



**REI Six Ten Retail Limited**



**5th Annual Report 2011-2012**



# CORPORATE INFORMATION

## **Board of Directors**

Shri Sandip Jhunjhunwala  
*Managing Director*

Shri Asoke Chatterjee  
*Director*

Shri Manoj Mishra  
*Director*

Dr. ING Narpinder Kumar Gupta  
*Director*

Shri Krishna Dayal 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**

311, B, C & D, 2nd Floor  
DLF South Court, Saket  
New Delhi-110017

## **Registrar & Transfer Agent**

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

# DIRECTOR'S REPORT

*Dear Members,*

Your Directors have pleasure in presenting the Fifth Board Report together with the audited statement of accounts of the Company for the financial year ended 31st March, 2012.

## Financial Results:

The financial performance of the Company for the year under review is summarized below:

(₹ in Lakhs)

Particulars	2011-2012	2010-2011
Revenue From Operations / Sales (Net)	61,405.12	71,649.95
Other Income	6.90	4.79
<b>Total Income</b>	<b>61,412.02</b>	<b>71,654.74</b>
<b>Profit before Depreciation, Interest, Amortisation &amp; Tax (PBDIAT)</b>	<b>902.93</b>	<b>5,267.49</b>
Less: Interest	12.87	7.38
<b>Profit before Depreciation &amp; Tax (PBDT)</b>	<b>890.06</b>	<b>5,260.11</b>
Less: Depreciation	771.32	771.19
<b>Profit before Tax (PBT)</b>	<b>118.74</b>	<b>4,488.92</b>
<b>Less:</b>		
Current Taxation	76.63	1,560.00
Deferred Tax	(36.19)	(26.72)
Prior Period Tax Payment	46.42	51.65
<b>Profit after Tax (PAT)</b>	<b>31.88</b>	<b>2,904.00</b>

## Allotment of Equity Shares on conversion of Fully Convertible Debentures:

During the year under review, 13,95,002 equity shares were allotted on 26th April, 2011 at a price of ₹193.55 per share having face value of ₹ 2/- each on conversion of 27,00,000 Fully Convertible Debentures which have been listed in Bombay Stock Exchange Limited and National Stock Exchange of India Limited. We have already informed you about detail of allotment in our earlier Board Report.

## Financial Highlights:

During the year under review the company has entered the consolidation phase and is closely monitoring the performance of its Master Franchisee / Franchisee. The company achieved a sales/turnover of ₹ 61,405.13 Lakhs. Though there is a slight decline in the turnover from ₹ 71,649.95 lakhs the company is quite satisfied with the performance of its franchisees thereby providing the right platform for the future of the company.

Likewise the company has encouraged the franchisees by providing some attractive schemes that have resulted in a decline in the profits of the company. The company has a profit after tax of Rs. 31.88 Lacs down from ₹ 2904.00 lakhs in the previous year. The company has also commenced our value stores which has a relatively low margin.

Hence, though the profit after tax of the company has reduced during the year, your directors believe that the company has developed a strong enough platform that will stand the company in good stead in the future.

## Dividend:

In View of the overall economic condition, there is a need for the consolidation for the Company, hence your directors are unable to recommend any dividend to the shareholders for the financial year 2011-2012.

## Management Discussion and Analysis:

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



## REI Six Ten Retail Limited

### **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 K. D. Ghosh and Dr. ING N.K. Gupta, Directors of the Company, retire by rotation and being eligible offer themselves for re-appointment. A brief resume of the Director seeking re-appointment, their expertise etc. is given in the notice to the ensuing Annual General Meeting.

### **Remuneration to Managing Director:**

Company has taken approval of the Members of the Company in the last annual General meeting of the Company to pay remuneration of ₹ 1,20,00,000 per annum (CTC)(inclusive of all perquisite) to Shri Sandip Jhunjunwala, Managing Director of the Company. The Company has filled all the necessary forms with Ministry of Corporate affairs.

However during the year under review, Company is having inadequate profits, therefore the Company has paid ₹ 9,00,000 as remuneration to Shri Sandip Jhunjunwala, which is in compliance to the provisions of Schedule XIII of the Companies Act.

### **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. 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, 2012, the applicable accounting standards read with requirement set out under revised 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, 2012.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding 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, 2012 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 Companies (Particulars of Employees) Rules, 1975 as amended, 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. Statement of particulars of employees and other documents, if any, which are not annexed to this Report, will be open for inspection for the shareholders at registered office of the Company during working hours for a period of 21 days before the date of annual general meeting. Also any shareholder interested in obtaining a copy may write to the Company Secretary for the same.

**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 being concentrating on the domestic consumption market and do not have any exports initiatives to report to the members.

**Foreign Exchange Earnings and Outgo:**

Total foreign exchange earned and outgo: Amount (₹ In Lakhs)

Foreign exchange earned	Nil
Foreign exchange outgo	4.52
Net foreign exchange Outgo	4.52

**Acknowledgment:**

The Board wishes to 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 Jhunjhunwala**  
Chairman

Place: Kolkata

Date: 30th May, 2012



# **MANAGEMENT DISCUSSION & ANALYSIS**

## **Business Environment:**

Retail Industry is one of sunrise sectors in India with huge growth potential. However, in spite of the recent developments in retailing and its immense contribution to the economy, retailing continues to be the least evolved industries and the growth of organised retailing in India has been much slower as compared to rest of the world.

It is one of the pillars of the economy of the Country and accounts for 14 to 15% of its GDP but highly fragmented. India is one of the fastest growing retail markets in the world having a population of 1.20 billion. Large Retailers in developed countries view it an opportunity to invest in Indian retail industry while government has prohibited Foreign Direct Investment (FDI) in multi brand retailing. FDI is only allowed on single brand retailing.

Cash and Carry wholesale trading in India by Foreign retailers is one of the ways to reach the retail consumers through local retailers. Metro AG is first among world retailers to enter into retail sector in India through Cash and Carry business.

India has been ranked fifth largest market as retail destination for foreign investment and second most attractive market 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.

## **Growth & Evolution of Retail Industry:**

The retail industry in India is currently growing at a great pace and is expected to go up to US\$ 833 billion by the year 2013. It is further expected to reach US\$ 1.3 trillion by the year 2018 at a CAGR of 10%. As the country has got a high growth rate, the consumer spending has also gone up and is also expected to go up further in the future. In the last four years, the consumer spending in India climbed up to 75%. As a result, the Indian retail industry is expected to grow further in the years to come.

In recent years, preference of consumers particularly young people's preference has changed drastically and they have more attraction to branded goods. Big Corporate houses has entered into retail and making huge investment to make their presence in Indian retail sector. It lays down strong foundation for organised retail trade and also able to generate job opportunities in the sector to reduce unemployment in the Country.

Entry of foreign retail players will make the retail sector more vibrant as they have strong supply chain and will also generate huge job opportunities.

Among other things Internet revolution is making Indian Consumer more accessible to the growing influences of domestic and foreign retail chains.

## **Indian food & grocery sector:**

The Indian food and grocery retail sector is in the transformation mode for various reasons like strong macro-economic fundamentals and the changing socio-economic scene. Very fast changing trends in food and eating habits of consumers have contributed immensely to the growth of 'Western' format typologies such as convenience stores, departmental stores, supermarkets, specialty stores and hypermarkets. The ever changing consumer's psychographic variables like activities, interests, opinions, values and lifestyles have also completely changed the formats namely convenience stores, supermarkets and hypermarkets etc. are the crystal clear reflections of tectonic shifts in demographic and psychographic changes of consumers.

Indian food and grocery Sector have ample opportunities to grow with a great pace due to high population of the Country. Food and Grocery sector constitutes about 14% of the organised retailing in India. Ironically, organised retail sector is meager 2% of total retail sector in India.

Indian food retail sector is main driving force for the retail industry growing at the rate of 30%. Food accounts for the largest share of consumer spending. Food and food products account for about 50% of the value of final private consumption. In the next few years, the food and grocery retail sector is expected to multiply five times.

## **Key Growth Drivers:**

Retailing in India has witnessed tremendous growth in the last few years but it has not yet realized its potential.

With Changing needs and lifestyle of Indian Consumers, food consumption patterns are rapidly evolving. Higher disposable incomes have resulted in greater spending and consumption among consumers. Change in consumer demand, influenced

by increased awareness level about national and international brands led to growth of retail industry. There are various factors for growth of retail industry but some of the key growth drivers are as under:

#### **Increasing Urbanisation:**

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. Young generation of rural or sub-rural areas are more attracted towards Tier-I and Tier-II Cities and moving to these cities for employment which are changing demographic statistics of Country. After liberalisation of economy, income level of middle class of the country has increased which led to urbanisation of the country and paves the way to retail growth.

#### **Brand Consciousness:**

As income level of young generation of middle class has improved, they are conscious of branded goods and quality products. Advertising plays an important role to influence people particularly young generation which rises Consumerism towards branded and quality products.

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.

#### **Young 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.

#### **Aspiration of elegant Lifestyle:**

During the last few years in India, nuclear family as a percentage of total household population has increased as per capita consumption increases. Now, men and women of nuclear families have less time to spare on cooking food at home which led to consume fast foods from organised retail outlets.

With rise in income level, consumers are willing to spend more for themselves.

#### **Increased use of Plastic Money:**

Internet revolution provided platform for use of plastic money i.e., credit cards. Frequent use of credit cards boosted the retail industry as young generation thinks that buy today and pay later.

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

Indian Retail sector has been segregated as organised and unorganized. Most of them are unorganized which creates enough space for larger market share to be grasped by retailers. Retailers who wish to tap the larger share in the market have to understand consumer preferences. Growing need of convenience of consumers has boosted India retail sector. Our Company is mainly engaged in grocery, fruits & Vegetables trade selling through its franchised stores. Worldwide, grocery retail is considered the most price-sensitive sector. Consumers, especially in developing markets, spend more on groceries than anything else.

REI Six Ten Retail Limited is putting more emphasis on consumer Convenience. Apart from consumer convenience, company is looking forward to strengthen effective supply chain management and use of innovative ideas to reduce cost and time. Fruits and vegetables are perishable in nature and require lot of attention to reduce wastages which can be eradicated by strengthening Supply Chain Management.

The Company has made their presence into Food & Grocery sector under its brand "6TEN" offering great value for money on daily need products. We are working towards revamping our business to obtain strategic advantages at various levels - market, cost, knowledge and customer.

REI Six Ten Retail Limited is striving to set with differentiating strategies - value for money, shopping experience, variety, quality, discounts and advanced systems and technology in the back-end, change in the equilibrium with manufacturers and a thorough understanding of the consumer behaviour.

The corner stones of Company's operations are availability, accessibility, affordability, quality, reliability and novelty.



## REI Six Ten Retail Limited

We have greater emphasis on new model designed in the financial year 2010-11 as value store to tap larger share of retail market. 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 franchises and value stores catering to the daily needs of the consumers.

Apart from consumer relationship management, company is also striving to strengthen supplier relationship management. Supplier relationship management is the part of the supply chain management, which deals with all aspects of the business relationship between companies and their suppliers. It is a comprehensive approach to managing an enterprise's interactions with the organizations that supply the goods and services it uses. The goal of supplier relationship management is to streamline and make more effective the processes between an enterprise and its suppliers just as customer relationship management is intended to streamline and make more effective the processes between an enterprise and its customers.

Supplier Relationship Management includes both business practices and software and is part of the information flow component of supply chain management.

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

Good corporate governance aims at ensuring a higher degree of transparency in an organization by encouraging full disclosure of transactions in the company matters. Transparency involves disclosure of all forms of conflict of interest. Full disclosure includes compliance with regulations and disclosing any important information to the stakeholders.

Corporate governance structure encourages accountability of the management to the company's directors and the accountability of the directors to the shareholders and ensures equitable treatment of all the shareholders of the Company.

The main objective of corporate governance is to protect the long-term interests of the stakeholders.

Good Corporate Governance is perceived by the market as an incentive for shareholders / investors to invest in the Company.

REI Six Ten Retail Ltd. is committed for implementation of policies & procedures designed to eliminate bias and conflict of interest. The Company continues to adhere seven characteristics of good Corporate governance i.e., discipline, transparency, independence, accountability, responsibility, fairness and social responsibility.

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 has core mission to adhere fair, ethical and transparent governance practices in the interest of stakeholders which can be achieved by adopting professionalism, honesty and integrity. 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. Clause 49 of the Listing Agreement provides requirements to be complied under corporate governance by a company listed with Indian stock exchange(s). As our company is listed with Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. and is in full compliance of requirements under clause 49 of the Listing Agreement.

## [B] BOARD OF DIRECTORS

The Board of Directors of the Company is entrusted with responsibility of the management, ethical standards and best practices of Corporate Governance in formulating strategies, policies and business decision making and implementation of the same.

### Composition:

The composition of Board of Directors of the Company as on March 31, 2012, is as under:

- |                           |           |
|---------------------------|-----------|
| 1) Executive Director     | 1 (One)   |
| 2) Independent Directors  | 3 (Three) |
| 3) Non-Executive Director | 1 (One)   |

The composition of the Board of Directors during the year was 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 Asoke Chatterjee	Independent Director	6	3	Present
Shri Manoj Mishra	Non-Executive Director	4	Nil	Absent
Shri Krishna Dayal Ghosh	Independent Director	1	3	Present
Dr. ING Narpinder Kumar Gupta	Independent Director	3	1	Absent

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



## REI Six Ten Retail Limited

During the Financial Year 2011-12, Five Board Meetings were held on 30/05/2011, 12/08/2011, 14/11/2011, 14/02/2012 and 13/03/2012 respectively. The details of Board Meeting attended by directors are as under:

Name of Director	Board Meeting	
	Held	Attended
Shri Sandip Jhunjunwala	5	5
Shri Asoke Chatterjee	5	4
Shri Manoj Mishra	5	3
Dr ING Narpinder Kumar Gupta	5	3
Shri Krishna Dayal Ghosh	5	1*

\*Leave of absence was granted for not attending the board meeting.

### [C] AUDIT COMMITTEE

The Audit Committee of the company comprises of three members of the Board of the Directors who are Independent Directors. The Audit Committee met four times during the financial year 2011-12. These four meetings were held on 30th May 2011, 12th August 2011, 14th November 2011 and 14th February 2012 respectively. All these directors possess requisite qualification and knowledge to act as members of Audit Committee. The Company Secretary of the Company acts as a Secretary to the Committee.

Audit Committee is entrusted with the responsibility to monitor and supervise the company's financial reporting and internal control process with a view to ensure accurate, timely and proper disclosure. The audit committee oversees the company's accounting and financial reporting process; recommending the Board of Directors on the appointment, re-appointment and fixation of remuneration of the Statutory Auditors and internal auditors; reviewing the managements' annual and quarterly financial statement before submission to the Board for approval; reviewing the management discussion and analysis of financial condition and result of operations and other matters specified under section 292A of the Companies Act, 1956 and clause 49 of the Listing Agreement, Statement of related party transactions, Internal audit report relating to internal control weaknesses and discussion with the statutory Auditors about the nature and scope of audit.

The constitution and particulars of meetings attended by members of the Committees during the year ended 31st March, 2012 are given below:

S. No	Name of the Director	Status	No. of meetings attended
1.	Shri Asoke Chatterjee	Chairman	4
2.	Dr. ING Narpinder Kumar Gupta	Member	3
3.	Shri Krishna Dayal Ghosh	Member	1

### [D] REMUNERATION TO DIRECTORS:

Company has taken approval of the Members of the Company in the last annual General meeting of the Company to pay remuneration of ₹ 1,20,00,000 per annum (CTC)(inclusive of all perquisite) to Shri Sandip Jhunjunwala, Managing Director of the Company. The Company has filled all the necessary forms with Ministry of Corporate affairs.

Shri Sandip Jhunjunwala is also Managing Director of the REI Agro Limited and drawing remuneration for there also and according to provisions of sections 198, 269, 309 and 349 of the Companies Act, 1956, a person who is Managing Director of two Companies may get remuneration from both the Companies subject to an overall limit of 5% of Net Profit of any one of them whichever is higher. Further In case the companies having inadequate profit or no profit then remuneration will be payable according to provisions of Schedule XIII of the Companies Act, 1956.

Further during the Year under review, Company is having inadequate profit, therefore the Company has paid ₹ 9,00,000 as remuneration to Shri Sandip Jhunjunwala, which is in compliance to the provisions of Schedule XIII of the Companies Act.

No other directors have been paid any remuneration apart from sitting fees for attendance in Board / Audit Committee Meeting except remuneration paid to Shri Sandip Jhunjunwala, Managing Director of the Company.