



— STORE — one

STORE ONE RETAIL INDIA LIMITED

Annual Report 2009-10

BOARD OF DIRECTORS

Mr. Anil Lepps
Mr. Mehul Johnson
Mr. Mukul Bansal
Mr. Shamsheer Singh
Mr. Aishwarya Katoch
Mr. Karan Singh
Mr. Prem Prakash Mirdha

COMPANY INFORMATION

Registered Office

E-29, First Floor,
Connaught Place,
New Delhi – 110 001
Website: www.storeone.in

Corporate Office

"Indiabulls House" 448-451,
Udyog Vihar, Phase V,
Gurgaon – 122 001

Statutory Auditors

Sharma Goel & Co.,
Chartered Accountants,
New Delhi

Registrar and Transfer Agent

Karvy Computershare Private Limited
Plot No.17-24, Vittal Rao Nagar,
Madhapur,
Hyderabad – 500 081

Banker

HDFC Bank

Company Secretary

Mr. Vikas Khandelwal

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Overview

Indian Retail Industry

The Indian retail industry is the fifth largest in the world and is one of the fastest growing industries in India, comprising of organized and unorganized sectors. Though initially, the retail industry in India was mostly unorganized, however with the change of tastes and preferences of the consumers, the industry is getting more popular these days and getting organized as well. The AT Kearney's Global Retail Development Index has identified India as the most attractive destination for retail business. Moreover, in 2009 for the fourth time in five years, India has been ranked as the most attractive nation for retail investment among 30 emerging markets by the US-based global management consulting firm AT Kearney.

Growth of Indian Retail Industry

The retail industry in India is currently growing at a great pace. With growing market demand, the industry is expected to grow at a pace of 25-30% annually. The Country has got high growth rates, the consumer spending has also gone up and is also expected to go up further in the future, as a result, the Indian retail industry is expected to grow further in the future days. Strong underlying economic growth, population expansion, increasing wealth of individuals, expanding middle and upper class consumer base, greater availability of personal credit and the rapid construction of organised retail infrastructure are key factors behind the forecast growth. There will also be opportunities in India's second and third-tier cities in near future.

Policy Initiatives

India continues to be among the most attractive countries for global retailers. 100 per cent FDI is allowed in cash-and-carry wholesale formats and FDI up to 51 per cent, under the Government route, is allowed in retail trade of 'Single Brand' products. Recently, as a most awaited welcome step, Department of Industrial Policy and Promotion (DIPP) has issued a discussion paper inviting views and suggestions on permitting FDI in multi-brand retail trading as well. The retail sector needs large-scale investments and a substantial portion of these investments are expected from foreign investors. Permitting FDI in the sector will also help bring in technical and management know-how, all of which is in India's long-term interest.

Opportunities - Growth Drivers of Indian Retail Industry

Retail industry in India, however, has a huge growth potential, with opportunities existing in multiple sectors and segments. Organized retailing in India in the near future would be driven by:

- o Liberalisation of the Indian Economy
- o Rapid Urbanisation
- o Sharp rise in the Earnings & Income
- o Changing lifestyles
- o Shift in the consumer shopping behaviour pattern
- o Increase of dual income nuclear families
- o Internet revolution opening new doors to the global market
- o Increasing population of young working people under 25
- o Availability of great quality commercial real estate
- o A billion population (and rising)

Threat - Challenges facing Indian Retail Industry

- o The tax structure in India favors small retail business
- o Lack of adequate infrastructure facilities
- o High cost of real estate
- o Dissimilarity in consumer groups
- o Shortage of retail study options
- o Shortage of trained manpower
- o Low retail management skill

Business Review

The Company had forayed in multiple formats, one of them being a chain of Lifestyle Stores under the name "store ONE" and Hyper Marts under the brand "Happy Store" offering great value for money on daily needs, apparels, home and appliances.

The new "**store ONE**" will be more compact and will house our in-house private labels, offering the latest designs at very attractive price points across apparels, accessories, fragrances and footwear. These stores will have a number of products to meet the varied needs of the customers. With so many choices today, shoppers are looking for retailers that stand out from the crowd. The stores will be driving to deliver a differentiated shopping experience with unique merchandise showcasing latest fashion trends, excellent service and breakthrough marketing and special events.

Happy Stores are neighborhood stores selling groceries and other daily need products. They have the right products at convenient locations, meeting daily shopping needs of customers as a convenience store. These stores take pride in the quality, products and services and offer a broad selection of the best brands. Also, to ensure long term viability and sustainability of the Happy Store brand,

the Company has franchised its stores wherein the responsibility of day to day operations & maintaining of optimum in-stock levels of all merchandise lies with the franchisee.

To leverage on its assets base, product range and services, the Company plans to venture into wholesale trading business. This would result in operational synergies in the area of sourcing, product placement and logistics along with cost savings due to rationalization, standardization and simplification of systems & processes.

Opportunities

Diversified business formats

We intend to increase our share in the consumer spending in India by launching new formats and product range in retail and proposed wholesale trading business.

Expanded product portfolio

We have plans to offer better portfolio of products to the customers in all segments.

Threats

There is intense competition in Indian Retail for increasing the customer base among leading national retailers, the retail arms of leading business houses of the Country. Further, with India being an attractive retail market, the Company expects many new entrants thus increasing competition. Majority of the new stores planned are in shopping malls and any delays in the construction of the malls will delay your Company's retail expansion plan. Rent is one of the largest components in a retail business' fixed costs, and the case is no different for your Company.

Business Outlook

Strengths

The Company believes that following are the few strengths that provide it competitive advantages.

Strong management team

We have an experienced professional management team possessing strong capabilities in the various aspects of retail and wholesale business and strong relationships with its various stakeholders as well as in-depth knowledge of the localities in which the Company has expansion plans. Our Management team is complemented by a committed work force that enables us to operate, synergise and integrate our front and backend operations efficiently.

Strong Systems and Process

We believe that our systems and processes are our major strength. The Company has strong focus on systems and processes. We continue to invest in our front and backend processes and systems and believe that continuous investment in process, systems and technology results in substantial growth. Our investments in systems and processes give us the vital edge to be able to predict consumer trends and requirement to hold inventory at optimum levels and to control the financial performance of the Company.

Strong bargaining strength

With the experienced professional management team, the Company has developed strong bargaining strength in negotiations/ renegotiation of retail space rental, better commercial terms with merchandise suppliers etc.

Business Strategy

Over the last few months, we have put a lot of effort in getting our systems and processes sorted and today we are amongst the best on that front. Now our next challenge is to become the preferred shopping destination. In this area, the Company plans to focus on following:

1. Expanding our product and format range - We intend to cater to various segments of the consumer in India by providing extensive product range through various lines of the business and formats of retail and wholesale trading.
2. Marketing initiatives and brand campaigning - We intend to create a Retail brand that has a loyal customer following, while maintaining optimum operational standards.
3. Customer Satisfaction - The Company imparts special training to its employees and sales executives to ensure that quality service is provided to customers.
4. Improving the store level profitability - To devise innovative Revenue Share formats for controlled operational expenses e.g. low rental cost.
5. Maximum utilization of I.T. for low operational overheads and better supply chain benefits.
6. Streamlining the backend operations.
7. Increasing presence in cities where the Company already has commercially viable operations & the cities which reflect high potential for commercial viability.
8. Focusing on high margin/high volume products.

Risks and concerns

Execution: Although the Industry growth potentially appears to be immense, we believe the key risk to our growth is execution risk. The Company has a strong management team and we believe it would be capable enough to execute varied retail and wholesale trading formats.

Employee retention: With the entry of new players and back of Indian economy on growth path, we believe that employee retention has become very important.

Low margins due to increase in competition: With the entry of new players, the competition in the retail industry has become intense, resulting pressure on the margins and introduction of new promotions/discount schemes to attract and retain the customers.

Human Resources

Your Company's multi-business context poses unique challenges to the Human Resource function. The Company's businesses are managed by a team of competent and passionate leaders, capable of enhancing your Company's standing in the competitive market. The Company has a structured recruitment process, the focus is on recruiting people who have the right mindset for working at store ONE, supported by structured training programs and internal growth opportunities.

During the year, even while the economic meltdown impacted the financial health of the organizations across the global, the Company's focus has been on unlocking the people potential and further developing their functional, operational and behavioral competencies. The Company has also launched Employee Stock Option Scheme for its employees with the basic objective of ensuring the employee participation in the growth and progress of the Company. The belief 'great people create great organization' has been at the core of the Company's approach to its people.

Internal Controls and their Adequacy

The Company has a proper and adequate system of internal controls commensurate with the size of the Company and the nature of its business to ensure that all the assets are safeguarded and protected against loss from unauthorized use or disposition, and that transactions are authorized, recorded and reported correctly and adequately.

The Company's internal controls are supplemented by internal audits, review by management and documented policies, guidelines and procedures. The internal control is designed to ensure that financial and other records are reliable for preparing financial information and for maintaining accountability of assets. All financial and audit control systems are also reviewed by the Audit Committee of the Board of Directors of the Company.

Cautionary Statement

Statements in this Report on Management's Discussion and Analysis describing the Company's objectives, estimates and expectations may be forward looking statements based on certain assumptions and expectations of future events. Actual results might differ substantially or materially from those expressed or implied.

The Company cannot guarantee that the assumptions and expectations are accurate or will be realized and hence the actual results, performance or achievements could thus differ materially from those expressed in the statements. The Company assumes no responsibility nor is under any obligation to publicly amend, modify or revise any forward looking statements on the basis of any subsequent developments, information or events.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present to you the Fifth Annual Report together with audited statement of accounts for the financial year ended March 31, 2010.

FINANCIAL RESULTS

The highlights of the financial results of the Company for the financial year ended March 31, 2010 are as under:

Particulars	Amount in Rs.	
	Year ended March 31, 2010	Year ended March 31, 2009
Profit/(Loss) before Depreciation	(418,356,423)	(803,740,740)
Less: Depreciation/Impairment of Fixed Assets	93,615,014	88,697,913
Profit/(Loss) before Tax	(511,971,437)	(892,438,653)
Add: Deferred Tax Adjustment	–	(8,578,269)
Less: Provision for Tax (FBT)	–	(1,885,575)
Profit/(Loss) after Tax	(511,971,437)	(902,902,497)
Profit/(Loss) brought forward	(2,745,030,639)	(1,842,128,142)
Balance carried forward to Balance Sheet	(3,257,002,076)	(2,745,030,639)

BUSINESS REVIEW

The Company had forayed in multiple formats, one of them being a chain of Lifestyle Stores under the name "store ONE" and Hyper Marts under the brand "Happy Store" offering great value for money on daily needs, apparels, home and appliances.

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To leverage on its assets base, product range and services, the Company plans to venture into wholesale trading business. This would result in operational synergies in the area of sourcing, product placement and logistics along with cost savings due to rationalization, standardization and simplification of systems & processes.

CHANGE IN NAME OF THE COMPANY

The Company has forayed in a business format of chain of lifestyle stores under the name of "store ONE" and to bring the name of the Company in sync with the said brand, the name of the Company was changed from 'Indiabulls Retail Services Limited' to 'Store One Retail India Limited' w.e.f. October 6, 2009.

DIVIDEND

In view of loss incurred during the year under review, your directors do not recommend any dividend.

EMPLOYEES STOCK OPTIONS

The disclosures required to be made in the Directors' Report in respect of the stock options granted under various employee stock option schemes in force in the Company, in terms of the format prescribed under SEBI (Employee Stock Option Scheme and Stock Purchase Scheme) Guidelines, 1999, are set out in the annexures forming a part of this report.

FIXED DEPOSITS

The Company has not accepted any fixed deposits from the public during the year under review.

SUBSIDIARY

During the current financial year, Albasta Power Limited has become the Wholly-owned subsidiary of the Company.

DIRECTORS

Subsequent to the end of the financial year, Mr. Rajiv Rattan and Ms. Savita Singh, Directors resigned from the Directorship of the Company and Mr. Mukul Bansal was appointed as an additional director on the Board of the Company w.e.f. August 14, 2010. Your

Directors place on record deep sense of appreciation for the valuable services rendered by Mr. Rajiv Rattan and Ms. Savita Singh during their tenure as Directors on the Board of the Company.

Mr. Mukul Bansal holds his office as additional director up to the date of ensuing Annual General Meeting of the Company. The Company has received notice in terms of the Section 257 of the Companies Act, 1956, from a member, signifying his intention to propose the candidature of Mr. Bansal for the office of Director of the Company.

Further, in accordance with the provisions of Section 255 and 256 of the Companies Act, 1956 and the Article 132 of the Articles of Association of the Company, Mr. Prem Prakash Mirdha and Mr. Shamsheer Singh, Directors, retire by rotation and, being eligible, offer themselves for reappointment at the ensuing Annual General Meeting.

Brief resume of the Directors proposed to be appointed/reappointed, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships/chairmanships of Board Committees of various Companies, are provided in the Corporate Governance Report, which form an integral part of the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures from the same;
2. the Directors have 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 state of affairs of the Company as at March 31, 2010 and the loss of the Company for the year ended on that date;
3. the Directors have taken proper and sufficient care for maintaining of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. the Directors have prepared the Annual Accounts of the Company on a 'going concern' basis.

AUDITORS & AUDITORS' REPORT

M/s Sharma Goel & Co., Chartered Accountants, (Registration No.: 000643-N), Auditors of the Company will retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The Company has received a certificate from the Auditors to the effect that their reappointment, if made, would be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends their reappointment.

The Notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further explanation.

LISTING WITH STOCK EXCHANGES

The Equity shares of the Company continue to remain listed with the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE). The listing fees for the financial year 2010-11 have been paid to both the exchanges.

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

CORPORATE GOVERNANCE REPORT

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, a detailed report on Corporate Governance is included in the Annual Report. A Practicing Company Secretary's Certificate certifying the Company's compliance with the requirements of Corporate Governance stipulated under Clause 49 of the Listing Agreement is attached with the Corporate Governance Report.

INFORMATION PURSUANT TO SECTION 217(1)(e) and (2A) OF THE COMPANIES ACT, 1956

The information required to be disclosed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, is given in the Annexure and forms a part of this Report.

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are required to be set out in the Annexure to the Directors' Report. However, during the year under review, the Company did not employ any person falling within the purview of Section 217(2A) of the Companies Act, 1956.

ACKNOWLEDGEMENT

Your Directors wish to express their gratitude for the continuous assistance and support received from the investors, clients, business associates, vendors, bankers, regulatory and government authorities, during the year. Your Directors also wish to place on record their appreciation for the contributions made by employees at various levels.

For and on behalf of the Board of Directors

Date: August 31, 2010
Place : New Delhi

Sd/-
Anil Lepps
Whole-time Director

Sd/-
Mehul Johnson
Director

ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE FORMING PART OF THE DIRECTORS' REPORT

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 in respect of conservation of energy, technology absorption and foreign exchange earnings & outgo.

A. CONSERVATION OF ENERGY

The Company uses electric energy for its equipment such as office equipment, computers, lighting and utilities in the work premises. As an ongoing process, the following measures are undertaken to conserve energy:

- a) Implementation of viable energy saving proposals.
- b) Installation of automatic power controllers to save maximum demand charges and energy.
- c) Training front-end operational personnel on opportunities of energy conservation.
- d) Awareness and training sessions for maintenance personnel conducted by experts.

B. TECHNOLOGY ABSORPTION

The Company believes that technological obsolescence is a practical reality. Our research activities will help us to prepare for future growth and opportunities.

At the Company we encourage continuous innovation with the prime purpose of providing maximum benefits to our clients and other users by working proactively (self driven research) and reactively (client driven research).

Our objective is to carry out applied research in the years that are closely related to realization of the business objectives of the Company and seek to encash available business opportunities.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

There were no foreign exchange earnings and outgo during the year under review and the previous year.