

## Annual Report 06-07



Vishal Retail Limited

<input type="checkbox"/>	Corporate Information
<input type="checkbox"/>	Message from the Managing Director
<input type="checkbox"/>	Directors Report
<input type="checkbox"/>	Management Discussion and Analysis
<input type="checkbox"/>	Annexure II & III to Director's Report
<input type="checkbox"/>	Corporate Governance Report
<input type="checkbox"/>	Auditors Report
<input type="checkbox"/>	Annexure to the Auditor's Report
<input type="checkbox"/>	Balance Sheet
<input type="checkbox"/>	Profit & Loss Account
<input type="checkbox"/>	Schedules
<input type="checkbox"/>	Significant Accounting Policies & Notes to the Accounts
<input type="checkbox"/>	Balance Sheet Abstract
<input type="checkbox"/>	Cash Flow Statement as per AS-3

# Contents



# Corporate Information

## BOARD OF DIRECTORS

Chairman & Managing Director  
**Ram Chandra Agarwal**

Whole time Directors  
**Uma Agarwal**  
**Surendra Kumar Agarwal**

Non Executive Independent Directors  
**Bharat Jain**  
**Jai Prakash Shukla**  
**Rakesh Aggarwal**

---

Company Secretary  
**Arun Gupta**

Chief Operating Officer  
**Ritesh Rathi**

Head-Finance & Accounts  
**Amit Kumar Chaturvedi**

Statutory Auditors  
**Haribhakti & Co., Chartered Accountants**  
42-43, Press Free House, 215, Nariman Point  
Mumbai-400021

### Bankers

State Bank of India  
HSBC Ltd.  
Centurion Bank of Punjab Ltd.  
Axis Bank Ltd.  
ICICI Bank Ltd.

### Registered Office

RZ-A- 95 & 96,  
Road No. 4, Street No. 9,  
Mahipalpur Extn., New Delhi-110037  
Phone : 011-30622002

### Share Transfer Agents

**Intime Spectrum Registry Limited**  
C-13, Panna Lal Silk Mill Compound  
L.B.S. Marg, Bhandup(west),  
Mumbai-400078  
Tel 022-25960320-28  
Fax 022-25960329

### Corporate Office/Investor's Service Centre

Khasra No. 332,  
Near Telco Service Station,  
Behind Shokeen Farm Lands, Rangpuri,  
New Delhi-110037  
Phone : 011-32431314-15  
Fax : 011-26784281  
E mail ; [vishalipo@vrpl.in](mailto:vishalipo@vrpl.in)

# From the Chairman's Desk



Dear Shareholders, Customers & all Stakeholders,

I feel really enlightened to address you all in first year of our going public. Your alliance with us really gives me a feeling that our Vishal Retail's family has really grown 'Vishal' now and I wholeheartedly welcome you all to be a part of our family.

In this season of high sprits, at the very onset I would like to express my sincere thankfulness to all of you for having faith in us and enduring your kind support to us for the growth of your company.

The year has marked a continued strong growth in retail industry. Asian markets are getting hotter; India has topped the Global Retail Development Index with an

estimated market of \$ 350 bn and Vietnam rose to 3<sup>rd</sup> place. China, however, continues to decline as international retailers saturate the market Overall if we talk, the Asian tigers remain attractive and have the longest window of opportunity across the markets. Thailand and South Korea are still in the top 15, with annual retail growth of 7% and 19% respectively in 2005. In India, organized retail is growing at CAGR of 24-26% with an offering of tremendous opportunities in the future to become globally competitive and uplifting the shopping experience for Indian Consumers.

The memories are still so fresh in my mind of the times when our company was formed in 2001. We initiated our setup in Kolkata as a retailer of ready made apparels. Year 2003 was another year of great stride in our growth when we acquired manufacturing facilities from Vishal Fashions Private Limited and M/s Vishal Apparels. Since then we have never looked back and have always made best efforts to meet the expectations of our patrons on a continuous basis.

With the evaluation of retail industry in India and changes in consumer aspirations, we have diversified our portfolio of offerings to include other retail goods such as household merchandise and other consumer good such as footwear, toys, watches, toiletries, grocery items, sports items, crockery, gifts and novelties. Our endeavor has always been to facilitate one-stop-shop convenience for the customers and to cater the needs of the entire family. Being a customer & investor oriented company, our progress in the past years has been quiet satisfactory.

Today, our country is in grip of retail revolution with big retailers like Wal-Mart eager to take over Indian markets. Even within our country, big business houses like TATA, Reliance, Bharti have already made there foray into the retail market, At this time of bloodthirsty competition we aspire to distinguish our selves in the retail industry by our competitive strengths we offer. Our concept of

'value retailing' i.e. targeting on the needs of the middle and lower income group has been our foremost strength which has enabled us to cling the focus of the market. Our prime concern has been to establish our base structure in Tier II and Tier III cities and to serve their needs at the best. Our continuous aim is to evolve ourselves to meet the demands of the highly dynamic society. To accomplish this goal we have been introducing private labels, identifying new and globally distributed locations to set up new show rooms and hire experienced and skilled management team.

Currently, our company owns 54 showrooms in various parts of our country and we intend to open 30 showrooms upto March 31, 2009 making our tally to 83 covering around 21,00,000 Sq Ft of retail space around the country.

During the last financial year, our turnover has increased by 109 % i.e. from Rs. 2884.43 millions to Rs. 6026.53 millions and I strongly believe that will able to achieve a steady growth in the coming years also.

Besides focusing on the profitability of the company and providing true value of money to our stakeholders, we are making steady efforts towards betterment of the governance of the company and meeting the societal and moral objectives of the company.

We here at Vishal Retail, hope to share the same patronage from your side as ever and with this ending note I would again express my gratitude towards all those who have trusted us and have given us a chance to serve the society at large in the best possible manner.

Best Wishes & God Bless

Sd/-

**Ram Chandra Agarwal**



# DIRECTORS' REPORT 2006-07

Your Directors have great pleasure in presenting the Sixth Director's Report of the company with the audited statements of accounts for the year ended March 31, 2007.

## FINANCIAL HIGHLIGHTS

Description	(Rs. In Millions)	
	2006-07	2005-06
<b>Sales</b>	<b>6026.53</b>	<b>2884.43</b>
Other Income	23.90	6.45
Earnings before Interest, depreciation and Tax (EBIDT)	<b>694.28</b>	<b>268.89</b>
Less: Interest	(147.54)	(29.11)
Earnings before depreciation and Tax (EBDT)	<b>546.74</b>	<b>239.78</b>
Less: Depreciation	(152.93)	(53.61)
Profit before Taxation	393.81	186.17
Provision for Taxation (Current and deferred)	143.14	62.30
Profit after Taxation (PAT)	<b>250.67</b>	<b>123.87</b>
Balance Brought forward from previous year	166.00	42.13
Balance carried to Balance Sheet	416.67	166.00

## REVIEW OF FINANCIAL PERFORMANCE

Your company has continued its march with another strong year of continued growth. The Company achieved new scales of height this year. Following are the few benchmarks

- INCOME** : Continuing the positive trend, your company has further improved its performance during the year; the turnover including other income was Rs. 6050.42 millions compared to Rs. 2890.88 millions in the previous period of 12 months, recording a whopping 109 % increase on annualized basis.
- EBIDT** : At the end of financial year, EBIDT stood at Rs. 694.28 Million as compared to Rs. 268.89 Million in the previous year, recording a 152.8% increase on annualized basis.
- PAT** : At the end of financial year, the profit after tax has risen from Rs. 123.87 millions to Rs. 250.67 millions this year, recording a 102.36% increase on annualized basis.

## 2006-2007: A GLIMPSE

### Launch of New Stores:

Since the set up of Vishal Mega Mart, the focus of your company has been on setting up stores in the Tier II and Tier III Cities & catering the needs of Medium and Upper Medium Segment of the Society, where the future of Retail Industry rests. To tap the opportunities in Organised Retail, your Company opened up 26 Stores in the Tier II and Tier III Cities. & 1 Store in Tier I city. These new Stores contributed significantly to the revenues of the Company and providing your Company a PAN India presence.

**Private Labels**

Retail Industry is cost competitive Industry, the margins are low. These margins are further reduced, if the Retailers are engaged only in the distribution of high cost branded products. Therefore, in an effort to jack up gross margins, we have evolved the concept of Private Labels. Private Labels carries the brand name of the Company itself, but manufacturing of the same is outsourced to Local Manufacturers.

We have a number of in house brands (these are called private labels) such as Zepplin, Paranoia, Chlorine, Kittan Studio, Famenne, Fleurier Women and Roseau etc. In fiscal 2007, our income from our private labels was Rs. 583.60 million compared to Rs. 483.50 Million in the fiscal 2006, which accounted 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 as well as to improve our margins.

**Human Resource**

Retail Industry in India is still in the nascent stage. People are not much aware about growth in the Retail Industry. The importance of stable, talented and efficient workforce is further enhanced by these factors. To overcome these work factors, we have created a favourable work environment that encourages innovation and meritocracy. We are in the process of putting up a scalable recruitment and human resource management process, which will enable us to attract and retain high caliber employees & meet the challenges of the Retail Industry.

Our Key focus has been to change the mindset from 'human resource utilization' to 'nurturing and leveraging talent'. We believe in investing in people competencies for the business requirements of tomorrow. With a view to creating a strong management base, the company has tied up with various Management Institutions viz Asia Pacific Institute of Management, Amity International School of Business, JIMS, IILM etc.

The Board of Directors wishes to place on record their appreciation to all the employees of the Company for their sustained efforts, dedication and hard work during the year

**FUNDS RAISED****Issue of Preferential Equity to 49 Investors:**

Your Company has made a preferential Allotment of 12,50,000 Equity Shares of nominal value of Rs. 10/- each at a premium of Rs. 190/- each to 49 Investors on June 05, 2006, for which your approval was taken at the Extra Ordinary General Meeting of the Company held on June 02, 2006.

**Issue of Preferential Equity to HDFC Ltd :**

Your Company has made a preferential Allotment of 2,00,000 Equity Shares of nominal value of Rs. 10/- each at a premium of Rs. 190/- each to HDFC Ltd. on July 21, 2006, for which your approval was taken at the Extra Ordinary General Meeting of the Company held on July 03, 2006.

**Issue of Preferential Equity through IPO:-**

Your Company has come out with an Initial Public Offering of its shares. An amount of Rs. 1100 Million was raised through IPO and based upon the bids received for the IPO, 4,074,074 shares of nominal value of Rs. 10 each were allotted at a premium of Rs. 260/- per share on June 26, 2007.

**Issue of Debentures to LIC Mutual Fund:-**

Your Company has privately placed 600 secured Redeemable Non Convertible Debentures of Rs. 10 Lakhs each amounting to Rs. 60 Crores with LIC Mutual Fund on November 14, 2006. The said debentures are due for redemption on November 13, 2007.

## FUTURE PLANS

The Company has drawn up an aggressive expansion plan for the Fiscal years 2008 & 2009. The Company is planning to add another 30 stores by March 31, 2009. The total retail space stood at 12,82,000 (Approx) on May 21, 2007. We have already identified locations for few of our forthcoming stores and are in the process of entering into Memorandum of Understanding with respective Landlords' for the same. Your company will be adding more Private Labels in its portfolio to enhance the growth margins.

***Your Company has opened up three new stores during this financial year at Patna (Bihar), Karnal (Haryana) & Dahisar (Mumbai).*** Few more stores are in the pipeline and we will be launching them in the near future.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis has been dealt extensively in the Annexure I to this report.

## DIVIDEND

Your directors opine that funds are needed to be augmented for the growth initiatives of the Company. Hence, no dividend has declared for this year.

## PUBLIC DEPOSIT

During the year, the Company has not accepted any deposit under Section 58A of the Companies Act, 1956.

## DIRECTORS

Mr. Surender Kumar Agarwal, Executive Director of the Company retires by rotation and being eligible offers himself for reappointment at this Annual General Meeting.

Mr. Praveen Kumar Jain and Mr. Shyam Sunder Dhanuka resigned from the directorship of the Company on August 25, 2006 & November 09, 2006 respectively. Further Mr. Jai Prakash Shukla and Mr. Rakesh Agarwal were appointed as Additional director on September 30, 2006 and October 31, 2006 respectively and whose tenure expires at the date of ensuing Annual General meeting. The company has received letters from members proposing their appointment as a regular director of the Company at ensuing Annual General meeting.

## AUDITORS

The existing auditors M/s Haribhakti & Co., Chartered Accountants, retires at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. The Auditor's Report is self explanatory in nature and do not need any clarification.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

- (i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimated that were reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period under review;



- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the annual accounts for the year ended 31<sup>st</sup> March 2007 on a 'going concern' basis.

#### FOREIGN EXCHANGE EARNING/EXPENDITURE & CONSERVATION OF ENERGY

A Statement giving details of Conservation of energy, technology absorption and foreign exchange earnings as required u/s 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of particulars in the Report of Directors) Rules 1988, has been enclosed as Annexure- II to this report.

#### OTHER INFORMATION

A statement showing particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is annexed hereto as Annexure III, to this report.

#### ACKNOWLEDGEMENT

The Directors wish to thank and deeply acknowledge the co-operation, assistance and support extended by the Central Government, the State Governments, the Company's Bankers, the Shareholders, the Dealers, Vendors, Customers and all others involve in the success and growth of the Company. The Directors also wish to place on record their appreciation for the co-operation and contribution made by the employees at all levels.

On behalf of the Board of Directors

Sd/-

**Ram Chandra Agarwal**  
Chairman

Date : 13.08.2007  
Place : New Delhi

**Annexure-I**

# MANAGEMENT DISCUSSION AND ANALYSIS

**INDUSTRY EVALUATION**

Indian Retail Industry is ranked among the ten largest retail markets in the world. The attitudinal shift of the Indian consumer in terms of "Choice Preference", "Value for Money" and the emergence of organised retail formats have transformed the face of Retailing in India. As per CRIS INFAC Report, 2005, the Indian retail industry is currently estimated to be a US\$ 200 billion industry and organised Retailing comprises of 3 per cent (or) US\$6.4 Billion of the retail industry. With a growth over 20 percent per annum over the last 5 years, organised retailing is projected to reach US\$ 30 Billion by 2010.

Retailing in India is gradually inching its way to becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping. Modern retail has entered India as seen in sprawling shopping centres, multi-storeyed malls and huge complexes offer shopping, entertainment and food all under one roof.

Retail is India's largest industry, accounting for over 10 percent of the country's GDP and around 8 percent of employment. Retail in India is at the crossroads. It has emerged as one of the most dynamic and fast paced industries with several players entering the market.

The Indian retailing sector is at an inflexion point where the growth of organised retail and growth in the consumption by Indians is going to adopt a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector are going to be the key growth drivers of the organised retail sector.

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, 2005 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	2004-05 E	2005-06 P	2006-07 P	2007-08 P
<b>Total Retail Industry</b>	<b>Rs. billion</b>	<b>9990</b>	<b>10659</b>	<b>11374</b>	<b>12136</b>
<b>Growth Rate</b>	<b>Per Cent</b>	<b>6.7</b>	<b>6.7</b>	<b>6.7</b>	<b>6.7</b>
<b>Organised</b>	<b>Rs. Billion</b>	<b>350</b>	<b>441</b>	<b>556</b>	<b>700</b>
<b>Penetration</b>	<b>Per Cent</b>	<b>3.5</b>	<b>4.1</b>	<b>4.9</b>	<b>5.8</b>
<b>Organised Retail Y-O-Y growth</b>	<b>Per Cent</b>	<b>24</b>	<b>26</b>	<b>26</b>	<b>26</b>

**E-Estimated, P-Projected****Source : CRIS INFAC, 2005**