



**REI Six Ten Retail Limited**



**6TEN<sup>TM</sup>**

**Your Shop. Your Time**

**4th  
Annual Report  
2010-2011**





# CORPORATE INFORMATION

## **Board of Directors**

Shri Sandip Jhunjhunwala  
*Managing Director*

Shri A. Chatterjee  
*Director*

Shri Manoj Mishra  
*Director*

Dr. ING N.K. Gupta  
*Director*

Shri K.D. Ghosh  
*Director*

## **Company Secretary**

Shri Subhash Kumar Burnwal

## **Statutory Auditor**

P.K. Lilha & Co.  
*Chartered Accountants*

## **Registered Office**

“Everest House”  
46 C, Chowringhee Road  
15th Floor, Room No.-15B  
Kolkata-700071

## **Corporate Office**

58A/1, Sainik Farm  
New Delhi-110062

## **Registrar & Transfer Agent**

Maheshwari Datamatics Pvt. Ltd.  
6, Mango Lane, 2nd Floor,  
Kolkata-700001

# DIRECTORS' REPORT

*Dear Members*

Your Directors have great pleasure in presenting the Fourth Board Report of the Company together with the audited statement of accounts for the financial year ended 31st March, 2011.

Summarised Financial Results:

(₹ in Lacs)

Particulars	2010-2011	2009-2010
Sales (Net)	71649.95	69089.84
Other Income	4.79	9.19
<b>Total Income</b>	<b>71654.74</b>	<b>69099.03</b>
<b>Profit before Depreciation, Interest &amp; Tax (PBDIT)</b>	<b>5267.49</b>	<b>4846.70</b>
Less: Interest	7.38	6.56
<b>Profit before Depreciation &amp; Tax (PBDT)</b>	<b>5260.11</b>	<b>4840.14</b>
Less: Depreciation	771.19	785.61
<b>Profit before Tax (PBT)</b>	<b>4488.92</b>	<b>4054.53</b>
Less:		
Provision for Current Taxation	1560.00	1430.00
Provision for Fringe Benefit Tax	-----	-----
Provision for Deferred Tax	(26.72)	(43.56)
Income Tax paid for earlier years	51.65	23.74
<b>Profit after Tax (PAT)</b>	<b>2904.00</b>	<b>2644.35</b>
Amount Available for Appropriation	3866.00	3498.00
Less: Proposed Dividend	291.40	287.27
Less: Corporate Dividend Tax	47.27	48.83
Add: Excess Provision for Dividend Tax	1.10	-----
Less: Transfer to General Reserves	2200.00	2200.00
<b>Balance Carried to Balance Sheet</b>	<b>1328.33</b>	<b>961.90</b>

## Issue of Equity shares of the Company to Brand Equity Treaties Limited:

During the financial year under review, the Company has issued 20,66,970 equity shares of face value of ₹ 2/- each on 10th February, 2011, to Brand Equity Treaties Limited on preferential basis in accordance with the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

## Business / Financial Performance:

We are pleased to inform you that your Company has recorded the sales and profit of ₹ 71649.95 Lakhs and ₹ 2904.00 Lakhs respectively during the financial year under review. However, sales for the year under review

were mere increase of ₹ 2560.12 Lakhs from preceding year sales of ₹ 69090 Lakhs but PAT for financial year 2010-11 was ₹ 2904 Lakhs which is higher by ₹ 259.64 Lakhs from preceding year profit of ₹ 2644 Lakhs. The increase in net profit in terms of percentage is 9.82%. It is the result of further reduction in personnel and administrative costs during the year under review. During the financial year under review, the Company has 169 franchised outlets across Delhi & NCR, Punjab, Jaipur, Kolkata, Nagpur, Ahmedabad and Baroda. The Company has also entered into tie up with small shopkeepers for sale of goods and articles of 6Ten by these shopkeepers and are called value stores. Small shopkeepers get certain percentage of commission on



sale of goods of the Company. The Company has already operating 297 value stores across Delhi, NCR and Punjab.

Overall, the Company has delivered a good performance in terms of financial, operations and strategy amidst competitive retail market.

**Dividends:**

The Board of Directors have recommended a final dividend @ ₹ 0.20/- per equity share (i.e., 10% of the face value of ₹ 2/-each) for the financial year ended 31st March, 2011. The total dividend outgo for the current year would amount to ₹ 338.69 lakhs inclusive of Dividend Distribution Tax of ₹ 47.28 lakhs.

**Management Discussion and Analysis:**

A report on management discussion and analysis is annexed hereto and forms part of this report.

**Corporate Governance:**

The Company has put in place the norms of Corporate Governance in compliance with the provisions of Clause 49 of the listing agreement. A report on Corporate Governance as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges forms part of the Annual Report. A certificate to that effect has been obtained from statutory auditors of the Company and is annexed to this report.

**Environmental Aspects and Social Responsibility:**

The Company is committed to improve all aspects of environment. We pay full attention to promote, improve and maintain our responsibility to the society for better socio economic condition.

**Directors:**

Shri A. Chatterjee and Shri Manoj Mishra, Directors of the Company shall retire by rotation and being eligible offer themselves for reappointment. A brief resume of the Director seeking re-appointment, their expertise etc. is given in the notice to the ensuing Annual General Meeting.

**Auditors:**

The statutory auditors of the Company M/s P.K. Lilha & Co., Chartered Accountants, Kolkata, retire at the conclusion of ensuing Annual General Meeting and being eligible, offer themselves for re-appointment till the conclusion of the next Annual General Meeting. In terms of Section 224A of the Companies Act, 1956, their appointment needs to be approved by the members of the Company and their remuneration has to be fixed.

**Auditors Report:**

The Notes on Accounts referred to the Auditors' Report are self explanatory and do not call for any further comments.

**Director's Responsibility Statement:**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- In preparation of the annual accounts for the financial year ended 31st March, 2011, the applicable accounting standards read with requirement set out under Schedule VI to the Companies Act, 1956, have been followed along with the proper explanations relating to the material departures, if any.
- The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the financial results of the Company as at 31st March, 2011.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting the fraud and other irregularities.
- The Directors have prepared the annual accounts for the financial year ended 31st March, 2011 on a going concern basis.

**Public Deposits:**

The Company has neither invited nor accepted any Public Deposits during the year under review.

**Particulars of Employees:**

Particulars of employees as required to be furnished pursuant to Section 217(2A) of the Companies Act, 1956, read with the rules thereunder, form part of this report. However, as per the provision of Section 219(1)(b)(iv) of the Companies Act, 1956, the reports and accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees. Any Shareholder interested in obtaining a copy may write to the Company Secretary.

**Conservation of Energy & Technology Absorption and Foreign Exchange Earnings and Outgo:**

As the Company being in retail sector, the provisions



regarding giving details of conservation of energy is not applicable.

However there is no expenditure on Research & Development, Technology absorption, adoption & innovation during the current financial year.

Your Company does not have any exports initiatives to report to the members as the Company is fully concentrating on domestic market. There is no foreign exchange earnings and outgo.

**Acknowledgment:**

The Board would like to thank and also place on record

their sincere appreciation to all consumers, bankers, vendors and other stakeholders for their continued support during the year under review. Your Directors are quite optimistic for support to be extended by all in the years to come.

For and on behalf of the Board

Sd/-

**Sandip Jhunjunwala**  
Chairman

Place: New Delhi

Date: May 30, 2011



# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Environment and Growth of Retail Sector

The Indian Retail sector has emerged as most dynamic and fastest growing industries in India over the last couple of years but it is highly fragmented. The Retail sector in India has been segregated into unorganized and organized. The larger part of retail sector is unorganized which consists of small and medium grocery stores, medicine stores, subzi mandi, kirana stores etc. Unorganized retail sector is one of India's largest industries contributing to about 10% of the GDP and providing employment to 8% of country's work force. Organized retail is gradually becoming popular due to changing consumer preferences. Market liberalization and changing consumer behaviour have sown the seeds of a retail transformation in India.

Organised retail in India is expected to increase from 5 per cent of the total market in 2008 to 14-18 per cent and reach US\$ 450 billion by 2015, according to McKinsey & Company.

Driven by the growth of organised retail coupled with changing consumer habits, food retail sector in India is set to be more than double to US\$ 150 billion by 2025, according to a report by KPMG.

Mass grocery retail (MGR) sales in India are expected to undergo tremendous growth over the forecast period. Business Monitor International (BMI) predicts that sales through MGR outlets will increase by 218 per cent to reach US\$ 27.67 billion by 2015.

India has been ranked third most attractive nation for retail investment among 30 emerging markets for Foreign Direct Investment (FDI) destinations and second most favoured retail destination in the World. This has been backed by the wide acceptance of India as the second fastest growing economy and the fourth largest economy in PPP terms after USA, China & Japan.

## Retail industry in India

In recent years, the Indian consumers have changed their preferences drastically and adapting modern formats overwhelmingly. Big corporates and private equity players are now making investment in the Indian retail sector. Foreign Investors are eagerly waiting for opening of Foreign Direct Investments (FDIs) in retail sector as FDIs are not allowed in multi brand retailing.

100 per cent FDIs is permitted under the automatic route for trading companies for cash & carry trading / wholesale trading. FDIs up to 51 per cent under the Government route is allowed in retail trade of Single Brand products, according to the Consolidated FDI Policy document.

The overall retail market is expected to grow from US\$262 billion to about US\$1065 billion by 2016, with organized retail at US\$165 billion (approximately 15.5% of total retail sales) as per outlook laid down by Investment Commission of India. It is expected that the retail sector will create 3.5 Mn job opportunities.

## Indian food & grocery sector

Indian food industry has revolutionized shopping experience of Indian customers. Growing at the rate of 30%, the Indian food retail is going to be major driving force for the retail industry. Food accounts for the largest share of consumer spending. The Indian food industry has been hailed by many as a sunshine industry of India. Food and grocery is the second-largest segment of the retail industry and the potential for new entrants in this segment is enormous, particularly in untapped markets like rural and semi-rural areas.

The Indian retail industry is one of the most attractive in the world for various reasons though the Indian retail market is the fifth largest in the world, a major part of it is unorganized compared to the developed world. This is particularly true of the food and grocery segment, the sixth largest in the world and is likely to grow fourfold by 2025. The unorganized segment still constitutes 99 per cent of the total food and grocery market, and is characterized by the traditional mom-and-pop kirana stores.

Food and grocery retail comprises 70 per cent of the total retail sales. Notwithstanding its growth, India's share in the exports of processed food in global trade is meager 1.5%; while the size of the global processed-food market is

around US\$ 3.2 trillion. This indicates that both investors and exporters are yet to cash in from the Indian food and processing industry.

### **Road Ahead- Industry's Growth Drivers**

The Retail industry in India has gone through several stages since the advent of modern retail six years ago. The Changes in country's social structure like young working population, nuclear families in urban areas, increasing working-women population, brand profusion, and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in the country. Other equally important growth drivers are Improving Demographics, Rising per capita income and rising consumerism.

**Young Working Population:** With the largest young generation population in the world - over 890 million people below 45 years of age, India is indeed a resplendent market. Its 300 million odd middle class, the "Real" consumers, catches the eye of the world. As the economy grows so does India's middle class.

**Rise in Nuclear Families:** The per capita consumption increases in case of a nuclear family. During the last few years in India, nuclear family as a percentage of total household population has increased. The average household size has reduced to 5.36 in 2001 from 5.57 in 1991 and is expected to decline further to 5.02 by 2011. This would further increase the consumption and in turn, the retail industry.

**Brand Profusion:** Consumerism and increased brand conscientiousness has led to increased number of brands today. Today every product is branded. There is presence of almost all kinds of global brands in the present market situation. The launches of more and more brands into the market increased the demand of shelf space and hence demand for retail outlets. The young population is conscious of branded and quality product.

**Improving Demographics:** India is currently the second largest country as well as the youngest with the population estimated at 1.20 billion, growing at 1.8% annually. Currently, the urban population comprises 28% of the aggregate Indian population, growing at 2.77% and is expected to rise to 40% by the year 2020 (Source: Vision 2020 document), with much of the growth concentrated in or around 60 to 70 large Indian cities with over one million population each. This results into a rising demand for cereals.

**Rising per capita income:** India is the fifth largest country in purchasing power parity and the tenth largest in sheer quantum terms. In the year 2008-09, India's per capita income is estimated to be more than USD 653.13 and is expected to rise to USD 2000 by the year 2016-17 and USD 4000 by the year 2025 (Source: CSO). The average household disposable income would reach Rs. 3,18,869 by year 2025 at a CAGR of 5.3%, resulting in an increased demand for basmati. The average Indian is earning higher than ever before. The estimated cumulative liquid wealth of the Indian affluent class is poised to grow at 50% over the next three years.

**Higher Growth in Urban and Sub-Urban Population:** Over the last 10 years (1990-2000), urbanization has increased at a rate of 2.7 percent. Around urban centres, huge sub-urban agglomerates are developing and expanding at a huge scale. This trend is expected to continue and urbanization is likely to grow at 2.4 percent between 2000 and 2015. Over the next 10 years, growth in organized retailing is likely to be concentrated in urban and semi-urban areas.

**Rising Consumerism:** India is expected to graduate from the 12th largest in the year 2007 to the World's fifth largest by the year 2025 among consumer markets. There is subtle shift occurring in the Indian spending habit. Expenditure in life style and premium goods, rather than spending on necessities, is projected to account for 70% of all consumers spending by the year 2025. By 2025, urban consumers are likely to represent 37% of the population and still account for 62% of consumption.

### **REI Six Ten's Business Strategy:**

Indian Retail sector is fastest growing market and largely unorganized. It is necessary to understand consumer behaviour to tap the larger share in the market. REI Six Ten is mainly engaged in grocery and fruits & vegetables trade selling to its stores on franchise mode.

Wastage of fruits and vegetables generally occurs during supply and storage. REI Six Ten aspires to develop an efficient supply chain management to improve delay time in supply and distribution and reduce wastage of food including fruits and vegetables.





Consumer Relationship Management is one of the strategies involving consumer preferences, customer service, training employees to serve the customer. The Company is determined to improve employees performance by training and motivational program who can serve the customers without any hiccup as Competition in the market increases due to entry of various retail players.

The Company has already forayed into food & Grocery items under its brand “**6TEN**” offering great value for money on daily need products. “**6TEN**” products are aggressively delivering their promise of Comfort, competitive price and quality products.

The company has designed a new model as value store in the financial year 2010-11 to penetrate the market more efficiently that brought in a smart entrepreneurial approach for larger market share. Value Store signifies a tie up between the Company and Small Shopkeepers in the neighbourhood locality to buy food and grocery items from Master franchisee of the Company on cash basis and sells the same under the brand “**6TEN**”.

6TEN is a chain of small neighbourhood convenience stores on franchisee basis and value stores catering to the daily needs of the consumers. 6Ten is probably the only fully franchised and Value Store model in this space. The 6Ten model is unique and has evolved specifically for the Indian retail space and aims to address the needs of the Indian consumer.

6TEN stores are presently operating at various locations in Delhi & NCR, Punjab, Jaipur, Panchkula, Baddi, Ahemdabad, Baroda, Nagpur and Kolkata. The Company has now a stronger focus on its strengths i.e. procurement, branding, IT infrastructure requirements which is the key to success for the modern retail. The franchisee and small shopkeeper under value store as an entrepreneur has been able to connect with the customers in much better manner.

We are innovating new ideas to strengthen supply chain management to avoid delay time on supply and distribution along with cutting operational overheads to increase profitability without compromising with operational standards under this model. REI Six Ten is one of the few zero debt companies operating in its space and has developed a strong and scalable business model.

# REPORT ON CORPORATE GOVERNANCE

Corporate Governance is a barometer to measure functioning of the corporates. It involves the manner to apply core principles of integrity, fairness, equity, transparency, accountability and commitment with values. In order to ensure and achieve high ethics and standards within corporate structure, it is necessary to follow greater transparency and accountability.

REI Six Ten Retail Ltd. continues to focus on its policies & practices along with its resources, strengths and strategies to implement and achieve highest standards of Corporate Governance in true spirit and in the overall interest of all its stakeholders.

The Company's board follows ethical standards and best practices of Corporate Governance and adheres to norms specified in Clause 49 of the Listing Agreement. The report containing the details of governance system at REI Six Ten Retail Limited is as under:

## [A] COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company is committed for adhering transparent policies and practices in the overall interest of stakeholders. We always endeavour to implement our

governance philosophy which rests on five basic tenets, viz., Board accountability to the Company and shareholders, strategic guidance and effective monitoring by the Board, protection of minority interests and rights, equitable treatment of all shareholders, employees and customers as well as timely disclosure.

## [B] BOARD COMPOSITION

The Board of Directors formulates strategies, policies and reviews its performance periodically in order to ensure achievement of its goal keeping in view of interest of all its stakeholders.

The Board of Directors comprises of five Directors, chaired by an Executive Director. Three of the Board members are Independent Directors. The composition of the Board of Directors during the year is in conformity with the Clause 49 of the Listing Agreement.

The details of composition of Board, other Directorship and Committee Chairmanship / Membership of the Members of the Board and their attendance at the Board Meeting and Annual General Meeting of the Company are as under :-

Name of the Director	Category	**No. of other Directorship	No. of Membership /Chairmanship of other Board Committees	Attendance at last AGM of the Company
Shri Sandip Jhunjunwala	Managing Director	2	Nil	Present
Shri A. Chatterjee	Independent Director	6	3	Present
Shri Manoj Mishra	Non-Executive Director	4	Nil	Absent
Shri K.D. Ghosh	Independent Director	1	3	Present
Dr. ING N.K. Gupta	Independent Director	3	3	Absent

\*\* Excluding Directorship in Private Companies and Companies defined under section 25 of the Companies Act, 1956.