-06 to 183,247,950/- in 2006-07. Further 3,84,190 Preference Shares of Rs. 146/- were converted in to equity shares at a price of Rs. 146/- each during the year under review. The company has issued and allotted 12,50,000 equity shares of Rs. 10/- each at a premium of Rs. 190/- each to 49 investors on July 02, 2006 and further 2,00,000 equity shares of Rs. 10/- each were allotted to HDFC Ltd. at a premium of 190/- each

### Loan Profile

- Loans increased from Rs. 550,480,922/- to Rs. 2,432,072,935/- during the financial year 2006-07. The secured loans increased from Rs. 476,105,922/- in 2005-06 to Rs. 2,162,954,208/- in the financial year 2006-07. The unsecured loans increased from Rs. 74,375,000/- in 2005-06 to Rs. 269,118,727/- in 2006-07. The secured loan is primarily on account of working capital facility and cash credit limit to finance the operations and to maintain the liquidity of the company
- The total Debt equity ratio stood at 1.71 : 1 in 2006-07 as compared to 0.76 : 1 in 2005-06. The debt is primarily consists of working capital facility and cash credit limit

### Capital Expenditure

During 2006-07, the Company incurred Capital expenditure of Rs. 885,786,143/- (inclusive of addition to WIP). The capital expenditure incurred during the year is primarily on account of adding up new stores to the Company's Portfolio of Stores and renovating existing stores.

### Intra Group Transaction

There were no Intra group transactions during the financial year 2006-07

### Gross Block Size and Nature of Assets

- The Company's gross block of assets increased from Rs. 459,934,501/- in the financial year 2005-06 to Rs. 1,329,272,543/- exclusive of Capital work in progress.

MANAGEMENT DISCUSSION  
AND ANALYSIS

The Capital Work in progress decreased from Rs. 46,404,301/- in the financial year 2005-06 to Rs. 10,877,703/- in the financial year 2006-07.

The ratio of sales to gross block has declined from 6.24 in 2005-06 to 4.53 in 2006-07

### Depreciation

- The Company provided for depreciation of Rs. 152,928,667/- in the financial year 2006-07 as compared to Rs. 53,612,792/- in the financial year 2005-06. The accumulated depreciation of the company comprised 19.38% of its gross assets. The Company uses Written down Value Method for computing depreciation on the company's assets.

### Staff Costs

Staff costs increased in Fiscal year 2007 to Rs. 274.08 million as compared to Rs. 135.44 million in Fiscal year 2006. The increase in employee cost is mainly on account of recruitment of employees for new stores opened during fiscal year 2007 and administrative staff in the head office. As a percentage of total sales, it decreased from 4.70% in Fiscal year 2006 to 4.55 % in Fiscal year 2007.

### Manufacturing and Administrative Expenses

Manufacturing and administrative expenses increased in Fiscal year 2007 to Rs. 301.94 million as compared to Rs. 179.90 million in Fiscal year 2006. As a percentage of total sales, it decreased from 6.24% in Fiscal 2006 to 5.01% in Fiscal year 2007. This is mainly due to decrease in overall fabrication and other manufacturing expenses from 4.44% (as percentage of sales) in fiscal year 2006 to 3.39% (as percentage of sales) in fiscal year 2007.

### Interest Outflow

Interest and finance charge has increased from Rs. 29,115,275/- in the Fiscal year 2006 to Rs. 147,536,359/- in the Fiscal year 2007. The increase is due to loans taken from the banks/Financial Institutions for financing the future expansion plans of the Company.

### Foreign exchange earnings and outgo:

- There were no foreign exchange earnings during the last year under review.
- The Company has incurred foreign outgo Rs. 36,58,25,813/- (Rupees Thirty Six Crores fifty Eight L a c s Twenty five thousand and Eight hundred Thirteen only) in the Fiscal year 2007, which was primarily on account of capital goods and purchase of goods

### Earning per Share

- During Fiscal year 2007, Basic Earning per Share (EPS) was Rs. 13.97 as compared to Rs. 7.92 in Fiscal year 2006.
- The diluted earning per share (DPS) during Fiscal year 2007 was Rs. 13.97 as compared to Rs. 7.83 in Fiscal year 2006.

**On behalf of the Board of Directors**

Sd/-

**Ram Chandra Agarwal**  
Chairman

Date : 13.08.2007  
Place : New Delhi

## ANNEXURE II

**FORM A of "THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988"**

Disclosure of particulars with respect to conservation of energy

| <b>Power and fuel Consumption</b> | <b>2006-07</b> | <b>2005-06</b> |
|-----------------------------------|----------------|----------------|
| <b>Electricity</b>                |                |                |
| <b>Purchased</b>                  |                |                |
| • Unit                            | 414231         | 56282          |
| • Rate/Unit                       | 4.10           | 4.48           |
| • Total Amount                    | 16,98,347      | 2,52,143       |
| <b>Furnace Oil</b>                |                |                |
| • Quantity (tones)                | Nil            | Nil            |
| • Total cost                      | Nil            | Nil            |
| • Average rate                    | Nil            | Nil            |
| <b>HSD</b>                        |                |                |
| • Quantity (tones)                | Nil            | Nil            |
| • Total cost                      | Nil            | Nil            |
| • Average rate                    | Nil            | Nil            |

## Disclosure of particulars with respect to technology absorption

## Research and Development(R &amp; D)

We are engaged in the Retail Industry. We source most of our products from other suppliers/distributors and local vendors. We have our Manufacturing unit located at Udyog Vihar Phase-I, Gurgaon, where ready made clothes are being manufactured by us under our Private labels. We have not imported any technology during the financial year 2006-07.

1. Specific areas in which R & D carried out by the company Nil
2. Benefits derived as a result of the above R & D NA
3. Expenditure on R& D
  - a) Capital Nil
  - b) Recurring Nil
  - c) Total Nil
  - d) Total R & D expenditure as a percentage of total turnover. Nil

Technology absorption, adaptation and innovation : Nil

Technology imported No

Year of import Na

Has technology been fully absorbed? Na

## Foreign Exchange Earnings and outgo

(Amount in Rs.)

| Particulars                      | 2006-07      | 2005-06     |
|----------------------------------|--------------|-------------|
| <b>Foreign Exchange Outgo</b>    |              |             |
| • Traveling                      | 1265780.00   | 1074736.00  |
| • Consultancy                    | Nil          | Nil         |
| • Others                         | Nil          | Nil         |
| <b>Imports</b>                   |              |             |
| • Raw Materials                  | Nil          | Nil         |
| • Finished Goods                 | 238611284.20 | 84601164.11 |
| • Capital Goods                  | 127214529.00 | 42618954.96 |
| • Others                         | Nil          | Nil         |
| <b>Foreign Exchange Earnings</b> |              |             |
| • Earnings in foreign exchange   | Nil          | Nil         |

On behalf of the Board of Directors

Report Junction.com

Date : 13.08.2007  
Place : New Delhi

Sd/-  
Ram Chandra Agarwal  
Chairman



## ANNEXURE III

Particulars of the employees drawing remuneration of more than Rs. 24,00,000/- for the 12 months period from 01.04.2006 to 31.03.2007 or Rs. 2,00,000/- per month as per Section 217(2A) of the Companies Act, 1956.

| Name                         | Age | Designation                              | Remuneration<br>(Yearly in Rs.) | Qualification | Experience<br>(Years) | Date of<br>Employment | Last<br>Employment | Nature of<br>employment<br>whether<br>contractual<br>or<br>otherwise<br>and duties | The<br>percentage<br>of equity<br>shares<br>held<br>by the<br>employee<br>in the<br>company |
|------------------------------|-----|--|---------------------------------|---------------|-----------------------|-----------------------|--------------------|--|---|
| Ram<br>Chandra<br>Agarwal    | 40  | Managing<br>Director                     | 60,00,000/-                     | B. Com        | 22                    | 23.07.2001            | N.A.               | Permanent  | 5.11 %  |
| Surendra<br>Kumar<br>Agarwal | 45  | Whole<br>Time<br>Director                | 32,08,734/-                     | B. Com        | 15                    | 23.07.2001            | N.A.               | Permanent  | 0.01 %  |
| Manmohan<br>Agarwal          | 30  | Head-SCM<br>& Men's<br>Ethnic<br>Apparel | 24,75,000/-                     | B. Com        | 10                    | 01.08.2002            | N.A.               | Permanent  | Nil   |

**Notes:**

1. Remuneration comprises Salary, House Rent Allowance and Conveyance Allowance.
2. Sh. Ram Chandra Agarwal and Sh. Surendra Kumar Agarwal were Promoters and first Directors of the company.
3. All the employees mentioned above have adequate experience to discharge the duties assigned to them.

On behalf of the Board of Directors

Date : 13.08.2007  
Place : New Delhi

Sd/-  
Ram Chandra Agarwal  
Chairman

# CORPORATE GOVERNANCE REPORT

## PHILOSOPHY ON CODE OF GOVERNANCE:

Vishal Retail defines Corporate Governance as a systemic process by which companies are directed and controlled to enhance their wealth generating capacity. Since corporations employ vast quantum of societal resources, we believe that the governance process should ensure that these companies are managed in a manner that meets stakeholder's aspirations and societal expectations.

### Core Principles

Corporate Governance is an integral part of values, ethics and best business practices followed by the Company. The core principles of the Company are:

- i) Management must have the executive freedom to drive the enterprise forward without undue restraints; and
- (ii) This freedom of management should be exercised within a framework of effective accountability.

Vishal Retail believes that any meaningful policy on Corporate Governance must provide empowerment to the executive management of the Company and simultaneously create a mechanism of checks and balances which ensures that the decision making powers vested in the executive management is not only not misused, but is used with care and responsibility to meet stakeholder aspirations and societal expectations.

### Values

The Corporate Governance Policy of Vishal Retail Limited is based on following values, namely trusteeship, transparency, empowerment and accountability, control and ethical corporate citizenship. Vishal Retail believes that the practice of each of these leads to the creation of the right corporate culture in which the company is managed in a manner that fulfils the purpose of Corporate Governance.

### Trusteeship

Vishal Retail believes that corporations like itself have both a social and economic purpose. They represent a coalition of interests, namely those of the shareholders, other providers of capital, business associates and employees. This belief therefore casts a responsibility of trusteeship on the Company's Board of Directors. They are to act as trustees to protect and enhance shareholder value, as well as to ensure that the Company fulfils its obligations and responsibilities to its other stakeholders. Inherent in the concept of trusteeship is the responsibility to ensure equity, namely, that the rights of all shareholders, large or small, are protected.

### Transparency:

Vishal Retail believes that transparency means explaining Company's policies and actions to those to whom it has responsibilities. Therefore transparency must lead to maximum appropriate disclosures without jeopardising the Company's strategic interests. Internally, transparency means openness in Company's relationship with its employees, as well as the conduct of its business in a manner that will bear scrutiny. We believe transparency enhances accountability.

### Empowerment and Accountability:

Empowerment is an essential concomitant of Vishal Retail's first core principle of governance that management must have the freedom to drive the enterprise forward. Vishal Retail believes that empowerment is a process of actualising the potential of its employees. Empowerment unleashes creativity and innovation throughout the organisation by truly vesting decision-making powers at the most appropriate levels in the organisational hierarchy.

Vishal Retail believes that the Board of Directors are accountable to the shareholders, and the management is accountable to the Board of Directors. We believe that empowerment, combined with accountability, provide an impetus to performance and improve effectiveness, thereby enhancing shareholder value.

## Control

Vishal Retail believes that control is a necessary concomitant of its second core principle of governance that the freedom of management should be exercised within a framework of appropriate checks and balances. Control should prevent misuse of power, facilitate timely management response to change and ensure that business risks are preemptively and effectively managed.

## Ethical Corporate Citizenship

Vishal Retail believes that corporations like itself have a responsibility to set exemplary standards of ethical behaviour, both internally within the organisation, as well as in their external relationships. We believe that unethical behaviour corrupts organisational culture and undermines stakeholder value.

In a nutshell, the philosophy can be described as observing of business practices with the ultimate aim of enhancing long term shareholders' value and commitment to high standard of business ethics. The Company has in place a Code of Corporate Ethics and Conduct reiterating its commitment to maintain the highest standards in its interface with stakeholders and clearly laying down the core values and corporate ethics to be practiced by its entire management cadre.

## BOARD OF DIRECTORS:

The Composition of Board of Directors is as follows:

|                                    |     |
|------------------------------------|-----|
| Executive Promoter Director        | 3   |
| Independent Non Executive Director | 3   |
| Nominee Director                   | Nil |

The Chairman of your Company, Mr. Ram Chandra Agarwal, is an Executive Director.

## BOARD MEETINGS

During the Fiscal Year 2007, 24 Board Meetings were held as per following details:-

| S. No. | Date of Board Meeting | S. No. | Date of Board Meeting |
|--------|-----------------------|--------|-----------------------|
| 1.     | 04.04.2006            | 2.     | 07.04.2006            |
| 3.     | 20.04.2006            | 4.     | 08.05.2006            |
| 5.     | 22.05.2006            | 6.     | 02.06.2006            |
| 7.     | 05.06.2006            | 8.     | 02.06.2006            |
| 9.     | 10.07.2006            | 10.    | 21.07.2006            |
| 11.    | 18.08.2006            | 12.    | 25.08.2006            |
| 13.    | 09.09.2006            | 14.    | 30.09.2006            |
| 15.    | 25.10.2006            | 16.    | 31.10.2006            |
| 17.    | 13.11.2006            | 18.    | 14.11.2006            |
| 19.    | 30.11.2006            | 20.    | 14.12.2006            |
| 21.    | 01.01.2007            | 22.    | 05.02.2007            |
| 23.    | 05.03.2007            | 24.    | 17.03.2007            |

CORPORATE GOVERNANCE  
REPORT

Composition of Board of Directors and their Attendance in the Board Meetings held as specified above

| Name of Director                                 | Designation                        | No. of Board Meetings |          | Attendance at last AGM (21.09.2006) | No. of other Directorships | Committee Membership | Committee Chairmanship |
|--|------------------------------------|-----------------------|----------|-------------------------------------|----------------------------|----------------------|------------------------|
|  |                                    | Held                  | Attended |                                     |                            |                      |                        |
| Ram Chandra Agarwal                              | Chairman & Managing Director       | 24                    | 24       | Yes                                 | 3                          | Nil                  | Nil                    |
| Uma Agarwal                                      | Whole time Director                | 24                    | 24       | Yes                                 | 3                          | Nil                  | Nil                    |
| Surendra Kumar Agarwal                           | Whole time Director                | 24                    | 24       | Yes                                 | 1                          | Nil                  | Nil                    |
| Bharat Jain<br>(Appointed on 08.05.2006)         | Non Executive Independent Director | 20*                   | 14       | Yes                                 | 12                         | 2                    | Nil                    |
| Jai Prakash Shukla<br>(Appointed on 30.09.2006)  | Non Executive Independent Director | 10*                   | 8        | NA                                  | Nil                        | 3                    | Nil                    |
| Rakesh Aggarwal<br>(Appointed on 31.10.2006)     | Non Executive Independent Director | 8*                    | 7        | NA                                  | 1                          | 2                    | 1                      |
| Shyam Sunder Dhanuka<br>(Resigned on 09.11.2006) | Non Executive Independent Director | 15*                   | 1        | No                                  | 4                          | Not Available        | Not Available          |
| Praveen Kumar Jain<br>(Resigned on 30.08.2006)   | Non Executive Independent Director | 11*                   | 10       | NA                                  | 3                          | Not Available        | Not Available          |

\*Meetings held during his tenure

### COMMITTEES OF THE BOARD

The Company has constituted Audit Committee, Remuneration Committee and Investor Grievances Committee as mandated under Clause 49 of the Listing Agreement. The Composition of these committees is given below. Apart from above, the Company has constituted various other Committees for managing the day to day decision/operations of the Company.

| Name of the Director   | Audit    | Remuneration | Investors Grievances |
|------------------------|----------|--------------|----------------------|
| Ram Chandra Agarwal    | —        | —            | —                    |
| Uma Agarwal            | —        | —            | —                    |
| Surendra Kumar Agarwal | —        | —            | Member               |
| Bharat Jain            | Member   | Member       | —                    |
| Jai Prakash Shukla     | Member   | Member       | Member               |
| Rakesh Agarwal         | Chairman | Member       | Member               |

All decisions pertaining to the constitution of the Committee, appointment of members of the Committee and fixing of terms of service for committee members are taken by the Board of Directors. Details on the role and composition of these committees, including the number of meetings held during the financial year and attendance, are provided below:



## AUDIT COMMITTEE

The Company has constituted an Audit Committee of Directors on May 22, 2006 as mandated under the provisions of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The Constitution of the Audit Committee is as follows:

| Designation          | Designation                        | Ceased to be Member on | Chairman/Member |
|----------------------|------------------------------------|------------------------|-----------------|
| Shyam Sunder Dhanuka | Non Executive Independent Director | 09.11.2006             | Member          |
| Praveen Kumar Jain   | Non Executive Independent Director | 25.08.2006             | Member          |
| Bharat Jain          | Non Executive Independent Director | NA                     | Member          |
| Jai Prakash Shukla   | Non Executive Independent Director | NA                     | Member          |
| Rakesh Aggarwal      | Non Executive Independent Director | NA                     | Chairman        |
| Arun Gupta           | Company Secretary                  | NA                     | Secretary       |

The details of Audit Committee meetings & presence of Members in the same are as follows:-

| S. No. | Name of Director     | Dates of Audit Committee Meetings |            |            |            |
|--------|----------------------|-----------------------------------|------------|------------|------------|
|        |                      | 14.08.2006                        | 27.11.2006 | 16.01.2007 | 19.03.2007 |
| 1      | Shyam Sunder Dhanuka | A                                 | NA         | NA         | NA         |
| 2      | Praveen Kumar Jain   | P                                 | NA         | NA         | NA         |
| 3      | Bharat Jain          | P                                 | P          | P          | P          |
| 4      | Jai Prakash Shukla   | NA                                | P          | P          | P          |
| 5      | Rakesh Aggarwal      | NA                                | P          | P          | P          |

The functions of the Audit Committee include the following:

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - A. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
  - b. Changes, if any, in accounting policies and practices and reasons for the same
  - c. Major accounting entries involving estimates based on the exercise of judgment by management
  - d. Significant adjustments made in the financial statements arising out of audit findings
  - e. Compliance with listing and other legal requirements relating to financial statements
  - f. Disclosure of any related party transactions
  - G. Qualifications in the draft audit report.



CORPORATE GOVERNANCE  
REPORT

- Reviewing, with the management, the quarterly financial statements before submission to the board for approval
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

**Powers of Audit Committee**

The Audit Committee is empowered, pursuant to its terms of reference, to:

- Investigate any activity within its terms of reference and to seek any information it requires from any employee
- Obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary
- Obtain legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, when considered necessary

**REMUNERATION COMMITTEE**

The Remuneration Committee comprises of three independent directors, The Remuneration Committee was constituted on May 22, 2006. The details of Members of the Remuneration Committee as on March 31, 2007 are as follows:

| Designation          | Designation                        | Ceased to be Member on | Chairman/Member |
|----------------------|------------------------------------|------------------------|-----------------|
| Shyam Sunder Dhanuka | Non Executive Independent Director | 09.11.2006             | Member          |
| Praveen Kumar Jain   | Non Executive Independent Director | 25.08.2006             | Member          |
| Bharat Jain          | Non Executive Independent Director | NA                     | Member          |
| Jai Prakash Shukla   | Non Executive Independent Director | NA                     | Member          |
| Rakesh Aggarwal      | Non Executive Independent Director | NA                     | Member          |

The functioning and terms of reference of the Committee are as prescribed under the listing Agreement with the Stock Exchanges. The Remuneration paid to the directors were as follows:



| Name of the Director   | Salary & Perquisites | Sitting fees    | Commission | Total          |
|------------------------|----------------------|-----------------|------------|----------------|
| Ram Chandra Agarwal    | 6.0 Million          | NA              | Nil        | 6.0 Million    |
| Uma Agarwal            | 0.9 Million          | NA              | Nil        | 0.9 Million    |
| Surendra Kumar Agarwal | 3.21 Million         | NA              | Nil        | 3.21 Million   |
| Bharat Jain            | NA                   | 0.035 Million*  | Nil        | 0.035 Million  |
| Jai Prakash Shukla     | NA                   | 0.02 Million*   | Nil        | 0.02 Million   |
| Rakesh Aggarwal        | NA                   | 0.0175 Million* | Nil        | 0.0175 Million |

\*Setting fees due

The Non Executive Independent Directors of the Company do not hold any shares of the Company.

### SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Shareholders'/Investors' Grievance Committee comprises of two Non Executive Independent Director and One Executive Director. The Shareholders'/Investors' Grievance Committee was constituted on May 22, 2006. The details of Members of the Shareholders'/Investors' Grievance as on March 31, 2007 is as follows:

| Designation            | Designation                        | Ceased to be Member on | Chairman/Member |
|------------------------|------------------------------------|------------------------|-----------------|
| Shyam Sunder Dhanuka   | Non Executive Independent Director | 09.11.2006             | Member          |
| Praveen Kumar Jain     | Non Executive Independent Director | 25.08.2006             | Member          |
| Surender Kumar Agarwal | Executive Director                 | NA                     | Member          |
| Rakesh Aggarwal        | Non Executive Independent Director | NA                     | Member          |
| Jai Prakash Shukla     | Non Executive Independent Director | NA                     | Member          |

The responsibilities of the Shareholders'/ Investors' Grievance Committee is to supervise the mechanism of investor grievance redressal and to ensure cordial investor relations. The Company has not received Complaint from any shareholder during the financial year ending March 31, 2007, therefore, no Shareholders'/Investors' Grievance Committee meeting was held.

### SHARE TRANSFER COMMITTEE

The Share Transfer Committee comprises of two Non Executive Independent Director and One Executive Director. The Share Transfer Committee was constituted on May 22, 2006. The details of Members of the Share Transfer Committee on March 31, 2007 are as follows:-

| Designation            | Designation                        | Ceased to be Member on | Chairman/Member |
|------------------------|------------------------------------|------------------------|-----------------|
| Shyam Sunder Dhanuka   | Non Executive Independent Director | 09.11.2006             | Member          |
| Praveen Kumar Jain     | Non Executive Independent Director | 25.08.2006             | Member          |
| Surender Kumar Agarwal | Executive Director                 | NA                     | Member          |
| Rakesh Aggarwal        | Non Executive Independent Director | NA                     | Member          |
| Jai Prakash Shukla     | Non Executive Independent Director | NA                     | Member          |

The responsibilities of the Shareholders'/ Investors' Grievance Committee is to approve transfer/transmission of shares/debentures/bonds of the Company; to issue certificates of shares/debentures/bonds on allotment thereof and on split/consolidation/renewal thereof; and to issue duplicate certificates under the seal of the Company

## MANAGEMENT

### Management discussion and analysis

Management Discussion & Analysis has been dealt extensively in the Annexure I attached to the Director's Report.

### Disclosure

A Disclosure of all related party transactions has been made in the notes to the accounts of the balance sheet presented in this Annual Report. All the Directors have disclosed their interest in Form No. 24AA pursuant to Section 299 of the Companies Act, 1956 and as and when any changes in their interests take place, they are placed before the Board at its meetings.

### Disclosure of Accounting Treatment in preparation of financial statements

The Company has followed the guidelines of accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

### Code for Prevention of Insider trading Practices

In compliance with the SEBI regulation on prevention of insider trading, the Company has formulated a comprehensive code of conduct for its management and staff. The Code is available on the Company's Website and the Board of Directors has approved the same on August 13, 2007.

### Code for Conduct for the Directors and the Senior Management of the Company

In compliance with the Clause 49 of the Listing Agreement the company has laid down the Code of Conduct for the Directors and the Senior Management of the Company. The Code is available on the Company's Website and the Board of Directors has approved the same on August 13, 2007.. Since the company has no code of conduct for the financial year 2006-07, therefore certification by CEO as to its compliance is not applicable.

### Risk Management Policy

Your Company in the process of framing a risk assessment and minimization procedures policy which will be reviewed by the Board periodically.

### Proceeds of the public issue

Your company raised an amount of Rs. 1100 Million through IPO and based upon the bids received for the IPO, 4,074,074 shares of nominal value of Rs. 10 each were allotted at a premium of Rs. 260/- per share on June 26, 2007.

The utilization of the public issue proceed is being done in the same way as is stated in the prospectus. The item has not yet being kept before the audit committee since, the time period of a quarter to that date has not yet ended.

## GENERAL BODY MEETINGS

The details of the last three Annual General Meetings are as follows:



| Financial Year | Venue  | Date       | Time     |
|----------------|--|------------|----------|
| 2006-07        | RZ-A- 95 & 96, Road No. 4, Street No. 9, Mahipalpur Extn.,<br>New Delhi-110037 | 21.09.2006 | 10:30 AM |
| 2005-06        | Mouza-Kochpukur, P.S. Bhangore 24 Parganas,<br>West Bengal                     | 05.09.2005 | 11.00 AM |
| 2004-05        | Mouza-Kochpukur, P.S. Bhangore 24 Parganas,<br>West Bengal                     | 30.09.2004 | 11.00 AM |

The details of the last three **Extra Ordinary General Meetings** are as follows:

| Financial Year | Venue  | Date       | Time     |
|----------------|--|------------|----------|
| 2006-07        | RZ-A- 95 & 96, Road No. 4, Street No. 9, Mahipalpur Extn.,<br>New Delhi-110037 | 25.01.2007 | 10:30 AM |
| 2005-07        | RZ-A- 95 & 96, Road No. 4, Street No. 9, Mahipalpur Extn.,<br>New Delhi-110037 | 04.12.2006 | 10:30 AM |
| 2006-07        | RZ-A- 95 & 96, Road No. 4, Street No. 9, Mahipalpur Extn.,<br>New Delhi-110037 | 03.07.2006 | 10:30 AM |

## Special Resolutions

### Financial Year 2006-07

#### Annual General Meeting (AGM) (21.09.2006)

- Payment of sitting fees to Non Executive Directors
- Adoption of new set of Articles to ensure compliance with SEBI provisions.

**Financial Year 2005-06: Nil**

**Financial Year 2004-05: Nil**

#### Extra Ordinary General Meetings (EGM)

- **25.01.2007**
  - Change in Objects Clause of the Company
- **04.12.2006**
  - Appointment of Relative of Director to an Office or place of profit.
- **03.07.2006**
  - Alteration in the Memorandum of Association through Increase in Authorised Share Capital of the Company from Rs. 25,84,00,000/- (Rupees Twenty Five Crores and Eight Four Lacs Only) to Rs. 30,84,00,000/- (Rupees Thirty Crores and Eighty Four Lacs only)
- Conversion of Preference Shares into Equity Shares
- Preferential Allotment of 2,00,000 Equity Shares to HDFC Ltd.
- Further Issue of Equity Shares through IPO
- Alteration of Articles of Association of the Company consequent to change in Clause V of the Memorandum of Association of the company.

**DISCLOSURES**

- a) There were no materially significant related party transactions with the Promoters, Directors etc that may have potential conflict with the interests of the Company at large, except as specified in the Auditors' Report annexed to this Report.
- b) There were no non compliances by the Company, penalties, strictures imposed on the Company by Stock exchange or SEBI or any statutory authority, on any matter relating to the capital markets during the last three years.
- c) There were no pecuniary relationships or transactions of Non-executive Directors vis-à-vis the Company

**SUBSIDIARY COMPANY**

The company does not have any subsidiary company as on date.

**MEANS OF COMMUNICATION****FINANCIAL RESULTS**

The Results of the Company are furnished to the Stock Exchanges on a periodic basis (quarterly, half yearly and annually) after the approval of the Board of Directors. The results will be normally published in "Financial Express", and Regional News Paper within 48 hrs of approval of board. The details of the financial results and shareholding pattern are hosted on the company's website: [www.vishalmegamart.net](http://www.vishalmegamart.net). All other official news and press releases are also displayed on the website.

The Bombay Stock Exchange is in the process of shifting the EDIFAR process to Corporate Filing System. Currently, BSE is not allotting any EDIFAR registration number to the newly listed companies. Therefore, all the data relating to quarterly financial results, shareholding pattern etc. is not electronically available on the EDIFAR website.

**INFORMATION TO SHAREHOLDERS****DATE, TIME AND VENUE OF THE 6<sup>TH</sup> ANNUAL GENERAL MEETING**

The Sixth Annual General Meeting of the Company will be held on September 19, 2007 at NCUI Auditorium, Siri Fort Road, Khelgaon, New Delhi at 10:00 A.M.

**Dividend**

Considering the future expansion plans of the Company, the board of directors does not recommend any dividend for the financial year ending March 31, 2007.

**Date of Book Closure**

The Date of Book closure will be 15<sup>th</sup> September 2007 to 18<sup>th</sup> September 2007 (both days inclusive).

**Stock Performance**

Since your company has been recently listed on July 04, 2007, the data related to the Stock performance of the equity shares of your company vis a vis the Sensex and Nifty performance during the year ended March 31, 2007 is not available.

| Registered Office  | Corporate Office  |
|--|---|
| RZ-A- 95 & 96, Road No. 4, Street No. 9,<br>Mahipalpur Extn., New Delhi-110037<br>011-30622002 | Khasra No. 332, Near Telco Service Station,<br>Behind Shokeen Farm Lands, Rangpuri, New Delhi-110037<br>011-32431314-15 |

**Listing on Stock Exchanges**

The Equity Shares of the Company are listed in the Following Stock Exchanges:

- Bombay Stock Exchange Limited
- National Stock Exchange of India Limited

**Stock Exchange Code**

|  |           |
|--|-----------|
| Bombay Stock Exchange Limited            | 532687    |
| National Stock Exchange of India Limited | VISHALRET |

**Listing fees**

Listing Fees as prescribed has been paid fully to all the Stock Exchanges where the shares of the Company are listed

**Dematerialization of Shares**

The equity shares of your company are under physical mode as on March 31, 2007. The Company has entered into Tripartite Agreement with CDSL and Intime Spectrum Registry Limited for obtaining International Securities Identification Number for its equity shares on November 29, 2006 and received the same on December 13, 2006. Further Company has entered into similar agreement with NSDL on April 02, 2007 for obtaining International Securities Identification Number for its equity shares. The ISIN for the Equity Shares of the Company is **INE945H01013**.

**SHARE TRANSFER AGENTS****Intime Spectrum Registry Limited**

C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (West), Mumbai 400 078, Telephone No. :022-25960320-28

Fax No. :022-25960329 Email: [vishwas.atawar@intimespectrum.com](mailto:vishwas.atawar@intimespectrum.com)

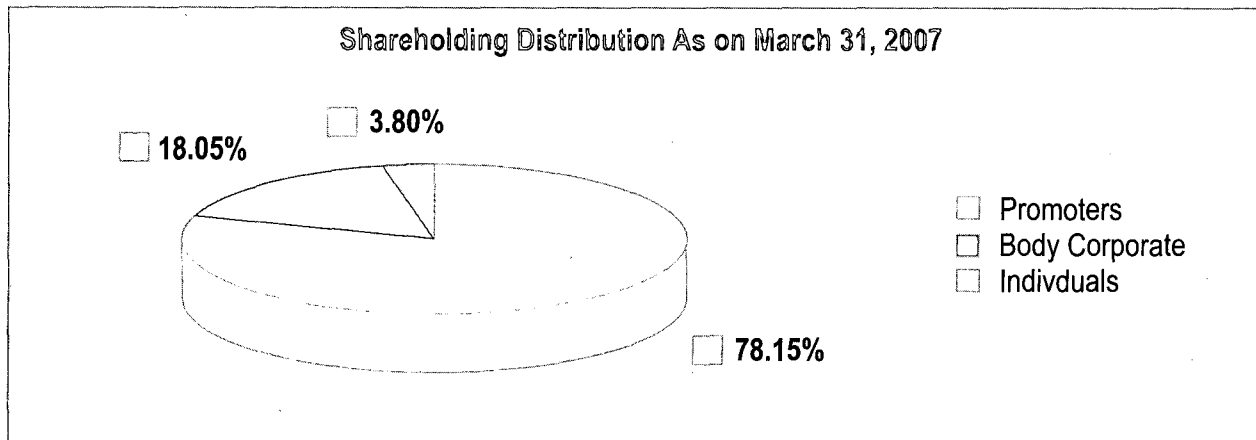
**Distribution of Shareholding-As on March 31, 2007**

| Share holding of nominal value (Rs.) | Share Holders |            | Share Amount |            |
|--------------------------------------|---------------|------------|--------------|------------|
|                                      | Number        | % to total | Rs.          | % to total |
| (1)                                  | (2)           | (3)        | (4)          | (5)        |
| Upto 5000                            | 0             | 0.00       | 0            | 0.00       |
| 5001-10000                           | 2             | 3.39       | 20000        | 0.01       |
| 10001-20000                          | 5             | 8.47       | 90000        | 0.05       |
| 20001-30000                          | 7             | 11.86      | 175000       | 0.1        |
| 30001-40000                          | 1             | 1.69       | 35000        | 0.02       |
| 40001-50000                          | 4             | 6.78       | 200000       | 0.11       |
| 50001-100000                         | 8             | 13.56      | 660000       | 0.36       |
| 100001 and above                     | 32            | 54.24      | 182067950    | 99.36      |
| Total                                | 59            | 100        | 183247950    | 100        |

**Shareholding Pattern-As on March 31, 2007**

| Category of Shareholders        | No. of Shares   | % of total shares |
|---------------------------------|-----------------|-------------------|
| Promoters                       | 14320000        | 78.15%            |
| Foreign Institutional Investors | Nil             | Nil               |
| Financial Institutions/Banks    | Nil             | Nil               |
| Mutual Funds                    | Nil             | Nil               |
| Venture Capital                 | Nil             | Nil               |
| Insurance                       | Nil             | Nil               |
| Body Corporate                  | 3307795         | 18.05%            |
| Individuals                     | 697000          | 3.80%             |
| <b>Total</b>                    | <b>18324795</b> | <b>100%</b>       |





**Internet Access:** [www.vishalmegamart.net](http://www.vishalmegamart.net)

The website of the Company contains all relevant information about the Vishal Retail family. The Annual Reports, Shareholding pattern, unaudited quarterly results and all other material information as and when prepared will be hosted in this site.

**On behalf of the Board of Directors**

Date:13.08.2007

Place:New Delhi

Sd/-

**Ram Chandra Agarwal**  
**Chairman**



# AUDITORS REPORT ON CORPORATE GOVERNANCE

To the shareholders of Vishal Retail Limited

We have examined the compliance of conditions of corporate governance by Vishal Retail Limited for the year ended on March, 2007 as stipulated by Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the provisions relating to Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given us, we certify that the Company has complied in all material aspects with the conditions of corporate governance as stipulated in the above-mentioned Listing Agreement. to the extent it was applicable on the Company.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency with or effectiveness with which the management has conducted the affairs of the Company.

Report  junction.com

for **CP Associates, Company Secretaries**

Date:13.08.2007

Place:New Delhi

Sd/-

**Arun Gupta**

**Proprietor**

Membership No. 5149

# AUDITORS REPORT

## TO THE MEMBERS OF VISHAL RETAIL LIMITED

We have audited the attached Balance Sheet of **VISHAL RETAIL LIMITED** as at 31<sup>st</sup> March, 2007, the Profit & Loss Account and the Cash Flow Statement of the company for the year ended on that date annexed thereto.

### Respective Responsibility Of The Management And The Auditor

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

### Basis of Opinion:

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

### Opinion:

We report as under

1. As required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanation given to us by the management, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order
2. Further to our comments in the Annexure referred to in paragraph 1 above
  - a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books
  - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this Report are in agreement with the books of account
  - d) In our opinion, the Profit & Loss Account, Balance Sheet and Cash Flow Statement comply with Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent they are applicable to the Company.
  - e) On the basis of written representations received from the Directors of the Company as on 31<sup>st</sup> March, 2007, and taken on record by the Board of Directors of the Company, we report that none of the Director is disqualified as on 31<sup>st</sup> March, 2007 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Act.
  - f) The opening balances lying in the books of account as on 1<sup>st</sup> April, 2006, has been audited by the previous auditors and the same have been relied upon by us.
  - g) In our opinion and to the best of information and according to the explanations given to us, the said accounts, read together with the notes thereon, give the information required by the Act in the manner so required and, give a true and fair view in conformity with the accounting policies generally in India:



- i) in case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2007
- ii) in case of the Profit & Loss Account, of the profit of the Company for the year ended on that date; and
- iii) in case of Cash Flow statement, of the cash flows of the Company for the year ended on that date.

For Haribhakti & Co., Chartered Accountants

Sd/-  
Chetan Desai  
Partner  
Membership No. 17000  
Place: Delhi  
Date: 25<sup>th</sup> May, 2007.



# ANNEXURE TO THE AUDITORS' REPORT

## ANNEXURE REFERRED TO IN PARAGRAPH I OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF VISHAL RETAIL LIMITED

### Fixed Assets:

1. The Company is in the process of maintaining proper records showing full particulars, including quantitative details of fixed assets.
2. The company has a policy for physical verification of its fixed assets over a period of three years, which in our opinion is reasonable having regard to the size of the company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by the Management during the year. We are informed that no material discrepancies were noticed on such verification
3. During the year, the Company has not disposed off major part of its fixed assets

### Inventories:

4. As explained to us, the inventory has been physically verified by the management for majority of the location. In our opinion, the frequency of verification should be made reasonable.
5. According to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate according to the size of the company and the nature of its business
6. On the basis of our examination of the records of the Company, we are of the opinion that the Company is maintaining proper records of inventory

### Related party transactions:

7. According to the information and explanations given to us, the company has not granted loans during the year to the parties covered in the register maintained under section 301 of the Act
8. According to the information and explanations given to us, the company has taken interest free unsecured loans from two companies during the year. The maximum amount involved during the year is aggregated to Rs. 4,76,61,940 and the year end balance of such loan is Rs. 4,66,23,225.
9. In our opinion, the rate of interest and other terms and conditions on which loans have been taken by the company are prima facie not prejudicial to the interest of the company.
10. According to the information and explanations given to us, the company is regular on repayment of principal amount.
11. On the basis of the audit procedures performed by us, and according to the information, explanations and representations given to us, we are of the opinion that, the transactions in which directors were interested as contemplated under Section 297 and sub section (6) of section 299 of the Act, and which were required to be entered in the register maintained under section 301 of the said act, have been so entered.
12. In our opinion and according to the information and explanations given to us, each of these transactions exceeding the value of rupees five lacs in respect of any party during the year, are made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

### Internal Controls:

13. In our opinion and according to the information and explanations given to us, the existing internal control procedures are required to be made adequate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods.

**Internal Audit**

14. According to the information and explanations given to us, the Company does not have internal audit system.

**Deposits:**

15. According to the information and explanations provided to us, the Company has not accepted any deposits from the 'public' to which the provisions of section 58A and section 58AA of the Act, and the rules framed there under apply.

**Potentially Sick Company:**

16. The Company does not have any accumulated losses at the year end, and has not incurred any cash losses during the financial year and in the immediately preceding financial year.

**Statutory Dues:**

17. According to the information and explanations given to us, the company is regular in depositing the undisputed dues in relation to service tax and custom duty. There have been delays in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, professional tax, cess and other statutory dues, if any, applicable to it. Further, as explained to us the, provisions regarding excise duty and investor education and protection fund, are presently not applicable to the Company. As explained to us the, the company has following arrears of outstanding statutory dues, as at the last day of the financial year for a period of more than six months from the date they become payable:

| Name of the Statute                   | Nature of the dues         | Amount (Rs.) | Period to which it relates |
|---------------------------------------|----------------------------|--------------|----------------------------|
| Wealth Tax                            | Wealth Tax                 | 57,000       | 2004 to 2006               |
| Income Tax                            | Fringe Benefit Tax         | 2,68,925     | 2006 – 07                  |
| Income Tax                            | Dividend Distribution Tax  | 5,207        | 2006 – 07                  |
| Employees State Insurance Corporation | ESIC                       | 1,56,113     | 2006 – 07                  |
| Professional Tax                      | Professional Tax           | 36,899       | 2005 to 2007               |
| Sales Tax                             | Local Area Development Tax | 1,58,400     | 2006 – 07                  |

18. According to the information and explanations given to us, there are no dues of income tax, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute except for the dues in relation to sales tax as disclosed hereunder:

| Name of the Statute         | Nature of the dues and period to which it relates | Amount (Rs.) | Forum where dispute is pending                  |
|-----------------------------|---|--------------|---|
| Sales Tax Act (Orissa)      | Sales Tax demand (2002-03)                        | 21,88,091    | Additional Asst. commissioner of Commercial Tax |
| Sales Tax Act (West Bengal) | Sales Tax demand (2002-03)                        | 15,27,586    | Additional Asst. commissioner of Commercial Tax |
| Sales Tax Act (West Bengal) | Sales Tax demand (2002-03)                        | 5,78,275     | Asst. commissioner of Commercial Tax            |
| Sales Tax Act (West Bengal) | Sales Tax demand (2002-03)                        | 52,26,940    | Asst. commissioner of Commercial Tax            |
| Sales Tax Act (Delhi)       | Sales Tax demand (2002-03)                        | 11,49,937    | Deputy Commissioner of Sales Tax                |



ANNEXURE TO THE  
AUDITORS' REPORT

| Name of the Statute      | Nature of the dues and period to which it relates | Amount (Rs.) | Forum where dispute is pending                  |
|--------------------------|---|--------------|---|
| Sales Tax Act (Guwahati) | Sales Tax demand ( 2002-03)                       | 10,00,000    | Superintendent of Taxes                         |
| Sales Tax Act (Orissa)   | Entry Tax demand ( 2002-03)                       | 20,30,032    | Additional Asst. commissioner of Commercial Tax |
| Sales Tax Act (Orissa)   | Entry Tax demand ( 2004-05)                       | 12,88,400    | Assessing Authority                             |
| Sales Tax Act (Orissa)   | Sales Tax demand ( 2004-05)                       | 9,98,068     | Additional Asst. commissioner of Commercial Tax |

**Default in repayment of dues:**

19. According to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.

**Loans and Advances granted on the basis of securities:**

20. According to the records of the Company and according to the information and explanations provided to us, we are of the opinion that the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

**Guarantees Given:**

21. In respect of a guarantee given by the company for a loan taken by a director, terms and conditions thereon are prima facie not prejudicial to the interest of the company.

**Term Loan:**

22. In our opinion and according to the information and explanations given to us, the term loans were applied for the purpose for which they were obtained.

**Sources and Application of Funds:**

23. Based on our examination of the balance sheet of the company as at March 31, 2007 on an overall basis and as per the information and explanation given to us, we find that the no funds raised on short term basis were utilized for long term purpose.

**Preferential Allotment:**

24. According to the information and explanations given to us, the company has not made preferential allotments of equity shares to the parties listed in the register maintained under Section 301 of the Act.

**Security or Charge created in respect of Debentures:**

25. In respect of debentures issued the documents for creation of security or charge have not been produced for our verification.

**Fraud:**

26. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

**Miscellaneous:**

27. The clauses (iii) (b) (c) & (d), (viii), (xiii), (xiv) and (xx) of the paragraph 4 & 5 of the Order are not applicable to the company and hence not reported upon.

For Haribhakti & Co., Chartered Accountants

Sd/-  
Chetan Desai  
Partner  
Membership No. 17000  
Place: Delhi  
Date: 25<sup>th</sup> May, 2007

# VISHAL RETAIL LIMITED

## Balance Sheet as at 31st March, 2007

(Amount in Rs.)

| PARTICULARS   | SCHEDULE | 31ST MAR' 2007              | 31ST MAR' 2006              |
|---|----------|-----------------------------|-----------------------------|
| <b>SOURCES OF FUNDS</b>   |          |                             |                             |
| <b>Shareholders' Funds</b>  |          |                             |                             |
| Share Capital   | 1        | 183,247,950                 | 220,997,790                 |
| Reserves & Surplus  | 2        | 1,084,374,402               | 506,007,855                 |
|   |          | <u>1,267,622,352</u>        | <u>727,005,645</u>          |
| <b>Loans Funds</b>  |          |                             |                             |
| Secured Loan  | 3        | 2,162,954,208               | 476,105,922                 |
| Unsecured Loan  | 4        | 269,118,727                 | 74,375,000                  |
|   |          | <u>2,432,072,935</u>        | <u>550,480,922</u>          |
| Deferred Tax Liability  |          | 18,023,876                  | 12,662,503                  |
| <b>Total</b>  |          | <u><b>3,717,719,163</b></u> | <u><b>1,290,149,070</b></u> |
| <b>APPLICATION OF FUNDS</b>   |          |                             |                             |
| <b>Fixed Assets</b>   | 5        |                             |                             |
| Gross Block   |          | 1,329,272,543               | 459,934,501                 |
| Less: Accumulated Depreciation/Amortization                                     |          | <u>257,672,637</u>          | <u>105,951,659</u>          |
| <b>Net Block</b>  |          | <u>1,071,599,906</u>        | <u>353,982,842</u>          |
| Capital Work in Progress  |          | 10,877,703                  | 46,404,301                  |
|   |          | <u><b>1,082,477,609</b></u> | <u><b>400,387,143</b></u>   |
| <b>Current Assets, Loans &amp; Advances</b>                                     |          |                             |                             |
| <b>(a) Current Assets</b>   |          |                             |                             |
| Inventories   | 6        | 2,491,476,462               | 781,984,915                 |
| Sundry Debtors  | 7        | 1,198,073                   | 927,541                     |
| Cash & Bank Balances  | 8        | 151,513,421                 | 82,663,012                  |
| <b>(b) Loans &amp; Advances</b>   |          |                             |                             |
| Loans & Advances  | 9        | 662,838,570                 | 325,934,947                 |
|   |          | <u><b>3,307,026,526</b></u> | <u><b>1,191,510,415</b></u> |
| <b>Less: Current Liabilities &amp; Provisions</b>                               |          |                             |                             |
| Current Liabilities   | 10       | 467,059,647                 | 224,352,487                 |
| Provisions  | 11       | 204,725,325                 | 77,416,000                  |
|   |          | <u><b>671,784,972</b></u>   | <u><b>301,768,487</b></u>   |
| <b>Net Current Assets</b>   |          | <b>2,635,241,554</b>        | <b>889,741,927</b>          |
| <b>Miscellaneous Expenditure</b><br>(to the extent not written off or adjusted) |          | -                           | 20,000                      |
| <b>Total</b>  |          | <u><b>3,717,719,163</b></u> | <u><b>1,290,149,070</b></u> |
| Significant Accounting Policies & Notes on Accounts                             | 18       |                             |                             |

As per our attached report of even date

For Haribhakti &amp; Co.

Chartered Accountants

For and on behalf of the Board

Vishal Retail Limited

Sd/-  
Chetan Desai  
(Partner)

Place : Delhi

Date : 25th May, 2007

Sd/-  
Ram Chandra Agarwal  
Managing DirectorSd/-  
Uma Agarwal  
DirectorSd/-  
Arun Gupta  
Company Secretary

**VISHAL RETAIL LIMITED**  
**Profit and loss account for the year ended 31st March, 2007**

|   |                | Amount in Rs.        |                      |
|---|----------------|----------------------|----------------------|
| PARTICULARS   | SCHEDULE       | 2006-07              | 2005-06              |
| <b>INCOME</b>                                       |                |                      |                      |
| Sales   | 12             | 6,026,525,093        | 2,884,426,748        |
| Other Income  | 13             | 23,897,755           | 6,455,060            |
| <b>Total (A)</b>                                    |                | <b>6,050,422,848</b> | <b>2,890,881,808</b> |
| <b>EXPENDITURE</b>                                  |                |                      |                      |
| Cost of goods                                       | 14             | 3,462,811,407        | 1,736,918,485        |
| Manufacturing, Administrative and other expenses    | 15             | 1,603,382,782        | 743,584,017          |
| Personnel Expenses                                  | 16             | 289,949,477          | 141,476,737          |
| Finance Cost  | 17             | 147,536,359          | 29,115,275           |
| Depreciation / Amortization                         |                | 152,928,667          | 53,612,792           |
| <b>Total (B)</b>                                    |                | <b>5,656,608,691</b> | <b>2,704,707,306</b> |
| <b>PROFIT BEFORE TAX</b>                            | <b>(A - B)</b> | <b>393,814,157</b>   | <b>186,174,502</b>   |
| Less: Provision for Tax                             |                |                      |                      |
| : Income Tax  |                | 133,803,473          | 60,000,000           |
| : Tax for earlier year's                            |                | 1,123,396            | 56,457               |
| : Deferred Tax Adjustments                          |                | 5,361,373            | 1,447,226            |
| : Fringe Benefit Tax                                |                | 2,646,089            | 800,000              |
| : Wealth Tax  |                | 213,500              | -                    |
| <b>PROFIT AFTER TAX</b>                             |                | <b>250,666,326</b>   | <b>123,870,819</b>   |
| Balance brought forward from last year              |                | <b>166,005,575</b>   | <b>42,134,756</b>    |
| <b>Amount available for Appropriation</b>           |                | <b>416,671,901</b>   | <b>166,005,575</b>   |
| Less : Provision for Preference Dividend            |                | <b>41,685</b>        | -                    |
| Less : Provision for Dividend Distribution Tax      |                | <b>7,934</b>         | -                    |
| <b>BALANCE CARRIED TO BALANCE SHEET</b>             |                | <b>416,622,282</b>   | <b>166,005,575</b>   |
| Basic Earning Per Share (Rs.)                       |                | <b>13.97</b>         | <b>7.92</b>          |
| Diluted Earning Per Share (Rs.)                     |                | <b>13.97</b>         | <b>7.83</b>          |
| Nominal Value per share                             |                | <b>10.00</b>         | <b>10.00</b>         |
| (Refer Note B-13 in Schedule 19 )                   |                |                      |                      |
| Significant Accounting Policies & Notes on Accounts | 18             |                      |                      |

As per our attached report of even date  
For Haribhakti & Co.  
Chartered Accountants

For and on behalf of the Board  
**Vishal Retail Limited**

Sd/-  
**Chetan Desai**  
(Partner)

Sd/-  
**Ram Chandra Agarwal**  
Managing Director

Sd/-  
**Uma Agarwal**  
Director

Sd/-  
**Arun Gupta**  
Company Secretary

Place : Delhi  
Date : 25th May, 2007



## VISHAL RETAIL LIMITED

### Schedules attached to Balance Sheet

|          |  | Amount in Rs.        |                    |
|----------|--|----------------------|--------------------|
| SCHEDULE | PARTICULARS  | 31st MAR' 2007       | 31st MAR' 2006     |
| 1        | <b>SHARE CAPITAL</b>   |                      |                    |
|          | <b>Authorised</b>  |                      |                    |
|          | <u>Equity Share Capital</u>  | 250,000,000          | 200,000,000        |
|          | 25,000,000 (20,000,000) Equity Shares of Rs. 10/- each   |                      |                    |
|          | <u>Preference Share Capital</u>  | 58,400,000           | 58,400,000         |
|          | 4,00,000 (400000) Preference Shares of Rs. 146/- each  |                      |                    |
|          |  | <b>308,400,000</b>   | <b>258,400,000</b> |
|          | <b>Issued, Subscribed &amp; Paid up</b>  |                      |                    |
|          | <u>Equity Share Capital</u>  | 183,247,950          | 164,906,050        |
|          | 1,83,24,795 (1,64,90,605) Equity Shares of Rs. 10/- each, fully paid up in cash                              |                      |                    |
|          | <u>Preference Share Capital</u>  | -                    | 56,091,740         |
|          | NIL (3,84,190) 0.1% Fully Convertible Participable Preference Shares of Rs. 146/- each fully paid up in cash |                      |                    |
|          |  | <b>183,247,950</b>   | <b>220,997,790</b> |
| 2        | <b>RESERVES &amp; SURPLUS</b>  |                      |                    |
|          | <b>Securities Premium</b>  |                      |                    |
|          | Balance b/f  | 340,002,280          | 112,800,000        |
|          | Add: Additions during the year   | 327,749,840          | 227,202,280        |
|          |  | 667,752,120          | 340,002,280        |
|          | <b>Balance as per Profit &amp; Loss Account annexed</b>  | 416,622,282          | 166,005,575        |
|          |  | <b>1,084,374,402</b> | <b>506,007,855</b> |
| 3        | <b>SECURED LOAN</b>  |                      |                    |
|          | <b>9.1% Non Convertible Debentures</b>   |                      |                    |
|          | <b>LIC Mutual Fund</b>   | 600,000,000          | -                  |
|          | (Secured by mortgage of office land & repayment within 364 days)   |                      |                    |
|          | <b>Loan from Banks</b>   |                      |                    |
|          | State Bank of India (CC A/c.)  | 876,991,582          | 392,203,563        |
|          | State Bank of India Corporate Loan   | 42,102,410           | 71,390,372         |
|          | HSBC Bank Limited (CC A/c.)  | 300,000,000          | -                  |
|          | HSBC Corporate Loan  | 100,000,000          | -                  |
|          | Yes Bank Ltd.  | 110,820,666          | -                  |
|          | Centurion Bank of Punjab Term Loan   | 69,483,495           | 6,018,319          |
|          | ICICI Bank Ltd   | 8,938,054            | 3,588,574          |
|          | Kotak Mahindra Bank Ltd.   | 13,322,986           | 2,758,344          |
|          | Citicorp Finance (I) Ltd.  | -                    | 146,750            |
|          | (Refer note B-2 in notes to accounts for the securities given on these loans)                                |                      |                    |
|          | <b>Other Loans</b>   | 41,295,015           | -                  |
|          | (Secured by specific gensets, computers & personal gaurantee of M.D.)  |                      |                    |
|          |  | <b>2,162,954,208</b> | <b>476,105,922</b> |

For and on behalf of the Board  
Vishal Retail Limited

Sd/-  
Ram Chandra Agarwal  
Managing Director

Sd/-  
Uma Agarwal  
Director

Sd/-  
Arun Gupta  
Company Secretary

# VISHAL RETAIL LIMITED

## Schedules attached to Balance Sheet

| PARTICULARS                       |  | 31st MAR' 2007     | 31st MAR' 2006    |
|-----------------------------------|--|--------------------|-------------------|
| <b>4 UNSECURED LOAN</b>           |  |                    |                   |
| 1). Intercompany Deposit          |  | 20,500,000         | 34,075,000        |
| 2). Short Term Loans & Advances : |  |                    |                   |
| a). From Banks                    |  | 36,944,540         | -                 |
| b). From other companies          |  | 211,674,187        | 40,300,000        |
|                                   |  | <b>269,118,727</b> | <b>74,375,000</b> |

### SCHEDULE : 5 - FIXED ASSETS

| Particulars                      | Gross Block        |                    |                  | Depreciation / Amortization |                    |                    |                  | Net Block          |                      |
|----------------------------------|--------------------|--------------------|------------------|-----------------------------|--------------------|--------------------|------------------|--------------------|----------------------|
|                                  | As at 01.04.06     | Addition           | Disposal         | As at 31.03.07              | Upto 01.04.06      | Addition           | Reversal         | As at 31.03.07     | As at 31.03.07       |
| Land                             | -                  | 107,995,114        |                  | 107,995,114                 |                    |                    |                  | 107,995,114        |                      |
| Plant & Machinery                | 28,189,953         | 7,303,484          |                  | 35,493,438                  | 7,495,986          | 3,531,066          |                  | 11,027,052         | 24,466,386           |
| Lift                             | 8,850,459          | 3,556,195          |                  | 12,406,654                  | 1,835,218          | 1,130,251          |                  | 2,965,469          | 9,441,185            |
| Generator Set                    | 31,835,397         | 66,323,326         |                  | 98,158,723                  | 6,779,764          | 8,611,643          |                  | 15,391,407         | 82,767,316           |
| Furniture & Fixture              | 172,664,531        | 291,379,373        | 2,300,529        | 461,743,375                 | 32,471,916         | 54,375,981         | 313,350          | 86,534,547         | 375,208,828          |
| Electrical Equipments & Fittings | 62,903,690         | 77,224,534         | 935,806          | 139,192,418                 | 10,912,529         | 12,005,079         | 146,452          | 22,771,156         | 116,421,262          |
| Office Equipments                | 5,918,074          | 25,845,924         |                  | 31,763,998                  | 1,422,720          | 2,315,931          |                  | 3,738,651          | 28,025,347           |
| Air Conditioner                  | 34,198,310         | 97,394,614         | 627,384          | 130,965,540                 | 8,502,065          | 9,723,968          | 72,906           | 18,153,127         | 112,812,413          |
| Computer & Computer Software     | 84,571,065         | 166,190,834        | 1,632,573        | 249,129,326                 | 27,678,222         | 50,038,076         | 645,455          | 77,070,843         | 172,058,483          |
| Video Conference Systems         | 2,930,392          | 4,624,484          | 74,106           | 7,480,770                   | 328,839            | 2,349,229          | 29,526           | 2,648,542          | 4,832,228            |
| Motor Vehicles                   | 27,872,630         | 27,070,558         |                  | 54,943,188                  | 8,524,400          | 8,847,443          |                  | 17,371,843         | 37,571,345           |
| <b>TOTAL</b>                     | <b>459,934,501</b> | <b>874,908,440</b> | <b>5,570,398</b> | <b>1,329,272,543</b>        | <b>105,951,659</b> | <b>152,928,667</b> | <b>1,207,689</b> | <b>257,672,637</b> | <b>1,071,599,906</b> |

| PARTICULARS                                      |  | 31st MAR' 2007       | 31st MAR' 2006     |
|--|--|----------------------|--------------------|
| <b>6 INVENTORIES</b>                             |  |                      |                    |
| (as taken, valued & certified by the management) |  |                      |                    |
| Raw Materials                                    |  | 56,101,617           | 22,747,874         |
| Semi Finished Goods                              |  | 76,102,060           | 74,945,985         |
| Stitching Materials & Consumables                |  | 21,265,485           | 7,248,348          |
| Finished Goods & Accessories                     |  | 2,277,907,931        | 574,755,059        |
| Stock in Transit                                 |  | 60,099,369           | 102,287,649        |
|  |  | <b>2,491,476,462</b> | <b>781,984,915</b> |

|  |  |                  |                |
|--|--|------------------|----------------|
| <b>7 SUNDRY DEBTORS</b>                                |  |                  |                |
| (unsecured & considered good, unless otherwise stated) |  |                  |                |
| Outstanding for a period exceeding six months          |  | 539,104          | -              |
| Other Debts  |  | 658,969          | 927,541        |
|  |  | <b>1,198,073</b> | <b>927,541</b> |

For and on behalf of the Board  
Vishal Retail Limited

Sd/-  
**Ram Chandra Agarwal**  
Managing Director

Sd/-  
**Uma Agarwal**  
Director

Sd/-  
**Arun Gupta**  
Company Secretary



## VISHAL RETAIL LIMITED

### Schedules attached to Balance Sheet

|  |                    | Amount in Rs       |  |
|--|--------------------|--------------------|--|
| PARTICULARS  | 31st MAR' 2007     | 31st MAR' 2006     |  |
| <b>8 CASH &amp; BANK BALANCES</b>  |                    |                    |  |
| Cash on hand (as certified by the management)  | 57,969,698         | 23,702,145         |  |
| Balance with Scheduled Banks   |                    |                    |  |
| On Current Account   | 83,823,832         | 56,876,067         |  |
| On Fixed Deposit Account   | 9,719,891          | 2,084,800          |  |
|  | <b>151,513,421</b> | <b>82,663,012</b>  |  |
| <b>9 LOANS &amp; ADVANCES</b> (Unsecured & considered good, unless otherwise stated) |                    |                    |  |
| Income Tax Advances  | 123,475,756        | 67,386,796         |  |
| Input Vat Credit receivable  | 9,924,485          | 4,235,410          |  |
| Others Deposits/Advances   | 246,305,648        | 220,807,888        |  |
| Advances receivable in cash or in kind or for value to be received                   | 283,132,681        | 33,504,853         |  |
|  | <b>662,838,570</b> | <b>325,934,947</b> |  |

### Schedules attached to Balance Sheet

|   |                    | Amount in Rs       |  |
|---|--------------------|--------------------|--|
| PARTICULARS                             | 31st MAR' 2007     | 31st MAR' 2006     |  |
| <b>10 CURRENT LIABILITIES</b>           |                    |                    |  |
| Sundry Creditors                        | 161,708,042        | 122,167,303        |  |
| Other Liabilities                       | 71,309,164         | 59,381,802         |  |
| Bank Balance                            | 213,399,152        | 42,803,383         |  |
| Interest Accrued But Not Due            | 20,643,288         | -                  |  |
|   | <b>467,059,647</b> | <b>224,352,487</b> |  |
| <b>11 PROVISIONS</b>                    |                    |                    |  |
| Provision for Gratuity                  | 6,105,644          | 1,416,000          |  |
| Provision for Taxes                     | 198,570,062        | 76,000,000         |  |
| Provision for Preference Dividend       | 41,685             | -                  |  |
| Provision for Dividend Distribution Tax | 7,934              | -                  |  |
|   | <b>204,725,325</b> | <b>77,416,000</b>  |  |

For and on behalf of the Board  
**Vishal Retail Limited**

Sd/-  
**Ram Chandra Agarwal**  
Managing Director

Sd/-  
**Uma Agarwal**  
Director

Sd/-  
**Arun Gupta**  
Company Secretary



## VISHAL RETAIL LIMITED

## Schedules attached to Profit &amp; Loss Account

|   |                      | Amount in Rs         |  |
|---|----------------------|----------------------|--|
| PARTICULARS   | 31st MAR' 2007       | 31st MAR' 2006       |  |
| <b>12 SALES</b>   |                      |                      |  |
| Retail Sales  | 6,017,534,947        | 2,882,064,264        |  |
| Other Sales   | 8,990,146            | 2,362,485            |  |
|   | <b>6,026,525,093</b> | <b>2,884,426,748</b> |  |
| <b>13 OTHER INCOME</b>  |                      |                      |  |
| Display Charges [T.D.S. Rs. 68317/- (NIL)]                              | 8,808,997            | 3,874,082            |  |
| Interest Recd. [T.D.S. Rs. 438555/- (P.Y 109709/-)]                     | 1,969,304            | 485,347              |  |
| Misc. Income [T.D.S. Rs. 164194/- (NIL)]                                | 10,742,408           | 87,989               |  |
| Rent Recd [T.D.S. Rs. 309082/- (P.Y 173485/-)]                          | 2,377,045            | 788,105              |  |
| Commission Received   | -                    | 128,651              |  |
| Sundry Balances written off   | -                    | 1,090,886            |  |
|   | <b>23,897,755</b>    | <b>6,455,060</b>     |  |
| <b>14 COST OF GOODS</b>   |                      |                      |  |
| <b>Opening Stock</b>  |                      |                      |  |
| Raw Materials   | 22,747,874           | 18,486,531           |  |
| Semi Finished Goods   | 74,945,985           | 57,200,610           |  |
| Finished Goods & Accessories  | 7,248,348            | 287,756,895          |  |
| Stitching Materials & Consumables                                       | 576,083,641          | 10,592,502           |  |
| Stock in Transit  | 100,959,067          | 0                    |  |
|   | <b>781,984,915</b>   | <b>374,036,538</b>   |  |
| <b>Add: Purchases</b>   |                      |                      |  |
| Raw Materials   | 348,949,062          | 277,176,171          |  |
| Finished Goods & Accessories  | 4,746,870,560        | 1,765,563,970        |  |
| Stitching Materials & Consumables                                       | 48,380,750           | 39,751,169           |  |
| Purchase in Transit   | 60,099,369           | 62,375,553           |  |
|   | <b>5,204,299,741</b> | <b>2,144,866,862</b> |  |
| <b>Less: Closing Stock</b>  |                      |                      |  |
| Raw Materials   | 56,101,617           | 22,747,874           |  |
| Semi Finished Goods   | 76,102,060           | 74,945,985           |  |
| Stitching Materials & Consumables                                       | 21,265,485           | 7,248,348            |  |
| Finished Goods & Accessories  | 2,277,907,931        | 576,083,641          |  |
| Stock in Transit  | 60,099,369           | 100,959,067          |  |
|   | <b>2,491,476,462</b> | <b>781,984,915</b>   |  |
|   | <b>3,494,808,195</b> | <b>1,736,918,485</b> |  |
| <b>Less : Amount received / receivable on loss of stock due to fire</b> | <b>31,996,788</b>    | <b>0</b>             |  |
|   | <b>3,462,811,407</b> | <b>1,736,918,485</b> |  |

For and on behalf of the Board  
Vishal Retail Limited

Sd/-  
Ram Chandra Agarwal  
Managing Director

Sd/-  
Uma Agarwal  
Director

Sd/-  
Arun Gupta  
Company Secretary

## VISHAL RETAIL LIMITED

### Schedules attached to Profit & Loss Account

|  |                      | Amount in Rs       |  |
|--|----------------------|--------------------|--|
| PARTICULARS  | 31st MAR' 2007       | 31st MAR' 2006     |  |
| <b>15 MANUFACTURING, ADMINISTRATIVE &amp; OTHER EXPENSES</b> |                      |                    |  |
| Fabrication & Other Manufacturing Expenses                   | 204,519,845          | 128,002,080        |  |
| Power & Fuel Expenses  | 172,766,687          | 86,854,507         |  |
| Rent Charges   | 327,936,508          | 144,238,617        |  |
| Repairs & Maintenance Building                               | 32,861,049           | 17,267,396         |  |
| Repairs & Maintenance Plant & Machinery                      | 315,179              | 327,314            |  |
| Repairs & Maintenance Others                                 | 39,870,566           | 19,703,195         |  |
| Insurance Charges  | 6,058,917            | 2,391,954          |  |
| Rates & Taxes  | 13,144,590           | 2,786,950          |  |
| Advertisement & Sales Promotion                              | 204,201,282          | 80,363,567         |  |
| Bank Charges   | 9,743,563            | 1,692,734          |  |
| Commission Charges   | 10,952,242           | 6,579,112          |  |
| Consultancy & Legal  | 7,189,175            | 4,412,934          |  |
| Entry Tax  | 17,274,604           | 7,054,876          |  |
| Transportation Charges                                       | 97,775,649           | 18,390,106         |  |
| Motor Vehicle Expenses                                       | 4,472,403            | 1,882,216          |  |
| Packing Materials & Expenses                                 | 8,902,842            | 23,415,123         |  |
| Printing & Stationery  | 10,593,606           | 3,910,887          |  |
| Sales Tax  | 313,384,585          | 138,869,193        |  |
| Security Service Charges                                     | 25,335,660           | 10,087,420         |  |
| Housekeeping Expenses  | 14,702,367           | 5,759,725          |  |
| Filing Fees  | 335,430              | 302,500            |  |
| Telephone Expenses   | 29,172,074           | 13,879,574         |  |
| Travelling & Conveyance                                      | 9,796,006            | 3,737,611          |  |
| Other Expenses   | 15,437,819           | 3,313,690          |  |
| Postage & Couriers Expenses                                  | 913,854              | 427,595            |  |
| Auditor Remuneration   | 970,000              | 707,112            |  |
| Credit Card Charges  | 13,076,553           | 5,266,475          |  |
| Directors Remuneration                                       | 10,110,300           | 9,816,543          |  |
| Loss on Sale of Fixed Assets                                 | -                    | 2,067,631          |  |
| Loss Due to Fire   | 1,549,428            | -                  |  |
| Preliminary/Pre-operative Expenses Written off               | 20,000               | 75,380             |  |
|  | <b>1,603,382,782</b> | <b>743,584,017</b> |  |
| <b>16 PERSONNEL EXPENSES</b>                                 |                      |                    |  |
| Salary, Wages & Bonus  | 260,768,101          | 130,412,739        |  |
| Contribution to PF & other Fund                              | 13,308,382           | 5,022,649          |  |
| Staff Welfare  | 15,872,994           | 6,041,349          |  |
|  | <b>289,949,477</b>   | <b>141,476,737</b> |  |
| <b>17 FINANCE COST</b>                                       |                      |                    |  |
| Processing Fees  | 15,058,696           | 1,977,816          |  |
| Interest on Secured Loans                                    | 119,301,155          | 20,768,988         |  |
| Interest on Others Loans                                     | 13,176,508           | 6,368,471          |  |
|  | <b>147,536,359</b>   | <b>29,115,275</b>  |  |

For and on behalf of the Board  
Vishal Retail Limited

Sd/-  
Ram Chandra Agarwal  
Managing Director

Sd/-  
Uma Agarwal  
Director

Sd/-  
Arun Gupta  
Company Secretary

# SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31-03-07

## Significant Accounting Policies

### 1. Basis of Accounting

The accompanying accounting statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) under historical cost convention on accrual basis and with the relevant statutory enactments. GAAP comprises mandatory accounting standard issued by the Institute of Chartered Accountants of India (ICAI), the Provisions of the Companies Act, 1956. Accounting policies have been consistently applied.

### 2. Use of Estimates

The preparation of the Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets & liabilities as at the date of the financial statements and reported amount of income and expenses during the period. Examples of such estimates include futures obligation with respect to Employee benefits, Income Taxes, useful life of fixed assets etc.

### 3. Revenue Recognition

Income and expenditure is recognized and accounted for on accrual basis. Sales of goods accounted on delivery to customers net of returns and discounts, but includes amount recovered towards sales tax. Revenue from store displays is accounted for on receipt basis.

### 4. Inventories

Inventories are valued as follows :

- a) Stores, Spare parts, Packing material : at cost
- b) Raw materials & Stitching materials : at cost
- c) Finished goods lying at the stores/warehouses : lower of cost or net realizable value
- d) Work in Progress lying in the factory : at estimated cost

Cost of inventories comprise of all cost of purchase incurred in bringing the inventories to their present location and condition. Weighted moving average cost method has been followed for the valuation of entire inventory mentioned as above.

### 5. Fixed Assets and Depreciation / Amortization

#### a). Tangible Assets

Tangible assets are stated at their cost of acquisition less accumulated depreciation and accumulated impairment losses thereon, if any. Cost includes all cost incurred to bring the assets to its present location and condition. Depreciation is provided on W.D.V. basis at the rates prescribed by Schedule XIV of the Companies Act, 1956. In respect of assets acquired/sold during the year, depreciation has been provided on pro-rata basis with reference to the days of addition/put to use or disposal.

#### b). Intangible Assets

Intangible Assets (Computer software) are stated at their cost of acquisition, less accumulated amortization and accumulated impairment losses thereon. An intangible asset is recognized where it is probable that future economic benefits attributable to the asset will flow to the enterprise and where its cost can be reliably measured. The depreciable amount of intangible assets is allocated based on the estimates of the useful life of the asset not exceeding five years.

For computer software, the company has adopted the policy to write it off within a period of three years. Further, at the time of change-over of new software, the existing software will be written off in that particular year fully. Antivirus & other supporting software expenses are written off within 12 months.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE  
ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31-03-07**c). Leased Fixed Assets**

Assets taken on finance lease are capitalized and finance charges are charged to Profit & Loss account on accrual basis.

**6. Physical Verification of Fixed Assets**

The company follows a phased program of physical verification of fixed assets to cover all assets within a period of three years. Accordingly, certain assets were physically verified by the company officials during 2006-07 and the remaining assets would be covered for physical verification in next two years.

**7. Foreign Currency Transactions**

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency assets and liabilities (except those covered by forward contracts) are translated into Indian Rupees at the exchange rate prevailing at the Balance Sheet date. All exchange differences are dealt with in the profit and loss account, except those relating to the acquisition of fixed assets, which are adjusted to the carrying cost of the related fixed asset.

**8. Retirement Benefits**

- a) Contributions to Provident Funds/E.S.I. have been accounted for on accrual basis
- b) Gratuity liability is accounted as per actuarial valuation carried out at the year end and incremental liability, if any, is provided for in the books.
- c) Liabilities for Leave Encashment have been accounted for on the basis of the balance of earned leave available at the end of the year. The same are paid on yearly basis.

**9. Investment**

Investments being current investment have been valued at lower of cost or fair market value.

**10. Taxation**

- a) Direct Tax is measured at the amount expected to be paid/received from the taxation authorities, using the applicable tax rates and tax laws and is accounted for using the tax rates and laws that have been enacted or substantially enacted as of the Balance Sheet date
- b) Deferred tax is recognized subject to consideration of prudence on timing differences, being difference between taxable and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

**11. Earning per Share**

In determining earning per share, the Company considers the net profit after tax and includes the post tax effect of any extraordinary/exceptional items. The numbers of shares used in computing basic earning per share is the weighted average number of equity shares outstanding during the period. The numbers of shares used in computing diluted earning per share comprises the weighted average number of equity shares that would have been issued on the conversion of all potential equity shares. Dilutive potential equity shares has been deemed converted as of the beginning of the period, unless issued at a later date.

**12. Cash flow Statements**

The cash flow statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the Company. Cash & cash equivalents presented in the Cash Flow Statement consists of cash in hand and demand deposits with bank.

**13. Preliminary Expenses**

Preliminary Expenses incurred upto 2002-03 has amortized in equal installments over a period of five years . After that the same has been debited to Profit & Loss account in the same year in accordance with the AS 26(Intangible Assets) issued by the ICAI.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE  
ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31-03-07**14. Impairment of Assets**

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to Profit & Loss Account in the year in which the asset is impaired and the impairment loss recognized in prior accounting periods is reversed if there has been change in the estimate of recoverable amount. For the purpose of assessing impairment assets are grouped at lowest level of cash generating units.

**15. Provisions, Contingent Assets & Liabilities**

Provisions are recognized when the Company has a present obligation as a result of past events and it is more likely that an outflow of resources will be required to settle the obligations and the amount has been reliably estimated.

**16. Lease policy**

We take premises for our showroom for 12 years lease/license period with lock in period of one to three year. The escalation clause is variable between 12% to 15% after every three years and we take three month rent free time from the date of possession given by the landlord.

**Notes on Accounts****1. Contingent liabilities not provided for:**

- a) Outstanding Bank Guarantee Rs. 3,435,000/- (Rs. 1,475,000/-)
- b) Disputed Sales tax demands Rs. 12,668,897/- (Rs. 20,591,728/-), against which the Company has filed appeal with the relevant authorities.
- c) Disputed Entry Tax Demands Rs 3,318,432/- (Rs. 2,030,032/-), against which the Company has filed appeal with the relevant authorities.
- d) Claims against the Company not acknowledged as debts Rs.3,010,660/- ( Rs. 3,425,329/-).
- e) Guarantees given by the Company for the loan taken by the directors amounting to Rs. 21,000,000/- (Rs. 21,000,000/-)

**2. Capital Commitments :-**

- a) Capital Commitments towards new showrooms for which the agreement/MOU has entered into with the landlord of the relevant showroom Rs. 25,825,189/- ( Rs. 11,456,069/-).
- b) Capital Commitments towards fixed assets to be acquired Rs. 36,735,135/- (Nil).

**3. Securities against Loans.****a) Cash Credit Limit**

The cash credit limit from State Bank of India is secured by:

- i) Hypothecation of stock of raw materials, work in process, finished goods (present & future) and all other current assets of the Company, except the stock lying with the franchisee
- ii) First charge and equitable mortgage of property in the name of Vishal Water World Pvt Ltd., situated at Kouchpukur, P.O. Hatgachia, Dist, 24 Parganas (West Bengal)
- iii) Extension of charge on the Fixed Assets of the Company
- iv) Personal guarantee of Ram Chandra Agarwal, Uma Agarwal and Surendra Kumar Agarwal, Directors of the Company.
- v) Corporate guarantee of Vishal Water World Pvt Ltd.

The cash credit limit from HSBC is secured by:

- i) Hypothecation of fixed Assets and entire current assets.

**b) Corporate Loan:**

- i) The Corporate Loan from State Bank of India is secured by first charge on the Fixed Assets of the Company.
- ii) The Term Loan from Centurion BOP is secured by first charge on fixed assets acquired out of term loan

- iii) The Corporate Loan from HSBC is secured by entire plant and machinery (fixed and movable).
- iv) The Corporate Loan from Yes Bank is secured by hypothecation of current assets.
- v) The Corporate Loan from LIC India is secured by mortgage of office/land.\*

\* The Company is in the process of filing form for the registration of charge for such securities.

**c) Vehicle Loan:**

Secured by hypothecation of specific assets.

4. Unsecured loan include inter corporate deposits of Rs. 20,500,000 (Rs. 34,075,000/-). Being in the nature of long-term deposits, the same has been included under this head
5. Secured Corporate Loan repayable within a year is Rs. 878,602,410/- (Rs. 26,668,000/-).
6. In the opinion of the Board, sundry debtors, loans and advances and other current assets are approximately of the value stated if realized in the ordinary course of business. The provisions for all known liabilities is adequate and not in excess of the amount reasonably necessary
7. Some of the balances of Sundry Creditors, Advances and Deposits are subject to confirmation/reconciliation. In the opinion of the management, the same is not material and will be carried out when settled.
8. Closing stock includes purchase in transit, work in progress and including stock with the job worker. Purchase in transit represent goods purchased but not received by the Company of Rs. 60,099,369/-
9. The details of Managerial Remuneration paid to Directors is as under :-

(Amount in Rs)

| Name of The Directors      | BASIC            |                  | Exgratia       |                | Total             |                  |
|----------------------------|------------------|------------------|----------------|----------------|-------------------|------------------|
|                            | 2006-07          | 2005-06          | 2006-07        | 2005-06        | 2006-07           | 2005-06          |
| Mr. Ram Chandra Agrawal    | 6,000,000        | 6,000,000        | -              | -              | 6,000,000         | 6,000,000        |
| Uma Agrawal                | 900,000          | 900,000          | -              | -              | 900,000           | 900,000          |
| Mr. Surendra Kumar Agrawal | 2,818,800        | 2,568,840        | 391,500        | 347,703        | 3,210,300         | 2,916,543        |
| <b>Total</b>               | <b>9,718,800</b> | <b>9,468,840</b> | <b>391,500</b> | <b>347,703</b> | <b>10,110,300</b> | <b>9,816,543</b> |

10. The details of Auditors' remuneration is as under:

(Amount in Rs)

| Particulars         | 2006-07 | 2005-06 |
|---------------------|---------|---------|
| For Statutory Audit | 750,000 | 505,080 |
| For Branch Audits   | 220,000 | 202,032 |

- 11 As per Accounting Standard (AS) 22 on Accounting for Taxes on Income issued by ICAI, the Deferred Tax Asset/Liability comprises the following:

(Amount in Rs)

| Particulars                                | As at 31/03/07    | As at 31/03/06    |
|--|-------------------|-------------------|
| <b>Deferred tax Liabilities</b>            |                   |                   |
| Difference between book & tax depreciation | 20,676,931        | 13,139,129        |
| <b>Deferred Tax Assets</b>                 |                   |                   |
| Provision for Gratuity                     | 1,594,010         | 476,626           |
| Late Payment of TDS                        | 1,059,045         | -                 |
| <b>Total Deferred Assets</b>               | <b>2,653,055</b>  | <b>476,626</b>    |
| <b>Net Deferred tax liabilities</b>        | <b>18,023,876</b> | <b>12,662,503</b> |

- 12 The Company has only one business & geographical segment namely viz. retail sales of garments, Textiles & Accessories in India. In view of this no further disclosure is required to be made as per AS-17 on segment reporting.



SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE  
ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31-03-07

13. The Disclosure as required by the Accounting Standard -18 (Related Party Disclosure) are given below:-

**Names of related parties and description of relationship**

| Name                            | Designation | Relationship                                     |
|---------------------------------|-------------|--|
| Mr. Ram Chandra Agarwal         | Director    | Key Managerial Personnel                         |
| Mr. Surendra Kumar Agarwal      | Director    | Key Managerial Personnel                         |
| Mrs. Uma Agarwal                | Director    | Key Managerial Personnel                         |
| Mrs. Shanta Agarwal             |             | Relative of Director                             |
| Mrs. Sunita Agarwal             |             | Relative of Director                             |
| Unicon Marketing Pvt. Ltd.      |             | Group Company                                    |
| Ricon Commodities Pvt. Ltd.     |             | Group Company                                    |
| Vishal Water World Private Ltd. |             | Group Company                                    |
| Vishal Fashion Pvt. Ltd.        |             | Group Company till March 2004                    |
| Sunita Fashion Pvt. Ltd.        |             | Group Company                                    |
| Vishal Apparel                  |             | One of the Director owns it (till March 2003)    |
| Ram Chandra Agarwal HUF         |             | One of the Director is Karta of HUF              |
| Vishal Garments                 |             | One of the Director owns it (till December 2001) |
| The Vishal Garments             |             | One of the Director owns it (till December 2001) |

(Amount in Rs.)

| Particulars                                | 2006-07    | 2005-06    |
|--|------------|------------|
| <b>1. Finance</b>                          |            |            |
| <b>a) Loans accepted</b>                   |            |            |
| Vishal Water World Pvt Ltd.                | -          | 6,750,000  |
| Unicon Marketing Pvt Ltd.                  | 40,605,112 | 12,000,000 |
| <b>b) Loans repaid</b>                     |            |            |
| Mr. Ram Chandra Agarwal                    | 1,193,545  | -          |
| Mrs Uma Agarwal                            | 2,600,000  | -          |
| Vishal Water World Pvt Ltd.                | 1,000,000  | 2,000,000  |
| Unicon Marketing Pvt Ltd.                  | 2,300,000  | 7,600,000  |
| Mr. Ram Chandra Agarwal (HUF)              | 64,567     | -          |
| <b>c) Interest Paid</b>                    |            |            |
| Sunita Fashion Pvt. Ltd.                   | -          | 284,551    |
| <b>d) Share Application Money Received</b> |            |            |
| Mr. Ram Chandra Agarwal                    | -          | -          |
| Mr. Ram Chandra Agarwal (HUF)              | -          | -          |
| Mrs Uma Agarwal                            | -          | -          |
| <b>e) Share Application Money Refund</b>   |            |            |
| Mr. Ram Chandra Agarwal                    | -          | 200,000    |
| Mrs Uma Agarwal                            | -          | -          |
| Vishal Fashion Pvt Ltd.                    | -          | 360,000    |
| Vishal Water World Pvt Ltd.                | -          | 250,000    |
| Ricon Commodities Pvt Ltd.                 | -          | 105,000    |
| Sunita Fashion Pvt Ltd.                    | 7,500,000  | -          |
| <b>2. Managerial Remuneration</b>          |            |            |
| Mr. Ram Chandra Agarwal                    | 6,000,000  | 6,000,000  |
| Mrs Uma Agarwal                            | 900,000    | 900,000    |
| Mr. Surendra Kumar Agarwal                 | 3,210,300  | 2,916,543  |
| Mrs. Sunita Agarwal                        | -          | -          |
| <b>3. Rental Payment</b>                   |            |            |
| Unicon Marketing Pvt Ltd.                  | -          | 900,000    |
| Vishal Water World Pvt Ltd.                | 900,000    | 3,600,000  |

14. The calculation of Earning Per Share (EPS) has been made in accordance with Accounting Standard (AS) 20 issued by the ICAI. A statement on calculation of Basic and Diluted EPS is as under

|  |   | UNITS | 2006-07     | 2005-06     |
|--|---|-------|-------------|-------------|
| Profit after Tax (after extraordinary items) | A | Rs.   | 250,666,326 | 123,870,819 |
| Weighted average no. of equity shares        | B | Nos.  | 17,943,481  | 15,634,707  |
| Add: Dilutive potential equity shares        |   | Nos.  | -           | 187,358     |
| Number of equity shares for Dilutive EPS     | C | Nos.  | 17,943,481  | 15,822,065  |
| Basic Earning Per Share (A/B)                |   | Rs.   | 13.97       | 7.92        |
| Diluted Earning Per Share (A/C)              |   | Rs.   | 13.97       | 7.83        |

15. The Company does not possess information as to which of its suppliers are Ancillary Industrial Undertakings/Small Scale Industrial Undertaking holding permanent registration certificate issued by the Directorate of Industries of a State or Union Territory
- a) The liability, if any, of interest which would be payable under the Interest on delayed payments to Small Scale & Ancillary Industrial Undertaking Act, 1933 cannot be ascertained. However, the Company has not received any claim in respect of interest.
- b) The total outstanding to Small Scale Industrial Undertaking cannot be ascertained
- c) The names of Small Scale Industrial Undertaking to whom the Company owes a sum exceeding Rs. 0.10 million which is outstanding for more than 30 days cannot be ascertained
16. The Company incurred expenses aggregating Rs. 45,887,341/- (including payment to auditors Rs.1,200,000/-) for its forth coming IPO, which will be set off against the securities premium account.
17. **Obligations on long term, non-cancelable operating leases.**  
The lease rentals charged during the year and maximum obligations on long term non-cancelable operating leases payable as per the rentals stated in the respective agreements.

| Particular  | Amount in Rs |             |
|---|--------------|-------------|
|   | 2006-07      | 2005-06     |
| Lease Rentals recognized during the year  | 327,936,508  | 144,238,617 |
| Obligations   |              |             |
| Within one of the year of the balance sheet date  | 255,058,745  | 75,967,812  |
| Due in a period between one year and five years   | 191,773,799  | 67,067,342  |
| Due after five years (as lease are cancelable by the Company after three to five years) | NIL          | NIL         |

18. Additional information in pursuance of the provisions of the paragraph 3, 4C, 4D, Part II of Schedule VI of the Companies Act, 1956, as certified by the Management of the Company.

**a). Licensed / Installed annual capacity and production (apparels) - in Units**

| Licensed Capacity   | Not applicable |
|---|----------------|
| Installed Capacity (own)  | 1,500,000      |
| Actual Production including through job work for the year ended 31st March 2007 | 1,753,015      |

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE  
ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31-03-07

## b). Quantative movement of finished goods (Qty in units, and Value in Rs.)

| Category    | Opening Qty.<br>01.04.06 | Opening Value | Purchase - Qty | Purchase Value | Sales Qty | Sales Value  | Closing Stock Qty | Closing Stock Value<br>31.03.07 |
|-------------|--------------------------|---------------|----------------|----------------|-----------|--------------|-------------------|---------------------------------|
| Apparel     | 2,535,616                | 379,315,737   | 28475569       | 2962,953,494   | 20803107  | 3800,968,337 | 10208078          | 1428,193,573                    |
| FMCG        | —                        | 54,196,031    | —              | 709,372,489    | —         | 905,884,507  | —                 | 290,564,750                     |
| Non Apparel |                          | 141,243,294   |                | 1074,544,577   |           | 1314,429,767 |                   | 559,149,608                     |
| Grand Total |                          | 574,755,062   |                | 4746,870,560   |           | 6021,282,611 |                   | 2277,907,931                    |

## Notes :

i). The Company is dealing in a large number of products in several locations, the information required in terms of Schedule VI of the Companies Act in respect of value of the products sold has been drawn up in respect of major items, namely, apparels. Other items have been broadly classified as FMCG and Non-Apparels (household goods and other accessories) and the quantitative information's in respect of these groups is not practically possible in view of numerous different units of measurement and the nature of retailing operations of the Company.

i

i) In view of non-uniform units of measurement of various raw materials of the Company, it is not practically possible to provide the quantitative details of raw materials consumption.

iii) Closing Stock mentioned above doesn't include goods-in-transit.

## c). Value of Import on CIF Basis

Amount in Rs

| Particular              | 2006-07     | 2005-06    |
|-------------------------|-------------|------------|
| Fixed Assets            | 127,214,529 | 28,010,388 |
| Purchase of merchandise | 246,031,701 | 61,309,025 |

## d). Expenditure in Foreign Currency

Amount in Rs

| Particular         | 2006-07   | 2005-06 |
|--------------------|-----------|---------|
| Traveling Expenses | 1,225,927 | 364,624 |

19. Figures in bracket indicate previous year figures.

20. Previous year figures have been regrouped & recasted wherever found necessary.

Date : 25.05.2007  
Place : New Delhi

Sd/-  
Ram Chandra Agarwal  
Managing Director

Sd/-  
Uma Agarwal  
Director

Sd/-  
Arun Gupta  
Company Secretary

## VISHAL RETAIL LIMITED

## Balance Sheet abstract and Company's general business profile

|                      |                         |                |
|----------------------|-------------------------|----------------|
| Registration Details | Registration No. 147724 | State Code 55  |
| Balance Sheet        |                         | March 31, 2007 |

In Rs. Thousand

|   |                        |
|---|------------------------|
| <b>Capital raised during the year</b>                               |                        |
| Public Issue  | NIL                    |
| Right Issue   | NIL                    |
| Bonus Issue   | NIL                    |
| Private Placement   | 18342                  |
| <b>Position of mobilization and deployment of funds</b>             |                        |
| Total Liabilities (Including Current Liabilities & Provisions)      | 4389504                |
| Total Assets (Excluding Current Liabilities & Provisions)           | 4389504                |
| <b>Source of Funds</b>  |                        |
| Paid up Capital   | 183248                 |
| Reserves & Surplus  | 1084374                |
| Secured Loans   | 2162954                |
| Unsecured Loans   | 269119                 |
| Deferred Tax Liabilities  | 18024                  |
| <b>Application of Funds</b>   |                        |
| Net Fixed Assets  | 1082478                |
| Investments   | NIL                    |
| Net Current Assets  | 2635241                |
| Miscellaneous Expenditure   |                        |
| Accumulated Losses  | NIL                    |
| <b>Performance of Company</b>                                       |                        |
| Turnover  | 6026525                |
| Other Income  | 23897                  |
| Total Income  | 6050422                |
| Profit/(Loss) before tax  | 393814                 |
| Profit/(Loss) after tax   | 250666                 |
| Earning per share (Basic) (Rs.)                                     | 13.97                  |
| Earning per share (Diluted) (Rs.)                                   | 13.97                  |
| <b>Generic names of principal products/ services of the Company</b> |                        |
| Item Code No. (ITC Code)  | N.A.                   |
| Product Description   | Garments & Accessories |

For and on behalf of the Board  
Vishal Retail Limited

Date : 25.05.2007  
Place : New Delhi

Sd/-  
Ram Chandra Agarwal  
Managing Director

Sd/-  
Uma Agarwal  
Director

Sd/-  
Arun Gupta  
Company Secretary

## VISHAL RETAIL LIMITED

## Cash Flow Statement for the year ended 31st March, 2007

Amount in Rs.

| PARTICULARS   | 31ST MARCH, 2007       | 31ST MARCH, 2006       |
|---|------------------------|------------------------|
| <b>A. Cash Flow from Operating Activities</b>                         |                        |                        |
| Net Profits before Tax and Extra Ordinary Items                       | 393,814,157            | 188,174,502            |
| Adjustments for   |                        |                        |
| Depreciation/Amortisation   | 152,928,667            | 53,612,792             |
| Loss due to fire  | 1,549,428              | -                      |
| Loss due to fire  | -                      | 575,396                |
| Provision for Bonus   | 6,990,138              | -                      |
| Provision for Gratuity  | 4,689,644              | 898,000                |
| Provision for Leave Encashment  | 10,981,240             | -                      |
| Provision for other Expenses  | 2,500,000              | -                      |
| Preliminary Expenses written off                                      | 20,000                 | 75,380                 |
| Interest on Loan  | 147,536,359            | 29,115,275             |
| Interest Received   | (1,969,304)            | (485,347)              |
| <b>Operating Profit before Working Capital Changes</b>                | <b>719,040,329</b>     | <b>269,965,998</b>     |
| Adjustments for Changes in Working Capital                            | (110,209,233)          | (191,133,080)          |
| (Increase) Decrease in Advances & Receivables                         | (1,709,491,547)        | (407,948,377)          |
| (Increase) Decrease in Inventories                                    | (13,536,799)           | 80,516,448             |
| (Increase) Decrease in Trade Payable                                  | 161,419,966            | 18,475,677             |
| (Increase) Decrease in Other payable                                  | (1,671,817,612)        | (500,089,332)          |
| <b>Cash generated from Operations</b>                                 | <b>(952,777,283)</b>   | <b>(2,300,123,334)</b> |
| Direct Taxes Paid   | (71,305,356)           | (52,468,558)           |
| <b>Cash generated from operations before Extra-ordinary Items</b>     | <b>(1,024,082,639)</b> | <b>(282,591,892)</b>   |
| Impairment Loss   | -                      | (1,492,235)            |
| <b>Net Cash from Operating Activities [A]</b>                         | <b>(1,024,082,639)</b> | <b>(284,084,127)</b>   |
| <b>B. Cash flow from Investing Activities</b>                         |                        |                        |
| Purchase of Fixed Assets  | (945,670,776)          | (263,204,728)          |
| Capital Work in Progress  | (10,877,703)           | -                      |
| Sales/Impairment of Fixed Assets                                      | -                      | 3,620,125              |
| Realisation against loss of Against by fire                           | 281,3281               | -                      |
| Interest Received   | 1,969,304              | 485,347                |
| <b>Net Cash Flow from Investing Activities [B]</b>                    | <b>(951,765,894)</b>   | <b>(259,099,256)</b>   |
| <b>C. Cash flow from financing Activities</b>                         |                        |                        |
| Proceeds from Issuance of Share Capital                               | 290,000,000            | 300,000,070            |
| Proceeds from Issuance of 9.1% debentures                             | 600,000,000            | -                      |
| Proceeds/(Repayment) of Bank Borrowings                               | 1,086,848,286          | 290,499,097            |
| Proceeds/(Repayment) of Un secured Loans                              | 194,743,727            | 42,445,000             |
| Interest Paid on loan   | (126,893,071)          | (29,115,275)           |
| <b>Net Cash from financing Activities [C]</b>                         | <b>2,044,698,942</b>   | <b>cc 603,828,892</b>  |
| <b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents [A+B+C]</b> | <b>68,850,410</b>      | <b>60,645,509</b>      |
| <b>Cash &amp; Cash Equivalents as at 01.04.2006</b>                   | <b>82,683,012</b>      | <b>22,017,503</b>      |
| <b>Cash &amp; Cash Equivalents as at 31.03.2007</b>                   | <b>151,513,421</b>     | <b>82,663,012</b>      |

As per our Report of Even date

For Haribhakti &amp; Co.

Chartered Accountant

Sd/-

Chetan Desai

Partner)

Date : 25.05.2007

Place : Delhi

Sd/-

Ram Chandra Agarwal

Managing Director

Sd/-

Uma Agarwal

Director

Sd/-

Arun Gupta

Company Secretary

Report  junction.com



**Vishal Retail Limited**

**Registered Office**

RZ-A- 95 & 96, Road No. 4, Street No. 9, Mahipalpur Extn., New Delhi-110037  
Phone : 011-30622002

**Corporate Office/Investor's Service Centre**

Khasra No. 332, Near Telco Service Station, Behind Shokeen Farm Lands, Rangpuri, New Delhi-110037  
Phone : 011-32431314-15 Fax : 011-26784281  
E mail ; [vishalipo@vrpl.in](mailto:vishalipo@vrpl.in)