



# **V2 RETAIL LIMITED**

(Formerly Vishal Retail Limited)

## **Annual Report 2010-11**

## Important Message

### MCA's Green Initiative for paperless communication

Dear Shareholder,

The Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by Companies through electronic mode. In accordance with the recent circular no. 17/2011 dated 21.04.2011 and circular no. 18/2011 dated 29.04.2011 issued by the Ministry, Companies can now send various notices and documents, including annual report, to its shareholders through electronic mode to the registered e-mail addresses of shareholders.

It is a welcome move for the society at large, as this will reduce paper consumption to a great extent and allow shareholders to contribute towards a Greener Environment. This is a golden opportunity for every shareholder of V2 Retail Limited to contribute to the Corporate Social Responsibility initiative of the Company.

**To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of Demat holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to fill in the Registration form given below and register the same with the Registrar and Share Transfer Agent of the Company, Link Intime India Private Limited, C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup (W) Mumbai – 400 018 or V2 Retail Limited, Plot No. 8, Pocket-2, Block-A, Rangpuri Extensions, NH-8, Delhi 110 037.**

**Let's be part of this 'Green Initiative'!**

Please note that as a member of the Company you will also be entitled to receive all such communication in physical form, upon request.

Best Regards,  
SAURABH MISRA  
Company Secretary



### E-COMMUNICATION REGISTRATION FORM

(In terms of circular no. 17/2011 dated 21.04.2011 and circular no. 18/2011 dated 29.04.2011 issued by the Ministry of Corporate Affairs)

Folio No. / DP ID & Client ID : .....

Name of 1st Registered Holder : .....

Name of Joint Holder(s) : .....

Registered Address : .....

E-mail ID (to be registered) : .....

I/we shareholder(s) of V2 Retail Limited agree to receive communication from the Company in electronic mode. Please register my above e-mail id in your records for sending communication through e-mail.

Date: ..... Signature : .....

(First Holder)

**Note:** Shareholder(s) are requested to keep the Company's Registrar – Link Intime India Private Limited informed as and when there is any change in the e-mail address.

## BOARD OF DIRECTORS

**Shri Ram Chandra Agarwal** *Chairman & Managing Director*

**Smt. Uma Agarwal** *Executive Director*

**Shri Shunil Tripathi** *Additional Director*

**Shri Dharmnath Prasad** *Independent Director*

**Shri Alok Kumar Srivastava** *Additional Director*

**Shri Rahul Kumar** *Independent Director*

## COMPANY SECRETARY

**Shri Saurabh Misra** *Company Secretary*

## STATUTORY AUDITORS

**M/s. Surana Singh Rath & Co., Chartered Accountants**

15/A, Laxmi Narayan Mukherjee Road

Kolkatta 700 006

## REGISTERED & CORPORATE OFFICE

Plot No. 8, Pocket-2, Block-A,

Rangpuri Extensions, NH-8,

Delhi 110 037

Phone(011)-32431314-15

Fax: (011)-26784281

## REGISTRAR AND TRANSFER AGENT

**Link Intime India Private Limited**

C-13, Pannalal Silk Mills Compound, L.B.S Marg, Bhandup(W)

Mumbai -400 018

Phone: (022)-25963838

Fax: (022)-25946969

Email: Mumbai@linkintime.co.in

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## NOTICE

NOTICE IS HEREBY GIVEN THAT TENTH ANNUAL GENERAL MEETING OF THE V2 RETAIL LIMITED WILL BE HELD ON 30.09.2011 at LUTHRA FARM HOUSE, GATE NO. 3, NEAR SHANI BAZAR, RAJOKRI, NEW DELHI 110 038 at 10.30 A.M. TO TRANSACT THE FOLLOWING BUSINESS

### ORDINARY BUSINESS

- To receive, consider and adopt the Audited Profit and Loss account for the year ended March 31, 2011 and the Balance Sheet as at that date together with the Report of the Board of Directors and the Auditors thereon.
- To appoint a Director in place of Ms. Uma Agarwal who retires by rotation and being eligible offers herself for reappointment.
- To appoint M/s AKGVG & Associates, Chartered Accountants as the Statutory Auditors of the Company in place of M/s. Surana Singh Rath & Co., retiring statutory auditors to hold office until the conclusion of next annual general meeting at a remuneration to be fixed by the Board of Directors of the Company.

**"RESOLVED THAT** pursuant to the provisions of section 224 of the Companies Act, 1956 and any other law for the time being in force, M/s AKGVG & Associates, Chartered Accountants, be and is hereby appointed as the statutory auditors of the company at a remuneration to be decided by the Board of Directors of the company"

### SPECIAL BUSINESS

- To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** Mr. Shunil Tripathi, appointed as an Additional Director by the Board of Directors on 20th October, 2010 and who holds office upto the date of this Annual General Meeting of the Company and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Shunil Tripathi as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company whose period of office as a director is liable to determination by retirement of directors by rotation."

- To consider and if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** Mr. Alok Kumar Srivastava, appointed as an Additional Director by the Board of Directors on 12th May, 2011 and who holds office upto the date of this Annual General Meeting of the Company and in respect of whom notice under Section 257 of the Companies Act, 1956 has been received from a member signifying his intention to propose Mr. Alok Kumar Srivastava as a candidate for the office of Director of the Company, be and is hereby appointed as a Director of the Company whose period of office as a director is liable to determination by retirement of directors by rotation."

- To consider and if thought fit, to pass, with or without modification, the following resolution as a SPECIAL RESOLUTION:-

**"RESOLVED THAT** pursuant to the provisions of Section 61 and other applicable provisions, if any, of the Companies Act, 1956 read with Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and subject to the approvals, consent, permission, sanctions, etc. as may be necessary, consent of and/or ratification by the members of the Company be and is hereby accorded to the change in some of locations of retail stores to locations other than those stated in the Prospectus dated 18.06.2007 in the commercial interest of company and stakeholders, as per the details provided in the Explanatory statement attached herewith.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution all acts deeds, matters, things and related steps taken by the Board of Directors (hereinafter referred to as 'Board' which term shall deem to include any committee constituted by the Board) be and are hereby approved and rectified and the Board be and is hereby authorized to take further steps as it may deem fit and proper in such manner as may appear to be most beneficial to the Company."

By the Order of the board of directors  
For V2 Retail Limited

sd/-

Ram Chandra Agarwal  
Chairman & Managing Director

Date : 04.09.2011  
Place : New Delhi

### Notes:

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD

OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY FORM IS ENCLOSED. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

- Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Special Business set out in the notice is enclosed.
- All documents referred to in the notice or in the accompanying explanatory statement are open for inspection at the registered office of the Company between 11:00 a.m. to 1:00 p.m. on all working days upto the date of Annual General Meeting.
- The details pertaining to the appointment / reappointment of Directors are furnished in statement of Corporate Governance in the Directors' Report/ in the Explanatory Statement in the notice.
- The register of members and the share transfer books of the Company will be closed from 24th September 2011 to 29th September, 2011 both days inclusive.
- Members/ proxies should bring their copy of the Annual Report for reference at the meeting as also the attendance slip duly filled in for attending the meeting.
- Members holding shares under more than one folio may use photocopy of this Proxy Form for other folios. The company shall provide additional forms on written request only.
- Members are informed that in case of joint holders attending the meeting, only such joint holder who is first in the order of names will be entitled to vote.
- Shareholders holding the shares in physical form and desirous of making nominations are requested to send their requests in Form No. 2B in duplicate (which will be made available on request).
- In respect of shareholders' holding shares in electronic form, members are requested to notify any change of address and change in bank details to their Depositories Participants.
- The communication address of our Registrar and Share Transfer Agent (RTA) Link Intime India Private Limited, A-40, 2nd floor, Naraina Industrial Area, Phase-II, Near Batra Banquet Hall, New Delhi-110028.
- Details of Ms. Uma Agarwal who is proposed to be reappointed at the ensuing Annual General Meeting, as required under Clause 49 of the Listing Agreement, are as under:-

Name of Director	: Ms. Uma Agarwal
Date of Birth	: 15.11.1975
Date of Appointment	: 23.07.2001
Expertise in specific Functional Area	: She Holds Nine years of experience in retail industry
Qualifications	: Bachelor in Arts
Directorship held in other public Companies	: VRL Fashions Limited VRL Consumer Goods Limited VRL Knowledge Process Limited VRL Retail Ventures Limited VRL Foods Limited VRL Movers Limited VRL Infrastructure Limited

Membership/ chairmanship of other public companies	: None
Shareholding in the Company	: 3,44,000/- (Three Lacs Forty Four Thousand) equity shares as on 31st March 2011

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

#### ITEM NO. 4

Mr. Shunil Tripathi was appointed as an Additional Director of the Company with effect from 20th October 2010 by the Board of Directors of the Company.

Pursuant to the provisions of Section 260 of the Companies Act, 1956, he shall hold office as Additional Director only upto the date of this Annual General Meeting. As required by Section 257 of the Act, a notice has been received from a member proposing appointment of Mr. Shunil Tripathi as a Director along with a deposit of Rs. 500/- . Shunil Tripathi is not disqualified from being appointed as Director in terms of Section 274(1) (g) of the Companies Act, 1956 and he has already given his consent letter to act as a Director on the Board of the Company.

Details of Mr. Shunil Tripathi who is proposed to be appointed as Director at the ensuing Annual General Meeting, as required under Clause 49 of the Listing Agreement, are as under:-

**Name of Director** : Shunil Tripathi  
**Date of Birth** : 27/12/1980  
**Date of Appointment** : 20.10.2010  
**Expertise in specific Functional Area** : Finance  
**Qualifications** : M.COM, MBA ( FINANCE)  
**Directorship held in other public Companies** : NIL  
**Membership/chairmanship of other public companies** : NIL  
**Shareholding in the Company** : NIL equity shares as on 31st March 2011

The Board recommends the members of the Company to appoint Mr. Shunil Tripathi and pass the necessary resolutions as detailed in the Notice. Brief profile of Mr. Shunil Tripathi is enclosed for the reference of the members.

No other Directors of the Company are concerned or interested in the proposed resolution.

#### ITEM NO. 5

Mr. Alok Kumar Srivastava was appointed as an Additional Director of the Company with effect from 12th May 2011 by the Board of Directors of the Company.

Pursuant to the provisions of Section 260 of the Companies Act, 1956, he shall hold office as Additional Director only upto the date of this Annual General Meeting. As required by Section 257 of the Act, a notice has been received from a member proposing appointment of Mr. Alok Kumar Srivastava as a Director along with a deposit of Rs. 500/-. Alok Kumar Srivastava is not disqualified from being appointed as Director in terms of Section 274(1) (g) of the Companies Act, 1956 and he has already given his consent letter to act as a Director on the Board of the Company.

Details of Mr. Alok Kumar Srivastava who is proposed to be appointed as Director at the ensuing Annual General Meeting, as required under Clause 49 of the Listing Agreement, are as under:-

**Name of Director** : Alok Kumar Srivastava  
**Date of Birth** : 10/05/1983  
**Date of Appointment** : 12.05.2011  
**Expertise in specific Functional Area** : Finance & Corporate Law  
**Qualifications** : LL.B , C.S  
**Directorship held in other public Companies** : NIL  
**Membership/chairmanship of other public companies** : NIL  
**Shareholding in the Company** : NIL equity shares as on 31st March 2011

The Board recommends the members of the Company to appoint Mr. Alok Kumar Srivastava and pass the necessary resolutions as detailed in the Notice. Brief profile of Mr. Alok Kumar Srivastava is enclosed for the reference of the members.

No other Directors of the Company are concerned or interested in the proposed resolution.

#### ITEM NO. 6

The object of the IPO as mentioned in the Prospectus dated 18.06.2007 was primarily to open new retail stores across India. 22 locations identified for the purpose were also indicated in the Prospectus. While it projected to open 22 stores out of the issue proceeds, towards its expansion and growth drive the company managed to open 24 stores out of the fund proceeds for the overall benefit of the company and its stakeholders. However some such stores were opened in locations other than those specified in the Prospectus, out of business acumen and in best interest of the company, due to various inadvertent causes as stated below.

The Company was continuously endeavoring for opening of the proposed stores and alongwith the said stores, additional location were identified and, subject to suitability of applicable factors, additional retail stores were opened in pursuance our aim to reach out and serve the target customer base which directly leads to increased profitability and increase in shareholders' wealth. The company has made its utmost efforts to open stores in the locations wherein they were proposed in the prospectus however, being business decisions, it was best suited that the strategy which is best suited towards the growth and expansion of business was to be adopted. Keeping in view the above said there could not be located any such location in such areas wherein the project stores could be opened. With respect to certain locations the company had even entered into agreements with the landlords, the agreements with whom were terminated for some disagreements with such property owners. Hence, the basic reasons as to why despite of genuine efforts on the part of the company to open stores in projected locations, such stores could not be established, were:-

- i. Non availability of desirable locations to suit the interest of the company
- ii. Certain disagreements with the Property owners due to which the proposed contracts were terminated

The Company made its best possible efforts towards utilization of issue proceeds in the manner it was proposed to be made and are prudently utilized by the Company to meet its commercial decisions in the best interest of the stakeholders as a whole. Further, the interim use of issue proceeds was made towards high quality interest bearing liquid instruments including money market mutual funds, deposits with banks as was stated in the Prospectus and was also intimated to the stock exchanges in due course along with unaudited results of the company as submitted on quarterly basis.

In view of the above and as per professional advice received by company, company is required to take approval of shareholders for change in locations of such retail stores as mentioned in Prospectus, so Members' approval is sought for approval and ratification of the Company's actions of opening of retail stores, as below mentioned, other than those indicated in the prospectus.

Details of Locations, wherein retail stores were opened by the Company out of Issue Proceeds -

S. No.	Location	S. No.	Location
1.	Karnal	2.	Rudrapur
3.	Bhatinda	4.	Agra II
5.	Allahabad	6.	Shimla
7.	Beawar	8.	Khanna
9.	Bikaner	10.	Agra II
11.	Silchar	12.	Batala
13.	Dhanbad II	14.	Mulund
15.	Kangra	16.	Phagwara

Other than aforesaid, the company initiated to open 8 stores in locations which were well stated in its Prospectus as well.

The Board recommends the resolution set out at item no. 6 of the notice for your approval.

None of the directors is interested in the above resolution except to the extent of their shareholding in the Company.

**By the Order of the board of directors  
For V2 Retail Limited**

Date : 04.09.2011  
Place : New Delhi

**sd/-  
Ram Chandra Agarwal  
Chairman & Managing Director  
DIN 00491885**

## DIRECTOR'S REPORT

Your Directors have great pleasure in presenting the Tenth Directors' Report of the company with the audited statements of accounts for the year ended March 31, 2011.

### Financial Highlights (Rs. in million)

PARTICULARS	Year ended 31.03.2011	Year ended 31.03.2010
Income from Operations	10646.46	11054.59
Other Income	104.05	130.28
<b>Total Income</b>	<b>10750.51</b>	<b>11184.87</b>
<b>Total Expenditure except interest cost</b>	<b>11543.41</b>	<b>16136.16</b>
Interest	1070.63	897.58
Profit(+) & Loss(-) before tax (3)-(4+5)	(1863.53)	(5848.87)
Provision for Taxation	Nil	Nil
Tax Adjustments	219.30	2238.96
<b>Net Profit (+) &amp; Loss (-) after tax(6-(7+8))</b>	<b>(1644.23)</b>	<b>(3609.99)</b>
<b>Brought forward from Previous year</b>	<b>(4269.00)</b>	<b>(121.83)</b>
<b>Extra Ordinary Item &amp; Prior Period Adjustment</b>	<b>(992.51)</b>	<b>(537.18)</b>
<b>Amount available for appropriation</b>	<b>Nil</b>	<b>Nil</b>
Less: Provision for Preference Dividend	Nil	Nil
Less: Provision for Dividend Distribution Tax	Nil	Nil
<b>Balance carried to Balance Sheet</b>	<b>(4920.72)</b>	<b>(4269.00)</b>
<b>EPS(In Rs for Equity Shares of par value of Rs.10/- each)</b>		
<b>Basic (before extraordinary items)</b>	<b>(72.37)</b>	<b>(162.47)</b>
<b>Basic (after extraordinary items)</b>	<b>(29.10)</b>	<b>(185.15)</b>
<b>Diluted (before extraordinary items)</b>	<b>(72.37)</b>	<b>(162.47)</b>
<b>Diluted (after extraordinary items)</b>	<b>(29.10)</b>	<b>(185.15)</b>

## CHANGE OF NAME OF THE COMPANY

As approved by you by way of Special Resolutions passed by Postal Ballot, the name of the Company has been changed to V2 RETAIL LIMITED as per the Fresh Certificate of Incorporation consequent upon Change of Name dated 29th July, 2011 issued by the Registrar of Companies, Delhi.

## PERFORMANCE REVIEW

Retailers in India experienced high growth during the period 2004-07. However, as the slowdown hit the Indian economy in 2008, modern retail in India too felt its impact to a large extent. While it is true that the Company has sold off its wholesale business, franchise business and retail undertaking to TPG Wholesale Pvt. Ltd and Airplaza Retail Holdings Pvt. Ltd as per Wholesale Slump Sale Agreement dated January 06, 2011, we feel that the market is still open and a significant business opportunity lies ahead for the retailers. The overall market continues to grow at 5+% and consumer aspiration for a better service environment still remains intact and hence your company continues to endeavor to establish and make a come back in the retail space with a chain of stores under the 'V2' brand in the Retail Industry under the style:

## OPERATIONS REVIEW

- During the year, the Company was in the process of finalization and execution of the terms of sale of its wholesale, franchise, institutional sales and retail undertakings to TPG Wholesale Pvt. Ltd and Airplaza Retail Holdings Pvt. Ltd.
- Company opened in its new stores under the brand "V2" at:

S.No	Location	Area (sq. ft.)
1	Sanjauli	15,500
2	Solan	25,683
3	Jamshedpur	10,292

- The Company also opened a new warehouse at Rangpuri, Delhi with 9,276 sq. ft. area on 31.12.2010.
- Post 31.03.2011, the Company opened new stores at:

S.No	Location	Area (sq. ft.)	Date
1	Faridabad	6,400	29.04.2011
2	Karol Bagh	12,600	18.04.2011
3	Krishna Nagar	15,052	25.05.2011
4	Mahipalpur	9,300	14.04.2011
5	Rajouri Garden	4,455	13.05.2011

- The Company also opened a new warehouse at Kapashera, Delhi admeasuring 22,850 sq. ft. on 25.04.2011
- Factors like negotiating rentals, store opening and rationalization, working capital management, regionalization, cost optimization and manpower planning are some of the key issues for the Company in the current context of re establishment.

## CORPORATE DEBT RESTRUCTURING

The Company had approached the Corporate Debt Restructuring (CDR) Cell through SBI in September 2009 for restructuring the debts of the Company through CDR mechanism. The final restructuring package was approved by CDR Empowered Group in its meeting held on March 12, 2010. The detailed information on Corporate Debt Restructuring is provided in Management Discussion and Analysis Report.

## SALE OF UNDERTAKINGS OF THE COMPANY

In pursuance to the CDR and the authority obtained from the shareholders u/s 293(1)(a) vide postal ballot, the Company sold and transferred on a slump sale basis, on 14.03.2011:

- Retail Trading Undertaking of the Company to a company owned by Shriram Group, a diversified industrial group headquartered in Chennai,
- The Wholesale Trading, Institutional Sales and Franchise Operations undertaking to a 100% Indian subsidiary of TPG VW Limited.

which inter alia were conducted by the company under the name and style of "Vishal", "Vishal Retail", "Vishal Megamart" and "Vishal Fashion Mart".

## INDUSTRIAL RELATIONS

Pursuant to sale of its wholesale, franchise, institutional sales and retail undertakings, barring a few employees, most of the staff at its retail and wholesale businesses has been retained by the new owners.

The Company has developed a climate of cooperation, & confidence to make the process of change easy in the present context.

The Company is making appointments for the suitable positions aiming to create a talented personnel pool of the Company and shall further aim to establish good industrial relations that would imply existence of an atmosphere

of mutual cooperation, confidence & respect within enterprise. In such an atmosphere, there are common goals, which motivate all members of organisation to contribute their best.

## MATERIAL CHANGES AFTER BALANCE SHEET DATE

- Change of name of the Company to V2 Retail Limited.
- Alteration in other objects clause of the company by adding the authority of the Company to enter into real estate activities besides the main business of retail.
- Appoint of M/s Surana Singh Rathi & Co., Chartered Accountants as Statutory Auditors of the company for the Financial year 2010-11
- Appointment of Mr. Dharam Nath Prasad and Mr. Rahul as an Independent director
- Appointment of Mr. Alok Kumar Srivastava as the additional director.
- Pursuant to approval from NSE and BSE, 3,910,000 (3,910,000) Convertible Share Warrants of Rs. 10/- each (against which Rs.2.5 per warrant has been received) issued on 30th October, 2009 to Mr. Ram Chandra Agarwal, were to be converted on or before 18 Months from date of issue i.e. April 2011. However due to nonpayment of the installment money, the warrants lapsed.
- Post 31.03.2011, the Company opened new stores at

S.No	Location	Area (sq. ft.)	Date
1	Faridabad	6,400	29.04.2011
2	Karol Bagh	12,600	18.04.2011
3	Krishna Nagar	15,052	25.05.2011
4	Mahipalpur	9,300	14.04.2011
5	Rajouri Garden	4,455	13.05.2011

- The Company also opened a new warehouse at Kapashera, Delhi admeasuring 22,850 sq. ft. on 25.04.2011.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

## DIVIDEND

In view of the loss for the current financial year, your directors do not propose to declare any dividend for this year.

## PUBLIC DEPOSIT

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

## DIRECTORS

The board of Directors appointed Mr. Dharamnath Prasad and Mr. Rahul Kumar as Independent Directors at its board meeting held on 25th June, 2011. They hold office until the ensuing Annual General Meeting. Notice has been received from a Member under Section 257 of the Companies Act, 1956 proposing their names for appointment as directors of the Company liable to retire by rotation.

Ms. Uma Agarwal, Director of the company liable to retire by rotation, whose term as additional director lapse at the ensuing Annual General Meeting, is proposed to be reappointed in the ensuing Annual General Meeting, pursuant to the receipt of Notice u/s 257 in her favor.

Mr. Jay Prakash Shukla, Executive Director, resigned from the Board of the company w.e.f. 13.03.2011

Ms. Seema Kukreja, Independent Director, resigned from the Board of the company w.e.f. 15.03.2011

## APPOINTMENT OF COMPANY SECRETARY

During the year under review, Mr. Arun Gupta resigned as Company Secretary on March 13, 2011.

As required under section 383A of the Companies Act, 1956 read with the provisions of the listing agreement with stock exchanges, Mr. Saurabh Misra, an associate member of the Institute of Company Secretaries of India, New Delhi, has been appointed as the Company Secretary on March 17, 2011.

## SUBSIDIARY COMPANIES

The Company has 7 subsidiary Companies namely, VRL Foods Limited, VRL Movers Limited, VRL Consumer Goods Limited, VRL Fashions Limited, VRL Infrastructure Limited, VRL Retail Ventures Limited and VRL Knowledge Process Limited. Out of the same 4 Companies viz. VRL Movers Limited, VRL Infrastructure Limited, VRL Retail Ventures Limited and VRL Knowledge Process Limited are subsidiaries by virtue of control over composition of the Board of Directors. None of the companies have commenced business operations during the year.



As per General Circular No: 2 /2011 issued by the Ministry of Corporate Affairs, Government of India, a general exemption has been provided to Companies for attaching the Directors' Report, Balance Sheet and Profit and Loss Account of all subsidiaries to its balance sheet, subject to fulfilling certain conditions as stipulated in the circular. Your Company complies with those conditions and, therefore, has been generally exempted by the Central Government from attaching detailed accounts of the subsidiaries, and accordingly, the financial statements of the subsidiaries are not attached in the Annual Report. For providing information to Shareholders, the annual accounts of these subsidiary Companies along with related information are available for inspection during business hours at the Company's registered office and at the registered office of the subsidiary companies concerned.

## AUDITORS

The Statutory auditors M/s Haribhakti & Co., Chartered Accountants, placed their resignation w.e.f. 31.03.2011.

To fill up the casual vacancy, M/s. Surana Singh Rath & Co., Chartered Accountants, were appointed as the Statutory Auditors of the Company w.e.f. 25.06.2011 by Postal Ballot resolution passed on 25.06.2011.

The Auditor's have put certain qualifications to which the management has put forward the following below mentioned replies;

### Qualification and response to Auditor's Report

- a) The accumulated losses of Rs. 4,920,718,732 (Rupees four hundred ninety two crores seven lacs eighteen thousand seven hundred thirty two only) as at 31st March, 2011 exceed the net worth of the Company;

*Excess of accumulated losses over net worth of the company will have no negative impact on the operations and running of the company as the Loss pertains to the earlier venture, which the Company has already restructured through slump sale. Further, the Company has reduced its indebtedness considerably and started its new retail venture and in the process of bringing financial stability within the Company.*

- b) The company has disposed off substantial part of its fixed assets under the Slump Sale agreement entered into as a part of Corporate Debt Restructuring Scheme. However the accompanying Financial Statements have been prepared assuming going concern. The company has disposed off substantial portion of its fixed assets under the Slump Sale agreement that raises substantial doubt about the Company's ability to continue as a Going Concern. Management Plans in regard to these matters are also described in Note B-6A to Schedule - 20 to the financial statements. The Financial statements do not include any adjustment that might result from the outcome of this uncertainty.

*The Company has already started its new retail venture under the brand & style "V2". The Company has entered into MOU for eight new stores, out of the same, four stores has already operational with a total area of 60,775 sq. ft during the current period.*

*From the above, management do not see any event which may lead to a reason wherein company should not be considered as going concern. Based on the same assessment, accounts have been drawn on going concern assumption.*

- c) Basis of accounting for Capital Reserve amounting to Rs. 6,052,324,263 (Rupees Six hundred five Crores twenty three lacs twenty four thousand two hundred and sixty three) on account of restructuring of business of the company during the year. The Company has trifurcated its Assets and Liabilities as on appointed date between the Acquiring Companies as per the agreement entered into between them and the difference between Assets and Liabilities transferred has been shown as Capital Reserve.

*The company has restructured its business during the year by way of sale of its Wholesale and Retail Businesses to TPG Wholesale Private Limited and Airplaza Retail Holdings Private Limited (referred to as Acquiring Companies) respectively. The Master Restructuring Agreement and other settlement agreements were entered into by the Company with the Acquiring Companies and its Lenders to effect the said restructuring and CDR proposal of the Company.*

- d) Basis of write off of Sundry balances amounting to Rs.22,470,875 (Rupees Two crores twenty four lacs seventy thousand eight hundred and seventy five only) included in Other Expenses in Schedule 16.

*The company made an assessment and has written off deposits/ advances which were not expected to realize in future.*

- e) Adequate documentary evidence for Miscellaneous Income of Rs.91,048,666 (Rupees nine crores ten lacs forty eight thousand six hundred sixty six only) which has been recognised as Other Income in the Profit & Loss Account in Schedule 14.

*The arrangements of display where company allows vendors/ companies to display their products are seasonal and not regular in nature, though we have adequate control on the collections from all the vendors. The above amounts are not material and significant in size in each arrangement,*

*though company obtains/ keeps contracts in cases where each arrangement is regular and material in nature.*

- f) The company has during the period under review discontinued its operation of Wholesale and Retail Division by way of Slump Sale Refer Note B-6 to Schedule - 20. However no disclosure for the same has been provided in Financial Statements as required by Accounting Standard 24 "Discontinuing Operations".

*The nature of the business of the Company is retailing only. Since, the Company has substantially disposed off through slump one of its retail ventures running under the brand & style "Vishal Megamart", it has not disposed in its entirety the retailing business of the Company. The Company has already started its new retail venture under the brand & style "V2 - Value & Variety".*

- g) Deferred Taxes Assets amounting to Rs. 2,845,904,015 (Rupees two hundred eighty four crore fifty nine lacs four hundred fifteen only) has been recognised in the Balance Sheet though the company has incurred operating losses in the current year and previous years and there exists no convincing evidence as to virtual certainty of future income to recover the deferred tax asset as required by Accounting Standard 22 "Accounting for Taxes on Income".

*The Company has already started its new retail venture under the brand & style "V2". The Company has entered into MOU for eight new stores, out of the same, four stores has already operational with a total area of 60,775 sq. ft during the current period.*

*The Company has also repaid most of their debts outstanding and is in the process of releasing its securities mortgaged with the Secured Lenders. Thus, the Company is in the process of becoming debt free. Thus, reduction in the Interest cost together with the contribution in the profits from the new stores, we found that there is virtual certainty that company will be able to make sufficient profits and accordingly Deferred Tax Asset has been recognized..*

## AUDIT COMMITTEE

The Constitution of the Audit Committee as on 31st March 2011 was as follows:

Name of the Director	Designation	Chairman / Member
Mr. Shunil Tripathi@	NEID ^	Chairman

@Appointed w.e.f. 20.10.2010

^ NEID - Non Executive Independent Director

Due to resignation of Independent Directors, Ms. Seema Kukreja and Mr. Jay Prakash Shukla, during the year on 15.03.2011 & 13.03.2011 respectively, the Audit Committee was reconstituted as follows, upon appointment of Mr. Alok Kumar Srivastava on 12.05.2011

Name of the Director	Designation	Chairman / Member
Mr. Shunil Tripathi	NEID	Chairman
Mr. Ram Chandra Agarwal	Promoter Director	Member
Mr. Alok Kumar Srivastava	NEID	Member

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, the Directors of the Company hereby confirm:

Subject to and except to the extent of the Auditor's qualification in the Auditor's Report which have been adequately responded to above, in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures; That the Directors had selected such accounting policies and applied them consistently and made judgments and estimated that are 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;

That the Directors had 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;

That the Directors had prepared the annual accounts for the year ended 31st March 2011 on a 'going concern' basis.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

A Statement giving details of Conservation of energy, technology absorption and foreign exchange earnings and outgo 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

## REPORT ON CORPORATE GOVERNANCE

The Report on Corporate Governance along with Auditors Certificate on the same has been enclosed as an Annexure III to this Report.

### OTHER INFORMATION

Information as per section 217 (2A) of Companies Act, 1956, read with companies (particular of employees) Rules, 1975 forms part of this report. However, as per the provisions of section 219 (b) (iv) of Companies Act, 1956, the reports and the accounts are being sent to all members of the Company, excluding the information required under sec 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended. Any member interested in obtaining such information may write to the Company Secretary at the registered office. The said information is also available for inspection at the corporate office during working hours up to the date of Annual General Meeting.

### IMPORTANT INTIMATION TO THE MEMBERS

As you may be aware, the Ministry of Corporate Affairs, Government of India ('MCA') has recently introduced 'Green Initiative in Corporate Governance' by allowing paperless compliance by Companies i.e. service of notice/ documents including Annual Report can be sent by email to its Members. Keeping in view the underlying spirit and pursuant to the said initiative of MCA, we request to the members who have not registered their e-mail addresses, so far, to register their e-mail addresses, in respect of electronic holdings with the depository through their respective Depository Participants. Members holding shares in physical form are also requested to register their e-mail addresses with Company's Registrar & Share Transfer Agent viz. Link Intime India Private Limited.

### 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 of the company in the success and growth of the Company. The Directors also wish to place on record appreciation for the co-operation and contribution made by the employees at all levels.

On behalf of the Board of Directors  
sd/-

Date : 04.09.11  
Place : New Delhi

Ram Chandra Agarwal  
Chairman  
Din:-00491885

### Annexure – I

## Management Discussion and Analysis

### INDUSTRY STRUCTURE AND DEVELOPMENT

Indian retail sector accounts for 22 per cent of the country's gross domestic product (GDP) and contributes to 8 per cent of the total employment.

The retail industry in India has gone through several orientations and readjustments since the advent of modernization few years ago. After the initial years of reckless expansion and hard lessons, it's time now to train industry sights on building retail businesses that are relevant, successful and enduring.

The Indian retail sector is highly fragmented with more than 90 per cent of its business being carried out by traditional family run small stores. This provides immense opportunity for large scale retailers to set-up their operations – a slew of organized retail formats like departmental stores, hypermarkets, supermarkets and specialty stores are swiftly replacing the traditional formats dramatically altering the retailing landscape in India.

In July of last year, the Department of Industrial Policy and Promotion (DIPP) released a detailed discussion paper mentioning the feasibility of introducing a Shopping Mall Regulation Act in order to protect the interests of the small-scale domestic retailers while simultaneously exploring the plausibility of permitting FDI in multi-brand retail.

The total retail sales in India will grow from US\$ 395.96 billion in 2011 to US\$ 785.12 billion by 2015, according to the BMI India Retail report for the third quarter of 2011. Robust economic growth, high disposable income with the end-consumer and the rapid construction of organized retail infrastructure are key factors behind the forecast growth. The greater availability of personal credit and a growing vehicle population providing improved mobility also contribute to a trend towards annual retail sales growth.

### KEY GROWTH DRIVERS OF RETAIL INDUSTRY

The growth factors of the retail sector of Indian economy:

- Increase in per capita income which in turn increases the household consumption
- Demographical changes and improvements in the standard of living
- Change in patterns of consumption and availability of low-cost consumer credit
- Improvements in infrastructure and enhanced availability of retail space
- credit friendliness, drop in interest rates and easy availability of finance
- Regulatory enablers aiding growth

### OPPORTUNITIES

It has been estimated that the Indian retail sector is around Rs. 9,00,000 crores. Organized sector accounts for a mere about 4 per cent of total retail business in India indicating a huge potential and market opportunity for

organized retailer. There is a need for organized retail to adapt itself to the Indian retail scenario to fully encash on this opportunity.

During the year, the government has initiated some dialogue on the opening up of the retail sector to foreign direct investment (FDI) in a calibrated manner which may result in some foreign players, along with new domestic players entering the sector in the near future. Some of the world's leading retailers are already present in the country either through joint ventures and franchisee agreements with local players or through cash-and-carry operations. We view these developments as a positive opportunity as the entry of new players would only expand the modern retail market which is currently not fully penetrated.

### STRENGTHS

In the present context, the Company shall focus and develop the following as its strengths leading to an accelerated sustainable organizational development:

- Placing right people at the right job being talented professionals, especially at the middle-management level.
- Developing and setting up an agile and adaptive supply chain.
- Employing standard security features such as CCTVs, POS systems and anti-shoplifting systems for greater control over fraud and theft to curb employee pilferage, shoplifting, vendor frauds and inaccuracy in supervision and administration.
- Improvement in infrastructure and logistics to reach out to untapped market.

### Future Outlook and Strategies

- Effective utilization of IT system
- Productively employing staff at all location
- Branding
- Right Positioning of the Company
- Effective Visual Communication
- Strong Supply Chain
- Expansion of the business of the Company through Franchisee and Revenue Sharing Model.
- Increased focus on Shop in Shop Format i.e. excess space renting Arrangements.
- Focus on Core competencies of the Company i.e. retailing.
- Diversify business

### Risks and Concerns

#### Execution

We believe the key risk to our growth is execution risk. The process of reestablishment is expected to happen over the next months and the timely execution of which will be critical.

#### Increase in Competition to Impact Margins

With the entry of big players in retail Industry the competition will become intense. Increase in competition is expected to alter the dynamics of business and further sustaining/ acquiring space and manpower resources.

#### Higher rentals

Despite economic meltdown and recessionary phase there has been very little change in the rentals. The market is still on a high rental level, leaving very little margin for the retailers to sustain in the market. The balancing/ correction of rentals to the right proportion as per industry standards abroad has yet to take place in India.

#### Internal Control Systems and Their Adequacy

The Company has a proper, efficient & adequate system of internal control. This ensures that all assets are safeguarded and protected against loss from unauthorized use or disposition and the transactions are authorised, recorded and reported correctly.

An extensive program of internal audit and management review supplements the process of internal control. Properly documented policies, guidelines and procedures are laid down for this purpose.

The Company has Internal Auditor(s) at each store to monitor and strengthen the Internal Control of its stores. The Company also appoints consultants, advisors, professionals from time to time to guide the company to improve its operations.

#### Corporate Debt Restructuring (CDR)

- During the previous year, Empowered Group (EG) of CDR approved the proposal of the Company for restructuring its secured as well as unsecured debts. SBI, HDFC, HSBC, ING Vysa, UCO bank and BOI are the participating banks under the CDR mechanism.
- About CDR

The CDR mechanism, launched in February, 2002 under the aegis of RBI, is a voluntary and non-statutory arrangement to ensure timely and transparent mechanism for restructuring the corporate debts of potentially viable entities, outside the preview of legal proceedings.

Banks and FIs participating in CDR System became member and formed a self-empowered body, which lay down policies and guidelines, and monitors the



process of the CDR. At present there are 56 members such as State Bank of India, Life Insurance Corporation of India, Bank of Baroda, Bank of India, ICICI Bank etc.

CDR system is based on Debtors Creditor Agreement and Inter Creditor Agreement and this provide the legal basis to the CDR mechanism.

Further, if 75 per cent of creditors by value and 60 per cent creditors by number agree to a restructuring package of an existing debt, the same would be binding on the remaining creditors.

CDR considers all the preliminary reports for restructuring. However, the detailed package will be worked out with the help of Lead institution for the potentially viable companies.

The Company filed its preliminary report for restructuring through SBI and the case was admitted.

CDR Empowered Group in its meeting held on March 12, 2010 approved the restructuring package of the company and the same was conveyed to the Company on March 31, 2010.

## Present Status on Implementation of CDR Package:

- Pursuant to the approved CDR package of the Company and the receipt of all requisite approvals including the approval of the Board of Directors of the Company, approval of its shareholders by way of postal ballot and the modification of the stay orders issued by the Hon'ble High Court of Delhi, the Company has successfully completed the sale and transfer of slump sale of the above mentioned undertakings.
- The retail trading undertaking has been transferred and sold to Airplaza Retail Holdings Pvt. Ltd. (a Company owned by Sriram Group) together with all rights, assets and interests pertaining to the retail undertaking and certain identified liabilities pertaining to the retail undertaking.
- The Wholesale trading, institutional sales and franchise operations undertaking of the Company to TPG Wholesale Pvt. Ltd. (Indian Subsidiary of TPG VW, Limited) together with all rights, assets and interests pertaining to the Wholesale Undertaking and with certain identified liabilities pertaining to Wholesale Undertaking.

## HUMAN RESOURCE MANAGEMENT

Your Company has always valued its employees. The Company has developed Human Resource Management system and process, which aim to create a responsive, customer centric and market focused culture that enhances organizational capability and vitality. These systems and processes are operating in an enabling and empowering work environment, which supports winning performance.

## COMPANY PERFORMANCE REVIEW

Your Company has reported a loss of Rs. 651 Millions during the financial year ended March 31, 2011.

The Company had sold off its wholesale business, franchise business and retail undertaking to TPG Wholesale Pvt. Ltd and Airplaza Retail Holdings Pvt. Ltd this year.

The turnover from operations of the company during the financial year ended March 31, 2011 was Rs. 10646 Mn as compared to Rs. 11055 Mn during the previous year ended March 31, 2010. The turnover of the company decreased by 3.70 % from the previous year.

After the completion of sale, as mentioned above, on 14.03.2011, the company opened 3 stores till 31.03.2011. The Company is now also planning to establish manufacturing set-ups.

## Cost of Goods sold

Cost of goods sold decreased by more than 33% to Rs. 8331 Mn. by FY'11 from Rs 12585.19 Mn in FY'10.

The decrease can be attributed to the closing down of unviable stores and concentration of the company to sell off its undertakings to TPG Wholesale Pvt. Ltd and Airplaza Retail Holdings Pvt. Ltd, this year.

## Administrative & Other Expenses

Administrative & Other Expenses declined by Rs. 102.28 Mn i.e 5.9% in FY'11. The decline in the cost is mainly on account of closing down of stores and aggressively pursuing policy of cost reduction.

## Personnel Expenses

The personnel expenses decreased by 10.25% to Rs. 794 mn in FY'11 from 885 Mn in FY'10. The decrease in personnel expenses is mainly on account of closing down of stores which led to decrease in number of personnel employed there and aggressively pursuing policy of cost reduction.

## Depreciation

The Company provided for depreciation of Rs. 343 Mn during FY' 11 compared to Rs 465 Mn in FY'10. For the year under consideration, cumulative depreciation was 12.14% of gross block, from 39.09% in the previous year. Your Company uses the Written down Value (WDV) method to compute depreciation charges.

## Finance Charges

Interest expense reduced by 88.71% to Rs 101 Mn during FY' 11 compared to 898 Mn during FY'10. Such a substantial reduction can be attributed to the Debt restructuring undertaken by the company and pursuant sale of undertakings.

## Provision for Taxation

Being in losses, the company has not made any provisions for taxation.

## EPS

The year recorded a negative EPS of Rs. (72.37) compared to previous year EPS of Rs. (162.47). The Diluted Earnings per Share (DPS) was Rs (29.10) in FY'11 compared to Rs (185.15) in FY'10.

## Balance Sheet Position

### Share Capital

Your Company has an authorised equity share capital of Rs. 300mn comprising 30mn equity shares of Rs 10 each and an authorised preference share capital of Rs 58.4 mn divided into 400,000 preference shares of Rs 146 each.

### Reserves & Surpluses

The reserves and surplus as on March 31, 2011 is Rs. 7765 Mn as compared to Rs. 1713 Mn as on March 31, 2010.

The company has restructured its business during the year by way of sale of its Wholesale and Retail Businesses to TPG Wholesale Private Limited and Airplaza Retail Holdings Private Limited (referred to as Acquiring Companies) respectively. The Master Restructuring Agreement and other settlement agreements was entered into by the Company with the Acquiring Companies and its Lenders to effect the said restructuring and CDR proposal of the Company. As a result of the said agreement the liabilities to the extent of Rs. 823.20 Crores and assets of Rs. 393.63 crores were taken over by the acquiring companies against a consideration of Rs. 70 crores. The Slump Sale transaction resulted in a Capital Reserve of Rs. 499.57 Crores.

As a part of the said restructuring some unsecured lenders of the company also waived off their claims to the extent of Rs. 105.81 Crores which has also been transferred to Capital reserve Account.

The company got waiver of Rs. 96.93 crores as reversal of interest under the CDR scheme which has been disclosed as extra ordinary item in the Profit & Loss Account.

### Profit and Loss Account

Your Company incurred a loss of Rs. 651.77 Mn during the financial year ended March 31, 2011. Resultantly the balance in P&L as on March 31, 2011 was Rs. (4920) Mn compared to Rs (4269) mn as on March 31, 2010.

### Debt

The total amount of the debt has been considerably reduced to Rs. 643 mn from the previous year Rs. 7662 mn.

The company has restructured its business during the year by way of sale of its Wholesale and Retail Businesses to TPG Wholesale Private Limited and Airplaza Retail Holdings Private Limited (referred to as Acquiring Companies) respectively. The Master Restructuring Agreement and other settlement agreements was entered into by the Company with the Acquiring Companies and its Lenders to effect the said restructuring and CDR proposal of the Company. As a result of the said agreement the liabilities to the extent of Rs. 823.20 Crores and assets of Rs. 393.63 crores were taken over by the acquiring companies. Some unsecured lenders of the company also waived off their claims to the extent of Rs. 105.81 Crores which has also been transferred to Capital reserve Account.

The company got waiver of Rs. 96.93 crores as reversal of interest under the CDR scheme which has been disclosed as extra ordinary item in the Profit & Loss Account

### Deferred Tax

Deferred tax assets/liabilities represent impact of timing differences in the financial and tax books. Your Company incurred a net loss of Rs. 651 Mn. The deferred tax asset as on March 31, 2011 was Rs. 2845 Mn.

### Investments

Your Company has made no additions to gross investment during the year which stands at Rs. 3.8 Mn.

### Cash & Bank Balances

As on March 31, 2011, your Company is having a cash balance of Rs. 438 Mn compared to Rs 110 Mn as on March 31, 2010.

### Inventories

Owing to sale of undertaking including the operational stores of the Company, the Company has NIL inventory, as on 31.03.2011.

### Loans and Advances

Loans and Advances as on March 31, 2011 was Rs. 50 Mn compared to Rs. 597 Mn compared as on March 31, 2010. The change is on account of reduction in security deposits for the stores closed by the company during the year.

## Current Liabilities & Provisions

Current liabilities decreased to Rs 14.46 Mn compared to Rs. 2398.73 Mn during FY'10. Accordingly provisions reduced to Rs. 6.66 Mn. During FY'11 as compared to Rs. 41.55 Mn during Fy'10.

On behalf of the Board of Directors

Date : 04.09.11  
Place : New Delhi

sd/-  
Ram Chandra Agarwal  
Chairman

## ANNEXURE II

### FORM A of "THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988"

Power and fuel Consumption	2010-11	2009-10
Electricity		
Purchased		
Unit *		*
Total Amount	346961495	381656157
Rate/Unit	*	*
Furnace Oil		
Quantity (tones)	NIL	NIL
Total cost	NIL	NIL
Average rate	NIL	NIL
HSD		
Quantity (tones)	NIL	NIL
Total cost	NIL	NIL
Average rate	NIL	NIL

- Due to scattered stores, information could not be determined.

### Foreign Exchange Earnings and outgo

Particulars	2010-11	2009-10
Foreign Exchange Outgo		
Traveling	21, 20,688	13,26,450
Consultancy		Nil
Others		Nil
Imports		
Raw Materials	Nil	Nil
Finished Goods	Nil	Nil
Capital Goods	Nil	Nil
Others	Nil	Nil
Foreign Exchange Earnings		
Earnings in foreign exchange	Nil	Nil

On behalf of the Board of Directors

Date: 04.09.2011  
Place : New Delhi

sd/-  
Ram Chandra Agarwal  
Chairman

### Disclosure of particulars with respect to technology absorption Research and Development(R & D)

We are revamping our set up in the Retail Industry. After shutting manufacturing operations in the previous year and sale of undertakings to third parties, we have begun the process of setting up of new stores and planning to establish the manufacturing facilities. Presently, all our products are being procured from outside. We have not imported any technology during the financial year 2010-11.

Specific areas in which R & D carried out by the company	Nil
Benefits derived as a result of the above R & D	NA
Expenditure on R & D	
Capital	Nil
Recurring	Nil
Total	Nil
Total R & D expenditure as a percentage of total turnover.	Nil
Technology absorption, adaptation and innovation :	Nil
Technology imported	Nil
Year of import	Nil
Has technology been fully absorbed?	Nil

On behalf of the Board of Directors

Date : 04.09.2011  
Place : New Delhi

sd/-  
Ram Chandra Agarwal  
Chairman

## Annexure III

### CORPORATE GOVERNANCE REPORT

Corporate Governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society" (Sir Adrian Cadbury in 'Global Corporate Governance Forum', World Bank, 2000).

### COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

As a responsible organization, we use our value based framework to inculcate and maintain accountability in all our affairs and to pave ways for truly democratic and open processes.

The company perceives itself as trustee of its shareholders and acknowledges its responsibility, of conducting and imbibing ethical practices in the organization, towards the stakeholders. During the year under review, the Company continued its pursuit of achieving these objectives through adoption and monitoring of corporate strategies, prudent business plans and pursuing policies and procedures to satisfy its legal and ethical responsibilities.

### BOARD OF DIRECTORS

As on March 31, 2011, the Board comprised of [03] directors, 2 of them being Executive Non-Independent Directors and 1 being an Independent Director. The Composition of Board of Directors on 31.03.2011 is as follows:

Category	DIN	Name of the Director
Executive Promoter	00491885	Mr. Ram Chandra Agarwal
Director	00495945	Mrs. Uma Agarwal
Independent Director	03287154	Mr. Shunil Tripathi
Nominee Director		NIL

Mr. Jay Prakash Shukla and Ms. Seema Kukreja, who were the members of the Board during the year, resigned on 13.03.2011 & 15.03.2011 respectively. Also Mr. Sandeep Kumar and Mr. Bharat Jain, Independent Directors, resigned on 01.09.2010 and 02.08.2010, respectively.

However the Board was reconstituted with appointment of following directors on the Board:

Category	Date of appointment	DIN	Name of the Director
Independent Director	12.05.2011	03524682	Mr. Alok Kumar Srivastava
Independent Director	25.06.2011	03501724	Mr. Dharmnath Prasad
Independent Director	25.06.2011	03566046	Mr. Rahul Kumar

### INFORMATION SUPPLIED TO THE BOARD

Board Members are given agenda papers along with necessary documents and information in advance of each meeting of the Board and Committee(s). In addition to the regular business items, the items as required under listing agreement particularly relating to the following items/information is regularly placed before the board to the extent possible:-

- Annual operating plans and budgets and any updates.
- Capital budgets and any updates.
- Quarterly results for the company and its operating divisions or business segments.
- Minutes of meetings of audit committee and other committees of the board.
- The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
- Show cause, demand, prosecution notices and penalty notices, which are materially important
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the company, or substantial nonpayment for goods sold by the company
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
- Significant labour problems and their proposed solutions. Any significant