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Store One Retail India Limited
Annual Report 2010-11

Company Information

Board of Directors

Mr. Abhimanyu Mehlawat

Mr. Mehul CC Johnson

Mr. Mukul Bansal

Mr. Shamsheer Singh Ahlawat

Mr. Aishwarya Katoch

Mr. Karan Singh

Mr. Prem Prakash Mirdha

Company Secretary

Mr. Vikas Khandelwal

Statutory Auditors

Sharma Goel & Co.,
Chartered Accountants,
Y -59, Hauz Khas,
New Delhi – 110 016

Registrar and Transfer Agent

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

Registered Office

1A, Hamilton House,
1st Floor, Connaught Place,
New Delhi – 110 001
Website: www.storeone.in

Corporate Office

“Indiabulls House” 448-451,
Udyog Vihar, Phase V,
Gurgaon – 122 016
Haryana

Bankers

HDFC Bank Limited
State Bank of India

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MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Business Review

The Company has ventured into the business of facility management services, business support services, security agency services and equipment/machinery rental services etc. Recently the Board has decided to discontinue its retail trading business and to focus on wholesale trading business, which can advantageously and conveniently be carried out with the existing resources and infrastructure of the Company, along with the business of facility management services.

Opportunities - Diversified business portfolio

The Company intends to capitalize existing potential in the business of facility management services, business support services, security agency services and equipment/machinery rental services etc and in the business of wholesale trading.

With the increased number of multistoried high-end residential, commercial & retail space, there is huge business opportunities and potential in this industry. Considering the resources & expertise available, the management has decided to capitalize the existing opportunities in the business of providing facility management services to various customers including Indiabulls Group companies engaged in the business of development of infrastructure & real estate.

Further, in its constant endeavor to enhance shareholder value, the Board has also decided to explore new opportunities in the wholesale trading business segment.

Threats

There is intense competition & complexity in wholesale trading business. Product sourcing, warehouse management and inventory management along with shortage of quality real estate and infrastructure requirements in the Country are some of the significant challenges which the Company may face. The Company believes that execution is the key risk in the business of facility management services.

Strengths

The Company believes that following are the key strengths that provide it competitive advantages in the business of facility management services and wholesale trading.

Strong management team

The Company has an experienced professional management team possessing strong capabilities in the various aspects of business of wholesale trading and facility management services. Its management team is complemented by a committed workforce that enables to operate, synergies and integrate the front and backend operations efficiently.

Strong Systems and Process

The Company believes that the systems and processes are its major strength. The Company has strong focus on systems and processes and continue to invest in its front and back end processes and systems and believes that continuous investment in process, systems and technology results substantial growth.

Strong bargaining strength

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

Risks and concerns

Execution: Although the growth of business of wholesale trading and facility management services potentially appears to be immense, the Company believes the key risk to its growth is execution risk. The Company has a strong management team and believes that it would be capable enough to execute varied business formats.

Employee retention: The Company believes that with the entry of new players and growth of Indian economy, employee retention has become very important.

Human Resources

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 desired levels, supported by structured training programs and internal growth opportunities.

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 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 Sixth Annual Report together with audited statement of accounts for the financial year ended March 31, 2011.

FINANCIAL RESULTS

The highlights of the financial results of the Company for the financial year ended March 31, 2011 are as under:

Particulars	(Amount in Rs.)	
	Year ended March 31, 2011	Year ended March 31, 2010
Profit/(Loss) before Depreciation	(290,129,832)	(418,356,423)
Less: Depreciation/ Impairment of Fixed Assets	61,582,392	93,615,014
Profit/ (Loss) before Tax	(351,712,224)	(511,971,437)
Less: Provision for Tax	--	--
Profit/ (Loss) after Tax	(351,712,224)	(511,971,437)
Profit/ (Loss) brought forward	(3,257,002,076)	(2,745,030,639)
Balance carried forward to Balance Sheet	(3,608,714,300)	(3,257,002,076)

BUSINESS REVIEW

The Company has ventured into the business of facility management services, business support services, security agency services and equipment/machinery rental services etc. Recently the Board has decided to discontinue its retail trading business and to focus on wholesale trading business, which can advantageously and conveniently be carried out with the existing resources and infrastructure of the Company, along with the business of facility management services.

DIVIDEND

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

ALLOTMENT OF PREFERENCE SHARES

Subsequent to year end, on July 5, 2011, the Company allotted an aggregate of 30,00,000 (Thirty Lakhs) Preference shares of face value Rs. 10/- each at an issue price of Rs. 880/- per share, including premium of Rs. 870/- per share, out of which 20,70,000 (Twenty Lakhs Seventy Thousand) Preference Shares have been allotted to Indiabulls Wholesale Services Limited, the holding company and 9,30,000 (Nine Lakhs Thirty Thousand) Preference Shares have been allotted to Albasta Power Limited, a fellow subsidiary.

EMPLOYEES STOCK OPTIONS

The disclosures required to be made in the Directors' Report in respect of the stock options granted under the employee stock option scheme 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 annexure forming a part of this report.

Shareholders of the Company in their Annual General Meeting held on September 30, 2009 have approved the launch of "Store One Retail India Limited Employees Stock Option Scheme - 2009 (II)" ('SORIL ESOS - 2009 (II)') covering 3,000,000 (Thirty lacs) stock options, for the benefit of Eligible Employees. The options under this Scheme are not yet granted by the Board/ Compensation Committee.

FIXED DEPOSITS

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

SUBSIDIARY

The statement pursuant to Section 212(1)(e) of the Companies Act, 1956 relating to the subsidiary company forms a part of the financial statements.

In terms of the Circular No. 2/2011, No.: 51/12/2007-CL-III dated February 8, 2011 issued by the Ministry of Corporate Affairs for granting general permission for not attaching certain prescribed documents including annual accounts of the subsidiaries to the Balance Sheet of the Holding Company, as required to be attached in terms of Section 212 of the Companies Act, 1956, and accordingly as approved by the Board of Directors of the Company in its meeting held on May 4, 2011, copies of the Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of the subsidiary of the Company as of March 31, 2011 have not been attached with the Balance Sheet of

the Company. These documents will be made available upon request by any Member of the Company interested in obtaining the same. The annual accounts of the subsidiary company are also kept for inspection by any shareholder at the head office of the holding company and of the subsidiary company. However, in terms of the said circular, information desired to be disclosed in respect of the subsidiary company, has been disclosed, in the notes to accounts of the Consolidated Balance Sheet forming part of the Annual Report. Further, pursuant to Accounting Standard AS-21 issued by The Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company includes financial information of its subsidiary.

DIRECTORS

On November 13, 2010, Mr. Anil Lepps resigned and Mr. Abhimanyu Mehlawat was appointed as Whole-time Director on the Board of the Company. Your Directors place on record their deep sense of appreciation for the valuable services rendered by Mr. Anil Lepps during his tenure as Director on the Board of the Company.

Mr. Abhimanyu Mehlawat (DIN: 02229285), being Additional Director, holds his office as such 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. Mehlawat 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. Aishwarya Katoch (DIN: 00557488) and Mr. Mehul CC Johnson (00016075), 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.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report, 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.

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 2011-12 have been paid to both the exchanges.

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, 2011 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.: 000643N), 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 re-appointment.

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

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

Place : New Delhi
Date : September 3, 2011

Sd/-
Abhimanyu Mehlawat
Whole-time Director

Sd/-
Mehul CC Johnson
Director

Annexure to 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.

Annexure to the Directors' Report regarding the ESOP issue

Store One Retail India Limited Employees Stock Option Scheme – 2009 – As on March 31, 2011

Particulars		
a.	Options Granted	1,500,000
b.	Exercise price	Rs. 30.45
c.	Options vested	150,000
d.	Options exercised	Nil
e.	The total number of Shares arising as a result of exercise of option	Nil
f.	Options lapsed and eligible for regrant	855,000
g.	Variation in terms of options	Nil
h.	Money realized by exercise of options	Nil
i.	Total number of options in force	645,000
j.	Employee wise details of options granted to:	
i.	Senior Management personnel	Mr. Abhimanyu Mehlawat - 150,000
ii.	any other employee who received a grant in any one year of option amounting to 5% or more of option granted during that year	
iii.	identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital of the Company.	
k.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 ['Earnings Per Share']	Rs. (17.59)
l.	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed	Refer to Schedule "19" Part-B-Notes to accounts forming part of the Annual Report
m.	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.	Weighted-average exercise price: Rs. 30.45 per option Weighted-average fair value: Rs. 24.06 per option
n.	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:	Refer to Schedule "19" Part-B-Notes to accounts forming part of the Annual Report
i.	risk free interest rate	
ii.	expected life	
iii.	expected volatility	
iv.	expected dividends	
v.	the price of the underlying share in market at the time of option grant	