



## Vishal Retail Limited

(We were incorporated as Vishal Retail Private Limited on July 23, 2001. Our status was subsequently changed to a public limited company and the word "private" has been deleted from the name of our Company by a special resolution of the members at the extra ordinary general meeting held on November 28, 2005. The fresh certificate of incorporation consequent on change of name was granted to our Company on February 20, 2006 by the Registrar of Companies, West Bengal)

**Registered Office:** RZ-A-95 & 96, Road No.4, Street No.9, Mahipalpur Extension, New Delhi 110 037, India.

Telephone: +91 11 3062 2002; Facsimile: +91 11 3062 2008.

For details of changes in our registered office, see the section titled "History and Certain Corporate Matters" beginning on page 102 of this RHP)

**Corporate Office:** Khasra No. 332, Near Telco Workshop, Rangpuri, New Delhi 110 037. Telephone: +91 11 32431314; Facsimile: +91 11 2678 4281

**Company Secretary and Compliance Officer:** Mr. Arun Gupta; Telephone: +91 11 32431314; Facsimile: +91 11 2678 4281;

**E-mail:** vishalipo@vrpl.in. **Website:** www.vishalmegamart.net

**PUBLIC ISSUE OF UP TO [●] EQUITY SHARES OF Rs. [●] EACH ("EQUITY SHARES") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE AGGREGATING RS. 1,100 MILLION ("ISSUE"), BY VISHAL RETAIL LIMITED ("VISHAL", "COMPANY" OR "ISSUER"). 300,000 EQUITY SHARES WILL BE RESERVED IN THE ISSUE FOR SUBSCRIPTION BY EMPLOYEES, ("EMPLOYEE RESERVATION PORTION"). THE OFFER OF EQUITY SHARES OTHER THAN THE EMPLOYEE RESERVATION PORTION SHALL BE CALLED THE "NET ISSUE". THE NET ISSUE SHALL CONSTITUTE [●]% OF THE FULLY DILUTED POST-ISSUE CAPITAL OF OUR COMPANY.**

**PRICE BAND: Rs. 230 TO Rs. 270 PER EQUITY SHARE OF FACE VALUE Rs. 10**

**THE FACE VALUE OF EQUITY SHARES IS RS.10 AND THE FLOOR PRICE IS 23 TIMES THE FACE VALUE AND THE CAP PRICE IS 27 TIMES THE FACE VALUE**

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional working days after revision of the Price Band subject to the Bidding/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to Bombay Stock Exchange Limited ("BSE") and National Stock Exchange of India Limited ("NSE"), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Manager and at the terminals of the Syndicate. In terms of Rule 19(2)(b) of the SCRR, this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be allotted on a proportionate basis to Qualified Institutional Buyers ("QIBs"). 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to the QIB Bidders including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 3,00,000 Equity Shares shall be available for allocation on a proportionate basis to the Employees, subject to valid Bids being received at or above the Issue Price.

### RISK IN RELATION TO FIRST ISSUE

This being the first issue of our Equity Shares, there has been no formal market for our Equity Shares. The face value of our Equity Shares is Rs. 10 each and the Issue Price is [-] times of the face value. The Issue Price (as determined by the Company in consultation with the Book Running Lead Manager, on the basis of assessment of market demand for the Equity Shares by way of Book Building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing. **We have not opted for a grading of this Issue from any credit rating agency.**

### GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" beginning on page 8.

### ISSUER'S ABSOLUTE RESPONSIBILITY

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

### LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the BSE and the NSE. We have received in-principle approval from the BSE and the NSE for the listing of our Equity Shares pursuant to letters dated January 3, 2007 and January 12, 2007, respectively. For purposes of this Issue, the Designated Stock Exchange is the BSE.

### BOOK RUNNING LEAD MANAGER



#### ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED

801/ 802, Dalamal Towers,  
Nariman Point,  
Mumbai 400 021, India.  
Telephone: +91 22 6638 1800  
Facsimile: +91 22 2284 6824  
Email: vishalipo@enam.com  
Website: www.enam.com  
Contact Person: Mr. Sachin K. Chandiwal

### REGISTRAR TO THE ISSUE



#### INTIME SPECTRUM REGISTRY LIMITED

C-13, Pannalal Silk Mills Compound,  
L.B.S Marg, Bhandup (West),  
Mumbai 400 078, India.  
Telephone: +91 22 2596 0320-28  
Facsimile: +91 22 2596 0329  
Email: vishalipo@intimespectrum.com  
Website: www.intimespectrum.com  
Contact Person: Mr. Sachin Achar

### ISSUE PROGRAMME

**BID / ISSUE OPENS ON : JUNE 11, 2007**

**BID / ISSUE CLOSURES ON : JUNE 13, 2007**

## TABLE OF CONTENTS

<b>SECTION I - GENERAL</b> .....	<b>1</b>
DEFINITIONS AND ABBREVIATIONS .....	1
CERTAIN CONVENTIONS; PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA .....	6
FORWARD-LOOKING STATEMENTS .....	7
<b>SECTION – II: RISK FACTORS</b> .....	<b>8</b>
<b>SECTION – III - INTRODUCTION</b> .....	<b>23</b>
SUMMARY .....	23
THE ISSUE .....	27
SUMMARY FINANCIAL INFORMATION .....	28
GENERAL INFORMATION .....	30
CAPITAL STRUCTURE .....	38
OBJECTS OF THE ISSUE .....	48
TERMS OF THE ISSUE .....	52
BASIS FOR ISSUE PRICE .....	55
STATEMENT OF TAX BENEFITS .....	58
<b>SECTION IV – ABOUT THE COMPANY</b> .....	<b>66</b>
INDUSTRY OVERVIEW .....	66
OUR BUSINESS .....	74
FINANCIAL INDEBTEDNESS .....	93
REGULATIONS AND POLICIES IN INDIA .....	100
HISTORY AND CERTAIN CORPORATE MATTERS .....	102
OUR MANAGEMENT .....	109
OUR PROMOTERS AND GROUP COMPANIES .....	118
DIVIDEND POLICY .....	128
<b>SECTION – V FINANCIAL STATEMENTS</b> .....	<b>129</b>
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS .....	163
<b>SECTION – VI LEGAL AND OTHER INFORMATION</b> .....	<b>181</b>
OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS .....	181
GOVERNMENT AND OTHER APPROVALS .....	188
OTHER REGULATORY AND STATUTORY DISCLOSURES .....	206
<b>SECTION – VII ISSUE INFORMATION</b> .....	<b>214</b>
ISSUE STRUCTURE .....	214
ISSUE PROCEDURE .....	217
<b>SECTION - VIII: MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY</b> .....	<b>243</b>
<b>SECTION IX – OTHER INFORMATION</b> .....	<b>264</b>
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION .....	264
DECLARATION .....	266

## SECTION I - GENERAL

### DEFINITIONS AND ABBREVIATIONS

#### *Company Related Terms*

Term	Description
“Vishal Retail Limited” or “Vishal” or “the Company” or “our Company” or “we” or “us” or “our”	<b>Vishal Retail Limited, a public limited company incorporated under the Companies Act, 1956.</b>
Articles/Articles of Association	The articles of association of our Company.
Auditors	The statutory auditors of our Company, Haribhakti & Co., Chartered Accountants.
Board of Directors/Board	The board of directors of our Company or a committee constituted thereof.
Corporate Office	Corporate office of our Company located at Khasra No. 332, Near Telco Workshop, Rangpuri, New Delhi 110 037, India
Director(s)	Director(s) of Vishal Retail Limited, unless otherwise specified.
Memorandum / Memorandum of Association	The memorandum of association of our Company.
Preference Shares	Preference shares of our Company of face value of Rs.146 each.
Registered Office	Registered office of our Company located at RZ-A-95 & 96, Mahipalpur Extension, New Delhi 110 037, India.

#### *Issue Related Terms*

Term	Description
Allotment	Unless the context otherwise requires, the allotment of Equity Shares pursuant to the Issue.
Allottee	The successful Bidder to whom the Equity Shares are/ have been Issued.
Banker(s) to the Issue	HDFC Bank Limited, Deutsche Bank AG, ICICI Bank Limited and The Hongkong and Shanghai Banking Corporation Limited
Bid	An indication to make an offer during the Bidding Period by a Bidder to subscribe to our Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue.
Bid/Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in an English national newspaper and Hindi national newspaper, both with wide circulation.
Bid cum Application Form	The form in terms of which the Bidder shall make an indication to make an offer to subscribe to the Equity Shares and which will be considered as the application for the issue of the Equity Shares pursuant to the terms of this Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form.
Bidding/Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids, including any revisions thereof.
Bid/Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper, both with wide circulation.
Bid/Issue Closing Date	The date after which the Syndicate shall not accept any Bids for the Issue, which shall be the date notified in an English national newspaper and a Hindi national newspaper, both with wide circulation.
Book Building Process	Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Issue is being made.
BRLM/ Book Running Lead Manager	Enam Financial Consultants Private Limited.
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price

<b>Term</b>	<b>Description</b>
Cap Price	in accordance with the Book Building Process. The higher end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Cut-off Price	The Issue Price finalised by our Company in consultation with the BRLMs
Depository/Depositories	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time, in this case being NSDL and CDSL.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account to the Issue Account, which in no event shall be earlier than the date on which the Prospectus is filed with the RoC.
Designated Stock Exchange	BSE.
Draft Red Herring Prospectus	The Draft Red Herring Prospectus filed with SEBI on December 1, 2006 issued in accordance with Section 60B of the Companies Act and SEBI Guidelines, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue.
Eligible Employee	Permanent employees of the Company who are Indian nationals based in India as on the Bid/Issue Opening Date and are present in India on the date of submission of the Bid cum Application Form, including a director of the Company, who is an Indian national, whether a whole time director, part time director or otherwise, except any Promoters or members of the Promoter Group, as of May 31, 2007 and based and present in India as on the Bid/Issue Opening Date and the date of submission of the Bid cum Application Form
Employee Reservation Portion	The portion of the Issue being up to 300,000 Equity Shares available for allocation to Eligible Employees.
Enam	Enam Financial Consultants Private Limited having its registered office at 801/802, Dalamal Towers, Nariman Point, Mumbai 400 021, India.
Equity Shares	Equity shares of our Company of face value of Rs. 10 each unless otherwise specified in the context thereof.
Escrow Account	Account(s) opened with the Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement to be entered into among the Company, the Registrar, the Escrow Collection Bank(s), the BRLM and the Syndicate Member for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders, on the terms and conditions thereof.
Escrow Collection Bank(s)	The banks, which are clearing members and registered with SEBI as Banker to the Issue at which the Escrow Account will be opened, in this case being HDFC Bank Limited, Deutsche Bank AG, ICICI Bank Limited and The Hongkong and Shanghai Banking Corporation Limited.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
Issue	Public issue of up to [●] Equity Shares at a price of Rs. [●] each for cash aggregating up to Rs. 1,100 million by our Company. The Issue comprises a Net Issue to the public of up to [●] Equity Shares and Employee Reservation Portion of up to 300,000 Equity Shares.
Issue Price	The price at which Equity Shares will be allotted in terms of the Red Herring Prospectus or the Prospectus, as determined by the Company in consultation with the BRLM, on the Pricing Date.
Issue Account	Account opened with the Banker(s) to the Issue to receive monies from the Escrow Account for the Issue on the Designated Date.
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount.
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Net Issue/Net Issue to the public	The Issue less the Employees Reservation Portion, being [●] Equity Shares of Rs. 10 each
Non-Institutional Bidders	Bidders that are neither Qualified Institutional Buyers nor Retail Individual

<b>Term</b>	<b>Description</b>
	Bidders and who have Bid for an amount more than Rs. 100,000.
Non-Institutional Portion	The portion of the Net Issue being up to [●] Equity Shares available for allocation to Non-Institutional Bidders.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to the Bidders, as applicable.
Pay-in-Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date, and (ii) with respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date.
Price Band	The price band with a minimum price (Floor Price) of Rs. 230 and the maximum price (Cap Price) of Rs. 270, including any revisions thereof.
Pricing Date	The date on which the Company in consultation with the BRLM finalises the Issue Price.
Promoters	Mr. Ram Chandra Agarwal, Mr. Surendra Kumar Agarwal, Mrs. Uma Agarwal, Mr. Ram Chandra Agarwal (HUF), Unicon Marketing Private Limited, Ricon Commodities Private Limited and Vishal Water World Private Limited.
Promoter Group	Mrs. Santa Devi Agarwal, Mr. Rajendra Kumar Agarwal, Mrs. Sunita Agarwal, Master Sudhanshu Agarwal, Master Rohit Agarwal, Master Akash Agarwal, Ms. Shreya Agarwal, Mrs. Shakuntala Todi, Mrs. Sushila Adukia, Mr. Santosh Bajoria, Mrs. Krishna Bajoria, Mr. Hemant Bajoria, Mr. Raj Kumar Bajoria, Mrs. Renu Agarwal, Mrs. Karuna Agarwal, Mrs. Madhu Kothari, Island Enterprises and Sunita Fashion Private Limited
Prospectus	The prospectus, to be filed with the RoC in terms of Section 60 of the Companies Act, after pricing, containing, among other things, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Qualified Institutional Buyers or QIBs	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million.
QIB Portion	The portion of the Net Issue being at least [●] Equity Shares available for allocation to QIBs.
Registrar/ Registrar to the Issue	Intime Spectrum Registry Limited
Retail Individual Bidders	Individual Bidders (including HUFs applying through their <i>karta</i> ) who have bid for Equity Shares for an amount less than or equal to Rs. 100,000, in any of the bidding options in the Issue.
Retail Portion	The portion of the Net Issue being up to [●] Equity Shares available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in their Bid cum Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	The Red Herring Prospectus filed with RoC in accordance with Section 60B of the Companies Act, which will not have complete particulars of the price at which the Equity Shares are issued and the size of the Issue, which will be filed with the RoC at least three days before the Bid/Issue Opening Date.
Stock Exchanges	BSE and NSE.
Syndicate or members of the Syndicate	The BRLM and the Syndicate Member.
Syndicate Agreement	The agreement dated [●] to be entered into among the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Member	Enam Securities Private Limited.
TRS/ Transaction Registration Slip	The slip or document issued by any of the members of the Syndicate to a Bidder as proof of registration of the Bid.
Underwriters	The BRLM and the Syndicate Member.
Underwriting Agreement	The agreement among the Underwriters and the Company to be entered into on or after the Pricing Date.

*Conventional and General Terms/ Abbreviations*

<b>Abbreviation</b>	<b>Full Form</b>
A/c	Account
Act or Companies Act	Companies Act, 1956 and amendments thereto
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
AGM	Annual general meeting of our Company.
BCCL	Bennett, Coleman & Co. Limited.
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate.
CDSL	Central Depositories Services Limited
DIN	Directors Identification Number.
EGM	Extraordinary General Meeting.
EPC	Engineering Procurement and Construction.
EPS	Earnings per share.
ESI	Employee's State Insurance.
ESIC	Employee's State Insurance Corporation.
FDI	Foreign Direct Investment, as understood under applicable Indian regulations.
FEMA	The Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder.
FEMA Regulations	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 and amendments thereto
FII(s)	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investor) Regulations, 1995 registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board.
FY/ Fiscal	Financial year/ Fiscal year.
Financial year /Fiscal Year	Period of twelve months ended March 31 of that particular year, unless otherwise stated.
GoI	Government of India.
HDFC	Housing Development Finance Corporation Limited
HUF	Hindu Undivided Family
Indian GAAP	Generally accepted accounting principles in India.
IPO	Initial Public Offering
I.T. Act	The Income Tax Act, 1961, as amended from time to time.
IT Department	Income Tax Department
MOU	Memorandum of Understanding
NA	Not Applicable
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation, preference share capital and share application money) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of 'profit and loss account', divided by number of issued equity shares outstanding at the end of fiscal
NBFC	Non Banking Financial Company as defined under the Reserve Bank of India Act, 1934 and regulations promulgated thereunder, as amended from time to time
NCT	National Capital Territory of Delhi and Haryana
NSE	National Stock Exchange of India Limited.
NSDL	National Securities Depository Limited.
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000
p.a.	per annum.
P/E Ratio	Price/Earnings Ratio.
PAN	Permanent Account Number allotted under the Income Tax Act, 1961.
PLR	Prime Lending Rate.
QIB	Qualified Institutional Buyer
RBI	The Reserve Bank of India.
RoC	The Registrar of Companies, National Capital Territory of Delhi and Haryana,

Abbreviation	Full Form
	located at Pariyavaran Bhawan, Block B, 2 <sup>nd</sup> Floor, CGO Complex, Lodhi Road, New Delhi 110 003.
RoNW	Return on Net Worth.
Rs.	Indian Rupees.
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time.
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI, as amended, including instructions and clarifications issued by SEBI, from time to time.
Sec.	Section.
SICA	The Sick Industrial Companies (Special Provisions) Act, 1985.
Stock Exchange(s)	the BSE and/ or the NSE as the context may refer to.
STT	Securities Transaction Tax.
Takeover Code	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended from time to time.

#### *Industry Related Terms*

Term	Description
ERP	Enterprise Resource Planning
FMCG	Fast Moving Consumer Goods
IT/ITES	Information Technology / Information Technology Enabled Services
MIBOR	Mumbai Inter Bank Offer Rate
SKU	Stock Keeping Units
SAP	Systems, Applications and Products in Data Processing
Tier I Cities	Bangalore, Kolkata, Delhi and Mumbai
Tier II Cities	Chennai, Hyderabad and Pune
Tier III Cities	Ahmedabad, Baroda, Bhubaneswar, Chandigarh, Cochin, Coimbatore, Indore, Jaipur, Ludhiana, Lucknow, Mangalore, Mysore, Nagpur, Nasik, Vizag, Trivandrum and another 23 cities with population over 1 million

## **CERTAIN CONVENTIONS; PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA**

Unless indicated otherwise, the financial data in this Red Herring Prospectus is derived from our restated financial statements prepared in accordance with Indian GAAP and included in this Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31, so all references to a particular fiscal year are, unless otherwise stated, to the twelve-month period ended March 31 of that year.

Unless otherwise specified or the context otherwise requires, all references to a particular fiscal year, “fiscal”, “Fiscal”, “FY” or “Financial Year” in this Red Herring Prospectus are to the twelve months ended March 31 of that year. For additional definitions, see the section titled “Definitions and Abbreviations” beginning on page 1.

Unless stated otherwise, all figures have been expressed in millions, except in the section titled “Our Management” at page 109.

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

Unless otherwise specified or the context otherwise requires, all references to “India” contained in this Red Herring Prospectus are to the Republic of India, together with its territories and possessions.

### **Currency of Presentation**

All references to “Rupees” or “Rs.” or “INR” are to Indian Rupees, the official currency of the Republic of India.

### **Industry and Market Data**

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

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



## **FORWARD-LOOKING STATEMENTS**

We have included statements in this Red Herring Prospectus which contain words or phrases such as “will”, “aim”, “will likely result”, “believe”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions, that are “forward-looking statements”.

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

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which the Company has its businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India and which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes and changes in competition in our industry.

For further discussion of factors that could cause our actual results to differ, see the sections “Risk Factors”, “Our Business” and “Management’s Discussion of Financial Condition and Results of Operations” beginning on pages 8, 74 and 163, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company, nor the members of the Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLM will ensure that investors in India are informed of material developments until such time as the grant of trading permission by the Stock Exchanges for the Equity Shares allotted pursuant to the Issue.

## **SECTION – II: RISK FACTORS**

*An investment in our Equity Shares involves a degree of risk. You should carefully consider all the Information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain, a complete understanding of our Company, you should read this section in conjunction with the sections titled “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 74 and 163 as well as the other financial and statistical information contained in the Red Herring Prospectus. If the following risks occur, our business, results of operations and financial condition could suffer, and the price of our Equity Shares and the value of your investment in our Equity Shares could decline.*

### **Internal Risk Factors**

#### **Risks Related to the Objects of the Issue:**

1. ***Our funding requirements and the deployment of the proceeds of the Issue are based on management estimates and have not been independently appraised.***

Our funding requirements and the deployment of the proceeds of the Issue are based on management estimates and have not been appraised by any bank, financial institution or other independent organisation. The estimated costs towards rents and deposits for the lease/license arrangements for our stores and the cost towards holding the inventory may vary based on location, size and several other factors. In view of the highly competitive nature of the industry in which we operate, we may have to revise our management estimates from time to time and consequently our funding requirements may also change. This may result in the rescheduling of our project expenditure programmes or relocations of some of the Project Stores and an increase or decrease in our proposed expenditure for a particular project and our results of operations may be adversely impacted.

2. ***We have not entered into any definitive arrangements for establishment of some of our Project Stores.***

We intend to use the proceeds of the Issue for expenditure on establishment of the Project Stores described in the section “Objects of the Issue” on page 48. We have not entered into any lease or licence arrangements for establishment of 13 of 22 Project Stores.

Further, as per the management estimates, we would be required to place an inventory of approximately Rs. 30 million in each Project Store, which comprises 60% of the estimated cost for establishment of a Project Store. However, at present we have not placed any orders for such inventories.

In the event we are unable to enter into arrangements at favourable terms and conditions, as expected and assumed by us, or in a timely manner or at all, we may not be reap the expected benefits from the net proceeds of the Issue and our financial results may suffer.

#### **Corporate and Other Internal Risk Factors:**

3. ***We are involved in a number of legal proceedings that, if determined against us, could adversely impact our business and financial condition.***

The following outstanding litigations are pending against our Company and Directors:

The Delhi Development Authority has filed a criminal complaint dated April 24, 2004 against our Company and our directors under Sections 14 and 29(2) of the Delhi Development Act, 1957 alleging that our Company is illegally operating a commercial establishment in our Pitampura store as the land

on which our Company is running the store can be used only for residential purposes. The case is currently pending before the Metropolitan Magistrate, New Delhi.

There are two cases pending against us in relation to certain sales tax claims. The aggregate amount claimed against us in these cases is approximately Rs. 2.11 million. There are four consumer complaints pending against us before various consumer dispute redressal forums in India. The total amount of claims in these cases is approximately Rs. 0.59 million in addition to interest. Further, we are facing litigation with respect to infringement of intellectual property involving a claim of Rs. 2 million as damages. Further, there is a civil suit pending against us in relation to our store located at Hissar, Haryana in relation to alleged violation of land usage laws.

In addition to these, there are certain cases pending against some of our Promoters and Promoter Group companies.

All the above legal proceedings are pending at different levels of adjudication before various courts and tribunals. For more information regarding litigations on our Company and the companies forming part of the Promoter Group, see “Outstanding Litigation and Material Development” on page 181.

**4. *The validity of the lease agreement for our Registered Office has expired***

We had entered into an MOU dated November 3, 2003 with Des Raj Singh (HUF), pursuant to which the property, over which our Registered Office is situated, was agreed to be provided for our use, on lease basis for an aggregate period of 12 years. The lease agreement dated May 6, 2004 entered into us with Des Raj Singh (HUF) has expired on November 30, 2006. We are in process of obtaining renewal of the said lease agreement. In the event that we are not able to renew the lease agreement, we may be required to shift our registered office to another location.

**5. *The business interests of Mr. Rajendra Kumar Agarwal may be in conflict with our business interests***

The business interests of Mr. Rajendra Kumar Agarwal, brother of two of our Promoters, Mr. Ram Chandra Agarwal and Mr. Surendra Kumar Agarwal, carrying on the business of retailing of apparels in the eastern region of India under the brand “Vishal Garment” through an entity called Aarkey Retail Private Limited may be in conflict with our business interests and may cause confusion in the minds of our customers and consequently, may potentially affect our operations in the eastern parts of the country. In addition, Mr. Rajendra Kumar Agarwal has refused to provide any documents or information regarding his business or any company in which he holds interest, for the purposes of disclosure in this Red Herring Prospectus. For further details, please refer to section titled “Our Promoters and Group Companies” on page 118.

**6. *There are restrictive covenants in the agreements we have entered into with certain banks for working capital credit facilities and other borrowings.***

Our financing agreements contain restrictive covenants regarding, among other things, our capital structure, the constitution of our Board, declaration of dividend or distributable profits, raising additional finance, the disposition of assets and the expansion of our business. These agreements also require us to maintain certain financial ratios. Should we breach any financial or other covenants contained in any of our financing agreements, we may be required to immediately repay our borrowings either in whole or in part, together with any related costs. We may be forced to sell some or all of our assets if we do not have sufficient cash or credit facilities to make repayments. Additionally, if our borrowings are secured against all or a portion of our assets, lenders may be able to sell those assets.

**7. *BCCL holds 2,054,795 Equity Shares representing 11.21% of the total paid up pre-Issue capital of our Company and we also have an agreement with BCCL for the purpose of advertisement of our***

***product or services, in BCCL print publications and non-print media, which may lead to conflict of interest.***

BCCL holds 2,054,795 Equity Shares representing 11.21% of the total paid up pre-Issue capital of our Company and we have also entered into an agreement with BCCL for the purpose of advertisement of our products or services, in BCCL print publications and non-print media for five years starting from September 1, 2005 and ending on August 31, 2010. We have agreed to release advertisements for a total value of Rs. 300 million during this time period.

Although the editorial functions of the publications of BCCL may be considered to be independent, due to the above arrangements with BCCL, there is a possibility of conflict of their interests in so far as any advertisement, publicity, editorial, news item or article appearing in their publications is concerned. For further details regarding the share stock agreement and the advertising agreement, please see the section titled "History and Certain Corporate Matters" beginning on page 102.

**8. *We have entered into two separate agreements with BCCL. One of them is a share stock agreement, which contains certain restrictive covenants and the other one is an advertising agreement which may lead to a conflict of interest.***

Our Company has entered into a share stock agreement with BCCL and Mr. Ram Chandra Agarwal. Under the terms of the said share stock agreement, prior consent of BCCL is required to be obtained by us. Certain restrictive covenants for which we require BCCL's prior consent are as follows:

- entering into any transaction, arrangement, agreement or contract with a company in which our Promoters are interested parties (upto a limit of 60%), when the total value of the transaction exceeds Rs. 100 million in a financial year;
- pledge, mortgage, charge or any encumbrance on the Equity Shares, options or interests in any Equity Shares;
- transferring, disposing of or granting an option over the Equity Shares;
- entering into any agreement in respect of votes attached to any of the Equity Shares, options, or warrants; and
- if our Promoters either alone or jointly with any person, directly or indirectly, engage, invest substantially or are interested in any business, venture or project which directly or indirectly competes with the business of our Company.

*Passing of Resolutions*

Under the terms of the said share stock agreement, BCCL is entitled to appoint one director on our Board for a period of five years from the closing date (defined under the agreement) or till the date BCCL holds Equity Shares, whichever is earlier. Further, as long as BCCL holds 5% of our Equity Share capital, prior consultation with BCCL is required for the following:

- any matter for which a special resolution of the shareholders is required under the Companies Act;
- any matter having a bearing on the rights of BCCL as set out in the share stock agreement; and any matter affecting the share capital or shareholding, whether taken by our Board of Directors, our shareholders or our Promoters.

**9. *Some of the shareholders agreements entered into by us may contain certain buy-back arrangements***

Our Company has entered into certain share subscription and shareholders agreements with HDFC, BCCL, Mr. Ram Chandra Agarwal and certain other individual shareholders and body corporates. Under the terms and conditions of the agreements with BCCL, our Company has undertaken that in the event that our Company is not able to complete the Issue by October 12, 2007, to the extent of our Company having availed the advertisements as per the invoice amount provided under the advertisement agreement with BCCL, our Promoters would be required to provide a reasonable

opportunity for exit from the Company. In the event that such exit does not appear feasible, our Company and/or our Promoters would be required to buy back the shares held by BCCL at a price arrived at by a third party consultant appointed for the valuation of the Company and its shares under the terms of the agreement with BCCL.

Under the terms and conditions of the agreements with the other investors, our Company has undertaken that in the event that our Company is not able to complete the Issue by September 30, 2007, our Company would be required to buy back all the subscription shares held by HDFC and such other investors at a price not less than Rs. 200, by October 31, 2007. Further, under the said agreements, In the event the buyback of shares is not completed by October 31, 2007, Mr. Ram Chandra Agarwal would be obliged, on receipt of a written notice from HDFC and/or such other investors, to purchase all the subscription shares at a mutually agreed price which shall not be less than Rs. 200, within 15 days on a spot delivery basis. If Mr. Ram Chandra Agarwal fails to purchase the subscription shares on or before the above mentioned 15 days, he would be liable to pay HDFC an amount equal to the subscription price along with an interest of 19 percent per annum from July 24, 2006 till the date of payment. For details, see “History and Certain corporate Matters” on page 102.

**10. We have had negative cash flows in certain recent fiscal periods.**

We have had negative cash flows in certain recent fiscal periods, as indicated in the table below.

	<i>(Rs. in million)</i>		
	Fiscal 2007	Fiscal 2006	Fiscal 2005
Net cash from (used in) operating activities	(1,025.04)	(306.18)	(10.14)
Net cash from (used in) investing activities	(950.81)	(269.80)	(106.92)
Net cash from (used in) financing activities	2,044.70	593.83	118.64

**11. Certain of our Group Companies and ventures of promoters have incurred losses during the last three financial years**

Certain of our Promoter Group companies have incurred losses in recent fiscal years, as set forth in the table below:

	<i>(Rs. in million)</i>		
Name of the Promoter Group companies/firms	Fiscal 2006	Fiscal 2005	Fiscal 2004
Vishal Water World Private Limited	<b>0.66</b>	<b>1.96</b>	(3.00)
Ricon Commodities Private Limited	(0.004)	(0.18)	(0.33)
Sunita Fashion Private Limited	--	0.15	0.19

**12. Certain of our Promoter companies have experienced decline in profitability**

Certain of our Promoter companies have experienced decline in profitability, as set forth in the table below:

	<i>(Rs. in million)</i>		
Name of the Promoter companies	Fiscal 2006	Fiscal 2005	Fiscal 2004
Vishal Water World Private Limited	0.66	1.96	(3.00)
Ricon Commodities Private Limited	(0.004)	(0.18)	(0.33)

**13. Our restated financial statements have been qualified.**

The auditors’ report on our restated financial statements included in this Red Herring Prospectus contains certain qualifications including those pertaining to our internal control procedures and internal audit system. The qualifications appear in the notes to the restated consolidated financial statements included in this Red Herring Prospectus. For details, see the section titled “Financial Statements” beginning on page 129.

**14. We are yet to receive consents/renewals of certain statutory approvals required in the ordinary course of our businesses, and if we are unable to obtain these approvals, our business could be adversely affected.**

Our Company is required to comply with the provisions of the Standards of Weights and Measures Act, 1976 and obtain registration the rules made thereunder including the Standards of Weights and Measures (Packaged Commodities) Rules, 1977. Similarly, our Company is required to comply with the provisions of the Prevention of Food Adulteration Act, 1954 and obtain registration under the rules made thereunder. Our Company will be governed by the various shops and establishments legislations, as applicable, in the states where it has stores. These legislations regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of inter alia registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work. Therefore, we are required to obtain registration under the same. Besides, we require the permission of various local bodies to use signboards, glow signs, illuminated sky sign boards, illuminated totem pole signs and to operate lifts, escalators, fire/fire prevention measures. In addition, for our manufacturing facilities, we are required to obtain license under the Factories Act, 1948. If we do not receive, renew or maintain our statutory and regulatory permits and approvals required to operate our business, it may have a material adverse effect on our business and our results of operations. For further details, see the section titled “Government Approvals” on page 188.

**15. *We are subject to third party claims of intellectual property infringement.***

We face litigation with regard to our usage of the term “Mega Mart” within our trademark “Vishal Mega Mart” by Arvind Brands Limited as constituting alleged passing-off and their claim with regard to the term being originally owned by them. Any adverse decision by the judicial authorities in the said matter and in the event of us becoming liable for infringing their intellectual property rights, could require us to pay substantial damages and resort to use of a non-infringing trademark or brand, which could have an adverse impact on our brand value and brand loyalty and consequently, can adversely affect our business and operations.

**16. *Our contingent liabilities could adversely affect our financial condition.***

Our contingent liabilities not provided for and outstanding guarantees as of March 31, 2007 (as disclosed in our financial statements) include:

	<i>(Rs. in million)</i>
<b>Particulars</b>	<b>Amount</b>
Disputed Sales Tax Demand against which the company has filed appeal	12.67
Disputed Entry Tax Demand against which the company has filed appeal	3.32
The counter guarantee given the company for the guarantees issued by the bankers/ Financial Institutions.	3.44
Claim against the company not acknowledged as debts	3.01
Guarantee given by the company for the loan taken by the Managing Director	21.00
<b>Total</b>	<b>43.44</b>

If any of these contingent liabilities materialise, our profitability could be adversely affected.

**17. *In last one year, we have issued Equity Shares at a price less than the Issue Price.***

The Price Band for the Issue is Rs. 230 to Rs. 270. The Issue Price is expected to be determined by us in consultation with the BRLM on the Pricing Date. We have issued (i) 1,250,000 Equity Shares on June 5, 2006 at a price of Rs. 200 to certain investors, (ii) 384,190 Equity Shares on July 3, 2006 upon conversion of Preference Shares of Rs. 146 each and (iii) 200,000 Equity Shares on July 21, 2006 at a price of Rs. 200 to HDFC Limited, as mentioned in the section “Capital Structure” on page 38. The price of the Equity Shares allotted by us in the last 12 months may be lower than the Issue Price.

**18. *Because our Promoters and Promoters group control substantial voting power, investors may not be able to affect the outcome of any shareholder vote.***

Following the Issue, our Promoters and Promoter Group entities will own [●]% of our issued and paid-up Equity Share capital. As a result, our Promoters and Promoter Group entities after this Issue will control [●]% of the voting power of our issued and paid-up Equity Share capital. For as long as the Promoters and/or Promoter Group continue to own Equity Shares representing more than 50% of the voting rights, they will be able to direct the election of our Directors and determine the outcome of all matters submitted to a vote of our shareholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares or other equity securities and the payment of dividends.

**19. *Some of our immovable properties may have irregularities, as a result of which our operations may be impaired.***

For the immovable properties for our stores, we enter into lease or licence arrangements. Some of such properties may not be constructed or developed as per the local laws and statutory requirements.

For instance, our store located at National Highway 8, near Shiv Murti, Delhi having an area of 22,282 square feet was forced to shut down upon demolition by Municipal Corporation of Delhi on account of alleged violation by the owner of the property in relation to the permitted land usage. Certain portions of our Store located at Pal Mohan Plaza, No. 39, Block A2, Rajouri Garden, New Delhi have been sealed by the Municipal Corporation of Delhi on account of alleged violation by the owner of the property in relation to the permitted land usage. Consequently, only the Ground Floor of our store having an area of 4,500 square feet out of the total area of 25,000 square feet is presently operative. Further, for our store at Pitampura, New Delhi, we have received notice from the Delhi Development Authority alleging use of the said building/land in a manner which is in contravention of certain provisions of the Master Plan of Delhi and Delhi Development Act.

In addition, some of the agreements for such arrangements may not be adequately stamped or registered in the land records of the local authorities. We cannot assure you that we would be able to continue user of all such properties or be able to enforce our rights under such agreements, which may impair our operations and adversely affect our financial condition. For further details, please refer to see sections titled “Our Business – Our Stores and Distribution Centres”, “Our Business – Immoveable Properties” and “Government and Other Approvals” on pages 74, 74 and 188, respectively.

**Related to our Business and Industry:**

**20. *We face significant competition in the retail industry.***

The Indian retail industry is highly competitive. Competition is characterized by many factors, including assortment, advertising, price, quality, service, location, reputation and credit availability, availability of retail space. We also face competition from other forms of retail other than through stores including sale of goods on-line over the internet, door-to door sales and sale of household products from homes.

Certain large domestic industrial and business groups have evinced interest in this sector and seem to be in the process of establishing retail chain in India. Such prospective competitors are larger and better placed to take advantage of efficiencies created by size, and have better financial resources or greater access to capital at lower costs, and may be better known nationally. For instance, the launch of certain of our stores including that proposed at Chandigarh, has been delayed as the properties identified by us for location of our stores and for which certain arrangements were entered into, have been taken up by our competitors for a higher consideration.

Additionally, we may face competition from international players if foreign participation in the retail sector is further liberalized. Moreover, as the industry is highly fragmented and we also face competition from local stores, who may, for a variety of reasons such as easier to access and personal relationships with the customers, be able to cater to local demands better than us. Our inability to

compete successfully in our industry would materially affect our business prospects and financial condition. For further details on our existing competitors, see the section titled “Industry Overview” on page 66.

**21. *Our business depends on our ability to obtain and retain quality retail spaces.***

Our success in our business depends on our ability to identify and acquire quality retail space at appropriate terms and conditions. We compete with other large retailers for acquiring quality real estate resources. If we fail to acquire targeted properties, we would face delays in execution of our strategies, which may result in cost overruns or otherwise adversely affect our business, operations and profitability.

**22. *Except our store situated at Kolkata, none of the properties on which our retail stores are situated, are owned by us, but are leased or licensed in our favour under various agreements.***

Except our store situated at Kolkata, none of the properties on which our retail stores are situated, are owned by us. Our stores are operated on properties which are taken on lease or licence basis or under certain franchisee arrangements, which may or may not be renewed. The termination of our leases or licences or franchisee arrangement, or disputes that may arise with owners of such properties may result in closure of our stores, thus affecting our business and profitability.

**23. *The success of our business is highly dependent on our ability to attract customers to our stores.***

Various factors affect the customer footfalls, including choice of location and nature of floor layout. Factors such as the regional economy, weather conditions, natural disasters, social unrest as well as government regulations specific to the states in which we operate may affect the customers coming to our stores. The disposable income available to the customers also affects their spending power on consumer products that we sell in our stores. A change in economic conditions in the country may affect the disposable income available to customers, which may in turn affect the result from our operations, our financial position and our profitability.

**24. *Our business depends on our ability to maintain consistency in customer service and other operations.***

Competition for personnel, particularly for employees with retail expertise, is intense. Additionally, our ability to maintain consistency in the quality of customer service in our stores is critical to our success. This will depend on our ability to hire the right personnel and also train the new personnel in the implementation of our processes effectively. In addition, the attrition rate of employees is high in the retail industry and in the event we lose employees at a high rate or we cannot recruit fresh talent, it may adversely affect our operations.

**25. *The success of our business is dependent on supply chain management.***

A strong supply chain system is essential to ensure availability of merchandise at the stores. Ensuring shelf availability for our products warrants quick turnaround time and high level of coordination with suppliers. Food and grocery items require efficient supply chain management as this involves items which are perishable or have limited shelf life. We rely on our supply chain and adopt operational processes to optimize our inventory position and reduce cost. We strive to keep optimum inventory at our stores and distribution centers to control our working capital requirements. For instance, on back of our supply chain management, we do not provide for dedicated storage spaces in most of our stores. In addition, we do not have any long term arrangements with our suppliers and vendors. Inefficient supply chain management could adversely affect the results from operations.

**26. *Past store sales may not be comparable to and indicative of future store sales.***

Various factors affect the sales at our stores including competition, our capabilities in sourcing and



buying and merchandising, our supply chain, store location and floor plate, fashion trend changes, our systems and processes etc. These factors will have an influence on existing and future stores and thus past figures of sales may not be true indication of future sales.

27. ***If we are unable to manage our rapid growth effectively, our business and financial results could be adversely affected. Our inability to deliver as per our business plan could have an adverse impact on our results from operations.***

Our business has grown rapidly since we began operations in 2001. Our stores under operation have increased from 26 stores as on March 31, 2006 to 49 stores as on March 31, 2007. Our rapid growth has been fuelled due to retail evolution in India with higher disposable income, growth in urban population, and change in outlook of customers among others. Our total sales has increased from Rs. 2,884.43 million in fiscal 2006 to Rs. 6,026.53 million in fiscal 2007. During the same period, our profit after tax has increased from Rs. 124.74 million to Rs. 249.83 million.

We have a limited operating history and the development of systems and procedures in a nascent stage. This may entail substantial senior level management time and resources and we may also not be able to anticipate or evaluate all the business risks. In addition, our growth plans are considerable and would put significant demands on our management team and other resources. Any delay by the developers in handing over the possession of store sites to us may lead to delays in our opening of stores and impact our time schedules and cause cost and time over runs. Rising real estate costs and acquisition, construction and development costs could also inhibit our ability to grow. In addition, our expansion in new and existing markets may present distribution and merchandising challenges that differ from those in our current operations. These factors could cause diversion of management attention from the expansion plans leading to delays and cost overruns and may adversely impact our results of operations. Besides, the reasons for our growth may not continue to exist in the subsequent years. For further details please refer to the sections titled “Our Business” and “Management Discussions and Analysis of Financial Condition and Results of Operations” beginning on pages 74 and 163, respectively.

28. ***Presently, majority of our stores are located in northern part of India and has contributed 61.93% to our total sales in fiscal 2007. Our growth strategy to expand into new geographic areas poses risks. Expansion in unfamiliar locations may affect our result of operations and growth plans.***

As of April 30, 2007, 27 of 50 of our stores are located in North India. Our stores in North India contributed 61.93 % of our total sales as of March 31, 2007. Part of our growth strategy has been to expand our business into new geographic are such as Tamil Nadu, Kerala, Karnataka, Andhra Pradesh in southern region and in the state of Bihar, Jammu and Kashmir among others. We propose to continue with this strategy of entering new geographic areas. We may face additional risks if we undertake projects in geographic areas in which we do not possess the same level of familiarity with the development, ownership and management of retail business and the customer preferences including:

- adjusting our retail methods to different geographies;
- obtaining the necessary products in sufficient amounts and on acceptable terms;
- obtaining necessary governmental approvals and the real estate permits under unfamiliar regulatory regimes;
- attracting potential customers in a market in which we do not have significant experience; and
- the cost of hiring new employees and increased infrastructure costs.

In the event we are unable to successfully manage the risks of such an expansion, it could have a material adverse effect on our revenues, earnings and financial condition. For further details, please refer to sections titled “Our Business – Our Stores and Distribution Centres” and “Our Business – Merchandise Planning” beginning on pages 74 and 74, respectively.

**29. *Our growth requires additional capital, which may not be available on terms acceptable to us.***

The retail industry is capital intensive and requires significant expenditures for store establishment, sourcing of products and raw materials. We intend to pursue a strategy of continued investment in additional retail stores. We anticipate that we will need to obtain additional financing as we expand our operations. We may not be successful in obtaining additional funds in a timely manner, on favourable terms or at all. In addition, restrictions on the foreign direct investment in the retail sector in India are likely to impact our funding options. Moreover, certain of our loan documentations contain provisions that limit our ability to incur future debt. In addition, the availability of borrowed funds for our business may be greatly reduced, and the lenders may require us to invest increased amounts of equity in a project in connection with both new loans and the extension of facilities under existing loans.

If we do not have access to additional capital, we may be required to delay, scale back or abandon some or all of our plans or growth strategies or reduce capital expenditures and the size of our operations.

**30. *We rely on our manufacturing facilities. The loss of or shutdown of operations at any of our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations.***

We have a number of private labels for apparels (i.e. apparels manufactured by us) such as Zepplin, Paranoia, Chlorine, Kitaan Studio, Famenne, Fleurier Women and Roseau. In fiscal 2007, our income from our private labels was Rs. 583.58 million, which accounted for 9.68% of our total sales for fiscal 2007. Currently our apparel manufacturing plant is located at Gurgaon, Haryana. Our facilities are subject to operating risks, such as the breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, labour disputes, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results. In addition, smooth and efficient functioning of our manufacturing process is dependent on sub-contractors and job workers for stitching and fabrication. In the event our sub-contractors or job workers fail to deliver on time or as per the quality prescribed, our manufacturing process may be impacted. Although we take necessary initiatives to minimize the risk of any significant operational problems at our facilities, our business, financial condition and results of operations may be adversely affected by any disruption of operations at our facilities, including due to any of the factors mentioned above. For further details, please refer to section titled "Our Business" beginning on page 74, respectively.

**31. *Our business could be harmed if key management personnel with significant experience and expertise in the retail industry terminate their employment with us.***

We have a team of professionals to oversee the operations and growth of our business. Our performance and success depends largely on our management team (in particularly, Mr. Ram Chandra Agarwal, our Chairman and Managing Director) and skilled personnel and our ability to attract and retain such persons. In order to sustain our business, we need to attract and retain such key managerial personnel. We face a continuing challenge to recruit and retain a sufficient number of suitably skilled personnel, particularly as we continue to grow. There is significant competition for management and other skilled personnel in our industry, and it may be difficult to attract and retain the personnel we need in the future. The loss of services of one or more members of our key management team could adversely affect our business and results from operations.

**32. *We rely extensively on our information technology systems and any failures in our systems could adversely impact our business. We are in the process of upgrading our information technology infrastructure and any disruptions in the implementation or functioning thereafter could adversely affect our business operations.***

We rely extensively on our information technology systems to provide us connectivity across our business functions through our software, hardware and connectivity systems. We have implemented a suite of applications that includes SAP and certain phases of the implementation process will continue. Any delay in implementation, problems in transition to the new system or any disruptions in its functioning may adversely impact our business operations.

**33. *Success in the garment industry, being a consumer industry, will depend on our ability to identify and introduce popular designs.***

As such, for our garment business, we operate in a highly creative and fashion-oriented business. The range of the products in our garment business for a particular store would depend on its geographic location and customer preferences. A substantial measure of the garments that we sell are designed and manufactured by us. Our success in our garment business, in particularly for the garments designed by us, depends upon our ability to forecast, anticipate and respond to changing consumer preferences and fashion trends in a timely manner. Any failure by us to understand prevailing global trends or to forecast changes well in time or to identify and respond to such emerging trends in consumer preferences could have a material adverse effect on our business and profitability.

**34. *Raw materials, including fabric which constitutes the largest component of our manufacturing costs for garments, are sourced from external suppliers.***

Fabric forms the major raw material for our business of manufacturing garments. Any delay in supply or non-conformance to quality requirements by our suppliers or increase in the prices of the same or decrease in the availability of the same can impact our ability to meet our customer requirements and thus adversely impact our operations and profitability. Further, non-availability of required raw materials or any other item of production in the desired quantity and quality at the right time may adversely affect our sales commitment and profitability.

**35. *The risk of merchandise obsolescence is very high in certain categories of our business given the changing consumer preferences***

Our customer offering includes a range of lifestyle retail merchandise and aspirational products. Further, our success in food retailing depends in part on our ability to anticipate the tastes and dietary habits of consumers and to offer products that appeal to their preferences. Hence our ability to correctly understand fashion cycles and customer preferences and manage our merchandise planning is critical for our operations.

**36. *Our annual results are significantly dependent on our third quarter sales.***

The retail industry is characterized by comparatively higher sales during the third fiscal quarter, which is due, in part, to the festival season. Any decrease in third quarter sales, whether because of a low festival season sale, weather conditions, or otherwise, could have a material adverse effect on our business and results from operations. In addition, this variance may not facilitate quarter to quarter comparison of our financial results. Further, our income from sales of apparels is subject to seasonality of demand in India, which depends on factors such as change in weather conditions and festival celebrations.

**37. *Losses on account of shrinkage can negatively impact our profitability.***

Shrinkage in the retail business refers to the loss in inventory through a combination of shoplifting by customers, pilferage by employees, and errors in documents and transactions that go un-noticed. The retail industry world over is affected by shrinkage. Any increase in shrinkage levels at our existing and future stores can adversely impact results from operations.

**38. *We face the risk of potential liabilities from lawsuits or claims by consumers.***

We may face the risk of legal proceedings and claims being brought against us by our consumers for any defective product sold or any deficiency in our services to them. We could face liabilities should our consumers face any loss or damage due to any unforeseen incident such as fire, accident, etc. in our stores, which could cause financial and other damage to our customers/consumers. Currently, we have received four consumer claims involving an aggregate amount of approximately Rs. 0.59 million along with interest. In addition, we have also received 10 notices from consumers involving an aggregate claim amount of approximately Rs. 0.9 million along with interest. Commencement of these lawsuits and any decision against us may adversely affect the results of our operations. For further details, please refer to section titled “Outstanding Litigations and Material Developments” beginning on 181

**39. *Our procurement strategies depend, among other factors, on favourable taxation and regulatory regime.***

Part of our growth strategy is to procure quality goods at low costs from low-cost production centres located outside India, such as China. In the event any anti-dumping or import duty were to be levied on such imports or vendors or imports from such countries or vendors is prohibited or restricted, we may not be able to execute our strategy successfully, which may adversely impact our operations and financial results.

**40. *Lack of quality, unsatisfactory after sales service, allegations of spurious goods and negative publicity could adversely impact our business.***

We procure goods from third parties. In addition, some of the goods that we procure are unbranded and are from small and medium size manufacturers. In the event that goods procured by us from external vendors and sold to our customers suffer in quality, are spurious in nature or after sales service provided by these vendors to us or directly to the consumers is unsatisfactory, our brand image and sales could be negatively impacted.

Further, any allegation that the goods sold by us are spurious or otherwise infringe the intellectual property rights of others, may lead to legal proceedings against us both by the owners of such intellectual property rights and our customers. For instance, Mr. N.K. Biswas, branch commercial head of VIP Industries Limited, had filed a criminal complaint (FIR No. 185 of 2007) dated April 26, 2007, before the Inspector in Charge, Rajarhat Police Station, Kolkata, against certain officers of our Company employed in our Kolkata Store for allegedly selling and storing spurious suitcases of VIP brand name and violations of the provisions of the CopyRight Act, 1957 and TradeMark Act, 1999. The said matter has been settled between our Company and VIP Industries Limited by an MOU dated April 28, 2007. For more information please refer to sections titled “History and Certain Corporate Matters” and “Outstanding Litigations and Material Developments” beginning on page 102 and 181 of this RHP.

In addition, our business is dependent on the trust our customers have in the quality of our merchandise. Any negative publicity regarding our company, private labels, brands, or products, mishaps at our store sites, or any other unforeseen events could adversely affect our reputation and our results from operations.

**41. *Uninsured losses or losses in excess of our insurance coverage could result in a loss of our investment***

We could face liabilities or otherwise suffer losses should any unforeseen incident such as fire, flood, accident, etc. occurs in our stores or distribution centres or in the regions/areas where our stores or distribution centres are located. For instance, our erstwhile stores at Meerut and Agra (operated through franchise arrangement) were destroyed by fire on July 7, 2006 and November 27, 2006, respectively. Although we maintain comprehensive insurance coverage in relation to fire and other perils, burglary, etc. for our existing stores, distribution centres, manufacturing facilities and trucks, there are possible losses such as glass breakage, claims for violation of intellectual property rights and those arising under the Public Liability Insurance Act, 1991, which we have not insured or the insurance cover in relation

to which may not be adequate. We may face loss of investments in the absence of insurance and even in cases in which any such loss may be insured, we may not be able to recover the entire claim from insurance companies. Any damage suffered by us in excess of such limited coverage amounts, or in respect of uninsured events, would not be covered by such insurance policies and we would bear the impact of such losses. We furthermore cannot assure you that any claim under the insurance policies maintained by us will be honoured fully or on time. If our claims under the insurance policies are not honoured fully or on time, we could suffer losses, which would adversely impact our financial condition. For further details, please refer to the section titled “Our Business – Insurance” on page 74

- 42. *We have limited ability to protect our brands and private labels and may be subject to third party claims in respect to certain of our brands and if we are unable to obtain intellectual protection for some of our brands, our business could be adversely affected.***

We own only one trademark, i.e. “Vishal Mega Mart”, and have presently 17 applications pending for registration of several trademarks including the ones for “Vishal” and “Vishal Garments”. Our efforts to protect our intellectual property may not be adequate and any third party claim on any of our unprotected brands may lead to erosion of our business value and our operations could be adversely affected. We may need to litigate in order to determine the validity of such claims and the scope of the proprietary rights of others. Any such litigation could be time consuming and costly and the outcome cannot be guaranteed. We may not be able to detect any unauthorized use or take appropriate and timely steps to enforce or protect our intellectual property.

- 43. *Regulatory changes in India may adversely affect our business and the price of our Equity Shares.***

We are subject to a wide variety of central, state and local laws and regulations and a large number of regulatory and enforcement authorities in each of the jurisdictions in which we operate. The laws and regulations or the regulatory or enforcement environment in any of those jurisdictions may change at any time and may have an adverse effect on our business and the results of our operation. For further details, please refer to the section titled “Regulations and Policies in India” beginning on page 100.

#### **External Risk Factors**

- 44. *We are subject to adverse impact of economic and political conditions.***

Global economic and political factors that are beyond our control, influence forecasts and directly affect performance. These factors include interest rates and its impact on availability of retail space, rates of economic growth, fiscal and monetary policies of governments, inflation, deflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends, terrorist threats and activities, worldwide military and domestic disturbances and conflicts, and other matters that influence consumer confidence, spending and tourism. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude. The taxation system within the country still remains complex. Multi-point octroi and tax evasion by smaller stores are some of the concerns faced by organized retailers. Changes in local taxes and levies can impact the performance of retailers adversely. The Government’s stand on foreign direct investment (FDI) in the retail trading sector is still unclear. The absence of FDI may impact growth and exposure to some best practices. Retailers also have apprehensions about the co-existence of value added tax (VAT) and maximum retail price (MRP).

- 45. *We are subject to risks arising from exchange rate fluctuations.***

We may place orders with overseas contractors or consultants for buying equipments for our new as well as existing stores. We also source some of our products from overseas markets for sale in our stores. The exchange rate between the Rupee and other currencies is variable and may continue to fluctuate in the future and affect us to the extent of increasing the cost of import of goods and services.

- 46. *Terrorist attacks or acts of war may seriously harm our business.***

Terrorist attacks may cause damage or disruption to our company, our employees, our facilities and our customers, which could impact our sales and results from operations. Any future terrorist attacks, the national and international responses to terrorist attacks, or other acts of war or hostility may cause greater uncertainty and cause our business to suffer in ways that we currently cannot predict.

**47. *Multiplicities of legislations may impact the growth of organized retail.***

The retail sector functions under multiple laws and regulations. Multiple licenses and clearances are required before a store can be opened. Thereafter, stringent laws pertaining to labour, hours of work, etc may limit flexibility in operations, add to overall costs and impact retail operations.

**48. *We may experience fluctuations in our stock price, which may affect the trading price of the equity shares issued in this Issue.***

The stock market in general and the market for shares of retail companies in particular, have from time to time experienced considerable price fluctuations. Often, these changes may have been unrelated to the operating performance of the affected companies, In addition, factors such as competition, new store openings, general regional and national economic conditions, bulk deal in our stocks, consumer trends and preferences, new product introductions and changes in our product mix, timing and effectiveness of promotional events and lack of new product introductions to spur growth in sales and weather may have an adverse effect on the market price of our shares.

**49. *Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.***

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, as a result of drought conditions in the country during fiscal 2003, the agricultural sector recorded a negative growth of 5.2%. The erratic progress of the monsoon in 2004 affected sowing operations for certain crops. Further prolonged spells of below normal rainfall or other natural calamities could have a negative impact on the Indian economy, adversely affecting our business and the price of our Equity Shares.

**Notes:**

- Public issue of up to [●] Equity Shares for cash at a price of Rs. [●] per Equity Share, including a share premium of Rs. [●] per Equity Share, aggregating Rs. 1,100 million. 300,000 Equity Shares will be reserved in the Issue for subscription by Eligible Employees. The Issue would constitute [●]% of the post Issue paid-up capital of our Company and the Net Issue will constitute [●]% of post-Issue capital of our Company;
- In terms of Rule 19 (2)(b) of the SCRR, this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue will be allocated on a proportionate basis to QIB Bidders, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further up to 300,000 Equity Shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.
- 300,000 Equity Shares i.e. [●]% of our post Issue share capital have been reserved for Employees on a competitive basis. Any under-subscription under the Employee Reservation Portion would added to the

various categories under the Net Issue at the sole discretion of our Company in consultation with the BRLM.

- Under-subscription, if any, in the Non-Institutional Portion and Retail Individual Portion would be met with spillover from other categories at the sole discretion of our Company in consultation with the BRLM. For more information, see “Basis of Allotment” beginning on page 236;
- The net worth of our Company (excluding share application money) is Rs. 1,267.62 million as at March 31, 2007, respectively, as per restated financial statements of our Company under Indian GAAP included in this Red Herring Prospectus.
- Based on our restated financial statements, the net asset value per Equity Share based on our net worth of Rs. 1,267.62 million as of March 31, 2007 was Rs. 69.18. For further information, see the section titled “Capital Structure” beginning on page 38;
- The average cost of acquisition of Equity Shares by our Promoters is Rs. 12.05 per Equity Share. The average cost of acquisition of our Equity Shares by our Promoters has been calculated by taking into account the amount paid by them to acquire the Equity Shares. For more information, see the section titled “Capital Structure” on page 38;
- Our Company was originally incorporated as Vishal Retail Private Limited on July 23, 2001. On February 20, 2006, the name was changed to Vishal Retail Limited on account of conversion of our Company from a private company into a public company;
- Except as disclosed in the section titled “Capital Structure” beginning on page 38, we have not issued any Equity Shares for consideration other than cash;
- Except as disclosed below, we have not issued any Equity Shares less than the Issue Price in the last one year:

Date of allotment	No. of Equity Shares of Rs. 10 each Issued	Issue Price (in Rs.)	Consideration (cash, consideration other than cash)	Reasons for Allotment
June 5, 2006	1,250,000	200	Cash	Fresh issue of Equity Shares to certain investors*
July 3, 2006**	384,190	146	Conversion of Preference Shares	Conversion of Preference Shares issued to Bennett, Coleman & Co. Limited into Equity Shares
July 21, 2006	200,000	200	Cash	Fresh issue of Equity Shares to HDFC Limited

\* Fresh issue of Equity Shares to Mr. Mohit Burman, Mr. VC Burman, Ms. Monica Burman, VIC Enterprises Pvt Ltd, Gyan Enterprises Pvt Ltd, Mr. Avaneesh Kumar Bhatnagar & Ms. Saroj Bhatnagar, Ms. Saroj Bhatnagar & Mr. Avaneesh Kumar, Ecstasy Real Estates Pvt Ltd, Mr. Mitesh R. Gowani, Ms. Akshita R. Lad, Ms. Priti R. Lad, Mr. Shantanu Prakash, Tjaraat Impex Pvt Ltd., Mr. Vinod Nayar, Mr. Naveen Gaba, Mr. Ranjit Shah & Ms. Mona Shah, Mr. Anil Vipin Dalal, Mr. Ramesh Venkat, Mr. Vishwavir D Ahuja, Mr. Jesal Shah, Mr. Vikas Arya, Ms. Rajrani Agarwal, Mr. Bhavtosh Vajpayee, Mr. Himanshu Shah, Mr. Rajendra P. Chitale & Ms. Shobhana R. Chitale, Aquamarine Trading & Investments Pvt. Ltd., Bhuvantray Investments & Trading Co. Pvt. Ltd., Ms. Anupama Kohli, Ms. Shonu Chandra, Kanakdhara Traders Pvt. Ltd., Mr. KCM Kumar, Mr. Akt Janak, JJ Imports Pvt Ltd, Mr. K. Srinivas, Mr. Sunit Kumar Phooli, Ms. Neena Goel, Mr. Samrat Banerjee, Mr. Kunal Kaul, Mr. Arvind Khanna & Ritu Khanna, Mr. Manoj K Lall, Ms. Reshma Kalyan, M.G. Industries Pvt. Ltd., Mr. Madan Mohal Lal, Mr. Brij Mohan Lal Munjal & Mr. Santosh Munjal, Mr. Pawan Kant Munjal & Ms. Aniesha Munjal, Mr. Sumil Kant Munjal & Ms. Mukta Munjal, Ms. Renu Munjal and Mr. Suman Kant Munjal.

\*\* 384,190 convertible Preference Shares were originally issued on October 5, 2005 and were converted at the option of BCCL into Equity Shares at the price of Rs. 146 per equity share.

For further details, please refer to the section titled “Capital Structure” beginning on page 38 of this Red Herring Prospectus;

- Except as disclosed in the sections titled “Our Promoters and Group Companies” or “Our Management” beginning on pages 118 and 109, none of our Promoters, our Directors and our key managerial employees have any interest in the Company except to the extent of remuneration and reimbursement of expenses and to the extent of the Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, member,

partner and/or trustee and to the extent of the benefits arising out of such shareholding. Other ventures promoted by our Promoters are interested to the extent of their shareholding in our Company. See “Capital Structure” beginning on page 38;

- Refer to the notes to our financial statements relating to related party transactions in the section titled “Financial Statements - Related Party Transactions” on page 152 for related party transactions. The cumulative value of related party transactions for the year ending March 31, 2007 is 66.27 million;
- The Company has not made any loans and advances to any person(s)/ company in which the Directors are interested, except as disclosed in the sections titled “Related Party Transactions” and “Financial Statements” beginning on pages 152 and 129, respectively.
- For details of transactions in the securities of the Company by our Promoters, the Promoter Group entities and Directors in the last six months, refer to “Capital Structure – Notes to Capital Structure” on page 38;
- Trading in Equity Shares of our Company for all investors shall be in dematerialised form only;
- Investors are advised to refer to the section titled “Basis for Issue Price” on page 55;
- Any clarification or information relating to the Issue shall be made available by the BRLM and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever; and
- Investors may contact the BRLM for any complaints, information or clarifications pertaining to the Issue who will be obliged to provide the same to the investor.



## **SECTION – III - INTRODUCTION**

### **SUMMARY**

*This is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read the entire Red Herring Prospectus, including the information on “Risk Factors” and our financial statements and related notes beginning on page 8, before deciding to invest in our Equity Shares.*

#### **Overview**

We are a retail house in India. As of April 30, 2007, we operate 50 retail stores, including two stores which are operated by our franchisees. These 50 stores are spread over about 1,282,000 square feet and are located in 18 states across India. In our efforts to strengthen our supply chain, we have set up seven regional distribution centres and an apparel manufacturing plant.

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.

We follow the concept of value retail in India. In other words, our business approach is to sell quality goods at reasonable prices by either manufacturing ourselves or directly procuring from manufacturers (primarily from small and medium size vendors and manufacturers). We endeavour to facilitate one-stop-shop convenience for our customers and to cater to the needs of the entire family. We believe this concept has helped us grow to our current size within a short time frame of four years. Mr. Ram Chandra Agarwal has been ranked as the 28<sup>th</sup> most powerful person in the Indian retail industry (*source: Collectors' Issue-Retailer, India Edition, February 15, 2007 to April 14, 2007, volume 2, no. 1*).

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%.

#### **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. We sell a vast range of merchandise across apparels and accessories, FMCG products, food products and consumer durables with over 74,000 SKUs. 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 distribution 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 centres 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 43 of 50 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.

#### ***Private labels***

We have a number of private labels for apparels (i.e. apparels manufactured by us) such as Zepplin, Paranoia, Chlorine, Kitaan Studio, Famenne, Fleurier Women and Roseau. In fiscal 2007, our income from our private labels was Rs. 583.60 million, which accounts 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.

#### ***Information technology systems***

We believe that efficient information technology systems, processes and business applications are essential to handle retail chain of our magnitude. Our office processes are computerized which support procurement, supply chain logistics, distribution centres management and store operations including inventory management and

billing. We are in the process of implementing SAP. All our stores and distribution centres are connected through a company-wide virtual network connection which helps to efficiently manage our network of outlets throughout the country.

#### ***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.

#### **Our Strategy**

We intend to pursue the following strategies in order to consolidate our position as an operator in the ‘value retail’ segment in India. Our growth strategy is based on:

#### ***Increasing our penetration in the country by leveraging our supply chain, distribution and logistics network***

We intend to increase our penetration in the country by setting up new stores in cities where we already have presence, as also entering into new areas in the country. In particular, we intend to focus on expansion in Tier II and Tier III cities. We believe that our existing infrastructure have been designed for a higher scale of operations than our current size, and can help us grow without the need to significantly increase costs. Moreover, our continuous effort to improve systems and processes leads us to believe that we can deal with higher scale of operations without any hindrance. Higher business volumes will also improve our negotiating powers and help us get further economies of scale in our buying.

#### ***Emphasis on Backward Integration***

We believe that through backward integration we will continue to substantially control the cost of production, resulting in such cost benefits being passed on to our customers. We intend to increase the in-house manufacture, design and development of our products and realise economies of scale. We intend to manufacture at least 25% of our requirement for apparels and may require expansion of our existing manufacturing facilities. This will also enable us to reduce our reliance on external agencies for supply of our products and will result in lower turn-around time. In addition, our focus would be to undertake in-house such functions of the manufacturing processes, which, in our view, would add maximum value and would enable us to reduce our procurement costs.

#### ***Expansion of FMCG***

Historically, we have derived significant portion of our revenue from sale of apparels. In pursuance of our business plan to diversify our portfolio of offerings, FMCG products play a key role. FMCG products are usually meant to fulfil the daily needs of consumers and therefore, we believe retailing of FMCG products will bring customers to our stores on a frequent basis and this may in-turn lead to consumption of our apparels. We believe retailing of FMCG products would help us to eliminate the impact of seasonality of the apparels market in India, which depends on factors such as change in weather conditions and festival celebrations. In furtherance of our endeavours to reduce costs, we intend to procure FMCG products directly from the manufacturers. For this purpose, we have entered into and will continue to explore the possibilities of entering into certain arrangements with domestic FMCG majors on such terms and conditions, which are suitable to our business model.

#### ***Procurement from low-cost production centres outside India***

In addition to our strategy to continue procurement of goods from small and medium size vendors and manufacturers which leads to cost efficiencies, we intend to procure FMCG and apparels from low-cost production centres located outside India. Towards this objective, we propose to increase our procurement of

finished and semi-finished goods from China and thereby realise economies of scale and pass on the benefits so accrued to our customers.

***Increasing customer satisfaction and our base of loyal customers***

We believe that understanding the needs of our customers is of prime importance for the continuous growth of our business. In order to continuously provide customer satisfaction, our customer management team assimilates customer feedback and we endeavour to take necessary steps to address the requirements of our customers. In addition, we have introduced, in association with SBI Cards & Payment Services Private Limited, a co-branded credit card. We propose to continuously undertake such initiatives to increase the satisfaction of our customers.

***Continue to upgrade information technology systems and processes***

We believe that any retail business requires efficient information technology systems for control over the functioning of various stores including stock management, pricing and promotion, replenishment, sales, quality control and financial accounting. We are currently in the process of upgrading our information technology set up and have entered into arrangements with leading vendors of information technology services for implementation of more advanced ERP applications such as SAP. We intend to periodically upgrade our information technology systems and processes.

***Continue to train employees and seek entrepreneurship from employees***

We believe a key to our success will be our ability to continue to maintain and grow a pool of strong and experienced professionals. We have been successful in building a team of talented professionals and intend to continue placing special emphasis on managing attrition and attracting and retaining our employees. We intend to continue to encourage our employees to be enterprising and expect them to 'learn on the job' and contribute constructively to our business, either through ideas, personal networks or effective knowledge management. We also intend to continuously re-engineer our management and organizational structure to allow us to respond effectively to changes in the business environment and enhance our overall profitability.

## THE ISSUE

<b>Public Issue aggregating to Rs. 1,100 million:</b>	
Which comprises of fresh issue of	[●] Equity Shares.
Of which:	
Employee Reservation Portion:	Up to 300,000 Equity Shares.
Net Issue:	Up to [●] Equity Shares.
Of which:	
Qualified Institutional Buyers Portion:	At least [●] Equity Shares (allocation on proportionate basis) out of which 5% of the QIB Portion or [●] Equity Shares (assuming the QIB Portion is 60% of the Issue) shall be available for allocation on a proportionate basis to Mutual Funds only (Mutual Funds Portion), and [●] Equity Shares (assuming the QIB Portion is 60% of the Issue) shall be available for allocation to all QIBs, including Mutual Funds.
Non-Institutional Portion:	Not less than [●] Equity Shares (allocation on proportionate basis).
Retail Portion:	Not less than [●] Equity Shares (allocation on proportionate basis).
Equity Shares outstanding prior to the Issue:	18,324,795 Equity Shares.
Equity Shares outstanding post the Issue:	[●] Equity Shares.
Objects of the Issue:	See the section titled "Objects of the Issue" on page 48.

## SUMMARY FINANCIAL INFORMATION

The following tables set forth certain summary financial data derived from our restated financial statements as of and for fiscal 2007, 2006, 2005, 2004 and 2003. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines. The restated financial statements have been restated as described in the auditors' report included therewith, in the section titled "Financial Statements" beginning on page 129.

The summary financial data presented below should be read in conjunction with our financial statements, the notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 163.

### STATEMENT OF RESTATED PROFIT AND LOSS

*(Rs. in millions)*

Particulars	For the Financial Year				
	2006-07	2005-06	2004-05	2003-04	2002-03
<b>Sales:</b>					
Of products manufactured by the Company	583.58	483.50	425.60	229.00	0.00
Of products traded by the Company	5442.95	2400.93	1037.52	652.04	499.59
<b>Total</b>	<b>6026.53</b>	<b>2884.43</b>	<b>1463.12</b>	<b>881.04</b>	<b>499.59</b>
Other income	22.92	6.46	1.43	1.05	35.64
Increase/ (Decrease) in inventory	1662.12	407.02	153.70	80.15	43.19
<b>Total Income</b>	<b>7711.57</b>	<b>3297.91</b>	<b>1618.25</b>	<b>962.24</b>	<b>578.42</b>
<b>Expenditure</b>					
Cost of goods sold	5124.93	2143.94	1047.73	664.85	426.73
Staff costs	274.08	135.44	60.35	30.21	31.96
Manufacturing and administrative expenses	301.94	179.90	134.90	88.36	8.16
Selling & distribution expenses	1317.29	568.75	286.33	148.68	91.13
Interest	147.54	29.12	9.83	2.09	3.34
Depreciation	152.88	53.66	29.16	14.74	9.00
<b>Total Expenditure</b>	<b>7318.66</b>	<b>3110.81</b>	<b>1568.30</b>	<b>948.93</b>	<b>570.32</b>
<b>Net Profit Before Tax and Extra Ordinary Items</b>	<b>392.91</b>	<b>187.10</b>	<b>49.95</b>	<b>13.31</b>	<b>8.10</b>
Provision for Taxation (includes wealth tax)	133.98	61.20	15.27	3.61	1.77
Fringe Benefit Tax	2.65	0.80	0.00	0.00	0.00
Provision for Deferred Tax	6.45	0.36	4.48	5.88	0.86
<b>Net Profit After Tax &amp; Before Extra Ordinary items</b>	<b>249.83</b>	<b>124.74</b>	<b>30.20</b>	<b>3.82</b>	<b>5.47</b>
Extraordinary Items (Net of tax)	-	-	-	-	-
<b>Net profit after extraordinary items</b>	<b>249.83</b>	<b>124.74</b>	<b>30.20</b>	<b>3.82</b>	<b>5.47</b>
<b>Surplus as per restated profit &amp; loss A/c</b>	<b>166.85</b>	<b>42.11</b>	<b>11.91</b>	<b>8.09</b>	<b>2.62</b>
Less : Dividend	0.042	-	-	-	-
Less : Dividend Distribution Tax	0.008	-	-	-	-
<b>Balance carried to Balance Sheet</b>	<b>416.63</b>	<b>166.85</b>	<b>42.11</b>	<b>11.91</b>	<b>8.09</b>

**STATEMENT OF RESTATED ASSETS AND LIABILITIES**

(Rs. in millions)

Particulars		As at				
		31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
<b>A</b>	<b>Fixed Assets:</b>					
	Gross Block	1328.35	461.67	240.08	123.12	60.28
	Less: Depreciation / Amortization	(257.73)	(106.77)	(54.23)	(25.20)	(10.46)
	<b>Net Block</b>	<b>1070.62</b>	<b>354.90</b>	<b>185.85</b>	<b>97.92</b>	<b>49.82</b>
	Less : Revaluation reserve	-	-	-	-	-
	Net Block after adjustment for revaluation reserve	1070.62	354.90	185.85	97.92	49.82
	Capital Work in Progress	10.88	46.41	-	-	-
	<b>Total</b>	<b>1081.50</b>	<b>401.31</b>	<b>185.85</b>	<b>97.92</b>	<b>49.82</b>
<b>B</b>	<b>Investments :</b>	-	-	-	<b>9.81</b>	-
<b>C</b>	<b>Current Assets, Loans and Advances:</b>					
	Inventories	2491.47	781.99	374.03	202.74	128.43
	Sundry Debtors	1.20	0.93	-	-	-
	Cash & Bank Balances	151.51	82.66	22.02	20.44	25.81
	Loans and Advances	580.39	322.23	60.05	31.97	15.06
	Other Current Assets	82.45	3.69	1.11	0.23	0.48
	<b>Total</b>	<b>3307.02</b>	<b>1191.50</b>	<b>457.21</b>	<b>255.38</b>	<b>169.78</b>
<b>D</b>	<b>Grand Total (A+B+C)</b>	<b>4388.52</b>	<b>1592.81</b>	<b>643.06</b>	<b>363.11</b>	<b>219.60</b>
<b>E</b>	<b>Liabilities &amp; Provisions:</b>					
	Share Application	-	-	0.91	79.96	38.95
	Secured Loans	2162.96	476.11	195.61	9.72	18.36
	Unsecured Loans	269.11	74.38	31.03	71.34	59.78
	Deferred Tax	18.02	11.58	11.22	6.74	0.86
	Current liabilities & provisions:					
	(a) Current Liabilities	467.06	224.34	85.55	58.01	44.96
	(b) Provisions	203.75	78.57	15.73	5.60	2.05
<b>F</b>	<b>Total</b>	<b>(3120.90)</b>	<b>(864.98)</b>	<b>(340.05)</b>	<b>(231.37)</b>	<b>(164.96)</b>
<b>G</b>	<b>Preference Share Capital</b>	-	<b>(56.09)</b>	-	-	-
<b>H</b>	<b>Net worth (D+F+G)</b>	<b>1267.62</b>	<b>671.74</b>	<b>303.01</b>	<b>131.74</b>	<b>54.64</b>
<b>I</b>	<b>Represented by:</b>					
	Equity Share Capital	183.25	164.91	148.20	120.00	46.80
	Reserves & surplus	1084.37	506.85	154.91	11.91	8.09
	Less: Revaluation reserve	-	-	-	-	-
	Less: Miscellaneous expenditure not written off	-	(0.02)	(0.10)	(0.17)	(0.25)
	<b>Net reserves &amp; surplus</b>	<b>1267.62</b>	<b>506.83</b>	<b>154.81</b>	<b>11.74</b>	<b>7.84</b>
	<b>Net worth</b>	<b>1267.62</b>	<b>671.74</b>	<b>303.01</b>	<b>131.74</b>	<b>54.64</b>

## GENERAL INFORMATION

Our Company was incorporated on July 23, 2001 as “Vishal Retail Private Limited”. Our Company was converted into a public limited company pursuant to an extraordinary general meeting of our shareholders dated November 28, 2005 and subsequently by a fresh certificate of incorporation consequent to change of name dated February 20, 2006 issued by the Registrar of Companies, West Bengal and the name was changed to “Vishal Retail Limited”.

### Registered Office of our Company

#### **Vishal Retail Limited**

RZ-A-95 & 96, Road No.4  
Street (Gali) No.9  
Mahipalpur Extension  
New Delhi 110 037  
Telephone: +91 11 3062 2002  
Facsimile: +91 11 3062 2008  
Website: www.vishalmegamart.net

For details regarding change in our Registered Office see “History and Certain Corporate Matters” beginning on page 102.

### Corporate Office of our Company

#### **Vishal Retail Limited**

Khasra No. 332  
Near Telco Workshop  
Rangpuri,  
New Delhi 110 037  
Telephone: +91 11 32431314  
Facsimile: +91 11 2678 4281

### Address of Registrar of Companies

#### *The Registrar of Companies, NCT at New Delhi*

4<sup>th</sup> Floor, IFCI Tower,  
61 Nehru Place  
New Delhi 110 019, India

Our Company’s registration number is 55-147724 and the corporate identification number is U74999DL2001PLC147724.

### Board of Directors

The following persons constitute our Board of Directors:

1. Mr. Ram Chandra Agarwal, Chairman and Managing Director;
2. Mrs. Uma Agarwal, whole-time Director;
3. Mr. Surendra Kumar Agarwal, whole-time Director;
4. Mr. Bharat Jain, independent Director;
5. Mr. Jay Prakash Shukla, independent Director; and
6. Mr. Rakesh Aggarwal, independent Director.

For further details of our Directors, see the section titled “Our Management” beginning on page 109.



### **Company Secretary and Compliance Officer**

Mr. Arun Kumar Gupta  
Vishal Retail Limited  
Khasra No. 332, Near Telco Workshop,  
Rangpuri,  
New Delhi 110 037  
Telephone: +91 11 32431314  
Facsimile: +91 11 2678 4281  
E-mail: vishalipo@vrpl.in  
Website: www.vishalmegamart.net

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

### **Legal Advisors to the Issue**

#### **Luthra & Luthra Law Offices**

103 Ashoka Estate  
Barakhamba Road  
New Delhi 110 001, India  
Telephone: +91 11 4121 5100  
Facsimile: +91 11 2372 3909  
E-mail: luthra@luthra.com

### **Bankers to the Company**

#### **State Bank of India**

South Extension Part I  
New Delhi  
Telephone: +91 11 2465 2655  
Facsimile: +91 11 2461 1867

#### **UTI Bank Limited**

A-11 Vishal Enclave  
Rajouri Garden  
New Delhi – 110 027  
Telephone: +91 11 2516 4426  
Facsimile: +91 11 4213 1297

#### **ICICI Bank Limited**

Paschimi Marg  
Vasant Vihar  
New Delhi 110 037  
Telephone: +91 11 4166 2830  
Facsimile: +91 11 41662836

#### **ING Vysya Bank Limited**

Poorvi Marg  
Vasant Vihar  
New Delhi 110 037  
Telephone: +91 11 5565 2255  
Facsimile: +91 11 4170 4069

### **The Hongkong and Shanghai Banking Corporation Limited**

JMD Regent Square  
DLF Phase –II  
Gurgaon Mehrauli Road  
Gurgaon – 122 002  
Haryana, India  
Telephone: +91 11 4159 2201  
Facsimile: +91 124 5058974

**Book Running Lead Manager****Enam Financial Consultants Private Limited**

801/802, Dalamal Towers  
Nariman Point  
Mumbai 400 021  
Telephone: +91 22 6638 1800  
Facsimile: +91 22 2284 6824  
Email: vishalipo@enam.com  
Website: www.enam.com  
Contact Person: Mr. Sachin K. Chandiwal

Further, for all the issue related queries and for redressal of investors' complaints, investors may also write to complaints@enam.com.

**Syndicate Member****Enam Securities Private Limited**

Khatau Building, 2<sup>nd</sup> Floor,  
44B Bank Street,  
Off Shaheed Bhagat Singh Road,  
Fort, Mumbai 400 023, India  
Telephone: +91 22 2267 7901  
Facsimile: +91 22 2266 5613  
Email: vishalipo@enam.com  
Website: www.enam.com  
Contact person: Mr. M. Natarajan

**Registrar to the Issue****Intime Spectrum Registry Limited**

C-13, Pannalal Silk Mills Compound  
L.B.S Marg  
Bhandup (West)  
Mumbai 400 078  
Telephone: +91 22 2596 0320-28  
Facsimile: +91 22 2596 0329  
Email: vishalipo@intimespectrum.com  
Website: www.intimespectrum.com  
Contact Person: Mr. Sachin Achar

## Bankers to the Issue and Escrow Collection Banks

### HDFC Bank Limited

26A, Narayan Properties,  
Opposite Saki Vihar,  
Andheri (East),  
Mumbai – 400 072, India  
Telephone: +91 22 08569228/ 09324714629  
Facsimile: +91 22 28569256  
Contact person: Mr. Clayton Mendonca  
Email: Clayton.Mendonca@hdfcbank.com  
Website: www.hdfcbank.com

### Deutsche Bank AG

Hazarimal Somani Marg,  
Fort,  
Mumbai – 400 001, India  
Telephone: +91 22 6658 4045  
Facsimile: +91 22 2207 6553  
Contact person: Mr. Shyamal Malhotra  
Email: shyamal.malhotra@db.com  
Website: www.db.com

### The Hongkong and Shanghai Banking Corporation Limited

52/ 60, Mahatma Gandhi Road,  
Mumbai – 400 001, India  
Telephone: +91 22 2268 5352  
Facsimile: +91 22 2273 4388  
Contact person: Mr. Suyog Mhatre  
Email: suyogmhatre@hsbc.co.in  
Website: www.hsbc.co.in

### ICICI Bank Limited

Capital Markets Division,  
30, Mumbai Samachar Marg,  
Mumbai – 400 001  
Telephone: +91 22 2262 7600  
Facsimile: +91 2261 1138  
Contact person: Mr. Sidhartha Sankar Routray  
Email: sidhartha.routray@icicibank.com  
Website: www.icicibank.com

## Auditors

Haribhakti & Co., Chartered Accountants  
42-43, Free Press House  
215, Nariman Point  
Mumbai 400 021  
Telephone: +91 22 5630 8232  
Facsimile: +91 22 2285 6237  
Email:hbhakti@vsnl.com  
Website: www.haribhaktigroup.com

## Statement of Responsibilities for the Issue

Enam Financial Consultants Private Limited, being the sole book running lead manager, shall be responsible for the following :

No.	Activities
1.	Capital structuring with the relative components and formalities such as type of instruments.
2.	Due diligence of our Company including our operations, management and business plans. Drafting and design of the Draft Red Herring Prospectus and statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, the RoC and SEBI including finalization of Prospectus and the RoC filing of the same.
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure, roadshow presentations, FAQs and corporate films.
4.	Appointment of other intermediaries namely, Registrar, printers, advertising agency and Bankers to the Issue.
5.	Institutional marketing of the Issue, which will cover, inter alia, <ol style="list-style-type: none"><li>Finalizing the list and division of investors for one to one meetings; and</li><li>Finalizing road show schedule and investor meeting schedules</li></ol>
	Non-Institutional and retail marketing of the Issue, which will cover, inter alia, <ol style="list-style-type: none"><li>Formulating marketing strategies, preparation of publicity budget;</li><li>Finalizing media and public relations strategy;</li><li>Finalizing centres for holding conferences;</li><li>Finalizing collection centres;</li><li>Follow-up on distribution of publicity and Issue material including form, prospectus and deciding</li></ol>

- on the quantum of the Issue material;
  - f. Co-ordination with Stock Exchanges for book building software, bidding terminals and mock trading; and
  - g. Finalization of pricing and institutional allocation in consultation with our Company.
6. The post bidding activities including management of escrow accounts, coordination of non-institutional allocation, intimation of allocation and dispatch of refunds to Bidders etc. The post Issue activities will involve essential follow up steps, which include the finalization of listing of instruments and dispatch of certificates and demat delivery of shares, with the various agencies connected with the work such as the Registrar to the Issue and Bankers to the Issue and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with our Company.
- 

### **Credit Rating**

As the Issue is of Equity Shares, credit rating is not required.

### **Grading**

We have not opted for the grading of this Issue.

### **Monitoring Agency**

We are not required to appoint a monitoring agency for the Issue.

### **Trustees**

As the Issue is of Equity Shares, the appointment of trustees is not required.

### **Project Appraisal**

There is no project being appraised.

### **Book Building Process**

Book Building Process refers to the process of collection of Bids, on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalised after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

- (1) the Company;
- (2) the BRLM, in this Issue being Enam;
- (3) the Syndicate Member who is an intermediary registered with SEBI or registered as broker with BSE/NSE and eligible to act as an underwriter, in this Issue being Enam Securities Private Limited. The Syndicate Member is appointed by the BRLM; and
- (4) the Registrar to the Issue, in this Issue being Intime Spectrum Private Limited; and
- (5) the Escrow Collection Banks.

The SEBI Guidelines have permitted an issue of securities to the public through the 100% Book Building Process, wherein at least 60% of Net Issue shall be allotted on a proportionate basis to QIBs. Of the QIB Portion, 5% would be available for allocation to Mutual Funds. If at least 60% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded herewith. Further, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

**QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. In addition, QIBs are required to pay 10% Margin Amount upon submission of their Bid and allocation to QIBs will be on a proportionate basis. For further details please refer to the section titled "Terms of the Issue" on page 52.**

Our Company will comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Issue. In this regard, our Company has appointed Enam as the BRLM to manage the Issue and to procure subscription to the Issue.

**The process of book building under the SEBI Guidelines is subject to change. Investors are advised to make their own judgment about investment through this process prior to submitting a Bid or Application in the Issue.**

**Illustration of ‘Book Building’ and Price Discovery Process** *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)*

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

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

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

#### **Steps to be taken by the Bidders for bidding:**

1. Check eligibility for making a Bid (see “Issue Procedure - Who Can Bid” beginning on page 217);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (see “Issue Procedure - ‘Permanent Account Number’ or ‘PAN’ or ‘GIR’ Number” beginning on page 217);
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form; and
5. Bids can only be submitted to the BRLMs and the Syndicate Member.

#### **Withdrawal of the Issue**

Our Company in consultation with the BRLMs reserves the right not to proceed with the Issue at any time including after the Bid/Issue Opening Date, without assigning any reason therefor. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

## Bid/Issue Programme

### *Bidding Period/Issue Period*

<b>BID/ISSUE OPENS ON</b>	<b>JUNE 11, 2007</b>
<b>BID/ISSUE CLOSES ON</b>	<b>JUNE 13, 2007</b>

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding/ Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid/ Issue Closing Date. Bids will only be accepted on working days (i.e., Monday to Friday, excluding public holidays). Bidders are cautioned that a high inflow of bids typically experienced on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such Bids that could not be uploaded may not be considered for allocation.

Our Company reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines. The cap on the Price Band should not be more than 20% of the Floor Price. Subject to compliance with the immediately preceding sentence, the Floor Price can move up or down to the extent of 20% of the Floor Price disclosed in the Red Herring Prospectus.

**In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate.**

### Underwriting Agreement

After the determination of the Issue Price and allocation of Equity Shares of our Company, but prior to the filing of the Prospectus with the RoC, our Company will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Member does not fulfill its underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein. The Underwriting Agreement is dated [●].

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

*(This portion has been intentionally left blank and will be filled in the Prospectus)*

<b>Name and Address of the Underwriters</b>	<b>Indicative Number of Equity Shares to be Underwritten</b>	<b>Amount Underwritten (Rs. in million)</b>
<b>Enam Financial Consultants Private Limited</b> 801/ 802, Dalamal Towers Nariman Point Mumbai 400 021, India	[●]	[●]
<b>Enam Securities Private Limited</b> Khatau Building, 2 <sup>nd</sup> Floor, 44B Bank Street, Off Shaheed Bhagat Singh Road, Fort, Mumbai 400 023, India	[●]	[●]

The above mentioned amount is indicative and this would be finalized after determination of Issue Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated [●].

In the opinion of the Board of Directors (based on certificates dated [●] given to them by BRLM and the Syndicate Member), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchanges. The above Underwriting Agreement has been accepted by the Board of Directors and our Company has issued letters of acceptance to the Underwriters.

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

## CAPITAL STRUCTURE

Our share capital as at the date of this Red Herring Prospectus is set forth below:

*(Rs. in million, except share data)*

	Aggregate nominal value	Aggregate value at Issue Price
<b>A. Authorised Capital<sup>1</sup></b>		
25,000,000 Equity Shares	250.00	
400,000 Preference Shares	58.40	
<b>B. Issued, Subscribed and Paid-Up Capital prior to the Issue:</b>		
18,324,795 Equity Shares	183.24	
<b>C. Issue in terms of the Red Herring Prospectus</b>		
[•] Equity Shares	[•]	[•]
Of which:		
300,000 Equity Shares reserved for Employees	3.00	[•]
<b>Net Issue to public:</b>	[•]	[•]
[•] Equity Shares		
Of which:		
QIB Portion of at least [•] Equity Shares	[•] <sup>#</sup>	[•]
Non Institutional Portion of not less than [•]	[•]	[•]
Retail Portion of not less than [•]	[•]	[•]
<b>D. Issued, Subscribed and Paid-Up Capital post the Issue:</b>		
[•] Equity Shares	[•]	
<b>E. Share Premium Account</b>		
Prior to the Issue	667.75	
Post the Issue	[•]	

<sup>1</sup>The authorized share capital of our Company was increased from Rs. 20,000,000 divided into 2,000,000 Equity Shares to Rs.30,000,000 divided into 3,000,000 Equity Shares through a resolution of our shareholders dated March 26, 2002.

The authorized share capital of our Company was further increased from Rs. 30,000,000 to Rs. 50,000,000 divided into 5,000,000 Equity Shares through a resolution of our shareholders dated March 24, 2003.

The authorized share capital was increased from Rs. 50,000,000 to Rs. 120,000,000 divided into 12,000,000 Equity Shares through a resolution of shareholders of our Company dated July 30, 2003.

The authorized share capital was increased from Rs. 120,000,000 to Rs. 200,000,000 divided into 20,000,000 Equity Shares through a resolution of our shareholders dated March 16, 2004.

The authorised share capital was increased from Rs. 200,000,000 to Rs. 258,400,000 divided into 20,000,000 Equity Shares and 400,000 Preference Shares through a resolution of our shareholders dated October 4, 2005.

The authorised share capital was increased from Rs. 258,400,000 to Rs. 308,400,000 divided into 25,000,000 Equity Shares and 400,000 Preference Shares through a resolution of our shareholders dated July 3, 2006.

<sup>#</sup> 5% of the QIB Portion, i.e., Rs. [•] million (at nominal value, assuming that 60% of the Issue is the QIB Portion) is available for allocation on a proportionate basis to Mutual Funds only, and the remainder, i.e., Rs. [•] million (at nominal value, assuming that 60% of the Issue is the QIB Portion) is available for allocation on a proportionate basis to all QIB Bidders, including Mutual Funds.

Notes to the Capital Structure

### 1. Share Capital History of our Company:



(a). *Equity Share Capital*

The following is the history of the paid-up equity share capital of our Company:

Date of allotment	No. of Equity Shares of Rs. 10 each Issued	Issue Price (in Rs.)	Consideration (cash, consideration other than cash)	Reasons for Allotment	Cumulative paid-up share capital (in Rs.)	Cumulative Share Premium (in Rs.)
July 23, 2001	10,000	10	Cash	Initial allotment	100,000	Nil
March 30, 2002	2,170,000	10	Cash	Further issue of Equity Shares	21,800,000	Nil
March 29, 2003	2,500,000	10	Cash	Further issue of Equity Shares	46,800,000	Nil
March 31, 2004	7,320,000	10	Cash	Further issue of Equity Shares	120,000,000	Nil
August 31, 2004	2,100,000	50	Cash	Further issue of Equity Shares	141,000,000	84,000,000
March 31, 2005	720,000	50	Cash	Further issue of Equity Shares	148,200,000	112,800,000
October 5, 2005	1,670,605	146	Cash	Fresh issue of Equity Shares to Bennett, Coleman & Co. Limited	164,906,050	340,002,280
June 5, 2006	1,250,000	200	Cash	Preferential allotment of Equity Shares to certain investors*	177,406,050	577,502,280
July 3, 2006**	384,190	146	Conversion of Preference Shares	Conversion of Preference Shares issued to Bennett, Coleman & Co. Limited into Equity Shares	181,247,950	629,752,120
July 21, 2006	200,000	200	Cash	Preferential allotment of Equity Shares to HDFC Limited	183,247,950	667,752,120

\* Fresh issue of Equity Shares to Mr. Mohit Burman, Mr. VC Burman, Ms. Monica Burman, VIC Enterprises Pvt Ltd, Gyan Enterprises Pvt Ltd, Mr. Avaneesh Kumar Bhatnagar & Ms. Saroj Bhatnagar, Ms. Saroj Bhatnagar & Mr. Avaneesh Kumar, Ecstasy Real Estates Pvt Ltd, Mr. Mitesh R. Gowani, Ms. Akshita R. Lad, Ms. Priti R. Lad, Mr. Shantanu Prakash, Tijarat Impex Pvt Ltd., Mr. Vinod Nayar, Mr. Naveen Gaba, Mr. Ranjit Shah & Ms. Mona Shah, Mr. Anil Vipin Dalal, Mr. Ramesh Venkat, Mr. Vishwavir D Ahuja, Mr. Jesal Shah, Mr. Vikas Arya, Ms. Rajrani Agarwal, Mr. Bhavtosh Vajpayee, Mr. Himanshu Shah, Mr. Rajendra P. Chitale & Ms. Shobhana R. Chitale, Aquamarine Trading & Investments Pvt. Ltd., Bhuvantray Investments & Trading Co. Pvt. Ltd., Ms. Anupama Kohli, Ms. Shonu Chandra, Kanakdhara Traders Pvt. Ltd., Mr. KCM Kumar, Mr. Akt Janak, JJ Imports Pvt Ltd, Mr. K. Srinivas, Mr. Sunit Kumar Phooli, Ms. Neena Goel, Mr. Samrat Banerjee, Mr. Kunal Kaul, Mr. Arvind Khanna & Ritu Khanna, Mr. Manoj K Lall, Ms. Reshma Kalyan, M.G. Industries Pvt. Ltd., Mr. Madan Mohal Lal, Mr. Brij Mohan Lal Munjal & Mr. Santosh Munjal, Mr. Pawan Kant Munjal & Ms. Aniesha Munjal, Mr. Sunil Kant Munjal & Ms. Mukta Munjal, Ms. Renu Munjal and Mr. Suman Kant Munjal.

\*\* 384,190 convertible Preference Shares were originally issued on October 5, 2005 and were converted at the option of BCCL into Equity Shares at the price of Rs. 146 per equity share.

(b) *Preference Share Capital*

The following is the history of the paid-up preference share capital of our Company:

Date of Allotment	Date of Conversion	Number of Preference Shares	Issue Price per Preference Share (in Rs.)	Consideration (cash or other than cash.)	Reasons for Allotment
October 5, 2005	July 3, 2006, (in the ratio of 1:1).	384,190	146	Cash	Fresh issue to Bennett, Coleman & Co. Limited

Other than as mentioned above, we have not made an issue of Equity Shares or Preference Shares during the preceding one year.

2. Promoters' Contribution and Lock-in

(a) **Details of promoters' contribution and Lock-in\*:**

The promoters' contribution (20% of our post-Issue equity share capital), which shall be locked-in for a period of three years from the date of Allotment, shall be [●] Equity Shares.

[●] Equity Shares, constituting 20% of our post Issue equity share capital, held by Ricon Commodities Private Limited shall be considered for the purpose of promoters' contribution and shall be locked-in for three years from the date of Allotment.

Set forth below are the details of the build up of the Promoters' shareholding, Promoters contribution and lock in:

Name of the Promoter	Date of Acquisition/Transfer	Consideration	No. of Equity Shares of Rs. 10 each	Issue/Acquisition Price (Rs.)	% of Post-Issue paid-up Capital	Mode of Acquisition	Period of Lock-in (years)
Ricon Commodities Private Limited #	March 30, 2002	Cash	355,041	10	[●]	Subscribed to further issue of capital by our Company	[●]
			634,959	10	[●]	Subscribed to further issue of capital by our Company	[●]
	March 29, 2003	Cash	1,250,000	10	[●]	Subscribed to further issue of capital by our Company	[●]
	March 31, 2004	Cash	2,000,000	10	[●]	Subscribed to further issue of capital by our Company	[●]

Name of the Promoter	Date of Acquisition/Transfer	Consideration	No. of Equity Shares of Rs. 10 each	Issue/Acquisition Price (Rs.)	% of Post-Issue paid-up Capital	Mode of Acquisition	Period of Lock-in (years)
	August 31, 2004	Cash	700,000	50	[•]	Subscribed to further issue of capital by our Company	[•]
	<b>Sub-Total</b>			[•]	[•]		<b>One</b>
				[•]	[•]		<b>Three</b>
Unicon Marketing Private Limited <sup>##</sup>	March 30, 2002	Cash	990,000	10	[•]	Subscribed to further issue of capital by our Company	One
	March 29, 2003	Cash	1,250,000	10	[•]	Subscribed to further issue of capital by our Company	One
	March 31, 2004	Cash	2,062,500	10	[•]	Subscribed to further issue of capital by our Company	One
	October 5, 2005	Acquired 2,680,000 Equity Shares from Vishal Fashion Private Limited.			[•]	Merger of Unicon Marketing Private Limited with Vishal Fashion Private Limited pursuant to order to the High Court of West Bengal dated July 6, 2005.	One
	April 29, 2006	Sold 247,880 Equity Shares to Sunita Fashion Private Limited at a price of Rs. 30 per Equity Share			([•])	N.A.	N.A.
	<b>Sub-Total</b>		<b>6,734,620</b>		[•]		<b>One</b>
Vishal Water World Private Limited	March 31, 2004	Cash	800,000	10	[•]	Subscribed to further issue of capital by our Company	One

	March 31, 2005	Cash	160,000	50	[●]	Subscribed to further issue of capital by our Company	One
	<b>Sub-Total</b>		<b>960,000</b>		[●]		<b>One</b>
Mr. Ram Chandra Agarwal	July 23, 2001	Cash	4,000	10	[●]	Issued pursuant to subscription to the memorandum of association	One
	March 30, 2002	Cash	150,000	10	[●]	Subscribed to further issue of capital by our Company	One
	October 23, 2002	Sold an aggregate of 80 Equity Shares to Ms. Nirmala Devi Agarwal, Mr. Shyam Sunder Agarwal, Shyam Sunder Agarwal (HUF), Mr. Shekhar Agarwal, Ms. Pushpa Devi Agarwal, Mr. Pradip Kumar Agarwal, Mr. Nand Kishore Agarwal and Mr. Gauri Shankar Agarwal at an average price of Rs. 10 per Equity Share			[(●)]	N.A.	N.A.
	March 18, 2004	Sold an aggregate of 40 Equity Shares to Ms. Yuvika Poddar, Ms. Saroj Poddar, Ms. Nikita Poddar and Ms. Manisha Bijelwar at an average price of Rs. 10 per Equity Share			[(●)]	N.A.	N.A.
	March 31, 2004	Cash	834,500	10	[●]	Subscribed to further issue of capital by our Company	One
	March 31, 2005	Cash	80,000	50	[●]	Subscribed to further issue of capital by our Company	One
	September 4, 2005	Acquired 368,000 Equity Shares from Mrs. Santa Agarwal at a price of Rs. 10 per Equity Share.			[●]		One
	April 18, 2006	Sold 500,000 Equity Shares to Gaja Advisors Private Limited at an average price of Rs. 176 per Equity Share			[(●)]	N.A.	N.A.
	<b>Sub-Total</b>		<b>936,380</b>		[●]		<b>One</b>

Mrs. Uma Agarwal	July 23, 2001	Cash	4,000	10	[●]	Issued pursuant to subscription to the memorandum of association	One
	March 30, 2002	Cash	40,000	10	[●]	Subscribed to further issue of capital by our Company	One
	March 31, 2004	Cash	300,000	10	[●]	Subscribed to further issue of capital by our Company	One
<b>Sub-Total</b>			<b>344,000</b>		<b>[●]</b>		<b>One</b>
Ram Chandra Agarwal (HUF)	March 31, 2004	Cash	155,000	10	[●]	Subscribed to further issue of capital by our Company	One
<b>Sub-Total</b>			<b>155,000</b>		<b>[●]</b>		<b>One</b>
Mr. Surendra Kumar Agarwal	July 23, 2001	Cash	2,000	10	0.01	Issued pursuant to subscription to the memorandum of association	One
<b>Sub-Total</b>			<b>2,000</b>		<b>[●]</b>		<b>One</b>
<b>Total</b>			<b>14,072,000</b>		<b>[●]</b>		

<sup>\*\*</sup> earlier known as View Advisors Private Limited.

<sup>#</sup> The source of funds of Ricon Commodities Private Limited are as follows:

- 2001-02 Realisation of funds from encashing the loans advanced by Ricon and share application money received by Ricon has been utilized for subscribing the Equity Shares of the Company.
- 2002-03 Acquisition of assets (including investments, cash and loan / advances by amalgamation of Chahak Trading Private Limited. Funds received from realization of loans and advances were being utilized towards acquisition of Equity Shares of the Company.
- 2003-04 Amounts received from sale of inventories / investments and outstanding cash and bank balances were being utilized for acquisition of the Equity Shares of the Company.
- 2004-05 Realization of funds from encashing the loans advanced by Ricon has been utilized for subscribing to the Equity Shares of the Company.

<sup>##</sup> The source of funds of Unicon Marketing Private Limited are as follows:

- 2001-02 Acquisition of assets (including investments, cash and loan / advances by amalgamation of Quity Impex Private Limited. Funds received from realization of loans and sale of investments were being utilized towards acquisition of Equity Shares of the Company.
- 2002-03 Realisation of funds from encashing the loans advanced by Unicon has been utilized for subscribing the Equity Shares of the Company.
- 2003-04 Realisation of funds from encashing the loans advances by Unicon and business profit made by Unicon has been utilized for subscription to the Equity Shares of the Company.
- 2004-05 Acquisition of the Company shares were pursuant to amalgamation of Vishnu Suppliers Private Limited and Vishal Fashions Private Limited, the amalgamating company (namely Vishal Fashions Private Limited) was

holding the Equity Shares of the Company at the time of amalgamation.

All Equity Shares, which are being included for computation of promoters' contribution and three-year lock-in are locked-in and are not ineligible for such purposes under Clause 4.6 of the SEBI Guidelines.

**(b) Share capital locked-in for one year:**

In terms of Clause 4.14.1 of the SEBI Guidelines, in addition to the lock-in of the Promoters' contribution specified above, our entire pre-Issue equity share capital will be locked-in for a period of one year from the date of Allotment. The total number of Equity Shares, which are locked-in for one year, is [●] Equity Shares.

**(c) Other requirements in respect of lock-in:**

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

In terms of Clause 4.16.1 (a) of the SEBI Guidelines, the Equity Shares held by persons other than Promoters, prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

Further, in terms of Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoter may be transferred to and amongst the Promoter Group or to new promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with SEBI Guidelines as amended from time to time.

**3. Shareholding Pattern of our Company**

The table below represents the shareholding pattern of the Company before the proposed Issue and adjusted for this Issue.

Name of Shareholder	Pre Issue		Post Issue	
	Number of Equity Shares	Percentage of Equity Share Capital (%)	Number of Equity Shares	Percentage of Equity Share Capital (%)
<b>Promoters</b>				
Unicon Marketing Private Limited	6,734,620	36.75	6,734,620	[●]
Ricon Commodities Private Limited	4,940,000	26.96	4,940,000	[●]
Vishal Water World Private Limited	960,000	5.24	960,000	[●]
Mr. Ram Chandra Agarwal	936,380	5.11	936,380	[●]
Mrs. Uma Agarwal	344,000	1.88	344,000	[●]
Ram Chandra Agarwal (HUF)	155,000	0.85	155,000	[●]
Mr. Surendra Kumar Agarwal	2,000	0.01	2,000	[●]
<b>Sub total</b>	<b>14,072,000</b>	<b>76.80</b>	<b>14,072,000</b>	<b>[●]</b>
<b>Promoter Group</b>				
Sunita Fashion Private Limited	248,000	1.35	248,000	[●]
<b>Sub total</b>	<b>248,000</b>	<b>1.35</b>	<b>248,000</b>	<b>[●]</b>
<b>Public Shareholders</b>				
Bennett, Coleman & Co. Limited	2,054,795	11.21	2,054,795*	[●]
Gaja Advisors Private Limited**	500,000	2.73	500,000*	[●]

Kanakdhara Traders Private Limited	250,000	1.36	250,000*	[•]
HDFC Limited	200,000	1.09	200,000*	[•]
VIC Enterprises Private Limited	100,000	0.55	100,000*	[•]
Mr. Mohit Burman	37,500	0.20	37,500*	[•]
Mr. V.C. Burman	37,500	0.20	37,500*	[•]
Mr. Brij Mohan Lal Munjal	37,500	0.20	37,500*	[•]
Mr. Pawan Kant Munjal	32,500	0.18	32,500*	[•]
Mr. Sunil Kant Munjal	30,000	0.16	30,000*	[•]
Ms. Monica Burman	25,000	0.14	25,000*	[•]
Ms. Renu Munjal	25,000	0.14	25,000*	[•]
Mr. Suman Kant Munjal	25,000	0.14	25,000*	[•]
Other shareholders	6,50,000	3.55	[•]	[•]
<b>Sub total</b>	<b>4,004,795</b>	<b>21.85</b>	<b>[•]</b>	<b>[•]</b>
<b>Total</b>	<b>18,324,795</b>	<b>100.00</b>	<b>[•]</b>	<b>100.00</b>

\*assuming such shareholders do not Bid under the Issue.

\*\* earlier known as View Advisors Private Limited..

For details of shareholding of our Directors in our Company, see the section titled “Our Management” on page 109.

4. Except as disclosed below mentioned, our Company, our Directors, our Promoters and the BRLM have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares from any person.

Our Company has entered into certain share subscription and shareholders agreements with BCCL, HDFC, Mr. Ram Chandra Agarwal and certain other individual shareholders and bodies corporate in respect of allotments dated October 5, 2005, July 21, 2006 and June 5, 2006, respectively.

Under the terms and conditions of the agreements with BCCL, our Company has undertaken that in the event that our Company is not able to complete the Issue by October 12, 2007, to the extent of our Company having availed the advertisements as per the invoice amount provided under the advertisement agreement with BCCL, our Promoters would be required to provide a reasonable opportunity for exit from the Company. In the event that such exit does not appear feasible, our Company and/or our Promoters would be required to buy back the shares held by BCCL at a price arrived at by a third party consultant appointed for the valuation of the Company and its shares under the terms of the agreement with BCCL.

Under the terms and conditions of the agreements with other investors, our Company has undertaken that in the event that our Company is not able to complete the Issue by September 30, 2007, our Company would be required to buy back all the subscription shares held by HDFC and such other investors at a price not less than Rs. 200, by October 31, 2007. Further, under some of the said agreements, in the event the buyback of shares is not completed by October 31, 2007, Mr. Ram Chandra Agarwal would be obliged, on receipt of a written notice from HDFC and/or such other investors, to purchase all the subscription shares at a mutually agreed price which shall not be less than Rs. 200, within 15 days on a spot delivery basis. If Mr. Ram Chandra Agarwal fails to purchase the subscription shares on or before the above mentioned 15 days, he would be liable to pay HDFC and other shareholder an amount equal to the subscription price along with an interest of 19 percent per annum from July 24, 2006 till the date of payment. For details, see “History and Certain corporate Matters” on page 102.

5. In the case of over-subscription in all categories, at least 60% of the Net Issue shall be allotted on a proportionate basis to Qualified Institutional Buyers, not less than 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under subscription, if any, in the Non-Institutional Portion and Retail Individual Portion would be met with spill over from other categories at

the sole discretion of our Company in consultation with the BRLM. Under subscription, if any, in the Employees Reservation Portion would be met with spill over from the Net Issue at the sole discretion of our Company in consultation with the BRLM. From the existing QIB Portion, 5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

6. A total of up to [●]% of the Issue size, i.e. up to 300,000 Equity Shares, has been reserved for allocation to the Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price and subject to the maximum Bid in this portion being 10,000 Equity Shares. Only Employees would be eligible to apply in this Issue under Employees Reservation Portion. Employees may bid in the 'Net Issue' portion as well and such Bids shall not be treated as multiple Bids. Any under subscription in the Equity Shares under the Employee Reservation Portion would be treated as part of the Net Issue.
7. Over subscription to the extent of 10% of the Issue can be retained for the purpose of rounding off to the nearest integer.
8. The list of top 10 shareholders of our Company and the number of Equity Shares held by them is as under:
  - (a) As on the date of filing of this Red Herring Prospectus and May 20, 2007 (i.e. 10 days prior to the date of filing of the Red Herring Prospectus).

Sr. No.	Name of Shareholders	Number of Equity Shares	Percentage of total pre- Issue Equity Share Capital
1.	Unicon Marketing Private Limited	6,734,620	36.75
2.	Ricon Commodities Private Limited	4,940,000	26.96
3.	Bennett, Coleman & Co. Limited	2,054,795	11.21
4.	Vishal Water World Private Limited	960,000	5.24
5.	Mr. Ram Chandra Agarwal	936,380	5.11
6.	Gaja Advisors Private Limited*	500,000	2.73
7.	Mrs. Uma Agarwal	344,000	1.88
8.	Kanakdhara Traders Private Limited	250,000	1.36
9.	Sunita Fashion Private Limited	248,000	1.35
10.	HDFC Limited	200,000	1.09

\* earlier known as View Advisors Private Limited..

- (b) As on May 30, 2005 (i.e. two years prior to the date of filing of the Red Herring Prospectus):

Sr. No.	Name of Shareholders	Number of Equity Shares	Percentage of total pre- Issue Equity Share Capital
1.	Ricon Commodities Private Limited	4,940,000	33.33
2.	Unicon Marketing Private Limited	4,302,500	29.03
3.	Vishal Fashion Private Limited	2,680,000	18.08
4.	Mr. Ram Chandra Agarwal	1,068,380	7.21
5.	Vishal Water World Private Limited	960,000	6.47
6.	Mr. Santa Agarwal	368,000	2.48
7.	Mrs. Uma Agarwal	344,000	2.32
8.	Ram Chandra Agarwal (HUF)	155,000	1.04
9.	Mr. Surendra Kumar Agarwal	2,000	0.01
10.	Mr. Gauri Shankar Agarwal	10	0.00



9. Our Promoters, Promoter Group or our Directors or the directors of our Promoter Group companies have not acquired, purchased or sold any Equity Shares, during a period of six months preceding the date on which this Red Herring Prospectus was filed with SEBI.
10. Our Company has not granted any options or issued any Equity Shares under any employee stock option or employee stock purchase scheme.
11. An investor cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
12. Except as disclosed in the section titled “Our Management” on page 109, none of our Directors and key managerial employees hold any Equity Shares.
13. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from the submission of the Draft Red Herring Prospectus with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.
14. We presently do not intend or propose to alter our capital structure for a period of six months from the date of filing of the Draft Red Herring Prospectus, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise except that if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
15. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
16. As on the date of filing of this Red Herring Prospectus the total number of holders of Equity Shares was 59.
17. We have not raised any bridge loans against the proceeds of the Issue.
18. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.
19. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.
20. Our Promoters and members of the Promoter Group will not participate in this Issue.
21. There are certain restrictive covenants in the agreements that our Company has entered into with banks and financial institutions for short-term loans and long term borrowings. For further details of the terms of these agreements, please refer to the section entitled “Financial Indebtedness” beginning on page 93.
22. The Equity Shares issued pursuant to the Issue shall be fully paid-up at the time of Allotment.

## OBJECTS OF THE ISSUE

The objects of this Issue are to (a) meet the expenses of establishing new retail stores, (b) meet the expenses of the Issue and (c) to enhance our visibility and achieve the benefits of listing our Equity Shares on the Stock Exchanges. We believe that listing will enhance our brand name and create a public market for our Equity Shares in India.

The main object clause of our Memorandum of Association and objects incidental to the main objects enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue.

We intend to utilize the proceeds of the Issue, after deducting the Issue related expenses, which is estimated at Rs. [●] (“Net Proceeds”) for financing the above mentioned objects. The details of the utilization of Net Proceeds will be as per the table set forth below:

S. No.	Particulars of expenditure	Amount (Rs. in million)
1.	Expenditure on establishment of new retail stores	1,041.51
2.	Issue Expenses*	[●]
<b>Total</b>		<b>[●]</b>

\* will be finalized upon finalization of Issue Price.

Our fund requirements and deployment thereof are based on the estimates of our management and have not been appraised by any bank or financial institution or independent third party entity. In case of any variations in the actual utilization of funds earmarked for the above activities, increased fund deployment for a particular activity may be met with, in the first instance, by surplus funds, if any available in respect of the other activity for which funds are being raised in this Issue, otherwise by our internal accruals.

### I. Expenditure on Establishment of New Retail Stores

As part of our strategy, we intend to establish a number of retail stores in various parts of India. We intend to utilize a part of the Net Proceeds of the Issue for establishing some of these stores (“**Project Stores**”).

#### *Estimated cost of Establishment and Deployment of Funds*

We propose to deploy Rs. 1,041.51 million, from the Net Proceeds of the Issue, towards establishment of the Project Stores in fiscal 2008. The following are the details of the Project Stores, the estimated costs for establishment and proposed schedule of deployment of funds:

<i>(Rs. in Million)</i>				
S. No.	Location	Total Estimated Costs	Expenditure incurred as of April 30, 2007*	Funds to be deployed in fiscal 2008
<b>Tier I Cities</b>				
1.	Bangalore (Second Store)	50.00	Nil	50.00
2.	Kolkata (Second Store)	50.00	Nil	50.00
3.	Mumbai (Second Store)	50.00	1.09	48.91
<b>Tier II Cities</b>				
4.	Pune (Second Store)	47.50	Nil	47.50
<b>Tier III Cities</b>				
5.	Ajmer	47.50	0.40	47.10
6.	Asansol	47.50	0.48	47.02
7.	Bareilly	47.50	0.95	46.56
8.	Bhopal	47.50	1.56	45.94
9.	Coimbatore	47.50	Nil	47.50
10.	Faridabad	47.50	Nil	47.50
11.	Jabalpur	47.50	Nil	47.50
12.	Jammu (Second Store)	47.50	1.60	45.90

13.	Kota	47.50	0.64	46.86
14.	Lucknow (Second Store)	47.50	Nil	47.50
15.	Mangalore	47.50	Nil	47.50
16.	Moradabad	47.50	Nil	47.50
17.	Mysore	47.50	Nil	47.50
18.	Ranchi (Second Store)	47.50	0.50	47.00
19.	Sholapur	47.50	0.92	46.58
20.	Srinagar	47.50	Nil	47.50
21.	Surat (Second Store)	47.50	1.66	45.84
22.	Vijaywada	47.50	1.20	46.30
<b>Total</b>		<b>1052.50</b>	<b>10.99</b>	<b>1041.51</b>

\* as confirmed by a certificate dated May 29, 2007 from Haribhakti & Co., Chartered Accountants.

#### *Methodology for Computation of Estimated Cost of Establishment*

The estimated cost for establishment primarily comprises advance rent and deposit for lease/license arrangements, expenditures on installation of air-conditioning equipment, generator sets, display racks, computers and holding the inventory at the stores and the distribution centres. Since these equipments are standard in nature, the estimated costs remain largely the same for similar sized stores, irrespective of the location of the store.

However, the rents and deposits for lease/license arrangements and the cost towards holding the inventory may vary based on location, size and several other factors and has been factored in based on agreements signed and our experience for stores of the size that we are tragetting in such locations.

#### *Arrangements for the Project Stores*

We have made certain arrangements for establishment of some of the Projects Stores. Set forth below are the details of the various memorandum of agreement signed by us, for establishing them:

Sl No.	Projects Stores	Counter-parties/Address	Date	Nature of Documenta tion	Area (in square feet)	Advances Paid (Rs. in million)
1.	Ajmer	Mr. S.P.Sehgal r/o 27, Onkar Nagar, Civil Lines, Ajmer, Rajasthan.	7.7.2006	MOU	30,000	0.40
2.	Asansol	Ms. Madhu Kedia, Mr. Vishal Kedia and Vikas Kedia, all residents of 1, New Road, Asansol, Burdwan, West Bengal.	5.1.2007	MOU	32,000	0.48
3.	Bhopal	Soumya Homes Private Limited having its Registered Office at 69A, Zone-II, M. P. Nagar, Bhopal (M.P.) and Ganga Enterprises having its office at G-62, East of Kailash, New Delhi.	8.11.2006	MOU	39,000	1.56
4.	Bareilly	Mr. R.S. Juneja, Quality Outfits, 47, Civil Lines, (Opp. Prasad Cinema), Bareilly, Uttar Pradesh.	15.9.2006	MOU	27,000	0.95
5.	Jammu (Second Store)	Shree Om Krishna & Sons, a partnership firm having its office at E-101-102, Karan Market, Jammu, Jammu and Kashmir.	4.4.2007	MOU	32,000	1.60
6.	Kolkata (Second Store)	RDB Industries Limited Having its Registered Office at 8/1, Lal bazaar Street, Kolkata.	15.1.2007	MOU	38,800	Nil

Sl No.	Projects Stores	Counter-parties/Address	Date	Nature of Documentation	Area (in square feet)	Advances Paid (Rs. in million)
7.	Kota	M/s Aashish Resorts Private Limited having its Registered Office at 298, Ajmer Road, Jaipur, Rajasthan & M/s Amber Theatres Private Limited Malpani Chambers, SMS Highway, Film Colony, Jaipur, Rajasthan.	24.3.2006	MOU	20,000	0.64
8.	Mumbai (Second Store)	M/s Neptune Constructions, a partnership firm, A/6 Deshmukhwadi, Zaver Road, Mulund, Mumbai, Maharashtra.	30.8.3006	MOU	30,400	1.09
9.	Mysore	Mr. M. Nagaraja 487, A & B Block, Chitrbanu Road, Kuvempunagar, Mysore, Karnataka.	19.3.2007	MOU	34,400	Nil
10.	Ranchi (Second Store)	M/s Panchwati Promoters Private Limited Panchvati Plaza Complex, 4 <sup>th</sup> Floor, Office No. 401, Kutchery Road, Ranchi, Jharkhand.	8.4.2006	MOU	40,000	0.50
11.	Sholapur	Mr. Girish Shrichadjani and Ms. Kavita Shrichadjani R/o 34, Gurunanak Nagar, Sholapur, Maharashtra.	8.11.2006	MOU	40,500	0.92
12.	Surat (Second Store)	Kataria Automobiles Limited, having its registered office at K.S. Lokhandwala, Dariyapur, Ahmedabad.	6.3.2007	Agreement of conducting business	33,234	1.66
13.	Vijaywada	Sri Venkateshwara Theatres having its office at 38-8-45, M.G. Road, Labbipet, Vijaywada, Andhra Pradesh.	6.3.2007	MOU	36,139	1.20

Except as mentioned above, we have not made any firm arrangements in relation to the Projects Stores.

### **Means of Finance**

The total cost of establishing the Projects Stores is Rs. 1041.51 million excluding Rs. 10.99 million which has been already deployed by us as of April 30, 2007. The total fund requirement for the above-stated objectives as estimated by the Company is proposed to be funded as set forth in the following table:

Particulars	Rs. in million
Total costs for establishing Project Stores	1052.50
Expenses incurred till April 30, 2007 <sup>*</sup>	10.99
Balance cost to be funded	1041.51
Issue expenses	[●]
<b>Total</b>	<b>[●]</b>

<sup>\*</sup>funded from internal accruals.

We propose to meet the remaining costs for establishment of the aforesaid stores entirely from the proceeds of the Issue and, therefore, no amount is required to be raised through means other than the Issue for financing the

same. Accordingly, clause 2.8 of the SEBI Guidelines (which requires firm arrangements of finance through verifiable means for 75% of the stated means of finance, excluding the amount to be raised through the proposed issue) does not apply to the Issue.

## II. Issue Relate Expenses

The Issue related expenses include, among others, underwriting and selling commissions, printing and distribution expenses, legal expenses, advertisement expenses, registrar's fees and depository fee.

The details of the Issue expenses are tabulated below:

Activity	Expenses (Rs. in million)	% of Net Proceeds of the Issue
Underwriting and Selling Commission*	[•]	[•]
Advertising and Marketing expenses	[•]	[•]
Printing and Stationery	[•]	[•]
Others (Registrar's fees, legal fees etc.)	[•]	[•]

\* The BRLM's underwriting and selling commissions will be finalised upon finalisation of the Issue Price.

### Working Capital Requirement

The Net Proceeds of this Issue will not be used to meet our working capital requirements as we expect sufficient internal accruals to meet our existing working capital requirements.

### Interim use of funds

The management of our Company, in accordance with the policies established by our Board from time to time, will have flexibility in deploying the Net Proceeds. Pending utilization for the purposes described above, our Company intends to invest the funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks, for the necessary duration. Such investments would be in accordance with investment policies approved by our Board from time to time.

### Monitoring Utilization of Funds

Our Board will monitor the utilization of the Net Issue proceeds. Our Company will disclose the details of the utilization of the Issue proceeds, including interim use, under a separate head in our financial statement for fiscal 2008, specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements of our listing agreements with the Stock Exchanges and in particular, Clause 49 of the Listing Agreement.

No part of the proceeds from the Issue will be paid by our Company as consideration to our Promoters, our Directors, Promoter Group entities and key managerial employees, except in the normal course of our business.

## TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, Red Herring Prospectus, Prospectus, Bid cum Application Form, the Revision Form, the Confirmation of Allocation Note and other terms and conditions as may be incorporated in the allotment advices and other documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/or other authorities, as in force on the date of the Issue and to the extent applicable.

### Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the date of allotment.

### Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

### Face Value and Issue Price

The Equity Shares with a face value of Rs. 10 each are being issued in terms of this Red Herring Prospectus at a total price of Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

### Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability of shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act and our Memorandum and Articles of Association.

For a detailed description of the main provisions of our Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, see section titled “Main Provisions of Articles of Association of the Company” on page 243.

### Market Lot and Trading Lot

In terms of existing SEBI Guidelines, the trading in the Equity Shares shall only be in dematerialised form for all investors. Since trading of our Equity Shares is in dematerialised mode, the tradable lot is one Equity Share. In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. Allotment through this Issue will be done only in electronic form in multiples of 1 Equity Share subject to a minimum allotment of 25 Equity Shares.

Where two or more persons are registered as the holders of Equity Shares, they shall be deemed to hold the same as joint-tenants with benefits of survivorship.

### **Nomination Facility to the Investor**

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the registered office of our Company or at the registrar and transfer agent of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by our Board, elect either:

- a. to register himself or herself as the holder of the Equity Shares; or
- b. to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised mode, there is no need to make a separate nomination with us. Nominations registered with the respective Depository Participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective Depository Participant.

### **Minimum Subscription**

If we do not receive the minimum subscription of 90% of the Net Issue, i.e., the Issue less the Employee Reservation Portion, including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/ Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act.

If at least 60% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of allottees, i.e. persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction except in compliance with the applicable laws of such jurisdictions.

### **Arrangement for Disposal of Odd Lots**

There are no arrangements for disposal of odd lots.

### **Restriction on Transfer of Shares**

There are no restrictions on transfers and transmissions of share and on their consolidation/splitting except as provided in our Articles of Association. For details see the section titled “Main Provisions of our Articles of Association” beginning on page 243.



## **BASIS FOR ISSUE PRICE**

The Issue Price will be determined by us in consultation with the BRLM on the basis of assessment of market demand and on the basis of the following qualitative and quantitative factors for the offered Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs. 10 and the Issue Price is 23 times the face value at the lower end of the Price Band and 27 times the face value at the higher end of the Price Band.

### **QUALITATIVE FACTORS**

#### ***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. We sell a vast range of merchandise across apparels and accessories, FMCG products, food products and consumer durables with over 74,000 SKUs. 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 distribution 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 centres 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 43 of 50 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.

#### ***Private labels***

We have a number of private labels for apparels (i.e. apparels manufactured by us) such as Zeppelin, Paranoia, Chlorine, Kitaan Studio, Famenne, Fleurier Women and Roseau. In fiscal 2007, our income from our private labels was Rs. 583.58 million, which accounts 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.

#### ***Information technology systems***

We believe that efficient information technology systems, processes and business applications are essential to handle retail chain of our magnitude. Our office processes are computerized which support procurement, supply chain logistics, distribution centres management and store operations including inventory management and billing. We are in the process of implementing SAP. All our stores and distribution centres are connected through a company-wide virtual network connection which helps to efficiently manage our network of outlets throughout the country.

#### ***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.

### **QUANTITATIVE FACTORS**

- (i) Information presented in this section is derived from our standalone restated financial statements prepared in accordance with Indian GAAP.

#### **Basic Earning Per Share (EPS) (as adjusted for changes in capital)**

<b>Particulars</b>	<b>Face value per share (Rs. 10 per share)</b>	
	<b>Rupees</b>	<b>Weight</b>
Year ended March 31, 2005	2.28	1
Year ended March 31, 2006	7.98	2
Year ended March 31, 2007	13.92	3
Weighted average	<b>10.00</b>	

- (ii) P/E pre-issue in relation to Issue Price of Rs. [●]
- For the year ended March 31, 2007, EPS is Rs. 13.92
  - P/E based on profits after taxes, as restated, for the year ended March 31, 2007 is Rs..
  - Industry P/E
 

i) Highest	:	87.60
ii) Lowest	:	4.1
iii) Industry Composite	:	26.10

*Source: Capital Market Volume XXII/05 Category – May 07 - 20, 2007.-Categeory: Textiles Products*

(iii) Return on Net Worth in the last three years.

Particulars	RONW %	Weight
Year ended March 31, 2005	9.97%	1
Year ended March 31, 2006	18.57%	2
Year ended March 31, 2007	19.71%	3
Weighted Average	<b>17.71%</b>	

- Minimum Return on Increased Net Worth required to maintain pre –issue EPS is [●].
- Net Asset Value per Equity Share.

Net Asset Value per Equity Share for the year ended March 31, 2007 is Rs. 69.18

After the Issue: Rs. [●]

Issue Price: [●].

Issue Price per Share will be determined on conclusion of book building process.

(1) Net Asset Value per Equity Share represents shareholders' equity as per restated financial statements less revaluation reserves and miscellaneous expenses as divided by weighted average number of Equity Shares outstanding as of date.

- Comparison with industry peers

	EPS (Rs)	P/E	RONW %	NAV (Rs.)
Vishal Retail Limited	13.92	[●]	<b>19.71%</b>	<b>69.18</b>
<b>Peer Group<sup>1</sup></b>				
Pantaloon Retail Limited*	4.4	87.6	17.20%	55.90
Shopper's Stop Limited	7.6	65.4	14.90%	77.70
Trent (India) Limited	14.2	35.70	10.00%	233.70

\* For year ended June 30, 2006.

Note: The EPS, RONW and NAV figures are based on the latest audited results for the year ended March 31, 2006 and P/E is based on trailing twelve months (TTM) and Market data.

(1) Source: Capital Market Volume XXII/05 Category – May 07 - 20, 2007.

Electronic Media Software

The BRLM believes that the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters, see sections titled “Risk Factors”, “Our Business” and “Financial Statements” beginning on pages 8, 74 and 129, respectively, to have a more informed view.

The face value of the Equity Shares is Rs. 10 each and the Issue Price is [●] times the face value of the Equity Shares.

## STATEMENT OF TAX BENEFITS

The Board of Directors  
Vishal Retail Limited  
RZ A95/A96,  
Road No. 4, Street No. 9  
Mahipalpur Extension  
New Delhi, India

We hereby confirm that the enclosed annexure, prepared by the Company, states the possible tax benefits available to Vishal Retail Limited, ('the Company') and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company may or may not choose to fulfill.

The benefits discussed in the Annexure are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the selling shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Our confirmation is based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current tax laws in force in India.

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

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

For **Haribhakti & Co.**  
**Chartered Accountants,**

---

**(Sunil B. Choudhary)**

**Partner**

Membership No. 046379

Place: Mumbai

Date: 14th May, 2007

STATEMENT OF POSSIBLE BENEFITS AVAILABLE TO VISHAL RETAIL LIMITED AND ITS SHAREHOLDERS

**1. Key benefits available to the Company under the Income-tax Act, 1961 ('the Act')**

**A) BUSINESS INCOME:**

**A.i. Depreciation**

The Company is entitled to claim depreciation at the prescribed rates on specified tangible and intangible assets owned by it and used for the purposes of its business under section 32 of the Act

In case of any new plant and machinery (other than ships and aircraft) that will be acquired and installed by the company engaged in the business of manufacture or production of any article or thing, the company will be entitled to a further sum equal to twenty per cent of the actual cost of such machinery or plant subject to conditions specified in section 32 of the Act

Unabsorbed depreciation if any, for an Assessment Year (AY) can be carried forward & set off against any source of income in subsequent AYs as per section 32 subject to the provisions of sub-section (2) of section 72 and sub-section (3) of section 73 of the Act

**A.ii Preliminary Expenditure:**

As per Section 35D, the Company is eligible for deduction in respect of specified preliminary expenditure incurred by the Company in connection with extension of its industrial undertaking or in connection with setting up a new industrial unit for an amount equal to 1/5<sup>th</sup> of such expenses over 5 successive AYs subject to conditions and limits specified in that section

**A.iii Expenditure incurred on voluntary retirement scheme:**

As per Section 35DDA, the Company is eligible for deduction in respect of payments made to its employees in connection with his voluntary retirement for an amount equal to 1/5<sup>th</sup> of such expenses over 5 successive AYs subject to conditions specified in that section

**A.iv Expenditure on Scientific Research:**

As per Section 35, the Company is eligible for -

- (a) Deduction in respect of any expenditure (not being expenditure on acquisition of land) on scientific research related to the business subject to conditions specified in that section
- (b) As per section 35(2AA) a deduction of 125% shall be allowed as a deduction of the sum paid by the company, to a National Laboratory [or a University or an Indian Institute of Technology or a specified person as specified in the section] with a specific direction that the sum shall be used for scientific research undertaken under a programme approved in this behalf by the specified authority subject to conditions specified in that section

**A.vi. Carry forward of business loss**

Business losses if any, for any AY can be carried forward and set off against business profits for eight subsequent AYs

**A.vii. MAT Credit:**

As per section 115JAA(1A), the company is eligible to claim credit for Minimum Alternate Tax ("MAT") paid for any AY commencing on or after April 1, 2006 against normal income tax payable in subsequent A.Ys. MAT credit shall be allowed for any A.Y. to the extent of difference between the tax computed as per the normal provisions of the Act for that A.Y. and the MAT

which would be payable for that A.Y. Such MAT credit will be available for set-off up to 7 years succeeding the A.Y. in which the MAT credit initially arose.

**B) CAPITAL GAINS:**

**B.i. Long Term Capital Gain (LTCG)**

LTCG means capital gain arising from the transfer of a capital asset being Share held in a company or any other security listed in a recognised stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under clause (23D) of section 10, held by an assessee for more than 12 months

In respect of any other capital assets, LTCG means capital gain arising from the transfer of an asset, held by an assessee for more than 36 months

**Short Term Capital Gain (STCG)**

STCG means gain arising out of transfer of capital asset being share held in a company or any other security listed in a recognised stock exchange in India or unit of the Unit Trust of India or a unit of a mutual fund specified under clause (23D) of section 10, held by an assessee for 12 months or less

In respect of any other capital asset, STCG means capital gain arising from the transfer of capital asset, held by an assessee for 36 months or less

- B.ii. LTCG arising on transfer of equity shares or units of an equity oriented fund (as defined) which has been set up under a scheme of a Mutual Fund specified under Section 10 (23D), on a recognized stock exchange on or after October 1, 2004 are exempt from tax under Section 10(38) of the Act provided the transaction is chargeable to securities transaction tax (STT) and subject to conditions specified in that section
- B.iii. As per second proviso to section 48, LTCG arising on transfer of capital assets, other than bonds and debentures excluding capital indexed bonds issued by Government, is to be computed by deducting the indexed cost of acquisition and indexed cost of improvement from the full value of consideration
- B.iii.a As per section 112, LTCG is taxed @20% plus applicable surcharge (SC) thereon (if any), 2% education cess (EC) on tax plus Surcharge and 1% "Secondary and Higher Education Cess" (S & HEC) on income-tax and surcharge from financial year 2007-08
- B.iii.b However as per proviso to section 112(1), if such tax payable on transfer of listed securities/units/Zero coupon bonds exceeds 10% of the LTCG, without availing benefit of indexation, the excess tax will be ignored
- B.iv. As per section 111A of the Act, STCG arising on sale of equity shares or units of equity oriented mutual fund (as defined) under Section 10(23D), on a recognized stock exchange on or after 1<sup>st</sup> October, 2004, are subject to tax at the rate of 10 per cent (plus applicable SC + EC+ S & HEC), provided the transaction is chargeable to STT.
- B.v. As per section 71 read with section 74, Short-term capital loss arising during a year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, should be carried forward and set-off against short-term as well as long-term capital gains for subsequent 8 years
- B.vi. As per section 71 read with section 74, Long-term capital loss arising during a year is allowed to be set-off only against long-term capital gains. Balance loss, if any, should be carried forward and set-off against subsequent year's long-term capital gains for subsequent 8 years
- B.vii. Under section 54EC of the Act, capital gains arising on the transfer of a long-term capital asset

will be exempt from capital gains tax if such capital gains are invested within a period of 6 months after the date of such transfer in long-term specified bonds issued by the following and subject to the conditions specified therein –

- National Highways Authority of India constituted under section 3 of National Highways authority of India Act, 1988
- Rural Electrification Corporation Limited, a company formed and registered under the Companies act, 1956

If only part of the capital gains is so reinvested, the exemption shall be proportionately reduced. There is a ceiling of Rs. 50 lacs on the amount of investment that an assessee can make on or after 1<sup>st</sup> April 2007 in the above-specified long-term assets.

However, if the new bonds are transferred or converted into money within three years from the date of their acquisition, the amount so exempted shall be taxable in the year of transfer

## **C) Income from Other Sources**

### **Dividend income:**

Dividend (both interim and final) income, if any, received by the Company on its investment in shares of another Domestic Company shall be exempt from tax under Section 10(34) read with Section 115-O of the Act.

Income received in respect of units of a Mutual Fund specified under Section 10(23D) of the Act shall be exempt from tax under Section 10(35) of the Act, subject to such income not arising from transfer of units in such Mutual Fund

## **2. Key benefits available to the Members of the Company**

### **2.1 Resident Members**

#### **2.1.a Dividend income:**

Dividend (both interim and final) income, if any, received by the resident shareholder from a domestic company is exempt under Section 10(34) read with Section 115O of the Act

#### **2.1.b Capital gains:**

- i. Benefits outlined in Paragraph 1(B) above are also applicable to resident shareholders. In addition to the same, the following benefits are also available to resident shareholders
- ii. As per Section 54F of the Act, LTCG arising to individual and HUF from transfer of shares will be exempt from tax if net consideration from such transfer is utilized within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three years from the date of transfer and subject to conditions and to the extent specified therein
- iii. In case of **resident** individuals and Hindu Undivided Families, where taxable income (as reduced by long-term capital gains) is below the basic exemption limit, only the excess of the aggregate income over the maximum amount not chargeable to tax will be subjected to income-tax and surcharge.

#### **2.1.c Clubbing of Income:**

Any income of minor children clubbed with the total income of the parent under section 64(1A) of the IT Act, will be exempt from tax to the extent of Rs. 1500/- per minor child under section 10(32) of the IT Act

**2.1.d Rebate:**

In terms of Section 88 E of the Act, STT paid by a shareholder in respect of taxable securities transactions (i.e. transaction which is chargeable to STT) entered into in the course of business would be eligible for rebate from the amount of income-tax on the income chargeable under the head 'Profits and Gains under Business or Profession' arising from taxable securities transactions subject to conditions and limits specified in that section

**2.1.e** In accordance with section 10(23D) of the Income Tax Act, all Mutual Funds registered under the Securities and Exchange Board of India Act or set up by public sector banks or a public financial institution or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax all their income, including income from investment in the shares of the Company.

**2.2 Key Benefits available to Non-Resident Member**

**2.2.a Dividend income:**

Dividend (both interim and final) income, if any, received by the non-resident shareholders from a domestic company shall be exempt under section 10(34) read with Section 115-O of the Act

**2.2.b Capital gains:**

Benefits outlined in Paragraph 2.1(b)(i) & (ii) above are also available to a non-resident shareholder except that as per first proviso to Section 48 of the Act, the capital gains arising on transfer of capital assets being shares of an Indian Company need to be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency in which the shares were originally purchased. The resultant gains thereafter need to be reconverted into Indian currency. The conversion needs to be at the prescribed rates prevailing on dates stipulated. Further, the benefit of indexation as provided in second proviso to section 48 is not available to non-resident shareholders

**2.2.c Rebate:**

Benefits outlined in Paragraph 2.1.d above are also applicable to the non-resident shareholder

**2.2.d Tax Treaty Benefits:**

As per Section 90 of the Act, the shareholder can claim relief in respect of double taxation, if any as per the provisions of the applicable double tax avoidance agreements

**2.2.e Special provision in respect of income/ LTCG from specified foreign exchange assets available to Non resident Indians under Chapter XII-A**

2.2.e.i. Non-Resident Indian (NRI) means a citizen of India or a person of Indian origin who is not a resident. Person is deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India

2.2.e.ii. Specified foreign exchange assets includes shares of an Indian company acquired/purchased/subscribed by NRI in convertible foreign exchange

2.2.e.iii. As per section 115E, income [other than dividend which is exempt under section 10(34)] from investments and LTCG from assets (other than specified foreign exchange assets) shall be taxable @ 20% (plus applicable SC + EC +S & HEC). No deductions



in respect of any expenditure allowance from such income will be allowed and no deductions under chapter VI-A will be allowed from such income

- 2.2.e.iv. As per section 115E, LTCG arising from transfer of specified foreign exchange assets shall be taxable @ 10% (plus applicable SC + EC+ S & HEC).
  - 2.2.e.v. As per section 115F, LTCG arising from transfer of a foreign exchange asset shall be exempt in the proportion of the net consideration from such transfer being invested in specified assets or savings certificates within six months from date of such transfer, subject to further conditions specified under section 115F
  - 2.2.e.vi. As per section 115G, if the income of a NRI taxable in India consist only of income/ LTCG from such shares and tax has been properly deducted at source in respect of such income in accordance with the Act, it is not necessary for the NRI to file return of income under section 139
  - 2.2.e.vii. As per section 115H of the Act, when a non-resident Indian become assessable as a resident in India, he/she is entitled to furnish a declaration in writing to the Assessing Officer along with the return of income to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are transferred or otherwise converted into money
  - 2.2.e.viii. As per section 115I of the Act, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing the return of income for that year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and, accordingly, his total income for that assessment year will be computed in accordance with the other provisions of the Act
- 2.2.f** Any income of minor children clubbed with the total income of the parent under section 64(1A) of the IT Act, will be exempt from tax to the extent of Rs. 1500/- per minor child under section 10(32) of the IT Act

### **2.3 Key Benefits available to Foreign Institutional Investors (FIIs)**

#### **2.3.1 Dividend income:**

Dividend (both interim and final) income, if any, received by the shareholder from the domestic company shall be exempt under Section 10(34) read with Section 115O of the Act

#### **2.3.2 Capital Gains:**

As per the provisions of Section 115AD of the Act, FIIs will be taxed on the capital gains income at the following rates:

Sr. No.	Nature of Income	Rate of Tax
1	Long Term Capital Gain	Nil
2	Short Term Capital Gain	10%

The above tax rates would apply in cases where Securities Transaction Tax is paid. Short-term capital gains are taxed at 30%, and Long Term capital gains are taxed at 10% if such a transaction is not chargeable to Securities Transaction Tax.

The above tax rates would be increased by the applicable surcharge. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to a

FII.

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident

### **2.3.3. Exemption of capital gains from Income tax**

2.3.3.i. LTCG arising on transfer of securities where such transaction is chargeable to STT is exempt from tax under Section 10(38) of the Act

2.3.3.ii. Benefit of exemption under Section 54EC shall be available as outlined in Paragraph 1 (B)(vii) above

### **2.3.4 Rebate:**

Benefit as outlined in Paragraph 2.1.d. above are also available to FIIs

### **2.3.5 Tax Treaty Benefits:**

As per Section 90 of the Act, a shareholder can claim relief in respect of double taxation, if any, as per the provision of the applicable double tax avoidance agreements

## **2.4 Key Benefits available to Mutual Funds**

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by public sector banks or public financial institutions and Mutual Funds authorized by the Reserve Bank of India, would be exempt from income tax, subject to the prescribed conditions

## **2.5 Key Benefits available to Venture Capital Companies/ Funds**

As per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies / Funds registered with the Securities and Exchange Board of India, set up to raise funds for investment in a Venture Capital Undertaking would be exempt from income tax, subject to conditions as specified.

Venture Capital Undertaking (VCU) shall include certain specified domestic companies whose shares are not listed in a recognized stock exchange in India

## **3. Wealth Tax Act, 1957**

Shares in a company held by a shareholder are not treated as an asset within the meaning of Section 2(ea) of Wealth tax Act, 1957; hence, wealth tax is not leviable on shares held in a company

**Notes:**

- a) All the above benefits are as per the current tax law and will be available only to the sole/ first named holder in case the shares are held by joint holders
- b) In respect of non-residents, the tax rates and the consequent taxation mentioned above will be further subject to any benefits available under the relevant DTAA, if any, between India and the country in which the non-resident has fiscal domicile
- c) In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme

**For HARIBHAKTI & CO.,  
CHARTERED ACCOUNTANTS**

---

**(SUNIL CHOUDHARY)  
PARTNER**

Date: 14/05/2007

## SECTION IV – ABOUT THE COMPANY

### INDUSTRY OVERVIEW

*Facts and other statistics in this section relating to India, the Indian economy and Indian Retail Industry has been derived from various publications and obtained in from agencies that we believe to be reliable. However, we cannot guarantee the quality or reliability of such source of materials. While our directors have taken reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Underwriters or any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside India. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics.*

*Unless otherwise indicated, all financial and statistical data in the following discussion is derived from CRIS INFAC – Retailing Industry – Annual Review – September 2005 (hereinafter referred as CRIS INFAC).*

#### Indian Retail Industry

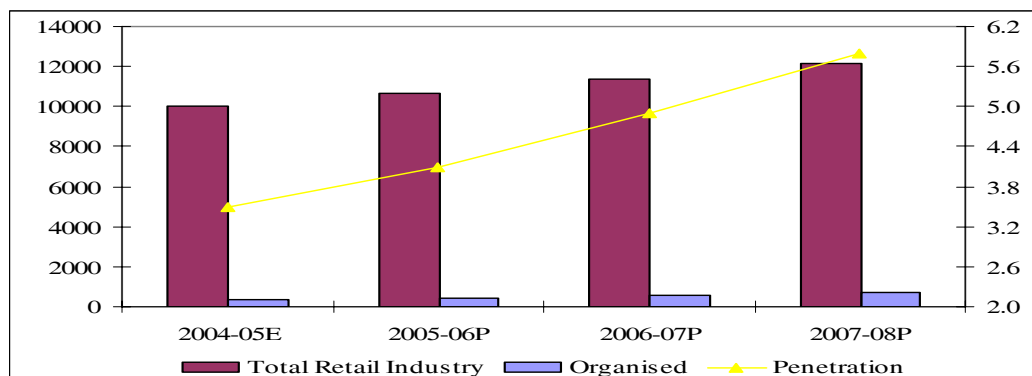
Organised retail in India is on a high growth trajectory and is growing at the rate of 24-26% annually. The size of the total retail industry market is estimated to be around Rs. 9,990 billion in 2004-05, with organised retailing accounting for a mere 3.5% of the India's total retail market. In its Annual Review, CRIS INFAC 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	2004-05E	2005-06P	2006-07P	2007-08P
Total Retail Industry	Rs. billion	9990	10659	11374	12136
Growth rate	Per cent	6.7	6.7	6.7	6.7
Organised	Rs. billion	350	441	556	700
Penetration	Per cent	3.5	4.1	4.9	5.8
Organised retail Y-O-Y growth	Per cent	24	26	26	26

E: Estimated, P: Projected

Source: CRIS INFAC



## Retail evolution

Retailing in India has witnessed tremendous growth in the last few years. Textile manufacturers like Bombay Dyeing, Raymond, S Kumar's and Grasim were the first to set up retail chains. Thereafter, Titan successfully implemented the organised retailing concept in India by establishing a series of well-designed stores.

Organised retailing first started picking up in South India, primarily due to the availability of land at prime locations and cheaper real estate prices. The early '90s saw the establishment of shops by Madura Garments and Zodiac, which focused on 'one brand'. By the latter half of the decade, players in various segments were making their presence felt on the retail scene: Foodworld, Subhiksha and Nilgiris in food and FMCG; Planet M and MusicWorld in music; Crossword and Fountainhead in books.

Since then organised retailing in India has witnessed a radical transformation. Shoppers' Stop was the pioneer in department stores and the concept of malls evolved with Spencers in Chennai, Ansals in Delhi and Crossroads in Mumbai. Initially, the players making forays into the mall scene were those that had a construction background like the Rahejas and the Piramals. Gradually, competition increased with more retail chains entering the business and setting up stores.

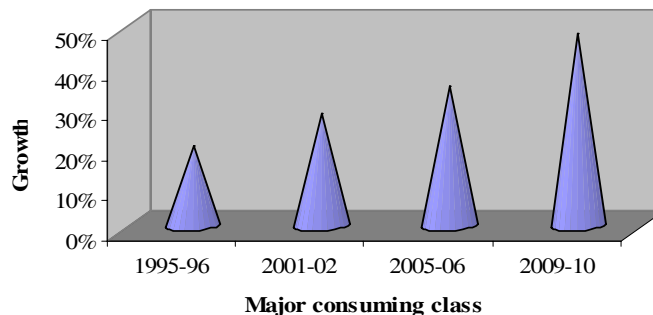
In spite of steep growth, the turnover of the top five retailers in India (Pantaloon Retail, Shoppers' Stop, RPG, Trent and Lifestyle) was less than Rs 30 billion, which was about 8 per cent of the total organised retail market in 2004-05. In a bid to garner larger market shares, nearly all major players have announced huge expansion plans.

At present, most players have announced ambitious expansion plans. In order to differentiate and grow, players have adopted different strategies. Some have chosen to operate in multiple formats, some are expanding to smaller cities and others are focussing on supply chain management and operations. The strategies adopted by these players will not only determine turnover growth but also their profitability.

## 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

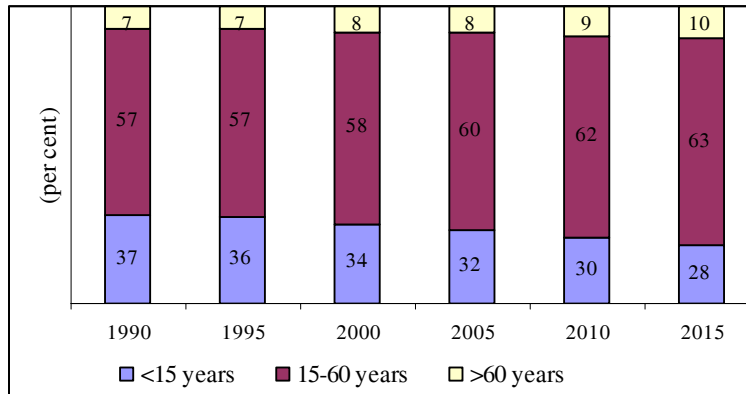
### **Increase in nuclear families**

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.

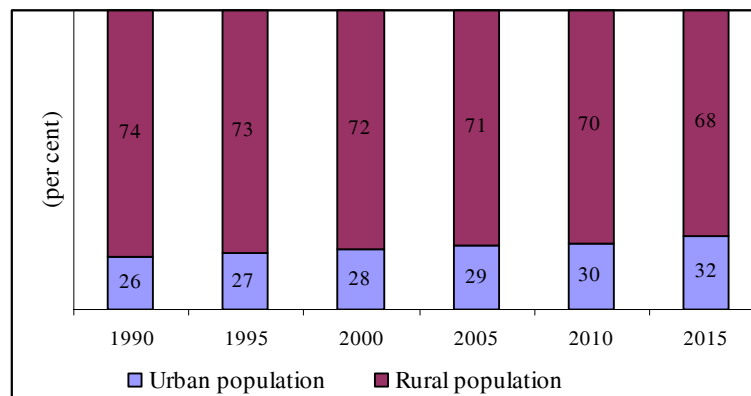


Source: CRIS INFAC

**Higher growth in urban population**

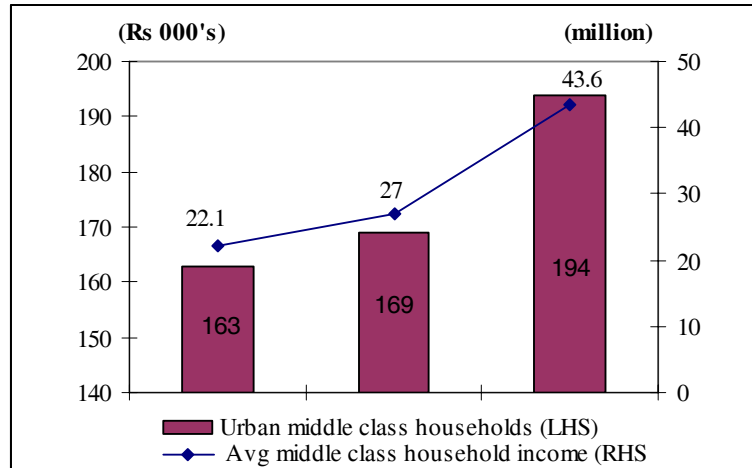
At present, organised retailing is focused in metros and is expected to expand to Tier-2 cities. For the next 10 years, growth in organised retailing is expected to take place in urban areas. Thus, the target market for organised retail players is the urban population.

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 3-4 years. The number of credit cards issued has grown at a CAGR of 26 per cent in the last 5 years to touch 15.5 million by March 2005, while debit cards have grown by a whopping 113 per cent to touch 29.8 million by March 2005. 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

#### ***Expansion plans of existing players***

The top players in the market are adding floor space. The growth would come from both same store sales growth and new stores. Players are getting into new segments as well as geographies. Players who earlier concentrated on the lifestyle segment are seen moving into value-based retailing with food and grocery stores and hypermarkets to tap the opportunity. In fact, the top 3 players are expected to triple their floor space in the next 3 years. Players are also getting into new segments, formats and geographies. Pantaloon plans to take its retail space to 8 million square feet in 3 years and RPG has planned to increase its retail space in the next 5 years to 4.5 million square feet.

	Level 1	Level 2	Level 3	Current Space	Expansion (by 2007)
				sq ft	sq ft
<b>Pantaloon</b>	Food Bazaar	Big Bazaar Pantaloon	Central	2,000,000	6,000,000
<b>Shopper's Stop</b>		Shopper's Stop		800,000	2,000,000
<b>RPG</b>	Foodworld Music World	Spencer's Hypermarket		400,000	1,650,000
<b>Tata-trent</b>	West Side	Star India Bazaar		400,000	700,000
<b>Piramal Group</b>		Piramyd	Crossroads	280,000	960,000

Source: CRIS INFAC

### 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	Market share	Market size	Market share	Penetration
	(Rs. billion)	(per cent)	(Rs. billion)	(per cent)	(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 and watches	416	4.1	25	7	6
Home décor 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

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.



### Organised retail: Segment-wise growth

(Rs. 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 décor	25	5	71.0
Beauty care products	7	n.a.	

Source: CRIS INFAC

### Challenges for Organised Retail

Organised retail industry face many regulatory and other challenges, which could slow down the pace of the industry's growth.

#### *Multiple taxation*

The retail industry attracts a variety of taxes from both the Central and the state governments. These include the Central sales tax, sales tax (state), entry taxes for inter-state sales and octroi depending on the area of operation and procurement and the type of goods sold.

Corporate tax at 30 per cent is also payable. This is higher for foreign players operating through various formats. Taxes are levied on all goods procured including essentials items.

#### *Multiple legislation*

Multiple licenses and clearances are required for setting up and operating a retail store. These make the process of setting up an establishment more cumbersome, reducing the flexibility of operations, slackening rapid expansion and increasing the overall cost of the retail chain.

The stamp duties on property deals in India are significant. The lease cost alone can be up to 6-10 per cent of sales in India, while it is only 3-5 per cent globally. Further, the initial urban planning of cities was undertaken with smaller plots in mind. In addition, rigid building and zoning laws make it difficult to procure space for retailing. The urban land ceiling act and rent control acts have distorted property markets in cities, leading to exceptionally high property prices. The presence of strong pro-tenancy laws make it difficult to evict tenants and make people reluctant to give out real estate on rent. The problem is compounded by the lack of clear titles to ownership.

Stringent labour laws are another worrying factor. Although instituted to protect store workers, Indian labour laws constrain the operation of modern formats of retailing. These laws restrict working hours, require shops to close for one day of the week in certain areas and make the hiring of part-time employees difficult. However, to attract investments, state governments have permitted a certain degree of flexibility in certain cities (like Bangalore) for the use of labour, making use, however, that associated benefits are not lost.

#### *High cost/unavailability of real estate*

Pro-tenant rent laws, non-availability of government land, zoning restrictions, high stamp duty and lack of clear ownership titles increases the difficulty of finding good real estate in terms of location and size. It also increases transaction costs and supply constraints. Retail players look for real estate based on the areas suitable to their formats. The difficulty in procuring the same leads to problems in strategising and planning expansions. This problem is being increasingly solved by leasing space in malls.

Lease rentals are one of the most important factors determining the profitability of a retailer, as most other costs are largely uncontrollable. On an average, lease rentals account for 7-8 per cent of the revenues and 40-45 per

cent of the non-material costs for a retailer. As is evident from the tables below, even a small change in lease rentals can significantly alter the profitability levels of stores.

*Sensitivity analysis of lease rentals on net profits*

<b>Apparel</b>							
Lease rentals	40	50	60	77	90	100	110
Net profit	12.8	11.1	9.3	6.4	4.1	3.6	0.9
<b>Food</b>							
Lease rentals	50	60	75	88	100	110	120
Net profit	1.9	1.5	0.8	0.4	-0.4	-1	-1.7
<b>Hypermarkets</b>							
Lease rentals	30	40	57	70	80	90	
Net profit	25.4	19.3	8.9	1.4	-8	-17.4	
<b>Departmental</b>							
Lease rentals	40	50	60	77	90	100	110
Net profit	18.6	15.1	11.6	8.6	1.7	-3.7	-9.1

**Source: CRISINFAC**

*Supply chain bottlenecks*

The food and apparel segments are classified as small-scale industries in India. As such they are governed by numerous regulations. For instance, most players have to buy food grains and staples through the Agricultural Produce Marketing Committee. This poses difficulties in terms of scaling up and reduces product range.

Distribution and logistics are major bottlenecks for the Indian industry, especially for the food industry. Poor infrastructure, coupled with a lack of third party logistics providers, makes operations difficult. There is an absence of cold chains, proper storage and transportation methods (suitable vehicles and containers). This leads to high wastage and increased transaction and product costs. At present, the major part of the food chain does not have high value additions, which translates to lower product price realisations and lost opportunities for the industry on the whole.

To cope with this, large retail chains are integrating backwards and using high volume and scale, combined with centralised purchasing, to increase their bargaining power. They are using information technology as an enabler to track orders and preferences faster.

*Customer Preference*

India’s cultural diversity translates into a wide variety of purchasing habits and preferences. In order to ensure success, the retailer must be aware of local habits and preferences and decide on an optimum product mix and range accordingly. This increases the retailers’s customisation and stocking range leading to higher inventories and fewer best practices.

*Stiff Competition from small traditional format*

Organised retailing faces severe competition from the unorganised sector on the cost and service front. Unorganised players are typically small store owners (average size of 500 square feet). The level of overheads of these players is far lower. These players also evade taxes. This makes the unorganised player more cost effective than the organised player.

*Availability of trained manpower*

There is a shortage of manpower trained to suit the requirements of retail organisations, oth at the shop floor level as well as middle level. With a growth in organised chains, companies are facing a high

employees turnover. Entry of foreign players can make it all the more difficult as existing manpower could move to multinationals as in IT/ITES sector.

## OUR BUSINESS

### Overview

We are a retail house in India. As of April 30, 2007, we operate 50 retail stores, including two stores which are operated by our franchisees. These 50 stores are spread over about 1,282,000 square feet and are located in 18 states across India. In our efforts to strengthen our supply chain, we have set up seven regional distribution centres and an apparel manufacturing plant.

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.

We follow the concept of value retail in India. In other words, our business approach is to sell quality goods at reasonable prices by either manufacturing ourselves or directly procuring from manufacturers (primarily from small and medium size vendors and manufacturers). We endeavour to facilitate one-stop-shop convenience for our customers and to cater to the needs of the entire family. We believe this concept has helped us grow to our current size within a short time frame of four years. Mr. Ram Chandra Agarwal has been ranked as the 28<sup>th</sup> most powerful person in the Indian retail industry (*source: Collectors' Issue-Retailer, India Edition, February 15, 2007 to April 14, 2007, volume 2, no. 1*).

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%.

### 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. We sell a vast range of merchandise across apparels and accessories, FMCG products, food products and consumer durables with over 74,000 SKUs. 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 distribution 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 centres 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 43 of 50 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.

### ***Private labels***

We have a number of private labels for apparels (i.e. apparels manufactured by us) such as Zeppelin, Paranoia, Chlorine, Kitaan Studio, Famenne, Fleurier Women and Roseau. In fiscal 2007, our income from our private labels was Rs. 583.58 million, which accounts 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.

### ***Information technology systems***

We believe that efficient information technology systems, processes and business applications are essential to handle retail chain of our magnitude. Our office processes are computerized which support procurement, supply chain logistics, distribution centres management and store operations including inventory management and billing. We are in the process of implementing SAP. All our stores and distribution centres are connected through a company-wide virtual network connection which helps to efficiently manage our network of outlets throughout the country.

### ***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.

### **Our Strategy**

We intend to pursue the following strategies in order to consolidate our position as an operator in the 'value retail' segment in India. Our growth strategy is based on:

#### ***Increasing our penetration in the country by leveraging our supply chain, distribution and logistics network***

We intend to increase our penetration in the country by setting up new stores in cities where we already have presence, as also entering into new areas in the country. In particular, we intend to focus on expansion in Tier II and Tier III cities. We believe that our existing infrastructure have been designed for a higher scale of operations than our current size, and can help us grow with out the need to significantly increase costs. Moreover, our continuous effort to improve systems and processes leads us to believe that we can deal with higher scale of operations without any hindrance. Higher business volumes will also improve our negotiating powers and help us get further economies of scale in our buying.

#### ***Emphasis on Backward Integration***

We believe that through backward integration we will continue to substantially control the cost of production, resulting in such cost benefits being passed on to our customers. We intend to increase the in-house manufacture, design and development of our products and realise economies of scale. We intend to manufacture at least 25% of our requirement for apparels and may require expansion of our existing manufacturing facilities. This will also enable us to reduce our reliance on external agencies for supply of our products and will result in lower turn-around time. In addition, our focus would be to undertake in-house such functions of the manufacturing processes, which, in our view, would add maximum value and would enable us to reduce our procurement costs.

#### ***Expansion of FMCG***

Historically, we have derived significant portion of our revenue from sale of apparels. In pursuance of our business plan to diversify our portfolio of offerings, FMCG products play a key role. FMCG products are usually meant to fulfil the daily needs of consumers and therefore, we believe retailing of FMCG products will bring customers to our stores on a frequent basis and this may in-turn lead to consumption of our apparels. We believe retailing of FMCG products would help us to eliminate the impact of seasonality of the apparels market in India, which depends on factors such as change in weather conditions and festival celebrations. In furtherance of our endeavours to reduce costs, we intend to procure FMCG products directly from the manufacturers. For this purpose, we have entered into and will continue to explore the possibilities of entering into certain arrangements with domestic FMCG majors on such terms and conditions, which are suitable to our business model.

#### ***Procurement from low-cost production centres outside India***

In addition to our strategy to continue procurement of goods from small and medium size vendors and manufacturers which leads to cost efficiencies, we intend to procure FMCG and apparels from low-cost production centres located outside India. Towards this objective, we propose to increase our procurement of finished and semi-finished goods from China and thereby realise economies of scale and pass on the benefits so accrued to our customers.

#### ***Increasing customer satisfaction and our base of loyal customers***

We believe that understanding the needs of our customers is of prime importance for the continuous growth of our business. In order to continuously provide customer satisfaction, our customer management team assimilates customer feedback and we endeavour to take necessary steps to address the requirements of our customers. In addition, we have introduced, in association with SBI Cards & Payment Services Private Limited, a co-branded credit card. We propose to continuously undertake such initiatives to increase the satisfaction of our customers.

***Continue to upgrade information technology systems and processes***

We believe that any retail business requires efficient information technology systems for control over the functioning of various stores including stock management, pricing and promotion, replenishment, sales, quality control and financial accounting. We are currently in the process of upgrading our information technology set up and have entered into arrangements with leading vendors of information technology services for implementation of more advanced ERP applications such as SAP. We intend to periodically upgrade our information technology systems and processes.

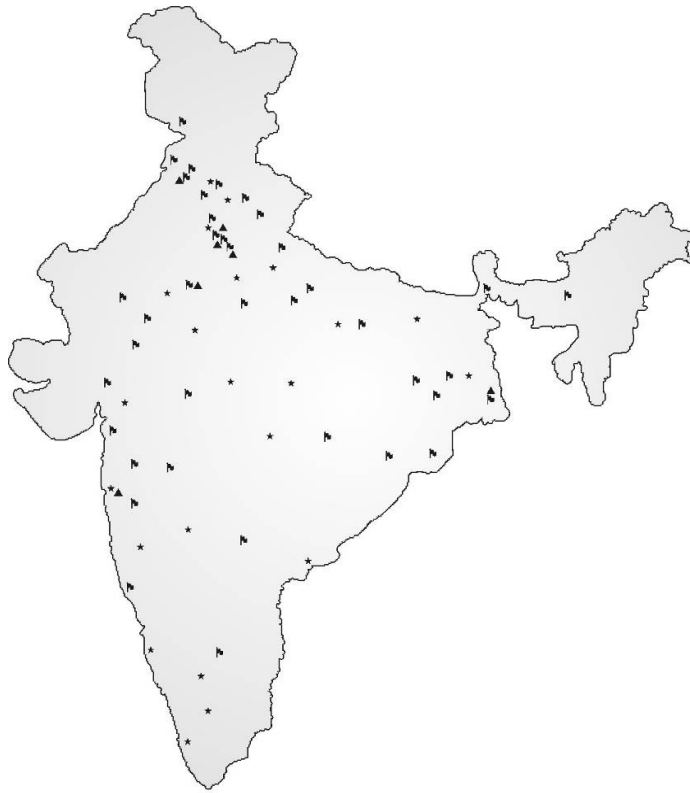
***Continue to train employees and seek entrepreneurship from employees***

We believe a key to our success will be our ability to continue to maintain and grow a pool of strong and experienced professionals. We have been successful in building a team of talented professionals and intend to continue placing special emphasis on managing attrition and attracting and retaining our employees. We intend to continue to encourage our employees to be enterprising and expect them to 'learn on the job' and contribute constructively to our business, either through ideas, personal networks or effective knowledge management. We also intend to continuously re-engineer our management and organizational structure to allow us to respond effectively to changes in the business environment and enhance our overall profitability.

**Overview of our Operations**

***Business Profile and Scale of Operations***

As of April 30, 2007, we operate 50 retail stores, including two stores which are operated by our franchisees. These 50 stores are spread over about 1,282,000 square feet and are located in 18 states across India, with strong presence in Tier II and Tier III cities. Set forth below is a map of India providing graphical depiction of location of our existing stores, forthcoming stores and distribution centres in India.



- ★ **EXISTING 60 STORES IN 38 CITIES:** Ahmedabad • Amritsar • Aurangabad • Bangalore • Bhubaneswar • Bikaner • Bhopal • Chandigarh • Coimbatore • Cuttack • Dehra Dun • Durgam • Ghaziabad • Gurgaon • Gwalior • Hyderabad • Jaipur • Jammu • Jalandhar • Jamshedpur • Jodhpur • Kanpur • Kolkata • Lucknow • Ludhiana • Nasik • Panaji • Patna • Pune • Raipur • Ranchi • Siliguri • Surat • Udaipur • Varanasi  
 ★ **UPCOMING STORES IN 30 CITIES:** Agra • Ajmer • Allahabad • Asansol • Bangalore • Bikaner • Bhopal • Chandigarh • Coimbatore • Jabalpur • Jammu • Kanpur • Karam • Kochi • Kolkata • Kota • Lucknow • Mangalore • Mysore • Mumbai • Nagpur • Patna • Pune • Ranchi • Saharanpur • Solapur • Surati • Vadodra • Vijaywada  
 ▲ **EXISTING DISTRIBUTION CENTRES:** Delhi • Ghaziabad • Gurgaon • Jaipur • Kolkata • Ludhiana • Thane

### Region and Category Wise Revenue Break Up

The total sales from our stores based on different geographical regions for fiscals 2007, 2006 and 2005 may be summarised as below:

Region	Fiscal 2007		Fiscal 2006		Fiscal 2005	
	Rs. (in Million)	As % of total sales	Rs. (in Million)	As % of total sales	Rs. (in Million)	As % of total sales
North	3,732.12	61.93	2,124.12	73.64	1,164.59	79.60
East	1,181.47	19.60	501.52	17.39	260.61	17.81
West	886.89	14.72	201.64	6.99	Nil	Nil
South	226.05	3.75	57.15	1.98	37.92	2.59
<b>Total</b>	<b>6,026.53</b>	<b>100.00</b>	<b>2,884.43</b>	<b>100.00</b>	<b>1,463.12</b>	<b>100.00</b>

The total sales from our stores based on various categories of merchandise for fiscals 2007, 2006 and 2005 may be summarised as below:

Category	Fiscal 2007		Fiscal 2006		Fiscal 2005	
	Rs. (in Million)	As % of total sales	Rs. (in Million)	As % of total sales	Rs. (in Million)	As % of total sales
Apparel	3,806.09	63.16	2,044.28	70.87	1,249.48	85.40
Non-apparel	1,314.56	21.81	581.27	20.15	170.99	11.69
FMCG	905.88	15.03	258.88	8.98	42.65	2.91
<b>Total</b>	<b>6,026.53</b>	<b>100.00</b>	<b>2,884.43</b>	<b>100.00</b>	<b>1,463.12</b>	<b>100.00</b>

### Our Stores and Distribution Centres

#### Existing Stores



Set forth below are the details of our stores, as of April 30, 2007:

S.No.	City	Location	Area (approx. in square feet)	Fiscal Year of launch
<b>Tier I Cities</b>				
1.	Bangalore (First Store)	No. 31/9, Hosur Main Road, Near Central Silk Board Junction, Bangalore, Karnataka.	42,000	2007
2.	Kolkata (First Store)	P.G. Plaza, VIP Road, Kolkata, West Bengal.	43,000	2007
3.	New Delhi (First Store)	Padam Singh Road, Karol Bagh, New Delhi.	20,000	2004
4.	New Delhi (Second Store)	18, Mohan Co-operative Estate, Mathura Road, New Delhi.	80,000	2005
5.	New Delhi (Third Store)	Block-FD, Vishaka Enclave, Pitampura, New Delhi.	18,000	2004
6.	New Delhi (Fourth Store)	Pal Mohan Plaza, No. 39, Block A2, Rajouri Garden, New Delhi.	4,500 <sup>a</sup>	2003
7.	New Delhi (Fifth Store)	E- 367, Nirman Vihar, Vikas Marg, New Delhi.	10,400	2004
<b>Tier II Cities</b>				
8.	Hyderabad (First Store)	Sagar Plaza, Troop Bazar, Hyderabad, Andhra Pradesh.	25,045	2007
9.	Hyderabad (Second Store)	3-11-107, Ramanthapur, Ranga Reddy District, Hyderabad, Andhra Pradesh.	36,326	2007
10.	Pune (First Store)	Wing B, KPCT Building, Wanowarie, Pune, Maharashtra.	45,000	2006
<b>Tier III Cities</b>				
11.	Ahmedabad (First Store)	Zodiac Square, FP 407, Bodakdev, Opp. Gurudwara, S.G. Road, Ahmedabad, Gujarat.	37,968	2007
12.	Ahmedabad (Second Store)	King Square, Netaji Subhash Chandra Bose Road, Ellisbridge, Ahmedabad, Gujarat.	50,448	2007
13.	Amritsar	SCO No. 126-127, District Sopping Centre, Ranjit Avenues, Amritsar, Punjab.	31,000	2007
14.	Aurangabad	Bansi Nagar, Near Railway Station, Aurangabad, Maharashtra.	25,920	2007
15.	Bhilwara	Hira Panna Market, Pur Road, Bhilwara, Rajasthan.	21,500	2007
16.	Bhubaneshwar (First Store) <sup>#</sup>	Shopping Hall no. 7, Western Market Building, Unit-II, Bhubaneshwar, Orissa.	6,400	2002
17.	Bhubaneshwar (Second Store)	A-1/2 Nayapally, I.R.C. Village, Bhubaneshwar, Orissa.	28,000	2007
18.	Cuttack	Bajarak Bati, Cuttack, Orissa.	6,900	2002
19.	Dehradun	52, 52A, 52B, Rajpur Road, Dilla Bazar, Dehradun, Uttaranchal.	26,000	2007
20.	Dhanbad	Main Road Saraidhela, Dhanbad, Jharkhand.	20,000	2007
21.	Ghaziabad (First Store)	6/3 South Side, G.T. Road, Ghaziabad, Uttar Pradesh.	15,000	2004
22.	Ghaziabad (Second Store)	G-SR 26 to 33 and UG-SR 20-27 in Ansal Plaza, Vaishali, Ghaziabad, Uttar Pradesh.	27,190	2006
23.	Goa	Samrat Ashok Theatre Complex, 18 <sup>th</sup> June Road, Panaji, Goa.	16,289	2007
24.	Gurgaon	SCO 9, 10, 11 and 12, Sector 14, Gurgaon, Haryana.	26,269	2006
25.	Guwahati	Amaze Shopping Mall, Guwahati, Assam.	45,124	2006
26.	Gwalior*	Kana Shopping Mall, City Centre, Gwalior, Madhya Pradesh.	9,000	2006
27.	Haldwani	Opposite Naini, Nainital Road, Haldwani, Uttaranchal.	33,930	2007
28.	Hissar	Parmanand Murarilal Building, Old Mandi Road, Near Parijat Complex, Hissar, Haryana.	15,374	2006
29.	Indore (First Store)	Kranti Appartments, B Wing, Yashwant Niwas Road, Indore, Madhya Pradesh.	9,500	2003
30.	Indore (Second Store)	Mangal City, Plot No. A-1, PU-4, Commercial Scheme No. 54, Indore, Madhya Pradesh.	32,128	2007

S.No.	City	Location	Area (approx. in square feet)	Fiscal Year of launch
31.	Jaipur (First Store)	Plot no. 1, Opposite Government Hostel, Ajmer Road, Jaipur, Rajasthan.	15,000	2003
32.	Jaipur (Second Store)	Shop No. 202 (A), Shop No. G-1, Shop No.202, Crystal Court, 5, Indra Palace, Malviya Nagar, Jaipur, Rajasthan.	18,861	2006
33.	Jaipur (Third Store)	Commercial Block-1, Sector-5, Vidhyadhar Nagar, Main Sikar Road, Jaipur, Rajasthan.	26,470	2007
34.	Jalandhar	Plot No B-X 111 / 455 Swani Motors, at G.T. Road, B.M.C.Chowk , Jalandhar, Punjab.	35,350	2007
35.	Jammu (First Store)	Khasra No. 373, Village Dilli, Kunjwani Bypass, Jammu, Jammu and Kashmir.	18,900	2007
36.	Jamshedpur	NH-33, Dimna Chowk, Manho, Jamshedpur, Rajasthan.	30,000	2007
37.	Jodhpur	6 B, Chopasani Road, Near Ashok Leyland Store, Jodhpur, Rajasthan.	23,298	2006
38.	Kanpur	16/111, Mall Road, Kanpur, Uttar Pradesh.	30,344	2007
39.	Lucknow (First Store)*	Tulsi Theatre Building, 12, Rani Laxmi Bai Marg, Hazratganj, Lucknow, Uttar Pradesh.	13,000	2007
40.	Ludhiana (First Store)	Euphoria Towers, 2435, Maharaj Nagar, Firozpur Road, Ludhiana, Punjab.	27,450	2005
41.	Ludhiana (Second Store)	Sector 32, Urban Estate, Chandigarh Road, Jamalpur, Ludhiana, Punjab.	38,000	2007
42.	Nasik	Suyojit Commercial Complex, Near Hotel Prakash, New Mumbai, Agra Road, Mumbai Naka, Nasik, Maharashtra.	28,418	2007
43.	Patiala	Arjan Complex, Main Sirhind Road, Between Petrol Pumps, Patiala, Punjab.	31,000	2006
44.	Punchkula	SCO No. 104 and 105, Sector 5, Punchkula, Haryana.	25,088	2007
45.	Raipur	Guru Ghasidas Plaza, Amapara, G.E. Road, Raipur, Chhatisgarh.	31,275	2007
46.	Ranchi (First Store)	Central Bank Building, Vishnu Talkies, Main Road, Ranchi, Jharkhand.	4,500	2002
47.	Siliguri	Spencer Plaza, Burdwan Road, Siliguri, West Bengal.	19,467	2007
48.	Surat (First Store)	Ved Road, Surat, Gujarat.	15,312	2007
49.	Udaipur	138, 139, Machla Magra, Udaipur, Rajasthan.	32,712	2007
50.	Varanasi	C-27/278, Mohalla Jagat Ganj, Chetganj, Varanasi, Uttar Pradesh.	9,400	2003
<b>TOTAL</b>			<b>1,282,056</b>	

\* operated under franchise arrangements.

# operated under commission or joint venture arrangements.

<sup>a</sup> reduced from 25,000 square feet to 4,500 square feet, as the basement, first floor and second floor of this store have been sealed by the Municipal Corporation of Delhi on account of alleged violation by the owner of the property in relation to the permitted land usage.

For further details regarding the arrangements entered into by our Company for our stores, see section titled "Our Business - Immovable Properties" on page 74.

#### Forthcoming Stores

In fiscal 2008, we propose to launch stores in the following locations:

S. No.	Location	Area (approx. in square feet)
<b>Tier I Cities</b>		
1.	Bangalore (Second Store), Karnataka	To be finalised
2.	Mumbai (First Store), Maharashtra	30,400
3.	Mumbai (Second Store), Maharashtra	21,737
<b>Tier II Cities</b>		
4.	Pune (Second Store), Maharashtra	To be finalised
<b>Tier III Cities</b>		
5.	Agra, Uttar Pradesh	27,500
6.	Ajmer, Rajasthan	30,000
7.	Allahabad, Uttar Pradesh	32,800

8.	Asansol, West Bengal	32,000
9.	Bhopal, Madhya Pradesh.	39,000
10.	Bareilly, Uttar Pradesh	27,000
11.	Chandigarh, Punjab	33,314
12.	Coimbatore, Tamil Nadu	To be finalised
13.	Jabalpur, Madhya Pradesh	To be finalised
14.	Jammu (Second Store), Jammu & Kashmir	32,000
15.	Kochi, Kerala	23,519
16.	Kolhapur, Maharashtra	To be finalised
17.	Kolkata (Second Store), West Bengal	38,800
18.	Kota, Rajasthan	20,000
19.	Lucknow (Second Store), Uttar Pradesh	To be finalised
20.	Mangalore, Karnataka	To be finalised
21.	Moradabad, Uttar Pradesh	To be finalised
22.	Mysore, Karnataka	34,400
23.	Karnal, Punjab	30,000
24.	Nagpur, Maharashtra	To be finalised
25.	Patna, Bihar	28,040
26.	Ranchi (Second Store), Jharkhand	40,000
27.	Saharanpur, Uttar Pradesh	40,000
28.	Sholapur, Maharashtra	40,500
29.	Srinagar, Jammu & Kashmir	To be finalised
30.	Surat (Second Store), Gujrat	33,234
31.	Vadodra, Gujarat	27,800
32.	Vijaywada, Andhra Pradesh	36,139

### *Distribution Centres*

Set forth below are the details of our distribution centres, as of April 30, 2007:

	<b>City</b>	<b>Area (approx. in square feet)</b>
1.	Kolkata	79,000
2.	Thane	50,956
3.	Jaipur	14,000
4.	Ghaziabad	23,240
5.	Ludhiana	19,000
6.	Delhi	159,837*
7.	Gurgaon	125,393

\*Out of 159,837 sq ft., approx. 46,557 square feet area is used for storing fixed assets for Project Stores.

### **Our Business Processes**

Currently, our business plan involves implementation of the concept of value retail in India. We sell quality products at reasonable prices by directly procuring from manufacturers.

Our business process can be summarised as below:

#### ***Establishment of Stores***

#### **Selection of location**

We consider the following factors while deciding the locations where we are going to operate.

#### ***Selection of city/ location***

In selecting location for a new store, we start by identifying the city/town. We target primarily cities/towns which may be classified as Tier II or Tier III cities. In this regard, an analysis of the demography, literacy levels, nature of occupation and income levels.

Within a city/town, we target locations with good infrastructural facilities such as easy accessibility, provision for water, electricity and other basic amenities. We prefer to locate our stores in areas where real estate is available at reasonable prices.

### *Segmentation of Target Audience*

The efforts of our retail business are targeted towards families having total income which can be classified under the “lower middle” and “middle” income groups. Accordingly, we plan our strategy to search for areas within cities where such customers are domiciled in large numbers and make efforts to locate ourselves within the reach of such customers.

### **Store Planning, Layout and Operations**

We believe that adoption of standard formats for our stores has led to our brand establishment and identification among our customers and will increase our base of loyal customers. In pursuance of this, we have adopted standard parameters for store planning and establishment. For ensuring standardised formats of our stores, we consider various factors, such as internal and external décor and colour schemes, allocation of store space, stock mix and pricing and accounting methods.

### ***Merchandise Planning***

Our merchandise planning is based on the concept of category management rather than traditional brand management practices. Further, we adopt various retail methods while formulating our annual merchandising plans, which are based on certain factors discussed below.

### **Apparels and Non Apparels**

Under category management for, say, apparels, we create and cater to products across length and breadth of a category at different price points, fabrics, designs, shapes, seasons, colors and sizes.

We formulate annual merchandising plan for each division of merchandise taking into consideration factors such as past sales data, regional customer tastes and preferences, number of stores (established and proposed), likely fashion and trends, in-house production resources, vendor management and price. Each division is further divided into major categories (for instance, men’s apparel as a division is further divided into three major categories, namely, upper, lowers and sports and ethnic wear). These major categories are in turn segregated into various sub-categories. For example, men’s upper as a major category would be further divided into several sub-categories such as formal shirts, casual shirts, party wear etc. Each sub-category consists of pre-defined SKUs, which are classified on the basis of price point, brand, style, pattern and size. We draw annual sales projections for different SKUs and, accordingly, ascertain our sourcing requirements. Based on such information and lead time estimates for supplies, purchase orders with delivery schedules are issued.

The inventory position for each SKU is reviewed fortnightly taking into account the actual sales and variations from the budgeted plans. Regular visits to the stores are made by the category merchandising team to identify the slow-moving-SKUs and explore the options to expeditiously dispose of them.

For certain non apparel categories, our merchandise planning and scheduling also depends on introduction of new products and schemes by the vendors. For instance, if a branded home appliance manufacturer replaces a product with a new version, then our planning for the product would need to be reviewed based on the acceptability of the new version.

### **FMCG**

For FMCG products, the merchandising plans are not formulated in advance for the year, since the products and schemes are introduced, replaced and withdrawn regularly by the manufacturers. Accordingly, we determine an overall annual target for sales of FMCG products.

We ascertain the demand and monitor the inventory position on a real-time basis, to minimise the stock turnover time. For this purpose, we have pre-determined stock levels at the distribution centres or stores (in case a store is not fed from a distribution centre), which when reached results in generation of purchase requisitions through an automated process.

### ***In-house Manufacturing***

We benefit from backward integration and in-house manufacturing of part of the apparel products sold in our stores. Through our manufacturing capabilities, we are able to attain relative independence from intermediaries with a competitive advantage in terms of value and cost. We use our manufacturing strengths to focus on enhancing product knowledge and our experiences from manufacturing enable us to negotiate better terms from the vendors and job workers.

We currently have an apparels manufacturing plant at Gurgaon, Haryana. The manufacturing plant is well-equipped with fully automatic machines for fusing, buttoning, embroidery and welt pocket-making operations. The factory has a capacity to manufacture 5,000 pieces per day. The plant was commissioned in 2004 and achieved a capacity utilization of 80%. It has 450 machines and is operated by 500 workers. Further, we are exploring the possibilities for establishment of another manufacturing facility, for the purposes of which we have acquired certain portions of land measuring 7.24 acres in Dehradun, Uttaranchal.

In addition to in-house manufacturing, we have outsourced some parts of the manufacturing to “job workers” who work in our factory premises. We undertake quality control measures by way of random sampling to ensure the pre-determined quality standards are met. To verify that the quantity of supplies is as per the order, we undertake count-check for every receipt of the goods.

Our manufacturing team works closely with our design team to understand trends, develop products, value engineer and finally create season wise collection that cater to regional tastes.

### ***Purchasing***

Purchasing or vendor management assumes critical importance in retail business where one has to deal with multiple products. We have in place a vendor management system, under which we identify vendors all over the country and overseas and seek to develop alliances and arrangements with them. We regularly interact with the vendors and share information such that the vendors remain familiar with our goals and targets. It has been our strategy to procure goods from small and medium sized vendors and manufacturers, which we believe has led to reduction in the cost of goods we sell and increase in our profitability.

### ***Apparels and Non Apparels***

Upon ascertaining the procurements needs based on each SKU, we explore the various options for sourcing the products. We continuously strive to procure goods from the place of origin to reduce the costs and control the quality. For identifying the vendors, we assess the various possible options on factors such as capacity, credibility in the market, quality awareness and experience. After identifying the vendors for the goods, we place purchase orders based on our SKU-wise plan, estimated lead time of each vendor and quantity to be procured from each vendor. We follow a policy of ‘payment on delivery’ to negotiate better prices with the vendors and in certain cases we also release payments in advance. To ensure quality of supplies, we check quality by way of random sampling at the time of receipt of the goods. To verify that the quantity of supplies is as ordered, we undertake count-check for every receipt of the goods.

### ***FMCG***

For FMCG products, we procure from large as well as small and medium size manufacturers. For procurement from the large manufacturers or their distributors, we endeavour to enter into formal arrangements for supply of products to all our stores, such that we are able to derive fixed margins from sales of such products, irrespective of the locations. Under these agreements, we benefit from special discretionary discounts and offers directly from the manufacturers or their distributors.

Since most of the arrangements with the large manufacturers or their distributors are for supplies across the country, they facilitate us to expeditiously launch new stores, as we do not have to identify local sources for supplies of the FMCG products. Such arrangements also help us in standardising the promotional schemes across all our stores.

For some of the FMCG products, such as staples and food grains, we purchase in bulk and break them down into smaller packages for sales. Further, based on our assessment of regional tastes and preferences, we purchase the some products locally from small and medium size vendors.

### **Apparel Manufacture**

The basic raw materials required for the manufacturing process of apparels includes fabrics and accessories. Our merchandising teams source fabrics from local manufacturers in India depending upon our production plan. We also source fabrics from the place of origin. We source various other components and accessories from vendors in various parts of the country and also import them from China.

### ***Inventory Management, Distribution Network and Logistics***

Our distribution network and logistics encompasses all activities to ensure that goods are dispatched in right quantities and at right time to reach stores with sufficient time in hand to promptly cater to customer demands and optimization of inventory position.

We have built a system to monitor the inventory position on a real-time basis at each store, under which a stock requisition or delivery order is generated when pre-determined stock or re-order levels are reached. The re-order levels for stores are determined based on factors such as display levels, lead time for replenishment and average daily sales. We review these re-order levels on continuous basis to factor in variances in demand based on seasons, trends and promotional schemes.

We have seven distribution centres over approximately 471,426 square feet. These distribution centres are located around Kolkata (West Bengal), Thane (Maharashtra), Jaipur (Rajasthan), Ghaziabad (Uttar Pradesh), Ludhiana (Punjab), Gurgaon (Haryana) and Mahipalpur (New Delhi). We have clearly demarcated the stores which will be serviced by each distribution centre. The re-order levels for distribution centres are ascertained on the basis of factors like average daily sales of all the stores services, lead time for replenishment and buffer stock, which caters to both the existing and proposed stores to be fed. As for the stores, we regularly review these re-order levels. Our distribution centres and stores are connected through company-wide virtual network connection through broadband which helps to efficiently manage our network of stores and distribution centres throughout the country.

We have a fleet of 41 trucks. We primarily utilise our own vehicles to transport the inventory to our stores from the distribution centres. In addition, we use the services of logistic solution providers including low cost transport service providers in order to deliver products on time to our stores and optimize transportation costs. Distribution centres operations have been streamlined through the standardisation of racking system, layouts and implementation of automatic replenishment system.

### ***Pricing***

We follow uniform pricing policy across our stores in respect of private labels and non-branded products sold by us. This enhances brand loyalty, encourages customer confidence and results in operational convenience. In relation to the other products, the prices may vary between stores on account of state-specific taxation and vendor policies.

### **Sales Promotions and Customer Service**

Our category management system is used to plan promotional schemes. We launch promotional schemes weekly. Apart from general sales promotion, the category manager formulates promotional plans for 'slow movers'. In addition, to promote sales, we focus on layout of the stores and positioning, presentation and display of merchandise, in order to appeal to the customer. Under arrangements with some of our merchandise manufacturers, we receive payment on account of display of their products.

We have also entered into a co-branded card agreement with SBI Cards & Payment Services Private Limited ("SBI") for providing a credit card called "SBI - Vishal Mega Mart" to our customers. A cardholder accumulates points on the basis of purchases made and the points accumulated can be redeemed for gifts or purchases.

### **Advertising and Publicity**

We undertake regular promotion of our stores through print media, television and local radio channels and have organized press conferences in the past to promote ourselves. Outdoor advertising such as banners, posters and hoardings are employed to advertise and to increase visibility.

The Company has entered into an advertisement agreement dated September 9, 2005 with BCCL for the purpose of advertisement of its products or services, in BCCL print publications and non-print media for five years starting from September 1, 2005 and ending on August 31, 2010. For further details in this regard, please refer to the section titled “History and Certain Corporate Matters” beginning on page 102.

In addition, since BCCL held 384,190 Preference Shares, we have paid a dividend at the rate of about Re. 0.10 per Preference Share prior to their conversion into Equity Shares.

### **Internal Controls and Cost Reduction Measures**

As a value retail chain, we emphasize on reduction of costs at various stages and levels. In addition to reduction of costs of procurement and by way of optimization of inventory, we employ on the following measures to enhance efficiencies and reduce operational and administrative costs:

#### ***Pilferage Control***

We have established three-layer security checks to control losses on account of pilferages at our stores. At the first level, our employees screen the goods being carried out of the store by the customers. Professional security guards oversee the screening process. Lastly, we have deployed electronic sensors to check any pilferages. In addition, all our stores are covered by closed circuit television monitoring.

#### ***Resource Utilization***

We believe in reducing operating and administrative costs by way of optimum utilization of our human and other resources. For instance, we determine the staffing requirement on basis of a matrix containing factors such as store space and footfall intensity. We also train our employees to assume cross-functional responsibilities. As a measure for optimum utilization of our space resources, we have adopted an efficient racking system by deploying relatively higher racks to maximize the space available in a store. The upper slabs of a rack are utilized for storage and the lower ones for display. This helps us in eliminating the need of dedicated storage spaces in most of our stores.

#### ***Efficiency of Processes***

We believe in adopting processes which are efficient. For instance, we ensure that about a quarter of the staff at a new store is deployed by transferring from our existing stores. This helps in ensuring that a new store is operated efficiently and that the freshly recruited staff receives on-the-job training from the experienced staff. We believe in continually reviewing and re-engineering various operational and administrative processes to make them both more efficient and cost effective.

#### ***Wastage Monitoring***

We endeavour to reduce wastage of goods at various stages. For instance, for transportation of goods in our trucks, we use iron boxes instead of cardboard cartons to ensure that the damage in transit is minimised. In addition, iron boxes have a longer life and have been more cost efficient.

### **Franchise and Other Arrangements**

We have franchise arrangements for two of our stores at Gwalior and Lucknow. Under the franchise agreements, the franchisee operates the stores. The expenditure for establishing the stores and holding the inventory is incurred by the franchisees subject to an assurance from our Company that there would be a minimum payment of commission towards the estimated operational expenses incurred by the franchisee. The sales registered in such stores are accounted for in our books and, as a consideration, we pay a fixed commission on sales to the franchisees. For further details of the agreements, see the section titled “History and Certain Corporate Matters” on page 102.

Our erstwhile store at Agra, which was operated by a franchisee, has been destroyed by a fire on November 27, 2006 and is currently not in operation.

In addition, we have entered into commission or joint venture arrangements for one store each in Bhubaneswar with the owners or lessees of the immovable properties where such stores are located. Under the joint venture arrangement for our Bhubaneswar store, we operate the store and are obligated to pay commission of 2% on total monthly turnover of the store and fixed commission of Rs. 0.11 million per month subject to certain escalation provisions.

### **Information Technology Systems**

We are focussed on acquisition and implementation of advanced information technology systems, processes and business applications in order to handle all store operations including inventory management and billing. Our office processes are also computerized which support procurement, supply chain logistics, distribution centres management and inventory control. All the locations are connected through company-wide virtual network connection which helps to efficiently manage our network of outlets throughout the country.

We believe that our business requires efficient management and storage of data and information to utilise for business analysis, research and forecast. Based on our existing information technology systems, we are able to generate detailed daily reports covering the various aspects of our business such as division wise sales per store, inventory movement and position at stores and distribution centres and generation of purchase and delivery orders.

In August 2005, we had entered into a software end-user license agreement with Systems, Applications and Products in Data Processing Private Limited (“SAP India”) for grant of a non-exclusive and perpetual license to our Company to use the SAP software, documentation and other information related thereto.

We have partly implemented our information technology set up and are currently in the midst of completing the process of upgrading our information technology set up and have entered into an agreement dated September 6, 2005 with Tata Consultancy Services Limited for providing information technology services including implementation of more advanced ERP applications such as SAP, rendering services *inter alia* for management information system on reports related to stock management, receipt processing, picking and packing, project systems, merchandise assortment management, pricing and promotion, sales, controlling and financial accounting.

### **Competition**

We face competition from other retailers of similar products and services. These include stand-alone stores in the organized and unorganized sector, as well as other chains of stores including department stores. We focus on offering our customers a vast variety of products and services catering to their diverse requirements and needs.

### **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.

<b>Age</b>	<b>No. of Employees</b>
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*

We encourage our employees to be enterprising and expect them to ‘learn on the job’ and contribute constructively to our business, either through ideas, personal networks or effective knowledge management. In essence, we wish to train our employees to become next generation entrepreneurs, who can effectively lead the growth of our business.

### **Insurance**

We maintain comprehensive insurance coverage with Tata AIG, Bajaj Allianz, Royal Sundaram and IFFCO-TOKIO for our existing stores, distribution centres, manufacturing facilities and trucks. Our insurance policies include comprehensive coverage for electronic equipment, fire and special perils and burglary.

### **Regulations and Policies**

For details of the same see the section titled “Regulations and Policies” on page 100.

### **Intellectual Property**

For details of the same see the section titled “Government and Other Approvals” on page 188.

### **Immovable Properties**

Our registered office is located at RZ-A-95 & 96, Mahipalpur Extension, New Delhi 110 037, over which we have leasehold rights till November 30, 2006. In addition, our corporate office is located at Khasra No. 332, Near Telco Workshop, Rangpuri, New Delhi 110 037, India, over which we have leasehold rights till September 17, 2010.

Additionally, we conduct our business from several stores in respect of which we have entered into arrangements with the owners. Set forth below are the details of our existing stores:

### *Existing Stores*

<b>S. No.</b>	<b>City/ Name of Project</b>	<b>Location</b>	<b>Counter Party/Parties</b>	<b>Nature of our Company’s interest</b>	<b>Valid till</b>
<b>Tier I Cities</b>					
1.	Bangalore (First Store) <sup>∞</sup>	No. 31/9, Hosur Main Road, Near Central Silk Board Junction, Bangalore, Karnataka	Mr. K. Prasad	License	June 14, 2018
2.	New Delhi (First Store) <sup>∞</sup>	Padam Singh Road, Karol Bagh, New Delhi	Mr. S K Jain and G L Jain	Leasehold	September 12, 2009
3.	New Delhi (Second Store) <sup>∞</sup>	18, Mohan Co-operative Estate, Mathura Road, New Delhi	Mr. Himanshu Lalwani and Mr. Rajani Lalwani	Leasehold	April 29, 2016
4.	New Delhi (Third Store) <sup>∞</sup>	Block-FD, Vishaka Enclave, Pitampura, New Delhi	Guru Harkishanji Trust	Leasehold	September 30, 2015
5.	New Delhi (Fourth Store)	Private No. 1, Private No. 4, Private No. 2, Pal	Mr. Pavitar Sachdeva, Mr.	Leasehold	October 31, 2007

S. No.	City/ Name of Project	Location	Counter Party/Parties	Nature of our Company's interest	Valid till
6.	New Delhi (Fifth Store)	Mohan Plaza, No. 39, Block A2, Rajouri Garden, New Delhi E- 367, Nirman Vihar, Vikas Marg, New Delhi	Gaganpreet Singh Sachdeva and Mr. Rishi Preet Singh Sachdeva Ms. Reena Mehrotra	Leasehold	September 9, 2008 and October 25, 2008
<b>Tier II Cities</b>					
7.	Hyderabad (First Store) <sup>∞</sup>	Ground floor and first floor portion of the building situated at MCH No. 4-1-327 to 4-1-335, 4-1-335/1-2, 4-1-336-7; 4-1-325-327, Sagar Plaza, Troop Bazar, Hyderabad, Andhra Pradesh	Mr. Suresh Kumar Agarwal and Others	Leasehold	July 9, 2024 apart from MCH No. 4-1-335/1-2 which is valid till July 9, 2015
8.	Hyderabad (Second Store)	3-11-107, Ramanthapur, Ranga Reddy District, Hyderabad, Andhra Pradesh.	Mr. K. Satyanarayana	License	June 2, 2018
9.	Pune (First Store) <sup>∞</sup>	Wing B, KPCT Building, Wanowarie, Pune, Maharashtra	M/s Parmar Properties Private Limited	License	May 31, 2010
<b>Tier III Cities</b>					
10.	Ahmedabad (First Store) <sup>∞</sup>	Zodiac Square, FP 407, Bodakdev, Opp. Gurudwara, S.G. Road, Ahmedabad, Gujarat	M/s Shakun Builders Private Limited	Leasehold	July 15, 2015
11.	Ahmedabad (Second Store)	King Square, Netaji Subhash Chandra Bose Road, Ellisbridge, Ahmedabad, Gujarat	M/s Sujan Infrastructure Private Limited	Leasehold	December 31, 2015
12.	Amritsar	SCO No. 126-127, District Sopping Centre, Ranjit Avenues, Amritsar, Punjab	Mr. Hithpal Singh	Leasehold	July 14, 2018
13.	Aurangabad <sup>∞</sup>	Bansi Nagar, Near Railway Station, Aurangabad, Maharashtra	Mr. Madanlal, Mr. Manmohan, Mr. Jugalkishore, M/s ASV Properties Private Limited and others	License	October 29, 2011
14.	Bhilwara	Hira Panna Market, Pur Road, Bhilwara, Rajasthan	Ms. Meenakshi Gokhru	Leasehold	August 4, 2018
15.	Bhubaneswar (First Store) <sup>#</sup>	Shopping Hall no. 7, Western Market Building, Unit-II, Bhubaneswar, Orissa	Our Company has no interest in the immovable property since the store is operated by our Company pursuant to a joint venture arrangement.		
16.	Bhubaneswar (Second Store) <sup>∞</sup>	A-1/2 Nayapally, I.R.C. Village, Bhubaneswar, Orissa	Ms. Pramila Agarwal	License	September 30, 2017
17.	Cuttack <sup>∞</sup>	Hal Plot No. 1414-1416 under Sabik Mauza Bahar Bisinabar, Mirkamal, Patana, Cuttack, Hal Mouza Unit- 22, Cuttack, Orissa	Mr. Sushil Kumar Agarwal	License	October 24, 2017
18.	Dehradun <sup>∞</sup>	52, 52A, 52B, Rajpur Road, Dilla Bazar, Dehradun, Uttaranchal	M/s Shri Ram Plaza	Leasehold	April 30, 2018
19.	Dhanbad	Main Road Saraidhela, Dhanbad, Jharkhand	M/s Natraj Consortium	License	April 19, 2021

S. No.	City/ Name of Project	Location	Counter Party/Parties	Nature of our Company's interest	Valid till
20.	Ghaziabad (First Store)	G-SR 26 to 33 and UG-SR 20-27 in Ansal Plaza, Vaishali, Ghaziabad, Uttar Pradesh	M/s Ansal Housing & Construction Limited	Leasehold	September 30, 2008
21.	Ghaziabad (Second Store)	6/3 South Side, G.T. Road, Ghaziabad, Uttar Pradesh	M/s Nourishing Foods Private Limited	Leasehold	June 30, 2006**
22.	Goa	Samrat Ashok Theatre Complex, 18 <sup>th</sup> June Road, Panaji, Goa	M/s Hira Film Exhibitors	License	July 3, 2018
23.	Gurgaon <sup>∞</sup>	SCO 9, 10, 11 and 12, Sector 14, Gurgaon, Haryana	Mr. Sanjiv Kumar Jain, Sanjiv Kumar Jain (HUF), Mrs. Amrita Jain, Mr. Rajesh Kumar Jain, Rajesh Kumar Jain (HUF), Mrs. Payal Jain and Ms. Krishna Rani	Leasehold	November 22, 2017
24.	Guwahati <sup>∞</sup>	Amaze Shopping Mall, Guwahati, Assam	M/s A.B. Associates and others	License	July 13, 2017
			Mr. Mahaveer Chand Lunawat and others	Licence	August 30, 2018
25.	Gwalior*	Kana Shopping Mall, City Centre, Gwalior, Madhya Pradesh	Our Company has no interest since the store is operated by franchisee.		
26.	Haldwani <sup>∞</sup>	Opposite Naini, Nainital Road, Haldwani, Uttaranchal	Mr. Ravinder Pal Singh Kohli	Leasehold	April 30, 2018
27.	Hissar <sup>∞</sup>	Parmanand Murarilal Building, Old Mandi Road, Near Parijat Complex, Hissar-125001, Haryana	M/s Suncity Entertainments Private Limited	License	October 22, 2017
28.	Indore (First Store) <sup>∞</sup>	16, Lad Colony Kranti Apartments, A Wing, Yashwant Niwas Road, Indore, Madhya Pradesh	Jayesh Shah (HUF) and Ms. Hina J Shah	Leasehold	March 14, 2012
29.	Indore (Second Store) <sup>∞</sup>	Mangal City, Plot No. A-1, PU-4, Commercial Scheme No. 54, Indore, Madhya Pradesh	Ms. Prabha Gupta, Ms. Nandani Chawla, Ms. Janvi Chawla and others	Leasehold	June 23, 2018
30.	Jaipur (First Store) <sup>#∞</sup>	Plot no. 1, Opposite Government Hostel, Ajmer Road, Jaipur, Rajasthan	Mr. L.M. Moondhra, Karta, Ramchandra Bansidhar Moondhra (HUF)	Agency arrangement	May 31, 2007
31.	Jaipur (Second Store) <sup>∞</sup>	Shop No. 202 (A), Shop No. G-1, Shop No.202, Crystal Court, 5, Indra Palace, Malviya Nagar, Jaipur, Rajasthan	M/s Mahima Promotor Private Limited, Mr. Puneet Wadhwa, Mr. Kanti Lal Kedia and Mr. Amit Wadhwa	Leasehold	February 10, 2018
32.	Jaipur (Third Store)	Commercial Block-1, Sector-5, Vidhyadhar Nagar, Main Sikar Road, Jaipur, Rajasthan	M/s Rukmani Vatika Private Limited	License	October 30, 2018
33.	Jammu (First Store)	Khasra No. 373, Village Dilli, Kunjwani Bypass, Jammu, Jammu and Kashmir	Ms. Meheta Prem Kapoor	Leasehold	November 30, 2018
34.	Jodhpur	6 B, Chopasani Road,	M/s Ajay Fashions	Leasehold	May 14, 2018

S. No.	City/ Name of Project	Location	Counter Party/Parties	Nature of our Company's interest	Valid till
		Near Ashok Leyland Store, Jodhpur, Rajasthan	Private Limited		
35.	Jalandhar	G.T. Road, BMC Chowk, Near Swani Motors, Jalandhar, Punjab	M/s Shakti Land Developers	License	September 30, 2018
36.	Jamshedpur <sup>∞</sup>	NH-33, Dimna Chowk, Manho, Jamshedpur, Jharkhand	Mr. S. Rajesh Kumar Chowdhary	License	May 25, 2021
37.	Kanpur <sup>∞</sup>	16/111, Mall Road, Kanpur, Uttar Pradesh	M/s L J Builders	Leasehold	April 6, 2018
38.	Kolkata (First Store) <sup>@</sup>	Kazi Nazrul Islam Avenue, Baguihati, , commonly known as P.G. Plaza at Mouza-Jyangra, P.S. Rajarhat, Kolkata	Parvati Resources Private Limited and Mr. Nand Kishore Pansari as confirming party	Freehold	--
39.	Lucknow (First Store)*	Tulsi Theatre Building, 12, Rani Laxmi Bai Marg, Hazratganj, Lucknow, Uttar Pradesh	Our Company has no interest since the store is operated by franchisee.		
40.	Ludhiana (First Store)	Euphoria Towers, 2435, Maharaj Nagar, Firozpur Road, Ludhiana, Punjab	Mr. R L Narang	Leasehold	October 31, 2014
41.	Ludhiana (Second Store)	Sector 32, Urban Estate, Chandigarh Road, Jamalpur, Ludhiana, Punjab	M/s. Oswin Enterprises	License	October 14, 2018
42.	Nasik <sup>α</sup>	Suyojit Commercial Complex, Near Hotel Prakash, New Mumbai, Agra Road, Mumbai Naka, Nasik, Maharashtra.	M/S Balaji Enterprises & Others, a partnership firm, having office at first floor, Ambica Darshan Building, M.G. Road, Ghatkopar (E), Mumbai.	Leasehold	December 31, 2018
43.	Patiala	Arjan Complex, Main Sirhind Road, Between Petrol Pumps, Patiala, Punjab	Mr. Arjan Das Goyal	Leasehold	June 31, 2015
44.	Punchkula <sup>∞</sup>	SCO No. 104 and 105, Sector 5, Punchkula, Haryana.	Mr. Satpal Garg, Mr. Raman Agarwal and Others	Leasehold	April 26, 2018
45.	Ranchi (First Store) <sup>β</sup>	Ranchi Municipal Holding No. 848 situated at Old Commissioner compound, Main Road in Ward No. IIB Old and New Ward No. V, Ranchi, Jharkhand	M/s Prakash Chand Jain & Sons	Leasehold	March 24, 2012
46.	Raipur <sup>∞</sup>	Guru Ghasidas Plaza, Amapara, G.E. Road, Raipur, Chhatisgarh	Bhilai Builders Private Limited	License	August 15, 2018
47.	Siliguri <sup>∞</sup>	Spencer Plaza, Burdwan Road, Siliguri, West Bengal	Kishalay Commerce Private Limited	Leasehold	April 12, 2018
48.	Surat (First Store) <sup>∞</sup>	Ved Road, Surat, Gujarat	M/s Vishal Retail Enterprise	License	October 20, 2017
49.	Udaipur	138, 139, Machla Magra, Udaipur, Rajasthan	M/s Devang	Leasehold	May 12, 2018
50.	Varanasi <sup>∞</sup>	C-27/278, Mohalla Jagat Ganj, Chetganj, Varanasi, Uttar Pradesh	Ms. Sunita Devi, Mr. Jitendra Makhija and Mr. Manish Makhija	Leasehold	April 30, 2017

\* operated under franchise arrangements.

\*\* We are in the process of renewing the lease.

<sup>∞</sup> Lease deed may not be adequately stamped and are not be registered under the applicable laws.

# operated under commission or joint venture arrangements.

<sup>a</sup> The leasehold interest has been created through an MOU.

<sup>®</sup> The freehold interest has been created for 45,700 square feet through an MOU dated October 6, 2006, subsequent to which a sale deed dated April 18, 2007 was executed for 8,877 square feet.

<sup>β</sup> The agreement provides that the property shall be used as a godown.

#### Distribution Centres

S. No.	City/ Name of Project	Location	Nature of interest	Valid till
1.	New Delhi	Warehouse, Khasra No. 435, ext. Lal Dora of Village Mahipalpur	Leasehold*	February 26, 2012
		Warehouse, A-192 Mahipalpur Extn, New Delhi	Leasehold*	November 2, 2012
		Warehouse, Khasra No. 1045-46-47-48, Phimi Road, Behind Oberoi Farms, New Delhi	License	December 1, 2017
		Warehouse, Khasra No. 1142, Village Rajokri, New Delhi	Leasehold*	January 21, 2015.
		Warehouse, Khasra No. 15/15, Samalka, New Delhi.	License	February 15, 2018
		Warehouse, Khasra No. 1861, Village Bhati-Kalan, Tehsil Mehrauli, New Delhi	Leasehold*	March 15, 2015
		Mahipalpur Warehouse, Plot No. 246/B Khasra No. 417 Mahipalpur, New Delhi	Leasehold*	December 15, 2006**
		Warehouse, Khasra No. 15/15, Factory Road, Near Telephone Exchange, Samalka, New Delhi	Leasehold*	April 30, 2012
		Warehouse, Khasra No. 15/15 (4-15), Samalka, New Delhi	Leasehold*	May 31, 2012
		Warehouse, Khasra No. 14/20/2, Old Delhi Gurgaon Road, Samalka, New Delhi	Leasehold*	October 3, 2009
		Warehouse, Khasra No. 1028/1, Mahipalpur Extn., New Delhi-110037	Leasehold*	January 31, 2008
2.	Jaipur	Warehouse, F-936, Road No. 14, Vishwakarma Industrial Area, Jaipur.	License	April 20, 2018
3.	Ludhiana	Warehouse, B-29/4, Sherpur, G.T.Road, Ludhiana, Punjab	License	April 2018
4.	Howrah	Warehouse, Foreshore Road, Ramkrishnapur Howrah, West Bengal	License	May 31, 2009
		Warehouse, Dhoulagarh, Near Nirmala Cinema, Howrah, West Bengal	License	February 6, 2016
5.	Ghaziabad	Warehouse, Godown No. II B, C & D, Site IV, Industrial Area, Sahibabad, New Delhi	Leasehold*	May 1, 2018
6.	Thane	Warehouse, Unit No. B1-1 to 28, Shri Rajlakshmi Commercial Complex, Kalher Village, Agra Road, Bhiwandi, Thane	License	March 31, 2021
7.	Gurgaon	Warehouse, Khasra No. 13/14/2/1, 14/2/2, 17/1 and 17/2 of Revenue Estate of Village Begumpur Khatola, Distt. Gurgaon, Haryana	License	November 9, 2009
		Warehouse, Narsinghpur, Near Krishna Murti, Village Begampur Khatola, Gurgaon, Haryana	License	December 4, 2012
		Ware Khasra no. 1174, 1171, 1170, 1169 qnd 1168, Khatoni no. 104, Village Khandsa, Gurgaon, Haryana	License	February 14, 2009

\* Lease deed may not be adequately stamped and are not be registered under the applicable laws.

\*\* We are in the process of renewing the lease.

#### Factories

Our existing manufacturing facilities are located at Plot No. 224, Phase 1 Udyog Vihar, Gurgaon, for which we have leasehold interest until May 4, 2009. In addition, we have recently acquired freehold interest in relation to a land measuring 7.24 acres in Dehradun, Uttaranchal, where we are exploring the possibilities for establishment of another manufacturing facility.

We have indentified another location for setting up of facilities for manufacturing garments at Dehradoon, Uttranchal, pursuant to an MOU with M/s Tulip Industries dated December 6, 2006 for an area of 60,000 square feet at Camp Road, Selakui, Dehradoon, on lease basis for a period of 15 years.

*Other Properties*

We have acquired freehold interest in relation to a land measuring 82,830 square feet in Hubli, Dharwad.

## FINANCIAL INDEBTEDNESS

### Borrowings as of April 30, 2007

Set forth below is a brief summary of our significant outstanding borrowings of Rs. 2,213.28 million as of April 30, 2007, together with a brief description of certain significant terms of such financing arrangements.

Name of Lender	Facility & Loan Documentation	Amount Outstanding (Rs. in million)	Interest Rate	Repayment Schedule	Security Created*
LIC Mutual Fund Asset Management Company Limited	Issue of short term non-convertible debentures of the Company	Rs. 600 million	Coupon rate being MIBOR plus 300 bps with a floor of 9.00% and cap of 9.10%	The non-convertible debentures are redeemable on November 13, 2007.	Secured by mortgage of office/ land
State Bank of India <sup>(1)(2)(3)(4)</sup> <sub>(6)(7)(8)(9) and (10).</sub>	Loan of Rs. 200 million by memorandum of agreement dated December 23, 2004 and sanction letter dated December 9, 2004 consisting of cash credit facility and corporate loan.  The loan facility was enhanced to Rs 220 million by memorandum of agreement dated July 21, 2005. The loan facility was further enhanced to Rs. 436.7 million by memorandum of agreement dated October 5, 2005 and sanction letter dated October 3, 2005 and further enhanced to Rs. 878.4 million by sanction letter dated July 8, 2006.	For corporate loan: Rs. 37.90 million  Cash and credit limit: Rs.737.14 million  Short lien credit: Rs. 45.00 million	For corporate loan: 10.75%  For cash credit facility: 10.75%  Short lien credit (additional 1% of cash and credit interest rate):11.75%	Repayable in 10 equal quarterly instalments of Rs 5 million with effect from December 2005.  The outstanding amount in the cash credit facility is repayable on demand.	The cash credit facility is secured by the following:  1. Hypothecation of stocks of raw material, stores, spares, stock in progress, finished goods and book debts (present and future) and all other current assets of our Company.  2. Second charge on pari passu basis on the fixed assets of our Company having a written down value of Rs 127.4 million as on March 3, 2005.  3. Equitable mortgage of commercial property situated at Kuchpukur, P.O Natgachia, District South Paragnas, West Bengal by M/s Vishal Water World Private Limited.  4. Corporate guarantee of M/s Vishal Water World Private Limited.  Corporate loan is secured by a first pari passu charge on the fixed assets of our

Name of Lender	Facility & Loan Documentation	Amount Outstanding (Rs. in million)	Interest Rate	Repayment Schedule	Security Created*
					Company having a written down value of Rs 127.4 million as on March 3, 2005 in addition to the security mentioned in items 3 and 4 above.
The Hongkong and Shanghai Banking Corporation Limited, <sup>9 (b) (c) (d) (g) (f) (h) ,14, 15, 16, 17 and 19</sup>	Short term loan of Rs. 100 million to finance working capital by sanction letter dated March 7, 2006.  Working capital facility of up to Rs. 200 million and including an overdraft limit of up to Rs. 100 million by a sanction letter dated March 7, 2006.  Working capital facility of up to Rs. 300 million and including an overdraft limit of up to Rs. 100 million by a sanction letter dated November 20, 2006.	For short term loan : Rs. 100 million  For working capital facility: Rs. 300 million	For the short term loan: 13.25% per annum  For the working capital loan: 13.25% per annum  For the overdraft loan: BPLR – 2%	Repayable on monthly basis, with an amount of Rs. 0.32 million being charged per day for the tenor of the loan (i.e. 312 days)	Secured by first pari passu charge over the entire fixed assets (present or future) of our Company for a value of not more than Rs. 400 million.  Further secured by a first pari passu charge and equitable mortgage of property in the name of Vishal Water World Private Limited, situated at Kouchpukur, Hatgachia, District 24 Paragnas for a value of not more than Rs. 400 million.  Further secured by a first pari passu charge over entire current assets (past and future) for a value of not more than Rs. 400 million  Second pari passu charge over the entire fixed assets of the Company.  Our company also has to issue/issued 12 security cheques for the short term loan.  Personal guarantee of the Mr. Ram Chandra Agarwal, Ms. Uma Agarwal and Mr. Surender Agarwal for Rs. 400 million.  Exclusive charge on credit cards receivables for Rs. 100 million.
Yes Bank Limited <sup>9 (b), (c),(d), (l), (o) and (q), 11, 13 and 19</sup>	Medium Term Loan of an amount of Rs. 150 million by a facility letter	Rs. 99.50 million	2.75% less than Yes Bank Limited's prime lending rate per	The facility is till the period of 15 months and the each advance is to be	Secured by 12 post dated cheques of Rs. 12.5 million each.  Further secured by



Name of Lender	Facility & Loan Documentation	Amount Outstanding (Rs. in million)	Interest Rate	Repayment Schedule	Security Created*
	dated September 8, 2006 and loan agreement dated September 11, 2006.		annum. At the time of the facility letter the interest rate charged was 10.25%.	repaid by 12 monthly instalments, after a moratorium period of three months, on the last day of the end of 15 months.	demand promissory note for Rs. 150 million to be executed by our Company.
Intec Securities Limited	Short Term Loan of an amount of Rs. 11.27 million by sanction letter dated August 26, 2006.	Rs. 2.13 million	5.95% per annum	The facility is repayable in 11 equal monthly instalments ending on June 16, 2007	Secured by issuance of 11 post-dated cheques covering the loan amount and the interest.  Further secured by a security deposit of Rs. 4.51 million.  Further secured by hypothecation of miscellaneous office equipment.  Further secured by a demand promissory note by our Company our Company issued by Mr. Ram Chandra Agarwal and Mrs. Uma Agarwal for the entire amount of the loan and interest.
Centurion Bank of Punjab	Term Loan	Rs. 65.30 million	1.50% below BPLR of Centurion Bank of Punjab; effective rate of interest currently is 12.50% p.a.	8 Quarterly Instalments of Rs. 18.75 million. Moratorium Period is 6 months	First Charge on the assets acquired out of term loan.  Post dated cheques for instalment amount of Rs. 18.75 million
Global Trade Finance Limited (5) (6) (13)	Trade finance facility of up to Rs. 50 million by a sanction letter dated May 4, 2006.  Trade finance facility increased to a limit of Rs. 150 million by a sanction letter dated November 30, 2006.	Rs. 114.55 million	10% per annum	90 days	Any debit balance in the account (No. 0026601 with Global Trade Finance Limited) of our Company may be set off against the pre-payment payable from the facility.  Further secured by post-dated cheques dated 90 days after the date of payment.

Name of Lender	Facility & Loan Documentation	Amount Outstanding (Rs. in million)	Interest Rate	Repayment Schedule	Security Created*
Intec Securities Limited	Term Loan of an amount of Rs. 9.95 millions by loan agreement March 21, 2007	Rs. 8.04 millions	5.95% p.a.	The facility is repayable in 11 equal monthly instalments.	Secured by issuance of 11 post-dated cheques covering the loan amount and the interest.  Further secured by a demand promissory note issued by our Company for the entire amount of the loan and interest.  Personal Guarantee of Mr. S.K. Agarwal, Mr. R.C. Agarwal and Ms. Uma Agarwal.
Intec Securities Limited	Term Loan of an amount of Rs.15 million by loan agreement dated March 31, 2007	Rs. 12.12 million	5.95% p.a.	The facility is repayable in 11 equal monthly instalments.	Secured by issuance of 11 post-dated cheques covering the loan amount and the interest.  Personal Guarantee of Mr. Surendra Kumar Agarwal, Mr. Ram Chandra Agarwal and Mrs. Uma Agarwal.
HDFC Bank Limited <sup>3,9 (d), (o)</sup> (p), 12 (i), 12(iv)	Secured Loan an amount of Rs. 40 million by sanction letter dated April 4, 2007 and loan agreement dated April 7, 2007, for purchase of property at Parwati Vihar Phase III, Parwati Shopping Complex, BF & GF, 52/6, Nazrul Islam Sarani, PS Rajarhat, Kolkata.	Rs. 40.00 million	Floating rate of 14%	Facility is repayable in monthly instalments of Rs. 0.62 million over a period of 120 months, with the first starting from May 7, 2007.	Secured by Hypothecation of particular property situated at Parwati Vihar Phase III, Parwati Shopping Complex, BF & GF, 52/6, Nazrul Islam Sarani, PS Rajarhat, Kolkata.  Further secured by execution in favour of HDFC Bank Limited, of a demand promissory note dated April 7, 2007, for an amount of Rs. 40 million, together with interest at the rate of 14% or such other rate, as fixed by HDFC Bank Limited.
HDFC Bank Limited <sup>3,9 (d), (o)</sup> (p), 12 (i), 12(iv)	Secured Loan an amount of Rs. 51.60 million by sanction letter dated April 4, 2007 and loan agreement dated April 16, 2007,	Rs. 51.60 million	Floating rate of 14%	Facility is repayable in monthly instalments of Rs. 0.80 million over the period of 120 months, with the first	Secured by Hypothecation of particular property situated at Parwati Vihar Phase III, Parwati Shopping Complex, BF & GF, 52/6, Nazrul Islam

Name of Lender	Facility & Loan Documentation	Amount Outstanding (Rs. in million)	Interest Rate	Repayment Schedule	Security Created*
	for purchase of property at Parwati Vihar Phase III, Parwati Shopping Complex, BF & GF, 52/6, Nazrul Islam Sarani, PS Rajarhat, Kolkata.			instalment starting from May 7, 2007.	Sarani, PS Rajarhat, Kolkata.  Further secured by execution in favour of HDFC Bank Limited, of a demand promissory note dated April 16, 2007, for an amount of Rs. 51.60 million, together with interest at the rate of 14% or such other rate, as fixed by HDFC Bank Limited.

\*The loan facilities from State Bank of India, The Hongkong and Shanghai Banking Corporation Limited, Intec Securities Limited, Unitel Credit Private Limited and Global Trade Finance Limited are further secured by personal guarantee of our Directors Mr. Ram Chandra Agarwal, Mr. Surendra Kumar Agarwal and Mrs. Uma Agarwal. The loan facility from Yes Bank Limited is further secured by personal guarantee of our Director Mr. Ram Chandra Agarwal.

- 1) As per the loan documents, the bank is at liberty to cease to accept the security from our Company and/or to cease making advance there against in its sole discretion without notice and without assigning any reason whatsoever.
- 2) Under the terms of the loan documents, our Company is required to maintain the security margin/coverage ratio specified by the bank.
- 3) Our Company shall at all times maintain sufficient financial interest in the business and shall if so considered necessary by the bank bring additional funds or assets by way of capital, deposit or otherwise.
- 4) Under the terms of the loan documents, our Company is required to carry on its entire banking transaction with the lender bank or its associate bank. Our Company may however, with the prior permission of the lender bank deal with any other bank.
- 5) Under the terms of the loan documents, if the borrowings of our Company in foreign currency, the conversion of such foreign currency to INR should be necessarily routed through the lender.
- 6) As per the terms of the loan documents, if our Company commits a default in repayment of loan/advance in the payment of interest thereon or any of the agreed instalments of the loan on due date, the bank and/or the Reserve Bank of India/ Credit Information Bureau of India Limited will have an unqualified right to disclose or publish the name of the company and its directors as defaulters in such manner and through such medium as they may think fit.
- 7) As per the loan documents, our Company shall as soon as it resolves to make any call in respect of its shares, issue any un-issued share capital or create any new shares immediately give notice of the same to the bank and shall not until the expiration of seven clear days from the time when such notice has been sent to the bank issue any notice to its members with respect to the same. Further, the bank may require that all the moneys received by our Company by making call in respect of its shares, issuing any un-issued share capital or creating any new shares be applied either wholly or partly towards the payment or satisfaction of the principal sum interest and other moneys due to the bank.
- 8) Under the terms of the loan documents, during the currency of the loan, the shareholding of the directors, principal shareholders and promoters of our Company shall not be varied without the previous written consent of the bank.
- 9) Our Company shall not during the subsistence of its liability to the bank under or in respect of the credit facilities without the written consent of the bank:
  - a. Change or in any way alter its capital structure.
  - b. Effect any scheme of amalgamation or reconstitution
  - c. Implement a new scheme of expansion or take up an allied line of business of manufacture
  - d. Declare a dividend or distributable profits after deduction of taxed, except where the instalment of principal and interest payable to the bank in respect of the credit facilities

- are being paid regularly and there are no irregularities whatsoever in respect of any of the credit facilities.*
- e. Enlarge the scope of the other manufacturing/trading activities, if any, undertaken at the time of the application and notified to the bank as such*
  - f. Withdraw or allow to be withdrawn any money brought in by its promoters and directors or relatives and friends of the promoters or directors*
  - g. Invest any funds by way of deposits, or loan or in share capital of any other concern (including subsidiaries) as long as any money is due to the bank; except those in the normal course of business*
  - h. Undertake guarantee obligations on behalf of any other company, firm or person.*
  - i. Allow the monies brought in by principal shareholders, directors, depositors, friends and relative of the directors to be withdrawn.*
  - j. Make any drastic change in their management set up*
  - k. Effect any change in the remuneration payable to the directors either in the form of sitting fee or otherwise.*
  - l. Create any further charge, lien or encumbrance over the assets and properties of our Company to be changed to the bank in favour of any other bank, financial institution, company, firms or person.*
  - m. Sell assign, mortgage or otherwise dispose of any of the fixed assets charged to the bank and*
  - n. Undertake any trading activities other than the sale of products arising out of our own manufacturing operations.*
  - o. Alter our Memorandum or Articles of Association*
  - p. Enter into arrangement/ agreement for sale, merger, consolidation, transfer of all or substantial portions of its assets.*
  - q. Incur or assume any other indebtedness of a long term nature whether fro borrowed money or otherwise.*
- 10) *Under the terms of the loan documents, the bank will have a first charge on the profits of our Company after provisions for taxation, for repayment of instalments under term loan granted/ executed by the bank or other repayment obligations, if any, due from our Company to the bank.*
  - 11) *Under the terms of the loan documents, payment obligations under the unsecured loan facilities will at all times rank at least pari passu with all other present and future unsecured indebtedness of our Company.*
  - 12) *As per the loan documents, our Company without the prior written consent of the bank shall not*
    - i. Undertake or permit any merger, de merger, consolidation reorganization, scheme of arrangement or compromise with the creditors or shareholders or effect any scheme of amalgamation or reconstruction including creation of any subsidiary or permit any company to become its subsidiary*
    - ii. Create or permit to subsist any encumbrance (excluding for securing borrowing for working capital requirements in the ordinary course of business, upto the limit approved by the bank) or any type of preferential arrangement (including retention agreements or escrow agreements having the effect of granting securities) in any from whatsoever on any of the assets, or (whether voluntarily or involuntarily) sell, transfer grant lease or otherwise dispose of or deal with any of the assets.*
    - iii. Create or permit to subsist any encumbrance over the assets of our Company, unless the same is extended on a pari passu basis to cover the loan facilities*
    - iv. Borrow from any person until the dues are cleared..*
  - 13) *Under the terms of the loan documents, during the currency of the loan, a person who is a director on the Board of a company which has been identified as a willful defaulter shall not be inducted on the Board of our Company.*
  - 14) *As per the loan documents, our Company can declare dividends only out of our profits.*
  - 15) *Under the terms of the loan documents, our Company shall keep the bank informed about happening of any event such as labour problems, power cuts, litigation, government actions, etc., or such events that are likely to adverse the financial health of our Company.*
  - 16) *Under the terms of the loan documents, our Company is required at all times to maintain sufficient long term funds to cover all the term assets and a minimum of 25% of current assets.*
  - 17) *As per the loan documents, our Company must maintain an overall utilization of funded limits to be within the assessed maximum permissible finance.*
  - 18) *Under the terms of the loan documents, our Company is required to maintain certain financial covenants.*

- 19) *Under the terms of the loan documents, the bank would withdraw the facility in the event of a cross default to any of our material agreement or financial indebtedness.*

## REGULATIONS AND POLICIES IN INDIA

The following discussion details the important laws and regulations which govern value retail segment of stores in India:

### *In respect of goods/products*

Our Company is required to comply with the provisions of the Standards of Weights and Measures Act, 1976 and the rules made thereunder, particularly the Standards of Weights and Measures (Packaged Commodities) Rules, 1977. Similarly, our Company is required to comply with the provisions of the Prevention of Food Adulteration Act, 1954 and the rules made thereunder.

### **Laws Regulating Transfer of Property:**

#### *Transfer of Property Act, 1882*

The transfer of property, including immovable property, between living persons, as opposed to the transfer of property by the operation of law, is governed by the Transfer of Property Act, 1882 (“T.P. Act”). The T.P. Act establishes the general principles relating to the transfer of property including among other things identifying the categories of property that are capable of being transferred, the persons competent to transfer property, the validity of restrictions and conditions imposed on the transfer and the creation of contingent and vested interest in the property.

#### *Registration Act, 1908*

The Registration Act, 1908 (“Registration Act”) has been enacted with the object of providing public notice of execution of documents affecting a transfer of interest in property. Section 17 of the Registration Act identifies documents for which registration is compulsory and includes among other things, any non-testamentary instrument which purports or operates to create, declare, assign, limit or extinguish, whether in present or in future, any right, title or interest, whether vested or contingent, in immovable property of the value of one hundred rupees or more, and a lease of immovable property for any term exceeding one year or reserving a yearly rent. Section 18 of the Registration Act provides for non compulsory registration of documents as enumerated in the provision.

#### *The Indian Stamp Act, 1899*

The Indian Stamp Act, 1899 (“Stamp Act”) provides for the imposition of stamp duty at specified rates on instruments listed in Schedule I of the Act. The applicable rates for stamp duty on these instruments, including those relating to conveyance, are prescribed by state legislation. Instruments chargeable to duty under the Stamp Act which are not duly stamped are inadmissible in a court of law and have no evidentiary value. Public officials have the power to impound such documents and if the executor wants to rectify them, he may have to pay a penalty of upto 10 times the original stamp value.

#### *The Easements Act, 1882*

The law relating to easements is governed by the Easements Act, 1882 (“Easements Act”). The right of easement is derived from the ownership of property and has been defined under the Easements Act to mean a right which the owner or occupier of land possesses for the beneficial enjoyment of that land and which permits him to do or to prevent something from being done in respect of certain other land not his own. Under this law an easement may be acquired by the owner of immovable property, i.e. the “dominant owner”, or on his behalf by the person in possession of the property. Such a right may also arise out of necessity or by virtue of a local custom.

### **Laws relating to Employment:**

#### *Shops and Establishments legislations in various states*

Our Company will be governed by the various Shops and Establishments legislations, as applicable, in the states where it has stores. These legislations regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of *inter alia* registration, opening

and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work.

### ***Labour Laws***

The employment of workers is regulated by a wide variety of generally applicable labour laws, including the Contract Labour (Regulation and Abolition) Act, 1970, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, the Payment of Wages Act, 1936, the Payment of Gratuity Act, 1972, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

Factories must obtain a factories licence under the Factories Act, 1948.

### ***Contract Labour (Regulation and Abolition) Act, 1970***

Our company engages, for each of our stores, the services of various contractors, who in turn employ contract labour for the purpose of providing, among other things, gift wrapping, security, housekeeping, maintenance, alteration, valet services at various stores of our Company. Hence our company is also regulated by the provisions of the said Act and other State Government legislations to the extent applicable

### **Laws relating to Intellectual Property:**

#### ***Trademarks Act, 1999***

Our brand names require registration under the Trademarks Act 1999.

#### ***Copyright Act, 1957***

Our stores also require a license for live musical performances and for playing music in the stores under the provisions of the Copyright Act, 1957.

### **Regulations regarding foreign direct investment ("FDI"):**

An industrial policy was formulated in 1991 ("Industrial Policy, 1991") in order to implement the economic reforms initiated by the Government of India. The Government of India ("GoI") has since amended the Industrial Policy, 1991, from time to time in order to enable FDI in various sectors of the Indian industry in a phased manner, gradually allowing higher levels of FDI in Indian companies.

Under the extant FDI Policy, April 2006, FDI in Indian companies carrying on business in Indian retail and trading sector is prohibited, except "Single Brand Product" retailing. Press Note No. 3 (2006 Series) which provides guidelines for FDI in retail trade of "Single Brand Products", prescribes a 51% cap on the same, with prior Government approval. Further, Press Note No. 4 (2006 Series), which aims at rationalisation of the FDI Policy, states that the GoI has decided to allow FDI up to 51 % with prior Government approval for retail trade of "Single Brand Products". In this regard, it is pertinent to note that the corollary changes to the foreign exchange control regulations promulgated by the Reserve Bank of India under the Foreign Investment Management Act, 1999 have not been notified.

## HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated on July 23, 2001 under the Companies Act, 1956 as Vishal Retail Private Limited. Our Company was converted to a public limited company by a special resolution of the members passed at the annual/extra ordinary general meeting held on November 28, 2005. The fresh certificate of incorporation consequent on change of name was granted to our Company on February 20, 2006, by the Registrar of Companies, West Bengal at Kolkata.

### Changes in our Registered Office

At the time of incorporation, the registered office of our Company was situated at 4, R. N. Mukherjee Road, Kolkata 700 001. Mentioned below are the details of changes in our Registered Office:

Date of Change	Change of Address of Registered Office
August 1, 2001	From 4, R. N. Mukherjee Road, Kolkata to 54/4C, Strand Road, Kolkata.
February 14 2004	From 54/4C, Strand Road, Kolkata to Mouza Kuch Pukur, P.S. Bhangore, 24 Paragnas (South), West Bengal.
December 29, 2005	From Mouza Kuch Pukur, P.S. Bhangore, 24 Paragnas (South), West Bengal to RZ-A-95 & 96, Road No. 4, Street No. 9, Mahipalpur Extension, New Delhi.

### Acquisition of Business from M/s Vishal Garments and M/s The Vishal Garments

Vide a business purchase agreement dated November 23, 2001 executed between our Company and Mr. Ram Chandra Agarwal (carrying on proprietorship business in the name of M/s The Vishal Garments) and Mrs. Uma Agarwal (carrying on proprietorship business in the name of M/s Vishal Garments), we acquired the business of “M/s The Vishal Garments” and “M/s Vishal Garments”, and the said businesses were transferred to our Company as a going concern with effect from December 15, 2001.

### Acquisition of manufacturing unit from M/s Vishal Fashions Private Limited

Vide a business purchase agreement executed between our Company and M/s Vishal Fashions Private Limited, we acquired the business of manufacturing of readymade garments as a going concern with effect from March 31, 2003. Our Company went into backward integration by acquiring a manufacturing unit for readymade garments.

### Acquisition of manufacturing unit from M/s Vishal Apparels

Vide a business purchase agreement dated March 31, 2003 executed between our Company and Mr. Ram Chandra Agarwal (HUF) (carrying on its business in proprietorship in the name of M/s Vishal Apparels), we acquired the manufacturing unit of “M/s Vishal Apparels” and the said manufacturing unit was transferred to our Company as a going concern with effect from March 31, 2003.

### Major Events:

A chronology of some key events in the history of the Company is set forth below:

Year	Milestone
2001	<ul style="list-style-type: none"> <li>• Incorporated as Vishal Retail Private Limited</li> <li>• Acquired the proprietorship firm Vishal Garments &amp; The Vishal Garments</li> <li>• Opened first store outside Kolkata</li> </ul>
2002	<ul style="list-style-type: none"> <li>• Opened first Store in Delhi</li> </ul>
2003	<ul style="list-style-type: none"> <li>• Acquired Vishal Apparels, a manufacturing unit.</li> <li>• Set up a manufacturing unit in Gurgaon</li> </ul>
2004	<ul style="list-style-type: none"> <li>• Started our largest store of at Mathura Road, New Delhi having an area of 80,000 square feet</li> <li>• Nominated for the Images Retail Awards’ 2004</li> </ul>
2006	<ul style="list-style-type: none"> <li>• Our Company was converted into a public limited company</li> </ul>



- Implementation of production and retail module of SAP
- Broadband connectivity with each and every location
- Increased our presence to an aggregate of 17 States
- Increase in number of stores to 50 spread across in 18 States

## Our Main Objects

Some of the main objects as contained in our Memorandum of Association are:

1. To carry on the business as traders, dealers, wholesalers, agents, distributors, consigners, consignee, retailers, combbers, job work, scourers, spinners, weavers, finishers, dyers, tailors and drapers, cutters, import and export of all garments of gentlemen, ladies and children and to act as commission agent in connection therewith tailor or otherwise stock and sell all under-garments which are used by men, ladies, children, makers of curtain and other furnishings for cars, furniture or otherwise, makers of handkerchiefs, scarves, ribbons, gloves, socks, nylon, caps, headdresses, garters, towels, linens, sheets, bed covers, sportswear, sport gear and accessories or other fasteners or every size, shape and description and to open and operate stores, departmental store or any other outlet for consumable goods including ready made garments.
2. To carry on the business of manufacturers, processing, producing, washing, dyeing, ginning, pressing spinning weaving, crimping, texturing, carding, bleaching, combing, doubling, finishing, calendaring, sizing, colouring, printing, merchandising, reeling, winding, throwing, embroidering, blending, sorting, garmenting, drying, drawing, cutting, improving, buying, sellers, dealers, retailers, clothes, tailors, stickers, importers exporters, and agents in textile goods and readymade garment of all fabrics, cotton, woollen, silk, terrene, terri cotton, linen and such fabrics which may come into market as an advent of scientific development and suitable for manufacture of garments, industrial and furnishing cloth and printing, knitting, dyeing and colouring of all kinds of fabrics and yarn, silk mercers & silk products and to act as Export House and to carry on any business in any way connected therewith.

## Changes in our Memorandum of Association

Since our incorporation, the following changes have been made to our Memorandum of Association:

Date of Amendment	Amendment
March 26, 2002	The authorised share capital of our Company was increased from Rs. 20,000,000 comprising of 2,000,000 Equity Shares to Rs. 30,000,000 comprising of 3,000,000 Equity Shares.
March 24, 2003	The authorised share capital of our Company was increased from Rs. 30,000,000 comprising of 3,000,000 Equity Shares to Rs. 50,000,000 comprising of 5,000,000 Equity Shares.
July 30, 2003	The authorised share capital of our Company was increased from Rs. 50,000,000 comprising of 5,000,000 Equity Shares to Rs. 120,000,000 comprising of 12,000,000 Equity Shares.
March 16, 2004	The authorised share capital of our Company was increased from Rs. 12,00,00,000 comprising of 12,000,000 Equity Shares to Rs. 200,000,000 comprising of 20,000,000 Equity Shares.
July 2, 2004	<p>Addition of new clause as follows :</p> <ol style="list-style-type: none"> <li>1. To apply for merchandising or become a member of any bullion exchange, commodities exchange, stock exchange, company, chamber of commerce, association, fabrication, society or body corporate having any objects similar or incidental with there of the Company or likely to promote the interest of the Company.</li> <li>2. To act and to carry on business of forex dealers, merchants, buyers, sellers, investors, brokers and sub-brokers, advisors, agents, consultants and for such purpose obtain dealership/membership of respective authorities, associations, exchanges and to act as and carry on the business of market makers, sponsors, underwriters, agents and brokers for the sale and purchase of gold, silver, metal,</li> </ol>

precious stone, foreign currency or other financial instruments or obligations and provisional documents relating thereto hold them as permitted under the law from time to time and procure registrations or other recognition of the company in any country, state or place.

3. To draw, make, accept, hold, endorse, discount, execute, issue and otherwise deal in negotiable promissory notes, drafts, hundies, bills of exchange, forex, currencies and other moneys and other negotiable or transferable instruments.
4. To establish, set up and run hotels, motels, guest houses, marriage halls, exhibition halls, holiday resorts, inns, bars, restaurants, fast food centres, pizzerias, ice-cream parlours, amusement and recreation centres, saloons, libraries, cold storages, clubs and to act as boarding and lodging keepers, issue, bear and spirit merchants, brewers, maltsters, distillers and manufacturers of ice-creams, aerated, mineral, & artificial water and other drinks, purveyors and caterers.

October 4, 2005                      The authorised share capital of our Company was increased from Rs. 200,000,000 divided into 20,000,000 Equity Shares to Rs. 258,400,000 divided into 20,000,000 Equity Shares and 400,000 Preference Shares.

July 3, 2006                         The authorised share capital of our Company was increased from Rs. 258,400,000 divided into divided into 20,000,000 Equity Shares and 400,000 Preference Shares to Rs. 308,400,000 divided into 25,000,000 Equity Shares and 400,000 Preference Shares.

January 25, 2007\*                 Addition of new clauses as follows:

1. To carry on the business of buying, selling, manufacturing, exporting, importing and trading of Beer, Whiskey, Gin, Rum, Brandy, Cordials, Liquors, Wines and other alcoholic products.
2. To carry on all or any of the business of buyers, sellers, suppliers, growers, manufacturers, traders, merchants, importers, exporters, brokers, agents assemblers, stockiest and dealers in pharma, surgical & health-care products including allopathic, homeopathic, aaryurvedic medicines and other allied products.
3. To carry on the business of buying, selling, manufacturing, exporting, importing, trading and dealing in audio & video accessories, photography equipments, car accessories, telecommunication, mobile phones & accessories, electrical goods, computer hardware, software & accessories, white goods, modular kitchen products, security products, home wares, sanitary items, fresh flowers, gold, silver, diamond and all types of Jewellery, books, magazines, health and fitness products, all types of cleaning products & accessories, educational products, aqua care products, fire crackers, pet supplies, bakery products and meat products including animal protein, red meat, sea food, fish, white meat, pork, mutton, chicken, ham and other non-vegetarian products.
4. To carry on the business of selling, marketing, distribution of mutual funds, insurance, all other financial products & services and to carry on the business of tours and travels agents, consultancy of any form, matrimonial agents and legal services.

---

*\*The Company has received the certificate of registration of the special resolution confirming alteration of objects clause, issued by the Ministry of Company Affairs, Government of India on February 8, 2007.*

## **Subsidiaries**

Our Company does not have any subsidiaries.

## **Agreements with BCCL**

We have entered into two separate agreements with BCCL. One of them is a share stock agreement and the other one is an advertising agreement.

### **(a) Share Stock Agreement**

*Share Stock Agreement dated September 9, 2005 (as amended on September 12, 2005) (“SSA”) between our Company, Bennett, Coleman & Co. Limited (“BCCL”) and Mr. Ram Chandra Agarwal*

As per the SSA, BCCL agreed to subscribe to 1,670,605 Equity Shares at a price of Rs. 146 per Equity Share and 384,190 fully convertible participatory Preference Shares (“**BCCL Preference Shares**”) at the price of Rs. 146 per BCCL Preference Share.

The key provisions of the SSA are as follows:

- (i) **Fully convertible:** Each BCCL Preference Share is convertible into one Equity Share at any time at the discretion of the holder of the BCCL Preference Shareholder. All the BCCL Preference Shares have been converted into Equity Shares. Please see section titled “Capital Structure – Notes to Capital Structure” on page 38.
- (ii) Prior consent of BCCL is required to be obtained by us for the following:
  - if our Company is entering into any transaction, arrangement, agreement or contract with a company in which our Promoters are interested parties (upto a limit of 60%), when the total value of the transaction exceeds Rs. 100 million in a financial year;
  - pledge, mortgage, charge or any encumbrance on the Equity Shares, options or interests in any Equity Shares;
  - transfer, dispose of or grant an option over the Equity Shares;
  - enter into any agreement in respect of votes attached to any of the Equity Shares, options, or warrants; and
  - if our Promoters either alone or jointly with any person, directly or indirectly, engages, invests substantially or is interested in any business, venture or project which directly or indirectly competes with the business of our Company.
- (iii) **Nominee Director:** BCCL is entitled to appoint one director on our Board for a period of five years from the closing date (defined under the agreement) or till the date BCCL holds Equity Shares, whichever is earlier.
- (iv) **Passing of Resolutions:** As long as BCCL holds 5% of our Equity Share capital, prior consultation with BCCL is required for the following:
  - any matter for which a special resolution of the shareholders is required under the Companies Act;
  - any matter having a bearing on the rights of BCCL as set out in the SSA; and
  - any matter affecting the share capital or shareholding, whether taken by our Board of Directors, our shareholders or our Promoters.
- (v) **Exit option:** Our Company has to come out with an initial public offering for the listing of its Equity Shares on the NSE within a period of 24 months from the closing date (defined under the agreement). If the Equity Shares are not listed within the given time frame, our Promoters will buy back 1,027,398 Equity Shares held by BCCL at a price not less than the price which ensures a minimum of 18% annualized return from the said closing date on the amount invested in the Equity Shares offered by BCCL for sale/transfer.

If our Company fails to provide exit to BCCL by the third year of this agreement, then our Company and our Promoters will buy back the Equity Shares from BCCL at a price arrived at by a third party consultant.
- (vi) **Tag Along Provisions:** If our Promoters propose to sell, transfer, assign any Equity Shares to a third party, BCCL shall have the right to participate in the sale and transfer of the Equity Shares to such third party on proportionate basis.
- (vii) **Termination:** The SSA will terminate if BCCL ceases to hold any Equity Shares or will automatically terminate within three years from the said closing date.

Pursuant to a letter dated January 5, 2007, BCCL has relinquished its special rights under Clause 4.4 of the SSA titled “Anti-dilution Rights”. The said rights provided that BCCL had a right to purchase such shares at par value if the price of such shares is less than 90% of the issue price of shares issued to BCCL (i.e. less than 90% of Rs. 146), in the event our Company proposes to issue any Equity or Preference Share or convertible security, except by way of an employee stock option plan. The said clause also prescribed the floor price in any proposed IPO by our company to be a minimum of Rs. 146 per Equity Share and in the event to the contrary, our Company was required to buy-back 1,027,398 Equity Shares from BCCL against a sum of Rs. 150 million with an annualized interest at the rate of 18% per annum. Further, pursuant to a waiver letter dated March 16, 2007, BCCL has substituted and replaced the phrase “18 months” with “24 months” in Clause 9.1 of the SSA.

In addition, since BCCL held 384,190 Preference Shares, we have paid a dividend at the rate of about Re. 0.10 per Preference Share prior to their conversion into Equity Shares.

**(b) Advertising Agreement**

The Company has entered into an advertisement agreement dated September 9, 2005 with BCCL for the purpose of advertisement of its products or services, in BCCL print publications and non-print media for five years starting from September 1, 2005 and ending on August 31, 2010. We have agreed to release advertisements for a total value of Rs. 300 million (net of agency commission) in the BCCL print publications and non print media during the sub terms as defined in the agreement. Under the terms of the said agreement, we have made a payment of Rs. 150 million. For the subsequent sub terms i.e. for the period starting from September 1, 2008 till August 31, 2010, the payment for advertisements shall be made on an “as consumed basis” with bills being raised for each advertisement and commensurate payment being made for the same by us. However, under the terms of the said agreement, we shall consume advertising on the basis of minimum running advance of Rs. 10 million. Bills would be raised immediately on consumption of the advertisement and payment shall be made by us within 15 days of raising of the bills. For advance consideration of Rs. 10 million, BCCL shall give an additional space bank of Rs. 0.8 million towards the end of sub-term after the consumption of space worth Rs. 75 million towards the end of sub-term as mentioned in the agreement.

**Share Transfer Agreement with View Advisors Private Limited**

Mr. Ram Chandra Agarwal, our Chairman and Managing Director, entered into a share transfer agreement dated March 9, 2006 with View Advisors Private Limited (subsequently name changed to Gaja Advisors Private Limited) for transfer of 500,000 Equity Shares in the following tranches:

	<b>Date of Transfer</b>	<b>Number of Equity Shares</b>	<b>Aggregate Consideration (Rs. in million)</b>
Tranche 1	April 18, 2006	200,000	32.00
Tranche 2	April 18, 2006	100,000	16.00
Tranche 3	April 18, 2006	100,000	20.00
Tranche 4	April 18, 2006	100,000	20.00

The transfer is to be effected through an escrow mechanism for which our Company, Mr. Ram Chandra Agarwal and an escrow agent have entered into an escrow agreement dated March 9, 2006.

**Share Subscription and Shareholders Agreement**

In fiscal 2007, our Company and Mr. Ram Chandra Agarwal have entered into share subscription and shareholders agreements (as amended by certain waiver letters) with 49 investors (including HDFC Limited) provided in the section titled “Notes to Capital Structure” at page 38 (“SSAs”), pursuant to which such investors have agreed to subscribe to 1,450,000 Equity Shares (“**Subscription Shares**”) at a price of Rs. 200 per Equity Share. The SSAs have similar terms and conditions, summary of which is as follows:

- (i) Our Company shall complete an initial public offering (“**IPO**”) at NSE or any other recognised stock exchange which is acceptable to the investor on or before September 30, 2007.
- (ii) **Buy back option:** In the event that our Company is not able to complete the IPO by September 30, 2007, our Company would be required to buy back all the Subscription Shares held by the investor at a price not less than Rs. 200, by October 31, 2007.

- (iii) **Put option:** In the event the buyback of Subscription Shares is not completed by October 31, 2007, Mr. Ram Chandra Agarwal would be obliged, on receipt of a written notice from the investor, to purchase all the Subscription Shares at a mutually agreed price which shall not be less than Rs. 200, within 15 days on a spot delivery basis.

If Mr. Ram Chandra Agarwal fails to purchase the Subscription Shares on or before the above mentioned 15 days, he would be liable to pay the investor an amount equal to the subscription price along with an interest of 19 percent per annum from July 24, 2006 till the date of payment.

- (iv) **Fresh Allotment:** Our Company shall not increase its paid up capital or issue any instruments convertible into shares, other than issue of shares by way of an employee stock option plan and/or for the IPO, without obtaining the prior written consent of Mr. Gopal Jain.

The floor price of the IPO shall not be less than Rs. 200 per Equity Share. However, in the event our Company proposes to issue of offer equity shares at a price lower than Rs. 200, our Company would be required to transfer to the investor such number of Equity Shares (“**Transferred Shares**”), for the nominal aggregate consideration of Rs. 100, in such a manner that the weighted average price of the Subscription Shares and the Transferred Shares is equal to the IPO price. Such a transfer needs to be completed within 30 days from the date of resolution passed by the board of directors approving the IPO.

In the event of non transfer of the Transferred Shares, Mr. Ram Chandra Agarwal shall pay the investor an amount equivalent to the number of Subscribed Shares multiplied by the difference between the proposed IPO price and the Subscription Price within 30 days from the date of passing of resolution by the board of directors approving the IPO. In the event of failure of the promoter to pay the aforesaid amount, they shall be liable to pay the amount due together with an interest at the rate of 12% per annum, from the date on which the amount became due till the date of payment.

The IPO price shall be determined by the board of directors through resolutions. In case a price band is concurred at, the lower price shall be the proposed IPO price.

### **Franchise Agreements**

We have entered into franchise arrangements for two of our stores, one each in Gwalior and Lucknow. Such franchisee agreements were entered between our Company and Kanha Shopping Mall Private Limited and Nandini Retail Private Limited, respectively, (each franchisee referred to as the “**Franchisee**”) on October 21, 2005 and May 28, 2006, respectively, for the above-mentioned locations. Our erstwhile store at Agra, which was operated by a franchisee, has been destroyed by a fire on November 27, 2006 and is currently not in operation.

The franchise agreements have similar terms and conditions, summary of which is as follows:

**Stock:** The Franchisees are required to maintain necessary inventories of the stock and we are obligated to replenish stock on a regular basis. For the store at Gwalior and Lucknow, the Franchisees have deposited a sum of Rs. 9.00 million and 11.50 million, respectively, for supply of stock (at maximum retail price) of Rs. 13.50 million and Rs. 19.00 million, respectively. The Franchisees are responsible for any loss of stock arising out of leakage, theft, pilferages etc. The Franchisee is also required to take insurance policy and keep the stock secure against fire covering earthquake, terrorism, burglary and consequential loss in profit.

**Commission:** We pay the Franchisees a specified commission, subject to a minimum guaranteed commission, on the total monthly sales, subject to the deposit of regular sales proceeds in the banks of our Company.

**Governmental and statutory approvals:** The Franchisees are responsible for obtaining necessary permissions, approvals and registrations from the requisite governmental and regulatory authorities. Further, the Franchisees are also liable for payment of all applicable taxes.

**Term and termination:** The tenure for the franchise agreements for Gwalior and Lucknow is three years each. However, a franchise agreement may be terminated by either us or a Franchisee on giving a written notice for a specified time period which varies from one month to three months.

***MOU with VIP Industries Limited***

VIP Industries Limited (“VIP”) and the Company have entered into an MOU on April 28, 2007 for settlement of dispute arising from the sale of spurious/misbranded luggage using the VIP mark by the Company at its store at Kolkata. Certain of the salient terms of the MOU are detailed below:

- the Company would disclose the details of its sourcing of the misbranded VIP products;
- the Company would pay damages to VIP of Rs. 300,000;
- VIP would withdraw its criminal complaint and would cooperate with the Company for withdrawal of the case;
- the Company would not use the registered trademark of VIP or any other deceptively similar mark in respect of luggage and allied goods;
- the Company and VIP would not have any claims against each other; and
- in the event of recurrence of a similar act by the Company, VIP would not be bound by this understanding and has recourse to appropriate action without prior notice.

## OUR MANAGEMENT

### Board of Directors

Under our Articles of Association, we are required to have no less than three Directors and no more than 12 Directors. We currently have six Directors.

The following table sets out the current details regarding our Board of Directors:

Name, Designation, Father's/Husband's Name, DIN and Occupation	Age	Address	Other Directorships
Mr. Ram Chandra Agarwal s/o late Mr. Kishan Gopal Agarwal  <i>Executive Director</i>  <i>Chairman and Managing Director</i>  DIN: 00491885  Occupation: Business	42 years	B-1, 801, Lagoon Apartment, Ambience Island, NH VIII, Gurgaon, Haryana 122 002	<ul style="list-style-type: none"> <li>• Ricon Commodities Private Limited</li> <li>• Unicon Marketing Private Limited</li> <li>• Vishal Water world Private Limited</li> </ul>
Mrs. Uma Agarwal w/o Mr. Ram Chandra Agarwal  <i>Executive Director</i>  <i>Whole-time Director</i>  DIN: 00495945  Occupation: Business	32 years	B-1, 801, Lagoon Apartment, Ambience Island, NH VIII, Gurgaon, Haryana 122 002	<ul style="list-style-type: none"> <li>• Ricon Commodities Private Limited</li> <li>• Unicon Marketing Private Limited</li> <li>• Vishal Water world Private Limited</li> </ul>
Mr. Surendra Kumar Agarwal s/o late Mr. Kishan Gopal Agarwal  <i>Executive Director</i>  <i>Whole-time Director</i>  DIN: 00491890  Occupation: Business	44 years	B-082, DLF Phase III, Belvedere Park, Gurgaon, Haryana 122 002	<ul style="list-style-type: none"> <li>• Sunita Fashion Private Limited</li> </ul>
Mr. Bharat Jain s/o late Mr. Bansil Lal Jain  <i>Independent Director</i>  DIN: 00030012  Occupation: Business	43 years	25, Bally Gaunj Circular Road, Paramount Building, Kolkata, West Bengal 700 019	<ul style="list-style-type: none"> <li>• Bansilal Credit Private Limited</li> <li>• Bansilal Leisure Parks Limited</li> <li>• Eco Orchards Private Limited</li> <li>• Price Rite Retail Holdings Private Limited</li> <li>• Ritu Finvest Private Limited</li> <li>• Yamini Agencies Private Limited</li> <li>• Nimbark Impex Private Limited</li> <li>• Green Valley Towers Private Limited</li> <li>• Nik Nish Retail Limited</li> <li>• Swati Gases Private Limited</li> <li>• Tolaram Nuthmall Limited</li> <li>• Ankleshwar Management Private Limited</li> </ul>
Mr. Jay Prakash Shukla s/o Mr. Ram Kailash Shukla	31 years	702, Rajpri, Rajvansh Tower, Judges Bungalow Road,	Nil

Name, Designation, Father's/Husband's Name, DIN and Occupation	Age	Address	Other Directorships
<i>Independent Director</i> DIN: 00911911  Occupation: Business		Bodakdev, Satellite, Ahmedabad, Gujarat 380 052	
Mr. Rakesh Aggarwal s/o Mr. Gauri Shanker Aggarwal  <i>Independent Director</i> DIN: 00404514  Occupation: Business	43 years	D-44, Pushpanjali Enclave, Pitampura, New Delhi 110 034.	• Labhkari Fincap Private Limited

### Details of our Directors

**Mr. Ram Chandra Agarwal**, 42 years, is our Chairman and Managing Director. He holds a bachelor's degree in commerce from St. Xavier's College, Kolkata. Mr. Agarwal has more than 18 years of experience in the retail industry and has been with us since our inception in 1997. He started the business under the name of "Vishal Garment" with a small store at 9, Lal Bazaar Street, Kolkata. Mr. Agarwal has made efforts for the development of the value retailing industry in India and is well known for his business acumen. Mr. Agarwal has been ranked as the 28<sup>th</sup> most powerful person in the Indian retail industry (source: *Collectors' Issue-Retailer, India Edition, February 15, 2007 to April 14, 2007, volume 2, no. 1*).

**Mrs. Uma Agarwal**, 32 years, is an executive Director of our Company. She holds a bachelor's degree in arts. Mrs. Agarwal has more than five years of experience in the retail industry. She has been associated with accounts department of our Company.

**Mr. Surendra Kumar Agarwal**, 44 years, is an executive Director of our Company. He holds a bachelor's degree in commerce. Mr. Agarwal has more than 15 years of experience in the retail industry. He has been associated with store development and management at various locations of our Company.

**Mr. Bharat Jain**, 43 years, is an independent Director of our Company. He holds bachelor's degree in commerce. Mr. Jain is engaged in the business of leather garments and accessories and has more than 21 years of work experience. Mr. Jain joined our Board on May 8, 2006.

**Mr. Jay Prakash Shukla**, 31 years, is an independent Director of our Company. He holds a bachelor's degree in commerce. Mr. Shukla is currently associated with Adani Retail Limited since April 1, 2004 and has more than 11 years of work experience. Mr. Jay Prakash Shukla joined our Board on September 30, 2006.

**Mr. Rakesh Aggarwal**, 43 years, is an independent Director of our Company. He holds amaster's degree in commercer. Mr. Aggarwal is currently engaged in roto-moulding industry has more than 18 years of work experience. Mr. Aggarwal joined our Board on October 31, 2006.

Mr. Ram Chandra Agarwal is the husband of Mrs. Uma Agarwal. Mr. Surendra Kumar Agarwal is brother of Mr. Ram Chandra Agarwal. None of our other Directors are related to each other.

None of our Directors have been restricted from accessing the capital markets under any order or directions passed by SEBI or any other authorities.

### Borrowing Powers of our Board

Pursuant to a resolution passed by our shareholders dated December 4, 2006, in accordance with the provisions of the Companies Act, our Board has been authorised to borrow money for the purposes of the Company upon such terms and conditions and with/without security as the Board of Directors may think fit,



provided that the money or monies to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed, at any time, a sum of Rs. 5,000 million.

#### Details of Term of our Directors

Set forth are the details of the terms of our Directors:

Name of Directors	Term
Mr. Ram Chandra Agarwal	Appointed as a Whole-time Director designated as Managing Director for a period of five years with effect from June 2, 2006 vide resolution of the shareholders dated June 2, 2006.
Mrs. Uma Agarwal	Appointed as a Whole-time Director with effect from August 18, 2006 vide resolution of the shareholders dated September 21, 2006 and liable to retire by rotation.
Mr. Surendra Kumar Agarwal	Appointed as a Whole-time Director with effect from August 18, 2006 vide resolution of the shareholders dated September 21, 2006 and liable to retire by rotation.
Mr. Bharat Jain	Appointed on May 8, 2006 vide resolution of the board of Directors dated May 8, 2006.
Mr. Jay Prakash Shukla	Appointed on September 30, 2006 vide resolution of the board of Directors dated September 30, 2006.
Mr. Rakesh Aggarwal	Appointed on October 31, 2006 vide resolution of the board of Directors dated October 31, 2006.

#### Remuneration of our Directors

The following table sets forth the details of the annual remuneration (excluding ex-gratia) for the whole-time Directors\* for fiscal 2007:

Name	Basic Salary	Housing and Furnishing	<i>(Rs. in million)</i>	
			Perquisites (Car Running Maintenance)	Total
Mr. Ram Chandra Agarwal	3.60	1.80	0.60	6.00
Mrs. Uma Agarwal	0.54	0.27	0.09	0.90
Mr. Surendra Kumar Agarwal	1.69	0.84	0.28	2.81

\* We pay our non-executive Directors sitting fees for every meeting of our Board, audit committee, investor grievance committee and remuneration committee.

Except for our whole-time Directors who are entitled to statutory benefits upon termination of their employment with our Company, no other Director is entitled to any benefit upon termination of his employment with our Company.

#### Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to our Company immediately upon the listing of our Equity Shares with the Stock Exchanges. Our Company has complied with the corporate governance code in accordance with Clause 49 (as applicable), especially in relation to appointment of independent Directors to our Board and constitution of the investor grievance committee. Our Company undertakes to take all necessary steps to comply with all the requirements of Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges prior to listing.

Currently our Board has six Directors, of which the Chairman of the Board is an executive Director, and in compliance with the requirements of Clause 49 of the Listing Agreement, our Company has three executive Directors on our Board, of whom three are independent directors.

#### Committees of the Board

We have constituted the following committees of our Board of Directors for compliance with corporate governance requirements:

- (a) Audit Committee;
- (b) Shareholders'/ Investors' Grievance Committee;
- (c) Remuneration Committee;

#### *Audit Committee*

The members of the Audit Committee of the Board are Mr. Bharat Jain, Mr. Jay Prakash Shukla and Mr. Rakesh Aggarwal. All members of the Audit Committee are independent directors. The Chairman of the Audit Committee is an Independent Director.

The Audit Committee oversees the Company's financial reporting process and disclosure of its financial information. The Audit Committee further reviews the accounting and financial policies and practices, internal control systems, quarterly, half yearly and annual financial results. It also recommends appointment of statutory and internal auditors and considers and discusses reports and observations made by them.

#### *Shareholders'/ Investors' Grievance Committee*

The members of the Investors' Grievance Committee of the Board are Mr. Surendra Kumar Agarwal, Mr. Jay Prakash Shukla and Mr. Rakesh Aggarwal.

The Investors' Grievance Committee is responsible for the redressal of shareholders and investors' grievances such as non-receipt of share certificates, balance sheet, dividend, etc.

#### *Remuneration Committee*

The members of the Remuneration Committee of the Board are Mr. Rakesh Aggarwal, Mr. Jay Prakash Shukla and Mr. Bharat Jain. All members of the Remuneration Committee are independent directors.

The Remuneration Committee determines the Company's remuneration policy, having regard to performance standards and existing industry practice. Under the existing policies of our Company, the Remuneration Committee *inter alia* determines the remuneration payable to our Directors.

#### *Other Committees*

In addition, our Board constitutes, from time to time, such other committees, as may be required, for efficient functioning and smooth operations. Pursuant to a resolution of our Board dated November 13, 2006, a share transfer committee was constituted ("Share Transfer Committee"). The Share Transfer Committee approves transfer/ transmission of shares/ debentures/ bonds of our Company; issues certificates of shares/ debentures/ bonds, on allotment thereof and on split/ consolidation/ renewal thereof and issues duplicate certificates under the seal of our Company.

#### **Shareholding of Directors in our Company**

Our Articles of Association do not require our Directors to hold any Equity Shares as qualification shares. Except as below, our Directors do not hold any Equity Shares in our Company, prior to the Issue:

S. No.	Name of the Directors	Number of Equity Shares (Pre-Issue)	Pre Issue Percentage Shareholding	Post Issue <sup>#</sup> Percentage Shareholding
1.	Mr. Ram Chandra Agarwal	936,380	5.11	[•]
2.	Mrs. Uma Agarwal	344,000	1.88	[•]
3.	Mr. Surendra Kumar Agarwal	2,000	0.01	[•]
	<b>Total</b>	1,282,380	7.00	[•]

<sup>#</sup> Assuming that the Directors do not subscribe for Equity Shares in the Issue

#### **Interest of our Directors**

All our Directors, including independent Directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them. The Chairman and Managing Director and our executive Directors are interested to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Mr. Ram Chandra Agarwal, Mrs. Uma Agarwal and Mr. Surendra Kumar Agarwal hold our Equity Shares and, hence, they may be deemed to be interested to the extent of their shareholding in our Company. Further, all our Directors, including independent Directors, may also be deemed to be interested to the extent of Equity Shares, if any, already held by them or that may be subscribed for and allotted to them, out of the present Issue in terms of the Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Our Directors, including independent Directors, may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as directors, members, partners or trustees.

Some of our Directors may be deemed to be interested to the extent of consideration received/paid or any loans or advances provided to any body corporate including companies and firms, and trusts, in which they are interested as directors, members, partners or trustees.

Our Company was incorporated by Mr. Ram Chandra Agarwal, Mrs. Uma Agarwal and Mr. Surendra Kumar Agarwal. For this purpose, Mr. Ram Chandra Agarwal, Mrs. Uma Agarwal and Mr. Surendra Kumar Agarwal had subscribed to our Memorandum of Association and had subscribed to the initial issue of our Equity Shares.

Our Company has jointly availed with Mr. Ram Chandra Agarwal, a loan for an amount up to Rs. 21 million, for the purpose of acquiring an immovable property in the name of Mr. Ram Chandra Agarwal.

Except as stated above, our Directors have no interest in any property acquired by the Company within two years of the date of filing of this Red Herring Prospectus. For further details refer to the section titled “Financial Statements – Related Party Transactions” on page 152.

### **Changes in our Board**

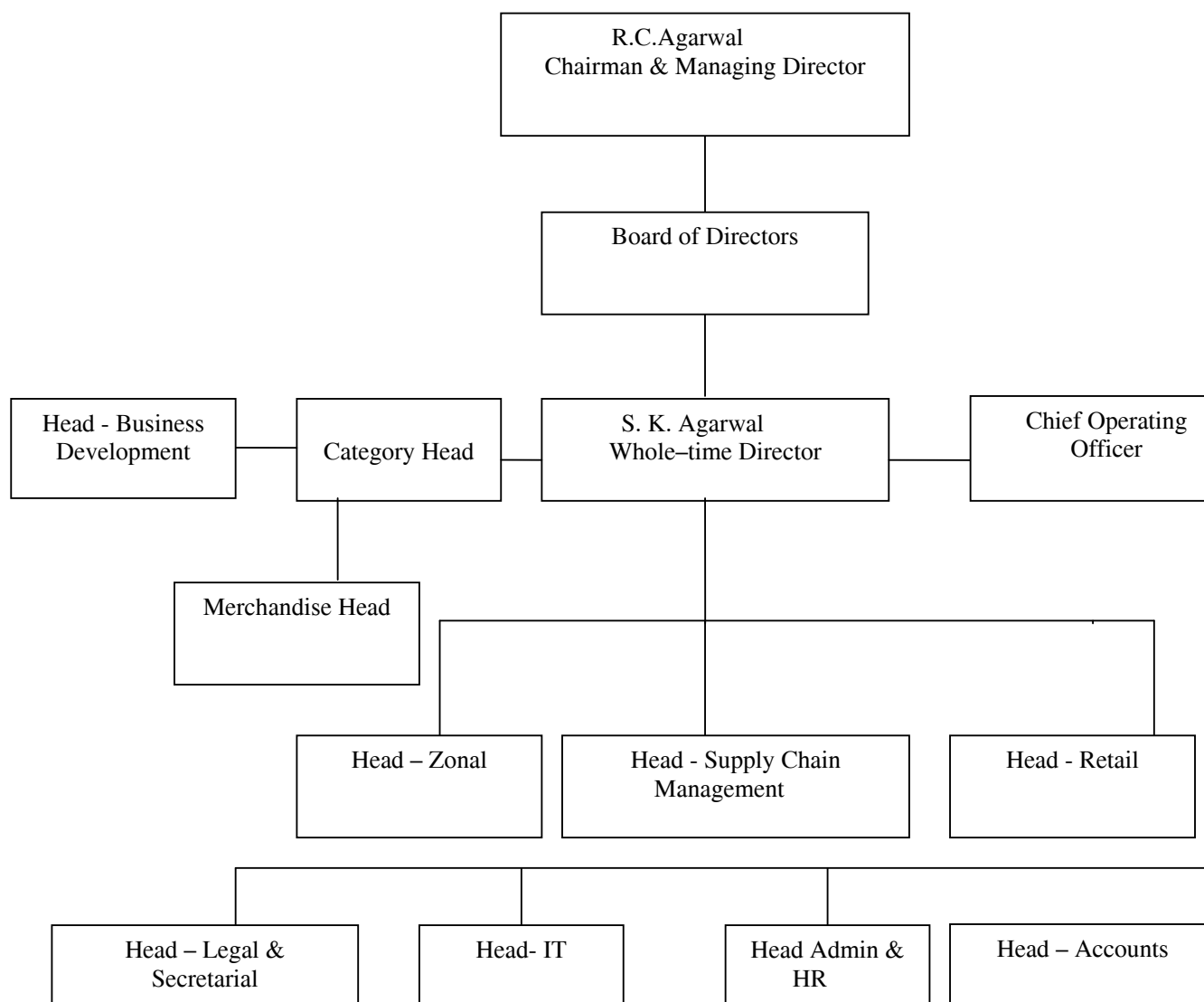
The changes in our Board of Directors in the last three years are as below:

<b>Name</b>	<b>Date of Change</b>	<b>Reason</b>
Mr. Shyam Sunder Dhanuka	November 9, 2006	Resignation
Mr. Rakesh Aggarwal	October 31, 2006	Appointment
Mr. Jay Prakash Shukla	September 30, 2006	Appointment
Mr. Praveen Kumar Jain	August 30, 2006	Resignation
Mr. Bharat Jain	May 8, 2006	Appointment
Mr. Praveen Kumar Jain	April 4, 2006	Appointment
Mr. Shyam Sunder Dhanuka	April 4, 2006	Appointment

*[this space has been kept blank intentionally]*

## Management Organisation Structure

Our management organisation structure is set forth below:



### Key Managerial Employees

Apart from our executive Directors (including the Chairman and Managing Director), the following are our key managerial employees:

**Mr. Ritesh Rathi, Chief Operating Officer**, aged 31 years, joined our Company on September 10, 2006. He holds a bachelor's degree in commerce and is a member of Institute of Chartered Accountants of India. Mr. Rathi has over six years of work experience and has practiced as a chartered accountant prior to joining us. His responsibilities include overlooking the day to day management of the operations of our Company as well as our information technology department. The remuneration fixed for fiscal 2007 for Mr. Rathi was Rs. 1.2 million.

**Mr. Manmohan Agarwal, Head - Supply Chain Magement & Men's Ethnic Apparel**, aged 30 years, joined our Company on August 1, 2002. He holds a bachelor's degree in commerce. Mr. Agarwal has over

10 years of work experience in the retail industry. Prior to joining us in 2002, he has been practicing as an independent consultant for six years. His responsibilities include the management and supervision of the supply chain and the procurement, production and retailing with respect to the men's ethnic apparel business of our Company. The remuneration fixed for fiscal 2007 for Mr. Agarwal was Rs. 2.47 million.

**Mr. Dipu Gupta, Head – Men's Apparel**, aged 32 years, joined our Company on April 1, 2003. He holds a bachelor's degree in commerce. Mr. Gupta has over 10 years of work experience in the retail industry. Prior to joining us in 2003, he has been practicing as an independent consultant for seven years. His responsibilities include the management, procurement, production and retailing with respect to the men's apparel business of our Company. The remuneration fixed for fiscal 2007 for Mr. Gupta was Rs. 2.1 million.

**Mr. Sunil Hirawat, Head – Accessories**, aged 38 years, joined our Company on June 1, 2003. He holds a bachelor's degree in commerce. Mr. Hirawat has over six years of work experience in the retail industry. Prior to joining us in 2003, he was engaged in business as a vendor of software and electrical equipment under the name of "Electro Crafts" and "Arihant Infotech" in Bangalore. His responsibilities include the management and supervision of the supply chain and the procurement, production and retailing with respect to the accessories business of our Company. The remuneration fixed for fiscal 2007 for Mr. Hirawat was Rs. 1.45 million.

**Mr. Deepak Sharma, Head – Kids Apparel**, aged 33 years, joined our Company on August 1, 2002. He holds a bachelor's degree in arts. Mr. Sharma has over seven years of work experience in the retail industry. Prior to joining us in 2002, he was engaged in the business of retailing of garments. His responsibilities include the management, procurement, production and retailing with respect to the kid's apparel business of our Company. The remuneration fixed for fiscal 2007 for Mr. Sharma was Rs. 1.3 million.

**Mr. Pawan Agarwal, Head – Ladies Apparel**, aged 29 years, joined our Company on June 1, 2003. He holds a bachelor's degree in arts. Mr. Agarwal has over four years of work experience in the retail industry. His responsibilities include the management and supervision of the supply chain and the procurement, production and retailing with respect to the ladies' apparel business of our Company. The remuneration fixed for fiscal 2007 for Mr. Agarwal was Rs. 1.1 million.

**Mr. Ramesh Agarwal, Head – FMCG**, aged 46 years, joined our Company on May 27, 2003. He holds a bachelor's degree in commerce. Mr. Agarwal has over 20 years of work experience in the retail industry. Prior to joining us in 2003, he was engaged in the business as a vendor of sweets. His responsibilities include the management and supervision of the supply chain and the procurement, production and retailing with respect to the FMCG business of our Company. The remuneration fixed for fiscal 2007 for Mr. Agarwal was Rs. 0.76 million.

**Mr. Amit Kumar Chaturvedi, Head – Finance and Accounts**, aged 31 years, joined our Company on May 19, 2003. He holds a bachelor's degree in mathematics and is a member of Institute of Chartered Accountants of India. Mr. Chaturvedi has over seven years of work experience in the retail industry. Prior to joining us in 2003, he worked with Haryana Texprint Overseas Limited, Faridabad. He supervises the formulation and implantation of the management information systems and is active in management of the legal, accounts and finance divisions of our Company. The remuneration fixed for fiscal 2007 for Mr. Chaturvedi was Rs. 1.01 million.

**Mr. Arvind Khemka, Head – Projects**, aged 44 years, joined our Company on October 1, 2005. He holds a bachelor's degree in commerce. Mr. Khemka has over five years of work experience in the retail industry. Prior to joining us in 2005, he worked with Vishal Water World Private Limited. His responsibilities include execution and establishment of projects in new locations. The remuneration fixed for fiscal 2007 for Mr. Khemka was Rs. 0.95 million.

**Mr. Arun Gupta, Company Secretary**, aged 32 years, joined our Company on October 14, 2005. He holds a bachelor's degree in commerce and is a member of the Institute of Company Secretaries of India. He has an experience of five years and has practiced as a Company Secretary prior to joining us. His responsibilities include ensuring compliance with all legal and regulatory requirements for the smooth functioning of the business of our Company. The compensation for fiscal 2007 for Mr. Gupta was Rs. 0.36 million.

**Mr. Ambeek Khemka, President, Business Development & Corporate Affairs**, aged 35 years, joined our Company on April 02, 2007. He holds a bachelors' degree in commerce from the University of Delhi. Mr. Khemka has a work experience of 15 years. Prior to joining us, he was working as an entrepreneur. He has vast experience in real estate matters and manufacturing of fine bone china crockery. His responsibilities include identifying new sites for company's showrooms, devising new business strategies and other business ventures. Since Mr. Khemka has joined our Company in the current fiscal, no remuneration was paid to him in fiscal 2007.

**Mr. Mukesh Tyagi, Deputy General Manager, Retail**, aged 35 years, joined our Company on May 01, 2007. He has qualified masters of business administration from Guru Jambheshwar University, Hisar. Mr. Tyagi has a total work experience of 11 years and 5 years of experience in the retail industry. Prior to joining us, he was heading the retail operations with Maspar Industries Private Limited. He oversees our national retail operations. Since Mr. Tyagi has joined our Company in the current fiscal, no remuneration was paid to him in fiscal 2007.

All the above named persons are our key managerial personnel and all of them are permanent employees of the Company. None of our key managerial employees are related to each other or to our Directors.

#### **Shareholding of the Key Managerial Employees**

None of our key managerial personnel hold any Equity Shares of our Company.

#### **Bonus or Profit Sharing Plan for our Key Managerial Employees**

We pay bonus to our key managerial employees subject to the provisions of the Payment of Bonus Act, 1965. Apart therefrom, there is no bonus or profit sharing plan for our key managerial employees.

#### **Changes in our Key Managerial Employees during the last three years**

The changes in our key managerial employees during the last three years are as follows:

<b>Name</b>	<b>Designation</b>	<b>Date of Change</b>	<b>Reason</b>
Mr. Mukesh Tyagi	Deputy General Manager, Retail	May 01, 2007	Appointment
Mr. Ambeek Khemka	President, Business Development & Corporate Affairs	April 02, 2007	Appointment
Mr. Ranjan Sharma	Head, Information Technology	March 15, 2007	Resignation
Mr. Ritesh Rathi	Chief Operating Officer	September 10, 2006	Appointment
Mr. Arun Gupta	Company Secretary	October 14, 2005	Appointment
Mr. Sanjay Khandelwal	Company Secretary	August 25, 2004	Resignation

#### **Interest of Key Managerial Personnel**

None of our key managerial personnel have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. None of our key managerial employees are directors in our Promoter Group companies.

#### **Employees Share Purchase Scheme/Employee Stock Option Scheme**

We do not have any stock option scheme or stock purchase scheme for the employees of our Company.

#### **Payment or benefit to officers of our Company**

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company.

Except as stated otherwise in this Red Herring Prospectus, no amount or benefit has been paid or given or is intended to be paid or given to any of our officers except the normal remuneration for services rendered as Directors, officers or employees, since incorporation of our Company.

Except as stated in the section titled “Financial Statements - Related Party Transactions” beginning on page 152, none of the beneficiaries of loans and advances and sundry debtors are related to our Directors.

## OUR PROMOTERS AND GROUP COMPANIES

### Our Promoters

The following individuals are the Promoters of our Company:

- a). Mr. Ram Chandra Agarwal;
- b). Mrs. Uma Agarwal; and
- c). Mr. Surendra Kumar Agarwal.

The following companies are the Promoters of our Company:

- a). Unicon Marketing Private Limited;
- b). Ricon Commodities Private Limited; and
- c). Vishal Water World Private Limited.

In addition, the following HUFs are the Promoters of our Company:

- a). Mr. Ram Chandra Agarwal (HUF)

The details of our Promoters who are individuals, are as follows:



Identification Particulars	Details
PAN	ACZPA8989R
Passport No.	F2654105
Voter ID Number	HVV2586279
Driving License Number	Not Applied For
Bank Account Number	066010200007115, Rajouri Garden Branch, New Delhi.

**Mr. Ram Chandra Agarwal**, a resident Indian national aged 42 years, the pioneer of budget stores in India, holds a bachelor's degree in commerce. He has about two decades of experience exclusively in readymade garments including manufacturing, retailing and marketing. He was brought up in Kolkata and started the business under the name of "Vishal Garment" with a small store at 9, Lal Bazaar Street, Kolkata. Mr. Agarwal has been ranked as the 28<sup>th</sup> most powerful person in the Indian retail industry (*source: Collectors' Issue-Retailer, India Edition, February 15, 2007 to April 14, 2007, volume 2, no. 1*). He is the Chairman and Managing Director of our Company and has been on the board of our Company since its inception.



Identification Particulars	Details
PAN	ACYPA1819P
Passport No.	A5953147
Voter ID Number	HVV2675353
Driving License Number	WB01236191
Bank Account Number	066010200007108, Rajouri Garden Branch, New Delhi.

**Mrs. Uma Agarwal**, a resident Indian national, W/o Mr. Ram Chandra Agarwal, aged 32 years, holds a bachelor's degree in arts. Mrs. Agarwal has more than five years of experience in the retail industry. She has been on the board of our Company since its inception. She started the business under the name "The Vishal Garments" in 1998 and the above concern was taken over by the Vishal Retail Private Limited in 2001 with all assets and liabilities. She has been associated with accounts department of our Company and is currently overseeing our marketing strategies.



Identification Particulars	Details
PAN	ACFPA1093A
Passport No.	B2846785
Voter ID Number	HVV2674398
Driving License Number	WB24022338
Bank Account Number	066010100091534, Rajouri Garden Branch, New Delhi.

**Mr. Surendra Kumar Agarwal**, a resident Indian national, aged 44 years, is a commerce graduate. He has been on the board of our Company since its inception. He was brought up in Calcutta and is engaged in the business with Mr. Ram Chandra Agarwal and actively looking after the entire purchasing activities of the company. He has two decades of experience in the



garments industry.

For other details relating to Mr. Ram Chandra Agarwal, Mrs. Uma Agarwal and Mr. Surendra Kumar Agarwal, including addresses, terms of appointment as our Directors and other directorships, see the section titled “Our Management” beginning on page 109.

The details of our Promoter companies are as below:

**(a). Vishal Water World Private Limited (“Vishal Water World”)**

Vishal Water World was incorporated on May 7, 1999 as a private limited company under the Companies Act. Its registered office is situated at Mouza-Kuchpukur, P.S. Bhangore, 24 Parganas (South) West Bengal, Kolkata. Vishal Water World is presently engaged in the business of operating an amusement centre and sports complex. Mentioned below are certain details of Vishal Water World:

S. No.	Particulars	Details
1.	Registration No:	21-89342 of 1999
2.	PAN	AACB1188J
3.	Bank account no.	116010200003148

*Promoters of Vishal Water World*

The promoters of Vishal Water World are Mr. Ram Chandra Agarwal and Mrs. Uma Agarwal. For details, see section titled “Our Promoters” on page 118.

*Shareholding pattern*

The equity shares of Vishal Water World are not listed on any stock exchange. The shareholding pattern of Vishal Water World as of April 30, 2007, is as follows:

S. No.	Name of Shareholder	Number of Shares	% of shareholding
1.	Unicon Marketing Private Limited	315,000	49.53
2.	Ricon Commodities Private Limited	300,000	47.17
3.	Mr. Ram Chandra Agarwal	12,010	1.89
4.	Mrs. Uma Agarwal	9,010	1.42
	<b>Total</b>	<b>636,020</b>	<b>100.00</b>

*Board of Directors*

As of April 30, 2007, the board of directors of Vishal Water World comprises Mr. Ram Chandra Agarwal and Mrs. Uma Agarwal.

*Change in the management of the company*

There has been no change in the management of Vishal Water World.

*Financial Performance*

Financial results of Vishal Water World for the last three fiscal years are set forth below:

Particulars	<i>(Rs. in '000, unless otherwise stated)</i>		
	March 31, 2006	March 31, 2005	March 31, 2004
Equity Capital	63,602.00	63,602.00	63,602.00
Reserves (excluding revaluation reserve)	12,416.61	11,760.52	9,800.10
Income/Sales	27,803.67	28,487.78	28,910.92
Profit/ Loss after Tax	656.09	1,960.42	(3,003.51)
Earnings per share (Rs.)	1.03	3.08	0
Net Asset Value	76,018.61	75,332.32	73,301.13
Book Value per share (Rs.)	119.52	118.44	115.25

**(b). Unicon Marketing Private Limited (“Unicon”)**

Unicon was incorporated on March 27, 1996 as a private limited company under the Companies Act. Its registered office is situated at Mouza-Kuchpukur, P.S. Bhangore, 24 Parganas (South) West Bengal, Kolkata. Unicon is a non-banking financial company and has applied for registration with the RBI by an application dated July 18, 1997. Unicon is presently carries on investment activities and holds investments in various companies.. Mentioned below are certain details of Unicon:

S. No.	Particulars	Details
1.	Registration No:	21-78654 of 1996
2.	PAN	AAACU5733B
3.	Bank account no.	006010200007122

*Promoters of the company*

The promoters of the company are Mr. Ram Chandra Agarwal and Mrs. Uma Agarwal. For details, see section titled “Our Promoters” on page 118.

*Shareholding pattern*

The equity shares of Unicon are not listed on any stock exchange. The shareholding pattern of Unicon as of April 30, 2007, is as follows:

S. No.	Name of Shareholder	No. of Shares	% of shareholding
1.	Ricon Commodities Private Limited	106,575	44.97
2.	Mr. Akash Agarwal	60,990	25.73
3.	Mrs. Uma Agarwal	22,910	9.67
4.	Mr. Ram Chandra Agarwal	20,300	8.57
5.	Ram Chandra Agarwal (HUF)	20,000	8.44
6.	Link Distributors Private Limited	1,300	0.55
7.	Anudeep Consultants Private Limited	1,136	0.48
8.	Chhatrapati Sales Agency Private Limited	692	0.29
9.	South Central Finance Services Private Limited	368	0.16
10.	Mr. Sajjan Kumar Agarwal	205	0.09
11.	Cromatic Suppliers Private Limited	200	0.08
12.	Shelja Traders Private Limited	176	0.07
13.	Flyking Suppliers Private Limited	160	0.07
14.	Delux Vyapaar Private Limited	152	0.06
15.	Shree Leasing & Finance Limited	133	0.06
16.	A. S. Confin Private Limited	120	0.05
17.	Auroplast Merchandise Private Limited	114	0.05
18.	Set Square Vinimay Private Limited	111	0.05
19.	Shine Delcom Private Limited	110	0.05
20.	Remcom Sales Services Private Limited	110	0.05
21.	Jaymin Investment Private Limited	96	0.04
22.	Wigwam Finance & Investment Private Limited	92	0.04
23.	Jublee Commercial Private Limited	88	0.04
24.	Balsaria Trading Co. Private Limited	83	0.04
25.	Deepak Fincom & Securities Private Limited	77	0.03
26.	Pigeon Syntex Private Limited	72	0.03
27.	Upkar Enclave Private Limited	53	0.02
28.	Sitalsat Traders Private Limited	41	0.02
29.	R. P. Dealers Private Limited	40	0.02
30.	Mr. Ganga Prasad Gupta	40	0.02
31.	Mr. Hari Prasad Bhalotia	40	0.02

32.	CCL Industries & Securities Private Limited	40	0.02
33.	Shivarpan Mercantiles Private Limited	38	0.02
34.	Anisha Estates & Finance Private Limited	35	0.01
35.	Camlin Tie PU Private Limited	34	0.01
36.	Madan Real Estate Private Limited	32	0.01
37.	Ganesh Barter Private Limited	24	0.01
38.	Nirupam Tracom Private Limited	24	0.01
39.	Proctor Pratisthan & Trading Co. Private Limited	20	0.01
40.	Breeje Barter Private Limited	20	0.01
41.	Bellona Dealcom Private Limited	20	0.01
42.	Jainex Dealcom Private Limited	20	0.01
43.	Shiv Bhakti Barter Private Limited	20	0.01
44.	Aristodic Commercial Private Limited	20	0.01
45.	Amichem Petro Product Private Limited	19	0.01
46.	Bossom Marketing Private Limited	17	0.01
47.	Buld Traders Private Limited	17	0.01
48.	Baviscon Suppliers Private Limited	12	0.01
<b>Total No. of Shares</b>		<b>236,996</b>	<b>100.00</b>

#### *Board of Directors*

As of April 30, 2007, the board of directors of Unicon comprises Mr. Ram Chandra Agarwal and Mrs. Uma Agarwal.

#### *Change in the management of the company*

The management of Unicon had changed pursuant to certain transactions of its equity shares on May 20, 1999, details of which are as below:

<b>Transferor</b>	<b>Acquirer</b>	<b>No. of equity shares</b>
Mr. Rakesh Sharma	Mr. Ram Chandra Agarwal	100
Mr. Sanjay Kedia	Mr. Ram Chandra Agarwal	100
Lambodar Construction Trading Pvt. Ltd.	Mr. Manoj Khemka	5,000
Baviscon Suppliers Pvt. Ltd.	Ms. Uma Agarwal	20,000
Baviscon Suppliers Pvt. Ltd.	Ram Chandra Agarwal (HUF)	20,000
Baviscon Suppliers Pvt. Ltd.	Mr. Surendra Kumar Agarwal	10,000
R.A. Trade & Finvest Pvt. Ltd.	Mr. Ram Chandra Agarwal	20,000
R.A. Trade & Finvest Pvt. Ltd.	Ms. Santa Agarwal	5,000
Sanjay Pasari Holdings Pvt. Ltd.	Ms. Santa Agarwal	15,000
Anapol Merchandise Pvt. Ltd.	Mr. Manoj Khemka	15,000

#### *Financial Performance*

Financial results of Unicon for the last three fiscal years are set forth below:

<b>Particulars</b>	<i>(Rs. in '000, unless otherwise stated)</i>		
	<b>March 31, 2006</b>	<b>March 31, 2005</b>	<b>March 31, 2004</b>
Paid-up equity share capital	2,369.96	2,369.96	2,205.74
Reserves (excluding revaluation reserve)	190,079.50	187,699.10	86,069.71
Sales and other income	3,798.64	1,904.06	828.10
Profit/ Loss after Tax	2,380.40	483.39	139.02
Earnings per share (Rs.)	10.04	2.17	0.63
Net Asset Value	192,273.09	189,885.84	88,256.68
Book Value per share (Rs.)	811.29	860.87	400.12

#### **(c). Ricon Commodities Private Limited (“Ricon”)**

Ricon was incorporated on April 5, 1995 as a private limited company under the Companies Act. Its registered office is situated at Mouza-Kuchpukur, P.S. Bhangore, 24 Parganas (South) West Bengal, Kolkata. Ricon is registered with the RBI as a non-banking financial company vide Reg. No. 05.01152 dated March 20, 1998 and presently carries on investment activities. Mentioned below are certain details of Ricon:

S. No.	Particulars	Details
1.	Registration No:	21-70911 of 1995
2.	PAN	AACCR7304R
3.	Bank account no.	0066010200007207

*Promoters of the company*

The promoters of the company are Mr. Ram Chandra Agarwal and Mrs. Uma Agarwal. For details, see section titled "Our Promoters" on page 118.

*Shareholding pattern*

The equity shares of Ricon are not listed on any stock exchange. The shareholding pattern of Ricon as of April 30, 2007, is as follows:

S. No	Name of Shareholder	No. of Shares	% of Shareholding
1.	Mr. Ram Chandra Agarwal	680,020	65.84
2.	Mr. Akash Agarwal	210,000	20.33
3.	Ram Chandra Agarwal (HUF)	60,000	5.81
4.	Unicon Marketing Private Limited	30,000	2.90
5.	Jal Sagar Distributors Private Limited	8,000	0.77
6.	Frontek Sales Private Limited	2,025	0.20
7.	Basera Vinimay Private Limited	2,000	0.19
8.	Ekta Vinimay Private Limited	2,000	0.19
9.	R. P. Dealers Private Limited	1,975	0.19
10.	Anudeep Consultants Private Limited	1,803	0.17
11.	Nirupam Tracom Private Limited	1,760	0.17
12.	Genius Trading Private Limited	1,750	0.17
13.	Teac Consultants Private Limited	1,700	0.16
14.	Renutrol Dealcom Private Limited	1,650	0.16
15.	Bellona Dealcom Private Limited	1,645	0.16
16.	Fidelity Holdings Private Limited	1,613	0.16
17.	Jainex Dealcom Private Limited	1,605	0.16
18.	Link Distributors Private Limited	1,500	0.15
19.	Ganga Base Barter Private Limited	1,428	0.14
20.	Netscope Dealcom Private Limited	1,425	0.14
21.	Baviscon Suppliers Private Limited	1,410	0.14
22.	Smart Dealers Private Limited	1,350	0.13
23.	Ganesh Barter Private Limited	1,268	0.12
24.	Mr. Narendra Bajaj	1,177	0.11
25.	Choudhary Vyapaar Private Limited	1,175	0.11
26.	Jai Jai Dealcom Private Limited	1,050	0.10
27.	Jalrasi Marketing Private Limited	850	0.08
28.	Shiv Shakti Barter Private Limited	838	0.08
29.	Aspolight Agencies Private Limited	758	0.07
30.	Instant Suppliers Private Limited	750	0.07
31.	Scintilla Commerce Private Limited	750	0.07
32.	Binapani Tracom Private Limited	700	0.07
33.	Deepak Fincom & Securities Private Limited	613	0.06
34.	Rahul Resouces Private Limited	600	0.06
35.	Meghdoot Vyapaar Private Limited	563	0.05
36.	Silverson Tracom Private Limited	510	0.05
37.	Simex Sales Private Limited	500	0.05
38.	Mahavat Holdings Private Limited	500	0.05
39.	Rohit Plastopack Private Limited	500	0.05
40.	Set Square Vinimay Private Limited	500	0.05
41.	Caplin Vinimay Private Limited	420	0.04
42.	Breeje Barter Private Limited	355	0.03

S. No	Name of Shareholder	No. of Shares	% of Shareholding
43.	Greenmark Securities Private Limited	338	0.03
44.	Bossom Marketing Private Limited	250	0.02
45.	Camlin Tie Up Private Limited	250	0.02
46.	Ginni Finance Private Limited	250	0.02
47.	Mackmurm Commodities Private Limited	250	0.02
48.	Spoxy Vincom Private Limited	250	0.02
49.	Manav Commodities Private Limited	150	0.01
50.	Showman Distributors Private Limited	100	0.01
<b>Total No. of Shares</b>		<b>1,032,874</b>	<b>100.00</b>

#### *Board of Directors*

As of April 30, 2007, the board of directors of Ricon comprises Mr. Ram Chandra Agarwal and Mrs. Uma Agarwal.

#### *Change in the management of the company*

The management of Ricon had changed pursuant to certain transactions of its equity shares on November 2, 1998, details of which are as below:

Transferor	Acquirer	No. of equity shares
Mr. Vikash Chhaparia	Mr. Ram Chandra Agarwal	10
Mr. Vishal Chhaparia	Mr. Ram Chandra Agarwal	10
Meghdoot Vyapaar Pvt. Ltd.	Mr. Ram Chandra Agarwal	40,000
Set Square Vinimay Pvt. Ltd.	Mr. Ram Chandra Agarwal	35,000
Yoyogawa Vinimay Pvt. Ltd.	Ram Chandra Agarwal (HUF)	50,000
Kaumudi Commercial Co. Pvt. Ltd.	Ram Chandra Agarwal (HUF)	10,000
Kamerad Commercial Pvt. Ltd.	Ms. Santa Devi Agarwal	40,000
Lunia Trading & Investment Pvt. Ltd.	Ms. Santa Devi Agarwal	125,000
Cynosure Trexim Pvt. Ltd.	Mr. Ram Chandra Agarwal	40,000
Nischinta Agencies Pvt. Ltd.	Ms. Santa Devi Agarwal	45,000
Anjan Comfin Pvt.Ltd.	Mr. Ram Chandra Agarwal	5,000
Anmol Distributors Pvt. Ltd.	Mr. Ram Chandra Agarwal	200,000
Sprint Impex Pvt. Ltd.	Mr. Ram Chandra Agarwal	100,000
Mr. Umesh Chandra Barik	Mr. Ram Chandra Agarwal	25,000
Ms. Uma Sharma	Mr. Ram Chandra Agarwal	30,000
Mr. Sajjan Kumar Agarwal	Mr. Ram Chandra Agarwal	30,000
Mr. Sajan Kumar Madhogaria	Mr. Ram Chandra Agarwal	30,000
Mr. Ram Saran Tewary	Mr. Ram Chandra Agarwal	30,000
Mr. Diwakar Sharma	Mr. Ram Chandra Agarwal	25,000
Mr. Shyam Sundar Agarwal	Mr. Ram Chandra Agarwal	40,000
Mr. Narendra Bajaj	Mr. Ram Chandra Agarwal	20,000
Ms. Sharda Devi Agarwal	Mr. Ram Chandra Agarwal	60,000

#### *Financial Performance*

Financial results of Ricon for the last three fiscal years are set forth below:

Particulars	<i>(Rs. in '000, unless otherwise stated)</i>		
	March 31, 2006	March 31, 2005	March 31, 2004
Paid-up equity share capital	10,328.74	10,328.74	10,208.74
Reserves (excluding revaluation reserve)	105,629.98	102,749.98	102,749.98
Sales and other income	0.00	2.35	2,004.55
Profit/ Loss after Tax	(4.37)	(180.81)	(334.12)
Earnings per share (Rs.)	0.00	0.00	0.00
Net Asset Value	114,836.25	114,778.24	111,876.50
Book Value per share (Rs.)	111.18	111.12	109.59

The details of the HUFs, which are our Promoters are as follows:

(a). Ram Chandra Agarwal (HUF)

The Ram Chandra Agarwal (HUF) was formed on May 02, 1992. It is presently engaged in the business of retail and has Mr. Ram Chandra Agarwal as its Karta. The members of Ram Chandra Agarwal (HUF) are Mr. Ram Chandra Agarwal, Mrs. Uma Agarwal, Mr. Akash Agarwal and Ms. Shreya Agarwal. Mentioned below are certain details of Ricon:

S. No.	Particulars	Details
1.	PAN	AADHR3359G
2.	Bank account no.	CA 409183, UCO Bank, New Market Branch, Kolkata

*Financial performance*

*(Rs. in '000, unless otherwise stated)*

Particulars	March 31, 2006*	March 31, 2005	March 31, 2004
Sales and other income	Nil	50.00	55.00
Profit/Loss after tax	Nil	49.00	49.00
Equity capital	N.A.	N.A.	N.A.
Earnings per share (Rs.)	N.A.	N.A.	N.A.
Book value per equity share (Rs.)	N.A.	N.A.	N.A.
Reserves & Surplus	N.A.	N.A.	N.A.

\* No income tax return filed as no income was generated.

**Interest in promotion of our Company**

Our Company had been incorporated by Mr. Ram Chandra Agarwal, Mr. Surendra Kumar Agarwal and Mrs. Uma Agarwal. For this purpose, they had subscribed to our Memorandum of Association and had subscribed to the initial issue of our Equity Shares. Except for their shareholding in our Company, the remuneration received from our Company and certain other interests as disclosed under the section "Interest of our Directors" and "Related Party Transactions" on pages 112 and 129, respectively, our Promoters do not hold any other interest in our Company.

**Interest in the property of our Company**

Our Promoters do not have any interest in any property acquired by our Company within two years preceding the date of the Red Herring Prospectus or proposed to be acquired by our Company.

**Relationship amongst individual Promoters**

Mr. Ram Chandra Agarwal is the husband of Mrs. Uma Agarwal. Mr. Surendra Kumar Agarwal is brother of Mr. Ram Chandra Agarwal.

**Payment of benefits to our Promoters during the last two years**

Except as stated in the section titled "Financial Statements - Related Party Transactions" beginning on page 129, there has been no payment of benefits to our Promoters during the last two years from the date of filing of this Red Herring Prospectus.

**Related Party Transactions**

For details of the related party transactions, see section titled "Financial Statements- Related Party Transactions" beginning on page 129.

**Other Undertakings and Confirmations**

Our Company undertakes that the details of the permanent account numbers, bank account numbers and passport numbers of our Promoters have been submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus with the Stock Exchanges.

Further, our Promoters and Promoter Group entities, including relatives of the Promoters, have confirmed that they have not been detained as willful defaulters by the RBI or any other Governmental authority, except for those disclosed in the section titled “Outstanding Litigation And Material Developments” and “Risk Factors” beginning on page 181 and 8, respectively.

Additionally, there are no violations of securities laws committed by them in the past or are pending against them and none of our Promoters or persons in control of bodies corporate forming part of our Promoter Group have been restricted from accessing the capital markets for any reasons, by SEBI or any other authorities, except for those disclosed in the section titled “Outstanding Litigation And Material Developments” and “Risk Factors” beginning on page 181 and 8, respectively.

### Common Pursuits

Except as disclosed in this Red Herring Prospectus under the section titled “Our Promoters and Promoter Group”, the Promoters do not have an interest in any venture that is involved in any activities similar to those conducted by the Company or any member of the Promoter Group.

### Companies promoted by our Promoters under Clause 6.8.3.2(k) and (l) of the SEBI Guidelines

Except as disclosed, none of the promoters or any of their immediate relatives holds 10.00% or more of the share capital of any company or entity specified under Clause 6.8.3.2 (k) and (l) of the SEBI Guidelines.

### Promoter Group

In addition to the Promoters named above, the following natural persons, companies, HUF’s and partnerships form a part of the Promoter Group.

The natural persons who are part of the Promoter Group (being the immediate relatives of our Promoters), apart from the individual Promoters mentioned above, are as follows:

S. No.	Name	Relation with Individual Promoters
1.	Mrs. Santa Devi Agarwal	Mother of Mr. Ram Chandra Agarwal and Mr. Surendra Kumar Agarwal
2.	Mr. Rajendra Kumar Agarwal*	Brother of Mr. Ram Chandra Agarwal and Mr. Surendra Kumar Agarwal
3.	Mrs. Sunita Agarwal	Wife of Mr. Surendra Kumar Agarwal
4.	Master Sudhanshu Agarwal	Son of Mr. Surendra Kumar Agarwal
5.	Master Rohit Agarwal	Son of Mr. Surendra Kumar Agarwal
6.	Master Akash Agarwal	Son of Mr. Ram Chandra Agarwal and Mrs. Uma Agarwal
7.	Ms. Shreya Agarwal	Daughter of Mr. Ram Chandra Agarwal and Mrs. Uma Agarwal
8.	Mrs. Shakuntala Todi	Sister of Mr. Ram Chandra Agarwal and Mr. Surendra Kumar Agarwal
9.	Mrs. Sushila Adukia	Sister of Mr. Ram Chandra Agarwal and Mr. Surendra Kumar Agarwal
10.	Mr. Santosh Bajoria	Father of Mrs. Uma Agarwal
11.	Mrs. Krishna Bajoria	Mother of Mrs. Uma Agarwal
12.	Mr. Hemant Bajoria	Brother of Mrs. Uma Agarwal
13.	Mr. Raj Kumar Bajoria	Brother of Mrs. Uma Agarwal
14.	Mrs. Renu Agarwal	Sister of Mrs. Uma Agarwal
15.	Mrs. Karuna Agarwal	Sister of Mrs. Uma Agarwal
16.	Mrs. Madhu Kothari	Sister of Mrs. Uma Agarwal

*\*Mr. Rajendra Kumar Agarwal (brother of Mr. Ram Chandra Agarwal and Mr. Surendra Kumar Agarwal), in response to our letter dated July 23, 2006 seeking certain information in respect of disclosures to be made in this Red Herring Prospectus, has communicated that he or any of his business concerns do not have a business relationship with us and he will not be providing any documents or information regarding his business or any company in which he holds interest, for the purposes of disclosure in this Red Herring Prospectus.*

### Promoter Group Companies & Entities

The companies that are part of the Promoter Group are as follows:

S. No.	Name of Promoter Group Company
a.	Sunita Fashion Private Limited

The proprietorship firms that form part of the Promoter Group are as follows:

S. No.	Name of Firm
a.	Island Enterprises

*\*proprietorship firm of Mr. Surendra Kumar Agarwal*

Other than those stated above, there are no HUFs, partnership or other entities that are part of the Promoter Group.

The details of our Promoter Group companies are as below:

**(a). Sunita Fashion Private Limited (“SFPL”)**

SFPL was incorporated on January 27, 2003 as a private limited company under the Companies Act. At incorporation, SFPL had its registered office at Mouza – Kuchpukur, P.S. Bhargore, 24 Parganas (S), West Bengal. The promoters of the company are Mr. Surendra Kumar Agarwal and Mrs. Sunita Agarwal. SFPL is presently engaged in the business of tailoring and fabrication of garments and to run general stores and departmental stores for the purpose of trading and dealing in all kinds of textiles, fabrics, etc. Mentioned below are certain details of SFPL:

S. No.	Particulars	Details
1.	Registration No:	U17299WB2003PTC095711
2.	PAN	AAHCS6918H
3.	Bank account no.	06601200006453

*Shareholding pattern*

The equity shares of SFPL are not listed on any stock exchange. The shareholding pattern of SFPL as of April 30, 2007, is as follows:

S. No	List of Shareholders	No. of Shares	% of Shareholding
1.	Julia Fashions Private Limited	2,000	26.66
2.	Anisha Estate & Finance Private Limited	1,850	24.66
3.	Vinayak Logistics Private Limited	1,500	20.00
4.	Frazer Goods & Supply Private Limited	650	8.66
5.	Mr. Surendra Kumar Agarwal	500	6.66
6.	Mrs. Sunita Agarwal	500	6.66
7.	Akar Estate Finance Private Limited	500	6.66
	<b>Total</b>	<b>7,500</b>	<b>100.00</b>

*Board of Directors*

As of April 30, 2007, the board of directors of SFPL comprises Mr. Surendra Kumar Agarwal and Mrs. Sunita Agarwal.

*Financial Performance*

Financial results of SFPL for the last three fiscal years are set forth below:

Particulars	<i>(Rs. in '000, unless otherwise stated)</i>		
	March 31, 2006	March 31, 2005	March 31, 2004
Equity Capital	750.00	750.00	750.00
Reserves (excluding revaluation reserve)	6,124.98	6,103.41	5,948.64
Income/Sales	285.66	2,292.34	1,465.96
Profit/ Loss after Tax	21.57	154.77	188.48
Earnings per share (Rs.)	2.88	20.63	25.13
Net Asset Value	6,865.18	6,837.81	6,677.24
Book Value per share (Rs.)	915.35	911.70	890.29

There had been no change in the capital structure of SFPL in the last six months.



The details of proprietorship firm which form part of Promoter Group are as below:

**(a). Island Enterprises**

Island Enterprises which was formed on May 2, 1992 and which has its office at Kouchpukur, Rajarhat Township, P.O. Hatgachia, Kolkatta 700 059, is a proprietorship firm of Mr. Surendra Kumar Agarwal. It has been engaged in the business of operation of a food restaurant since the time of its formation. The VAT Registration Number of Island Enterprises is 196122155049.

*Financial performance*

Particulars	<i>(Rs. in '000, unless otherwise stated)</i>		
	March 31, 2006	March 31, 2005	March 31, 2004
Sales and other income	1,010.00	1,105.57	1,307.09
Profit/Loss after tax	50.00	60.50	67.26
Equity capital	N.A.	N.A.	N.A.
Earnings per share (Rs.)	N.A.	N.A.	N.A.
Book value per equity share (Rs.)	N.A.	N.A.	N.A.
Reserves & Surplus	N.A.	N.A.	N.A.

**Defunct Promoter Group Companies**

There are no defunct Promoter Group companies.

**Companies with which Promoters have dissociated**

Our Promoters have not dissociated with any company in the last three years.

**Other Confirmations**

None of our Promoter Group companies have been become sick companies under the meaning of the Sick Industrial Companies Act and no winding up proceedings have been initiated against them. Further no application has been made, in respect of any of the Promoter Group companies, to the Registrar of Companies for striking off their names.

**Litigation**

For details relating to legal proceedings involving our Promoters and members of the Promoter Group, see the section titled “Outstanding Litigation and Material Developments” beginning on page 181.

**Related Party Transactions**

For details of the related party transactions, see the section titled “Financial Statements—Related Party Transactions” on page 152

## **DIVIDEND POLICY**

The declaration and payment of dividends on our Equity Shares will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition.

We have not declared or paid any dividend on our Equity Shares during the last five fiscal years.

Some of our financing documents contain restrictive conditions that dividends may not be paid if there are dues owed to the lenders, except where the instalment of principal and interest payable to the lenders in respect of the credit facilities, are being paid regularly and there are no irregularities whatsoever in respect of any of the credit facilities. For a description of these and other restrictive covenants in the financing documents, see the section titled “Financial Indebtedness” beginning on page 93.

## SECTION – V FINANCIAL STATEMENTS

### AUDITORS' REPORT

The Board of Directors  
**Vishal Retail Limited**  
RZ/A95-96, Road No. 4, Street No. 9,  
Mahipalpur Ext., New Delhi - 37,  
New Delhi.

#### Re: Public Issue of Vishal Retail Limited

Dear Sirs,

At your request, we HARIBHAKTI & CO., Auditors of Vishal Retail Limited ('VRL' or 'the Company'), have examined the Summary Statement of Assets and Liabilities (**Annexure II**) - As Restated, of the Company as at March 31, 2002, 2003, 2004, 2005, 2006 and 2007 and the Summary Statement of Profits and Losses (**Annexure I**) - As Restated, for the year ended on those dates (together referred to as '**Summary Statements**') prepared by the Company, approved by the Board of Directors and stamped & initialed by us for identification. These Statements reflect the 'Profits or Losses' and 'Assets and Liabilities' for the relevant period as extracted from the Profit and Loss Account and the Balance Sheet for relevant period upto 31<sup>st</sup> March 2006, audited and reported by Chhaparia & Associates, Chartered Accountants. The accounts of the company for the year ended as at March, 31st 2007 have been audited & reported by us. These profits/losses have been arrived at after making such adjustments and regroupings, more fully described in the notes appearing in **Annexure III** to the report and read together with notes to accounts and are in accordance with :-

- a) paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
- b) the Securities & Exchange Board of India (Disclosure & Investor Protection) Guidelines 2000 ('the Guidelines') and the related clarifications issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000 in pursuance of Section 11 of the Securities & Exchange Board of India Act, 1992, and related clarifications, and the amendments from time to time thereto, to the extent applicable;
- c) the terms of reference received from the Company, requesting us to carry out work, proposed to be included in the offer document of the Company in connection with its proposed Initial Public Offer ('IPO'); and
- d) the Guidance Note on Reports in Company Prospectuses and Guidance Note on Audit Reports/Certificates on Financial Information in Offer Documents issued by the Institute of Chartered Accountants of India.

The Company proposes to make an IPO for the fresh issue of equity shares, at an issue price to be arrived at by the book building process (referred to as the 'Offer').

Based on our examination of these related summary statements, we confirm that:

- a) The accounting policies have been consistently applied by the Company and are consistent to those used in previous year;

- b) There are no material prior period items which required adjustments in the summary statements;
- c) There are no extraordinary items which need to be disclosed separately in the summary statements; and
- d) There are no qualifications in the auditors' reports, which require any adjustment to the summary statement [**Refer Annexure III (A)**].

We have examined the following financial information relating to the Company which is restated and as approved by the Board of Directors for the purpose of inclusion in the Offer document:

1. Statement of Qualifications / Observations mentioned in the Audit Report as appearing in **Annexure III (A)** to this report.
2. Statement of Restated Cash Flow as appearing in **Annexure IV** to this report.
3. Statement of Other Income as appearing in **Annexure V** to this report.
4. Statement of Dividend Paid / Proposed as appearing in **Annexure VI** to this report.
5. Capitalization Statement as at March 31, 2007 as appearing in **Annexure VII** to this report.
6. Accounting ratios as appearing in **Annexure VIII** to this report.
7. Statement of Secured loan as appearing in **Annexure IX** as at March 31, 2007 to this report.
8. Statement of Unsecured loan as appearing in **Annexure X** as at March 31, 2007 to this report.
9. Statement showing Ageing of Debtors in **Annexure XI** to this report.
10. Statement of Loans and Advances as appearing in the **Annexure XII** to this report.
11. Statement of Tax Shelter as appearing in the **Annexure XIII** to this report.
12. Statement of Net Tangible Assets as appearing in the **Annexure XIV** to this report
13. Statement of Investments as appearing in the **Annexure XV** to this report.
14. Statement showing Commitments and Contingent Liabilities as appearing in the **Annexure XVI** to this report.
15. Statement showing Related Party Transactions as appearing in the **Annexure XVII** to this report.
- 16 The summary of significant accounting policies adopted by the Company as an annexure to this report.

The sufficiency of the procedures performed or adopted by the Company in preparation of the statements as set forth in the above paragraphs of this report, is the sole responsibility of the Company. Consequently, we make no representation regarding the sufficiency of the procedures.

This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports issued by us or by other firm of chartered accountants, nor should this report be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **HARIBHAKTI & CO.,**  
**Chartered Accountants**

---

**CHETAN DESAI**  
Partner  
Membership. No.: 17000

Place: Delhi  
Date: 25th May, 2007.

**ANNEXURE- I**  
**Statement of Restated Profit and Loss**

**Rs. in Millions**

Particulars	For the Financial Year				
	2006-07	2005-06	2004-05	2003-04	2002-03
<b>Sales:</b>					
Of products manufactured by the Company	583.58	483.50	425.60	229.00	0.00
Of products traded by the Company	5442.95	2400.93	1037.52	652.04	499.59
<b>Total</b>	<b>6026.53</b>	<b>2884.43</b>	<b>1463.12</b>	<b>881.04</b>	<b>499.59</b>
Other income	22.92	6.46	1.43	1.05	35.64
Increase/ (Decrease) in inventory	1662.12	407.02	153.70	80.15	43.19
<b>Total Income</b>	<b>7711.57</b>	<b>3297.91</b>	<b>1618.25</b>	<b>962.24</b>	<b>578.42</b>
<b>Expenditure</b>					
Cost of goods sold	5124.93	2143.94	1047.73	664.85	426.73
Staff costs	274.08	135.44	60.35	30.21	31.96
Manufacturing and administrative expenses	301.94	179.90	134.90	88.36	8.16
Selling & distribution expenses	1317.29	568.75	286.33	148.68	91.13
Interest	147.54	29.12	9.83	2.09	3.34
Depreciation	152.88	53.66	29.16	14.74	9.00
<b>Total Expenditure</b>	<b>7318.66</b>	<b>3110.81</b>	<b>1568.30</b>	<b>948.93</b>	<b>570.32</b>
<b>Net Profit Before Tax and Extra Ordinary Items</b>	<b>392.91</b>	<b>187.10</b>	<b>49.95</b>	<b>13.31</b>	<b>8.10</b>
Provision for Taxation (includes wealth tax)	133.98	61.20	15.27	3.61	1.77
Fringe Benefit Tax	2.65	0.80	0.00	0.00	0.00
Provision for Deferred Tax	6.45	0.36	4.48	5.88	0.86
<b>Net Profit After Tax &amp; Before Extra Ordinary Items</b>	<b>249.83</b>	<b>124.74</b>	<b>30.20</b>	<b>3.82</b>	<b>5.47</b>
Extraordinary Items (Net of tax)	-	-	-	-	-
<b>Net profit after extraordinary items</b>	<b>249.83</b>	<b>124.74</b>	<b>30.20</b>	<b>3.82</b>	<b>5.47</b>
<b>Surplus as per restated profit &amp; loss A/c</b>	<b>166.85</b>	<b>42.11</b>	<b>11.91</b>	<b>8.09</b>	<b>2.62</b>
Less : Dividend	0.042	-	-	-	-
Less : Dividend Distribution Tax	0.008	-	-	-	-
<b>Balance carried to Balance Sheet</b>	<b>416.63</b>	<b>166.85</b>	<b>42.11</b>	<b>11.91</b>	<b>8.09</b>

**ANNEXURE- II**  
**Statement of Restated Assets and Liabilities**

Rs. in Millions

Particulars		As at				
		31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
<b>A</b>	<b>Fixed Assets:</b>					
	Gross Block	1328.35	461.67	240.08	123.12	60.28
	Less: Depreciation / Amortization	(257.73)	(106.77)	(54.23)	(25.20)	(10.46)
	<b>Net Block</b>	<b>1070.62</b>	<b>354.90</b>	<b>185.85</b>	<b>97.92</b>	<b>49.82</b>
	Less : Revaluation reserve	-	-	-	-	-
	Net Block after adjustment for revaluation reserve	1070.62	354.90	185.85	97.92	49.82
	Capital Work in Progress	10.88	46.41	-	-	-
	<b>Total</b>	<b>1081.50</b>	<b>401.31</b>	<b>185.85</b>	<b>97.92</b>	<b>49.82</b>
<b>B</b>	<b>Investments :</b>	-	-	-	<b>9.81</b>	-
<b>C</b>	<b>Current Assets, Loans and Advances:</b>					
	Inventories	2491.47	781.99	374.03	202.74	128.43
	Sundry Debtors	1.20	0.93	-	-	-
	Cash & Bank Balances	151.51	82.66	22.02	20.44	25.81
	Loans and Advances	580.39	322.23	60.05	31.97	15.06
	Other Current Assets	82.45	3.69	1.11	0.23	0.48
	<b>Total</b>	<b>3307.02</b>	<b>1191.50</b>	<b>457.21</b>	<b>255.38</b>	<b>169.78</b>
<b>D</b>	<b>Grand Total (A+B+C)</b>	<b>4388.52</b>	<b>1592.81</b>	<b>643.06</b>	<b>363.11</b>	<b>219.60</b>
<b>E</b>	<b>Liabilities &amp; Provisions:</b>					
	Share Application	-	-	0.91	79.96	38.95
	Secured Loans	2162.96	476.11	195.61	9.72	18.36
	Unsecured Loans	269.11	74.38	31.03	71.34	59.78
	Deferred Tax	18.02	11.58	11.22	6.74	0.86
	Current liabilities & provisions:					
	(a) Current Liabilities	467.06	224.34	85.55	58.01	44.96
	(b) Provisions	203.75	78.57	15.73	5.60	2.05
<b>F</b>	<b>Total</b>	<b>(3120.90)</b>	<b>(864.98)</b>	<b>(340.05)</b>	<b>(231.37)</b>	<b>(164.96)</b>
<b>G</b>	<b>Preference Share Capital</b>	-	<b>(56.09)</b>	-	-	-
<b>H</b>	<b>Net worth (D+F+G)</b>	<b>1267.62</b>	<b>671.74</b>	<b>303.01</b>	<b>131.74</b>	<b>54.64</b>
<b>I</b>	<b>Represented by:</b>					
	Equity Share Capital	183.25	164.91	148.20	120.00	46.80
	Reserves & surplus	1084.37	506.85	154.91	11.91	8.09
	Less: Revaluation reserve	-	-	-	-	-
	Less: Miscellaneous expenditure not written off	-	(0.02)	(0.10)	(0.17)	(0.25)
	<b>Net reserves &amp; surplus</b>	<b>1267.62</b>	<b>506.83</b>	<b>154.81</b>	<b>11.74</b>	<b>7.84</b>
	<b>Net worth</b>	<b>1267.62</b>	<b>671.74</b>	<b>303.01</b>	<b>131.74</b>	<b>54.64</b>

**ANNEXURE- III****Statement on adjustments for restated financial statements:**

*The following adjustments have been made to the audited financial statement of Vishal Retail Limited to arrive at the restated figure of profit & loss and accumulated profit & loss :*

Particulars	Rs. in Millions				
	For the Financial Year				
	2006-07	2005-06	2004-05	2003-04	2002-03
<b>Net profit after tax as per audited accounts</b>	<b>250.667</b>	<b>123.871</b>	<b>30.068</b>	<b>3.933</b>	<b>5.516</b>
<b>Add / (Less) adjustments on account of :</b>					
Impairment Loss	(0.974)	0.974	-	-	-
Provision for Gratuity	0.001		0.238	(0.173)	(0.066)
Depreciation	0.052	(0.052)	-	-	-
Provision for Tax (includes Wealth Tax)	1.164	(1.137)	(0.022)	(0.004)	(0.001)
Deferred Tax	(1.084)	1.085	(0.087)	0.062	0.024
<b>Net Impact on Profit Increase/ (Decrease)</b>	<b>(0.841)</b>	<b>0.870</b>	<b>0.129</b>	<b>(0.115)</b>	<b>(0.043)</b>
<b>Adjusted net profit after tax</b>	<b>249.826</b>	<b>124.741</b>	<b>30.197</b>	<b>3.818</b>	<b>5.473</b>

**Annexure III (A):****Statement of Qualification / Observations mentioned in the Audit Report:****Financial Year: 2006-07**

1. The Company is in the process of maintaining proper records showing full particulars, including quantitative details of fixed assets.

**Adjustment of such qualification :**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act,1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

2. 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.



**Adjustment of such qualification :**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act,1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

3. In our opinion and according to the information and explanations given to us, *the 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.* During the course of audit, no major weakness has been noticed in the internal controls.

**Adjustment of such qualification :**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act,1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

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

**Adjustment of such qualification :**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act,1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

5. 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:*

Rs in millions

Name of the Statute	Nature of the dues	Amount (Rs.)	Period to which it relates
Wealth Tax	Wealth Tax	0.06	2004 to 2006
Income Tax	Fringe Benefit Tax	0.27	2006 – 07
Income Tax	Dividend Distribution Tax	0.005	2006 – 07
Employees State Insurance Corporation	ESIC	0.16	2006 – 07
Professional Tax	Professional Tax	0.04	2005 to 2007
Sales Tax	Local Area Development Tax	0.16	2006 – 07

**Adjustment of such qualification :**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

6. 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:*

**Rs. in millions**

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)	2.19	Additional Asst. commissioner of Commercial Tax
Sales Tax Act (West Bengal)	Sales Tax demand ( 2002-03)	1.53	Additional Asst. commissioner of Commercial Tax
Sales Tax Act (West Bengal)	Sales Tax demand ( 2002-03)	0.58	Asst. Commissioner of Commercial Tax
Sales Tax Act (West Bengal)	Sales Tax demand ( 2002-03)	5.23	Asst. Commissioner of Commercial Tax
Sales Tax Act (Delhi)	Sales Tax demand ( 2002-03)	1.15	Deputy Commissioner of Sales Tax
Sales Tax Act (Guwahati)	Sales Tax demand ( 2002-03)	1.00	Superintendent of Taxes
Sales Tax Act (Orissa)	Entry Tax Demand (2002-03)	2.03	Additional Asst. commissioner of Commercial Tax
Sales Tax Act (Orissa)	Entry Tax demand ( 2004-05)	1.29	Assessing Authority
Sales Tax Act (Orissa)	Sales Tax demand ( 2004-05)	0.99	Additional Asst. commissioner of Commercial Tax

**Adjustment of such qualification :**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

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

**Adjustment of such qualification :**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act,1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

**Financial Year: 2005-06**

8. Though the company has an internal audit system in place, *in our opinion*, the system need more improvement to commensurate with the size of the company and the nature of its business.

**Adjustment of such qualification :**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act,1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

9. According to the information and explanations given to us, the company has been generally regular in depositing undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, service tax, cess and any other statutory dues as applicable to it with the appropriate authorities, *except for delays in depositing provident fund and employees state insurance with the relevant authorities in respect of new stores started during the year.*

**Adjustment of such qualification :**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act,1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

10. According to the records of the company and information and explanation given to us, *the following are the particulars of disputed statutory demands:*

<b>Rs. in millions</b>			
Department	Amount	Period to which the amount relates	Forum where pending
Entry Tax (Orissa)	2.02	2001-02 & 2002-03	A.C.S.T.,Puri Range, Bhubaneshwar
Sales Tax ( Orissa)	4.24	2001-02 & 2002-03	A.C.S.T.,Puri Range, Bhubaneshwar
Sales Tax (West Bengal) (Note -1)	0.32	2000-01	D.C.C.T./Kol
Sales Tax (West Bengal) (Note 2)	0.45	2000-01	D.C.C.T./Kol
Sales Tax (West Bengal)	0.81	2001-02	D.C.C.T./Kol
Sales Tax (West	0.60	2001-02	D.C.C.T./Kol

Bengal)(Note-3)			
Sales Tax (West Bengal)	1.53	2002-03	D.C.C.T./Kol
Sales Tax (West Bengal)	0.58	2002-03	D.C.C.T./Kol
Sales Tax (West Bengal)(Note-4)	0.26	2002-03	A.C.C.T./Kol
Sales Tax (West Bengal)(Note-5)	5.23	2002-03	A.C.C.T./Kol
Sales Tax (Delhi) (Note-6)	1.15	2002-03	J.C.D
Sales Tax (U.P)	5.43	2002-03	JC,Varanasi

Note:

1. In the name of erstwhile M/s Vishal Garments taken over by the company.
2. In the name of erstwhile M/s. Vishal Garments taken over by the company.
3. In the name of erstwhile Vishal Fashions Pvt. Ltd. taken over by the company.
4. In the name of erstwhile M/s Vishal Apparels taken over by the company.
5. In the name of erstwhile Vishal Fashions Pvt. Ltd. taken over by the company.
6. In the name of erstwhile M/s Vishal Apparels taken over by the company.

#### **Adjustment of such qualification :**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act, 1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

#### **Financial Year: 2004-05**

11. According to the records of the company and information and explanation given to us, *the following are the particulars of disputed statutory demands:*

<b>Rs. in millions</b>			
Department	Amount	Period to which the amount relates	Forum where pending
Entry Tax (Orissa)	2.03	2001-02	High Court, Orissa
Sales Tax ( Orissa)	8.13	2001-02 & 2002-03	High Court, Orissa
Sales Tax (Delhi) (Note)	1.15	2002-03	Assistant Commissioner, Delhi
Sales Tax (West Bengal) (Note 2)	0.32	2000-01 2001-02	Assistant Commissioner Sales Tax , West Bengal
Sales Tax (Note 3)	0.45	2000-01 2001-02	Asst. Commissioner, Sales Tax, West Bengal
Sales Tax (West Bengal)	0.81	2001-02	West Bengal Tribunal

Note:

1. In the name of erstwhile M/s Vishal Apparels taken over by the company.
2. In the name of erstwhile Ms. Vishal Garments taken over by the company.
3. In the name of erstwhile Ms. The Vishal Garments taken over by the company.

**Adjustment of such qualification :**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act,1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

**Financial Year: 2003-04**

12. According to the information and explanations given to us and according to the books and records produced to us and examined, *in our opinion the company has been generally regular* in depositing undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, excise duty, cess, and any other statutory dues as applicable to it with the appropriate authority.

**Adjustment of such qualification :**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act,1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

13. According to the records of the company and information and explanation given to us, *the following are the particulars of disputed statutory demands:*

<b>Rs. in millions</b>			
Department	Amount	Period to which the amount relates	Forum where dispute is pending
Sales Tax (Bhubhaneshwar)	42.39	2001-02	Assistant Commissioner, Sales Tax
Entry Tax (Bhubhaneshwar)	20.30	2001-02	Assistant Commissioner, Sales Tax
Sales Tax (Varanasi)	0.93	2002-03	Assistant Commissioner, Sales Tax
Sales Tax (Delhi) *	1.15	2002-03	Appeal to be filed

\*In the name of erstwhile M/s. Vishal Apparels, taken over by the company.

**Adjustment of such qualification :**

The above qualification cannot be adjusted in the Restated Financial Statement prepared in accordance with Part-II of Schedule- II of the Companies Act,1956 and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

## ANNEXURE- IV

## Statement of cash flow, as restated

Rs. in Millions

Particulars	For the Financial Year				
	2006-07	2005-06	2004-05	2003-04	2002-03
<b>Cash Flow from Operating Activities</b>					
<b>Net Profit Before Tax and Before Extra Ordinary Items</b>	392.91	187.10	49.95	13.31	8.10
<b>Adjustments for:</b>					
Depreciation	152.88	53.66	29.16	14.74	9.00
Loss on sale of Fixed Assets	-	1.09	0.21	1.80	-
Loss Due to Fire	1.55	-	-	-	-
Notional loss on Investment	-	-	-	0.19	-
Income from Mutual Fund	-	-	(0.38)	(0.36)	(0.04)
Provision for Gratuity	4.68	0.90	0.28	0.18	0.07
Provision for Bonus	6.99	-	-	-	-
Provision for Leave Encashment	10.98	-	-	-	-
Provision for Other Expenses	2.50	-	-	-	-
Preliminary expenses written off	0.02	0.08	0.08	0.08	0.08
Interest on Loan	147.54	29.12	9.83	2.09	3.34
Interest Received	(1.97)	(0.49)	(0.19)	(0.31)	(0.19)
<b>Operating Profit before working capital changes</b>	<b>718.08</b>	<b>271.46</b>	<b>88.94</b>	<b>31.72</b>	<b>20.36</b>
<b>Adjustment for changes in working capital</b>					
(Increase)/ Decrease in Advances & Receivables	(110.21)	(213.22)	(19.76)	(13.13)	1.64
(Increase)/ Decrease in Inventories	(1709.49)	(407.96)	(171.29)	(74.31)	(60.53)
Increase/ (Decrease) in Trade Payable	(13.54)	110.25	27.32	4.22	18.71
Increase/ (Decrease) in Other Payable	161.42	28.55	79.27	8.83	(3.14)
<b>Cash generated from operation</b>	<b>(953.74)</b>	<b>(210.92)</b>	<b>4.48</b>	<b>(42.67)</b>	<b>(22.96)</b>
Direct Taxes paid	(71.30)	(52.47)	(14.62)	(3.76)	(1.86)
<b>Cash Flow before extraordinary items</b>	<b>(1025.04)</b>	<b>(263.39)</b>	<b>(10.14)</b>	<b>(46.43)</b>	<b>(24.82)</b>
<b>Extra Ordinary Items</b>	-	-	-	-	-
<b>Net cash from operating activities (A)</b>	<b>(1025.04)</b>	<b>(306.18)</b>	<b>(10.14)</b>	<b>(46.43)</b>	<b>(24.82)</b>
<b>Cash Flow from Investment Activities</b>					
Purchase of Fixed Assets	(944.71)	(226.01)	(117.36)	(65.90)	(37.23)
Capital Work in Progress	(10.88)	(46.41)	-	-	-
Purchase of Investments	-	-	(30.00)	(37.50)	(14.00)
Sale of Fixed Assets	-	2.13	0.06	1.25	-
Interest Received	1.97	0.49	0.19	0.31	0.19
Dividend Received	-	-	-	0.36	0.04
Sale of Investment	2.81	-	40.19	27.50	14.00
Realized against loss of assets by fire	-	-	-	-	-
<b>Net cash from Investing Activities (B)</b>	<b>(950.81)</b>	<b>(269.80)</b>	<b>(106.92)</b>	<b>(73.98)</b>	<b>(37.00)</b>
<b>Cash Flow From Financial Activities</b>					
Proceeds from issuance of share capital	290.00	300.00	25.25	63.44	16.15
Proceed from issuance of Debenture	600.00	-	-	-	-
Share application money received / (refunded)	-	(0.90)	(42.36)	50.77	10.59
Proceeds/ (Repayment) of Bank borrowings	1086.85	280.50	185.89	(8.64)	0.24
Proceeds/ (Repayment) of Unsecured Loan	194.74	43.35	(40.31)	11.56	55.26

Interest Paid on Loan	(126.89)	(29.12)	(9.83)	(2.09)	(3.34)
Preliminary expenses	-	-	-	-	(0.10)
<b>Net cash from financing activities (C)</b>	<b>2044.70</b>	<b>593.83</b>	<b>118.64</b>	<b>115.04</b>	<b>78.80</b>
<b>Net Increase in Cash and Cash</b>	<b>68.85</b>	<b>60.64</b>	<b>1.58</b>	<b>(5.37)</b>	<b>16.98</b>
<b>Equivalents ( A+B+C)</b>					
<b>Cash and Cash Equivalents-Opening</b>	<b>82.66</b>	<b>22.02</b>	<b>20.44</b>	<b>25.81</b>	<b>8.83</b>
<b>balance</b>					
<b>Cash and Cash Equivalents-Closing</b>	<b>151.51</b>	<b>82.66</b>	<b>22.02</b>	<b>20.44</b>	<b>25.81</b>
<b>balance</b>					

**ANNEXURE- V**  
**Statement of Other Income (Restated)**

**Rs. in Millions**

Particulars	For the Financial Year				
	2006-07	2005-06	2004-05	2003-04	2002-03
Rent Received	2.38	0.79	-	-	-
Interest Received	1.97	0.49	0.19	0.31	0.19
Commission Received	-	0.13	0.57	0.07	-
Display Charges	8.81	3.87	-	-	-
Consignment Commission	-	-	-	-	34.81
Income on sale of Investment	-	-	0.38	-	-
Dividend Income	-	-	-	0.36	0.04
Sundry Balances w/off	-	1.09	-	0.05	0.23
Miscellaneous Income	9.76	0.09	0.29	0.26	0.37
<b>Total</b>	<b>22.92</b>	<b>6.46</b>	<b>1.43</b>	<b>1.05</b>	<b>35.64</b>

**ANNEXURE-VI**  
**Statement of Dividends Paid/ Proposed**

**Rs. in Millions**

Details	As at				
	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
Face Value per Equity Share (Rs.)	10.00	10.00	10.00	10.00	10.00
Paid-Up Equity Share Capital	183.25	164.91	148.20	120.00	46.80
Proposed Dividend	0.042	-	-	-	-
Dividend distribution tax	0.008	-	-	-	-

\* This proposed dividend is on the convertible participable preference shares, which has been converted during the year into equity shares.

**ANNEXURE- VII**  
**Capitalization Statement**

**Rs. in Millions**

Particulars	Pre issue as at 31.03.2007	As adjusted for issue
<b>Short Term Debts</b>		
Secured	2076.63	
Unsecured	248.61	
<b>Total</b>	<b>2325.24</b>	
<b>Long Term Debts</b>		
Secured	86.33	
Unsecured	20.50	
<b>Total</b>	<b>106.83</b>	
<b>Shareholder's Funds</b>		
Share Capital	183.25	
Reserves & Surplus	1084.37	
Less : Miscellaneous Expenditure to the extent not w	-	
<b>Total Shareholders' Funds</b>	<b>1267.62</b>	
<b>Long Term Debt/ Equity Ratio</b>	<b>0.08</b>	



**ANNEXURE- VIII**  
**Restated Accounting Ratios**

**Rs. in Millions**

Particulars	As at				
	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
Net worth (Rs.) (A)	1267.62	671.74	303.01	131.74	54.64
Restated profit after tax (Rs.) (B)	249.83	124.74	30.20	3.82	5.47
No. of shares outstanding (C)	18,324,795.00	16,490,605.00	14,820,000.00	12,000,000.00	4,680,000.00
Weighted average number of shares outstanding – (For Basic EPS) (D)	17,943,481.00	15,634,706.00	13,227,452.05	4,700,054.79	2,200,547.95
Weighted average number of shares outstanding – (For Diluted EPS) (E)	17,943,481.00	15,822,064.41	13,317,952.05	12,695,554.79	6,095,547.95
<b>Basic Earning per Share (Rs.) (B/D)</b>	<b>13.92</b>	<b>7.98</b>	<b>2.28</b>	<b>0.81</b>	<b>2.49</b>
<b>Diluted Earning per Share (Rs.) (B/E)</b>	<b>13.92</b>	<b>7.88</b>	<b>2.27</b>	<b>0.30</b>	<b>0.90</b>
<b>Return on Net worth (%)</b>	<b>19.71%</b>	<b>18.57%</b>	<b>9.97%</b>	<b>2.90%</b>	<b>10.02%</b>
<b>Net Asset Value per Share (Rs.) (A/C)</b>	<b>69.18</b>	<b>40.73</b>	<b>20.45</b>	<b>10.98</b>	<b>11.68</b>

**Notes:**

1. Face value of equity shares is Rs. 10/- per share.
2. For the purpose of calculation of Diluted EPS closing balance of share application money has been taken.

**ANNEXURE- IX**  
**Restated Statement of Secured Loans as on 31<sup>st</sup> March, 2007**

**Rs. In Millions**

Sr. No	Particulars	Amount as at 31.03.07	Amount as at 31.03.07	Rate	Security	Repayment Terms
1	<u>9.1 NON-CONVERTIBLE DEBENTURE</u> LIC MUTUAL FUND		600.00	9.10%	Secured by mortgage of office/land	To be redeemed in Nov. 07
2	<u>CORPORATE LOAN</u> STATE BANK OF INDIA		16.85	10.75%	Hypothecation of all fixed assets as on 30.9.2005	Quarterly Installment of Rs. 41.66 lacs till March 2008
	STATE BANK OF INDIA		25.26	10.75%	Hypothecation of all fixed assets as on 30.9.2005	Quarterly Installment of Rs. 50.00 lacs till March 2008
	CENTURION BANK OF PUNJAB		66.18	11.00%	First Charge on Fixed Assets acquired out of Term Loan.	Quarterly Installment of Rs. 80 lacs till June 2009
	HSBC		100.00	13.25%	Exclusive charge of entire plant and machinery (movable & fixed)	Weekly Installment of Rs. 19.23 lacs till July 2007
	YES BANK		110.83	10.25%	First Pari Passu Charge on Current Assets.	Monthly Instalment of Rs. 125 lacs till Dec. 2007
3	<u>WORKING CAPITAL LOAN</u> STATE BANK OF INDIA C/C		831.52	10.75%	* Hypothecation of inventory, book debts and all fixed assets as on 30.9.2005 except the stock lying with the franchisee	Renewable with in one year
	STATE BANK OF INDIA SLC		45.47	11.75%	* Hypothecation of inventory, book debts and all fixed assets as on 30.9.2005 except the stock lying with the franchisee	Renewable with in one year
	HSBC		300.00	13.25%	Hypothecation of fixed assets and entire current assets up to 30 crore	Renewable with in one year
3	<u>FIXED ASSETS LOANS</u> ICICI BANK LTD.	4.59		13.05%	Hypothecation of Specific Computer	Monthly Installment of Rs. 15.63 lacs till June 07
	INTEC SECURITIES LTD.	0.95		5.95%	Hypothecation of Specific Furniture	Rs. 9.59 lacs till April 07
	INTEC SECURITIES LTD.	13.56		5.95%	Hypothecation of Specific Genset	Rs. 14.38 lacs till Jan. 08
	INTEC SECURITIES LTD.	14.62		5.95%	Hypothecation of Specific Genset	Rs.19.17 lacs till Nov. 07
	INTEC SECURITIES LTD.	3.17		5.95%	Hypothecation of Specific Genset	Rs.10.81 lacs till June 07
	INTEC SECURITIES LTD.	8.99		5.95%	Hypothecation of Specific Genset	Rs.9.53 lacs till Jan 08
	ICICI BANK LTD.	0.07		6.42%	Hypothecation of Specific Vehicle	Rs.0.06 lacs till Mar. 08
	ICICI BANK LTD.	0.53		5.90%	Hypothecation of Specific Vehicle	Rs. 0.39 lacs till April 08
	ICICI BANK LTD.	0.17		9.00%	Hypothecation of Specific Vehicle	Rs. 0.12 lacs till May 08
	ICICI BANK LTD.	0.10		10.75%	Hypothecation of Specific Vehicle	Rs. 0.06 lacs till Aug. 08
	ICICI BANK LTD.	0.11		10.75%	Hypothecation of Specific Vehicle	Rs. 0.06 lacs till Sept. 08
	ICICI BANK LTD.	0.33		10.50%	Hypothecation of Specific Vehicle	Rs. 0.23 lacs till June 08
	ICICI BANK LTD.	0.62		12.50%	Hypothecation of Specific Vehicle	Rs. 0.22 lacs till Jan. 10
	ICICI BANK LTD.	0.37		12.50%	Hypothecation of Specific Vehicle	Rs. 0.13 lacs till Jan. 10
	ICICI BANK LTD.	0.53		13.50%	Hypothecation of Specific Vehicle	Rs. 0.24 lacs till Apr. 09
	ICICI BANK LTD.	0.24		13.76%	Hypothecation of Specific Vehicle	Rs. 0.11 lacs till Apr. 09
	ICICI BANK LTD.	0.24		13.76%	Hypothecation of Specific Vehicle	Rs. 0.11 lacs till Apr. 09
	ICICI BANK LTD.	0.50		13.75%	Hypothecation of Specific Vehicle	Rs. 0.22 lacs till June 09
	ICICI BANK LTD.	0.55		12.31%	Hypothecation of Specific Vehicle	Rs. 0.25 lacs till Apr 09
	CENTURION BANK OF PUNJAB	0.04		3.84%	Hypothecation of Specific Vehicle	Rs. 0.21 lacs till May 07
	CENTURION BANK OF PUNJAB	0.29		4.10%	Hypothecation of Specific Vehicle	Rs. 0.23 lacs till Apr. 08

CENTURION BANK OF PUNJAB	0.55		4.10%	Hypothecation of Specific Vehicle	Rs.0.48 lacs till Mar. 08
CENTURION BANK OF PUNJAB	0.70		4.10%	Hypothecation of Specific Vehicle	Rs.0.49 lacs till June 08
CENTURION BANK OF PUNJAB	0.75		4.10%	Hypothecation of Specific Vehicle	Rs. 0.47 lacs till Aug. 08
CENTURION BANK OF PUNJAB	0.83		4.10%	Hypothecation of Specific Vehicle	Rs. 0.47 lacs till Oct. 08
CENTURION BANK OF PUNJAB	0.16		4.33%	Hypothecation of Specific Vehicle	Rs. 0.20 lacs till Nov. 07
KOTAK MAHINDRA BANK LTD.	0.86		3.70%	Hypothecation of Specific Vehicle	Rs. 0.46 lacs till Nov. 08
KOTAK MAHINDRA BANK LTD.	0.96		4.18%	Hypothecation of Specific Vehicle	Rs. 0.48 lacs till Jan. 09
KOTAK MAHINDRA BANK LTD.	0.52		4.65%	Hypothecation of Specific Vehicle	Rs. 0.24 lacs till Mar. 09
KOTAK MAHINDRA BANK LTD.	0.52		4.65%	Hypothecation of Specific Vehicle	Rs. 0.24 lacs till Mar. 09
KOTAK MAHINDRA BANK LTD.	0.52		4.65%	Hypothecation of Specific Vehicle	Rs. 0.24 lacs till Mar. 09
KOTAK MAHINDRA BANK LTD.	0.52		4.65%	Hypothecation of Specific Vehicle	Rs. 0.24 lacs till Mar. 09
KOTAK MAHINDRA BANK LTD.	0.54		4.75%	Hypothecation of Specific Vehicle	Rs. 0.24 lacs till Apr. 09
KOTAK MAHINDRA BANK LTD.	0.54		4.75%	Hypothecation of Specific Vehicle	Rs. 0.24 lacs till Apr. 09
KOTAK MAHINDRA BANK LTD.	0.56		4.75%	Hypothecation of Specific Vehicle	Rs. 0.24 lacs till May. 09
KOTAK MAHINDRA BANK LTD.	0.56		4.75%	Hypothecation of Specific Vehicle	Rs. 0.24 lacs till May. 09
KOTAK MAHINDRA BANK LTD.	0.56		4.75%	Hypothecation of Specific Vehicle	Rs. 0.24 lacs till May. 09
KOTAK MAHINDRA BANK LTD.	0.56		4.75%	Hypothecation of Specific Vehicle	Rs. 0.24 lacs till May. 09
KOTAK MAHINDRA BANK LTD.	0.56		5.07%	Hypothecation of Specific Vehicle	Rs. 0.24 lacs till May. 09
KOTAK MAHINDRA BANK LTD.	0.56		5.07%	Hypothecation of Specific Vehicle	Rs. 0.24 lacs till May. 09
KOTAK MAHINDRA BANK LTD.	2.71		5.33%	Hypothecation of Specific Vehicle	Rs. 1.03 lacs till Oct. 09
KOTAK MAHINDRA BANK LTD.	2.24	66.85	5.33%	Hypothecation of Specific Vehicle	Rs. 0.79 lacs till Dec. 09
<b>Grand Total</b>		<b>2162.96</b>			

Notes:

\*The working capital loan is also secured by collateral security by way of equitable mortgage of 17 acres of land at Mouja Koucha Pukar, PO Hathgachia, 24 Pargana south West Bengal along with building constructed and plant & machinery installed thereon owned.

\*\* No amount is due from the Promoters / Promoter Group/ Group Companies/ Directors/ Relatives of Directors.

\*\*\* Personal guarantee of managing director is also given in case of Cash & Credit and Term Loans.

**ANNEXURE- X**

**Statement of Unsecured Loans**

**Rs. in Millions**

<b>Sr. No.</b>	<b>Name of the Lender</b>	<b>Amount as at 31.03.07</b>	<b>Rate of Interest</b>	<b>Repayment Schedule of Loans existing as at 31.03.07</b>
1.	<b>Long Term</b>			
	<b>Inter Corporate Deposits</b>			
	Kanha Shopping Mall Pvt Ltd.	9.00	12.00%	payable with in one year
	Nandini Retails Pvt Ltd.	11.50	26.08%	payable with in one year
	Sub Total	20.50		
2.	<b>Short Term</b>			
	<b>Loan From Body Corporates</b>			
	Varsha Consultant Pvt. Ltd.	2.00	12.00%	payable with in one year
	Frazer Goods & Supply Pvt. Ltd.	2.50	16.80%	payable with in one year
	Unicon Marketing Pvt. Ltd.	42.64	0.00%	payable with in one year
	Vishal Water World Pvt. Ltd.	3.98	0.00%	payable with in one year
	Kothari Retail Pvt. Ltd.	8.00	9.00%	payable with in one year
	Global Trade Finance Ltd.	152.55	10.00%	payable with in one year
	Development Credit Bank Ltd.	32.20	11.25%	payable with in one year
	HDFC Bank Ltd.	1.56	15.00%	payable with in one year
	Kotak Mahindra Bank Ltd.	3.18	18.50%	payable with in one year
	Sub Total	248.61		
	Total	269.11		

Note : As on March 31, 2007, no amount is due from the Promoters/ Promoter Group/ Group Companies/ Directors/ Relatives of Directors excluding the amount of Rs. 42.64 millions and Rs. 3.98 millions from Unicon Marketing Pvt. Ltd. and Vishal Waterworld Pvt. Ltd. respectively.

*ANNEXURE- XI*

**Restated age-wise analysis of Sundry Debtors**

**Rs. in Millions**

Particulars	As at				
	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
Debtors (Unsecured, Considered Good)					
a) More than six months	0.54	0.93	-	-	-
b) Less than six months	0.66	-	-	-	-
<b>Total</b>	<b>1.20</b>	<b>0.93</b>	-	-	-

**Note:** As on March 31, 2007, no amount is due from the Promoters/ Promoter Group/ Group Companies/ Directors/ Relatives of Directors.

**ANNEXURE- XII****Restated Loans and Advances****Rs. in Millions**

Sr No.	Particulars	As at				
		31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
1	Advances recoverable in cash or in kind or for value to be received	266.58	71.81	18.89	10.08	2.74
2	Sundry Deposits	15.26	26.72	9.59	5.91	3.65
3	Deposits towards premises	112.26	54.08	23.24	13.13	7.38
4	Advance against Fixed Assets	126.93	9.14	4.94	1.47	0.24
5	Advance to suppliers	51.51	18.26	2.75	0.96	-
6	Prepaid Expenses	7.85	142.22	0.64	0.42	1.05
	<b>Total</b>	<b>580.39</b>	<b>322.23</b>	<b>60.05</b>	<b>31.97</b>	<b>15.06</b>

**Note : No amount is due from the Promoters/ Promoters' group/ Group Companies/ Directors/ Relatives of Directors except :**

As at 31.03.2004	Rs. In Millions
Vishal Water World Pvt Ltd.	1.55
Mr. Surendra Kumar Agarwal	0.10
Sunita Fashion Pvt Ltd.	0.10
As at 31.03.2002	
Unicon Marketing Pvt Ltd.	2.95
Vishal Apparel	3.40
Vishal Fashion Pvt Ltd.	0.82

**ANNEXURE- XIII**

**Restated Tax Shelter Statement**

**Rs. in Millions**

Particulars	As at				
	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
Tax Rate	30.00%	30.00%	35.00%	35.00%	35.00%
Surcharge	10.00%	10.00%	2.50%	2.50%	5.00%
Education Cess	2.00%	2.00%	2.00%	0.00%	0.00%
Effective Tax Rate	33.66%	33.66%	36.59%	35.88%	36.75%
<b>Profit Before Tax</b>	<b>392.91</b>	<b>187.10</b>	<b>49.95</b>	<b>13.31</b>	<b>8.10</b>
<b>Tax at Notional rate (A)</b>	<b>132.25</b>	<b>62.98</b>	<b>18.28</b>	<b>4.78</b>	<b>2.97</b>
<b>Adjustments:</b>					
<b>Permanent Differences</b>					
Expenses Disallowance u/s 36 (i) (va)	(15.34)	-	-	-	-
Deductions u/s 80 G	-	-	(0.25)	-	-
Dividend	-	-	-	0.36	-
Penalty	-	(0.15)	(0.74)	-	-
Income of earlier years	(0.92)	-	-	-	-
Turnover Tax disallowed	-	-	(0.02)	-	-
<b>Total Permanent Differences (B)</b>	<b>(16.26)</b>	<b>(0.15)</b>	<b>(1.01)</b>	<b>0.36</b>	<b>-</b>
<b>Timing Differences</b>					
Difference between tax depreciation and book depreciation	26.65	9.48	10.39	5.35	3.37
Gratuity	(4.69)	(0.90)	(0.28)	(0.17)	(0.07)
Expenses Disallowed u/s 40 (a) (i)	(3.12)	-	-	-	-
Gain/ (Loss) on sale of Fixed Assets	-	(1.09)	(0.21)	-	-
Short term Capital Gain/ (Loss)	-	-	-	(1.80)	-
Notional Gain/ (loss) on Investment	-	-	0.19	(0.19)	-
Addition u/s 40(1)	-	(1.79)	-	-	-
Brought Forward Losses Adjusted	-	-	0.19	-	-
<b>Total Timing Difference (C )</b>	<b>18.84</b>	<b>5.70</b>	<b>10.28</b>	<b>3.19</b>	<b>3.30</b>
<b>Net adjustments ( B+C)</b>	<b>2.58</b>	<b>5.55</b>	<b>9.27</b>	<b>3.55</b>	<b>3.30</b>
<b>Tax saving thereon (D)</b>	<b>0.87</b>	<b>1.87</b>	<b>3.39</b>	<b>1.27</b>	<b>1.21</b>
<b>Total taxation ( A-D)</b>	<b>131.38</b>	<b>61.11</b>	<b>14.89</b>	<b>3.51</b>	<b>1.76</b>
<b>Minimum Alternative Tax (MAT)</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Tax Payable</b>	<b>131.38</b>	<b>61.11</b>	<b>14.89</b>	<b>3.51</b>	<b>1.76</b>
<b>Taxable Income</b>	<b>390.31</b>	<b>181.55</b>	<b>40.68</b>	<b>9.76</b>	<b>4.80</b>
<b>Taxable Income As per MAT</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Tax as per Income Tax Return</b>	<b>131.38</b>	<b>61.11</b>	<b>14.88</b>	<b>3.51</b>	<b>1.76</b>

Note : a) Income tax shown for the year 2006-07 includes interest u/s 234 of Income Tax Act of Rs. 2.40 million.

b) Income tax shown for all the years also includes wealth tax.

**ANNEXURE- XIV****NET TANGIBLE ASSETS****Rs. in Millions**

Particulars	As at				
	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
Net Fixed Assets	1070.62	354.90	185.85	97.92	49.82
Capital Work in Progress	10.88	46.41	-	-	-
Investments	-	-	-	9.81	-
Inventories	2491.47	781.99	374.03	202.74	128.43
Trade Debtors	1.20	0.93	-	-	-
Cash & Bank Balances	151.51	82.66	22.02	20.44	25.81
Loans & Advances	580.39	322.23	60.05	31.97	15.06
Other Current Assets	82.45	3.69	1.11	0.23	0.48
<b>Total</b>	<b>4388.52</b>	<b>1592.81</b>	<b>643.06</b>	<b>363.11</b>	<b>219.60</b>
Less : Revaluation reserve	-	-	-	-	-
<b>Net Tangible Assets</b>	<b>4388.52</b>	<b>1592.81</b>	<b>643.06</b>	<b>363.11</b>	<b>219.60</b>

**ANNEXURE- XV****Statement of Investment****Rs. in Millions**

Particulars	As at				
	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
<b>Other Investments</b>					
i) ICICI Prudential Mutual Fund	-	-	-	4.98	-
-Units 3,45,580.714 ( Market Value Per Unit Rs 14.408)					
ii) Kotak Mahindra Mutual Fund	-	-	-	4.83	-
-Units 3,67,457.926 ( Market Value Per Unit Rs 13.147)					
<b>TOTAL</b>	-	-	-	<b>9.81</b>	-



**ANNEXURE- XVI**  
**Commitments and Contingent Liabilities**

**Rs. in Millions**

Sr. no.	Particulars	As at				
		31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
<b>A)</b>	<b>COMMITMENTS</b>					
1	Estimated amount of contracts remaining to be executed on capital accounts	62.56	11.46	3.62	-	-
<b>B)</b>	<b>CONTINGENT LIABILITIES</b>					
2	Disputed Sales Tax Demand against which the company has filed appeal	12.67	20.59	13.23	8.35	0.93
3	Disputed Entry Tax Demand against which the company has filed appeal	3.32	2.03	2.03	2.03	-
4	The guarantee given by the bankers / financial institutions on behalf of the	3.44	1.48	3.56	1.02	0.70
5	Claim against the company not acknowledged as debts	3.01	3.43	-	-	-
6	Guarantee given by the company for the loan taken by the Managing Director	21.00	21.00	21.00	-	-

**ANNEXURE- XVII**

**Names of related parties and description of relationship from 2002-03 to 2006-07**

<b>Name</b>	<b>Designation</b>	<b>Relationship</b>
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 Lim		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)

**Restated Related Party Disclosures as per Accounting Standard 18:**

<b>Particulars</b>	<b>Rs. in Millions</b>				
	<b>For the Financial Year</b>				
	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>
<b>1. Finance</b>					
<b>a) Loans accepted</b>					
Mr. Ram Chandra Agarwal	-	-	-	-	0.91
Vishal Water World Pvt Ltd.	-	6.75	-	-	-
Ricon Commodities Pvt Ltd.	-	-	-	-	0.69
Unicon Marketing Pvt Ltd.	40.61	12.00	-	0.25	13.75
Vishal Water World Pvt Ltd.	-	-	-	-	-
<b>b) Loans repaid</b>					
Mr. Ram Chandra Agarwal	1.19	-	-	0.50	1.14
Mrs Uma Agarwal	2.60	-	-	-	0.01
Vishal Water World Pvt Ltd.	1.00	2.00	-	-	-
Ricon Commodities Pvt Ltd.	-	-	-	0.69	-
Unicon Marketing Pvt Ltd.	2.30	7.60	-	14.00	-
Mr. Ram Chandra Agarwal (HUF)	0.06	-	-	-	-
<b>c) Trade Deposit Accepted</b>					
Sunita Fashion Pvt Ltd.	-	-	0.60	1.90	5.00
<b>d) Trade Deposit Refunded</b>					
Sunita Fashion Pvt Ltd.	-	-	7.50	-	-
<b>e) Interest Paid</b>					
Sunita Fashion Pvt. Ltd.	-	0.29	-	-	-

Particulars	For the Financial Year				
	2006-07	2005-06	2004-05	2003-04	2002-03
<b>f) Share Application Money Received</b>					
Mr. Ram Chandra Agarwal	-	-	2.30	9.45	4.30
Mr. Ram Chandra Agarwal (HUF)	-	-	-	-	0.50
Mrs Uma Agarwal	-	-	-	3.00	-
Mr. Surendra Kumar Agarwal	-	-	-	0.36	-
Mrs. Shanta Agarwal	-	-	-	3.14	-
Vishal Fashion Pvt. Ltd.	-	-	94.05	0.33	8.00
Vishal Water World Pvt Ltd.	-	-	8.25	8.00	-
Ricon Commodities Pvt Ltd.	-	-	-	30.92	36.00
Unicon Marketing Pvt Ltd.	-	-	-	29.78	3.65
<b>g) Share Application Money Refund</b>					
Mr. Ram Chandra Agarwal	-	0.20	0.11	-	3.47
Mrs Uma Agarwal	-	-	-	-	-
Mr. Surendra Kumar Agarwal	-	-	-	0.86	-
Vishal Fashion Pvt Ltd.	-	0.36	0.03	-	-
Vishal Water World Pvt Ltd.	-	0.25	-	-	-
Ricon Commodities Pvt Ltd.	-	0.11	0.40	-	6.75
Unicon Marketing Pvt Ltd.	-	-	-	10.31	16.67
Sunita Fashion Pvt Ltd.	7.50	-	-	-	-
<b>h) Share Alloted</b>					
Mr. Ram Chandra Agarwal	-	-	4.00	8.35	-
Mr. Ram Chandra Agarwal (HUF)	-	-	-	1.55	-
Mrs Uma Agarwal	-	-	-	3.00	-
Mrs. Shanta Agarwal	-	-	-	3.68	-
Vishal Fashion Pvt. Ltd.	-	-	94.00	8.00	-
Vishal Water World Pvt Ltd.	-	-	8.00	8.00	-
Ricon Commodities Pvt Ltd.	-	-	35.00	20.00	12.50
Unicon Marketing Pvt Ltd.	-	-	-	20.63	12.50
<b>2. Commission Paid</b>					
Sunita Fashion Pvt Ltd.	-	-	2.29	1.47	0.07
Unicon Marketing Pvt Ltd.	-	-	-	0.57	0.87
Vishal Water World Pvt Ltd.	-	-	-	-	1.22
<b>3. Managerial Remuneration</b>					
Mr. Ram Chandra Agarwal	6.00	6.00	6.00	0.84	0.50
Mrs Uma Agarwal	0.90	0.90	0.90	0.72	0.50
Mr. Surendra Kumar Agarwal	3.21	2.92	0.21	-	0.16
Mrs. Sunita Agarwal	-	-	-	-	0.14
<b>4. Rental Payment</b>					
Unicon Marketing Pvt Ltd.	-	0.90	1.80	-	-
Vishal Water World Pvt Ltd.	0.90	3.60	3.60	-	-
<b>5. Purchase</b>					
Vishal Water World Pvt Ltd.	-	-	-	-	15.28
Vishal fashion Pvt Ltd.	-	-	-	-	32.72
Vishal apparel	-	-	-	-	12.43

Particulars	For the Financial Year				
	2006-07	2005-06	2004-05	2003-04	2002-03
<b>6. Commission Received</b>					
Vishal fashion Pvt Ltd.	-	-	-	-	1.00
Vishal apparel	-	-	-	-	33.81
<b>7. Purchase Consideration - Merger</b>					
<b>a) Vishal fashion Pvt Ltd.</b>					
Assets taken over on Acquisition of Business	-	-	-	-	13.21
Liabilities taken over on Acquisition of Business	-	-	-	-	4.90
<b>b) Vishal apparel</b>					
Assets taken over on Acquisition of Business	-	-	-	-	26.21
Liabilities taken over on Acquisition of Business	-	-	-	-	25.64

**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.

**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 present 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.

**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. 3.44 million (Rs. 1.48 million)
- b) Disputed Sales tax demands Rs. 12.67 million (Rs. 20.59 million), against which the Company has filed appeal with the relevant authorities.
- c) Disputed Entry Tax Demands Rs 3.32 million (Rs. 2.03 million), against which the Company has filed appeal with the relevant authorities.
- d) Claims against the Company not acknowledged as debts Rs.3.01 million ( Rs. 3.43 million).
- e) Guarantees given by the Company for the loan taken by the directors amounting to Rs. 21.00 million (Rs. 21.00 million).

**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. 25.83 million ( Rs. 11.46 million).
- b) Capital Commitments towards fixed assets to be acquired Rs. 36.74 million (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. 20.50 million (Rs. 34.08 million). 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. 878.60 million (Rs. 26.67 million).
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. 60.10 million.
9. The details of Managerial Remuneration paid to Directors is as under :-

*(Amount in Rs million)*

Name of The Directors	BASIC		Exgratia		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Mr. Ram Chandra Agrawal	6.00	6.00			6.00	6.
Uma Agrawal	0.90	0.90			0.90	0.
Mr. Surendra Kumar Agrawal	2.82	2.57	0.39	0.35	3.21	2.
<b>Total</b>	<b>9.72</b>	<b>9.47</b>	<b>0.39</b>	<b>0.35</b>	<b>10.11</b>	<b>9.</b>

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

*(Amount in million)*

Particulars	2006-07	2005-06
For Statutory Audit	0.75	0.51
For Branch Audits	0.22	0.20



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 million)

Particulars	As at 31/03/07	As at 31/03/06
<b>Deferred tax Liabilities</b>	20.67	13.14
Difference between book & tax depreciation		
<b>Deferred Tax Assets</b>		
Provision for Gratuity	1.59	0.48
Late Payment of TDS	1.06	-
<b>Total Deferred Assets</b>	<b>2.65</b>	<b>0.48</b>
<b>Net Deferred tax liabilities</b>	<b>18.02</b>	<b>12.66</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.

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	Managerial Personnel
Mr. Surendra Kumar Agarwal	Director	Managerial Personnel
Mrs. Uma Agarwal	Director	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 Limited		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 million)

Particulars	2006-07	2005-06
<b>1. Finance</b>		
<b>a) Loans accepted</b>		
Vishal Water World Pvt Ltd.	-	6.75
Unicon Marketing Pvt Ltd.	40.61	12.00
<b>b) Loans repaid</b>		
Mr. Ram Chandra Agarwal	1.193	-
Mrs Uma Agarwal	2.60	-
Vishal Water World Pvt Ltd.	1.00	2.00
Unicon Marketing Pvt Ltd.	2.30	7.60
Mr. Ram Chandra Agarwal (HUF)	0.06	-
<b>c) Interest Paid</b>		
Sunita Fashion Pvt. Ltd.	-	0.28
<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	-	0.20
Mrs Uma Agarwal	-	-
Vishal Fashion Pvt Ltd.	-	0.36
Vishal Water World Pvt Ltd.	-	0.25
Ricon Commodities Pvt Ltd.	-	0.11
Sunita Fashion Pvt Ltd.	7.50	-
<b>2. Managerial Remuneration</b>		
Mr. Ram Chandra Agarwal	6.00	6.00
Mrs Uma Agarwal	0.90	0.90
Mr. Surendra Kumar Agarwal	3.21	2.92
Mrs. Sunita Agarwal	-	-
<b>3. Rental Payment</b>		
Unicon Marketing Pvt Ltd.	-	0.90
Vishal Water World Pvt Ltd.	0.90	3.60

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

<u>2005-06</u>	<u>UNITS</u>	<u>2006-07</u>
Profit after Tax (after extraordinary items) 123.87	A      Rs. In million	250.67
Weighted average no. of equity shares 15,634,707	B      Nos.	17,943,481
Add: Dilutive potential equity shares 187,358	Nos.	-
Number of equity shares for Dilutive EPS 15,822,065	C      Nos.	17,943,481
Basic Earning Per Share (A/B) 7.92	Rs.	13.97
Diluted Earning Per Share (A/C) 7.83	Rs.	13.97

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. 45.89 million (including payment to auditors Rs. 1.20 million) 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.

*(Amount in million)*

Particular	2006-07	2005-06
Lease Rentals recognized during the year	327.94	144.24
Obligations		
Within one of the year of the balance sheet date	255.06	75.97
Due in a period between one year and five years	191.77	67.07
Due after 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

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

Category	Opening Qty 01.04.06	Opening Value	Purchase - Qty	Purchase Value	Sales Qty	Sales Value	Closing Stock Qty	Closing Stock Value 31.03.07
Apparel	2535616	379.31	28475569	2962.95	20803107	3800.96	10208078	1428.19
FMCG	-	54.19	-	709.37	-	905.88	-	290.56
Non Apparel	-	141.24	-	1074.54	-	1314.42	-	559.14
<b>Grand Total</b>		574.75		4746.87		6021.28		2277.90

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

ii) 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 million)*

<b>Particulars</b>	<b>2006-07</b>	<b>2005-06</b>
Fixed Assets	127.21	28.01
Purchase of merchandise	246.03	61.30

**d). Expenditure in Foreign Currency**

*(Amount in million)*

<b>Particulars</b>	<b>2006-07</b>	<b>2005-06</b>
Traveling Expenses	1.22	0.36

19. Figures in bracket indicate previous year figures.
20. Previous year figures has been regrouped & recasted wherever found necessary.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis is derived from and should be read together with the restated financial statements of our company for the years ended March 31, 2003, 2004, 2005, 2006 and 2007 on page 129. Our financial statements, from which this discussion is derived, were prepared in accordance with Indian GAAP.*

*Our financial statements as of and for the years ended March 31, 2002, 2003, 2004, 2005 and 2006 were audited by M/s. Chhaparia & Associates, Chartered Accountants and for the year ended March 31, 2007 were audited by M/s. Haribhakti & Co., our statutory auditor in conformance with provisions of the Companies Act, 1956 and the SEBI guidelines. The restatement of our financial statements as of and for the years ended March 31, 2002, 2003, 2004, 2005, 2006 and 2007 has been done by M/s. Haribhakti & Co., our statutory auditor, for conformance with provisions of the Companies Act, 1956 and the SEBI guidelines, placing reliance on the audit reports delivered by audit firm.*

### **Overview of our Company**

We are a retail house in India. Our business model is based on a value retail concept and comprises of retailing of readymade garments as well as selling wide range of other consumer goods such as accessories, gifts and sports items, FMCG, consumer durables, groceries. At present, we have 50 retail outlets spread over about 1,282,000 square feet in 39 cities across 18 states. In our efforts to strengthen our supply chain, we have set up seven regional distribution centres and an apparel manufacturing plant. A key focus area of our business has been to provide great shopping experience to our customers as we feel satisfied customers are backbone to our business. We believe in maximizing customer satisfaction and hence, the underlying principle behind our business is to provide quality product at reasonable price.

Some of our competitive strengths are; Understanding of the 'value retail' segment, Supply chain management and distribution network, and continuous focus on backward integration.

In order to maximise the value that the customers derive in spending on goods bought in our stores, we undertake variety of measures to provide them quality goods at reasonable prices like in-house production of garments, procurement of goods directly from the manufacturers and customized product mix at our stores depending on the regional customer behaviour and preferences.

We have a number of in house brands (these are called private labels) such as Zeppelin, Paranoia, Chlorine, Kittan Studio, Famenne, Fleurier Women and Roseau, contributing 9.68% of our income in financial year 2007. It helps in our brand building exercise as well as to improve margins. We have limited exposure to national brands except in the case of FMCG products and primarily rely on our private label products or on other unbranded products, which form a large part of our portfolio.

In order to achieve economies of scale and reduce costs of production, we are focusing on backward integration and we have a garment manufacturing plant in Gurgaon. Further, we are exploring the possibilities for establishment of another manufacturing facility, for the purposes of which we have acquired certain portions of land measuring 7.24 acres in Dehradun, Uttaranchal. We also have seven regional distribution centres and a fleet of trucks for transportation to ensure efficient supply chain management.

Our sales was Rs. 499.59 million, Rs. 881.04 million, Rs. 1,463.12 million, Rs. 2,884.43 million and Rs. 6026.53 million for the years ended March 31, 2003, 2004, 2005, 2006 and 2007 respectively. Our profit before tax was Rs. 8.10 million, Rs. 13.31 million, Rs. 49.95 million, Rs. 187.10 million and Rs. 392.91 million for the years ended March 31, 2003, 2004, 2005, 2006 and 2007 respectively. Our total assets were Rs. 219.60 million, Rs. 363.11 million, Rs. 643.06 million, Rs. 1,592.81 million and Rs. 4388.52 million as of March 31, 2003, 2004, 2005, 2006 and 2007 respectively.

Our business process is explained as under:

As a company offering value retail products, our business is explained in detail, as under:

#### 1. Segmentation of Target Customers

We select our target audience based on criteria like purchasing power and other socio economic factors. Our target segment are "lower middle" and "middle" income groups.

#### 2. Selection of location

We target cities with an urban population of 1 million people or above. Further we consider factors like literacy level, nature of occupation etc.

### 3. Product Strategy

- a. Private label comprising of;
  - in-house manufactured products; and
  - products bought from unbranded source.
- b. Branded product related to FMCG category

### 4. Merchandise Planning

Our merchandise planning is based on the concept of category management whereas, say for apparels, we create products across a number of category at different price points, fabrics, designs, shapes, seasons, colours and sizes.

- a. Manufacturing - Our manufacturing team works closely with our design team to understand trends, develop products, value engineer and finally create season wise collection that cater to regional tastes.
- b. Buying - We have in place a vendor management system, under which we identify vendors all over the country and overseas and seek to develop alliances and arrangements with them. We regularly interact with the vendors and share information such that the vendors remain familiar with our goals and targets.

### 5. Supply Chain Management

We have a strong distribution network in place to ensure timely delivery of products to all our stores as well as for optimization of inventory level.

### 6. Sales Promotion and Customer Service

We undertake regular promotion of our stores through print media, television, radio and press conferences to promote ourselves. We do outdoor advertising with the help of banners, posters and hoardings to advertise and to increase visibility.

We have also entered into a co-branded card agreement with SBI Cards & Payment Services Private Limited ("SBI") for providing a credit card called "SBI - Vishal Mega Mart" to our customers. A cardholder accumulates points on the basis of purchases made and the points accumulated can be redeemed for gifts or purchases.

### ***Factors Affecting Our Financial Results:***

Our business is subject to various risks and uncertainties, including those discussed in the section titled "Risk Factors" beginning on page 8 of this Red Herring Prospectus. Some of the important factors that have affected and we expect will continue to affect our results of operations, financial condition and cash flows are discussed below:

Among various other factors that affect our results of financial operations for a given fiscal, some key factors are as follows:

#### 1. General economic conditions of the geographies we are operating in

The retail sector is dependent on consumer spend for its performance. Overall economic conditions can impact the consumer spend, and more so in areas such as lifestyle products. Any slowdown or perceived slowdown in the Indian economy, or in specific sectors of the Indian economy due to external or internal reasons, could have an adverse impact on our business and financial performance

#### 2. Trends and fashion preference of our target customers

We are into retailing of lifestyle and fast moving consumer products where introduction of new product, design is a regular phenomenon. Also, fashion preference and taste keep on varying depending upon the region. Hence, any failure on our part to identify changing fashion trends could have a negative impact on our business.

### 3. Strategizing location of our new stores

Our revenue is dependent upon opening of new stores at strategic location and customizing the store as per regional taste preference which is very significant for drawing customers to a particular store. This may require us to invest more on lease outflows as well as on stock keeping.

## STATEMENT OF RESTATED PROFIT AND LOSS

Rs. in million

Particulars	For the Financial Year				
	2006-07	2005-06	2004-05	2003-04	2002-03
<b>Sales:</b>					
Of products Manufactured by the company	583.58	483.50	425.60	229.00	0.00
Of products traded by the Company	5442.95	2400.93	1037.52	652.04	499.59
<b>Total</b>	<b>6026.53</b>	<b>2884.43</b>	<b>1463.12</b>	<b>881.04</b>	<b>499.59</b>
Other Income	22.92	6.46	1.43	1.05	35.64
Increase/ (Decrease) in Inventory	1662.12	407.02	153.70	80.15	43.19
<b>Total Income</b>	<b>7711.57</b>	<b>3297.91</b>	<b>1618.25</b>	<b>962.24</b>	<b>578.42</b>
<b>Expenditure</b>					
Cost of goods sold	5124.93	2143.94	1047.73	664.85	426.73
Staff Costs	274.08	135.44	60.35	30.21	31.96
Manufacturing and Administrative Exp.	301.94	179.90	134.90	88.36	8.16
Selling & Distribution Expenses	1317.29	568.75	286.33	148.68	91.13
Interest	147.54	29.12	9.83	2.09	3.34
Depreciation	152.88	53.66	29.16	14.74	9.00
<b>Total Expenditure</b>	<b>7318.66</b>	<b>3110.81</b>	<b>1568.30</b>	<b>948.93</b>	<b>570.32</b>
Net Profit Before Tax and Extra Ordinary Items	392.91	187.10	49.95	13.31	8.10
Provision for Taxation (includes wealth tax)	133.98	61.20	15.27	3.61	1.77
Fringe Benefit Tax	2.65	0.80	0.00	0.00	0.00
Provision for Deferred Tax	6.45	0.36	4.48	5.88	0.86
<b>Net Profit After Tax &amp; Before Extra Ordinary Items</b>	<b>249.83</b>	<b>124.74</b>	<b>30.20</b>	<b>3.82</b>	<b>5.47</b>
Extraordinary Items (Net of tax)	-	-	-	-	-
<b>Net profit after extraordinary items</b>	<b>249.83</b>	<b>124.74</b>	<b>30.20</b>	<b>3.82</b>	<b>5.47</b>
<b>Surplus as per restated Profit &amp; Loss A/c</b>	<b>166.85</b>	<b>42.11</b>	<b>11.91</b>	<b>8.09</b>	<b>2.62</b>
Less : Dividend	0.042	-	-	-	-
Less :Dividend Distribution Tax	0.008	-	-	-	-
<b>Balance Carried to Balance Sheet</b>	<b>416.63</b>	<b>166.85</b>	<b>42.11</b>	<b>11.91</b>	<b>8.09</b>

## REVENUE

### Products manufactured by the Company:

We manufacture and sell ready-made garments for mens, womens and kids. In addition to in-house manufacturing, we have outsourced some parts of the manufacturing to “job workers” who work in our factory premises. We retail a range of merchandise under our own private labels Zeppelin, Paranoia,

Chlorine, Kitten Studio, Famenne, Fleurier Women and Roseau. We follow uniform pricing policy across our stores in respect of private labels and non-branded products sold by us.

**Products traded by the Company:** We trade a wide range of other consumer goods such as footwear, toys, watches, toiletries, grocery items, sports items, crockery and gift and novelties. As is the case of manufacturing products, here also we follow uniform pricing policy across our stores in respect of private labels and non-branded products sold by us. In case of FMCG products, pricing is also based on the promotion schemes launched by the respective companies, though we have entered into contracts with several companies which entails us a fixed margin on sale.

We primarily rely on our own products or on unbranded products, which form a large part of our portfolio.

**Other Income:** Other Income includes display charges, rent, commission, interest, consignment commission, income on sale of investments, dividend, sundry balances written off, and miscellaneous income.

### Revenue/ Sales

Sales for the fiscal 2003, 2004, 2005, 2006 and 2007 was Rs. 499.59 million, Rs. 881.04 million, Rs. 1,463.12 million, Rs. 2,884.43 million and Rs. 6,026.53 respectively. Sales include sales from the goods manufactured in-house as well as sales from the traded goods. The following table sets forth break of our sales for period ended fiscal 2007, 2006, 2005, 2004, and 2003;

(Rs. in million)

Particulars	For the Financial year ended March 31				
	2007	2006	2005	2004	2003
Sales	<b>6,026.53</b>	<b>2,884.43</b>	<b>1,463.12</b>	<b>881.04</b>	<b>499.59</b>
- Manufactured	583.58	483.50	425.60	229.00	-
- Traded	5,442.95	2,400.93	1,037.52	652.04	499.59

The following table sets forth further break up of our revenue for the fiscal 2007, fiscal 2006, fiscal 2005, fiscal 2004, and fiscal 2003;

(Rs. in million)

Particulars	For the Financial year ended March 31				
	2007	2006	2005	2004	2003
Apparel	3,806.09	2,044.28	1,249.48	873.72	499.59
Non apparel	1,314.56	581.27	170.99	7.28	-
FMCG	905.88	258.88	42.65	0.04	-

### EXPENSES

#### Cost of Goods Sold

Cost of Goods sold includes purchase of raw materials, stitching materials and finished goods.

(Rs. in million)

	For the Financial year ended March 31,				
	2007	2006	2005	2004	2003
Sales	<b>6,026.53</b>	<b>2,884.43</b>	<b>1,463.12</b>	<b>881.04</b>	<b>499.59</b>
Cost of Goods sold	5,124.93	2,143.94	1,047.73	664.85	426.73
Increase/ (Decrease) in inventory	1,662.12	407.02	153.70	80.15	43.19
Cost of goods sold (adjusted)	3,462.81	1,736.92	894.03	584.70	383.54
Gross Margin (%)	42.54%	39.78%	38.90%	33.64%	23.23%



	For the Financial year ended March 31,				
	2007	2006	2005	2004	2003
Average Gross Margin (per sq ft)	2,987.82	2840	2587	2423	1517

**Staff Cost:** Staff costs includes basic salary to employees, conveyance, house rent allowances, bonus, gratuity, PF, ESIC.

**Manufacturing and Administrative Expenses:** Manufacturing and administrative expenses includes fabrication and other manufacturing expenses, power and fuel expenses, bank charges, staff welfare, transportation charges, traveling and conveyance etc.

**Selling & Distribution Expenses:** Selling & Distribution expenses includes advertisement & sales promotion, bank charges, commission charges, sales tax etc.

**Tax:** Tax includes Provision for taxation, Fringe Benefit Tax and Provision for Deferred Tax.

### Operating Cost Ratios

(Rs. in million)

	For the Financial year ended March 31, 2007				
	2007	2006	2005	2004	2003
<b>Sales (Rs. Million)</b>	<b>6,026.53</b>	<b>2884.43</b>	<b>1463.12</b>	<b>881.04</b>	<b>499.59</b>
Cost of Goods Sold	3462.81	1736.92	894.03	584.70	383.54
Cost of Goods Sold as % of sales	57.46%	60.22%	61.10%	66.36%	76.77%
Staff Costs	274.08	135.44	60.35	30.21	31.96
Staff cost as % of sales	4.55%	4.70%	4.12%	3.43%	6.40%
Manufacturing and Administrative Expenses	301.94	179.90	134.90	88.36	8.16
Manufacturing and Administrative Expenses as % of sales	5.01%	6.24%	9.22%	10.03%	1.63%
Selling & Distribution Expenses	1,317.29	568.75	286.33	148.68	91.13
Selling & Distribution Expenses as % of sales	21.86%	19.72%	19.57%	16.88%	18.24%
Interest	147.54	29.12	9.83	2.09	3.34
Interest as % of sales	2.45%	1.01%	0.67%	0.24%	0.67%
Depreciation	152.88	53.66	29.16	14.74	9.00
Depreciation as % of sales	2.54%	1.86%	1.99%	1.67%	1.80%

### **Occupation Cost (forming part of the selling and distribution expenses)**

	For the Financial year ended March 31				
	2007	2006	2005	2004	2003
<b>Occupation Costs (Rs. Million)</b>	<b>516.86</b>	<b>237.36</b>	<b>139.80</b>	<b>56.20</b>	<b>26.00</b>
Rental (Rs. Million)	327.94	144.24	85.45	35.90	14.15
Rental as % of occupation cost	63.45%	60.77%	61.13%	63.88%	54.43%
Power costs (Rs. Million)	172.77	86.85	54.35	20.30	11.85
Power costs as % of occupation cost	33.43%	36.59%	38.87%	36.12%	45.57%

	For the Financial year ended March 31				
	2007	2006	2005	2004	2003
Common Area Maintenance charges (Rs. Mn)	16.15	6.27	0.00	0.00	0.00
Common Area Maintenance charges % of occupation cost	3.13%	2.64%	0.00%	0.00%	0.00%
Average retail space (Sq. ft.)	858055	404,017	219,990	122,323	76,505
Rental Costs per sq ft. Per month (Rs.)	31.85	29.75	32.37	24.46	15.42
Occupation Costs per month per sq ft (Rs.)	50.20	48.96	52.96	38.29	28.32
Occupation Costs (as a % of sales)	8.58%	8.23%	9.55%	6.38%	5.20%

*Our rental and power cost includes the rental of warehouse, corporate office and factory.*

*In the financial year 2007, there is marginal increase in occupation cost due to increase in real estate prices. In the financial year 2005, we made changes to strengthen our infrastructure like setting up a new corporate office, new warehouse for factory as well as opening new warehouses for better efficiency in supply chain management, leading to increase in per square feet occupation cost.*

#### **Operational Parameters - Analysis**

The following table gives detail of number of stores at the beginning of each year, stores opened during the year, stores at the end of each year, sales and average sales per square feet for the Fiscal 2007, fiscal 2006, fiscal 2005, fiscal 2004, and fiscal 2003;

Particulars	For the Financial year ended March 31				
	2007	2006	2005	2004	2003
No. of stores at the beginning	26	16	14	9	7
Stores opened during the year	27	11	4	5	7
Total stores at the end of year*	<b>49</b>	<b>26</b>	<b>16</b>	<b>14</b>	<b>9</b>
Total Retail space in stores at the end of the year (Square feet)	1,259,556	542,821	285,132	165,882	88,700
Average retail space (Square feet.)	858055	404,017	219,990	122,323	76,505
Sales (Rs. In million)	6,026.53	2,884.43	1,463.12	881.04	499.59
Average Sales per Square feet (Rs.)*	<b>7023</b>	<b>7139</b>	<b>6651</b>	<b>7203</b>	<b>6530</b>

\* During Fiscal 2007 we have opened 27 stores, shifted one store and closed down three stores. In Fiscal 2006 we have opened 11 stores and closed down one store whereas during the Fiscal 2005 we have opened four stores and closed down two stores. Further in Fiscal 2003 we have opened seven stores and closed down five stores.

Reason for downfall in per square feet sales in 2005 was opening of our largest store having area of 80,000 sq. feet at Mathura road, Delhi. The sale per square feet of this store was not as per the trend of our other showrooms.

#### **Presence in Tier II and Tier III towns**

A significant aspect of our geographical spread is our presence in Tier II & Tier III towns. The break up is depicted as below;

Particulars	For the Financial year ended March 31,				
	2007	2006	2005	2004	2003
Total numbers of stores	<b>49</b>	<b>26</b>	<b>16</b>	<b>14</b>	<b>9</b>

Particulars	For the Financial year ended March 31,				
	2007	2006	2005	2004	2003
- Tier I	6	5	6	5	1
- Tier II	3	2	1	0	0
- Tier III	40	19	9	9	8

#### **Average Selling Price (ASP)**

Average Selling Price is the Sales divided by the number of units sold. Tracking this helps the retailer to align the offering as per the customer segment as well as improve the productivity of the floor space.

Particulars	For the Financial year ended March 31,				
	2007	2006	2005	2004	2003
Average Selling Price (Rs.)	84.90	116.82	181.94	252.06	246.47

The reason for decrease in ASP was change in sales mix. Increasing share of non apparel and FMCG products to total sales led to decline in ASP.

#### **Ticket Size**

Ticket size is the average value of the cash memos, also referred as Transaction Size which is determined by sales divided by the number of cash memo.

Particulars	For the Financial year ended March 31,				
	2007	2006	2005	2004	2003
Ticket Size (Rs.)	550	482.13	500.39	N/A	N/A

The reason for increase in ticket size was increase in variety of goods in apparels, Non-apparels, and FMCG products and change in sales mix. Increasing share of non apparel and FMCG products to total sales led to decline in ticket size as customers came in for also just their purchases of FMCG and grocery products.

#### **Footfall, Conversion and Transaction Size**

Sales in our stores are dependent upon no. of people entering the stores and our promotion campaign is targeted towards attracting maximum footfalls into our stores. We measure footfalls through a physical count at the respective stores; these represent only the adult persons entering the stores.

Footfalls don't always result into sales until these customers make a purchase. These purchase are tracked by a count of cash memos generated at the billing counters of each stores. Conversion is the ratio of the number of transactions (cash memo) versus the total customer entry. Transaction size is average value of the cash memos, which is determined by Sales divided by number of cash memos. This calculation helps us to understand the profile of our customers and accordingly improve our merchandising planning based on the average power of our customers. The following table sets forth the details of Customer Entry, Conversion, and Transaction Size for the Company;

Particulars	For the Financial year ended March 31,				
	2007	2006	2005	2004	2003
Footfalls (Av No. per day)	89,829	29,470	17,802	14,080	8,600
Cash Memos (Av No. per day)	37,872	16,593	7,754	N/A	N/A
Conversion (%)	42.16	56.30	43.56	N/A	N/A

### **Like to like sales**

Particulars	For the Financial year ended March 31,			
	2007	2006	2005	2004
No. of stores open atleast a year	13	11	8	4
Current year sales (Rs. million)	1889.73	11,97.99	616.29	255.12
Previous year sales* (Rs. million)	1689.22	9,87.99	621.93	212.91

\*Like to like stores for 2007 includes our 13 stores that had been open for twelve months for two consecutive years on March 31, 2007. Similarly, like to like data for Fiscal 2006, Fiscal 2005, and Fiscal 2004 pertains to the stores that have been open for twelve months for two consecutive years as on March 31, 2006, March 31, 2005 and March 31, 2004 respectively.

In Fiscal 2005 sales is declined primarily due to operational difficulties in Eastern Region.

### **Like to like Footfall**

Particulars	For the Financial year ended March 31			
	2007	2006	2005	2004
No. of stores open atleast a year	13	11	8	4
Current year footfall	9,363,880	4,825,907	3,065,202	945,000
Previous year footfall	7,088,409	4,596,102	3,005,100	900,000

### **Comparison of Fiscal 2007 and Fiscal 2006**

Some of the significant events that took place during the Fiscal 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. For further details please refer the section titled "Risk Factors" on page 8.
2. We have made preferential allotment of 1,450,000 Equity Shares to several investors in month of June and July 2006 at an issue price of Rs. 200 per Equity Share. For further details please refer the section titled "Capital Structure" on page 38.
3. During Fiscal 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 stores.

### ***Sales***

Sales increased by 108.93% to Rs. 6,026.53 million in Fiscal 2007 from Rs. 2,884.43 million in Fiscal 2006. Traded products contributed 90.32% of our total sales. This is mainly due to opening of 27 new stores and full year operations of 13 stores opened during fiscal 2006.

### ***Other Income***

Other income earned in Fiscal 2007 was Rs. 22.92 million in comparison to Rs. 6.46 million in Fiscal 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.

### ***Total income***

Total Income increased by 133.83% to Rs. 7,711.57 million in Fiscal 2007 from Rs. 3297.91 million in Fiscal 2006. This is mainly due to increase in sales during the fiscal by opening of new stores and full year operations of stores opened during fiscal 2006.

### ***Expenditure***

#### ***Cost of Goods Sold***

Cost of Goods Sold (adjusted) was Rs. 3462.81 million for the fiscal 2007 as compared to Rs. 1736.92 million for fiscal 2006. Cost of Goods Sold adjusted for inventory movement decreased to 57.46% in Fiscal 2007 as percentage of sales as compared to 60.22% in Fiscal 2006. The decrease is primarily attributable to change in sales mix with higher percentage of sales of non-apparel category which have higher contribution margins on account of bulk sourcing and imports from low production cost locations like China.

#### ***Staff Costs***

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

#### ***Manufacturing and Administrative Expenses***

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

#### ***Selling & Distribution Expenses***

Selling & Distribution Expenses increased in Fiscal 2007 to Rs. 1,317.29 mn as compared to Rs. 568.75 million in Fiscal 2006. As a percentage of total sales, it increased from 19.72% in Fiscal 2006 to 21.86% in Fiscal 2007. This is mainly due to increase in advertisement expenditure incurred for branding of the company, increase in sales tax on account of introduction of Value Added Tax (VAT) in the overall country except few states and increase in transportation cost on account of geographical spread of our new store locations.

#### ***Interest***

Interest expense on debt increased in Fiscal 2007 to Rs.147.54 million as compared to Rs. 29.12 million in Fiscal 2006. This increase is due to increase in secured and unsecured loan of Rs. 2432.07 million in Fiscal 2007 as compared to Rs 550.49 million in Fiscal 2006 and increase in interest rates during the fiscal.

#### ***Depreciation***

Depreciation increased from Rs. 53.66 million in Fiscal 2006 to Rs. 152.88 million in Fiscal 2007, an increase by 185%. This is mainly due to increase in Gross Fixed assets of Rs. 1,328.35 million in Fiscal 2007 as compared to Rs. 461.67million in Fiscal 2006.

### ***Total Expenditure***

Total expenses increased by 135.27% to Rs. 7,318.66 million in Fiscal 2007 from Rs. 3,110.81 million in Fiscal 2006.

### ***Net Profit before Tax and Extra Ordinary Items***

Net Profit before Tax and extra Ordinary Items increased by 110.00% from Rs. 187.10 million in Fiscal 2006 to Rs.392.91 million in Fiscal 2007.

### ***Tax***

Tax increased from Rs. 62.36 million in Fiscal 2006 to Rs. 143.08million in Fiscal 2007. This is mainly due to increase in net profit.

### ***Profit after Tax and Extra Ordinary Items***

Net profit increased by 100.28% to Rs. 249.83million in Fiscal 2007 from Rs. 124.74 million in Fiscal 2006. 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.

### **Comparison of Fiscal 2006 and Fiscal 2005**

Some of the significant events that took place during the Fiscal 2006 were as follows:

1. 11 new stores were opened totaling to an area of 279,971 sq. ft and our store located at NH-8, Shivmurti, Delhi having an area of 22,282 sq. ft become non-operational w.e.f December 26, 2005 due to demolition of the premises by MCD which housed our store. For further details please refer the section titled "Risk Factors" on page 8.
2. We have made preferential allotment to Bennett Coleman & Co. Limited in October 2005. For further details please refer the section titled "Capital Structure" on page 38.
3. Agreement with Tata Consultancy Services Limited was entered into w.e.f. September 6, 2005 for implementation of SAP. For further details please refer the section titled "History and Corporate Affairs" on page 102.
4. Started importing non apparel goods from China.

### ***Sales***

Sales increased by 97.14% to Rs. 2,884.43 million in Fiscal 2006 from Rs. 1,463.12 million in Fiscal 2005. Traded products contributed 83.24% of this sales. This is mainly due net addition of 10 new stores and full functionality of four stores opened in Fiscal 2005.

### ***Other Income***

Other income earned in Fiscal 2006 was Rs. 6.46 million in comparison to Rs. 1.43 million in Fiscal 2005, an increase of 351.71%. This increase was mainly on account of display charges received for displaying various FMCG products in our stores amounting to Rs. 3.87 million.

### ***Total income***

Total Income increased by 103.79% to Rs. 3297.91 million in Fiscal 2006 from Rs. 1618.25 million in Fiscal 2005. This is mainly due to increase in sales and other income.

### ***Expenditure***

#### ***Cost of Goods Sold***

Cost of Goods Sold increased in Fiscal 2006 to Rs. 2,143.94 million as compared to Rs 1,047.73 million in Fiscal 2005. After making adjustment for finished goods inventories, this cost as a percentage of sales decreased from 61.10% in Fiscal 2005 to 60.22% in Fiscal 2006. This was mainly due to operating efficiency.

### ***Staff Costs***

Staff costs increased in Fiscal 2006 to Rs. 135.44 million as compared to Rs. 60.35 million in Fiscal 2005. As a percentage of total sales, it increased from 4.12% in Fiscal 2005 to 4.70 % in Fiscal 2006. This is mainly due to addition of 686 employee and increase in per employee cost.

### ***Manufacturing and Administrative Expenses***

Manufacturing and administrative expenses increased in Fiscal 2006 to Rs. 179.90 million as compared to Rs. 134.90 million in Fiscal 2005. As a percentage of total sales, it decreased from 9.22% in Fiscal 2005 to 6.24% in Fiscal 2006. This is mainly due to operating efficiency..

### ***Selling & Distribution Expenses***

Selling & Distribution Expenses increased in Fiscal 2006 to Rs. 568.75 million as compared to Rs. 286.33 million in Fiscal 2005. As a percentage of total sales, it increased from 19.57% in Fiscal 2005 to 19.72% in Fiscal 2006. This is mainly due to increase in advertisement expenditure incurred for branding of the company

### ***Interest***

Interest expense on debt increased in Fiscal 2006 to Rs. 29.12 million as compared to Rs. 9.83 million in Fiscal 2005. This increase is due to increase in secured and unsecured loan of Rs. 550.49 million in Fiscal 2006 as compared to Rs 226.64 million in Fiscal 2005.

### ***Depreciation***

Depreciation increased from Rs. 29.16 million in Fiscal 2005 to Rs. 53.66 million in Fiscal 2006, an increase by 84.02%. This is mainly due to increase in Gross Fixed assets of Rs.221.58 million in Fiscal 2006.

### ***Total Expenditure***

Total expenses after adjustment of finished goods inventories increased by 91.13% to Rs. 2703.79 million in Fiscal 2006 from Rs. 1414.60 million in Fiscal 2005. As a percentage of total sales, it decreased from 96.68% in Fiscal 2005 to 93.74% in Fiscal 2006.

### ***Net Profit before Tax and Extra Ordinary Items***

Net Profit before Tax and extra Ordinary Items increased by 274.57% from Rs. 49.95million in Fiscal 2005 to Rs.187.10 million in Fiscal 2006.

### ***Tax***

Tax increased from Rs. 19.75 million in Fiscal 2005 to Rs. 62.36 million in Fiscal 2006. This is mainly due to increase in net profit.

### ***Profit after Tax and Extra Ordinary Items***

Net profit increased by 313.05% to Rs. 124.74 million in Fiscal 2006 from Rs. 30.20 million in Fiscal 2005. There was substantial improvement in profit margin, it increased from 2.06% in Fiscal 2005 to 4.32% in FY2006.

### **Comparison of Fiscal 2005 with Fiscal 2004**

Some of the significant events that took place during the Fiscal 2005 were as follows;

1. Four new stores were opened totaling to an area of 131,250 sq. ft and our store located at Kota and Park Street, Kolkatta were suspended the details of the same are as follows;
  - Kota Store having an area of 6,500 sq. ft. become non-operational w.e.f. February 28, 2005 due to suspension of franchisee agreement.

- Park Street, Kolkatta having an 5,500 sq. ft. become non-operational w.e.f. November 1, 2004 due to non renewal of business agreement.
2. Introduced FMCG product range in our stores.

### ***Sales***

Sales increased by 66.07% to Rs. 1,463.12 million in Fiscal 2005 from Rs. 881.04 million in Fiscal 2004. Manufactured products contributed 29.09% whereas traded products contributed 70.91% of total sales. This is mainly due to opening of four stores and full functionality of five stores opened in Fiscal 2004.

### ***Other Income***

Other income earned in Fiscal 2005 was Rs. 1.43 million in comparison to Rs. 1.05 million in Fiscal 2004, an increase of 36.19%. This increase was mainly on account of increase in Commission received and income on sale of investments.

### ***Total income***

Total Income increased by 68.18% to Rs. 1,618.25 million in Fiscal 2005 from Rs. 962.24 million in Fiscal 2004. This is mainly due to increase in sales.

### ***Expenditure***

#### ***Cost of Goods Sold***

Cost of Goods Sold increased in Fiscal 2005 to Rs. 1,047.73 million as compared to Rs 664.85 million in Fiscal 2004. After making adjustment for finished goods inventories, this cost as a percentage of sales decreased from 66.36% in Fiscal 2004 to 61.10% in Fiscal 2005. This is mainly due to operating efficiency of management.

#### ***Staff Costs***

Staff costs increased in Fiscal 2005 to Rs. 60.35 million as compared to Rs. 30.21 million in Fiscal 2004. As a percentage of total sales, it increased from 3.43% in Fiscal 2004 to 4.12 % in Fiscal 2005. This is mainly due to addition of 1157 employees and increase in per employee cost.

#### ***Manufacturing and Administrative Expenses***

Manufacturing and administrative expenses increased in Fiscal 2005 to Rs. 134.90 million as compared to Rs. 88.36 million in Fiscal 2004. As a percentage of total sales, it decreased from 10.03% in Fiscal 2004 to 9.22% in Fiscal 2005. This is mainly due to operating efficiency of management.

#### ***Selling & Distribution Expenses***

Selling & Distribution Expenses increased in Fiscal 2005 to Rs. 286.33 million as compared to Rs. 148.68 million in Fiscal 2004. As a percentage of total sales, it increased from 16.88% in Fiscal 2004 to 19.57% in Fiscal 2005. This is mainly due to increase in number of stores from 14 at the end of fiscal 2004 to 16 at the end of fiscal 2005.

#### ***Interest***

Interest expense on debt increased in Fiscal 2005 to Rs. 9.83 million as compared to Rs. 2.09 million in Fiscal 2004. This increase is due to increase in secured and unsecured loan of Rs. 226.64 million in Fiscal 2005 as compared to Rs 81.06 million in Fiscal 2004.

#### ***Depreciation***

Depreciation increased from Rs. 14.74 million in Fiscal 2004 to Rs. 29.16 million in Fiscal 2005, an increase by 97.83%. This is mainly due to increase in Gross Fixed assets of Rs. 116.96 million in Fiscal 2005.



### ***Total Expenditure***

Total expenses after adjustment of finished goods inventories increased by 62.83% to Rs. 1414.60 million in Fiscal 2005 from Rs. 868.78 million in Fiscal 2004. As a percentage of total sales, it decreased from 98.61% in Fiscal 2004 to 96.68% in Fiscal 2005.

### ***Net Profit before Tax and Extra Ordinary Items***

Net Profit before Tax and extra Ordinary Items increased by 275.28% from Rs. 13.31 million in Fiscal 2004 to Rs. 49.95 million in Fiscal 2005.

### ***Tax***

Tax increased from Rs. 9.49 million in Fiscal 2004 to Rs. 19.75 million in Fiscal 2005. This is mainly due to increase in net profit.

### ***Profit after Tax and Extra Ordinary Items***

Net profit increased by 690.58% to Rs. 30.20 million in Fiscal 2005 from Rs. 3.82 million in Fiscal 2004. There was substantial improvement in profit margin, it increased from 0.43% in Fiscal 2004 to 2.06% in Fiscal 2005.

### **Comparison of Fiscal 2004 with Fiscal 2003**

Some of the significant events that took place during the Fiscal 2004 were as follows;

1. Five new stores were opened totaling to an area of 77,182 sq. ft
2. Merger of Vishal Apperal and Vishal Garment.
3. Started garment manufacturing unit.

### ***Sales***

Sales increased by 76.35% to Rs. 881.04 million in Fiscal 2004 from Rs. 499.59 million in Fiscal 2003. Manufactured products contributed 25.99% whereas traded products contributed 74.01% of total sales. This increase is mainly due to opening of five stores and full functionality of five stores opened in Fiscal 2003.

### ***Other Income***

Other income earned in Fiscal 2004 was Rs. 1.05 million in comparison to Rs. 35.64 million in Fiscal 2003. This decrease was mainly on account of consignment commission amounting to Rs. 34.81 in Fiscal 2003 from Vishal Apparel and Vishal Garment.

### ***Total income***

Total Income increased by 66.36% to Rs. 962.24 million in Fiscal 2004 from Rs. 578.42 million in Fiscal 2003. This is mainly due to increase in sales.

### ***Expenditure***

#### ***Cost of Goods Sold***

Cost of Goods Sold increased in Fiscal 2004 to Rs. 664.85 million as compared to Rs 426.73 million in Fiscal 2003. After making adjustment for finished goods inventories, this cost as a percentage of sales decreased from 76.77% in Fiscal 2003 to 66.36% in Fiscal 2004. This is mainly due to operating efficiency of management.

#### ***Staff Costs***

Staff costs increased in Fiscal 2004 to Rs. 30.21 million as compared to Rs. 31.96 million in Fiscal 2003. As a percentage of total sales, it decreased from 6.40% in Fiscal 2003 to 3.43 % in Fiscal 2004. This is

mainly due to merger of Vishal Apparel and Vishal Garments with Vishal Retail and relocation and expansion of business.

#### ***Manufacturing and Administrative Expenses***

Manufacturing and administrative expenses increased in Fiscal 2004 to Rs. 88.36 million as compared to Rs. 8.16 million in Fiscal 2003. As a percentage of total sales, it increased from 1.63% in Fiscal 2003 to 10.03% in Fiscal 2004. This is mainly due to merger of Vishal Apparel and acquisition of manufacturing assets of Vishal Fashions Private Limited with Vishal Retail and relocation and expansion of business.

#### ***Selling & Distribution Expenses***

Selling & Distribution Expenses increased in Fiscal 2004 to Rs. 148.68 million as compared to Rs. 91.13 million in Fiscal 2003. As a percentage of total sales, it decreased from 18.24% in Fiscal 2003 to 16.88% in Fiscal 2004. This is mainly due to operating efficiency of management.

#### ***Interest***

Interest expense on debt decreased in Fiscal 2004 to Rs. 2.09 million as compared to Rs. 3.34 million in Fiscal 2003. This decrease is due to lower interest free loan obtained from promoter company.

#### ***Depreciation***

Depreciation increased from Rs. 9.00 million in Fiscal 2003 to Rs. 14.74 million in Fiscal 2004, an increase by 63.78%. This is mainly due to increase in Gross Fixed assets of Rs. 123.12 million in Fiscal 2004 as compared to Rs. 60.28 million in Fiscal 2003.

#### ***Total Expenditure***

Total expenses after adjustment of finished goods inventories increased by 64.81% to Rs. 868.78 million in Fiscal 2004 from Rs. 527.13 million in Fiscal 2003. As a percentage of total sales, it decreased from 105.51% in Fiscal 2003 to 98.61% in Fiscal 2004.

#### ***Net Profit before Tax and Extra Ordinary Items***

Net Profit before Tax and extra Ordinary Items increased by 64.32% from Rs. 8.10 million in Fiscal 2003 to Rs. 13.31 million in Fiscal 2004.

#### ***Tax***

Tax increased from Rs. 2.63 million in Fiscal 2003 to Rs. 9.49 million in Fiscal 2004. This is mainly due to increase in net profit.

#### ***Profit after Tax and Extra Ordinary Items***

Net profit decreased by 30.16% to Rs. 3.82 million in Fiscal 2004 from Rs. 5.47 million in Fiscal 2003. Profit margin decreased from 1.09% in Fiscal 2003 to 0.43% in Fiscal 2004. This was mainly on account of increase in deferred tax.

#### ***Liquidity, Capital Resources and Cash Flows***

Our primary sources of liquidity are funds generated from operations, and cash and credit, short-term loan and term loans with banks and non-bank financial companies in India. Our primary use of cash is opening of new stores and inventory procurement. We believe that our present sources of liquidity are sufficient to satisfy our present business requirements.

We intend to utilize a major portion of the proceeds of this issuance for opening stores and balance for general corporate purposes. See "Use of Proceeds" for a more detailed description of our intended use of the proceeds of this issuance.

The following table sets forth certain information about our cash flows for the years ended March 31, 2004, 2005, 2006 and 2007:

	(Rs. million)			
	For the Financial year ended March 31			
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Net profit before tax .....	392.91	187.10	49.95	13.31
Net cash from operating activities .....	(1,025.04)	(306.18)	(10.14)	(46.43)
Net cash from (used in) investing activities .....	(950.81)	(269.80)	(106.92)	(73.98)
Net cash from (used in) financing activities.....	2,044.70	593.83	118.64	115.04
Net increase (decrease) in cash and cash equivalents .....	68.85	60.64	1.58	(5.37)
Cash and cash equivalents, at the beginning of the year.....	82.66	22.02	20.44	25.81
Cash and cash equivalents, at the end of the year .....	151.54	82.66	22.02	20.44

#### **Year Ended March 31, 2007**

Net cash used in operating activities for the Fiscal 2007 amounted to Rs. 1,025.04 million. Rs. 392.91 million was generated from pre-tax profit. Adjustments to cash flow included finance charges of Rs. 147.54 million and depreciation of Rs. 152.88 million. Working capital adjustments included increase in inventories of Rs. 1709.49 million, on account of inventory build required to be maintained on account of increase in retail sales area, stock requirement for new stores planned to be opened in first quarter of next fiscal and deferment and abandonment of some stores scheduled for opening during fiscal 2007. Also, during fiscal 2007 we have partly implemented our management information system to SAP ERP system which has resulted in delayed and improper receipt of critical sales data which has also even led to some inventory build up to overcome the replenishment requirements of the stores. An increase in current liabilities and provisions of Rs. 367.90 million. Net cash used for operating activities in Fiscal 2007 amounted to Rs. 1,025.04 million which includes Deposits for premises and advances on account of advances for advertisement expenses.

Net cash used in investing activities for the Fiscal 2007 totalled Rs. 950.81 million, of which Rs. 944.71 million was accounted for as purchase of fixed assets.

Net cash generated by financing activities for the Fiscal 2007 totalled Rs. 2044.70 million, resulting mainly from proceeds from issuance of share capital to several investors including HDFC, Rs. 600 million proceeds from issuance of debentures and bank borrowing of Rs. 1,086.85 million used for opening of stores and business expansion.

As a result of the above, cash and cash equivalents increased by Rs. 68.85 million from Rs. 82.66 million as of April 1, 2006 to Rs. 151.51 million as of March 31, 2007.

#### **Year Ended March 31, 2006**

Net cash used in operating activities for the Fiscal, 2006 amounted to Rs. 306.18 million. Rs. 187.10 million was generated from pre-tax profit. Adjustments to cash flow included finance charges of Rs. 29.12 million and depreciation of Rs. 53.66 million. Working capital adjustments included increase in inventories of Rs. 407.96 million, due to requirement of maintaining stocks for opening of 11 new stores and an increase in current liabilities and provisions of Rs. 201.63 million. Net cash used for operating activities in Fiscal 2006 amounted to Rs. 306.18 million which includes Deposits for premises and advances on account of advances for advertisement expenses.

Net cash used in investing activities for the Fiscal 2006 totalled Rs. 269.80 million, of which Rs.272.42 million was accounted for as purchase of fixed assets.

Net cash generated by financing activities for the Fiscal 2006 totalled Rs. 593.83 million, resulting mainly from proceeds from issuance of share capital to Bennett and Coleman Group and bank borrowing of Rs. 280.50 million used for opening of stores and business expansion.

As a result of the above, cash and cash equivalents increased by Rs. 60.64 million from Rs. 22.02 million as of April 1, 2005 to Rs. 82.66 million as of March 31, 2006.

### **Year Ended March 31, 2005**

Net cash used in operating activities for the Fiscal 2005 totalled Rs. 10.14 million. Adjustments to pre-tax profit of Rs. 49.95 million included finance charges of Rs. 9.83 million and depreciation of Rs.29.16 million. Working capital adjustments included increase in inventories of Rs. 171.29 million, resulting mainly from opening of four new stores, Current liabilities and provisions resulted in an increase of Rs.37.67 million, owing mainly to booking of transit purchase.

Net cash used in investing activities for the Fiscal 2005 totalled Rs. 106.92 million. Rs. 117.36 million were used in purchase of fixed assets. Rs. 40.19 million was generated from sale of investment.

Net cash from financing activities for the Fiscal 2005 totalled Rs. 118.64 million. Proceeds from issuance of share capital was Rs. 25.25 million whereas Rs. 42.36 million was refunded as share application money. We also increased our bank borrowings by Rs. 185.89million. We paid interest of Rs. 9.83 million during the year.

As a result of the above, cash and cash equivalents increased by Rs. 1.58 million from Rs. 20.44 million as of April 1, 2004 to Rs. 22.02 million as of March 31, 2005.

### **Year Ended March 31, 2004**

Net cash used in operating activities for the Fiscal 2004 totalled Rs. 46.43 million. Rs. 13.31 million was generated from pre-tax profit. Adjustments to cash flow included finance charges of Rs. 2.09 million and depreciation of Rs. 14.74 million. Working capital adjustments included increase in inventories of Rs. 74.31 million, resulting mainly from five new store being opened during the fiscal, and an increase in current liabilities and provisions of Rs. 16.60 million mainly because of booking of transit purchase.

Net cash used in investing activities for the Fiscal 2004 totalled Rs. 73.98 million, of which Rs. 65.90 million was used in purchase of fixed assets.

Net cash from financing activities for the Fiscal 2004 totalled Rs. 115.04 million, resulting mainly from increased unsecured borrowings of Rs. 11.56 million and share application money received of an amount of Rs. 50.77 million from our promoter group companies. We paid interest of Rs. 2.09 million during the year. During fiscal 2004 we also repaid Rs. 8.64 million towards bank borrowings.

As a result of the above, cash and cash equivalents decreased by Rs. 5.37 million from Rs. 25.81 million as of April 1, 2003 to Rs. 20.44 million as of March 31, 2004.

### **Financial Condition**

Our net worth increased by 88.71% from Rs. 671.74 million as on March 31, 2006 to Rs. 1267.62 million as of March 31, 2007 as we received share capital premium on account of preferential allotment of Equity Shares at a rate of Rs. 200 per Equity Share, conversion of convertible preference shares into equity and profit earned during the year. Our share capital increased by Rs. 18.34 million to Rs. 183.25 million in Fiscal 2007. Reserves and surplus increased from Rs. 506.85million in Fiscal 2006 to Rs. 1,084.37million in fiscal 2007.

### **Assets**

Our fixed assets increased by 169.49% from Rs. 401.31 million as of March 31, 2006 to Rs. 1,081.50 million as of March 31, 2007 mainly because of opening of new stores, implementation of SAP, and to further strengthen our supply chain management. Inventories increased by 218.61% from Rs. 781.99 million as on March 31, 2006 to Rs. 2,491.47 million as on March 31, 2007, this increase was primarily on account of inventory build required to be maintained on account of increase in retail sales area, stock requirement for new stores planned to be opened in first quarter of next fiscal and deferment and abandonment of some stores scheduled for opening during fiscal 2007. Also, during fiscal 2007 we have shifted our management information system to SAP ERP system which has resulted in delayed and proper receipt of critical sales data which has also even led to some inventory build up to overcome the replenishment requirements of the stores. Cash and bank balances increased from Rs. 82.66 million as on March 31, 2006 to Rs. 151.51 million as on March 31, 2007. Loans and advances increased from Rs. 322.23 million as on March 31, 2006 to Rs.

580.39 million as on March 31, 2007, mainly because of increase in income tax advances, advances paid for goods and accessories and advances paid for fixed assets.

### **Liabilities and Provisions**

Our liabilities and provisions increased by 260.81% from Rs. 864.98 million as of March 31, 2006 to Rs. 3,120.90million as of March 31, 2007. Secured loans increased from Rs. 476.11 million as of March 31, 2006 to Rs. 2,162.96million as of March 31, 2007 because of increased borrowing from SBI and HSBC and issuance of non-convertible debentures to LIC Mutual fund and liabilities, provision for income tax among others. For further details, please refer to section “Financial Indebtedness” on page 93 of this Red Herring Prospectus.

### **Risk Management**

We are exposed to specific risks in the conduct of our business and the business environment in which we operate. These risks include, or have historically included, exposure to liquidity, interest rate, market, customer credit, inflation and regulatory risks arising in the normal course of our business. Generally, our overall objective is to ensure that we understand, measure and monitor these various risks and take appropriate actions to minimize our exposure to such risks. Our management's policies for managing each of these risks are described below.

#### ***Liquidity Risk***

We have adopted liquidity risk management practices that are intended to maintain sufficient cash and liquid financial assets for our operations. The liquidity needs of our projects under implementation are funded mainly by working capital loans from leading Indian banks. These loans are generally secured by mortgages of our fixed and current assets.

#### ***Interest Rate Risk***

Changes in interest rates affect our interest expense in respect of our borrowings and our interest income in respect of our interest on short-term deposits with banks and loans from associates. Interest rates in India have exhibited a rising trend over the last three fiscal years, with the RBI reverse repo rate rising from 4.50% as of March 31, 2004 to 4.75%, 5.50% and 6.0%. as of March 31, 2005, 2006 and 2007 respectively.

The interest rate at which we may borrow funds and the availability of capital affects our business by limiting or facilitating the number of projects we may undertake and determining the return which we must obtain from each project to meet our obligations under our borrowings. We have not hedged against interest rate risk in the past.

### **Significant Accounting Policies**

For details please refer the section titled “Auditors Report” on page 129 of this Red Herring Prospectus.

### **Significant Factors Affecting Our Business, Financial Condition and Results of Operations**

A number of general factors affected our financial performance in the past, and may continue to affect our financial performance in the future as per clause 6.10.5.5(a) of the SEBI Guidelines are discussed below:

#### **1. Significant Economic changes that can impact operations**

##### *Variation in Interest rate*

At present, debt constitute a significant weight in our balance sheet but in future, we might borrow more to meet our expansion plan. In that case, any rise in interest rate could have a negative impact on our bottom line.

##### *Inflation*

We are subject to inflationary forces on our cost front.

## **2. Known trends or Uncertainties**

Other than as described in this section in this Red Herring Prospectus, to the best of our knowledge, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenue or income of the Company from continuing operations.

## **3. Future relationship between costs and income**

### ***Rise in Real-estate Price***

Our success in opening new stores is largely dependent on procuring (either through lease agreement or ownership) stores at strategic location at optimal price. Considering continuous upward trend in real estate prices and competition with other large retailers for acquiring quality real estate resources, incase we don't get required land at desired price, it can affect our expansion plan as well as profitability adversely.

## **4. Dependence of revenues on opening of new stores**

Major growth in sales is dependent upon opening of new stores as planned and maintaining growth in sales of existing stores.

## **5. Turnover of the industry segment in which we operate**

Please refer to the discussions in the section entitled "Industry Overview" on page 66 in this Red Herring prospectus.

## **6. Seasonality in Revenue Cycle**

Our business is affected by seasonality which might arise due to;

- Festivals/ Occasions – As most of the Indian festivals are clustered in 3<sup>rd</sup> quarter of our financial year, third quarter business has a significant contribution to our total annual sales.
- End of Season Period – We need to continuously replace our existing product range with new ones depending upon fashion cycles as well as weather condition. In order to achieve the same, we need to conduct end-of-period clearance sale which might affect our profit margins.

## **7. New products or business segments**

We are in retailing of various consumer goods. In order to meet the changing requirements of our customers, we may launch new product range/category or new format of delivery or new brands.

## **8. Dependence on single or few suppliers/customers**

We stock about 74,000 SKUs in our stores and source SKUs from diverse group of suppliers and thus our operations are risk averse from supplier side. Similarly, we sell our products to a wide variety of customer segments and do not foresee business risk arising from our customers.

## **9. Competitive Conditions**

We believe that we are well positioned to enhance our position as a most relevant retailer for customers in the region in which we operate. On account of our competitive strengths we feel we are well positioned to serve our customers.

## **Significant developments after March 31, 2007 that may affect our future results of operations**

Except as stated, to our knowledge, no circumstances have arisen since the date of the last financial statements as disclosed in this Red Herring Prospectus, which materially and adversely affect or are likely to affect, the trading and profitability of our Company, or the value of our consolidated assets or our ability to pay our material liabilities within the next twelve months.

## SECTION – VI – LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as described below, there is no outstanding litigations, suits or criminal or civil prosecutions, proceedings or tax liabilities against us, our Directors, our Promoters and our Promoter Group companies that would have a material adverse effect on our business and there are no defaults, non-payment or overdue of statutory dues, institutional/bank dues and dues payable to holders of any debentures, bonds and fixed deposits that would have a material adverse effect on our business other than unclaimed liabilities against us or our Directors, our Promoters and our Promoter Group companies as of date of this Red Herring Prospectus.

#### I. LITIGATION AGAINST OUR COMPANY

##### A. Contingent liabilities not provided for as of March 31, 2007:

Our contingent liabilities not provided for and outstanding guarantees as of March 31, 2007 (as disclosed in our financial statements) include:

Particulars	<i>(Rs. in million)</i> Amount
Disputed Sales Tax Demand against which the company has filed appeal	12.67
Disputed Entry Tax Demand against which the company has filed appeal	3.32
The counter guarantee given the company for the guarantees issued by the bankers/ Financial Institutions.	3.44
Claim against the company not acknowledged as debts	3.01
Guarantee given by the company for the loan taken by the Managing Director	21.00
<b>Total</b>	<b>43.44</b>

##### B. Pending Litigation against our Company

###### *Criminal Proceedings*

- a). The Delhi Development Authority has filed a criminal complaint dated April 24, 2004 against our Company and our directors (CLD No. 02403 RO 14854204) under Sections 14 and 29(2) of the Delhi Development Act, 1957 alleging that our Company is illegally operating a commercial establishment in our Pitampura store as the land on which our Company is running the store can be used only for residential purposes. The case is currently pending before the Metropolitan Magistrate, New Delhi.
- b). Mr. N.K. Biswas, branch commercial head of VIP Industries Limited, had filed a criminal complaint (FIR No. 185 of 2007) dated April 26, 2007, before the Inspector in Charge, Rajarhat Police Station, Kolkata, against certain officers of our Company employed in our Kolkata Store for allegedly selling and storing spurious suitcases of VIP brand name and violations of the provisions of the CopyRight Act, 1957 and TradeMarks Act, 1999. Certain of the employees of our Company were arrested on the April 26, 2007 under sections 420, 483, 285, 486, 487 and 120B of the Indian Penal Code, 1860 as amended. The Calcutta High Court by its order dated May 14, 2007 had issued bail orders in favour of the employees of our Company who were arrested on the April 26, 2007. The said matter has been settled between our Company and VIP Industries Limited by an MOU dated April 28, 2007. For more information, please refer to section titled "History and Certain Corporate Matters" beginning on page 102

###### *Sales Tax Disputes*

There are two cases pending against us in relation to certain sales tax claims. The aggregate amount claimed against us in these cases is approximately Rs. 2.11 million. Brief details of these are as follows:

- (a) Our Company had received a notice of demand dated June 30, 2005 under the West Bengal Sale Tax Rules, 1995 directing us to pay Rs 1.53 million towards sales and purchase tax and an interest of Rs. 3,000. On October 4, 2005, we have filed an appeal against the said assessment order before Deputy Commissioner, Commercial Taxes, which is currently pending.
- (b) Our Company had received an assessment order dated June 30, 2005 from the Assistant Commissioner, Commercial Taxes, directing us to pay Rs 0.58 million. On October 4, 2005, we have filed an appeal before the Deputy Commissioner, Commercial Taxes, Behala circle, against the said assessment order, which is currently pending.

#### **Consumer Cases**

There are four consumer complaints pending against our Company before various consumer dispute redressal forums in India. The total amount of claims in these cases is approximately Rs. 0.59 million in addition to interest. The details of these claims have been provided below:

- (a) Ms. Asha Daryani has filed a complaint (Complaint Case No. 485/06) before the District Consumer Disputes Redressal Forum X, Delhi dated June 26, 2006 claiming that the complainant had purchased *raj kachori* (a food item) from the Mathura Road outlet of our Company and has alleged that she found a 25mm iron nail inside the food item which was felt inside in her mouth. The complainant has claimed a compensation of Rs. 0.50 million from our Company on the grounds of mental agony and negligence. The next date of hearing is scheduled on August 22, 2007.
- (b) Mr. Virendra Singh has filed a complaint (Complaint Case No.78/07) before the *Nyayalay Jila Manch, Upbhokta Sanrakshan (in Hindi)*, Jaipur dated January 11, 2007 claiming that the complainant had purchased certain products from the Jaipur outlet of our Company for Rs. 292.50, for which the complainant had paid Rs. 293. The complainant has alleged that the cashier at the store refused to refund the balance Rs. 0.50, even after the constant demand of the complainant. The complainant has claimed Rs. 0.07 million towards compensation and mental agony from the Company. The case is currently pending and the next date of hearing is scheduled on June 21, 2007.
- (c) Dr. Shashi Kant Gupta has filed a complaint (Consumer Complaint no. 76/2007) before the *Nyayalaya Jila Manch, Upbhokta Sanrakshan*, Udaipur against our Company claiming that the complainant had purchased a cordless phone from the Udaipur store of our Company. It is the allegation of the complainant that the Company had misrepresented him by selling him a phone with a range of 100 metres as against the purported range of 700 metres and the manager of the Udaipur store refused to replace the phone even after repeated instance of the complainant. The complainant has claimed a compensation of Rs. 12,885 from the Company. The case is currently pending and the next date of hearing is scheduled on June 16, 2007.
- (d) We have received a notice from the office of Civil Surgeon, Punchkula informing us that a case has been launched in the court of CJM, Punchkula on the grounds that the sample of *besan* (food product) was found to be adulterated. The case is currently pending and the next date of hearing is scheduled on July 9, 2007.

#### **Land Usage Case**

A civil suit dated July 29, 2006 was filed before the Civil Court, Hissar by Mr. Manmohan Rai and others against our company for permanent injunction restraining our company from running the food mart in the basement complex of Suncity Mall, Hissar. The petitioners have claimed that our use of the basement complex is in violation of the sanctioned site plan further claimed that the authorities should seal the Suncity Mall, Hissar. The suit is currently pending and the matter stands adjourned till June 8, 2007.

#### **Intellectual Property Case**

Arvind Brands Limited has filed a case (CS (OS) No. 425 of 2006) against our company before the Delhi High Court on 7th March, 2006 claiming that trademark "MEGAMART" which is being used by our company is originally owned by them and our usage of the term "MEGAMART" would constitute passing-



off. Arvind Brands Limited has claimed permanent injunction against the usage of the term and also claimed Rs. 2.00 million as damages. They have also filed an application for temporary injunction (IA No. 2763 of 2006) claiming restrain in use of the term “MEGAMART” by us. The suit is currently pending before the Delhi High Court and the matter stands adjourned till July 23, 2007.

## **II. Material Developments**

Except as disclosed in the section “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page 163, in the opinion of our Board, there have not arisen, since the date of the last financial statements disclosed in this Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole or the value of its consolidated assets or its ability to pay its material liabilities within the next 12 months.

## **III. LITIGATION AGAINST OUR PROMOTERS AND PROMOTER GROUP COMPANIES**

### **1. Vishal Water World Private Limited**

Ms. Sanghamitra Ghosh has filed an affidavit in opposition before the High Court at Calcutta, Constitutional Writ Jurisdiction (Original Side) against the Writ Petition (being WP 42 of 2006) filed by Vishal Water World Private Limited and another. Vishal Water World Private Limited had filed the said writ petition against an order (being Order No. 4395-LR/3M-133/05GE(M) dated December 27, 2005) issued by the Joint Secretary, Government of West Bengal, Land and Land Reforms Department, canceling the permission for conversion of land use from ‘sali’ to ‘water park’ granted by the ADM, District Land and Land Reforms Office dated June 1, 2000.

### **2. Vishal Fashions Private Limited**

Vishal Fashions Private Limited had received a notice of demand dated March 17, 2005 under the West Bengal Sale Tax Rules, 1995 from the Commercial Tax Officer directing it to pay Rs 5.22 million towards its sale tax liability for the quarter ending March 31 2003. Vishal Fashions Private Limited has on September 28, 2005 filed an appeal against the said assessment order before the Assistant Commissioner, Commercial Taxes, which is currently pending.

### **3. Vishal Apparel**

Vishal Apparels received an assessment order dated March 13, 2004 issuing a demand notice of Rs. 2.78 million for the assessment year 2002-2003. Vishal Apparels had applied for the review of the assessment order vide application dated March 31, 2004, wherein the Sales Tax Officer had reduced the demand to Rs. 1.15 million. Vishal Apparels has further gone for review of the assessment order before the office of the Sales Tax Officer, by an application dated January 03, 2005 which is currently pending. The next date of hearing is scheduled to be on August 28, 2007.

## **IV. POTENTIAL LITIGATION AGAINST OUR COMPANY**

- (a) A notice was sent by Mr. Rajpal Singh, a resident of Gaziabad, on October 29, 2005 claiming that he had bought five gift packs of Cadbury’s chocolate from the Gaziabad outlet of our Company but he later found that there was no chocolate inside. The Consumer has claimed an amount Rs. 0.40 million as damages and in failing to do so has threatened litigation.
- (b) A notice was sent by Kay Jain Wears Private Limited, Ludhiana claiming that they were one of the suppliers of readymade garments to our Company and there is outstanding debt of Rs. 0.03 million along with an interest of 18% p.a. They have claimed for their outstanding debt failing which litigation is threatened.
- (c) A notice was sent by Vikas Pratap Singh, a resident of New Delhi, claiming that Rs. 935 were wrongfully credit from his ATM cum Debit card by one of the outlet of the company. He has claimed an amount of Rs. 10,935 from us and if denied has threatened to file a suit against our Company.

- (d) A notice was sent by Ms. Neetu Devi, a resident of Jaipur, on March 2, 2006 claiming that she had received a due slip worth Rs. 550 on return of some defective clothes from the Jaipur outlet of our Company. It is her claim that the due slip was later not accepted by the shop and therefore has claimed an amount Rs. 6,600 from our Company failing which a suit would be filed against us.
- (e) A notice was sent by M/S Pyramid Plastics and M/S B.T.Plastics & Allied Industries, Mumbai, on March 07, 2006 claiming that our Company is manufacturing and marketing product called "STRAINER" in Delhi by using their registered trademark and artwork "ALL TIME" and their registered design of "Soup Strainer and Tea Strainer". They have threatened to file a suit for trademark infringement and passing off in case we do not destroy all such products and restrain our self from further production and marketing of the mentioned products.
- (f) A notice was sent by Ms. Sonal, a resident of Indore, on July 11, 2006 claiming that she had purchased a skirt from our Indore store and the security tag tape attached to the skirt was not removed by the store staff. It is her claim that she had gone to another shop wearing that skirt and the security alarm beeped at that store because of which she was checked by officials of that store. She has claimed an amount of Rs. 0.20 million on the ground of mental harassment and defamation from our Company failing which a suit would be filed against us.
- (g) A notice was sent by Mr. Anshul Yadav, a resident of Jaipur, on August 18, 2006 claiming that at the time he had purchased a pair of jeans from our Jaipur store he was assured by the store staff that in case of any defect in the jeans it could be replaced at the store. It is his claim that the jeans were torn from the back and even after trying to return it at the store several times, it was not replaced. He has claimed an amount of Rs 5,500 from our Company and also for replacement of the jeans.
- (h) A notice was sent by Mr. Khushi Mohammed, a resident of Jaipur, on June 26, 2006 claiming that he had purchased a pair of trousers for his child from our Jaipur outlet, on the condition that if it does not fit his child he can come and replace the trousers. It is his claim that the trousers did not fit his child and when he tried to get it replaced at the store, the store staff refused and behaved in an indecent manner. He has asked us to come to his residence and replace the trousers with correct size failing which litigation is threatened.
- (i) A notice was sent by Mr. Surendra Singh, a resident of Jaipur, on July 31, 2006 claiming that he had purchased a shirt from our Jaipur store which lost its original colour because of sweat only in 2-3 hours of wearing it. He has claimed replacement of the shirt failing which he has threatened litigation for an amount of Rs. 1,100 and refund of Rs. 450 for the shirt.
- (j) A notice was sent by Mr. Rajkumar Kaushik, a resident of Jhunjhunu, on July 11, 2006 claiming that he had purchased a parallel for Rs. 95 from our Jaipur store which had manufacturing defects therefore he had returned it at the store for which he was not paid money. It is his claim that he was provided with a credit slip for Rs. 71.25 and he was asked to purchase goods from the store from the said credit slip. He has claimed Rs. 795 from our Company as compensation failing which litigation is threatened.
- (k) A notice was sent by the Assistant Commissioner, Commercial Taxes, Dehradun dated August 18, 2006 demanding an amount of Rs. 10,843 towards payment of a value added tax for the month of April, 2006 and an amount of Rs. 0.16 million towards payment of a value added tax for the month of May 2006 from us.
- (l) A show cause notice was sent from the Department of Weights and Measures, Ghaziabad dated July 3, 2006 asking us for an explanation as to why the weights of the advertised products were not displayed in our advertisement dated July 1, 2006 in the "The Times of India" newspaper. We had replied to the notice by our letter dated July 14, 2006 stating that the reason for the alleged non-display was due to an error by the printing agent. But the department had sent another notice on August 30, 2006 claiming that they have not received any reply to their previous notice dated July 03, 2006 and therefore had given us time till September 8, 2006 to send our reply to the notice failing which litigation is threatened.

- (n) Mr. Amitav Goswami has registered a complaint on September 26, 2006 before the district magistrate, Kamrup, Guwahati and also a first information report on August 31, 2006 before the officer in charge, Paltan Bazaar Police Station, Guwahati against our Company for alleged forging of signature and illegally crediting Rs. 3,000 from his credit card. The office of the district magistrate, Kamrup, Guwahati has issued us a show-cause notice bearing no. KMJ.24/2006/47, dated October 04, 2006, in accordance of which our Company was directed to reply to the allegations. Our Company had replied to the notice by our letter dated October 13, 2006, wherein we have denied all the allegations placed by the complainant and have agreed for any investigation in this matter.
- (o) A notice was sent by Mr. Kamshetty Ashok Kumar, dated October 05, 2006, alleging that our Company is raising illegal structures and making unauthorized constructions in the common areas of Kamshetty Mall, Ramnathpur, Hyderabad which our Company has taken on lease. Mr. Kamshetty Ashok Kumar being the co-owner of the ground and four floors of Kamshetty Mall has asked us to remove the alleged illegal structures, failing which a legal action has been threatened.
- (p) A notice was sent by Mrs. Amita Pandit, dated October 11, 2006, alleging that our Company in its promotional campaign had misrepresented the price of a fruit juice pack and the noticee based on the representations had bought the juice pack from our Jalandhar store, for which she was charged more than the price quoted in the promotional campaign. The notice has claimed an amount of Rs. 0.20 million from us on account of mental agony and unfair trade practices.
- (q) A show cause notice was sent by Municipal Corporation, Pune, dated October 11, 2005, requiring our Company to make an application under Food Adulteration Act, 1954 for our store in Pune.
- (r) A notice dated November 19, 2006 was sent by Nippon Audiotronix Limited, a company manufacturing car security and entertainment systems, demanding an amount of Rs. 22,934 along with interest at the rate of 24% per annum and Rs. 5,500 towards professional charges, from us against alleged non-payment of a bill raised by them for supply of the said goods.
- (s) A notice dated February 23, 2007 sent by M/s Anuvarath Apparels Private Limited, a company manufacturing ready made garments, demanding an amount of approximately Rs. 1.96 million towards payment due for supply of garments to the Company, failing which a legal action has been threatened.
- (t) A notice dated March 1, 2007 has been issued by Mr. Pradeep Singh, alleging that the food products sold in the Haldwani store contained labels of date of manufacture/packing at a future time period and thereby misleading the consumers on the actual date of manufacture/packing of food products sold in the store. The complainant has sought a compensation of Rs. 0.1 million from the Company towards mental and physical agony, failing which legal action has been threatened.
- (u) A notice dated January 16, 2007 has been issued by District Magistrate (Finance and Revenue), Kanpur for alleged evasion of stamp duty with respect to the lease agreements entered by the Company for its retail outlet in Kanpur.
- (v) A notice dated January 27, 2007 was issued by “*Karyalay Krishi Upaj Mandi [Anaj] Vishisht Shreni*”, Jaipur, requiring our Company to make an application for registration under *Rajasthan Rajya Krishi Upaj Vipni Adhiniyam, 1961*, for our store at Malviyanagar, Jaipur, since the store sells sugar and the Company needs to be a registered under the aforesaid rules for selling sugar in the Rajasthan.
- (w) A notice dated April 23, 2007 was issued by Agro Gold Chemical India Private Limited claiming that the Company has vacated the rented warehouse situated at Khasra no. 424, Mahipalpur, New Delhi, without intimating the lessor, the complainant and has alleged that the Company not paid the rent for the months of July 2006, February 2007 and April, 2007 amounting a total of Rs. 0.32 million. The complainant has also alleged that the rented premises was damaged by the Company and has claimed Rs. 1.79 million towards recovery of damages caused to the premises. The complainant has also claimed that electricity bill of Rs. 0.9 million is due upon the Company and

has demanded the payment for the same. The complainant has claimed a total amount of Rs. 3.02 million, failing which litigation is threatened.

- (x) We have received various notices by Deepak Chains Private Limited (“DCPL”), with whom we had a franchisee agreement for our erstwhile store in Agra, claiming that our Company is planning to open another store in Agra without giving preference to DCPL, and such an act would be violative of the franchisee agreement entered between DCPL and our Company. DCPL had also claimed over dues on rent to be paid by our Company and certain claims of supplier of goods were also directed to us by DCPL, amounting to total claim, as mentioned in its letter dated April 30, 2007, of approximately 1.55 million together with interest at the rate of 18% per annum from April 16, 2007 till the date of payment. In addition, by another notice dated April 30, 2007, DCPL has alleged that our Company has defaulted in payment of rent to DCPL and has claimed an amount of approximately Rs. 4.31 million. We have replied to their notices denying all their allegations and any breach of agreement and have counter claimed a sum of Rs. 5 million from DCPL on account of damage to our store due to fire by our letter dated April 18, 2007. Further, we have also replied to DCPL by two separate letters dated May 18, 2007 wherein we have denied the claims of DCPL and have claimed that our Company has suffered a loss of approximately Rs. 16.6 million on account of damage to our store.
- (y) A demand notice dated April 16, 2007, was issued by the Assistant Commissioner of Taxes, Government of Assam imposing a penalty of Rs. 1.00 million on account of evasion of taxes under the Assam VAT Act, 2003. The Company has been directed to deposit the penalty amount and in the event of failure by the Company, an arrear certificate would be issued by the tax authorities.
- (z) An assessment order dated December 22, 2006, was issued under Section 12 of the Orissa Sales Tax Act 1947 against the Company requiring it to pay an amount of Rs.1.55 million on the grounds that the Company had transported goods without the supporting documents with an intention to evade tax.
- (aa) An assessment order dated December 22, 2006, was issued under the Orissa Entry Tax Act 1999 against the Company for suppression of the purchase price and for failure to produce relevant documents in support of stock transfer claim, requiring it to pay an amount of Rs.1.28 million.
- (bb) An undated notice was issued by Ms. Kavya against our Company, claiming that the representatives of the Company had entered into an oral agreement for taking on lease certain premises in Hyderabad owned by her. The complainant has claimed that she has not received rent for the past 11 months and has claimed Rs. 0.22 million from our Company towards unpaid rent failing which a legal action has been threatened.

## **V. LITIGATIONS BY OUR COMPANY**

- (i) The Company has filed a suit (Civil Suit No. 249/2007) before the Additional Sessions Civil Judge, Vadodra dated March 3, 2007 claiming that there was an MOU entered by the parties by which the defendant had agreed to lease the property owned by him to the Company. It is alleged by the Company that the defendant has breached the terms of the MOU by refusing to enter into a lease deed and hand over the possession of the property to the Company. The Company has prayed that the respondents be directed to handover possession of the property and be restrained from handing over possession to any third party and to pay costs of the suit. The case is currently pending.
- (ii) The Company has filed a suit (Original Suit No. 221/2007) before the Principal District Judge Ranga Reddy District, L.B Nagar dated February 19, 2007, against G. Praveen Kumar and others claiming that the parties had entered in to an oral agreement with respect to property situated at Ramanathpur village and under the terms of the agreement the defendant were required to register a lease deed in favour of the Company. It is the claim of the Company that the defendants have refused to register sale deeds in favour of the Company under the terms of the oral agreement even though the possession of the property has been handed over to the Company. The Company has prayed that the defendants be directed to execute and register the lease deed and in the alternative that a decree be passed against the defendants for perpetual injunction restraining them from

causing any interference in the peaceful performance of business. The case is currently pending and the next date of hearing is scheduled on June 8, 2007.

- (iii) The Company has filed a civil suit (C.S No. 365/07) dated February 23, 2007 before the District Judge, Chandigarh, against Mr. Man Mohan Singh Chadha, the owner of the property bearing No. 28, Industrial Area, Phase I, Chandigarh (“Property”). The Company has claimed that under the terms of an MOU dated April 5, 2006 entered into between Mr. Chadha and the Company, Mr. Chadha had agreed to provide a total area of 33,314 square feet of the Property, for its use on a lease basis for a period of 12 years (extendable on mutual agreement), against payment of a monthly rent of Rs. 1.33 million. The Company has alleged that Mr. Chadha has refused to hand over the possession of the Property in accordance with the terms of the said MOU. The Company has prayed *inter alia* that Mr. Chadha be restrained from handing over the possession of the Property in favour of a third party or creating any third party interest in the Property. The next date for hearing has been scheduled for October 25, 2007.

## GOVERNMENT AND OTHER APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus.

### I. Approvals for the Issue

The Board of Directors has, pursuant to resolution passed at its meeting held on June 12, 2006, authorised the Issue, subject to the approval by the shareholders of our Company under Section 81(1A) of the Companies Act.

The shareholders have, pursuant to a resolution dated July 3, 2006 under Section 81(1A) of the Companies Act, authorised the Issue.

### II. Approvals material to our current business activities

We operate our stores in different states and are subject to different state and central legislations.

Set forth below is a summary of approvals/ licenses obtained or applied for to conduct our business through operation of our stores in different states of the country:

#### 1. Store at Zodiac Square, FP 407, Bodakdev, Opp. Gurudwara, S.G. Road, Ahmedabad, Gujarat

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Standard Weights and Measures Act, 1976	958772	June 16, 2006	June 17, 2007
2.	No objection certificate from fire authority	-	March 09, 2007	March, 08, 2008
3.	Registration with the Employee State Insurance Act, 1948	ESI No: 41-32504-102- Amd	April 19, 2007	-

#### 2. Store at King Square, Netaji Subhash Chandra Bose Road, Ellisbridge, Ahmedabad, Gujarat

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	No objection certificate from fire authority	E.P. No. 205	October 18, 2006	October, 17, 2007
2.	Registration under Shops and Establishment Act	070111-1005-009	January 11, 2007	December 31, 2007
3.	Registration under the Employee State Insurance Act, 1948	ESI No. 41-32504102 (Ahmedabad)	April 19, 2007	-
4.	Registration under Standard Weights and Measures Act, 1976	578	January 11, 2007	-

#### 3. Store at SCO No. 126-127, District Shopping Centre, Ranjit Avenues, Amritsar, Punjab

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	No objection certificate from fire authority	ADO/441	May 30, 2006	May 29, 2007
2.	Food Licence	1432	March 9, 2007	March 31, 2008
3.	Registration under the Employee State Insurance Act, 1948	ESIC No. 12/41/32504-102/28/167	December 22, 2006	-

#### 4. Store at Bansi Nagar, Near Railway Station, Aurangabad, Maharashtra

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under the Employee State Insurance Act, 1948	ESIC No. 41-32504-102	November 20, 2006	-
2.	Registration under Shops and Establishments Act	66434	September 22, 2006	-
3.	Food licence to store FMCG products	73/2006-10	-	December 31, 2007

**5. Store at Hira Panna Market, Pur Road, Bhilwara, Rajasthan.**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Shops and Establishments Act	7168	October 28, 2006	-
2.	Registration under Standard Weights and Measures Act, 1976	730	July 11, 2006	July 10, 2007
3.	Food licence to store FMCG products	11	January 3, 2007	December 31, 2007
4.	Registration under the Employee State Insurance Act, 1948	41-32504-102 (Rajasthan)	January 25, 2007	-

**6. Store at Western Market Building, Shop No.7, Bhubaneswar, Orissa**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration with Commissioner, Provident Fund & Employee State Insurance	ESIC No. 44-4625-101	October 2, 2001	-
		PF No. OR-6230	October 2, 2001	

**7. Store at A-1/2 Nayapally, I.R.C. Village, Bhubaneswar, Orissa.**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under the Employee State Insurance Act, 1948	ESIC No. 44-4625-101	-	-
		PF No. OR-6230		
2.	Trade Licence	59465	April 01, 2007	March 31, 2008
3.	Food licence to store FMCG products	406-R	January 24, 2007	December 31, 2007
4.	Registration under Standard Weights and Measures Act, 1976	4/857454	October 09, 2006	October 08, 2007
5.	Registration under Shops and Establishments Act	J-912	January 1, 2007	December 31, 2007

**8. Store at No. 31/9, Hosur Main Road, Near Central Silk Board Junction, Bangalore, Karnataka.**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Shops and Establishments Act	BST/SHOP/190/2006	November 10, 2006	December 31, 2010
2.	License to operate store for 365 days in a year	ALC-1/WARAVI/CR-114/2006-07	January 6, 2007	January 5, 2008
3.	Registration under Standard Weights and Measures Act, 1976	03/C 17	February 17, 2007	July 17, 2008
4.	Trade license	P03/6217	August 1, 2006	-

**9. Store at Bajarak Bati, Cuttack, Orissa**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Trade License	W-21	July 18, 2006	-
2.	Registration with Commissioner, Provident Fund & Employee State Insurance	ESIC No. 44-4744-101	March 18, 2002	-
		PF No. OR-6230	October 2, 2001	

**10. Store at Dilla Bazar, Dehradun, Uttaranchal**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under the Employee State Insurance Act, 1948	41-32504-102/61/129/Dh	April 25, 2006	-
2.	Registration under Standard Weights and Measures Act, 1976	1045	June 28, 2006	-
3.	No objection certificate from fire authority	14/CFO	May 15, 2007	-
4.	Food licence to store FMCG products	190-191-S-MOH	April 1, 2007	March 31, 2008

**11. Store at Main Road Saraidhela, Dhanbad, Jharkhand**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Standard Weights and Measures Act, 1976	41/05	April 19, 2007	April quarter 2008
2.	Registration under Shops and Establishment Act	DIV-7385	January 25, 2007	December 31, 2007

**12. Store at 06 /03, South Side G.T. Road Industrial Area, Ghaziabad, Uttar Pradesh**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Shops and Establishment Act	1/2865M	June 22, 2006	March 31, 2010
2.	Registration under Standard Weights and Measures Act, 1976	048235	June 23, 2006	June 22, 2007
3.	Food licence to store FMCG products	0693	March 23, 2007	March 22, 2008
4.	Registration under the Employee State Insurance Act, 1948	41-32504102/UP-2397	January 13, 2005	-

**13. Store at Ansal Plaza, G-SR -6 - 33 & -G - SR 20 -27, Vaishali, Ghaziabad, Uttar Pradesh**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Shops and Establishment Act	1/147/K	February 27, 2006	March 31, 2010
2.	No objection certificate from fire authority	2/CFO/06	March 21, 2006	-
3.	Registration under Standard Weights and Measures Act, 1976	071199	June 27, 2006	June 26, 2007
4.	Registration under the Employee State Insurance Act, 1948	41-32504102/UP-2397	January 13, 2005	-

**14. Store at Samrat Ashok Theatre Complex, 18<sup>th</sup> June Road, Panaji, Goa**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Food licence to store FMCG products	DFDA/PFA/RS/TIS-	August 23, 2006	December



S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
2.	Registration under Standard Weights and Measures Act, 1976	3012/2006-07 ILM/PJM/06/775	November 07, 2006	31, 2007 November 06, 2011
3.	Registration under the Employee State Insurance Act, 1948	32-3228-111	September 11, 2006	-
4.	Registration under Shops and Establishment Act	S/I/Y2K/755	September 05, 2006	December 31, 2007

15. Store at S.C.O. 10-11-12, Sector 14, Gurgaon, Haryana

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Shops and Establishment Act	GGN/IV/2006/2100	May 15, 2006	March 31, 2008
2.	Registration for food license to store FMCG products	DFA/06/372	March 17, 2006	-
3.	Registration under the Employee State Insurance Act, 1948	ESIC No. 13/32635/101/893	June 2, 2006 w.e.f. March 24, 2006	-

16. Store at Kanha Shopping Mall, City Centre, Gwalior, Madhya Pradesh

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Shops and Establishment Act	43172/GWL/S/2005	September 1, 2005	December 31, 2009
2.	No objection certificate from fire authority	40/05/4/11/Fire	May 03, 2005	-

17. Store at Haldwani, Uttaranchal

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	No objection certificate from fire authority	2/FS/2006	November 7, 2006	-
2.	Registration under Standard Weights and Measures Act, 1976	001813	February 22, 2007	February 21, 2008

18. Store at Parmanand Murarilal Building, Old Mandi Road, Near Parijat Complex, Hissar, Haryana

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Shops and Establishment Act	HSR/3/80/2006	June 5, 2006	Valid till March 31, 2009
3.	Registration under Standard Weights and Measures Act, 1976	000091	November 06, 2006	November 06, 2007
4.	Registration for food license to store FMCG products	60	June 26, 2006	June 25, 2007
5.	Registration under the Employee State Insurance Act, 1948	41 32504 102 H 1203	October 23, 2005	-

19. Store at 3-11-107, Ramanthapur, Ranga Reddy District, Hyderabad, Andhra Pradesh

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Standard Weights and	1379522	October 12, 2006	October 11,

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
2.	Measures Act Registration under the Employee State Insurance Act, 1948	HD-4132504	-	2007 -

**20. Store at Sagar Plaza, Troop Bazar, Hyderabad, Andhra Pradesh**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Standard Weights and Measures Act	1163265	August 18, 2006	August 17, 2007
2.	Registration for food license to store FMCG products	No. 1001/FI/ PFA/ CVI/MCH/2007	April 11, 2007	March 31, 2008

**21. Store at Kranti Building, 16A, Lad Colony, Yaswant Niwas, Indore, Madhya Pradesh**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under the Employee State Insurance Act, 1948	ESIC No. 18-13723-18	September 27, 2002	-

**22. Store at Mangal City, Plot No. A-1, PU-4, Commercial Scheme No. 54, Indore, Madhya Pradesh**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	No objection certificate from fire authority	1620/06	June 12, 2006	June 30, 2008
2.	Registration under Standard Weights and Measures Act, 1976	3953	July 11, 2006	July 10, 2007
3.	Registration under the Employee State Insurance Act, 1948	ESIC No. 18-13723-18	-	-
4.	Registration under Shops and Establishment Act	901325134	January 01, 2007	December 31, 2007
5.	Registration for food license to store FMCG products	052007/381705	April 1, 2007	March 31, 2008

**23. Store at Plot N-. – 1, Ajmer Road, Modi Stone Building, Jaipur, Rajasthan**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Shops and Establishment Act	8h509R2AP91/06	February 18, 2006	-
2.	Registration for food license to store FMCG products	05/06/00658	September 05, 2006	-

**24. Store at Commercial Block-1, Sector-5, Vidhyadhar Nagar, Main Sikar Road, Jaipur, Rajasthan**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Shops and Establishment Act	SH/1377/R-13A/P179/2007	October 18, 2006	December 31, 2007

**25. Store at Shop No. 202 (A), Shop No. G-1, Shop No.202, Crystal Court, 5, Indra Palace, Malviya Nagar, Jaipur, Rajasthan**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
--------	-------------	------------------------------------	---------------------------	----------

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Shops and Establishment Act	Sh509	February 18, 2006	Not applicable
2.	Registration under the Employee State Insurance Act, 1948	ESIC No. 15-17039-101	-	-
3.	Food licence issued by Municipal Council, Jaipur	84897	January 12, 2007	December 31, 2007

26. Store at 6 B, Near Ashok Leyland Store S.R. Tower, Chopasni Road, Jodhpur, Rajasthan

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Shops and Establishment Act	V/2194/06	May 23, 2006	Not applicable
2.	Registration under Standard Weights and Measures Act	531	July 22, 2006	July 21, 2007

27. Store at Plot No B-X 111 / 455 Swani Motors, at G.T. Road, B.M.C.Chowk Jalandhar, Rajasthan

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Trade License	22/3233	October 6, 2006	March 31, 2008
2.	No objection certificate from fire authority	FB/ADEO/284	September 25, 2006	-
3.	Registration under the Employee State Insurance Act, 1948	12/41/32504/102/28	November 23, 2006	-
4.	Food Licence	21/3233	March 8, 2007	March 31, 2008
5.	Registration under Standard Weights and Measures Act, 1976	Receipt no. 17/7998	October 9, 2006	October 8, 2007

28. Store at 16/111, Mall Road, Kanpur, Uttar Pradesh

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Standard Weights and Measures Act, 1976	287659	May 24, 2006	May 23, 2007
2.	Registration under the Employee State Insurance Act, 1948	ESIC No. 21-27130-101	April 14, 2006	2010-2011
3.	Registration under Shops and Establishments Act	260884	May 25, 2006	2010-2011

29. Store at Khasra No. 373, Village Dilli, Kunjwani Bypass, Jammu, Jammu & Kashmir

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under the Employee State Insurance Act, 1948	ESIC No. J.K. 19-41-32504-102	April 12, 2007	-
2.	Registration under Standard Weights and Measures Act, 1976	2212 WMJ/PM/DCJ/2212/07	April 10, 2007	Valid till further orders

30. Store at P.G. Plaza, VIP Road, Kolkata, West Bengal

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Trade Licence	30085, 30086, 30087,	May 16, 2007	March 31,

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
		30088		2008

**31. Store at Tulsi Theatre Building, 12, Rani Laxmi Bai Marg, Hazratganj, Lucknow, Uttar Pradesh**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Shops and Establishment Act	5/7362	June 22, 2006	2010-2011

**32. Store at Euphoria Towers, 2435, Maharaj Nagar, Ludhiana, Punjab**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Standard Weights and Measures Act	156	October 9, 2006	October 8, 2007
2.	Food Licence	Receipt no. 15	April 30, 2007	-
3.	Trade Licence	Receipt no. 50	April 30, 2007	-
4.	Registration under Shops and Establishment Act	LDH/4/5060	June 03, 2005	March 31, 2008

**33. Store at Sector 32, Urban Estate, Chandigarh Road, Jamalpur, Ludhiana, Punjab**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under the Employee State Insurance Act, 1948	ESIC No. 12/41/32504/102/28	-	-
2.	Registration under Standard Weights and Measures Act, 1976	171/82	October 9, 2006	October 8, 2007

**34. Store at 10209/10210, Padam Singh Road, Karol Bagh, New Delhi**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under the Employee State Insurance Act, 1948	ESIC No. 41-32504-102/DL-382-C/2095	March 18, 2003 w.e.f. December 3, 2001	-

**35. Store at 18, Mohan Co-operative Estate, Mathura Road, New Delhi**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under the Employee State Insurance Act, 1948	ESIC No. 41-32504-102/DL-382-C/2095	March 18, 2003 w.e.f. December 3, 2001	-

**36. Store at Block FD, Vishaka Enclave, Pitampura, New Delhi**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under the Employee State Insurance Act, 1948	ESIC No. 41-32504-102/DL-385-C/2095	March 18, 2003 w.e.f. December 3, 2001	-

**37. Store at Palmohan Pla-a – 39, Blo-k – A, Rajouri Garden, New Delhi**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under the Employee State Insurance Act, 1948	ESIC No. 41-32504-102/DL-382-C/2905	March 18, 2003 w.e.f. December 3, 2001	-

38. Store at A-367 Nirman Vihar, Vikas Marg, New Delhi

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under the Employee State Insurance Act, 1948	ESIC No. 41-32504-102/DL-382-C/2095	March 18, 2003 w.e.f. December 3, 2001	-

39. Store at Suyojit Commercial Complex, Near Hotel Prakash, New Mumbai Agra Road, Mumbai Naka, Nasik, Maharashtra

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under the Employee State Insurance Act, 1948	ESIC No. 33-41-32504-102-28	April 13, 2007	-
2.	Registration under Shops and Establishment Act	2100/2	January 16, 2007	-
3.	Registration for food license to store FMCG products	A2339	January 11, 2007	-

40. Store at Arjan Complex, Main Sirhind Road, Between Petrol Pump, Patiala, Punjab

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Trade License	264/32	April 20, 2006	-
2.	No objection certificate from fire authority	FB 8/3	September 26, 2006	September 25, 2007
3.	Registration for food license to store FMCG products	659/26	April 03, 2007	-
4.	Registration under the Employee State Insurance Act, 1948	ESIC No. 12/41-32504/102/28	w.e.f. December 4, 2004 July 1, 2002	-
5.	Registration under Shops and Establishment Act	659/25	April 03, 2007	-

41. Store at KPCT Mall, 1<sup>st</sup> and 2<sup>nd</sup> Floor, Wing B, S. No. 16/1/1 Fatima Nagar, Wanowarie, Pune, Maharashtra

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Shops and Establishment Act	WANAWADI/1/815	April 25, 2005	-
2.	No objection certificate from fire authority	KPCT/16/1/1	March 15, 2005	-
3.	License to operate lift	58119	August 19, 2005	-
4.	Registration under the Employee State Insurance Act, 1948	ESIC No. 33-41-32504-102-HDPSR	June 01, 2005	-

42. Store at Central Bank Building, Vishnu Talkies, Main Road, Ranchi, Jharkhand

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Trade Licence	010605 (2005-06)	June 12, 2006	-

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
--------	-------------	------------------------------------	---------------------------	----------

43. Store at SCO No. 104 and 105, Sector 5, PUNCHKULA, HARYANA

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	No objection certificate from the fire authority	50FSP	January 19, 2007	January 18, 2008
2.	Trade Licence	850	April 1, 2007	March 31, 2008
3.	Registration under Shops and Establishments Act	PKL/07/950	January 31, 2007	March 31, 2009
4.	Registration under the Employee State Insurance Act, 1948	13/37288/102/107	May 14, 2007	-

44. Store at Guru Ghasidas Plaza Amapara, Raipur

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	No objection certificate from fire authority	239/2006	November 29, 2006	December 31, 2007
2.	Registration under Shops and Establishment Act	8477/RPR/CE/06	November 22, 2006	December 31, 2010
3.	Registration under Standard Weights and Measures Act	2418	November 22, 2006	December 31, 2007
4.	Registration under the Employee State Insurance Act, 1948	N/41-37009-102	September 16, 2006	-

45. Store at Spencer Plaza, Burdwan Road, Siliguri, West Bengal

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under the Employee State Insurance Act, 1948	41-37009-102	June 8, 2002	-
2.	Trade Licence	8811	May 18, 2006	May 31, 2007
3.	Registration under Standard Weights and Measures Act	KH- 556071	May 11, 2006	May 10, 2007

46. Store at Ved Road, Surat, Gujarat

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Shops and Establishment Act	305367	December 22, 2006	December 31, 2009
2.	Registration for food license to store FMCG products	PFA NZ 05 306	March 18, 2007	March 31, 2011

47. Store at 138, 139, Machla Magra, Udaipur, Rajasthan

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Shops and Establishment Act	285/Sh/22 (2)	June 13, 2006	December 31, 2010
2.	No objection certificate from fire authority	167/06-07	June 29, 2006	June 28,

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
3.	Registration under Standard Weights and Measures Act	999	July 10, 2006	2007 July 10, 2007
4.	Registration under the Employee State Insurance Act, 1948	41-32504-102 (raj) 6407	September 4, 2006	-
5.	Registration for food license to store FMCG products	1094	January 16, 2007	December 31, 2007

**48. Store at C-27/278, Maldahiya, Varanasi, Uttar Pradesh**

S. No.	Description	Reference/License/Registration No.	Issue / Commencement Date	Validity
1.	Registration under Shops and Establishment Act	5/7542	July 24, 2002	2006-2007
2.	No objection certificate from fire authority	2/FS/2006	June 17, 2006	-
3.	Registration under the Employee State Insurance Act, 1948	ESIC No. 41-32504-102/ UP-1874/Varanasi	March 19, 2002	-
4.	Trade License	675/35	April 1, 2007	March 31, 2008

Our warehouses in New Delhi, Jaipur, Ghaziabad and Ludhiana are registered with their respective Commissioner, Employee State Insurance bearing registration numbers ESIC No. 41-32504-102/DL-382-C/2095, ESIC No. 15-17039-101, ESIC No. 41-32504-102/UP2397/Ghaziabad, ESIC No. 12/41/32504/102/28 respectively. We are in process of making applications to register our warehouses with Employee State Insurance.

**Approvals material to our current business activities for which applications have been made but approvals are yet to be obtained**

1. *Amritsar, Punjab:* (a) application dated October 5, 2006 has been made to Labour Commissioner, Chandigarh, seeking a license to operate our store for 365 days in a year; (b) application dated August 24, 2006 has been made seeking trade licence for our store.
2. *Bangalore, Karnataka:* (a) an application has been issued to the Deputy Director, ESIC for allocation of ESI sub-code for our store in Bangalore.
3. *Aurangabad, Maharashtra:* (a) application dated October 30, 2006 has been made to Labour Commissioner, Aurangabad, seeking a license to operate our store for 365 days in a year; (b) application dated October 18, 2006 has been made to the Chief Fire Brigade Officer, Aurangabad, for issuance of a no objection certificate; (c) application dated November 11, 2006 has been made to the Municipal Commissioner, Aurangabad seeking trade licence for our store and (d) application dated October 19, 2006 for issuance of food licence for our store.
4. *Zodiac Square, Ahmedabad, Gujrat:* (a) application dated January 18, 2007 has been made to the Municipal Commissioner, Ahmedabad, seeking food license for our store; (b) application dated January 25, 2007 issued to the Labour Secretary, Gandhinagar seeking a license to operate our store for 365 days in a year.
5. *Ellisbridge, Ahmedaba, Gujarat:* (a) application dated January 25, 2007 issued to the Labour Secretary, Gandhinagar seeking a license to operate our store for 365 days in a year; (b) application dated January 18, 2007 has been made to the Municipal Commissioner, Ahmedabad, seeking food license for our store;
6. *Bhilwara, Rajasthan:* (a) application dated October 30, 2006 has been made to Labour Commissioner, Jaipur, seeking a license to operate our store for 365 days in a year; (b) application dated October 6, 2006 has been made to the Fire Inspector, Bhilwara, for issuance of a no

- objection certificate; and (c) application dated November 11, 2006 has been made to the Municipal Commissioner, Bhilwara seeking trade licence for our store.
7. *Western Market Building, Bhubaneshwar, Orissa:* (a) application dated October 19, 2006 has been made to the Labour Commissioner, Bhubaneshwar, seeking a license to operate our store for 365 days in a year; and (b) application dated July 10, 2006 has been made to the Fire Officer, Bhubaneshwar, for issuance of a no objection certificate.
  8. *Cuttack, Orissa:* (a) application dated October 11, 2006 has been made to the Fire Officer, Cuttack, for issuance of a no objection certificate; and (b) application dated October 18, 2006 has been made seeking a license to operate our store for 365 days in a year.
  9. *Dehradun, Uttaranchal:* (a) an application dated November 11, 2006 has been made to the Municipal Commissioner, Dehradun seeking trade licence for our store; and (b) application dated June 28, 2006 has been made for registration for our store under the Shops and Establishments Act.
  10. *Dhanbad, Jharkhand:* (a) application dated November 1, 2006 has been made to the Labour Commissioner, Dhanbad, seeking permission to open store for 365 days in a year; and (b) application dated November 1, 2006 has been made to the Fire Officer, Dhanbad, seeking a no objection certificate; and (c) application has been made to the Regional Director, for registration of our store under the Employees State Insurance Corporation Act.
  11. *G.T. Road Industrial Area, Ghaziabad, Uttar Pradesh:* (a) application dated October 11, 2006 has been made to the Additional Labour Commissioner seeking a license to operate store for 365 days in a year; (b) application dated November 10, 2006 has been made to the Fire Officer, Ghaziabad, for issuance of a no objection certificate and (c) application dated November 11, 2006 has been made to the Municipal Commissioner, Ghaziabad seeking trade licence for our store.
  12. *Ansal Plaza, Ghaziabad, Uttar Pradesh:* application dated November 11, 2006 has been made to the Municipal Commissioner, Ghaziabad seeking trade licence for our store.
  13. *Panaji, Goa:* an application has been made before the Labour Commissioner, Goa, seeking permission to open store for 365 days a year.
  14. *Lucknow, Uttar Pradesh:* application has been made to the Municipal Commissioner, Lucknow seeking trade licence for our store.
  15. *Pune, Maharashtra:* (a) application dated November 11, 2006 has been made to the Municipal Commissioner, Pune seeking trade licence for our store; and (b) application dated August 30, 2006 issued Chief Secretary, Labour Department seeking license to operate store for 365 days in a year.
  16. *Gurgaon, Haryana:* (a) application dated March 13, 2006 has been made to the Executive Officer, Municipal Council, Gurgaon, seeking trade license; and (b) application dated March 20, 2006 has been made to the Inspector, Weights and Measurements Department, Gurgaon, for issuance of licence for weighing machine.
  17. *Guwahati, Assam:* (a) application dated October 10, 2006 has been made to the Labour Commissioner, Guwahati, seeking permission to open store for 365 days in a year.
  18. *Gwalior, Madhya Pradesh:* (a) Kanha Shopping Mall Private Limited has made an application dated October 11, 2006 has been made to the Labour Commissioner, Gwalior, seeking permission to open store for 365 days in a year; (b) an application dated November 16, 2006 has been made to the Municipal Commissioner, Gwalior seeking trade licence for our store.
  19. *Hissar, Haryana:* (a) application dated July 24, 2006 has been made to the Labour Commissioner, Hissar, seeking permission to open store for 365 days in a year; and (b) application dated November 18, 2006 has been made to the Municipal Commissioner, Hissar seeking trade licence for our store



20. *Ramanthapur, Hyderabad, Andhra Pradesh:* (a) application dated October 30, 2006 has been made to the Labour Commissioner, Hyderabad, seeking permission to open store for 365 days in a year; (b) application dated November 08, 2006 has been made to the District Fire Officer, Hyderabad, for issuing a no objection certificate and (c) application dated November 24, 2006 for issuance of trade licence.
21. *Sagar Plaza, Hyderabad, Andhra Pradesh:* (a) application dated October 30, 2006 has been made to the Labour Commissioner, Hyderabad seeking for license to operate store for 365 days; (b) application dated November 8, 2006 has been made to the District Fire Officer, Hyderabad, for issuance of a no objection certificate.
22. *Lad Colony, Indore, Madhya Pradesh:* (a) application dated September 01, 2006, has been made to the Assistant Labour Commissioner, Indore, seeking license to operate store for 365 days in a year and (b) application dated November 26, 2006 has been made DIG, Fire Station, Indore seeking a fire no objectiob certificate from our store.
23. *Mangal City, Indore, Madhya Pradesh:* application dated July 10, 2006 has been made to the Assistant Labour Commissioner, Indore, seeking license to operate store for 365 days in a year.
24. *Ajmer Road, Jaipur, Rajasthan:* (a) application dated July 17, 2006 has been made to the Labour Commissioner, Jaipur, seeking license to operate store for 365 days in a year; and (b) application dated August 22, 2006 has been made to the Fire Officer, Jaipur, seeking a no objection certificate; and (c) application dated November 11, 2006 has been made to the Municipal Commissioner, Jaipur seeking trade licence for our store.
25. *Malviya Nagar, Jaipur, Rajasthan:* (a) application dated June 13, 2006 has been made to the Labour Commissioner, Jaipur, seeking license to operate store for 365 days in a year; and (b) an application dated November 11, 2006 issued to the Municipal Commissioner, Jaipur seeking trade licence for our store.
26. *Main Sikar Road, Jaipur, Rajasthan:* (a) an application dated October 30, 2006 has been made to the Labour Commissioner, Jaipur, seeking license to operate store for 365 days in a year; (b) application dated November 11, 2006 has been made to the Municipal Commissioner, Jaipur seeking trade licence for our store.
27. *Jalandhar, Punjab:* (a) application dated October 20, 2006 has been made to the Labour Commissioner, Chandigarh, seeking license to operate store for 365 days in a year.
28. *Jamshedpur, Jharkhand:* (a) application dated October 10, 2006 has been made to the Deputy Labour Commissioner, Jamshedpur, seeking license to operate store for 365 days in a year; (b) application dated October 30, 2006 has been made to the Deputy Labour Commissioner, Jamshedpur, for registration under shops and establishment; (c) application dated October 10, 2006 has been made to the Fire Officer, Jamshedpur, for issuing a no objection certificate; and (d) application dated November 16, 2006 has been made to the Regional Director, for registration of our store under the Employees State Insurance Corporation Act.
29. *Jodhpur, Rajasthan:* (a) application dated July 17, 2006 has been made to the Labour Commissioner, Jodhpur, seeking license to operate store for 365 days in a year; (b) application dated November 08, 2006 has been made to the Fire Officer, Jodhpur, for issuing a no objection certificate; and (c) application dated November 11, 2006 has been made to the Municipal Commissioner, Jodhpur seeking trade licence for our store.
30. *Kanpur, Uttar Pradesh:* (a) application dated November 11, 2006 has been made to the Municipal Commissioner, Kanpur seeking trade licence for our store and (b) application dated June 28, 2006 seeking food licence for our store.
31. *Maharaj Nagar, Ludhiana, Punjab:* (a) application dated October 30, 2006 has been made to the Labour Commissioner, Chandigarh, seeking license to operate store for 365 days in a year.

32. *Urban Estate, Ludhiana, Punjab:* (a) application dated October 30, 2006 has been made to the Labour Commissioner, Chandigarh, seeking license to operate store for 365 days in a year; and (b) application dated October 16, 2006 has been made to the Municipal Corporation, Ludhiana seeking trade licence.
33. *Karol Bagh, New Delhi:* application dated October 30, 2006 has been made to the Labour Commissioner seeking license to operate store for 365 days in a year.
34. *Mathura Road, New Delhi:* (a) application dated October 30, 2006 has been made to the Labour Commissioner seeking license to operate store for 365 days in a year.
35. *Pitampura, New Delhi:* application dated October 30, 2006 has been made to the Labour Commissioner seeking license to operate store for 365 days in a year.
36. *Rajouri Garden, New Delhi:* application dated October 30, 2006 has been made to the Labour Commissioner seeking license to operate store for 365 days in a year.
37. *Vikas Marg, New Delhi:* application dated October 30, 2006 has been made to the Labour Commissioner seeking license to operate store for 365 days in a year.
38. *Patiala, Punjab:* (a) application dated September 09, 2006 has been made to the Labour Commissioner seeking license to operate store for 365 days in a year.
39. *Ranchi, Jharkhand:* (a) application has been made to the Labour Commissioner, Jharkhand seeking license to operate store for 365 days in a year; and (b) application has been made to the Fire Officer, Ranchi, seeking fire license for the store.
40. *Raipur Chhatisgarh:* (a) application dated October 18, 2006 has been made to the Labour Commissioner, Raipur seeking license to operate store for 365 days in a year.
41. *Ved Road, Surat, Gujarat:* (a) application dated November 3, 2006 has been made to the Regional Director, ESIC Corporation, Surat seeking allotment of ESI sub code for the store at Surat; (b) application dated January 25, 2007 issued to the Labour Secretary, Gandhinagar seeking a license to operate our store for 365 days in a year.
42. *Burdwan Road, Siliguri, West Bengal:* (a) application dated March 8, 2006 has been made to the Additional Chief Inspector, Shops and Establishment, Siliguri, seeking license to operate store for 365 days in a year; (b) application dated November 1, 2006 has been made to the Chief Inspector, Fire Brigade, Siliguri seeking a no objection certificate.
43. *Udaipur, Rajasthan:* (a) application dated July 17, 2006 has been made to the Labour Commissioner, Jaipur, seeking license to operate store for 365 days in a year; and (b) application dated November 11, 2006 has been made to the Municipal Commissioner, Udaipur seeking trade licence for our store.

*Factories Act-* Our Company had made an application for factory licence, before the Chief Inspector of Factories, Chandigarh, by a letter dated, July 15, 2006, for our factory at 244A, Phase 1, Udyog Vihar, Gurgaon.

**Approvals material to our current business activities for which applications have not been made:**

1. *Registration under Employees State Insurance Corporation:* We are in the process of applying for registration under Employees State Insurance Corporation for our stores at Kolkata.
2. *Registration under Shops and Establishment Act:* We are in the process of applying for registration under the shops and establishments legislation for our stores at Hyderabad and Kolkata.
3. *Trade Licence:* We are in the process of applying for trade licence for our stores at Jamshedpur.

4. *No objection certificate from fire authority:* We are in the process of applying for no objection certificate from fire authority for our stores at Malviya Nagar, Jaipur; Main Sikar Road, Jaipur; Kanpur, Kolkata, Lucknow and Surat.
5. *Registration under Standard Weights and Measures Act, 1976:* We are in the process of applying for registration under Standard Weights and Measures Act, 1976 for our stores at Amritsar, Nasik, Guwahati, Jamshedpur, Kolkata and Patiala.
6. *Registration for food license to store FMCG products:* We are in the process of applying for food license to store/sell FMCG products for our stores at Ramanthapur, Hyderabad; Main Sikar Road, Jaipur; Jamshedpur, Dhanbad; Kolkata.
7. *License to operate store for 365 days in a year:* We are in the process of applying for license to operate store for 365 days in a year for our stores at Nayapally, Bhubaneswar; Dehradun; Gurgaon; Kolkata.
8. *Permission to use signboards, glow signs, illuminated sky sign boards, illuminated totem pole signs:* Except for our store in Goa, we have not applied for permission to use signboards, glow signs, illuminated sky sign boards, illuminated totem pole signs, wherever applicable as per required laws.
9. *Permission to use lifts/escalators:* We are in the process of making an application for obtaining the permission to use lifts/ escalators for our stores located in Delhi.

**Approvals material to our current business activities which have expired and for which renewal applications have not been made:**

1. *Registration under Shops and Establishment Act:* We are in the process of applying for renewal of our registration under the shops and establishments legislation for our stores at Amritsar, Aurangabad, Western Market Building, Bhubaneshwar; Cuttack; Guwahati; Ramanthpur, Hyderabad; Sagar Plaza, Hyderabad; Lad Colony, Indore; Mangal City, Indore; Jalandhar and Ranchi.
2. *Trade Licence:* We are in the process of applying for renewal of trade licences for our stores at Western Market Building, Bhubaneshwar; Dhanbad; Goa; Guwahati; Sagar Plaza, Hyderabad, Mangal City, Indore; Mathura Road, New Delhi and Raipur
3. *No objection certificate from fire authority:* We are in the process of applying for renewals of no objection certificates from fire authority for our stores at Goa; Gurgaon; Guwahati and Hissar.
4. *Registration under Standard Weights and Measures Act, 1976:* We are in the process of applying for renewals of registration under Standard Weights and Measures Act, 1976 for our stores at Siliguri.
5. *Registration for food license to store FMCG products:* We are in the process of applying for renewals of food licenses to store/sell FMCG products for our stores at Bangalore, Ansal Plaza, Ghaziabad; Guwahati; Lad Colony, Indore; Jodhpur and Siliguri.
6. *Permission to use signboards, glow signs, illuminated sky sign boards, illuminated totem pole signs:* We have not applied for renewal of the permission to use signboards, glow signs, illuminated sky sign boards, illuminated totem pole signs for our store at Goa.

The applications for registration under Shops and Establishment Act; trade licence; licence to use signboards, glow signs, illuminated sky sign boards, illuminated totem pole signs; food license to store FMCG products; registration under Standard Weights and Measures Act, 1976 and no objection certificate from fire authority and licence to use signboards, glow signs, illuminated sky sign boards, illuminated totem pole signs, for all our stores in Delhi are kept in abeyance, as Delhi government is seeking amendment in the respective legislations.

**III. Intellectual Property Registration**

We own one trademark. The trademark “Vishal Mega Mart” has been registered with the Registrar of Trademarks, Mumbai on December 15, 2005 in class 35.

In addition, we have applied for registration of the following brands: Paranoia, Chlorine, Elvis Bogner, Blues & Khakhis, Kittan Studio, Zero Degree, Soil, Physique, Zeppelin, Alpaccino, Vishal Garments, Vishal, Acquatica, Woobles, Famenne, Fleurier Women, Fizzy Babe and Roseau. The applications for these brands are currently pending.

#### IV. Sales Tax and Value Added Tax Registrations

We have obtained the requisite sales tax or value added tax registrations in the following states. The state-wise details are provided below.

State	Details of the Stores	LST/VAT Registration No.	Validity	CST Registration No.	Validity
<b>Andhra Pradesh</b>	Sagar Plaza, Troop Bazar, Hyderabad.	R.C.NO.ABS/08/1/2950/04-05	April 23, 2004 till cancelled	ABS/08/1/2546/04-05	April 23, 2004 till cancelled
	3-11-107, Ramanthapur, Ranga Reddy District, Hyderabad.	T.I.N-28320113803	April 1, 2005 till cancelled		
<b>Assam</b>	AMAZE Shopping Mall, A.T.Road, Opp. Pan Bazar OverBridge, Guwahati – 781001	TIN-18040048629	-	GWD/CST/2590	-
<b>Chhatisgarh</b>	Guru Ghasidas Plaza, Amapara, G.E. Road, Raipur	TIN-22051503988	-	TIN-22051503988	-
<b>Delhi</b>	Palmohan Plaza - 39, Block - A, Rajouri Garden, New Delhi	LC/052/0800247221	December 03, 2001 till cancelled	LC/052/0800247221	December 03, 2001 till cancelled
	10209/10210, Padam Singh Road, Karol Bag, New Delhi FD – 7, Pitam Pura, New Delhi A-367, Nirman Vihar, Vikash Marg New Preet Vihar, New Delhi 18, Mohan Co-operative Estate, Mathura Road	TIN-07740247221	December 06, 2003 till cancelled		
<b>Goa</b>	Samrat Ashok Theatre Complex, 18 <sup>th</sup> June Road, Panaji	TIN-30970105677	June 19, 2006 till cancelled	P/CST/7864	June 19, 2006 till cancelled
<b>Gujarat</b>	Zodiac Square, FP 407, Bodakdev, Opp. Gurudwara, S.G. Road, Ahmedabad	TIN-24073604583	April 10, 2006 till cancelled	24573604583	April 10, 2006 till cancelled
<b>Haryana</b>	Parmanand Murarilal Building, Old Mandi Road, Near Parijat Complex Hissar – 125001 244-A, Phase – 1, Udyog Vihar, Gurgaon	TIN-06831823341	May 5, 2003 till cancelled	TIN-0683182334	May 5, 2003 till cancelled
<b>Jharkhand</b>	Central Bank Building, Vishnu Talkies Main Road, Ranchi.	RN (W) 301 (R) TIN-20750301321	February 02, 2002 till cancelled	RN (W) 2474	February 02, 2002 till cancelled
<b>Jammu &amp; Kashmir</b>	Khasra No. 373, Village Dilli, Kunjwani Bypass, Jammu.	TIN-01521200175	November 28, 2011	01521200175 (Central)	November 29, 2006 till cancelled

State	Details of the Stores	LST/VAT Registration No.	Validity	CST Registration No.	Validity
<b>Karnataka</b>	No. 31/9, Hosur Main Road, Near Central Silk Board Junction, Bangalore	TIN-29110705869	August 01, 2006 till cancelled	TIN-29110705869	August 01, 2006 till cancelled
<b>Madhya Pradesh</b>	Kranti Appartments, B Wing, Yashwant Niwas Road, Indore Mangal City, Plot No. A-1, PU-4, Commercial Scheme No. 54, Indore	0110/XL/3327-8 S TIN-23101003327	May 16, 2002 till cancelled July 1, 2003 till cancelled	0110/X/2214 C TIN-23101003327	May 16, 2002 till cancelled July 1, 2003 till cancelled
<b>Maharashtra</b>	S.No.16/11Fatima Nagar, Pune.	TIN-27710370922	April 15, 2005 till cancelled	1003/C/564	April 15, 2005 till cancelled
<b>Orissa</b>	Shop No.07, Western Market Building, Bhubaneswar. Bajarak Bati, Cuttack	BH II -4540 TIN-21431104883	September 19, 2001 till cancelled	BHC 11 - 3609	September 19, 2001 till cancelled
<b>Punjab</b>	Arjan Complex, Main Sirhind Road Between Petrol Pump, Patiala 2435, Maharaj Nagar, Euphoria Tower, Firozpur Road, Ludhiana Sector 32, Urban Estate, Chandigarh Road, Jamalpur, Ludhiana SCO No. 126-127, District Sopping Centre, Ranjit Avenues, Amritsar Plot No B-X 111 / 455 Swani Motors, at G.T. Road, B.M.C.Chowk, Jalandhar	52280410 TIN-03381127760	October 29, 2004 till cancelled April 1, 2005 till cancelled	52280410 TIN-03381127760	October 29, 2004 till cancelled April 1, 2005 till cancelled
<b>Rajasthan</b>	Plot No. - 1, Laxmi Niwas, Near Government Hostel, Ajmer Road, Jaipur	08062106535	May 1, 2002 till cancelled	08062106535	May 7, 2002 till cancelled
<b>Uttar Pradesh</b>	C-27/278, Maldahiya, Varanasi. 06 /03 , South Side, G.T.Road Industrial Area, Ghaziabad 16/111, Mall Road, Kanpur	R.C.NO. VB0528220	April 2, 2002 till cancelled	VB-5290702	April 2, 2002 till cancelled
<b>Uttaranchal</b>	Dilla Bazar, Dehradoon Opposite Naini, Nainital Road, Haldwani, Uttaranchal	TIN-05005984731	-	CST-5175638	-
<b>West Bengal</b>	Spencer Plaza, Burdwan Road, Siliguri, Rajarhat, Kolkata	JB / 8466 TIN-19611997090	September 27, 2001 till cancelled	5296 ( JB ) C CST-19611997284	September 27, 2001 till cancelled April 01, 2005 till cancelled

In addition, we have also received professional tax registration in Ahmedabad bearing no. PE/C01631200036 and registration under Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 bearing number 2/2/6/21/18/1051 and 1/5/9/7079 dated April 2, 2007 for Nasik.

Our Company has made applications for registration of the following Stores under the applicable VAT and CST laws:

1. Ved Road, Surat;
2. King Square, Ellisbridge, Ahmedabad;
3. Main Road Saraidhela, Dhanbad;
4. NH-33, Dimna Chowk, Manho, Jamshedpur;
5. Bansi Nagar, Near Railway Station, Aurangabad;
6. Suyojit Commercial Complex, Mumbai Naka, Nasik;
7. A-1/2 Nayapally, I.R.C. Village, Bhubaneswar;
8. Crystal Court, 5, Indra Palace, Malviya Nagar, Jaipur;
9. 6 B, Chopasani Road, Near Ashok Leyland Store, Jodhpur;
10. Commercial Block-1, Sector-5, Vidhyadhar Nagar, Main Sikar Road, Jaipur;
11. 138, 139, Machla Magra, Udaipur;
12. Hira Panna Market, Pur Road, Bhilwara;
13. Ansal Plaza, G-SR 26 - 33 & UG - SR 20 -27 Vaishali, Ghaziabad; and
14. SCO No. 104 and 105, Sector 5, Punchkula, Haryana.

The franchisees for our Stores at the following locations have made applications under applicable VAT and CST laws:

1. Kana Shopping Mall, City Centre, Gwalior; and
2. Tulsi Theatre Building, 12, Rani Laxmi Bai Marg, Hazratganj, Lucknow

The applications for these registrations are currently pending.

<b>Offices</b>					
1.	Mouza Kochpukur, 24 Parganas (South) Kolkata – 700006	TIN-19611997090	April 1, 2005	CST-19611997284	April 1, 2005
2.	RZ-A-95-96, Road No. 06, Mahipalpur Extension, New Delhi-110037	LC/052/0800247221 TIN – 07740247221	December 3, 2001 December 6, 2003	LC/052/0800247221	December 3, 2001
<b>Factory</b>					
2.	244-A, Phase - I, Udyog Vihar, Gurgaon (E), Haryana	TIN – 06831823341	-	-	-

All our warehouses in New Delhi, Jaipur, Ghaziabad, Ludhiana, Thane and Howrah are registered with respective sales tax authorities, bearing registration numbers TIN 077404247221, 08062106535, R.C.NO.VB0528220, TIN-03381127760, TIN-27710370922 and TIN-19611997090.

#### **V. Miscellaneous**

<b>S. No.</b>	<b>Description</b>	<b>Reference Number</b>
1.	Registration under the Employees State Insurance Act, 1948	41-32504-102

S. No.	Description	Reference Number
2.	Registration under the Employees Provident Fund & Miscellaneous Provisions Act, 1952	DL-26342
3.	Registration under Section 69 of the Finance Act, 1994 in relation to service tax	DL-II/ST/R-17/BAS/VRPL/1359/04

**Pollution Certificate-** We have been granted pollution certificate from the Haryan State Pollution Control board under the Water and Air Pollution Act till March 31, 2010.

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

The Board of Directors has, pursuant to resolution passed at its meeting held on June 12, 2006, authorised the Issue subject to the approval by the shareholders of our Company under Section 81(1A) of the Companies Act.

Our shareholders have authorised the Issue by a special resolution in accordance with Section 81(1A) of the Companies Act, passed at the extra ordinary general meeting of our Company held on July 3, 2006.

We have also obtained all necessary contractual consents required for the Issue. For further information, see section titled "Government and Other Approvals" on page 188.

### Prohibition by SEBI

Except as disclosed in this Red Herring Prospectus, our Company, our Directors, our Promoters, directors or the person(s) in control of our Promoters, Promoter Group companies and companies in which our Directors are associated with as directors, have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

Further, our Directors, our Promoters and Promoter Group entities have confirmed that they have not been detained as willful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

### Eligibility for the Issue

The Company is eligible for the Issue as per clause 2.2.1 of the SEBI Guidelines as confirmed by the Auditors of the Company:

- The Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years (of 12 months each), of which not more than 50% is held in monetarty assets;
- The Company has had a pre-issue net worth of not less than Rs. 10 million in each of the three preceding full years;
- The Company has had a track record of distributable profits as per Section 205 of the Companies Act for at least three out of the immediately preceding five years;
- The proposed issue size would not exceed five times the pre-issue networkth as per the audited accounts for the year ended March 31, 2006;

The distributable profits as per Section 205 of the Companies Act and the net worth for the last five year as per Company's retated stand-alone financial statements are as under:

	<i>(In Rs. million)</i>				
	<b>For the financial year ended March 31</b>				
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Distributable Profits <sup>(1)</sup>	8.09	11.91	42.11	166.85	416.63
Net Worth <sup>(2)</sup>	54.64	131.74	303.01	671.74	1,267.62
Net Tangible Assets <sup>(3)</sup>	219.60	363.11	643.06	1,592.81	4,388.52
Monetary Assets <sup>(4)</sup>	25.81	20.44	22.02	82.66	151.51
Monetary Assets as a % of Net Tangible Assets	11.75	5.63	3.42	5.19	3.45

- (1) Distributable profits for the year have been defined in terms of Section 205 of the Companies Act.
- (2) Net worth has been defined as aggregate of equity share capital and reserves, excluding miscellaneous expenditures, if any.
- (3) Net Tangible Assets means the sum of all fixed assets, investments, current assets.
- (4) Monetary Assets comprise cash and bank balances.



Additionally in terms of Rule 19(2)(b) of the SCRR, the Issue is being made through the book build process, with at least 60% of the Issue being Allotted to the QIBs. In case we do not receive subscriptions of at least 60% of the Issue from QIBs, we shall forthwith refund the subscription monies.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, the Company undertakes that the number of allottees, i.e. persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000; otherwise, the entire application money will be refunded forthwith. In case of delay, if any, in refund, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

Further, the Issue is subject to the fulfilment of the following conditions as required by the SCRR:

- A minimum 2,000,000 Equity Shares (excluding reservations, firm Allotments and promoters contribution) are offered to the public;
- The Issue size, which is the Issue Price multiplied by the number of Equity Shares offered to the public, is a minimum of Rs. 1,000 million; and
- The Issue is made through the Book Building method with allocation of 60% of the Issue size to QIBs as specified by SEBI.

#### **Disclaimer Clause**

**AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED NOVEMBER 30, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:**

- “(I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
- (II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:**

**THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

**ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**

**THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.**

**BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.**

**WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

**WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED/ SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**

**THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS”.**

All legal requirements pertaining to the Issue will be complied with at the time of filing of this Red Herring Prospectus with the RoC in terms of Section 60B of the Companies Act, 1956. All legal requirements pertaining to the issue will be complied with at the time of registration of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

#### **Disclaimer from our Company and the BRLM**

Investors that Bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives that are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not offer, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

Our Company, our Directors, and the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone placing reliance on any other source of information, including our website would be doing so at his or her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in the MOU entered into among the BRLM and us dated October 31, 2006 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and BRLM, to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres etc.

We shall not be liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

#### **Disclaimer in Respect of Jurisdiction**

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds. This Red Herring Prospectus does not, however, constitute an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) at Delhi only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that the Draft Red Herring Prospectus has been filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

#### **Disclaimer Clause of the NSE**

As required, a copy of the offer document has been submitted to NSE. NSE has given vide its letter dated January 12, 2007 permission to us to use NSE's name in this offer document as one of the stock exchanges on which our securities are proposed to be listed. The NSE has scrutinised the offer documents for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the offer document; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every Person who desires to apply for or otherwise acquires any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

#### **Disclaimer Clause of the BSE**

As required, a copy of the offer documents has been submitted to BSE. BSE has given vide its letter dated January 3, 2007, permission to the Company to use BSE's name in this offer documents as one of the stock exchanges on which our securities are proposed to be listed. BSE has scrutinised the offer documents for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

- (i) warrant, certify or endorse the correctness or completeness of any of the contents of the offer document; or
- (ii) warrant that this Company's securities will be listed or will continue to be listed on BSE; or
- (iii) take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this offer document has been cleared or approved by BSE. Every Person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

### **Filing**

A copy of the Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, SEBI Bhavan, Plot No. C – 4 A, 'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.

A copy of this Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, is delivered for registration to the RoC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC.

### **Listing**

Applications have been made to the NSE and BSE for permission to deal in and for an official quotation of the Equity Shares. The BSE shall be the Designated Stock Exchange with which the basis of allocation will be finalised for the Issue.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchanges, our Company shall forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after our Company becomes liable to repay it (i.e., from the date of refusal or within 15 days from the date of Bid/Issue Closing Date, whichever is earlier), then our Company shall, on and from expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation of the basis of allotment for the Issue.

### **Consents**

Consents in writing of: (a) our Directors, the Company Secretary and Compliance Officer, the Auditors, the legal advisor, the Bankers to the Issue; and (b) the Book Running Lead Manager, the Syndicate Member, the Escrow Collection Bankers and the Registrar to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

Haribhakti & Co., Chartered Accountants, our Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

### **Expert Opinion**

Except as stated in the section titled "Financial Statements" beginning on page 129, we have not obtained any expert opinions.

### **Expenses of the Issue**

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated expenses of the Issue are as follows:

<b>Activity</b>	<b>Expense (Rs. in Millions)</b>
Lead management, underwriting and selling commission*	[•]
Advertisement & Marketing expenses**	[•]
Printing, stationery including transportation of the same**	[•]
Others (Registrar's fees, Legal fees, listing fees, etc.)**	[•]
<b>Total estimated Issue expenses</b>	[•]

\* Will be incorporated after finalisation of Issue Price

\*\* Will be incorporated at the time of filing of the Red Herring Prospectus.

### **Fees Payable to the Book Running Lead Manager and Syndicate Member**

The total fees payable to the Book Running Lead Manager and Syndicate Member (including underwriting commission and selling commission) will be as stated in the engagement letter with the BRLM dated June 8, 2005 and amendment dated, a copy of which is available for inspection at the corporate office of our Company and reimbursement of their out of pocket expenses.

### **Fees Payable to the Registrar to the Issue**

The fees payable to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the agreement signed with our Company dated March 16, 2007, a copy of which is available for inspection at the corporate office of our Company. The Company shall bear such expenses.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

### **Particulars regarding Public or Rights Issues during the Last Five Years**

We have not made any public issue or rights issue of our Equity Shares in the five years preceding the date of the Draft Red Herring Prospectus.

### **Issues otherwise than for Cash**

We have not issued any Equity Shares for consideration otherwise than for cash.

### **Commission and Brokerage paid on Previous Issues of our Equity Shares**

Since this is the initial public offer of our Company, no sum has been paid by us or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

### **Companies under the Same Management**

We do not have any other company under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act.

### **Promise vs. Performance – Last Three Issues**

There has not been any previous public issue of our Equity Shares.

### **Promise vs. Performance – Last Issue of Group/Associate Companies**

None of our Promoter Group companies have made a public issue.

#### **Outstanding Debentures or Bonds or Preference Shares**

There are no outstanding debentures or bonds or redeemable preference shares issued by us as of the date of this Red Herring Prospectus.

#### **Stock Market Data of our Equity Shares**

This being an initial public offering of our Company, the Equity Shares are not listed on any stock exchange.

#### **Other Disclosures**

Our Promoters, our Promoter Group, or the directors of our Promoter companies or our Directors have not purchased or sold any securities of the Company during a period of six months preceding the date on which the Draft Red Herring Prospectus was filed with SEBI.

#### **Mechanism for Redressal of Investor Grievances by our Company**

The agreement between the Registrar to the Issue and us, will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the bank branch or collection center where the application was submitted.

#### **Disposal of Investor Grievances by our Company**

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. Arun Gupta, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Khasra No. 332, Near Telco Workshop,  
Rangpuri, New Delhi 110 037  
Telephone: +91 11 32431314  
Facsimile: +91 11 2678 4281  
E-mail: vishalipo@vrpl.in  
Website: www.vishalmegamart.net

#### **Mechanism for Redressal of Investor Grievances by Companies under the Same Management**

We do not have any other company under the same management within the meaning of erstwhile Section 370 (1B) of the Companies Act, save and except for the Promoter Group companies mentioned in the section titled "Our Promoter and Group Companies" beginning on page 118 of this Red Herring Prospectus.

**Changes in Auditors**

There have been no changes in our statutory auditors over the last three years, except as below:

<b>S. No</b>	<b>Name of Auditor</b>	<b>Date of change</b>	<b>Reason for change</b>
1.	M/s Chhaparia & Associates, Chartered Accountants	September 21, 2006	Removal
2.	M/s Haribhakti & Co., Chartered Accountants	September 21, 2006	Appointment

**Capitalisation of Reserves or Profits**

We have not capitalised any reserves or profits since our incorporation.

**Revaluation of Assets**

There has been no revaluation of assets of the Company since incorporation.

## SECTION – VII ISSUE INFORMATION

### ISSUE STRUCTURE

The present Issue of [●] Equity Shares comprising of Net Issue of [●] Equity Shares and a reservation for Employees of 300,000 Equity Shares, at a price of Rs. [●] for cash aggregating Rs. 1,100 million is being made through the Book Building Process.

	<b>Employees</b>	<b>QIB Bidders</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Number of Equity Shares*	Up to 300,000 Equity Shares	At least [●] Equity Shares or Net Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders.	Up to [●] Equity Shares or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Up to [●] Equity Shares or Net Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for allocation	[●]% of the Issue	At least 60% of Net Issue or Net Issue less allocation to Non Institutional Bidders and Retail Individual Bidders	Not less than 10% of Net Issue or Net Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 30% of Net Issue or Net Issue less allocation to QIB Bidders and Non Institutional Bidders.
Basis of Allocation if respective category is oversubscribed	Proportionate	Proportionate	Proportionate	Proportionate
Minimum Bid	25 Equity Shares	Such number of Equity Shares in multiples of 25 Equity Shares so that the Bid Amount exceeds Rs 100,000	Such number of Equity Shares in multiples of 25 Equity Shares so that the Bid Amount exceeds Rs 100,000	25 Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of 25 Equity Shares so that the number of Equity Shares Bid for does not exceed 10,000	Such number of Equity Shares in multiples of 25 Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits	Such number of Equity Shares in multiples of 25 Equity Shares so that the Bid does not exceed the Net Issue, subject to applicable limits	Such number of Equity Shares in multiples of 25 Equity Shares so that the Bid Amount does not exceed Rs. 100,000
Mode of Allotment	Compulsorily in dematerialised mode	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	All or any of the following: (a) a permanent employee of the Company as of May 31, 2007 and based working and present in India as on the date of submission of the Bid cum Application Form. (c) a director of the	Public financial institutions, as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual funds and State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident	Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts	Resident Indian Individuals (including HUFs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.



	<b>Employees</b>	<b>QIB Bidders</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
	Company, except any Promoters or members of the (d) Promoter Group, whether a whole time Director part time Director or otherwise as of May 31, 2007 and based and present in India as on the date of submission of the Bid cum Application Form.	funds with minimum corpus of Rs. 250 Million and pension funds with minimum corpus of Rs. 250 Million in accordance with applicable law.		
Terms of Payment	Margin Amount applicable to Employees at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount applicable to QIB Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount applicable to Non Institutional Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.	Margin Amount applicable to Retail Individual Bidders at the time of submission of Bid cum Application Form to the Syndicate Member.
Margin Amount	100% of Bid Amount	10% of Bid Amount	100% of Bid Amount	100% of Bid Amount

\* In terms of Rule 19 (2)(b) of the SCRR, this is an Issue for less than 25% of the post Issue capital, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be Allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. However, if the aggregate demand by Mutual Funds is less than [●] Equity Shares (QIB Portion is 60% of the Issue size, i.e. [●] Equity Shares), the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders. Further, not less than 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Company in consultation with the BRLM. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion. Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the BRLMs and the Designated Stock Exchange.

\*\* In case the Bid Cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid Cum Application Form.

### **Withdrawal of the Issue**

The Company, in consultation with the BRLM, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason therefor. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. In terms of the SEBI Guidelines, the QIBs shall not be allowed to withdraw their Bids after the Bid/Issue Closing Date.

### **Letters of Allotment or Refund Orders**

We shall give credit to the beneficiary account with depository participants within two working days from the date of the finalisation of basis of allocation. Please note that only Bidders having a bank account at any

of the 15 centres where the clearing houses for the ECS are managed by the RBI are eligible to receive refunds through the modes stated above. For all the other Bidders, including Bidders who have not updated their bank particulars, alongwith the nine-digit MICR code, the refund orders shall be dispatched "Under Certificate of Posting" for refund orders less than Rs. 1,500 and through speed post/registered post for refund orders exceeding Rs. 1,500.

#### **Interest in Case of Delay in Despatch of Allotment Letters/ Refund Orders.**

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Guidelines, we undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Bid/ Issue Closing Date;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund; and
- We shall pay interest at 15% per annum, if Allotment is not made, refund orders are not despatched and/ or demat credits are not made to investors within the 15 day time prescribed above.

We will provide adequate funds required for despatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

#### **Bid/Issue Programme**

##### **Bidding Period/Issue Period**

<b>BID/ISSUE OPENS ON</b>	<b>JUNE 11, 2007</b>
<b>BID/ISSUE CLOSES ON</b>	<b>JUNE 13, 2007</b>

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid/Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded till such time as permitted by the BSE and the NSE on the Bid/Issue Closing Date. Bidders are cautioned that a high inflow of bids typically experienced on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such Bids that could not be uploaded may not be considered for allocation.

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the price band advertised at least one day prior to the Bid/Issue Opening Date.

**In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional working days after revision of Price Band subject to the Bidding/ Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.**

## ISSUE PROCEDURE

### Book Building Procedure

In terms of Rule 19(2)(b) of the SCRR, this is an Issue for less than 25% of the post Issue capital of the Company, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be available for allocation on a proportionate basis to QIB Bidders, including up to 5% of the QIB Portion which shall be available for allocation to the Mutual Funds only. If at least 60% of the Net Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, a maximum of 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders and a maximum of 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price. Further, up to 300,000 Equity Shares shall be available for allocation on a proportional basis to Eligible Employees, subject to valid bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. In case of QIB Bidders, our Company in consultation with BRLM may reject Bid at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same are provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and bids under the Employee Reservation Portion, our Company would have a right to reject the Bids only on technical grounds.

**Investors should note that the Equity Shares would be allotted to all successful Bidders only in the dematerialized form. Bidders will not have the option of getting Allotment of the Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialized segment of the Stock Exchanges.**

### *Bid cum Application Form*

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the ROC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorized our Company to make the necessary changes in this Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public applying on a non-repatriation basis	White
Bidders in the Employee Reservation Portion	Blue

### *Who can Bid?*

1. Indian nationals resident in India who are majors in single or joint names (not more than three);
2. Hindu undivided families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals;
3. Companies and corporate bodies registered under the applicable laws in India and authorized to invest in equity shares;
4. Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorized under their constitution to hold and invest in equity shares;
5. Scientific and/or industrial research authorized to invest in equity shares;
6. Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI guidelines and regulations, as applicable);

7. Mutual funds registered with SEBI;
8. State industrial development corporations;
9. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
10. As permitted by the applicable laws, provident funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in equity shares; and
11. Pension funds with a minimum corpus of Rs. 250 million and who are authorized under their constitution to invest in equity shares.
12. Permanent employees or Directors (whole-time Directors, part-time Directors or otherwise) of the Company, who are Indian Nationals and are based in India. The permanent employees should be on the payroll of the Company as of May 31, 2007 and the Directors should be Directors on the date of the Red Herring Prospectus.

**Note:**

**The Equity Shares are being offered in this Issue to the Indian public only. Non-residents such as foreign institutional investors, non resident Indian, foreign venture capital funds, multilateral and bilateral development financial institutions are not permitted to participate in the Issue. As per the existing policy of the government of India, OCBs cannot participate in this Issue.**

**Participation by Associates of BRLM and Syndicate Member:**

Associates of BRLM and Syndicate Member may bid and subscribe to Equity Shares in the Issue either in the QIB Portion or in Non Institutional Portion as may be applicable to such investors. Such bidding and subscription may be on their own account or on behalf of their clients. Allotment to all investors including associates of BRLM and Syndicate Member shall be on a proportionate basis.

Further, the BRLM and Syndicate Member shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligation.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

***Maximum and Minimum Bid Size***

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter and it must be ensured that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of option to bid at Cut-off Price, the Bid would be considered for allocation under the Non Institutional Portion. The option to bid at Cut-off Price is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase Equity Shares at the final Issue Price as determined at the end of the Book Building Process.
- (b) **For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 25 Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid /Issue Closing Date.

In case of revision in Bids, the Non Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non Institutional Bidders and QIB Bidders are not entitled to the option of bidding at Cut-off Price.

- (c) **For Bidders in the Employee Reservation Portion**

The Bid must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs.100,000 may bid at Cut-off Price. The allotment in the Employee Reservation Portion will be on a proportionate basis. However, in case of an oversubscription in the Employee Reservation Portion, the maximum allotment to any Employee will be capped at up to 10,000 Equity Shares.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.**

Refund amounts following a permitted withdrawal of a Bid shall be paid in the manner described under paragraph "Payment of Refund".

**Information for the Bidders:**

- (a) Our Company will file the Red Herring Prospectus with the ROC at least three days before the Bid/Issue Opening Date.
- (b) Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing this Red Herring Prospectus with the RoC and also publish the same in two widely circulated newspapers (one each in English and Hindi). This advertisement, subject to the provisions of S. 66 of the Companies Act shall be in the format prescribed in Schedule XX – A of the SEBI DIP guidelines, as amended by SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 date January 25, 2005.
- (c) The members of the Syndicate will circulate copies of this Red Herring Prospectus along with the Bid cum Application Form to potential investors.
- (d) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from the Registered Office or from any of the members of the Syndicate.
- (e) Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLMs or Syndicate Member or their authorized agent(s) to register their Bids.
- (f) The Members of the Syndicate shall accept Bids from the Bidder during the Issue Period in accordance with the terms of the Syndicate Agreement.
- (g) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of a member of the Syndicate. Bid cum Application Forms, which do not bear the stamp of a member of the Syndicate will be rejected.

**Method and Process of Bidding**

- (a) Our Company and the BRLM shall declare the Bid/Issue Opening Date and the Bid/Issue Closing Date at the time of filing the Red Herring Prospectus with ROC and also publish the same in two widely circulated newspapers (one each in English and Hindi). This advertisement shall contain the minimum disclosures as specified under Schedule XX-A of the SEBI Guidelines. The members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement. Investors who are interested in subscribing to our Equity Shares should approach any of the members of the Syndicate or their authorized agent(s) to register their Bid.
- (b) The Bidding Period shall be a minimum of three working days and shall not exceed seven working days. In case the Price Band is revised, the revised Price Band and Bidding Period will be published in two national newspapers (one each in English and Hindi) of wide circulation in the place where our Registered Office is situated and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 working days.

- (c) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details, see the section titled “Issue Procedure - Bids at Different Price Levels” beginning on page 217) within the Price Band and specify the demand (i.e. the number of Equity Shares bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- (d) During the Bid/Issue Period, eligible investors who are interested in subscribing for the Equity Shares should approach the members of the Syndicate or their authorised agents to register their Bid.
- (e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to a member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled “Issue Procedure - Build up of the Book and Revision of Bids” beginning on page 217 of this Red Herring Prospectus.
- (f) The members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
- (g) During the Bidding Period, Bidders may approach a member of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and this Red Herring Prospectus.
- (h) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled “Issue Procedure - Terms of Payment” beginning on page 217

**Bids at different price levels**

- (a) The Price Band has been fixed at Rs. 230 to Rs. 270 per Equity Share of Rs. 10 each, Rs. 230 being the Floor Price and Rs. 270 being the Cap Price. The Bidders can bid at any price within the Price Band, in multiples of Re. 1.
- (b) In accordance with the SEBI Guidelines, our Company, in consultation with the BRLM, reserves the right to revise the Price Band during the Bidding Period. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band.
- (c) In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two national newspapers (one each in English and Hindi), and also by indicating the change on the websites of the BRLM and at the terminals of the members of the Syndicate.
- (d) We, in consultation with the BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation to, the Bidders.

- (e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. **Retail Individual Bidders and Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB Bidders and Non Institutional Bidders in excess of Rs. 100,000 and such Bids from QIBs and Non Institutional Bidders shall be rejected.**
- (f) Retail Individual Bidders who bid at Cut-off Price and Employees bidding under the Employee Reservation Portion at Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price and Employees bidding under the Employee Reservation Portion at Cut-Off Price shall deposit the Bid Amount based on the Cap Price in the Escrow Account. In the event the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut-off Price and Employees bidding under the Employee Reservation Portion at Cut-Off Price (i.e. the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut-off Price, shall receive the refund of the excess amounts from the Escrow Account or the Refund Account, as the case may be.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion at Cut-Off Price, who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the cap of the revised Price Band (such that the total amount i.e. original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to bid at Cut-off Price), with the member of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e. original Bid Amount plus additional payment) exceeds Rs. 100,000, the Bid by a Retail Individual Bidder will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the Cap Price prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
- (h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion, who have bid at Cut-off Price, could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account or the Refund Account, as the case may be.

### **Application in the Issue**

Equity Shares being issued through the Red Herring Prospectus can be applied for in the dematerialized form only.

### **Bids by Mutual Funds**

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than [•] Equity Shares, Allocation shall be made to Mutual Funds on proportionate basis to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

As per the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

**The above information is given for the benefit of the Bidders. The Bidders are advised to make their own enquiries about the limits applicable to them. Our Company and the BRLM do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may happen after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares bid for do not exceed the applicable limits under laws or regulations.**

### **Escrow Mechanism**

We shall open Escrow Accounts with the Escrow Collection Banks in whose favour the Bidders shall write the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The monies in the Escrow Account shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Issue Account. The balance amount after transfer to the Issue Account shall be held for the benefit of the Bidders who are entitled for refunds. Payments of refunds to the Bidders shall also be made from the Refund Account(s) with the Refund Banker(s) as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

### **Terms of Payment and Payment into the Escrow Accounts**

Each Bidder, shall pay the applicable Margin Amount, with the submission of the Bid cum Application Form by way of a cheque or demand draft in favour of the Escrow Account (for details please see the section titled "Issue Procedure - Payment Instructions" beginning on page 217 of this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold the monies for the benefit of the Bidders till the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Issue Account. The balance amount after transfer to the Issue Account shall be transferred to the Refund Account.

Each category of Bidders i.e. QIB Bidders, Non Institutional Bidders, Retail Individual Bidders and Employees bidding under the Employee Reservation Portion would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section titled "Issue Structure" beginning on page 214. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the members of the Syndicate do not waive such payment, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allotment, will be refunded to such Bidder within 15



days from the Bid /Issue Closing Date, failing which we shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

### **Electronic registration of Bids**

- (a) The members of the Syndicate will register the Bids using the on-line facilities of the BSE and the NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.
- (b) The BSE and the NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the members of the Syndicate and their authorized agents during the Bidding/Issue Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently download the off-line data file into the on-line facilities for book building on a regular basis. On the Bid /Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. Bidders are cautioned that a high inflow of Bids typically experienced on the last day of the Bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such Bids that could not be uploaded, may not be considered for Allocation.
- (c) The aggregate demand and price for Bids registered on the electronic facilities of the BSE and the NSE will be displayed on-line at all bidding centers and at the websites of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
  - Name of the Bidder(s)
  - Investor category – individual, corporate, or Mutual Fund etc.
  - Numbers of Equity Shares bid for
  - Bid price
  - Bid cum Application Form number
  - Margin Amount paid upon submission of Bid cum Application Form
  - Depository participant identification no. and client identification no. of the beneficiary account of the Bidder
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. **It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate.** The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated either by the members of the Syndicate or our Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) It is to be distinctly understood that the permission given by the BSE and the NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLM are cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, our management or any scheme or project of our Company.
- (h) It is also to be distinctly understood that the approval given by the BSE and the NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the BSE and the NSE.

### **Build up of the book and revision of Bids**

- (a) Bids registered through the members of the Syndicate shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.
- (c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band during the Bidding/Issue Period using the printed Revision Form which is a part of the Bid cum Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. **Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.**
- (f) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (g) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (h) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for Allocation. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the data provided by the BSE and the NSE shall be considered for allocation, subject to receipt of valid Bids by the Registrar.

#### **Price Discovery and Allocation**

- (a) After the Bid /Issue Closing Date, the BRLM will analyse the demand generated at various price levels.
- (b) We, in consultation with the BRLM, shall finalise the “Issue Price” and the number of Equity Shares to be allocated in each investor category.
- (c) The allocation under the Issue shall be on proportionate basis, in the manner specified in the SEBI Guidelines and this Red Herring Prospectus and in consultation with Designated Stock Exchange.
- (d) Any undersubscription in the Employee Reservation Portion would be included in the Net Issue. Undersubscription, if any, in any category of the Net Issue, other than the QIB Portion, would be allowed to be met with spill over from any of the other categories at the discretion of our Company in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders.

- (e) The BRLM, in consultation with us, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.
- (f) We reserve the right to cancel the Issue any time after the Bid/Issue Opening Date but before the Allotment without assigning any reasons whatsoever.
- (g) In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.
- (h) The Company, in consultation with the BRLM, reserves the right to reject any Bid from QIBs, by any or all members of the Syndicate. Rejection of Bids made by QIBs, if any, will be made at the time of submission of Bids provided that reasons for rejecting the same shall be provided to such Bidder in writing.
- (i) The Allotment details shall be put on the website of the Registrar to the Issue.

#### **Signing of Underwriting Agreement and ROC Filing**

- (a) We, the BRLM and the Syndicate Member shall enter into an Underwriting Agreement upon finalisation of the Issue Price.
- (b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with ROC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price and Issue size and would be complete in all material respects.

#### **Advertisement regarding Issue Price and Prospectus**

After filing of the Prospectus with the ROC, a statutory advertisement will be issued by our Company in a widely circulated English national newspaper, a Hindi national newspaper of wide circulation in the place where our Registered Office is situated. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

#### **Issuance of CAN**

- (a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. Investors should note that the Company shall ensure that the demat credit of Equity Shares pursuant to Allotment shall be made on the same date to all investors in this Issue;
- (b) The BRLM or members of the Syndicate would then send the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have paid the Margin Amount into the Escrow Account at the time of bidding shall pay the balance amount payable into the Escrow Account by the Pay-in Date specified in the CAN; and
- (c) Such Bidders who have been allocated Equity Shares and who have already paid the Margin Amount for the said Equity Shares into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of their cheque or demand draft paid into the Escrow Accounts. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder.

**INVESTORS ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOTTED TO THEM PURSUANT TO THIS ISSUE.**

## **Notice to QIBs: Allotment Reconciliation and Revised CANs**

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bid applications received. Based on the electronic book, QIBs will be sent a CAN on or prior to June 28, 2007, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the physical book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs, on or prior to June 28, 2007, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

### **Designated Date and Allotment of Equity Shares**

- (a) Our Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Issue Account and the Refund Account on the Designated Date, our Company would ensure the credit to the successful Bidders' depository accounts of the allotted Equity Shares to the allottees within two working days from the date of Allotment.
- (b) As per the SEBI Guidelines, **Equity Shares will be issued and allotted only in the dematerialised form to the allottees.** Allottees will have the option to re-materialise the Equity Shares so allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated to them pursuant to this Issue.**

### **PAYMENT OF REFUND**

#### **Mode of making refunds**

The payment of refund, if any, would be done through the following various modes:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centres, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.
2. NEFT– Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The Process flow in respect of refunds by way of NEFT is at an evolving stage hence use of NEFT is subject to operational feasibility, cost and

process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in this section.

3. Direct Credit – Applicants applying through the web/internet whose service providers opt to have the refund amounts for such applicants being by way of direct disbursement by the service provider through their internal networks, the refund amounts payable to such applicants will be directly handled by the service providers and credited to bank account particulars as registered by the applicant in the demat account being maintained with the service provider. The service provider, based on the information provided by the Registrar, shall carry out the disbursement of the refund amounts to the applicants.
4. RTGS – Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Please note that only Bidders having a bank account at any of the 15 centres where the clearing houses for the ECS are managed by the RBI are eligible to receive refunds through the modes stated above. For all the other Bidders, including Bidders who have not updated their bank particulars, alongwith the nine-digit MICR code, the refund orders shall be dispatched "Under Certificate of Posting" for refund orders less than Rs. 1,500 and through speed post/registered post for refund orders exceeding Rs. 1,500.

## **GENERAL INSTRUCTIONS**

### ***Do's:***

- a) Check if you are eligible to apply.
- b) Read all the instructions carefully and complete the Bid cum Application Form (white or blue in colour) as the case may be.
- c) Ensure that the details about your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be allotted in the dematerialized form only.
- d) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate.
- e) Ensure that you have been given a TRS for all your Bid options.
- f) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS.
- g) Where Bid(s) is/are for Rs. 50,000 or more, each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN card or PAN allotment letter should be submitted with the Bid cum Application Form. If you have mentioned "Applied For" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof.

- h) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form
- i) Ensure that the Demographic Details are updated, true and correct, in all respects.

***Don'ts:***

- (a) Do not Bid for lower than the minimum Bid size.
- (b) Do not Bid/revise Bid price to less than Floor Price or higher than the Cap Price.
- (c) Do not Bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate.
- (d) Do not pay the Bid amount in cash, by money order or by postal order or by stockinvest.
- (e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only.
- (f) Do not Bid at Cut-off Price (for QIB Bidders, Non-Institutional Bidders and Bidders bidding under the Employee Reservation Portion, for whom the Bid Amount exceeds Rs. 100,000).
- (g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.
- (h) **Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

**Bids and Revisions of Bids**

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white or blue colour).
- (b) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (c) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form.
- (d) The Bids from the Retail Individual Bidders must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.
- (e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of 25 Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 25 Equity Shares . Bids cannot be made for more than the Net Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (f) For Bidders bidding under the Employee Reservation Portion, the Bid must be for a minimum of 25 Equity Shares in multiple of 25 thereafter subject to a maximum of 10,000 Equity Shares.
- (g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

### **Bidder's depository account details**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THE EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

**Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders or give credit through ECS, direct credit, RTGS or NEFT, and occupation ("Demographic Details"). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form. Please note that failure to do so could result in delays in credit of refund to Bidders at the Bidders sole risk, and neither the BRLMs nor the Company shall have any responsibility or undertake any liability for the same.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Offer. Hence, Bidders are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Escrow Collection Bank(s) nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number, then such Bids are liable to be rejected.

Our Company, in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Refund orders/allocation advices/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the sole or Bidders sole risk and neither

the Escrow Collection Bank(s) nor the BRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number, then such Bids are liable to be rejected.

#### ***Bidder's Bank Details***

Bidders should note that on the basis of name of the Bidders, Depository Participant's name and identification number and the beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the details of the Bidder's bank account. **These bank account details would be printed on the refund order, if any, to be sent to Bidders or used for sending the refunds through ECS, direct credit, RTGS or NEFT. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant.** Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Company shall have any responsibility and undertake any liability for the same.

#### ***Bids under Power of Attorney***

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to reject such Bids in whole or in part, without assigning any reasons therefor.

In case of the Bids made pursuant to a power of attorney by Mutual Funds, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to reject such Bid in whole or in part.

We, in our absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we/the BRLM may deem fit.

We, in our absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar to the Issue that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

#### **Bids by Employees**

For the purpose of the Employee Reservation Portion, Employee means all or any of the following:

- (a) a permanent employee of the Company as of May 31, 2007 and based working and present in India as on the date of submission of the Bid cum Application Form.
- (b) a director of the Company, whether a whole time director except any Promoters or members of the Promoter Group, part time director or otherwise as of May 31, 2007 and based and present in India as on the date of submission of the Bid cum Application Form. Bids under Employee Reservation Portion by Employees shall be:
  - Made only in the prescribed Bid cum Application Form or Revision Form (i.e. blue colour Form).
  - Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form.



- The sole/ first Bidder should be Employees.
- Only Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
- Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off Price. This facility is not available to other Employees whose Bid Amount in any of the bidding options exceeds Rs. 100,000.
- The maximum bid under Employee Reservation Portion by an Employee cannot 10,000 Equity Shares.
- Bid by Employees can be made also in the “Net Issue” portion and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 300,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue.
- If the aggregate demand in this category is greater than 300,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to “Basis of Allotment” on page 236.

#### **Bids made by Insurance Companies**

In case of the Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to reject such Bids in whole or in part.

#### **Bids made by Provident Funds**

In case of the Bids made by provident funds, subject to applicable law, with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

#### **BIDS BY NON-RESIDENTS**

The Equity Shares are being offered in this Issue to the Indian public only. Non-residents such as foreign institutional investors, non resident Indian, foreign venture capital funds, multilateral and bilateral development financial institutions are not permitted to participate in the Issue. As per the existing policy of the government of India, OCBs cannot participate in this Issue.

#### **PAYMENT INSTRUCTIONS**

We shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

#### **Payment into Escrow Account**

- (i) The Bidders for whom the applicable margin is equal to 100% shall, with the submission of the Bid cum Application Form draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
- (ii) In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall

be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.

- (iii) The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - (a) In case of QIB Bidders: **“Escrow Account – Vishal Public Issue-QIB”**
  - (b) In case of Non-Institutional Bidders and Retail Individual Bidders: **“Escrow Account – Vishal Public Issue”**
  - (c) In case of Employees: **“Escrow Account – Vishal Public Issue – Employee”**
- (iv) Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.
- (v) The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
- (vi) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account.
- (vii) On the Designated Date and not later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders, failing which interest for the delayed period shall be payable to such Bidders in terms of this Red Herring Prospectus.

Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub member of the banker’s clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/stockinvest/money orders/postal orders will not be accepted.

#### **Payment by Stockinvest**

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn.

#### **SUBMISSION OF BID CUM APPLICATION FORM**

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts equivalent to the Margin Amount shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection center of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

#### **OTHER INSTRUCTIONS**

##### **Joint Bids in case of Individuals**

Bids may be made in single or joint names (not more than three). In case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the first Bidder and will be dispatched to his or her address.

##### **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Offer to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.
2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.
3. The Registrar will obtain, from depositories, details of the applicants' address based on the DP ID and Beneficiary Account Number provided in the Bid cum Application Form and create an address master.
4. The addresses of all the applicants in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of addresses and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the application processed. A print-out of the addresses will be taken to check for common names. The application with same name and same address will be treated as multiple applications.
5. The applications will be scrutinized for their DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
6. Subsequent to the aforesaid procedures, a print out of multiple master will be taken and applications physically verified to tally signatures as also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

Bids made by Employees both under Employees Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids.

The Company reserves the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

#### **'PAN' or 'GIR' Number**

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **The copy of the PAN card(s) or PAN allotment letter(s) is required to be submitted with the Bid cum Application Form. Applications without this information and documents will be considered incomplete and are liable to be rejected.** It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground. In case the sole/First Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the sole/First Bidder and each of the joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) ration card (b) passport (c) driving licence (d) identity card issued by any institution (e) copy of the electricity bill or telephone bill showing residential address (f) any document or communication issued by any authority of the Central Government, state government or local bodies showing residential address (g) any other documentary evidence in support

of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended by a notification issued on December 1, 2004 by the Central Board of Direct Taxes, Department of Revenue, Ministry of Finance. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

#### **Unique Identification Number (“UIN”)**

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100,000 to Rs.500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs.500,000, an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

#### **Right to Reject Bids**

In case of QIB Bidders, the Company in consultation with the BRLM may reject Bids at the time of acceptance of the Bid cum Application Forms provided that the reason for rejecting the same shall be provided to such Bidders in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, Bidders in the Employee Reservation Portion, we have the right to reject Bids based on technical grounds only. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder’s address at the Bidder’s risk.

#### **GROUND FOR TECHNICAL REJECTIONS**

Bidders are advised to note that Bids are liable to be rejected on, inter alia, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of first Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no such partnership firm, shall be entitled to apply;
4. Bids by Non-Residents;
5. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and insane persons;
6. **PAN not stated if Bid is for Rs. 50,000 or more or copy of PAN, Form 60 or Form 61, as applicable, or GIR number furnished instead of PAN. See the section titled “Issue Procedure—PAN or GIR No” on page 217;**
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;
11. Bids for number of Equity Shares, which are not in multiples of 25;
12. Category not ticked;
13. Multiple Bids as defined in this Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by stockinvest/money order/postal order/cash;
16. Signature of sole and/or joint Bidders missing;
17. Bid cum Application Form does not have the stamp of the BRLM or the Syndicate Member;
18. Bid cum Application Form does not have the Bidder’s depository account details;
19. Bid cum Application Form is not delivered by the Bidder within the time prescribed as per the Bid cum Application Form and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Form;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the depository participant’s identity (DP ID) and the beneficiary account number;

21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations. See the details regarding the same in the section titled “Issue Procedure – Bids at Different Price Levels” beginning on page 217;
22. Bids by OCBs;
23. Bids by QIBs not submitted through members of the Syndicate;
24. Bids by persons who are not eligible to acquire Equity Shares in terms of applicable laws, rules, regulations, guidelines and approvals;
25. Bids in respect whereof the Bid cum Application Forms do not reach the Registrar prior to the date of finalization of basis of allotment; and
26. Bids in respect whereof clear funds are not available in the escrow account upto the date of receipt of final certificates from escrow collection banks.
27. Bids by employees of the Company or Directors of the Company not eligible to apply in the Employee Reservation Portion.

#### **Equity Shares in dematerialised form with NSDL or CDSL**

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a de-materialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

- a) an agreement dated April 2, 2007 between NSDL, us and Registrar to the Issue;
- b) an agreement dated November 29, 2006 between CDSL, us and Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- a) A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b) The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant’s identification number) appearing in the Bid cum Application Form or Revision Form.
- c) Equity Shares allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
- d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.
- e) If incomplete or incorrect details are given under the heading ‘Bidders Depository Account Details’ in the Bid cum Application Form or Revision Form, it is liable to be rejected.
- f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.
- g) It may be noted that Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.
- h) The trading of the Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

#### **COMMUNICATIONS**

All future communication in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, details of Depository Participant, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

#### **Disposal of Investor Grievances by our Company**

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances shall be seven days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. Arun Gupta, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Khasra No. 332, Near Telco Workshop,  
Rangpuri,  
New Delhi 110 037  
Telephone: +91 11 32431314  
Facsimile: +91 11 2678 4281  
E-mail: vishalipo@vrpl.in  
Website: www.vishalmegamart.net

#### **IMPERSONATION**

**Attention of the applicants is specifically drawn to the provisions of Sub-Section (1) of Section 68 A of the Companies Act, which is reproduced below:**

**“Any person who:**

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,**

**shall be punishable with imprisonment for a term which may extend to five years.”**

#### **Basis of Allocation**

##### **A. For Retail Individual Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Bidders and QIB Bidders shall be available for allocation to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid Bids in this category is for less than or equal to [●] Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the valid Bids in this category are for more than [●] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 25 Equity Shares and in multiples of 1 Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

##### **B. For Non-Institutional Bidders**

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid Bids in this category is for less than or equal to [●] Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their valid Bids.
- In case the valid Bids in this category are for more than [●] Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis up to a minimum of 25 Equity Shares and in multiples of 1 Equity Share thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- At least 60% of the Net Issue shall be Allotted to the QIB Bidders, failing which the full subscription monies shall be refunded.
- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The Issue size less allocation to Non-Institutional Portion and Retail Portion shall be available for proportionate allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- However, eligible Bids by Mutual Funds only shall first be considered for allocation proportionately in the Mutual Funds Portion. After completing proportionate allocation to Mutual Funds for an amount of up to [●] Equity Shares (the Mutual Funds Portion), the remaining demand by Mutual Funds, if any, shall then be considered for allocation proportionately, together with Bids by other QIBs, in the remainder of the QIB Portion (i.e. after excluding the Mutual Funds Portion). For the method of allocation in the QIB Portion, see the paragraph titled “Illustration of Allotment to QIBs” appearing below. If the valid Bids by Mutual Funds are for less than [●] Equity Shares, the balance Equity Shares available for allocation in the Mutual Funds Portion will first be added to the QIB Portion and allocated proportionately to the QIB Bidders. For the purposes of this paragraph it has been assumed that the QIB Portion for the purposes of the Issue amounts to 60% of the Net Issue size, i.e. [●] Equity Shares.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for 5% of the QIB Portion shall be determined as follows:
    - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allocation to all QIBs shall be determined as follows:

- (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids at or above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
- (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
- (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

Except for any Equity Shares allocated to QIB Bidders due to undersubscription in the Retail Portion and/or Non Institutional Portion, the aggregate allocation to QIB Bidders shall be made on a proportionate basis of at least [●] Equity Shares. For the method of proportionate basis of allocation refer below.

**D. For Employee Reservation Portion**

- Bids received from the Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 300,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 300,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 10,000 Equity Shares. For the method of proportionate basis of allocation, refer below.
- Only Employees (as defined above) are eligible to apply under Employee Reservation Portion.

**Method of Proportionate basis of allocation in the Issue**

**In the event the Issue is oversubscribed, the basis of Allotment shall be finalised by the Company in consultation with the Designated Stock Exchange. The executive director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalised in a fair and proper manner. Allotment to Bidders shall be made in marketable lots on a proportionate basis as explained below:**

Bidders will be categorized according to the number of Equity Shares applied for by them.

- (a) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (b) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

In all Bids where the proportionate allotment is less than 25 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 25 Equity Shares; and



- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

If the proportionate allotment to a Bidder is a number that is more than 25 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.

If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted Equity Shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares. The basis of allocation on a proportionate basis shall be finalised in consultation with the Designated Stock Exchange.

### Illustration of Allotment to QIBs and Mutual Funds (“MF”)

#### A. Issue details

Sr. No	Particulars	Issue details
1	Issue size	200 million Equity Shares
2	Allocation to QIB (at least 60% of the Issue)	120 million Equity Shares
	Of which:	
	a. Reservation For Mutual Funds, (5%)	6 million Equity Shares
	b. Balance for all QIBs including Mutual Funds	114 million Equity Shares
3	Number of QIB applicants	10
4	Number of Equity Shares applied for	500 million Equity Shares

#### B. Details of QIB Bids

S.No	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	TOTAL	500

# A1-A5: (QIB Bidders other than Mutual Funds), MF1-MF5 (QIB Bidders which are Mutual Funds)

#### C. Details of Allotment to QIB Bidders/Applicants

<i>(Number of equity shares in million)</i>				
Type of QIB bidders	Shares bid for	Allocation of 5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs

(I)	(II)	(III)	(IV)	(V)
A1	50	0	11.40	0
A2	20	0	4.56	0
A3	130	0	29.64	0
A4	50	0	11.40	0
A5	50	0	11.40	0
MF1	40	1.2	9.12	10.32
MF2	40	1.2	9.12	10.32
MF3	80	2.4	18.24	20.64
MF4	20	0.6	4.56	5.16
MF5	20	0.6	4.56	5.16
	<b>500</b>	<b>5</b>	<b>114</b>	<b>51.64</b>

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled “Issue Structure” beginning on page 214.
2. Out of 120 million Equity Shares allocated to QIBs, 6 million (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 shares in the QIB Portion.
3. The balance 114 million Equity Shares [i.e. 120 - 6 (available for Mutual Funds only)] will be allocated on proportionate basis among 10 QIB Bidders who applied for 500 Equity Shares (including 5 Mutual Fund applicants who applied for 200 Equity Shares).
4. The figures in the fourth column titled “Allocation of balance 114 million Equity Shares to QIBs proportionately” in the above illustration are arrived as under:
  1. For QIBs other than Mutual Funds (A1 to A5)= Number of Equity Shares Bid for X 114/494
  2. For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e., in column II of the table above) less Equity Shares allotted ( i.e., column III of the table above)] X 114/494
  3. The numerator and denominator for arriving at allocation of 114 million Equity Shares to the 10 QIBs are reduced by 6 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

## DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS

We shall ensure dispatch of allotment advice, refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 2 (two) working days of date of Allotment. We shall dispatch refund orders, if any, of value up to Rs. 1,500, “Under Certificate of Posting”, and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First Bidder’s sole risk and adequate funds for this purpose shall be made available to the Registrar for this purpose.

We shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of the finalisation of the basis of allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines we further undertake that:

- allotment of Equity Shares shall be made only in dematerialised form within 15 days of the Bid/Issue Closing Date;
- dispatch of refund orders within 15 days of the Bid /Issue Closing Date would be ensured; and
- we shall pay interest at 15% (fifteen) per annum (for any delay beyond the 15 (fifteen)-day time period as mentioned above), if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the

guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Forms or Revision Forms. However, the collection centre of the Syndicate Member will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

### **Undertaking by our Company**

We undertake as follows:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the stock exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders or allotment advice as per the modes disclosed shall be made available to the Registrar to the Issue by us;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund; and
- that no further issue of Equity Shares shall be made till the Equity Shares issued through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

### **Utilisation of Issue proceeds**

Our Board of Directors certifies that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in Sub-Section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of the Issue referred above shall be disclosed under an appropriate separate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested;
- we shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

### **Restrictions on Foreign Ownership of Indian Securities**

An industrial policy was formulated in 1991 ("Industrial Policy, 1991") in order to implement the economic reforms initiated by the GoI. The GoI has since amended the Industrial Policy, 1991, from time to time in order to enable FDI in various sectors of the Indian industry in a phased manner, gradually allowing higher levels of FDI in Indian companies.

Under the extant FDI Policy, April 2006, FDI in Indian companies carrying on business in Indian retail and trading sector is prohibited, except "Single Brand Product" retailing. Press Note No. 3 (2006 Series) which provides guidelines for FDI in retail trade of "Single Brand Products", prescribes a 51% cap on the same, with prior Government approval. Further, Press Note No. 4 (2006 Series), which aims at rationalisation of the FDI Policy, states that the GoI has decided to allow FDI up to 51% with prior Government approval for

retail trade of “Single Brand Products”. In this regard, it is pertinent to note that the corollary changes to the foreign exchange control regulations promulgated by the Reserve Bank of India under the Foreign Investment Management Act, 1999 have not been notified.

Further, a non-zero ceiling of 24% has been imposed on by FIIs, for investment in a company engaged in retail trading and listed/ proposing to get listed on a recognised stock exchange in India.

## **SECTION - VIII: MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY**

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the of the Articles of Association relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/or on their consolidation/splitting as detailed below. Please note that the each provision herein below is numbered as per the corresponding article number in the Articles of Association and defined terms herein have the meaning given to them in the Articles of Association.

### **CAPITAL AND INCREASE AND REDUCTION OF CAPITAL**

4. The Company in General Meeting may, from time to time, increase the Capital by the creation of new Shares, such increase to be of such aggregate amount and to be divided into such Shares of such respective amounts as the resolution shall prescribe. Subject to the provisions of the Act, any Shares of the original or increased Capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the creation thereof, shall direct, and if no direction be given, as the Board shall determine, and in particular, such shares may be issued with a preferential or qualified right to dividends, or otherwise and in the distribution of assets of the Company, and with a right of voting at General Meetings in conformity with Section 87 of the Act. Whenever the Capital of the Company has been increased under the provisions of this Article, the Board shall comply with the provisions of Section 97 of the Act.

5. Except in so far otherwise provided in the conditions of issue of Shares by These presents, any Capital raised by the creation of new Shares shall be considered as part of the existing capital, and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

6. Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue Preference Shares, which at the option of the Company are liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.

7. On the issue of redeemable Preference Shares under the Provisions of Article 6 hereof, the following provisions shall take effect:

(a) no such Shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of Shares made for the purposes of the redemption;

(b) no such Shares shall be redeemed unless they are fully paid;

(c) where any such Shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred to a reserve fund, to be called the "capital redemption reserve account", a sum equal to the nominal amount of the Shares redeemed and the provisions of the Act relating to the reduction of the share capital of the Company shall, except as provided in Section 80 of the Act, apply as if the 'capital redemption reserve account' were paid-up share capital of the Company.

8. The Company may (subject to the provisions of Section 78, 80 and 100 to 105, both inclusive, of the Act), from time to time, by Special Resolution reduce its Capital, including any 'capital redemption reserve account' or 'security premium account', in any manner for the time being authorised by law, and in particular, Capital may be paid off on the footing that it may be called upon again or otherwise and may, if and so far as necessary alter its Memorandum by reducing the amount of its share capital and of its Shares accordingly. This Article is not to derogate from any power the Company would have, if it were omitted.

9. Subject to the provisions of Section 94 of the Act, the Company in its General Meeting, may from time to time sub-divide or consolidate its Shares, or any of them, and the resolution whereby any Share is sub-divided, may determine that, as between the holders of the Shares resulting from such sub-division, one or more of such Shares shall have some preference or special advantage as regards dividend, capital or otherwise, over or as compared with the other shareholders or such other Shares. Subject as aforesaid, the

Company in its General Meeting may also cancel Shares which have not been taken or agreed to be taken by any person and diminish the amount of its share Capital by the amount of the Shares so cancelled.

10. Whenever the Capital is divided into different classes of Shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected or abrogated or dealt with by agreement between the Company and any person purporting to, contract on behalf of that class, provided such agreement is ratified in writing by holders of at least three-fourths of nominal value of the issued Shares of the class or is confirmed by a resolution passed at a separate Meeting of the holders of Shares of that class and supported by the votes of the holders of at least three-fourths of those holders of the Shares of that class, and all the provisions hereinafter contained as to the General Meetings shall mutatis mutandis apply to every such Meeting, but so that the quorum thereof shall be Members present in person or by Proxy and holding three-fourths of the nominal amount of the issued Shares of the class. This Article is not to derogate from any power the Company would have, if it were omitted.

## **SHARES**

11. The Company shall cause to be kept a Register and an index of Members in accordance with Sections 150 and 151 of the Act. The Company shall be entitled to keep in any State or country outside India, a branch Register of Members, resident in that State or country. The Company shall also cause to be kept the Register and index of debenture holders, copies of all annual returns prepared under Section 159 of the Act, together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act shall, except when the Register of Members or debenture holders is closed under the provisions of the Act or These presents, and the same shall be open to inspection of any Member or debenture holder gratis and to inspection of any other person on payment of such sum as may be prescribed by the Act for each inspection. Any such Member or person may take extracts therefrom on payment of such sum as may be prescribed by the Board.

12. The Shares in the Capital shall be numbered progressively according to their several denominations, and except in the manner hereinbefore mentioned, no Share shall be sub-divided. Every forfeited or surrendered Share shall continue to bear the number by which the same was originally distinguished.

13(1) Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of Shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further Shares, either out of un-issued capital or out of increased share capital then:

(a) Such further Shares shall be offered to the persons who at the date of the offer, are holders of the equity Shares of the Company, in proportion as nearly as circumstances admit, to the capital paid-up on these Shares at that date;

(b) Such offer shall be made by a notice specifying the number of Shares offered and limiting a time not being less than thirty days from the date of the offer and the offer, if not accepted, will be deemed to have been declined;

(c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the Shares offered to them in sub clause (b) hereof shall contain a statement of this right. Provided that the Board may decline, without assigning any reason to allot any Shares to any person in whose favour any Member may renounce the Shares offered to him;

(d) After the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the Shares offered, the Board may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.

(2) Notwithstanding anything contained in the preceding sub-clause (1), the further Shares aforesaid may be offered to any person (whether or not those persons include the persons referred to in sub-clause (1) (a) hereof, in any manner whatsoever;

(a) If a Special Resolution to that affect is passed by the Company in General Meeting, or

(b) Where no such Special Resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the General Meeting (including the casting vote, if any, by the Chairman) by the Members who, being entitled to do so, vote in person, or where Proxies are allowed, by Proxy, exceed the votes, if any, cast against the proposal by Members, so entitled and voting and the Central Government is satisfied on an application made by the Board in this behalf that the proposal is most beneficial to the Company.

(3) Nothing in sub-clause (1) (c) hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or  
(b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the Shares comprised in the renunciation.

(4) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company.

(i) To convert such debentures or loans into Shares in the Company; or  
(ii) To subscribe for Shares in the Company (whether such option is conferred in these Articles or otherwise)

Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term.

(a) either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with rules, if any, made by that Government in this behalf; and  
(b) in the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a Special Resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

14. Subject to the provisions of Section 81 of the Act and these Articles, the Shares in the capital of the Company for the time being shall be under the control of the Board who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any Shares either at par or premium during such time and for such consideration as the Board think fit, and may issue and allot Shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any Shares which may so be allotted may be issued as fully paid up Shares and if so issued, shall be deemed to be fully paid Shares. Provided that option or right to call for Shares shall not be given to any person or persons without the sanction of the Company in the General Meeting. Fully paid up Shares may also be allotted to minors through their guardian.

15. In addition to and without derogating from the powers for the purpose conferred on the Board under Articles 13 and 14, the Company in General Meeting may, subject to the provisions of Section 81 of the Act, determine that any Shares (whether forming part of the original Capital or of any increased Capital of the Company) shall be offered to such persons (whether members or not) in such proportion and on such terms and conditions and either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at a discount as the Members at such General Meeting shall determine and with full power to give any person (whether a Member or not) the option to call for or be allotted Shares of any class of the Company, either (subject to compliance with the provisions of Sections 78 and 79 of the Act) at a premium or at par or at a discount as the Members at such General Meeting shall determine and with full power to give any person (whether a Member or not) the option being exercisable at such times and for such consideration as may be directed by such General Meeting of the Company and the General Meeting may make any provisions whatsoever for the issue, allotment or disposal of any Shares.

16. Any application signed by or on behalf of an applicant for Shares in the Company, followed by an allotment of any Shares thereon, shall be an acceptance of Shares within the meaning of these Articles and every person who, thus or otherwise accepts Shares and whose name is entered on the Register shall for the purpose of these Articles, be a Member.

17. The money (if any) which the Board shall, on the allotment of any Share being made by them require or direct to be paid by way of deposit, call or otherwise, in respect of any Shares allotted by them shall immediately on the insertion of the name of the allottee in the Register of Members as the name of the holder of such Shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

18. Every Member, or his heirs, executors, assignees, administrators or other representatives shall pay to the Company, the portion of the capital represented by his Share or Shares which may, for the time being, remain unpaid thereon, in such amounts, at such time or times, and in such manner as the Board shall, from time to time in accordance with the Company's regulations, require or fix for the payment thereof and so long as any moneys are due, owing and unpaid to the Company by any Member on any account howsoever, such Member in default shall not be entitled, at the option of the Board, to exercise any rights or privileges available to him.

21. If any Share stands in the names of two or more persons, the person first named in the Register shall, as regards receipt of dividends or bonus or service of notice and all or any other matters connected with the Company, except voting at Meetings, be deemed the sole holder thereof, but the joint holders of Shares shall be severally as well as jointly liable for the payment of all installments and calls due in respect of such Shares and for all incidents thereof, according to the Company's regulations.

22. Except as ordered by a Court of competent jurisdiction, or as required by law, no person shall be recognized by the Company as holding any Share upon trust, and the Company shall not be bound in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any Share, or any interest in any fractional part of a Share, or (except only as by these regulations or by law otherwise provided) any right in respect of a Share other than an absolute right thereto, in accordance with these Articles, in the person from time to time registered as the holder thereof; but the Board shall be at liberty to, at their sole discretion, register any Share in the joint names of any two or more persons or the survivor or survivors of them.

23. The Company shall have power, subject to and in accordance with all the applicable provisions of the Act, to purchase any of its own fully paid Shares or specified securities, whether or not they are redeemable and may make a payment out of its free reserves or securities premium account of the Company or proceeds of any Shares or specified securities provided that no buy back of any kind of Shares or specified securities shall be made out of the proceeds of an earlier issue of the same kind of Shares or same kind of specified securities or from such sources as may be permitted by law on such terms, conditions and in such manner as may be prescribed by law, from time to time in respect of such purchase.

## **CALLS**

27. Subject to the provisions of Section 91 of the Act, the Board may, from time to time and subject to the terms on which any Shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such calls as it thinks fit upon the Members in respect of all moneys unpaid on the Shares (whether on account of the nominal value of the Shares or by way of premium) held by them respectively, and each Member shall pay the amount of every call so made on him to the person or persons and at the times and places appointed by the Board. A call may be made payable by installments.

28. No call shall exceed one-fourth of the nominal amount of a Share, or be made payable within one month after the last preceding call was payable. Fifteen days notice in writing of any call shall be given by the Company specifying the time and place of payment, and the person or persons to whom such call shall be paid.

29. A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board.

30. A call may be revoked or postponed at the discretion of the Board.

31. The joint-holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.

32. The Board may, from time to time at its discretion, extend the time fixed for the payment of any call,



and may extend such time as to all or any of the Members, who the Board may deem as fairly entitled to such extension, but no Member shall be entitled to such extension save as a Member of grace and favour.

33. If any Member fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, the person from whom the sum is due shall be liable to pay interest thereon, from the day appointed for the payment thereof to the time of actual payment at five percent per annum or such lower rate, if any, as the Board may determine. The Board shall be at liberty to waive payment of any of such interest wholly or in part.

34. Any sum, which may by the terms of issue of a Share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the Share or by way of premium, shall for the purposes of these Articles, be deemed to be a call duly made and payable, on the date on which by the terms of issue, the same becomes payable and in case of non-payment, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise, shall apply as if such sum had become payable by virtue of a call duly made and notified.

35. On the trial or hearing of any action or suit brought by the Company against any Member or his representatives for the recovery of any money claimed to be due to the Company in respect of his Shares, it shall be sufficient to prove that the name of the Member, in respect of whose Shares, the money is sought to be recovered appears entered on the Register of Members as the holder, at or subsequently to the date at which the money is sought to be recovered, is alleged to have become due on the Shares in respect of which such money is sought to be recovered; that the resolution making the call is duly recorded in the minute book; and that notice of such call was duly given to the Member or his representatives used in pursuance of these Articles and that it shall not be necessary to prove the appointment of the Directors who made such call, nor that a quorum of Directors was present at the Board at which any call was made nor that the meeting at which any call was made duly convened or constituted nor any matters whatsoever, but the proof of the matter aforesaid shall be conclusive evidence of the debt.

36. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any Member to the Company in respect of his Shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such Shares as hereinafter provided.

37(a) The Board may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any Member willing to advance the same, all or any part of the accounts of his respective Shares beyond the sums actually called up and upon the moneys so paid in advance or upon so much thereof, from time to time and at any time thereafter as exceeds the amount of the calls then made upon and due in respect of the Shares on account of which such advances are made, the Board may pay or allow interest, at such rate as the Member paying the sum in advance and the Board agree upon. The Board may agree to repay at any time an amount so advanced or may at any time repay the same upon giving to the Member three months' notice in writing. Provided that moneys paid in advance of calls on any Shares may carry interest but shall not confer a right to Dividend or to participate in profit. No Member paying any such sum in advance shall be entitled to voting rights in respect of the moneys so paid by him until the same would but for such payment become presently payable. The provisions of this Article shall mutatis mutandis apply to the calls on Debentures.

#### **LIEN**

38. The Company shall have a first and paramount lien upon all the Shares/debentures (other than fully paid-up Shares/debentures) registered in the name of each Member (whether solely or jointly with others) and upon the proceeds of sale thereof, for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such Shares and no equitable interest in any Share shall be created except upon the footing, and upon the condition that this Article is to have full effect. Any such lien shall extend to all dividends and bonuses from time to time declared in respect of such Shares. Unless otherwise agreed, the registration of a transfer of Shares shall operate as a waiver of the Company's lien, if any, on such Shares. The Board may at any time declare any Shares/ debentures wholly or in part to be exempt from the provisions of this clause.

39. For the purpose of enforcing such lien, the Board may sell the Shares subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such

Shares and may authorise one of their Members to execute a transfer thereof on behalf of and in the name of such Member. No sale shall be made until such period as aforesaid shall have arrived, and until notice in writing of the intention to sell shall have been served on such Member or his representatives and default shall have been made by him or them in payment, fulfillment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.

40. The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the Shares before the sale) be paid to the persons entitled to the Shares at the date of the sale.

## **FORFEITURE**

41. If any Member fails to pay any call or installment on or before the day appointed for the payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on such Member requiring payment, of so much of the call or installment as is unpaid, together with any interest which may have accrued by reason of such non-payment.

42. The notice shall name a further day (not being less than fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made. The notice shall also state a place or places on and at which such call or installment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time, and at the place appointed the Shares in respect of which such call was made or installment is payable will be liable to be forfeited.

43. If the requisitions of any such notice as aforesaid be not complied with, any Shares in respect of which such notice has been given may, at any time thereafter, before payment of all calls or installments, interest and expenses, due in respect hereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all Dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.

44. When any Shares shall have been so forfeited, notice of the forfeiture shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated, by any omission or neglect to give such notice or to make any such entry as aforesaid.

45. Any Share so forfeited shall be deemed to be the property of the Company, and the Board may sell, re-allot or wise dispose of the same in such manner as it thinks fit, subject to the same restrictions and conditions as for transfer of Shares provided by these Articles.

46. The Board may, at any time before any Share so forfeited shall have been sold, re-allotted or wise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

47. A person whose Share has been forfeited shall cease to be a Member in respect of the forfeited Share, but shall notwithstanding, remain liable to pay, and shall forthwith pay to the Company, all calls, or installment, interest and expenses, owing in respect of such Share at the time of the forfeiture, together with interest thereon, from the time of forfeiture until payment, at such rate as the Board may determine and the Board may enforce the payment thereof, to any party thereof, without any deduction or allowance for the value of the Shares at the time of forfeiture, but shall not be under any obligation to do so.

48. The forfeiture of a Share involves extinction, at the time of the forfeiture, of all interest and all claims and demands against the Company in respect of the Share and all rights, incidental to the Share, except only such of those rights as by these Articles are expressly saved.

49. A duly verified declaration in writing that the declarant is a Director of the Company, and that certain Shares in the Company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Shares and such declaration and the receipt of the Company for the consideration, if any, given for the Shares on the sale or disposition thereof shall constitute a good title to such Shares; and the person to whom any such Share is sold shall be registered as the Member in respect of such Share and shall not be bound to see to the

application of the purchase money, nor shall his title to such Share be affected by any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or disposition.

50. Upon any sale, re-allotment or disposal under the provisions of these Articles, the certificate or certificates originally issued in respect of the relative Shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Member) stand cancelled and become null and void and of no effect, the Board shall then be entitled to issue a duplicate certificate or certificates in respect of the said Shares to the person or persons, entitled thereto.

## **CERTIFICATE OF SHARES**

19(a) Every Member shall be entitled, without payment, to one or more certificates in marketable lots, for all the Shares of each class or denomination registered in his name, or if the Board so approves of one rupee or any other amount as the Board may determine for every certificate after the first) to several certificates, each for one or more of such Shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of applications of registration of transfer, transmission, subdivision, consolidation or renewal of any of its Shares as the case may be, every certificate of Shares shall be under the Seal of the Company and shall specify the number and distinctive numbers of Shares in respect of which it is issued and amount paid-up thereon and shall in such form as the Board may prescribe or approve, provided that in respect of a Share or Shares held jointly by several persons, the Company shall not be borne to issue more than one certificate and delivery of a certificate and delivery of a certificate of Shares to one of several joint holders shall be sufficient delivery to all such holders.

(b) For any further certificate the Board shall be entitled, but shall not be bound to prescribe a charge not exceeding rupee one. The Company shall comply with the provisions of Section 113 of the Act.

(c) A Director may sign a Share certificate by affixing his signature thereon by means of any machine, equipment or mechanical or electrical means, such as engraving in metal or lithography, but not by means of a rubber stamp, provided that the Director shall be responsible for the safe custody of such machine, equipment or material used for the purpose.

20(a) If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deems adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under this Article shall be issued without payment of fees if the Board so decides, or on payment of such fees (not exceeding two rupees for each certificate) as the Board shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement or transfer.

Provided that notwithstanding what is stated above, the Board shall comply with such rules or regulations or requirements of any stock exchange under the Act or the rules made under the Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

(b) The provisions of these Articles shall mutatis mutandis apply to debentures of the Company.

(c) When a new Share certificate has been issued in pursuance of clause (a) of this Article, it shall state on the face of it and against the stub or counterfoil to the effect that it is "Duplicate issued in lieu of share certificate No.....". The word "Duplicate" shall be stamped or punched in bold letters across the face of the Share certificate.

(d) Where a new Share certificate has been issued in pursuance of clause (a) of this Article, particulars of every such Share certificate shall be entered in a register of 'Renewed and Duplicate Certificates' indicating against the names of the persons to whom the certificate is issued, the number and date of issue of the Share certificate in lieu of which the new certificate is issued, and the necessary changes be indicated in the Register of Members by suitable cross reference in the "Remarks" column.

(e) All blank forms to be issued for issue of Share certificates shall be printed and the printing shall be done only on the authority of a resolution of the Board. The blank forms shall be consecutively machine numbered and the forms and the stocks and engravings relating to the printing of such forms shall be kept in

the custody of the Secretary or of such person as the Board may appoint for the purpose, and the Secretary or the person as aforesaid, shall be responsible for rendering an account of these forms to the Board.

(f) The Managing Director of the Company for the time being or, if the Company has no managing Director, every Director of the Company shall be responsible for the maintenance, preservation and safe custody of all books and documents relating to the issue of Share certificates except the blank forms of share certificates referred to in sub-Article (e).

(g) All books referred to in sub-Article (f) shall be preserved in good order permanently.

## **TRANSFER AND TRANSMISSION OF SHARES**

51. The Company shall keep a book to be called the "Register of Transfers", and therein shall be fairly and directly entered particulars of every transfer or transmission of any Share.

52. The instrument of transfer shall be in writing and all the provisions of Section 108 of the Act, and of any statutory modification thereof for the time being, shall be duly complied with in respect of all transfers of Shares and the registration thereof.

53. Every such instrument of transfer shall be executed both by transferor and the transferee and the transferor shall be deemed to remain the holder of such Share until the name of the transferee shall have been entered in the 'Register of Members' in respect thereof. The Board shall not issue or register a transfer of any Share in favour of a minor (except in cases when they are fully paid up).

54. The Board shall have the power of giving seven days' previous notice by advertisement in some newspaper circulating in the district in which the Office is situated, to close the transfer books, the 'Register of Members' or 'Register of debentureholders', at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year, as it may deem expedient.

55. Subject to the provisions of Section 111 & 111A of the Act, the Board may, at its own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of Shares whether fully paid or not and the right of refusal shall not be affected by the circumstances that the proposed transferee is already a Member of the Company, but in such case the Board shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and the transferor notice of the refusal to register such transfer provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons, indebted to the Company on any account whatsoever, except when the Company has lien on Shares. The transfer of Shares or debentures in whatever lot shall not be refused.

56. Every holder of Shares in, or debentures of the Company may at any time nominate, in the manner prescribed under the Act, a person to whom his Shares in or debentures of the Company shall vest in the event of death of such holder.

Where the Shares in, or debentures of the Company are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, a person to whom all the rights in the Shares or debentures of the Company, as the case may be, held by them shall vest in the event of death of all joint holders.

Notwithstanding anything contained in any law for the time being in force or in any disposition, whether testamentary or otherwise, or in these Articles, in respect of such Shares in or debentures of the Company, where a nomination made in the prescribed manner purports to confer on any person, the right to vest the Shares in, or debentures of the Company, the nominee shall, on the death of the shareholders or holder of debentures of the Company or, as the case may be, on the death of all the joint holders, become entitled to all the rights in the Shares or debentures of the Company to the exclusion of all persons, unless the nomination is varied or cancelled in the prescribed manner under the provisions of the Act.

Where the nominee is a minor, it shall be lawful for the holder of the Shares or holder of debentures to make the nomination to appoint, in the prescribed manner under the provisions of the Act, any person to become entitled to the Shares in or debentures of the Company, in the event of his death, during the

minority.

57. Any person who becomes a nominee by virtue of the provision of Article 56, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either :-

- (a) to be registered himself as holder of the Shares or debentures, as the case may be; or
- (b) to make such transfer of the Shares or debentures, as the case may be, as the deceased shareholder or debenture holder, as the case may be, could have made.

If the nominee, so becoming entitled, elects himself to be registered as holder of the Shares or debentures, as the case may be, he shall deliver or send to the Company a notice in writing signed by him, stating that he so elects and such notice shall be accompanied with death certificate of the deceased shareholder or debentureholder and the certificate(s) of Shares or debentures, as the case may be, held by the deceased in the Company.

Subject to the provisions of Section 109B(3) of the Act and these Articles, the Board may register the relevant Shares or debentures in the name of the nominee of the transferee as if the death of the registered holder of the Shares or debentures had not occurred and the notice or transfer were a transfer signed by that shareholder or debenture holder, as the case may be.

A nominee on becoming entitled to Shares or debentures by reason of the death of the holder or joint holders shall be entitled to the same dividend and advantages to which he would be entitled if he were the registered holder of the Share or debenture, except that he shall not before being registered as holder of such Shares or debentures, be entitled in respect of them to exercise any right conferred on a Member or debenture holder in relation to Meetings of the Company.

The Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the Shares or debentures, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all Dividends, bonuses, interest or moneys payable or rights accrued or accruing in respect of the relevant Shares or debentures, until the requirements of the notice have been complied with.

58. No Share shall in any circumstances be transferred to any insolvent or persons of unsound mind.

59. Subject to the provisions of Articles 56 and 57, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any Member, or the marriage of a female Member, or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Board (which it shall not be under any obligation to give) upon producing such evidence that he sustains the character in respects of which he proposes to act under this Article of his title, as the holder of the Shares or elect to have some person nominated by him and approved by the Board, registered as such holder, provided nevertheless, that if such person shall elect to have his nominee registered he shall testify the election by executing to his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be freed from any liability in respect of the Shares. This Article is referred to in these Articles as the "Transmission Article".

60. A person entitled to a Share by transmission shall, subject to the right of the Board to retain such Dividends or money as hereinafter provided, be entitled to receive and may give discharge for any Dividends or moneys payable in respect of the Share.

61. Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by such evidence as the Board may require to prove the title of the transferor, his right to transfer the Shares and generally under and subject to such conditions and regulations as the Board shall from time to time prescribe, and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board.

62. For the purpose of the registration of a transfer, the certificate or certificates of the Share or Shares to be transferred must be delivered to the Company along with (same as provided in Section 108 of the Act) a properly stamped and executed instrument of transfer.

63. No fee shall be charged for registration of transfer, transmission, probate, succession certificate and letters of administration, certificate of death or marriage, power of attorney or similar other document.

64. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effort to any transfer of Shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice, or deferred thereto, in any book of the Company, and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right title or interest, or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company; but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto, if the Board shall so think fit.

## **DIVIDENDS**

157. The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the provisions of these Articles shall be divisible among the members in proportion to the amount of capital paid-up on the Shares held by them respectively.

158. The Company in General Meeting may declare Dividends to be paid to Members according to their respective rights, but no Dividend shall exceed the amount recommended by the Board, but the Company in General Meeting may declare a smaller Dividend.

159. No Dividend shall be declared or paid wise than out of the profits of the financial year arrived at after providing for depreciation in accordance with the provisions of Section 205 of the Act or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation in accordance with these provisions and remaining undistributed or out of both, provided that;

(a) if the Company has not provided for depreciation for any previous financial year or years, it shall, before declaring or paying a Dividend for any financial year, provide for such depreciation out of the profits of the financial year or years.

(b) if the Company has incurred any loss in any previous financial year or years, the amount of the loss or any amount which is equal to the amount provided for depreciation for that year or those years whichever is less, shall be set off against the profits of the company for the year for which the Dividend is proposed to be declared or paid or against the profits of the Company for any previous financial year or years arrived at in both cases after providing for depreciation in accordance with the provisions of Sub-Section (2) of Section 205 of the Act, or against both.

160. The Board may, from time to time, pay to the Members such interim dividend as in their judgment, the position of the Company justifies.

161. Where capital is paid in advance of calls, such capital may carry interest but shall not in respect thereof confer a right to Dividend or participate in profits.

162. All Dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, such Share shall rank for dividend accordingly.

163. The Board may retain the Dividends payable upon Shares in respect of which any person is under the Article 60 entitled to become a Member or which any person under that Article is entitled to transfer; until such a person shall become a Member, in respect of such Shares or duly transfer the same.

164. Any one of several persons who are registered as joint-holders of any Share may give effectual receipts for all dividends or bonus and payments on account of dividends or bonus or moneys payable in respect of such Shares.

165. No Member shall be entitled to receive payments of any interest or Dividend in respect of his Share or Shares, while any money may be due or owing from him to the Company in respect of such Share or Shares or otherwise, howsoever, either alone or jointly with any person or persons and the Board may deduct from the interest or Dividend payable to any Member all sums of money so due from him to the Company.

166. A transfer of Share shall not pass the right to any Dividend declared thereon unless the transfer is registered.

167. Unless otherwise directed, any dividend may be paid by cheque or warrant or by a pay-slip or receipt having the force of a cheque or warrant sent through the post to the registered address of the Member or person entitled or in case of joint-holders to that one of them first named in the register in respect of the joint-holdings. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be liable or responsible for any cheque or warrant or pay-slip or receipt lost in transmission, or for any Dividend lost to the Member or person entitled hereto by the forged endorsement of any cheque or warrant or the forged signature of any pay-slip or receipt or the fraudulent recovery of the Dividend by any means.

168(a) Where the Company has declared a Dividend but which has not been paid or the Dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend the Company shall within 5 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of Investment Information Credit Rating Agency of India Limited" and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

(b) Any money transferred to the unpaid Dividend account of the Company which remains unpaid or unclaimed for a period of three years from the date of such transfer, shall be transferred by the Company to the general revenue account of the Central Government. A claim to any money so transferred to the general revenue account may be preferred to the Central Government by the shareholders to whom the money is due.

169. Any General Meeting declaring a Dividend may, on the recommendation of the Directors, make a call on the Members of such amount as the Meeting fixes, but so that the call on each Member shall not exceed the Dividend and the Dividend may, if so arranged between the Company and the Member, be set off against the calls.

## **GENERAL MEETINGS**

74. The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any meetings in that year. All General Meetings than Annual General Meeting shall be Extraordinary General Meetings. The first Annual General Meeting shall be held within eighteen months from the date of incorporation of the company and the next Annual General Meeting shall be held within six months after the expiry of the financial year in which the first Annual General Meeting was held and thereafter an Annual General Meeting of the Company shall be held within six months after the expiry of each financial year, provided that not more than fifteen months shall elapse between the date of one Annual General Meeting and that of the next. Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Register under the provisions of Section 166(1) of the Act to extend the time within which any Annual General Meeting may be held. Every Annual General Meeting shall be called for on a time during business hours, on a day that is not a public holiday, and shall be held in the Office of the Company or at some place within the city in which the Office of the Company is situated, as the Board may determine and the Notices calling the Meeting shall specify it as the Annual General Meeting. The Company may in any one Annual General Meeting fix the time for its subsequent Annual General Meeting. Every member of the Company shall be entitled to attend either in person or by Proxy and the Auditor of the Company shall be entitled to attend and to be heard at any General Meeting which he attends on any part of the business, concerns him as Auditor. At every Annual General Meeting of the Company there shall be laid on the table the directors' report (if not already attached in the audited statement of accounts) the proxy register with Proxies and the register of directors' Share holdings of which latter register shall remain open and accessible during the continuance of the meeting. The Board shall cause to be prepared the annual list of Members, summary of the Share Capital, balance sheet and profit and loss account and forward the same to the Registrar in accordance with Sections 159, 161 and 220 of the Act.

75. The Board may, whenever it thinks fit, call an Extraordinary General Meeting and it shall do so upon a requisition in writing by any Member or Members holding in the aggregate not less than one-tenth of such of the paid-up capital as at the date carries the right of voting in regard to the matter in respect of which the requisition has been made.

76. Any valid requisition so made by Members must state the object or objects of the meeting proposed to be called and must be signed by the requisitionists and be deposited at the Office, provided that such requisition may consist of several documents in file form each signed by one or more requisitionists.

77. Upon the receipt of any such requisition, the Board shall forthwith call an Extraordinary General Meeting, and if they do not proceed within twenty-one days from the date of the requisition being deposited at the Office to cause a meeting to be called on a day not later than forty-five days from the date of deposit of the requisition, the requisitionists, or such of their number as represents either a majority in value of the paid-up Share capital of the Company as is referred to in Section 169(4) of the Act, which ever is less, may themselves call the Meeting, but in either case, any Meeting so called shall be held within three months from the date of the delivery of the requisition as aforesaid.

78. Any meeting called under the foregoing Articles by the requisitionists shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by the Board.

79. Twenty-one days' notice at least of every General Meeting, Annual or Extraordinary and by whosoever called, specifying the day, place and hour of Meeting, and the general nature of the business to be transacted thereat, shall be given in the manner hereinafter provided, to such persons as are under these Articles entitled to receive notice from the Company. Provided that in the case of an Annual General Meeting with the consent in writing of all the Members entitled to vote thereat and in the case of any Meeting, with the consent of Members holding not less than 95 percent of such part of the paid-up Share capital of the Company as gives a right to vote at the Meeting any be convened by a shorter notice, in the case of an Annual General Meeting, if any business than (i) the consideration of the accounts, balance sheets and reports of the Board and auditors (ii) the declaration of Dividend, (iii) the appointment of Directors in place of those retiring (iv) the appointment of and fixing of remuneration of the Auditors, is proposed to be transacted then in that event there shall be annexed to the notice of the Meeting a statement setting out all materials facts concerning each such item of business including, in particular, the nature of concern or interest, if any, therein of every Director, and the manager (if any). Where any such item of special business relates to or affects any Company, the extent of shareholding interest in other company of every Director and the manager, if any, of the Company shall also be set out in the statement if the extent of such Share holding interest is not less than 20 percent of the paid-up Share capital of that company Where any item of business consists of the according of approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.

80. The accidental omission to give any such notice as aforesaid to any of the Members, or the non-receipt thereof, shall not invalidate the holding of the Meeting or any resolution passed at any such Meeting.

#### **PROCEEDINGS AT GENERAL MEETING**

81. No General Meeting, Annual or Extraordinary shall be competent to enter upon, discuss or transact any business, which has not been mentioned in the notice, or notices upon which it was convened.

82. Five Members present in person shall be quorum for a General Meeting.

83. A body corporate being a Member shall be deemed to be personally present if it is represented in accordance with Section 187 of the Act.

84.

If, at the expiration of half an hour from the time appointed for holding a Meeting of the Company, a quorum shall not be present, the Meeting, if convened by or upon the requisition of Members shall stand dissolved, but in any case the Meeting shall stand adjourned to the same day in the next week or, if that day is a public holiday, until the next succeeding day which is not a public holiday, at the same time and place, or to such other day and at such time and place in the city or town in which the Office is for the time being situate as the Board may determine and if at such adjourned meeting a quorum is not present at the expiration of half an hour from the time appointed for holding the Meeting, the Members present shall be quorum and may transact the business for which the Meeting was called.

85. The Chairman (if any) of the Board shall be entitled to take the chair at every General Meeting/whether Annual or Extraordinary. If there be no such Chairman of the Board, or if at any Meeting he shall not be present within fifteen minutes of the time appointed for holding such Meeting, or if he shall be unable or



unwilling to take the Chair, then the directors present may choose one of their Member to be the Chairman of the Meeting. If no director be present or if all the directors present decline to take the chair, then the Members present shall elect one of their number to be Chairman.

86. No business shall be discussed at any General Meeting except the election of a Chairman, while the chair is vacant.

87. The Chairman with the consent of the Members may adjourn any meeting from time to time and from place to place in the city in which it is held but, no business shall be transacted at any adjourned Meeting than the business left unfinished at the Meeting from which the adjournment took place.

88. At any General Meeting a resolution put to vote at the Meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by at least five Members having the right to vote on the resolution and present in person or by Proxy, or by the Chairman of the Meeting or by any Member or Members holding not less than one-tenth of the total voting power in respect of the resolution or by any Member or Members present in person or by Proxy and holding Shares in the Company conferring a right to vote on the resolution, being Shares on which an aggregate sum has been paid-up on all the Shares conferring that right, and unless a poll is demanded, a declaration by the Chairman that a resolution has on a show of hands, been carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against the resolution.

89. In the case of an equality of votes, the Chairman shall, both on a show of hands and at a poll (if any), have a casting vote in addition to the vote or votes to which he may be entitled as a Member.

90. If a poll is demanded as aforesaid, the same shall, subject to Article 88 be taken at such time (not later than forty-eight hours from the time when the demand was made) and place in the city or town in which the Office of the Company is for the time being situate and either by open voting or by ballot, as the Chairman shall direct, and either at once or after an interval or adjournment or wise, and the result of the poll shall be deemed to be the resolution of the Meeting at which the poll was demanded. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

91. Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinize the vote given on the poll and to report thereon to him. One of the scrutineers so appointed shall always be a Member (not being an officer or employee of the Company) present at the Meeting provided such Member is available and willing to be appointed. The Chairman shall have power at any time before the result of the poll is declared to remove a scrutineer from office and fill vacancies in the office of scrutineer from such removal or from any other cause. Of the two scrutineers appointed under this Article, one shall always be a Member (not being an officer or employee of the Company) present at the Meeting, provided that such a Member is available and willing to be appointed.

92. Any poll duly demanded on the election of Chairman of a Meeting or on any question of adjournment shall be taken at the Meeting forthwith.

93. The demand for a poll except on the questions of the election of the Chairman and of an adjournment shall not prevent the continuance of a Meeting for the transaction of any business other than the question on which the poll has been demanded.

#### **VOTE OF MEMBERS**

94. No Member shall be entitled to vote either personally or by Proxy, at any General Meeting or Meeting of a class of Share-holders, either upon a show of hands or upon a poll in respect of any Shares registered in his name on which any calls or sums presently payable by him have not been paid or, in regard to which the Company has, and has exercised any right of lien.

95. Subject to the provisions of these Articles and without prejudice to any special privileges or restrictions as to voting for the time being attached to any class of Shares for the time being forming part of the Capital of the Company, every member not disqualified by the last preceding Article shall be entitled to be present, and to speak and vote at such Meeting, and on a show of hands every Member present in person shall have one vote and upon a poll the voting rights of every Member present in person or by Proxy shall be in

proportion to his Shares of the paid-up equity Share capital of the Company. Provided, however, if any preference Share-holder be present at any Meeting of the Company, save as provided in clause (b) of Sub-Section (2) of Section 87, he shall have a right to vote only on resolutions placed before the Meeting which directly affect the rights attached to his preference Shares.

96. On a poll taken at meeting of the Company a Member entitled to more than one vote, or his Proxy or person entitled to vote for him, as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he used or may abstain from voting.

97. A Member of unsound mind or in respect of whom an order has been made by any Court having jurisdiction in lunacy may vote whether on a show of hands or on a poll, by his committee or legal guardian, and any such committee or guardian may, on poll vote by Proxy, if any Member be a minor, the vote in respect of his Share or Shares shall be by his guardian, or any one of his guardians, if more than one, to be selected in case of dispute by the Chairman of the Meeting.

98. If there be joint holders of any Shares, any one of such person may vote at any Meeting or may appoint a person (whether a Member or not) as his Proxy in respect of such Shares, as if he were solely entitled thereto by the Proxy so appointed shall not have any right to speak at the Meeting and, if more than one of such joint holders be present at any Meeting that one of the said persons so present whose name stands higher on the register shall alone be entitled to speak and to vote in respect of such Shares, but the other of the joint-holders shall be entitled to be present at the Meeting. Several executors or administrators of a deceased Member in whose name Shares stand shall for the purpose of these Articles to be deemed joint holders thereof.

99. Subject to the provisions of these Articles, votes may be given either personally or by Proxy. A body corporate being a Member may vote either by a Proxy or by a representative duly authorised in accordance with Section 187 of the Act, and such representative shall be entitled to exercise the same rights and powers (including the rights to vote by Proxy) on behalf of the body corporate which he represents as the body could exercise if it were an individual Member.

100. Any person entitled under Article 60, to transfer any Share may vote at any General Meeting in respect thereof in the same manner, as if he were the registered holder of such Shares, provided that forty eight hours at least before the time of holding the meeting or adjourned meeting, as the case may be at which he proposes to vote he shall satisfy the Directors of his right to transfer such Shares and give such indemnity (if any) as the Directors may require or the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

101. Every proxy (whether a Member or not) shall be appointed in writing under the hand of the appointer or his attorney, or if such appointer is a corporation under the common seal of such corporation, or be signed by an officer or any attorney duly authorised by it, and any committee or guardian may appoint such proxy. The proxy so appointed shall not have any right to speak at the Meeting.

102. A Proxy may appoint a proxy either for the purpose of a particular meeting specified in the instrument and any adjournment thereof or it may appoint for the purpose of every Meeting of the Company, or of every Meeting to be held before a date specified in the instrument and every adjournment of any such Meeting.

103. A Member present by Proxy shall be entitled to vote only on a poll.

104. The Proxy and the power of attorney or other authority (if any) under which it is signed or a notary certified copy of that power or authority shall be deposited at the Office, not later than forty eight hours before the time for holding the Meeting at which the person named in the instrument proposes to vote, and in default the Proxy shall not be treated as valid. No Proxy shall be valid after the expiration of twelve months from the date of its execution.

105. Every Proxy whether for a specified Meeting or wise shall, as nearly as circumstances will admit, be in any of the forms set out in Schedule IX of the Act.

106. A vote given in accordance with the terms of a Proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the Proxy or any power of attorney under which such Proxy

was signed, or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death or insanity, revocation or transfer shall have been received at the Office before the Meeting.

107. No objection shall be made to the validity of any vote, except at any Meeting or poll at which such vote shall be tendered, and every vote whether given personally or by Proxy, not disallowed at such Meeting or poll shall be deemed valid for all purposes of such Meeting or poll whatsoever.

107A Notwithstanding any thing contained in the foregoing, the Company shall transact such business, as may be specified by the Central Government from time to time, through the means of postal ballot. In case of resolutions to be passed by postal ballot, no Meeting need to be held at a specified time and space requiring physical presence of Members to form a quorum. Where a resolution will be passed by postal ballot the Company shall, in addition to the requirements of giving requisite clear days notice, send to all the Members the following:

- i Draft resolution and relevant explanatory statement clearly explaining the reasons therefor.
- ii Postal ballot for giving assent or dissent, in writing by Member and
- iii Postage prepaid envelope (by registered post) for communicating assents or dissents on the postal ballot to the company with a request to the Members to send their communications within 30 days from The date of dispatch of notice.

The Company shall also follow such procedure, for conducting vote by postal ballot and for ascertaining the assent or dissent, as may be prescribed by the Act and the relevant rules made thereunder.

108. The Chairman of any Meeting shall be the sole judge of the validity of every vote tendered at such Meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

109(1) The Company shall cause minutes of all proceedings of every General Meeting to be kept by making within thirty days of the conclusion of every such Meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered.

(2) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of such Meeting in such books shall be dated and signed by the Chairman of the same Meeting within the aforesaid period of thirty days or in the event of the death or liability of that Chairman within that period, by a Director duly authorised by the Board, for the purpose.

(3) In no case the minutes of proceedings of a Meeting shall be attached to any such book as aforesaid by pasting or wise.

(4) The minutes of each Meeting shall contain a fair and correct summary of the proceedings thereat.

(5) All appointments of officers made at any Meeting aforesaid shall be included in the minutes of the Meetings.

(6) Nothing herein contained shall require or be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the Meeting: -

- (a) is or could reasonable be regarded, as, defamatory or any person or
- (b) is irrelevant or immaterial to the proceeding, or
- (c) is detrimental to the interest of the Company

The Chairman of the meeting shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the aforesaid grounds.

(7) Any such minutes shall be evidence of the proceedings recorded therein.

(8) The book containing the minutes of proceedings of General Meetings shall be kept at the Office and shall be open during business hours for such periods not being less in the aggregate than two hours in each day as the Directors determine, to the inspection of any Member without charge.

## **DIRECTORS**

110(1) Until wise determined by a General Meeting of the Company and subject to the provisions of Section 252 of the Act, the number of Directors (excluding Debenture and Alternate Directors, (if any) shall not be less than three nor more than twelve.

111. If at any time the Company obtains any loan or any assistance in connection there with by way of guarantee or wise from any person, firm, body corporate, local authority or public body (hereinafter called "the institution") or if at any time the Company issues any Shares, debentures and enters into any contractor arrangement with the institution, whereby the institution subscribes for or underwrites the issue of the Company's Shares or debentures or provides any assistance to the Company in any manner and it is a term of the relative loan, assistance, contract or agreement that the institution shall have the right to appoint one or more directors to the Board of the Company, then subject to the provisions of Section 225 of the Act and subject to the terms and conditions of such loan, assistance, contract or arrangement, the institution shall be entitled to appoint one or more Director or Directors, as the case may be, to the Board of the Company and to remove from office, any director so appointed and to appoint an in his place or in the place of Director so appointed, who resigns or otherwise vacates his office. Any such appointment or removal shall be made in writing and shall be served at the Office. The Director or Directors so appointed shall neither be required to hold any qualification Share nor be liable to retire by rotation and shall continue in the office, for so long as the relative loan, assistance, contract or arrangement, as the case may be, subsists.

112. Any trust deed covering the issue of debentures of the Company may provide for the appointment of a Director (in these Articles referred to as the "Debenture Director") for and on behalf of the debenture holders for such period as is therein provided not exceeding the period for which the debentures or any of them shall remain outstanding and for the removal from office of such Debenture Director and on a vacancy being caused whether by resignation, death, removal or otherwise for appointment of a Debenture Director in the vacant place. The Debenture Director shall not be liable to retire by rotation or be removed from office, except as provided as aforesaid.

A Debenture Director shall not be bound to hold any qualification share.

112A If the Company at any time has a minimum paid up capital of Rupees Five Crore or such sum as may be prescribed and at least one thousand or more small shareholders, then the Company may, suo moto or upon requisition of not less than one tenth of the total number of small shareholders, proceed to appoint a nominee from amongst small shareholders as a Director of the Company. The small shareholders' Director shall before his appoint, file his consent, to act as a Director, in writing to the Company and the tenure of such appointment shall be three years at a time without retirement by rotation, but shall be eligible for reappointment for a tenure. He shall, however, not be appointed as Managing Director or whole-time Director under any circumstances and shall be subject to same disqualifications and shall vacate his office on the same grounds as are applicable to the Directors, in pursuance of these Articles. The company shall follow such rules as may be prescribed by the central government in this behalf.

112B No small shareholders' director appointed in accordance with the provisions of this Article shall hold office at the same time as "small shareholders' director" in more than two companies.

113. The Board may appoint an alternate Director to act for a Director (hereinafter called the "Original Director") during his absence for a period of not less than three months from the state in which the meetings of the Board are ordinarily held. An alternate Director appointed under this Article shall not hold office for a period longer than that permissible to the Original Director in whose place he has been appointed and shall vacate the office of the Original Director when he returns to that state. If the terms of office of the Original Director are determined before he so returns to that state, any provisions in the Act or in these Articles for the automatic reappointment of any retiring Director in default of an appointment shall apply to the Original Director and not to the alternate Director. The alternate Director shall be entitled to notice of the Meeting of the Board and to attend and vote there accordingly but he shall not be required to hold any qualification Share.

114. Subject to the provisions of Sections 260 and 264 of the Act, the Board shall have power at any time and from time to time to appoint any qualified person to be an additional Director, but so that the total number of Directors shall not at any time exceed the maximum fixed under the Article 110. Any such

additional Director shall hold office only up to the date of the next Annual General Meeting.

115. No Director shall be required to hold any Shares in the capital of the Company as his qualification.

120(1) The office of a Director shall ipso facto be vacated if :-

- (a) he is found to be of unsound mind by a Court of competent jurisdiction; or
- (b) he applies to be adjudicated an insolvent; or
- (c) he is adjudged insolvent; or
- (d) he is convicted by a Court in India of any offence and is sentenced in respect thereof to imprisonment for not less than six months; or
- (e) he fails to pay any call in respect of shares of the Company held by him, whether alone or jointly with s, within six months from the last date fixed for the payment of the call; or
- (f) he absents from three consecutive meetings of the Board or from all meetings of the Board for a continuous period of three months, whichever is the longer, without obtaining leave of absence from the Board; or
- (g) he or any firm of which he is a partner or any private company of which he is a director, accepts a loan, or any guarantee or security for a loan, from the Company in contravention of Section 295 of the Act; or
- (h) he acts in contravention of Section 299 of the Act; or
- (i) he has been removed from office in pursuance of Section 203 of the Act; or
- (j) by notice in writing to the Company that he resigns his office; or
- (k) any office or place or profit under the Company or under any subsidiary of the Company is held in contravention of Section 314 of the Act and by operation of that Section he is deemed to vacate the office.

(2) Notwithstanding any matter or thing in sub-clauses (d), (e) and (j) of clause (1), the disqualification referred to in those sub-clauses shall not take effect:

- (a) For thirty days from the date of adjudication sentence or order; or
- (b) where an appeal or petition is preferred within the thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentence, or order until the expiry of seven days from the date on which such appeal or petition is disposed of; or
- (c) where within the seven days aforesaid any further appeal or petition is preferred in respect of the adjudication, sentence, conviction or order, and the appeal or petition, if allowed, would result in the removal of the disqualification until such further appeal or petition is disposed of.

## **POWERS OF DIRECTORS**

152. The Board may exercise all such powers of the Company and do all such acts, and things as are not, by the Act, or any other legislation, or by the Memorandum, or by these Articles, required to be exercised by the Company in General Meeting subject nevertheless to these Articles, to the provisions of the Act, or any legislation and to such regulations being not inconsistent with the aforesaid regulations or provisions, as may be prescribed by the Company in General Meeting but no regulations made by the Company in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made. Provided that the Board shall not, except with the consent of the Company in General Meeting :-

(a) sell, lease or wise dispose of the whole, or substantially the whole of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole, or substantially the whole of any such undertaking; or

(b) remit, or give time for the repayment of any debt due by a Director; or

(c) invest, wise than in trust securities, the amount of compensation received by the Company in respect of the compulsory acquisition of any such undertaking as is referred to in clause (a), or of any premises or properties used for any such undertaking and without which it cannot be carried on or can be carried on only with difficulty or only after a considerable time; or

(d) borrow moneys where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business), will exceed the aggregate of the paid up capital of the Company and its free reserves - that is to say, reserve not set apart for any specific purpose. Provided further that the powers specified in Section 292

of the Act shall, subject to these Articles, be exercised only at meetings of the Board, unless the same be delegated to the extent there in stated; or

(e) contribute to charitable and funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed twenty-five thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial years immediately proceeding, whichever is greater.

152A The Board shall exercise the following powers on behalf of the Company, and it shall do so only by means of resolutions passed at its meetings:-

- (i) the power to issue debentures;
- (ii) the power to make calls on shareholders in respect of money unpaid on their Shares
- (iii) the power to borrow moneys otherwise than by debentures;
- (iv) the power to invest the funds of the Company; and
- (v) the power to make loans;

Provided that the Board may, by a resolution passed at a meeting, delegate to any committee of Directors, the Managing Director, the manager, or any other principal officer or in the case of a branch office of the Company, the principal officer of the branch office of the Company the powers specified in clauses (c) (d) and (e) to the extent specified in Section 292 of the Act.

153. Without prejudice to the general powers conferred by Article 152 and so as not in any way to limit or restrict those powers, and without prejudice to the other powers conferred by these Articles, but subject to the restrictions contained in the Article 152, it is hereby declared that the Directors shall have the following powers; that is to say, power —

(1) To pay the costs, charges and expenses preliminary and incidental to the promotion, formation, establishment and registration of the Company.

(2) To pay any charge to the capital account of the Company and commission or interest lawfully payable thereout under the provisions of Sections 76 and 208 of the Act.

(3) Subject to Sections 292 and 297 of the Act to purchase or otherwise acquire for the Company any property, rights or privileges which the Company is authorised to acquire, at or for such price or consideration and generally on such terms and conditions as they may think fit and in any such purchase or acquisition to accept such title as the Directors may believe or may be advised to be reasonably satisfactory;

(4) At their discretion and subject to the provisions of the Act to pay for any property, rights or privileges acquired by or services rendered to the Company, either wholly or partially, in shares, bonds, debentures, mortgages, or securities of the Company, and such shares may be issued either as fully paid up or with such amount credited as paid up thereon as may be agreed upon all or any part of the property of the Company and its uncalled capital or not so charged;

(5) To secure the fulfillment of any contracts or engagement entered into by the Company by mortgage or charge of all or any of the property of the Company and its uncalled capital for the firm being or in such manner as they may think fit;

(6) To accept from any Member, as far as may be permissible by law, a surrender of his Shares or any part thereof, on such terms and conditions as shall be agreed;

(7) To appoint any person to accept and hold in trust for the Company and property belonging to the Company, in which it is interested, or for any purposes; and execute such deeds and do all such things as may be required in relation to any trust, and to provide for the remuneration of such trustee or trustees;

(8) To institute, conduct, defend, compound or abandon any legal proceedings by or against the Company or its officers, or otherwise concerning the affairs of the Company, and also to compound and allow time for payment or satisfaction of any debts due, and of any claim or demands by or against the Company and to refer any differences to arbitration, and observe and, perform any awards made thereon;

- (9) To act on behalf of the Company in all matters relating to bankrupts and insolvents;
- (10) To make and give receipts, releases and discharges for moneys payable to the Company and for the claims and demands of the Company.
- (11) Subject to the provisions of Sections 292, 295, 370 and 372 of the Act, to invest and deal with any moneys of the Company not immediately required for the purpose thereof upon such securities (not being shares of the Company), and in such manner as they may think fit, and from time to time to vary the size of such investments. Save as provided in Section 49 of the Act, all investments shall be made and held in the Company's own name;
- (12) To execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any personal liability whether as principal or surety, for the benefit of the Company, such mortgages of the Company's property (present or future) as they think fit, and any such mortgage may contain a power of sale and such other powers, provisions, covenants and agreements as shall be agreed upon.
- (13) To determine from time to time who shall be entitled to sign, on the Company's behalf, bills, notes, receipts, acceptances, endorsements, cheques, dividends, warrants, releases, contracts and documents and to give the necessary authority for such purpose;
- (14) To distribute by way of bonus amongst the staff of the Company, share or shares in the profits of the Company, and to give to any officer or person employed by the Company a commission on the profits of any particular business or transaction; and to charge such bonus or commission as part of the working expenses of the Company;
- (15) To provide for the welfare of Directors or ex-Directors or employees ex-employees of the Company and their wives, widows and families or the dependents or connections of such persons by building or contributing to the building of houses, dwellings or by grants of money, pension, gratuities, allowances, bonus or payments, or by creating and from time to time subscribing or contributing to provident and associations, institutions; funds or trusts and by providing or subscribing or contributing towards places of instructions and recreation, hospitals and dispensaries, medical and attendance and other assistance as the Board shall think fit; and to subscribe or contribute or wise to assist or to guarantee money to charitable, benevolent, religious, scientific, national or institutions or objects which shall have any moral or other claim to support or aid by the Company, either by reason of locality of operation, or of public and general utility or wise;
- (16) Before recommending any dividend, to set aside out of the profits of the Company such sums as they may think proper for depreciation or to depreciation fund, or to an insurance fund, or as a reserve fund, or sinking fund, or any special fund to meet contingencies or to repay debentures or debenture stock, or for special Dividends or for equalized Dividends or for repairing, improving, extending and maintaining any of the property of the Company and for such other purpose (including the purposes referred to in the preceding clause), as the Board may, in their absolute discretion, think conducive to the interest of the Company, and subject to Section 292 of the Act, to invest the several sums so set aside or so much thereof as required to be invested upon such investments (than Shares of the Company) as they may think fit, and from time to time to deal with and vary such investments and dispose of any apply and expend all or any part thereof for the benefit of the Company, in such manner and for such purpose as the Board in their absolute discretion think conducive to the interest of the Company, notwithstanding that the matters to which the Board apply or upon which they expend the same, or any part thereof, may be matters to or upon which the capital moneys of the Company might rightly be applied or expended; and to divide the reserve fund into such special funds as the Board may think fit, with full power to transfer the whole or any portion of a reserve fund or division of a reserve fund to an reserve fund or division of a reserve fund and with full power to employ the assets constituting all or any of the above funds, including the depreciation fund, in the business of the Company or in the purchase or repayment of debentures or debenture-stock, and without being bound to keep the same, separate from the other assets and without being bound to pay interest on the same with power, however, to the Board at their discretion to pay or allow to the credit of such funds interest at such rate as the Board may think proper.
- (17) Subject to the provisions of the Act to appoint, and at their discretion remove or suspend such general

managers, managers, secretaries, assistants, supervisor, clerks, agents and servants of permanent, temporary or special services as they may for time to time think fit, audio determine their powers and duties and fix their salaries or emoluments or remuneration, and to require security in such instances and to such amount as they may think fit. Also, from time to time provide for the management and transaction of the affairs of the Company in any specified locality in India or elsewhere in such manner as they think fit; and the provisions contained in the four next following sub-clauses shall be without prejudice to the general powers conferred by this sub-clause;

(18) To comply with the requirements of any local law which in their opinion it shall, in the interest of the Company, be necessary of expedient of comply with;

(19) From time to time and at any time to establish any Local Board for managing any of the affairs of the Company in any specified locality in India or elsewhere and to appoint any persons to the members of such Local Boards and to fix their remuneration;

(20) Subject to Section 292 & 293 of the Act, from time to time and at any time, delegate to any person so appointed any of the powers, authorities and discretion for the time being vested in the Board, than their power to make calls or to make loans or borrow or moneys, and to authorise the Members for the time being of any such local board, or any of them to fill up any vacancies therein and to act no twill's landing vacancies, and any such appointment or delegation may be made on such terms and subject to such conditions as the Board may think fit, and the Board may at any time remove any person so appointed, and may annul or vary any such delegation.

(21) At any time and from time to time by power of attorney under the Seal of the Company, to appoint any person or persons to be the attorney or attorneys of the Company, for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Board under these presents and excluding the powers to make calls and excluding also, except in their limits authorised by the Board, the power to make loans and borrow moneys) and for such period and subject to such conditions as the Board may from time to time think fit; and any such appointment may (if the Board thinks fit) be made in favour of the members or any of the members of any local board, established as aforesaid or .in favour of any company, or the shareholders, directors, nominees or managers of any company, or firm or wise in favour of any fluctuating body of persons whether nominated directly by the Board and any such power of attorney may contain such powers for the protection or convenience of persons dealing with such attorneys as the Board may think fit and may contain powers enabling any such delegates or attorneys as aforesaid to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them;

(22) Subject to Sections 294,294A, 297 and 300 of the Act, for or in relation to any of the matters aforesaid or wise for the purposes of the Company to enter into all such contracts, and to execute and do all such acts, deeds and things in the name and on behalf of the Company as they may consider expedient;

(23) Subject to the provisions of Companies Act, 1956, the Board may pay such remuneration to Chairman/Vice Chairman of the Board upon such conditions as they may think fit.

### **Managing Director**

136. Subject to the provisions of the Act and of these Articles, the Board shall have power to appoint from time to time any of its Member or Members as Managing Director or Managing Directors of the Company for fixed term not exceeding five years at a time and upon such terms and conditions as the Board thinks fit and subject to the provisions of Article 138, the Board may by resolution vest in such Managing Director or Managing Directors such of the powers hereby vested in the Board generally as it thinks fit, and such powers may be made exercisable for such period or periods and upon such conditions and subject to such restrictions as it may determine. The remuneration of a Managing Director may be by way of monthly, payment, fee for each meeting or participation in profits, or by any or all these modes, or any other mode not expressly prohibited by the Act.

137. The Managing Director or Managing Directors shall not exercise the powers to:

- (a) Make calls on shareholders in respect of money unpaid on the shares in the Company.
- (b) Issue debentures; and except to the extent mentioned in the resolution passed at the Board meeting under Section 292 of the Act, shall also not exercise the powers to;



- (c) Borrow moneys, wise than on debentures;
- (d) Invest the funds of the Company, and
- (e) Make loans.

138. The Company shall not appoint or employ, or continue the appointment or employment of a person as its Managing or whole-time Director who –

- (a) is an undischarged insolvent, or has at any time been adjudged as insolvent;
- (b) suspends, or has at any time suspended payment to his creditors, or makes, or has at any time made a composition with them; or
- (c) is, or has, at any time been convicted by a Court of an offence involving moral turpitude.

139. A Managing Director shall not while he continues to hold that office be subject to the retirement by rotation, in accordance with Article 127. If he ceases to hold the office of Director, he shall ipso facto and immediately cease to be a Managing Director.

#### **CAPITALISATION OF RESERVES**

170. Any General Meeting may resolve that any moneys, investments, or assets forming part of undivided profits of the Company standing to the credit of the reserves, or any capital redemption reserve fund, in the hands of the Company and available for Dividend or representing premiums received on the issue of Shares and standing to the credit of the securities premium account be capitalised and distributed amongst such of the members as would be entitled to receive the same if distributed by way of Dividend and in the same proportions on the footing that they become entitled thereto as capital and that all or any part of such capitalised fund be applied on behalf of such Members in paying up in full any un-issued Shares, debentures, or debenture-stock of the Company which shall be distributed accordingly or in or towards payment of the uncalled liability on any issued Shares, and that such distribution or payment shall be accepted by such Members in full satisfaction of their interest in the said capitalised sum. Provided that any sum standing to the credit of a securities premium account or a capital redemption reserve fund may, for the purposes of this Article, only be applied in the paying up of un-issued Shares to be issued to Members of the Company as fully paid bonus Shares.

171. A General Meeting may resolve that any surplus money arising from the realisation of any capital asset of the Company or any investments representing the same, or any undistributed profits of the Company not subject to charge for income tax, be distributed among the Members on the footing that they receive the same as capital.

172. For the purpose of giving effect to any resolution under Articles 170 and 171 hereof, the Board may settle any difficulty which may arise in regard to the distribution as it thinks expedient and in particular, may issue fractional certificates, and may fix the value of distribution of any specific assets, and may determine that cash payment shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest such cash or specific assets in trustees upon such trusts, for the person entitled to the Board. Where requisite, a proper contract shall be filed accordance with Section 75 of the Act, and the Board may appoint any person to sign such contract on behalf of the person entitled to the Dividend or capital fund, and such appointment shall be effective.

#### **WINDING UP**

187. The liquidator on any winding-up (whether voluntary, under supervision or compulsory) may, with the sanction of a Special Resolution but subject to the rights attached to any Preference Share capital, divide among the contributories, in specie, any part of the assets of the Company and may with the like sanction, vest any part of the assets of the Company in trustees upon such trusts, for the benefit of the contributories, as the Liquidator, with the like sanction shall think fit.

## **SECTION IX – OTHER INFORMATION**

### **MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION**

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies for registration and also the documents for inspection referred to hereunder, may be inspected at our Registered Office situated at RZ-A-95 & 96, Road No.4, Street No.9, Mahipalpur Extension, New Delhi 110 037 from 10.00 am to 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

#### **Material Contracts**

1. Engagement Letter dated June 8, 2005 and amended on June 14, 2006 for appointment of Enam Financial Consultants Private Limited as BRLM.
2. MOU dated October 31, 2006 amongst our Company and the BRLM.
3. Agreement dated March 16, 2007 executed by our Company with Registrar to the Issue.
4. Escrow Agreement dated [•] between us, the BRLM, Escrow Collection Banks, and the Registrar to the Issue.
5. Syndicate Agreement dated [•] between us, the BRLM and Syndicate Member.
6. Underwriting Agreement dated [•] between us, the BRLM and Syndicate Member.

#### **Material Documents**

1. Our Memorandum and Articles of Association as amended till date.
2. Shareholders' resolutions in relation to this Issue and other related matters.
3. Resolutions of the Board authorising the Issue.
4. Resolutions of the general body for appointment and remuneration of our whole-time Directors.
5. Report of the Auditors, Chartered Accountants, prepared as per Indian GAAP and mentioned in this Red Herring Prospectus and letters from the auditors dated May 25, 2007.
6. Copies of annual reports of our Company for the past five financial years.
7. Consents of the Auditors, for inclusion of their report on accounts in the form and context in which they appear in this Red Herring Prospectus.
8. Special Powers of Attorney executed by each Directors of our Company in favour of person(s) for signing and making necessary changes to this Red Herring Prospectus and other related documents.
9. Consents of Auditors, Bankers to the Company, BRLM, Syndicate Member, Registrar to the Issue, Banker to the Issue, Legal Counsel to the Company, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
10. In-principle listing approval dated January 3, 2007 and January 12, 2007 from the BSE and the NSE, respectively.
11. Agreement between NSDL, our Company and the Registrar to the Issue dated April 2, 2007.
12. Agreement between CDSL, our Company and the Registrar to the Issue dated November 29, 2006.
13. Due diligence certificate dated November 30, 2006, to SEBI from BRLM.

14. Share Stock Agreement dated September 9, 2005 (as amended on September 12, 2005) between our Company, BCCL and Mr. Ram Chandra Agarwal.
15. Advertisement agreement dated September 9, 2005 between our Company and BCCL.
16. CRIS INFAC – Retailing Industry – Annual Review – September 2005.
17. SEBI observation letter (CFD/DIL/EB/ISSUES/90560/2007) dated April 5, 2007 and our in-seraitim reply to the same dated May 30, 2007.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## DECLARATION

All the relevant provisions of the Companies Act, 1956 and the guidelines issued by the Government of India or the guidelines issued by the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made or guidelines issued thereunder, as the case may be. We further certify that all statements in this Red Herring Prospectus are true and correct.

### Signed by all Directors


Mr. Ram Chandra Agarwal\*,



Mrs. Uma Agarwal\*,



Mr. Surendra Kumar Agarwal\*,



Mr. Bharat Jain\*,



Mr. Jay Prakash Shukla\*,



Mr. Rakesh Aggarwal\*,



### Signed by Chief Operating Officer

Mr. Ritesh Rathi\*



### Signed by Head – Finance and Accounts



Mr. Amit Kumar Chaturvedi

### Company Secretary and Compliance Officer:

Mr. Arun Gupta



Date: June .05., 2007

Place: New Delhi.

\* Through his constituted attorney Mr. Arun Gupta

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK