



ANNUAL REPORT 2008



VISHAL RETAIL LIMITED

Registered Office: BEANS & CO. House No. 43, Sector - II, Knowledge Estate, New Delhi 110028
Corporate Office: Plot No. 20, Sector - 14, Gurgaon, Haryana. E-mail: info@vishalretail.com

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Corporate Information

BOARD OF DIRECTORS

Chairman & Managing Director
Ram Chandra Agarwal

Whole time Director
Uma Agarwal
Surendra Kumar Agarwal

Non Executive Independent Director
Bharat Jain
Jay Prakash Shukla
Rakesh Aggarwal

Head-Finance & Accounts
Amit Kumar Chaturvedi

Company Secretary
Arun Gupta

Group President
Ambeek Khemka

Tax Auditors
Chhaparia & Associates
8, CAMAC Street
5th Floor, Suit - 2
"Shanti Niketan Building"
Calcutta - 700017

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

Bankers

Axis Bank Ltd.
SBI Limited
ICICI Bank Ltd.
ING Vysya 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
LBS Marg, Bhandup(west), Mumbai-400078
Tel 022-25960320-28
Fax 022-25960329

Local Corporate Office/Investor's Service Centre

Plot No. 7 & 18, Sector-5
IMT Manesar, Gurgaon (Haryana)
Phone :
Fax :
E mail: vishalipo@vrpl.in

NOTICE

NOTICE IS HEREBY GIVEN THAT SEVENTH ANNUAL GENERAL MEETING OF VISHAL RETAIL LIMITED WILL HELD ON SEPTEMBER 08, 2008 AT NCUI AUDITORIUM, 3, SIRI FORT INSTITUTIONAL AREA, KHELGAON, NEW DELHI AT 10:00 AM TO TRANSACT THE FOLLOWING BUSINESS

Ordinary Business

1. To receive, consider and adopt the Audited Profit and Loss account for the year ended March 31, 2008 and the Balance Sheet as at that date together with the Report of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mrs. Uma Agarwal who retires by rotation and being eligible offers herself for reappointment.
3. To appoint a Director in place of Mr. Bharat Jain who retires by rotation and being eligible offers himself for reappointment
4. To reappoint M/s. Haribhakti & Co., Chartered Accountants as Statutory Auditors of the Company and to fix their remuneration.

Special Business

5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as a ordinary Resolution:

"RESOLVED THAT pursuant to Section 94(1)(a) of the Companies Act, 1956 approval of the Company be and is hereby accorded to increase the Authorised Share Capital of the Company from Rs. 30,84,00,000 /- (Rupees Thirty Crore and Eighty Four lacs only) divided into 2,50,00,000 Equity shares of Rs. 10/- each and 4,00,000 Preference shares of Rs. 146/- each to Rs. 35,84,00,000/- (Rupees Thirty Five Crore and Eighty Four lacs only) divided into 3,00,00,000/- Equity shares of Rs. 10/- each and 4,00,000 Preference shares of Rs. 146/- each.

FURTHER RESOLVED THAT the existing clause V of the Memorandum of Association shall be substituted by the following clause :

"The Authorised Share Capital of the Company is Rs. 35,84,00,000/- (Rupees Thirty Five Crore and Eighty Four lacs only) divided into 3,00,00,000/- Equity shares of Rs. 10/- each and 4,00,000 Preference shares of Rs. 146/- each."

FURTHER RESOLVED THAT Mr. Surendra Kumar Agarwal, Director of the company be and is hereby authorized to sign and file altered Memorandum of Association along with Form 5 with the Registrar of Companies, NCT of Delhi & Haryana and take further steps as may be necessary to bring effect to the said resolution."

To pass with or without modification, the following resolution as a Special resolution:

6. "RESOLVED THAT in accordance with the provisions of Section 81 and 81(1A) and all other applicable provisions, if any of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof) and relevant provisions of the Memorandum of Association and Articles of Association of the Company, the Foreign Exchange Management Act, 1999 including the rules and regulation prescribe there under and the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, guidelines prescribed by the Securities and Exchange Board of India (SEBI) and subject to such approval(s), consent(s), permission(s) and / or sanction of the Reserve Bank of India, Securities Exchange Board of India and any other appropriate authorities, institutions or bodies, as may be necessary and subject to such terms and conditions, modifications, alterations as may be prescribed and specified by any of them in granting any such approval, consent, permission or sanction, the consent, authority and approval of the Company be and is hereby accorded to the Board of Directors (hereinafter referred to as the "Board" which term shall be deemed to include any committee thereof) to offer, issue, and allot, in the course of offerings, in domestic or any Securities including Equity Shares/Shares convertible into Equity Shares, Preference Shares whether Cumulative/Redeemable/ Partly convertible/convertible at the option of the Company and / or at the option of the holders of the Security(s), Securities partly or fully convertible into Equity Shares and / or securities linked to Equity Shares and / or any instruments or securities with or without detachable warrants secured or unsecured or such other types of securities representing either Equity Shares or Convertible Securities (hereinafter referred to as "Securities") to Domestic investors, international investors as may be permitted by Ministry of Finance/RBI/Foreign Investment Promotion Board/ Sebi or any other authority in future, Qualified Institutional Buyers, Stabilizing Agent or such other entities or persons as may be decided by the Board, whether or not such persons/entities/ investors are Members of the Company through Prospectus, Offering Letter, Circular to the general public, Placement document and / or through any other mode or on private placement basis as the case may be from time to time in one or more tranches as may be deemed appropriate by the Board, for an amount not exceeding Rs. 250 Crores (Rupees Two Hundred and fifty Crores) on such terms and conditions including but not limited to pricing (whether at market price or at premium) , exercising green shoe option, as the Board may in its sole discretion decide"

"RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of the Securities may have all or any term or combination of terms in accordance with normal practice including but not limited to conditions in relation to payment of interest, dividend, premium or redemption or early redemption at the option of the Company and / or to the holder(s) of the securities and other debt service payment whatsoever and all such terms as are provided in offerings of this nature including terms for issue of additional Equity Shares of variation of interest payment and of variation of the price or the period of conversion of securities into Equity Shares or issue of Equity

Shares during the duration of the securities or terms pertaining to voting rights or option for early redemption of securities.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to issue and allot such number of underlying Equity Shares as may be required to be issued and allotted upon conversion of any such securities referred to above or as may be in accordance with the terms of the offering(s) and that the said Equity Shares shall be subject to the Memorandum and Articles of Association of the Company and shall rank in all respects pari passu with the existing Equity Shares of the Company.”

“FURTHER RESOLVED THAT in case issue is made in pursuance to chapter XIII-A of SEBI DIP guidelines for qualified institutional placement, the relevant date shall be Aug. 9, 2008 since the annual general meeting is being held on Sep. 8, 2008”.

“RESOLVED FURTHER THAT such of these securities to be issued as are not subscribed may be disposed of by the Board to such person in such manner and on such terms as the Board in its absolute discretion thinks fit, in the best interest of the Company and as is permissible in law.”

“RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of Securities or instruments representing the same, the Board be and is hereby authorized to determine the form, terms and timing of the offering(s), including the class of investors to whom the Securities are to be allotted, number of Securities to be allotted in each tranche, issue price, face value, premium amount on issue / conversion of Securities, Exercise of warrants / Redemption of Securities, rate of interest, redemption period, listings on one or more stock exchanges as the Board in its absolute discretion deems fit and to make and accept any modifications in the proposal as may be required by the authorities involved in such issues and on behalf of the Company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, including without limitation the Appointment of Registrar, Book-Runner, Lead-Managers, Trustees / Agents, Bankers, Custodians, Depositories, Consultants, Solicitors, Accountants, Stabilizing Agent entering into arrangements for underwriting, marketing, listing, trading, depository and such other arrangements and agreements, as may be necessary and to issue any offer document(s) and sign all deeds, documents and to pay and remunerate all agencies / intermediaries by way of commission, brokerage, fees, charges, out of pocket expenses and the like as may be involved or connected in such offerings of securities, and also to seek listing of the securities or securities representing the same in any Indian market or International Market, as may be permissible with power on behalf of the Company to settle any questions, difficulties or doubts that may arise in regard to any such issue, offer or allotment of securities and in complying with any Regulations, as it may in its absolute discretion deem fit, without being required to seek any further clarification, consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their

approval thereto expressly by the authority of this resolution.”

“RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers herein conferred to any Committee of Directors or the Managing Director or any Whole Time Director or any other Officer or Officers of the company to give effect to the aforesaid resolution.”

To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

7. “RESOLVED THAT the Board of Directors (hereinafter referred to as “the Board” which term shall be deemed to include any Committee which the Board may constitute for this purpose), be and is hereby authorised, in accordance with Section 293(1)(d) of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) and the Articles of Association of the Company, and in super session of the Resolution passed at the Extra Ordinary General Meeting of the Company held on December 4, 2006, to borrow any sum or sums of money (including non fund based facilities) from time to time at their discretion, for the purpose of the business of the Company, from any one or more Banks, Financial Institutions and other persons, firms, bodies corporate, notwithstanding that the monies to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) may, at any time, exceed upto a sum of Rs. 750 crores (Rupees Seven hundred Fifty crores) over and above the aggregate of the then paid up capital of the Company and its free reserves (that is to say reserves not set apart for any specific purpose) and that the Board of Directors be and is hereby empowered and authorised to arrange or fix the terms and conditions of all such monies to be borrowed from time to time as to interest, repayment, security or otherwise as they may, in their absolute discretion, think fit.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper, or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution.”

On behalf of the Board of Directors

Date : July 30, 2008

Place : New Delhi

Arun Gupta
Company Secretary

NOTES

1. 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.
2. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Special Business set out in the notice is enclosed.
3. 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 and 1:00 p.m. on all working days upto the date of Annual General Meeting.
4. The details pertaining to the appointment / reappointment of Directors are furnished in statement of Corporate Governance in the Directors' Report/ in the Explanatory Statement attached to the notice.
5. The register of members and the share transfer books of the Company will be closed from September 03, 2008 to September 07, 2008 both days inclusive.
6. 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.
7. 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.
8. 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.
9. 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).
10. 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) Intime Spectrum Registry Limited, C-13, Panna Lal Silk Mill Compound, LBS Marg, Bhandup(west), Mumbai-400078.

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

To All Shareholders and Auditors

Annexure: 1

Details of Directors seeking re-appointment in forthcoming Annual General Meeting

ITEM NO. 3

Mrs. Uma Agarwal, Whole time director of the Company was appointed as Whole time director of the Company at the Annual General Meeting of the Company held on September 21, 2006. She is associated with our Company since Incorporation. She is having 7 years of experience in the retail Industry. She retires by rotation at the ensuing Annual General Meeting of the Company, therefore seeks reappointment as a director of the Company.

Name of Director	:	Uma Agarwal
Date of Birth	:	02.02.1975
Date of Appointment	:	23.07.2001
Expertise in specific Functional Area	:	Industrialist with rich experience in Retail Industry.
Qualifications	:	B.A.
Directorship held in other public Companies	:	7
Membership/Chairmanship of other public Companies	:	Nil
Shareholding in the Company	:	344,000 Equity Shares

ITEM NO. 4

Mr. Bharat Jain was appointed as Independent Director of the Company at the Board of Directors Meeting of the Company held on May 08, 2006. His office expires at the forthcoming Annual General Meeting of the Company. He retires by rotation at the ensuing Annual General Meeting of the Company, therefore seeks reappointment as a director of the Company.

Name of Director	:	Bharat Jain
Date of Birth	:	08.06.1963
Date of Appointment	:	08.05.2006
Expertise in specific Functional Area	:	Rich experience in Retail Industry. (Leather Garments and Accessories)
Qualifications	:	B.Com
Directorship held in other public Companies	:	02
Membership/Chairmanship of other public Companies	:	Nil
Shareholding in the Company	:	Nil

Details of Proposed Issue of Securities

ITEM NO. 5

As retail sector in India is growing at a commendable speed it is really essential for the Company to meet the pace set by the growth. For this purpose and also to meet the current and future requirements Company requires funds so it is proposed to enhance the Authorised Capital of the Company by way of increase in equity capital by Rs 5 Crores(Rs. Five Crores Only) totaling Rs. 30 Crores (Rs. Thirty Crores Only) from Rs. 25 crore (Rs. Twenty Five Crore Only) which in turns make Company authorized share capital Rs. 35,84,00,000/- (Rupees Thirty Five Crore and Eighty Four lacs only) divided into 3,00,00,000/- Equity shares of Rs. 10/- each and 4,00,000 Preference shares of Rs. 146/- each from present Rs. . 30,84,00,000 /- (Rupees Thirty Crore and Eighty Four lacs only) divided into 2,50,00,000 Equity shares of Rs. 10/- each and 4,00,000 Preference shares of Rs. 146/- each. This is necessary to facilitate raising money by issue of equity shares directly or issue on conversion as one of the several options for raising funds includes issue of equity shares and securities convertible into equity shares and also for meeting future growth and diversification needs of the Company as and when they arise.

The directors recommend this resolution for adoption.

None of the directors of the Company is interested in the resolution except as members of the Company.

Details of Proposed Issue of Securities

ITEM NO. 6

The Company needs to raise funds to meet its growth objective and also to strengthen its financial position. Taking into account the present performance and positive outlook of the retail industry in general and of Company in particular and also the proposed expansion proposals it is considered prudent to raise additional funds through an issue of any Securities including Equity Shares, Preference Shares whether Cumulative/Redeemable/ Partly convertible/convertible at the option of the Company and / or at the option of the holders of the Security(s), Other Securities partly or fully convertible into Equity Shares and / or securities linked to Equity Shares and / or any instruments or securities with or without detachable warrants secured or unsecured or such other types of securities representing either Equity Shares or Convertible Securities (hereinafter referred to as "Securities") by Domestic Investors, Qualified Institutional buyers, or such other entities or persons as may be decided by the Board, whether or not such persons/entities/ investors are Members of the Company through Prospectus, Offering Letter, Placement document, Circular to the general public and / or through any other mode or on private placement (including but not limited to Qualified Institutional placement) basis as the case may be to be subscribed in Indian currency(ies) for an amount not exceeding Rs. 250 (Rupees Two hundred and fifty) Crores including green shoe option on such terms and conditions, including pricing as the Board may in its sole discretion decide including the form and the persons to whom such securities may be issued and all other terms and conditions and matters connected therewith. However in case issue is made pursuant to chapter XII-A of SEBI DIP guideline for qualified insitutional placement, the relevant date for determining the price of issue shall be Aug 9, 2008. since the Annual general meeting is being held on September 8, 2008.

The fund so raised by the Company will be utilized for establishing new stores and warehouses, synergizing the

operations of the Company, capitalizing the opportunities thrown open by the booming Retail Industry, to augment the long term resources of the Company, and at the same time strengthen its financial base & to finance the working capital needs of the Company, keeping in view the legal requirements of the same.

Section 81 of the Companies Act, 1956, provides, inter alia, that where it is proposed to increase the subscribed share capital of the Company by issue and allotment of securities, such securities shall be offered to the persons who at the date of the offer are holders of the equity shares of the Company, in proportion to the capital paid up on those shares as on date unless the shareholders in a general meeting decide otherwise. The listing Agreement executed by the Company with the various Stock Exchanges also provides that the Company shall issue or offer in the first instance all securities to the existing shareholders of the Company unless the shareholders decide otherwise. The Special Resolution therefore also seeks the consent of the shareholders authorizing the board of directors to make the proposed issue of securities, if and as required to persons other than existing shareholders.

The proposed Issue of securities as above may be made in one or more tranches and the issue price of the securities to be issued in the offerings will be determined by the Board of directors in consultation with the relevant advisors such as merchant bankers, lead managers, advisors, underwriters and other experts depending on the then prevailing market conditions. The Securities may be listed on such stock exchanges as the Board may be advised.

The above Special Resolution seek the consent of the shareholders by authorizing the board to make the proposed issue of Securities and in the event of deciding to issue Securities convertible into equity share, and/or preference shares, to issue to the holders of such convertible Securities in such manner and in such number of equity shares and/or preference shares at such times or times and price on conversion as may be required to be issued in accordance with the terms of the issue.

The promoters/directors of the Company are not interested directly/indirectly in the proposed issue of securities except as a shareholder of the Company.

The allotment shall be completed within the stipulated time period as specified by the SEBI(DIP) guidelines, 2000 subject to receipt of all necessary approvals, permissions etc. for the proposed issue.

The resolution set out herein above is therefore recommended for the approval of the shareholders.

Raising of Borrowing Limits

ITEM NO. 7

As per the provisions of Section 293(1) (d) of the Companies Act, 1956, the Board of Directors of the Company cannot, except with the permission of the Shareholders in General Meeting, borrow money in excess of the aggregate of the paid-up capital of the Company and its free reserves. Such borrowings may be made by issuing fully/partly convertible debentures or bonds (FCCB) or warrants or any other security.

The increasing business operations and future growth plans of the Company necessitate restructuring of the borrowing limits by authorizing the Board of Directors to borrow monies which may exceed at any time the aggregate of the paid-up capital of the Company and its free reserves. At the Extra Ordinary General Meeting of the Company held on December 4, 2006, the Shareholders of the Company had sanctioned a borrowing limit of Rs. 500 Crores (apart from temporary loans obtained by the company from its bankers/other entities in the ordinary course of the

business). The Board of directors proposes that the borrowing limits of the Company be enhanced to an amount not exceeding an aggregate of Rs. 750 crores (Seven hundred Fifty crores only) (apart from temporary loans obtained by the company from its bankers/other entities in the ordinary course of the business).
Your Directors recommend the resolution for your approval. None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

By the Order of the board of Directors
For Vishal Retail Limited

Date : July 30, 2008

Place : New Delhi

Arun Gupta
Company Secretary

From the Chairman's Desk



At the very outset, I extend an opportunity to welcome you all in the yet another get together in our second year of going public. Year 2007-08 is another year of robust growth and high quality earnings for your company and I believe that you all would acknowledge the same. Vishal Retail's presence is really on its verge to become 'Vishal' at this stage of time as we have established our reach in 29 new cities and have opened 52 new showrooms. In total count of our showrooms has reached to 101 from 49 showrooms in the previous year. Your company believes that growth can only be achieved through aggressive strategy and therefore is planning to expand to 190 showrooms in the ensuing year. You would be glad to hear, that your company has in this year, besides opening outlets in its regular format i.e. 'one stop solution' or all in one store; has endured to

establish specialty stores for various products such as Consumer durables, Medicines, Jewellery, in the names of Vishal Electro Mart, Vishal Medi Mart, Vishal Jewellery Mart respectively, The Company has also taken its stride towards extending its group and has established VRL Movers Ltd., VRL Consumer Goods Ltd., VRL Fashions Ltd. etc. to grasp the market segment/to strength its manufacturing base/to streamline its main line of business.

I still recollect the yesteryears when we were incorporated in the year 2001. The journey since then has been long and full of challenges and hardships. But for your faith and commitment we have been able to achieve the success and heights at which we are right now. On behalf of Vishal Retail Limited, I herewith take and opportunity to express thankfulness for your enduing trust towards your Company.

The successful times are on, but challenges to our business are many. Besides our domestic competitors, the Company also faces huge competition from international Companies. Although foreign investment in retail segment is restricted yet certain formats are allowed to them under approval routes, which also pose threat to the competitor to imitate, yet, the competition in the market has forced the Company to reduce its profit margins. Therefore, in an effort to jack up gross margins, we have evolved the concept for private Labels. Private Labels carries the brand name of the Company itself, but manufacturing of the same is done both through our Manufacturing facilities and is also outsourced to Local Manufacturers. 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, Moving towards the financial and operating performance of your Company, during the year 2007-08, our total revenues are up 67.43% from Rs. 6050.4 Million to Rs. 10130.75 Mn and corresponding net profits are up 62% from Rs. 250.7 Mn to Rs. 406.4 Mn. With our consistent and innovative marketing efforts, the daily footfalls in our showrooms has increased by 103% from 89,829 to 182,396 and corresponding conversion ratio has improved from 42.2% to 43.1%

Through the Company is striving for higher profitability at all times yet due to its growth model your company is not in the position to declare dividend for the financial year 2007-08. However, the Company is extending its utmost efforts to establish its presence in pan India and in furtherance to attaining this growth to share its profitability with its investors and stakeholders.

The same would be possible only upon the continued patronage on your part. To conclude with, I would again express my gratitude towards all those who have trusted us and have given us a chance to add value to the interest of the society at large.

Best Wishes & God Bless

Ram Chandra Agarwal

Director's Report 2007-08

Your Directors have great pleasure in presenting the Seventh Director's Report of the company with the audited statements of accounts for the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

(Rs. In Million)

PARTICULARS	Year ended 31.03.2008	Year ended 31.03.2007
Income from Operations	10053.14	6026.53
Less: VAT/Sales Tax	523.39	313.39
Net Income from Operations	9529.75	5713.14
Other Income	77.61	23.89
Total Income	9607.36	5737.03
Total Expenditure	8611.44	5195.68
Interest	364.05	147.54
Profit (+) & Loss(-) before tax (3) -(4+5+6)	631.86	393.81
Provision for Taxation	225.46	143.15
Net Profit (+) & Loss (-) after tax (7-8)	406.40	250.66
Brought forward from Previous year	416.62	166.00
Amount available for appropriation	823.02	416.66
Less: Provision for Preference Dividend	-----	0.04
Less: Provision for Dividend Distribution Tax	-----	0.00
Balance carried to Balance Sheet	823.02	416.62

PERFORMANCE REVIEW

Your Company completed yet another year of strong performance with robust growth and high quality earnings. All business divisions posted strong growth and revenue and enhanced their market standing, testifying to the robustness of Corporate Strategy of creating multiple drivers for the growth. This performance is even more satisfying when viewed in the light of the challenging business environment of the Retail Industry.

The Core Competency of the Company is far more difficult for its competitors to imitate and thus has helped the Company to achieve the new heights and create a niche for itself and for its customers. Following are the few benchmarks

Total revenues up 67.43 % from Rs. 6050.42 Million to Rs. 10130.75 Mn driven by addition in retail space, increased footfalls & increased Conversion Ratio

Operations Review

- Daily footfalls increased by 103% from 89,829 to 182,396
- Conversion Ratio improved from 42.2% to 43.1%
- At the start of the year, we had planned the addition of 50 Stores to our Portfolio, but the Management exceeded the benchmark set by the board of directors, and launched 52 Stores and added Approx 1 Million. Sq. Ft. of Retail Space during the financial year ended March 31, 2008.
- We expanded our presence to 29 New cities to make our presence felt in 67 cities across India.
- We opened 16 Stores in Tier I cities, 2 Store in Tier-II cities and 34 stores in Tier III Cities.

Industrial Relations

The relations between the Company and its employees continued to be cordial and harmonious throughout the year under review.

Material Changes after the date of Balance Sheet

There are no material changes / events after the date of the Balance Sheet.

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 been 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

Mrs. Uma Agarwal, Executive Director of the Company retires by rotation and being eligible offers herself for reappointment at the ensuing Annual General Meeting.

Mr. Bharat Jain, Non-Executive Director of the Company retires by rotation and being eligible offers himself for reappointment at the 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.

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 31st March 2008 on a 'going concerns' 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.

Report on Corporate Governance

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

Subsidiary Companies

To diversify the business operations the company has during the year established five new companies by the name of VRL Foods Ltd., VRL Movers Ltd., VRL Consumer Goods Ltd., VRL Fashions Ltd. & VRL Infrastructure Ltd., none of the companies have commenced business operations during the year.

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 their appreciation for the co-operation and contribution made by the employees at all levels.

On behalf of the Board of Directors

Date : July 30, 2008

Place : New Delhi

Ram Chandra Agarwal
Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INDUSTRY STRUCTURE AND DEVELOPMENTS

Retail is the world's largest private industry with global retail sales of roughly USD 8 trillion. Retailing is also one of the biggest contributors to the Gross Domestic Product (GDP) of most countries and also one of the biggest employers.

India is the 4th largest economy in the world in Purchasing Power Parity (PPP) terms after USA, China and Japan. According to global consultancy firm AT Kearney's sixth annual Global Retail Development Index on the Attractiveness of Retail Investment in 30 Emerging Markets. India has retained its position as the most attractive emerging market in the retail sector for the third year in a row. The size of the retail market in the country was about \$270bn in 2006. But the organized retail industry in India is still nascent and the penetration is as low as 4% compared to 85% in the US and 81% in Taiwan. Even in developing countries such as Thailand, Brazil, Poland and China, the share is higher at 40%, 36%, 20% and 20%, respectively.

According to a recent study by the Federation of Indian Chambers of Commerce and Industry (FICCI) titled 'Organized Retail: Unfinished Agenda and the Challenges Ahead', India's retail industry is estimated to grow to \$427bn in value terms by 2010 from \$328bn now. Organized retail is expected to grow to 22% (\$93.9bn) by 2010 from 4% (\$13bn) now. Growth will be fuelled by investments from domestic and foreign firms, aggregating over \$30bn over the next five to seven years. India's largest 69 cities (with populations of over one million each according to 2001 census data) will be at the forefront of this retail revolution.

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 centers, 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 eight percent of employment. It has emerged as one of the most dynamic and fast paced industries with several big players entering the market like Bharti Group, Birla Group, Reliance Group etc. 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.

Segmental Analysis-Industry

The clothing segment has been the largest constituent of organized retail with a share of 39% in 2006. The segment is expected to grow to \$10bn in 2010 from \$4.1bn in 2006. Vishal Retail derives 63.2% of its revenues from this segment.

This is followed by the Food and Groceries segment, which accounts for 11% of the market and the Footwear and Consumer Durables segments, which constitute 9% each of the total organized market. Segments such as Food, Clothing, Consumer Durables, Furniture and Books currently have low penetration but are expected to witness robust growth in future.

Key Growth Drivers

Strong economic growth and favorable demographic factors will help organized retail to continue witnessing rapid growth. According to a Goldman Sachs report, India is the world's second fastest growing economy, next only to China, with the growth in Gross Domestic Growth (GDP) expected at 8% over the next 20 years. This would translate into higher income levels and consumer spending.

- **Favorable demographics:** The proportion of working age population (20-54 years) is expected to rise from 44% in 2001 to 50% by 2010. (Source: XX Factor report by Future Group) – About 69% of the total Indian population is less than 35 years of age and youngsters have a significantly higher propensity to consume.
- **Changing Consumer Outlook:** The consuming class in India, i.e. population with annual income of Rs 90,000 and more is expected to witness a growth of 9.3% (8-year CAGR). It is expected to grow rapidly from 28% in 2002 to 48% in 2010. When the newly-rich population becomes upwardly mobile, the standard of living goes up and aspirations shoot up. Therefore, besides horizontal expansion, the consumer base also grows vertically (i.e. increasing wealth in all segments), which in turn drives the growth of organized retail.
- **Increase of Women in the Working Population:** There has been an increase of about 45% in women workers from 1991 to 2001, reaching 127mn in 2001 resulting in increase in share of working women in the total workforce from 22% in 1991 to 26% in 2001. With accelerated growth in the country's population of working women, the demand for one-stop shop options also increases as it leads to savings in time and energy. (Source: Census of India)

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- **Higher Growth in Urban Population:** According to an estimate by consulting firm Technopak Advisors, 92% of the projected investments in the sector is slated for urban areas with only a measly 8% earmarked for rural India. Urbanization is rising and is expected to grow from 20% in 2005 to 40% in 2020.
 - **Increased use of Credit Cards and availability of cheap finance:** The use of plastic money (credit and debit cards) has increased significantly in the past few years. Credit cards in circulation have witnessed a 4-year CAGR of 33.6% from about 7.1mn in FY'03 to 22.6mn in FY'07. Still, the penetration of credit cards to GDP is much lower at 0.4% in India compared to 2.8% in Thailand, 9.8% in Malaysia and 82.4% in Taiwan. The ease of payments due to the use of credit and debit cards has also led to an increase in total spending on shopping and eating out.
 - **Mall Boom:** Another key driver of organized retail is the real estate infrastructure currently being created to house retail ventures. The number of malls in India is expected to rise from 158 in 2005 to 600 by 2010. (Source: Ernst & Young)

OPPORTUNITIES

Diversifying Revenue Mix

Your Company has plans to continue to add products in each segment. Your company has plans in place to increase contribution from FMCG and Non-Apparel segments through opening up of specialty store format. As a result of this, revenue contribution from the Apparel segment is expected to decline. Collective contribution from the FMCG and Non-Apparel segments is targeted at 55%, up from the 37% in FY'08. Accordingly, revenue contribution from the Apparel segment will decline to 45% from 61.2% during FY'08.

To Increase Private Labels to Drive Profitability

Your Company intends to drive profitability through increasing revenue from Private Labels. Private Labels generally carry 5-6% higher margins. Your Company has plans to increase the contribution of Private Labels from 15% currently to 25% by FY'10 and 50% by FY'13.

Presence in Tier II and Tier III cities

Out of the 52 new stores added, 34 were in Tier-III cities taking the total number of stores in such cities to 74; 2 in Tier-II cities taking the total number of stores in such cities to 5; and 16 in a Tier-I city, taking the total number of stores in these such to 22. With such a diversified geographical presence, your company is the only retailer in India with national footprint covering largest no. of cities.

Strengthening Supply Chain Management

Your Company is working on segregating its geography into 18 regions managed by separate CEOs. Currently, your Company has five regional offices, which would manage the zones. Similarly, procurement will become three-tiered – central sourcing, offshore and local for low-value, regional tastes and FMCG.

In order to reduce time in transit, your Company has plans to set up warehouses in 12 more states with an additional warehouse area of 0.42 mn sq ft to take the total number of states to 20 with total warehouse space of 1.44mn sq ft. Your Company intends to have Regional Warehouses / Distribution Centers in each state with each warehouse covering a radius of 300km. Your Company intends to maintain the central warehouse in Delhi & NCR.

New Formats

Your Company plans to open nine new formats two categories in apparel, fashion mart and separate formats for menswear and women's wear, restaurant & consumer durable as well. These stores would have normal price positioning.

- Your Company is also working on the feasibility of launching the convenience model (small formats through franchisee). These stores would have a size of about 800-2,000 sq ft. While 50-60% of the revenues from these stores would emanate from FMCG products, the rest would depend on local flavor – coming from toys, bakery products, takeaways, beverages, train tickets, mobile top-ups and insurance premium collections, among others.
- Another format is the one worked out with HPCL, which will be on observation mode for three to four months, after which your Company will work out the future strategy. Your Company will add 25-30 stores with an average area of 1,000 sq ft. These stores would not be co-branded but would operate on a lessor lessee relationship basis, wherein your Company would pay the store-owners a minimum guarantee, akin to rental. After three years of such an arrangement, if the average sales per sq ft rise, some revenue sharing model would be worked out.
- We are intending to Open new Stores through Franchisee Model to minimize the Companies Cost in opening up Stores and minimize the risk. Other formats would be for electronics, mobiles and toys. All these formats would be standalone stores with average size of 1,000-2,000 sq ft.

Increased Average Footfalls

The average footfalls per day has reflected Efforts in 2.0x times growth in average footfalls per day compared to 1.7x times increase in retail space. With the diversified product mix, conversion ratio is improved to 43.1% in FY'08 from 42.2% in FY'07.

De-risking Business Model

The expansion has also de-risked your Company from geographical concentration and provided exposure to new geographies. Revenue contribution from North India fell to 59.6% in FY'08 from 61.9% in FY'07 while it increased in the Western and Eastern regions.

This has resulted in total revenue of your Company growing by 67.5% to Rs 9,607.4mn in FY'08 from 5,737mn in FY'07.

STRENGTHS

Backward Integration

In order to meet the rise in demand resulting from the increased number of stores, your Company has embarked on backward integration of its products. During the year, your Company set up manufacturing units at Manesar and Dehradun, with production capacities of 1.5mn pieces each per annum. With this Greenfield expansion, your Company now has three manufacturing facilities with total installed capacity of 4.5mn pieces per annum. As a result of this, revenue from manufactured goods increased by 53% to Rs 894.7mn in FY'08 from Rs 584.6mn in FY'07.

Apart from meeting the increased demand, backward integration has helped your Company to effectively manage fluctuations in the prices of cotton and made available the raw material at low cost, thereby improving profitability.

Regional Merchandising

Your Company has set up a well-experienced merchandise sourcing team that procures in bulk directly from small- and medium-sized vendors in low-cost centers. Your Company has already established an office in China for direct contact with suppliers. Apart from this, your Company has adopted a policy of upfront cash purchases, which has made Vishal Retail a Preferred Customer with its vendors. Your Company follows a policy of centralized purchasing, which ensures quality control, improved logistics and bargaining power.

Logistics

During the year, your Company added 9 warehouses with an area of 581,640 sq ft, taking the total number of warehouses to 29 spread across 1.1mn sq ft of space. These warehouses are located at 8 key distribution centers covering all the stores. During the year, your Company added a fleet of 40 trucks taking the total number of trucks in the fleet to 98.

Information Technology

During the year, your Company fully implemented the production and retail modules of SAP with an investment of around Rs 75mn. Now, all company locations are linked through a company-wide VNC, together with hotlines to provide online connectivity.

FUTURE OUTLOOK

Our Strategies for the Future

- Aggressive growth plans to expand to 190 stores covering 3.7mn sq ft of retail space by FY'09; and 500 stores with 10mn sq ft of retail space by FY'11
- Entry into 172 new cities and 3 new states
- Adding new products in all category to further diversify the revenue mix
- Increasing Private Label contribution to 25% in FY'10E and 50% in FY'13E from the current 15%
- Strengthening the supply chain management by setting up new warehouses to reduce time in transit and thereby control inventories

With the agreement with HPCL, your Company intends to test the concept of non-fuel retailing at the forecourt. Your Company has already opened two such stores on a trial basis and has plans to increase it to 20-25 stores.

RISKS AND CONCERNS

Execution Risks

Although the Industry growth potentially appears to be immense, and we having a tract record of capturing such opportunities, we have to significantly to keep up with the pace of Industry growth. We face two types of Execution Risks:

- The pace of New Stores Roll out
- Managing the profitability of these stores

Retaining existing talent and acquiring new talent will present a huge challenge

The Organised Retail Industry is expected to reach USD 30bn by 2010, for which it will be requiring 0.5mn of people. With the entry of new big players into the market, such as Wal-Mart, Reliance and the huge expansion of existing big Retailers, We would be witnessing a huge amount of poaching leading to steady increase in employee cost, impacting margins.

Concentrated Geographical Presence

Currently, we are having strong presence in central and northern India, wherein we derive 61.93% of our revenues. Further all our manufacturing and warehousing facilities are located in this region. Our Aggressive plans for the next two years in other regions of the country may pose a concern in terms of the company's execution skills and logistic set up.

Increase in competition to impact Margins

Considering the industry's huge growth potential, new players, both domestic and international, are likely to enter the market. Groups such as Reliance Industries, Bharti etc., and foreign players like Wal Mart, Tesco, Carrefour and Metro have already expressed their keenness to operate in India. Increased Competitive pressure is likely to alter the dynamics of business quite dramatically, further staining land and manpower resources. Further, the advent of competition may also dent the high level of profitability enjoyed by us.

Retail Landscape

According to Images 2006, organised retail is set to grow at a 35% CAGR over the next few years and will reach US 30bn by 2010. However, in order to reach this target, several initiatives and huge investments would be required on the part of retailers. We estimate that Retail Industry would be requiring 145-060 mn sq. ft of space to reach this target. Further, in view of large expansion plans of Pantaloon, Reliance and Wal Mart making a foray into Indian Retail Industry with Bharti, prominent land space would be a big threat to the industry.

Internal Control Systems and Their Adequacy

We believe that Internal Control is a necessary concomitant to the principle of Governance that freedom of Management should be exercised within a framework of appropriate checks and balances. We are committed to ensuring an effective internal control environment that provides assurance on the efficiency of operations and security of assets.

An exclusive programme of internal control audits and management reviews supplements the process of internal control in your company. Properly documented policies, guidelines and procedures are laid down for this purpose. The internal control system has been designed so as to ensure that the financial and other records are reliable for preparing financial and other statements and for maintaining accountability of assets.

The Internal Audit function consisting of professionally qualified Accountants, and IT specialists, reviews the quality of planning and execution of upcoming Showrooms involving significant expenditure to ensure that Operation Management controls are adequate to yield "value for money".

HUMAN RESOURCE MANAGEMENT

Your Company has always valued its employees. The Company has fashioned 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 operating in an enabling and empowering work environment, support winning performance.

The strategy of organization and its ongoing emphasis on building distributed leadership has ensured that each of our division business is managed by a team of competent and inspired leaders, capable of building a culture of learning, innovation and excellence. The enduring success of our Company rests on a culture that has been assiduously built and nurtured over the years. The uniqueness of the Companies culture is that it blends "responsibility and accountability", with "care and concern".

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. We recruited more than 7,000 employees during the last financial year.

Institute of Management Excellence

We have promoted an institute named "Institute of Management Excellence" for providing Education & Training to the young people in Retail Industry. This is being done to create a trained and skilled workforce and to turn them into leaders of tomorrow. The Company understands its social responsibility and in lieu of which your company has decided to give 100% recruitment in-house & in peer industry to all the students of IME.

Segment wise Performance

Your Company is continuously deepening its portfolio of products under all categories including Apparel, Non-Apparel and FMCG. During the year, your Company increased the number of stock-keeping to 1,03,000 from 74,000. Your Company has added more FMCG products resulting in increased revenue contribution from the category. As a result of this, revenue contribution from FMCG increased to 18.6% in FY'08 from 15.0% in FY'07. Contribution from other products increased to 1.6% during FY'08 from 0.8% in FY'07. Other product essentially includes Restaurant business, SBI Credit Cards and Display Charges.

Gross margins in Apparel and Non-Apparel segments were around 35% compared to 15% in the FMCG segment. The increased contribution from FMCG has affected the overall margin of the business. Understanding the negative impact of increased FMCG on margins, your Company has increased its focus on the promotion of private labels/brands, which generally carry high margins. Revenue contribution from private labels increased to 14.9% in FY'08 from 9.8% in FY'07.

Segment	Fy'07	Fy'08
Apparel	9.6%	8.9%
Non-Apparel	0.1%	3.0%
FMCG & Others	0.1%	3.0%
Total	9.8%	14.9%

During the year, collective revenue contribution from private labels of FMCG and Non-Apparel segment increased to 6% from a mere 0.2% in FY'07. This has helped mitigate the fall in margins and increased the profitability at the operating level.

COMPANY PERFORMANCE REVIEW

Your Company is India's leading Value Retailer with Hypermart Market Store formats catering to lower-middle and middle-income consumers with focus on Tier-II and III cities. Your Company offers a diversified portfolio of products including Apparel, Non-Apparel and FMCG covering over 100,000 stock-keeping units. Your Company endeavors to facilitate one-stop-shop convenience for its customers and cater to the needs of the entire family. This concept has made your Company grow to 101 retail stores with an area of 2.16mn sq ft spread across 67 cities, as on March 31, 2008.

- Your Company has reported a strong performance for the year ended March 31, 2008. Revenues grew by 68% to reach Rs 10,144.6mn, driven by the addition of approximately 1mn sq ft of retail space and 51 stores to take the total retail space to 2.2mn sq ft and the number of stores to 100 as on March 31, 2008. Your Company continues to focus on identifying high-potential under-penetrated Tier-III locations and localities as well as middle income demographic profiles in Tier-1 cities. Your Company has expanded its presence to 29 new cities to take the reach to 67 cities as on March 31, 2008.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) has grown by 86% to Rs 1,291.0mn and EBITDA margin has expanded by 120 basis points to 12.7% for FY'08, driven by increase in Private Label sales from 9.8% in FY'07 to 14.9% in FY'08. Apart from in-house Apparel manufacturing, your Company has increased the Private Labels business significantly in the FMCG and Non-Apparel segments, which contributed 3% each to the revenues. Net Profit has increased by 62.12% from Rs 250.67mn to Rs 406.40mn with the Net Profit Margin remaining stable at 4.03%.
- Your Company has also expanded its garment manufacturing facility with the addition of 1.5mn pieces p.a. capacity in Dehradun in Q2FY'08 and another 1.5mn pieces per annum capacity in Manesar in Q4FY'08 to take the total garment manufacturing capacity to 4.5mn pieces per annum.
- Your Company has also been strengthening its senior and middle management ranks for the smooth

execution of future growth plans. Your Company has added 7,371 employees during the year including 25 senior and middle management personnel across functions taking the total employee strength to 13,423.

Driven by strong economic growth and favorable demographic factors, organized retail is expected to grow at a 4-year CAGR of 64% to \$93.9bn by 2010. Growth will be further fuelled by investments from domestic and foreign firms. The share of organized retail in the total retail industry is expected to increase to 22% from 4% now. With the ongoing aggressive expansion plans, your company is well set to increase its market share in the growing market of retail.

Segmental Revenue

During the year, your Company diversified its revenue through addition of number of products in each of the segment. As a result of which contribution from FMCG products to total revenue increased to 18.6% from 15.0% in FY'07.

During the year, your Company received increased contribution of 15.0% from private labels compared to 9.6% in FY'07.

Cost of goods sold increased by 62.2% to Rs 5,616.1mn FY'08 from Rs 3,462.8mn in FY'07.

The cost of goods sold as a percentage of total revenue declined to 55.9% in FY'08 from 57.5% in FY'07.

Manufacturing, Administrative & Other Expenses

Manufacturing, Administrative & Other Expenses increased by 54.82% to Rs 1,981.6mn in FY'08 from Rs 1,279.9mn in FY'07. As a percentage of gross sales, these expenses declined to 19.7% in FY'08 from 21.2% in FY'07.

Personnel Expenses

Personnel expenses increased by 140.99% to Rs 723.1mn in FY'08 from Rs 300.1mn in FY'07. As a percentage of total revenue, these expenses increased to 7.2% in FY'08 from 5.0% in FY'07. The increase in personnel expenses is mainly on account of addition of 7,371 employees including 25 senior and middle management personnel across all functions.

Depreciation

The Company provided for depreciation of Rs 276.0mn during FY'08 compared to Rs 152.9mn in FY'07. The increase in depreciation charges is due to the addition of Rs 2,623.0mn in the gross block in FY'08, compared to Rs 1,329.3mn in FY'07. For the year under consideration, cumulative depreciation was 20.35% of gross block, up from 19.38% in the previous year. Your Company uses the Written Down Value (WDV) method to compute depreciation charges.

Finance Charges

Interest outgo increased by 156.69% to Rs 378.7mn during FY'08 from Rs 147.5mn during FY'07. This was mainly on account of the increase in debt outstanding to Rs 5,328.0mn from Rs 2,423.3mn. Interest as a percentage of debt also increased to 3.8% in FY'08 from 2.4% in FY'07.

Key Ratios (% of Total Revenues)	FY'07	FY'08
EBITDA Margin	12.1%	13.4%
Net Profit Margin	4.4%	4.2%
Total Expenditure	87.9%	86.6%
Raw material	60.4%	58.5%
Employee Cost	5.2%	7.5%
Other Expenditure	22.3%	20.6%

Provision for Taxation

Income tax expense comprises current income tax, net change in deferred tax assets and liabilities in the respective years, fringe benefit tax (FBT) and wealth tax.

Your Company's current tax expense in FY'08 increased by 60.4% to Rs 214.6mn from Rs 133.8mn with increase in sales. Current tax expense represented 2.1% of the total income in FY'08 compared to 2.2% of the total income in FY'07. Income tax expense as a % of profit before tax (PBT) remained stable at 34.0%.

FBT for FY'08 was Rs 6.9mn, which worked out to 1.1% of the PBT compared to 0.7% in FY'07.

EPS

During FY'08, Basic Earnings Per Share (EPS) was Rs 18.95 compared to Rs 13.97 in FY'07. The Diluted Earnings Per Share (DPS) was Rs 19.1 in FY'08 compared to Rs 14.0 in FY'07.

FINANCIAL GLIMPSE

Share Capital

Your Company has an authorised equity share capital of Rs 250mn comprising 25mn equity shares of Rs 10 each and an authorised preference share capital of Rs 58.4mn divided into 400,000 preference shares of Rs 146 each.

The paid-up equity share capital increased to Rs 223.89mn in FY'08 from Rs 183.2mn in FY'07. During the year, your Company entered the capital market with an Initial Public Offering (IPO) and issued 4.08mn equity shares of face value Rs 10 each at a price of Rs 270 per share.

Reserves & Surpluses

Your Company's reserves increased by 129.4% to Rs 2,487.6mn as on March 31, 2008 from Rs 1,084.4mn as on March 31, 2007. The increase was largely on account of securities premium of Rs 1,059.3mn.

Profit and Loss Account

As your Company did not announce any dividend for the year, the entire PAT of Rs 406.4mn was retained in the Profit and Loss (P&L) Account. As of March 31, 2008, the P&L Account balance stood at Rs 823.0mn.

Debt

During the year, your Company availed of loans to fund the ongoing expansion of a number of stores. Loan fund increased to Rs 5,328.0mn during FY'08 from Rs 2,423.3mn in FY'07. Secured loans increased to Rs 4,489.0mn in FY'08 from Rs 2,154.2mn in FY'07. Unsecured loans increased to Rs 839.0mn in FY'08 from Rs 269.1mn in FY'07.

Your Company maintained a debt-equity ratio at 1.96:1 in FY'08 compared to 1.91: 1 in FY'07

Deferred Tax

Deferred tax assets/liabilities represent timing differences in the financial and tax books arising from depreciation on assets, provision for sundry debtors and provision for retirement benefits. Your Company has recorded deferred tax liabilities of Rs 22.0mn as on March 31, 2008.

Gross Block

Your Company has made net additions of Rs 1,293.7mn to the gross block. The ratio of sales to gross block has declined to 3.83 in FY'08 from 4.53 in FY'07. Capital work-in-progress (WIP) was Rs 205.1mn as on March 31, 2008 compared to Rs 10.9mn as on March 31, 2007.

Capex

During 2007-08, your Company incurred capital expenditure of Rs 1.48bn (inclusive of addition to WIP). The capital expenditure incurred during the year was primarily on account of adding new stores, renovating existing stores and adding manufacturing capacities at Manesar and Dehradun.

Capital Work-in-Progress

Capital work-in-progress increased to Rs 205.1mn in FY'08 from Rs 10.9mn in FY'07. Your Company is working hard to increase the number of stores to 190 by the end of FY'09 from 100 as on March 31, 2008.

Investments

During the year under review, your Company invested a sum of Rs 1.3mn to acquire stakes in VRL Infrastructure Limited, VRL Consumer Goods Limited, VRL Movers Limited, VRL Fashions Limited and VRL

Foods Limited. Your Company also equally invested Rs 2,50,000 in each of the companies and received 25,000 equity shares of each company of face value Rs 10 each. All these investments are non-quoted.

Cash & Bank Balances

As on March 31, 2008, your Company is sitting on a cash balance of Rs 549.6mn compared to Rs 107.9mn as on March 31, 2007.

Inventories

Inventories increased by 123.75% to Rs 5,574.7mn during FY'08 from Rs 2,491.5mn during FY'07. The increase in inventories is mainly on account of the large amount of inventory required to maintain the rising number of stores.

Loans and Advances

Loans and Advances as on March 31, 2008 was Rs 1,208.2mn compared to Rs 654.8mn as on March 31, 2007. Significant items of loans and advances were: Income Tax advance of Rs 364.8mn (previous year Rs 123.8mn) and advance receivable in cash of Rs 478.8mn (previous year Rs 275.1mn).

Current Liabilities

Current liabilities increased by 167.86% to Rs 1,136.2mn during FY'08 from Rs 424.2mn during FY'07. Your Company has made a provision of Rs 430.2mn during the year under review compared to Rs 204.7mn in the previous year.

Working Capital Requirements

Sales to working capital ratio declined to 1.74x in 2007-08 from 2.29x in 2006-07. The decrease is due to the increase in inventories for expansion during the year under review.

On behalf of the Board of Directors

Date : July 30, 2008

Place : New Delhi

Ram Chandra Agarwal
Chairman & Managing Director

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

Research and Development (R & D)

We are engaged in the Retail Industry. We source most of our products from other suppliers/distributors and local vendors. We have our Manufacturing unit located at Udyog Vihar Phase-I, Gurgaon, Selakui, Dehradun & Manesar, where ready made garments are being manufactured by us under our Private labels. We have not imported any technology during the financial year 2007-08.

1. Specific areas in which R & D carried out by the Company	Nil
2. Benefits derived as a result of the above R & D	NA
3. Expenditure on R & D	
a. Capital	Nil
b. Recurring	Nil
c. Total	Nil
d. Total R & D expenditure as a percentage of total turnover.	Nil
Technology absorption, adaptation and innovatin	Nil
* Technology imported	Nil
* Year of Import	Nil
* Has technology been fully absorbed?	NA

On behalf of the Board of Directors

Date : July 30, 2008

Place : New Delhi

Ram Chandra Agarwal
Chairman & Managing Director

FORM A

of “THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988”

Power and Fuel Consumption	2007-08	2006-07
Electricity		
Purchased		
* Unit	525940	470513
* Total Amount	2356210	1950490
* Rate/Unit	4.48	4.29
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

On behalf of the Board of Directors

Date : July 30, 2008

Place : New Delhi

Ram Chandra Agarwal
Chairman & Managing Director

FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars	2007-08	2006-07
Foreign Exchange Outgo		
* Traveling	994,420	1,265,780
* Consultancy	Nil	Nil
* Others	Nil	Nil
Imports		
* Raw Materials	Nil	Nil
* Finished Goods	341,737,228	238,611,284
* Capital Goods	222,392,535	127,214,529
* Others	Nil	Nil
Foreign Exchange Earnings		
* Earnings in Foreign Exchange	Nil	Nil

On behalf of the Board of Directors

Date : July 30, 2008

Place : New Delhi

Ram Chandra Agarwal
Chairman & Managing Director

Particulars of the employees drawing remuneration of more than Rs. 24,00,000/- for the 12 months period from 01.04.2007 to 31.03.2008 or Rs. 2,00,000/- per month as per Section 217(2A) of the Companies Act, 1956.

Name	Age (Yrs)	Designation	Remuneration (Yearly) (in Rs.)	Qualification	Experience (Years)	Date of Employment	Last Employment	Nature of employment whether contractual or otherwise and duties	The percentage of equity shares held by the employee in the company
Ram Chandra Agarwal	40	Managing Director	60,00,000/-	B.Com	21	23.07.2001	N.A.		4.18 %
Surendra Kumar Agarwal	45	Whole Time Director	32,08,734/-	B.Com	15	23.07.2001	N.A.	Permanent	0.01%
Manmohan Aggarwal	30	Head-SCM & Men's Ethnic Apparel	24,75,000/-	B.Com	10	01.08.2002	N.A.	Permanent	Nil
Manmohan Agarwal	38	CEO-North-Retail	32,16,671/-	B.Com, CA	16	04.10.2007	Onicra Credit Rating Agency of India Ltd.	Permanent	Nil
Shasipal Kataria	49	CEO-West-Retail	27,27,000/-	PGDMSM, MBA	22	11.02.2008	Quality Foods & Beverages Ltd.	Permanent	Nil
Bhupinder Singh Anand	47	Sr. VP-IT	34,25,316/-	IIT Delhi	24	13.02.2008	Genpact India Pvt. Ltd.	Permanent	Nil
Tapan Roy Choudhary	41	Regional CEO-Maharashtra	24,09,924/-	Diploma Marketing Mgt. & Computer Applications	15	18.03.2008	Pyramid Retail Ltd.	Permanent Permanent	Nil

Notes:

1. Remuneration comprises Salary, House Rent Allowance and Conveyance Allowance.
2. Sh. Ram Chandra Agarwal was Promoter and first Director of the company.
3. All the employees mentioned above have adequate experience to discharge the duties assigned to them.

On behalf of the Board of Directors

Date : July 30, 2008

Place : New Delhi

Ram Chandra Agarwal
Chairman & Managing Director

CORPORATE GOVERNANCE REPORT

Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability, and commitment to values. Good governance practices stem from the culture and mindset of the organization.

Over the years, governance processes and systems have been strengthened at Vishal Retail in addition to complying with the statutory requirements effective governance systems and practices toward improving transparency, disclosures, internal control and promotion of ethics at work place have been institutionalized. Vishal Retail recognizes that good corporate governance is a continuing exercise and reiterates its commitment to pursue highest standards of corporate governance in the overall interest of all the stake holders.

COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Corporate Governance is an integral part of values, ethics, and the best business practices followed by the Company. The basic philosophy and the core values of the Company are commitment to business excellence and customer satisfaction, maximizing long terms Shareholders' value and compliance with all the applicable laws of the land.

Our Company's business objective and that of its management and employees is to manufacture and market the products in such a way as to create value that can be sustained over the long term for stake holders including customers, business partners, shareholders, bankers, employees, Government Authorities, and the National economy. Vishal Retail is conscious of the fact that the success of a corporation is a reflection of professionalism, conduct, and ethical values of its management and employees. Transparency, accountability and high professional ethical standards leading to management reliability are the touchstone of the principles of Corporate Governance at Vishal Retail.

The Company endeavors to benchmark its internal policies and systems with the best in the world. The Company also acknowledges its responsibility towards nation and the society.

BOARD OF DIRECTORS

The Board comprises of 6 directors out of which 3 are Executive Non-Independent Directors and 3 Non-Executive Independent Directors. The Composition of Board of Directors is as follows:

Executive Promoter Director	:	1. Ram Chandra Agarwal 2. Uma Agarwal 3. Surendra Kumar Agarwal
Independent Non Executive Director	:	1. Bharat Jain 2. Jay Prakash Shukla 3. Rakesh Aggarwal
Nominee Director	:	Nil

The Chairman of your Company, Mr. Ram Chandra Agarwal, is an Executive Director.

BOARD MEETINGS

During the Financial Year 2007-08, 18 Board Meetings were held as per following details:-

S.No.	Date of Board Meeting	S.No.	Date of Board Meeting
1.	05.04.2007	2.	25.05.2007
3.	05.06.2007	4.	14.06.2007
5.	18.06.2007	6.	26.06.2007
7.	02.07.2007	8.	13.08.2007
9.	13.09.2007	10.	29.10.2007
11.	12.11.2007	12.	23.11.2007
13.	25.11.2007	14.	24.12.2007
15.	11.01.2008	16.	24.01.2008
17.	08.02.2008	18.	14.03.2008

Composition of Board of Directors and their Attendance in the Board Meetings held as specified above

Name of Director	Designation	Attendance of Meetings		No. of Other Directorships	Committee Membership	Committee Chairmanship
		Board Meeting	Last AGM			
Ram Chandra Agarwal	CMD	17	Yes	8	Nil	Nil
Uma Agarwal	WTD	17	Yes	8	Nil	Nil
Surendra Kumar Agarwal	WTD	18	Yes	1	Nil	Nil
Bharat Jain	NED	12	No	12	Nil	Nil
Jay Prakash Shukla	NED	14	No	Nil	Nil	Nil
Rakesh Aggarwal	NED	15	Yes	1	Nil	Nil

The Company has a Code of Conduct in position for Management Cadre Staff (including Executive Directors). In terms of the revised Clause 49 of the Listing Agreement and contemporary practices of good corporate governance, the Board has adopted the Code of Conduct for all Board Members and Senior Management of the Company and the same is available on the Company's website www.vishalmegamart.net. All the Board Members and Senior Management Personnel have affirmed compliance with the Code.

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 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 non payment for good 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 development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of voluntary retirement scheme etc.
- Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

BOARD LEVEL COMMITTEES

The Board of Directors is the apex body constituted by the shareholders for overseeing the overall functioning of the company. The Board provides and evaluates the strategic direction of the company, management policies, and their effectiveness and ensures that the long term interests of the shareholders are being served. The Chairman and the Managing Director is assisted by the Executive Directors/Senior Managerial Personnel in overseeing the functional matters of the company.

The Board has constituted four Standing Committees, namely Audit Committee, Remuneration Committee, Shareholder/Investor Grievance Committee, and Share Transfer Committee.

Name of Director	Audit	Remuneration	Investors Grievances	Share Transfer
Ram Chandra Agarwal	–	–	–	–
Uma Agarwal	–	–	–	–
Surendra Kumar Agarwal	–	–	Member	Member
Bharat Jain	Member	Member	–	–
Jay Prakash Shukla	Member	Member	Member	Member
Rakesh Aggarwal	Chairman	Chairman	Chairman	Chairman

All decisions pertaining to the constitution of the Committee, appointment of members of the Committee and fixing of terms of service for committee members are taken by the Board of Directors. Details of the role and composition of these Committees, including the number of meetings held during the financial year and attendance, are provided below:

AUDIT COMMITTEE

Terms of Reference

The Company has constituted an Audit Committee of Directors on May 22, 2006 as mandated under the provisions of Section 292A of the Companies Act, 1956 read with Clause 49 of the Listing Agreement. The Constitution of the Audit Committee is as follows:

Composition

Name	Designation	Chairman/Member
Rakesh Aggarwal	Non Executive Independent Director	Chairman
Jay Prakash Shukla	Non Executive Independent Director	Member
Bharat Jain	Non Executive Independent Director	Member
Arun Gupta	Company Secretary	Secretary

AUDIT COMMITTEE MEETINGS & PRESENCE

The details of Audit Committee meetings & presence of Members in the same are as follows:-

Name of Directors	Dates of Audit Committee Meetings						
	18.05.07	12.07.07	06.08.07	29.10.07	25.11.07	24.01.08	08.02.08
Bharat Jain	A	P	A	P	P	P	P
Jay Prakash Shukla	P	P	P	P	P	P	P
Rakesh Aggarwal	P	P	P	P	P	P	P

The functions and Powers of the Audit Committee comprises of the same powers and functions as are elaborated in Clause 49 of the Listing Agreement.

REMUNERATION COMMITTEE

Terms of Reference

The Remuneration Committee has been constituted to recommend/review remuneration of the Managing Director and Whole Time Directors, based on their performance and defined assessment criteria.

Composition

The Remuneration Committee comprises of three independent directors, Mr. Rakesh Aggarwal acts as Chairman of the Committee. The details of Members of the Remuneration Committee as on March 31, 2008 are as follows:-

Name	Designation	Chairman/Member
Rakesh Aggarwal	Non Executive Independent Director	Chairman
Bharat Jain	Non Executive Independent Director	Member
Jay Prakash Shukla	Non Executive Independent Director	Member

The functioning and terms of reference of the Committee are as prescribed under the Listing Agreement with the Stock Exchanges. The Remuneration paid to the Directors during last financial year is mentioned below;

(in INR Million)

Name of Director	Salary & Perquisites	Sitting Fees	Commission	Total
Ram Chandra Agarwal	6.0	NA	Nil	6.0
Uma Agarwal	0.9	NA	Nil	0.9
Surendra Kumar Agarwal	3.21	NA	Nil	3.21
Bharat Jain	NA	Nil	Nil	NA
Jay Prakash Shukla	NA	Nil	Nil	NA
Rakesh Aggarwal	NA	Nil	Nil	NA

The Non Executive Independent Directors of the Company do not hold any shares of the Company.

REMUNERATION POLICY

The committee has adopted a fair & transparent remuneration policy for the board of directors.

Meetings

There was no meeting of the Remuneration Committee during the year.

SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE

Terms of Reference

The Committee inter alia looks into redressal of shareholders'/investors' complaints relating to non-receipt of Balance sheet, non-receipt of declared dividends, refund order, etc. The Company oversees the performance of the Registrar and Share Transfer Agent of the Company and recommends measures for overall improvement in the quality of investor services. The Committee also monitors the implementation and compliance of the Company's code of conduct for Prohibition of Insider Trading in pursuance of SEBI (Prohibition of Insider Trading) Regulations, 1992.

Composition

The Chairman of Share Holder/Investor Grievance Committee is Mr. Rakesh Aggarwal, a Non Executive Independent Director.

Compliance Officer

Mr. Arun Gupta, Company Secretary is the Compliance officer for complying with the requirements of SEBI Regulations and the Listing Agreements with the Stock Exchange(s) in India.

The details of Shareholders'/Investors' Grievance Committee meetings & presence of Members in the same is as follows:-

Name	Dates of Shareholders Grievance Committee		
	13.07.2007	11.10.2007	16.01.2008
Rakesh Aggarwal	P	P	P
Jay Prakash Shukla	P	P	P
Surendra Kumar Agarwal	P	P	P

Investor Grievance Redressal

During the year the company has received 1585 complaints from investors/shareholders and all the complaints are resolved as per the information provided by the Registrar and Share Transfer Agent of the company. There was no investor/shareholder grievance pending as at 31st March 2008.

GENERAL BODY MEETINGS

The details of the last three Annual General Meetings are as follows:

Financial Year	Category	Venue	Date	Time
2006-07	AGM	NCUI Auditorium, Siri Fort Road, Khelgoan, New Delhi-110011	19.09.2007	10:00 AM
2005-06	AGM	RZ-A-95 & 96, Road No.4, Street No. 9, Mahipalpur Extn., New Delhi-110037	21.09.2006	10:30 AM
2004-05	AGM	Mouza-Kochpukur, P.S. Bhangore 24, Parganas, West Bengal	05.09.2005	11:00 AM

The details of the last three Extra Ordinary General Meetings are as follows:

Financial Year	Category	Venue	Date	Time
2006-07	EGM	RZ-A-95 & 96, Road No.4, Street No. 9, Mahipalpur Extn., New Delhi-110037	25.01.2007	10:30 AM
2006-07	EGM	RZ-A-95 & 96, Road No.4, Street No. 9, Mahipalpur Extn., New Delhi-110037	04.12.2006	10:30 AM
2006-07	EGM	RZ-A-95 & 96, Road No.4, Street No. 9, Mahipalpur Extn., New Delhi-110037	03.07.2006	10:30 AM

Special Resolutions

Annual General Meeting (AGM) (19.09.2007)

- Employee Stock Option Plan

Annual General Meeting (AGM) (21.09.2006)

- Payment of sitting fees to Non Executive Directors
- Adoption of new set of Articles to ensure compliance with SEBI provisions.

Annual General Meeting (AGM) (05.09.2005)

Nil

Extra - Ordinary General Meetings (EGM)

25.01.2007

- Change in Objects Clause of the Company

04.12.2006

- Appointment of Relative of Director to an Office or place of profit.

03.07.2006

- Alteration in the Memorandum of Association through increase in Authorised Share Capital of the Company from Rs. 25,84,00,000/- (Rupees Twenty Five Crores and Eight Four Lacs Only) to Rs. 30,84,00,000/- (Rupees Thirty Crores and Eighty Four Lacs only)
- Conversion of Preference Shares into Equity Shares
- Preferential Allotment of 2,00,000 Equity Shares to HDFC Ltd.
- Further Issue of Equity Shares through IPO
- Alteration of Articles of Association of the Company consequent to change in Clause V of the Memorandum of Association of the company.

Postal Ballot

We propose to take the approval of the Shareholders for sale or transfer of undertaking u/s. 293(1)(a) of the Companies Act, 1956 through Postal Ballot. The Notice of the Postal Ballot is enclosed along with the Notice for this Seventh Annual General Meeting. When the results of the Postal Ballot will be declared, we will publish the same in both the Newspapers and the Companies' Notice Board and will also be intimated to the Stock exchanges, ROC etc.

DISCLOSURES

Disclosure of Related Party transactions

- A Disclosure of all related party transactions has been made in the notes to the accounts of the Balance Sheet presented in this Annual Report.
- There are no material individual transactions with related parties, which are not in the normal course of business and which are not on an arm length basis.
- There are no materially significant transactions made by the Company with its promoters, directors or Management or relatives etc. that may have potential conflict with the interest of the Company at large.

Disclosure of Accounting Treatment in preparation of financial statements

The Company has followed the guidelines of accounting standards laid down by the Institute of Chartered Accountants of India (ICAI) in preparation of its financial statements.

Code for Prevention of Insider trading Practices

In compliance with the SEBI regulation on prevention of insider trading, the Company has formulated a comprehensive code of conduct for its management and staff. The Code lays down guidelines, which advises them on procedures to be followed and disclosures to be made, while dealing with shares of the Company and cautioning them on consequences of non-compliances.

Code of Conduct for the Directors and the Senior Management of the Company

In compliance with the Clause 49 of the Listing Agreement the Company the Board of Directors has laid down the Code of conduct for the Directors and the Senior Management of the Company. The Code has been circulated to all the members of the board and senior management and they have affirmed compliance with the code of conduct.

Compliances by the Company

There has neither been any non compliance of any legal provision of applicable law, nor any penalty, stricture imposed by the stock exchange or SEBI or any other authorities, on any matter related to capital market during the last three years.

Risk Management

We have established an effective risk assessment and minimization procedures, which are reviewed by the board periodically. There is a structure to identify and mitigate various risks faced by the company from time to time.

Utilization of Funds

The details of fund raised through IPO & Utilization of such funds is given as follows:-

Particulars	(Amount in Rs.)
Funds raised through Initial Public Offering	1,099,999,980/-
Utilization of Funds :	
* New Retail Stores	1,037,609,465/-
* Issue Expenses	62,390,515/-
Total Fund utilized upto 31.03.2008	1,099,999,980/-

Means of Communication

Quarterly Results: Quarterly and Annual Results are published generally in the Financial Express / Economic Times / Times of India and Navbharat Times/Jansatta. For the Financial year ended on March 31, 2008 the results were announced on:-

First Quarter ended June 30, 2007	NA*
Second Quarter ended September 30, 2007	October 29, 2007
Third Quarter ended December 31, 2007	January 24, 2008
Fourth Quarter ended March 31, 2008	April 29, 2008

* The Company was listed on July 04, 2007.

Website: The Company's website www.vishalmegamart.net contains a separate dedicated section 'Investor Relations' where shareholders information is available. The Shareholding Pattern, Quarterly results as well as the Annual Report of the company are also available on the website in a user friendly and downloadable form.

Annual Report: Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Director's Report, Auditor's Report and other information is circulated to members and others entitled thereto. The Management Discussion and Analysis Report forms part of the Annual Report.

INFORMATION TO SHAREHOLDERS

DATE, TIME AND VENUE OF THE 7TH ANNUAL GENERAL MEETING

The Seventh Annual General Meeting of the Company will be held on September 8, 2008 at NCUI Auditorium, Siri Fort Road, Khelgaon, New Delhi at 10:00 A.M.

Financial Year

The Financial year of the Company shall commence from April 1, 2008 and ends on March 31, 2009.

Dividend

Considering the future expansion plans of the Company, the board of directors does not recommend any dividend for the financial year ending March 31, 2008.

Date of Book Closure

The Date of Book closure will be 3 September, 2008 to 6 September, 2008 both days inclusive.

Market Price Data

The shares of the Company got listed on July 04, 2007, the data related to the Stock performance of the Equity shares of your Company vis a vis the Sensex and Nifty performance during the year ended March 31, 2008 are mentioned below

S.No.	Month	BSE		NSE	
		High	Low	High	Low
1.	July'07	809.00	423.25	802.80	472.50
2.	August'07	698.00	557.00	696.95	579.10
3.	September'07	773.00	600.25	772.90	599.00
4.	October'07	814.95	653.00	814.00	615.25
5.	November'07	760.00	675.00	747.95	650.00
6.	December'07	993.70	665.00	995.00	710.00
7.	January'08	1001.00	646.45	1020.00	646.45
8.	February'08	870.00	650.00	853.70	706.60
9.	March'08	855.00	665.00	850.00	611.25

Listing fees

Listing Fees as prescribed has been paid fully to all the Stock Exchanges where the shares of the Company are listed.

Details of Public Funding obtained in last Three years

The company came out with its IPO & raised Rs. 1100 Million from the public during the last year.

Dematerialization of Shares

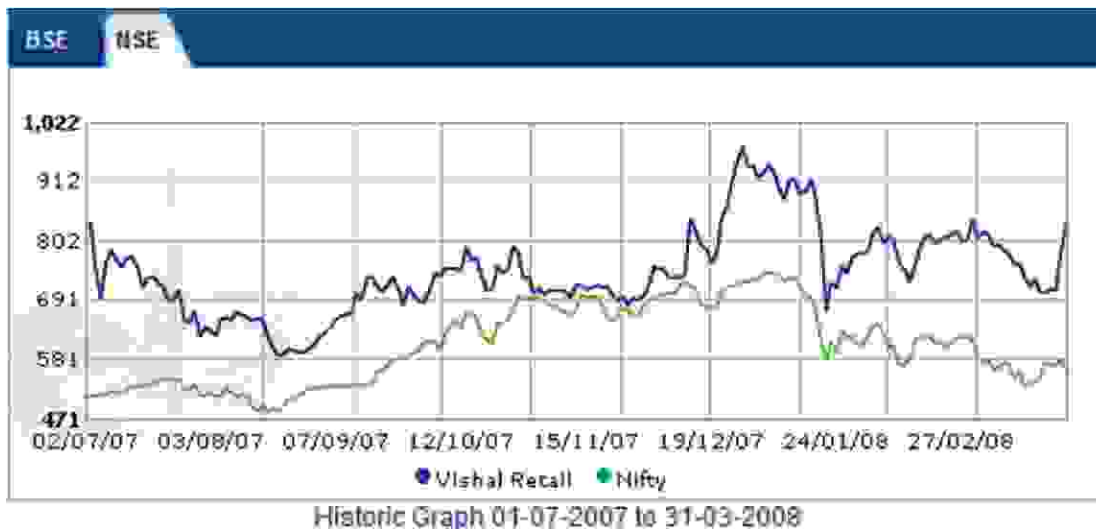
The equity shares of your company are under compulsory dematerialization mode as on March 31, 2008. The ISIN for the Equity Shares of the Company is INE945H01013.

31.20% of shares of the Company have been dematerialized as on March 31, 2008. Trading in Equity shares of the company is permitted only in demat mode.

Liquidity

The Equity shares of your company are frequently traded

	BSE	NSE
No. of Shares	38240247	57382788
Turnover (Amount in Crores)	2822.36	4242.10



Listing on Stock Exchanges

The Equity Shares of the Company are listed on the following Stock Exchanges across India:

- Bombay Stock Exchange Limited - Mumbai
- National Stock Exchange of India Limited - Mumbai

Stock Exchange Code

Bombay Stock Exchange Limited : 532867
National Stock Exchange of India Limited : VISHALRET

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, Conversion date and likely impact on equity:

Not Applicable

SHARE TRANSFER AGENTS:

Intime Spectrum Registry Limited
C-13, Pannalal Silk Mills Compund, L B S Marg, Bhandup (West), Mumbai 400 078
Telephone No. : 022-25960320-28 Fax No. : 022-25960329
Email: vishwas.atawar@intimespectrum.com

Distribution of Shareholding - As on March 31, 2008

Share holding of nominal value (Rs.)	Share Holders	Share Amount		
	Number	% to Total	Rs.	% to Total
(1)	(2)	(3)	(4)	(5)
Upto 2500	10548	95.44	3099300	1.384
2501-5000	177	1.602	665850	0.296
5001-10000	108	0.977	832350	0.372
10001-20000	72	0.651	1052070	0.470
20001-30000	30	0.271	763770	0.341
30001-40000	16	0.145	547880	0.245
40001-50000	13	0.118	606750	0.271
50001-100000	24	0.217	1856980	0.829
100001 and above	64	0.579	214563740	95.792
Total	11052	100	223988690	100.00

Plant Location

Gurgaon

Plot No. 224, Udyog Vihar,
Phase-I, Gurgaon, Haryana.

Dehradun

Plot No. 1018, Camp Road, Selakui,
Dehradun, Utrakhand.

IMT Manesar

Plot No. 7 & 18, Sector-5,
IMT Manesar, Gurgaon, Haryana

Address for Correspondence

Registered Office

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

Local Corporate Office

Plot No. 7 & 18, IMT Manesar,
Gurgoan, Haryana

On behalf of the Board of Directors

Date : July 30, 2008

Place : New Delhi

Ram Chandra Agarwal
Chairman & Managing Director

AUDITORS REPORT ON CORPORATE GOVERNANCE

To the shareholders of Vishal Retail Limited

We have examined the compliance of conditions of corporate governance by Vishal Retail Limited for the year ended 31st March 2008 on June 30, 2007 as stipulated by Clause 49 of the Listing Agreement of the Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the provisions relating to Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given us, we certify that the Company has complied in all material aspects with the conditions of corporate governance as stipulated in the above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For CP Associates
Company Secretaries

Date : July 30, 2008

Place : New Delhi

Arun Gupta
Proprietor
Membership No. 5149

AUDITORS' REPORT

TO THE MEMBERS OF VISHAL RETAIL LIMITED

We have audited the attached Balance Sheet of **VISHAL RETAIL LIMITED**, as at 31st March, 2008, the Profit & Loss Account and the Cash Flow Statement of the company for the year ended on that date annexed thereto.

Respective Responsibility of the Management and the Auditor:

These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of Opinion:

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion:

We report as under:

- I As required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditor's Report)(Amendment) Order, 2004, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanation given to us by the management, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

- II Further to our comments in the Annexure referred to in paragraph I above:
 - a. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
 - c. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

-
- d. In our opinion, the Balance Sheet, Profit & Loss Account, and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent they are applicable to the Company.
- e. On the basis of the written representations received from the Directors of the Company as on 31st March, 2008, and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.
- f. In our opinion and to the best of information and according to the explanations given to us, the said accounts, read together with the notes thereon in particular note no. 24(B), give the information required by the Act in the manner so required and, give a true and fair view in conformity with the accounting principles generally accepted in India:
- i. in case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - ii. in case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - iii. in case of Cash Flow statement, of the cash flows of the Company for the year ended on that date.

For Haribhakti & Co.,
Chartered Accountants

Place : New Delhi
Date : 5th June, 2008.

Raj Kumar Agarwal
(Partner)
Membership No. 74715

ANNEXURE REFERRED TO IN PARAGRAPH I OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF VISHAL RETAIL LIMITED

Fixed Assets:

1. The Company is in the process of maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
2. The company has a policy for physical verification of its fixed assets over a period of three years, which in our opinion is reasonable having regard to the size of the company and the nature of its business. In accordance with this programme, certain fixed assets were physically verified by the Management during the year. We are informed that no material discrepancies were noticed on such verification.
3. During the year, the Company has not disposed off substantial part of its fixed assets.

Inventories:

4. As explained to us, the inventory has been physically verified by the management for majority of the location. In our opinion, the frequency of verification is reasonable.
5. According to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate according to the size of the company and the nature of its business.
6. On the basis of our examination of the records of the Company, we are of the opinion that the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification as compared to book records.

Related party transactions:

7. According to the information and explanations given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act during the year.
8. According to the information and explanations given to us, the company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act during the year. However, the company had borrowed loans in the previous financial year. The maximum amount involved during the year is aggregated to Rs. 4,66,23,225 and the year end balance of such loans is Rs. 2,55,37,792
9. In our opinion, the rate of interest and other terms and conditions on which loans have been taken by the company are prima facie not prejudicial to the interest of the company.
10. According to the information and explanations given to us, the company is regular in repayment of principal amount.
11. On the basis of the audit procedures performed by us, and according to the information, explanations and representations given to us, we are of the opinion that, the transactions in which directors were interested as contemplated under Section 297 and sub section (6) of section 299 of the Act, and which were required to be entered in the register maintained under section 301 of the said act, have been so entered.

12. In our opinion and according to the information and explanations given to us, each of these transactions exceeding the value of rupees five lacs in respect of any party during the year, are made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

Internal Controls:

13. In our opinion and according to the information and explanations given to us, the existing internal control procedures are required to be made adequate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods.

Internal Audit:

14. According to the information and explanations given to us, the Company has introduced internal audit system. However the scope and coverage needs to be extended considerably to be commensurate with the size and nature of the business.

Deposits:

15. According to the information and explanations provided to us, the Company has not accepted any deposits from the public to which the directives issued by Reserve Bank of India and provisions of section 58A and section 58AA of the Act or other provisions of the act, and the rules framed there under apply.

Potentially Sick Company:

16. The Company does not have any accumulated losses at the year end, and has not incurred any cash losses during the financial year and in the immediately preceding financial year.

Statutory Dues:

17. According to the information and explanations given to us, the company is regular in depositing the undisputed dues in relation to service tax and custom duty. There have been delays in depositing undisputed statutory dues in respect of provident fund, employees' state insurance, income tax, sales tax, wealth tax, professional tax, cess. Further, as explained to us the, provisions regarding excise duty and investor education and protection fund, are presently not applicable to the Company. As explained to us the, the company has following arrears of outstanding statutory dues, as at the last day of the financial year for a period of more than six months from the date they become payable:

Name of the Statute	Nature of the dues	Amount (Rs.)	Period to which it relates
Employees State Insurance Corporation	ESIC	42,621	2007-08
Provident Fund	Provident Fund	11,815	2007-08

18. According to the information and explanations given to us, there are no dues of income tax, custom duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute except for the dues in relation to sales tax as disclosed hereunder:

Name of the Statute	Nature of the dues and period to which it relates	Amount (Rs.)	Forum where dispute is pending
Sales Tax Act (West Bengal)	Sales Tax demand (2002-03)	1,489,876	Additional Asst. commissioner of Commercial Tax
Sales Tax Act (Delhi)	Sales Tax demand (2002-03)	11,49,937	Deputy Commissioner of Sales Tax
Sales Tax Act (Guwahati)	Sales Tax demand (2002-03)	10,00,000	Superintendent of Taxes
Sales Tax Act (Orissa)	Entry Tax demand (2004-05)	644,200	Assistant Commissioner of Sales Tax

Default in repayment of dues:

19. According to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.

Loans and Advances granted on the basis of securities:

20. According to the records of the Company and according to the information and explanations provided to us, we are of the opinion that the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

Investments:

21. In our opinion and according to the information and explanations given to us, the company is not dealing in shares, securities, debentures and other investments. The company has invested surplus funds in marketable securities and mutual funds. According to the information and explanations given to us proper records have been maintained of the transactions and contracts and timely entries have been made therein. The marketable securities and mutual funds have been held by Company, in its own name.

Guarantees Given:

22. In respect of a guarantee given by the company for a loan taken by a director, terms and conditions thereon are prima facie not prejudicial to the interest of the company.

Term Loan:

23. In our opinion and according to the information and explanations given to us, the term loans were applied for the purpose for which they were obtained.

Sources and Application of Funds:

24. Based on our examination of the balance sheet of the company as at March 31, 2008 on an overall basis and as per the information and explanation given to us, we find that the no funds raised on short term basis were utilized for long term purpose.

Preferential Allotment:

25. According to the information and explanations given to us, the company has not made preferential allotments of shares to the parties listed in the register maintained under Section 301 of the Act.

Security or Charge created in respect of Debentures:

26. In respect of debentures issued the documents for creation of security or charge have not been produced for our verification.

Disclosure of Funds raised through public issue:

27. According to the information, explanations and representations given to us by the management, the management has disclosed the end use of money raised by public issue and the same has been verified

Fraud:

28. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

Miscellaneous:

29. The clauses (iii) (b) (c) & (d), (viii) and (xiii) of the paragraph 4 & 5 of the Order are not applicable to the company and hence not reported upon.

For Haribhakti & Co.,
Chartered Accountants

Raj Kumar Agarwal
(Partner)
Membership No. 74715

Place : New Delhi
Date : 5th June, 2008.

VISHAL RETAIL LIMITED

Balance Sheet as at 31st March'2008

(Amount in Rs.)

PARTICULARS	SCHEDULE	31st March'2008	31st March' 2007
SOURCES OF FUND S			
Shareholders' Funds			
Share Capital	1	223,988,690	183,247,950
Reserves & Surplus	2	2,487,645,388	1,084,374,402
		2,711,634,078	1,267,622,352
Loan Funds			
Secured Loan	3	4,489,038,480	2,154,217,661
Unsecured Loan	4	839,009,463	269,118,727
		5,328,047,942	2,423,336,388
Deferred Tax Liability		21,965,802	18,023,876
Total		8,061,647,822	3,708,982,616
APPLICATION OF FUND S			
Fixed Assets			
Gross Block	5	2,623,006,801	1,329,272,543
Less: Accumulated Depreciation/Amortization		533,666,371	257,672,637
Net Block		2,089,340,430	1,071,599,906
Capital Work in Progress		205,060,070	10,877,703
		2,294,400,500	1,082,477,609
Investments	6	1,250,000	-
Current Assets, Loans & Advances			
(a) Current Assets			
Inventories	7	5,574,676,918	2,491,476,462
Sundry Debtors	8	-	1,198,073
Cash & Bank Balances	9	549,567,156	107,913,615
(b) Loans & Advances			
Loans & Advances	10	1,208,153,478	654,832,167
		7,332,397,552	3,255,420,317
Less: Current Liabilities & Provisions			
Current Liabilities	11	1,136,237,690	424,189,985
Provisions	12	430,162,539	204,725,325
		1,566,400,229	628,915,311
Net Current Assets		5,765,997,322	2,626,505,006
Total		8,061,647,822	3,708,982,616
Significant Accounting Policies & Notes on Accounts forming integral part of balance sheet	19		

As per our attached report of even date

For Haribhakti & Co.

Chartered Accountants

For and on behalf of the Board

Vishal Retail Limited

Raj Kumar Agarwal
(Partner)

Ram Chandra Agarwal
Managing Director

Uma Agarwal
Director

Arun Gupta
Company Secretary

Place : New Delhi
Date : 5th June, 2008

VISHAL RETAIL LIMITED

Profit and Loss Account for the year ended 31st March'2008

(Amount in Rs.)

PARTICULARS	SCHEDULE	31st March' 2008	31st March' 2007
<u>INCOME</u>			
Gross Sales	13	10,053,135,126	6,026,525,093
Less : VAT / Sales Tax		523,387,184	313,384,585
Net Sales		9,529,747,942	5,713,140,508
Other Income	14	77,610,878	23,897,755
Total (A)		9,607,358,819	5,737,038,263
<u>EXPENDITURE</u>			
Cost of goods	15	5,616,102,295	3,462,811,407
Manufacturing, Administrative and other expenses	16	1,981,564,205	1,279,887,897
Personnel Expenses	17	723,121,989	300,059,777
Finance Cost	18	378,707,116	147,536,359
Depreciation / Amortization	5	275,993,735	152,928,667
Total (B)		8,975,489,340	5,343,224,106
PROFIT BEFORE TAX (A - B)		631,869,480	393,814,157
Less: <u>Provision for Tax</u>			
: Income Tax		214,552,392	133,803,473
: Tax for earlier year's		-	1,123,396
: Deferred Tax Adjustments		3,941,925	5,361,373
: Fringe Benefit Tax		6,893,220	2,646,089
: Wealth Tax		79,681	213,500
PROFIT AFTER TAX		406,402,262	250,666,326
Balance brought forward from last year		416,622,282	166,005,575
Amount available for Appropriation		823,024,543	416,671,901
Less : Provision for Preference Dividend		-	41,685
Less : Provision for Dividend Distribution Tax		-	7,934
BALANCE CARRIED TO BALANCE SHEET		823,024,543	416,622,282
Basic Earning Per Share (Rs.)		18.95	13.97
Diluted Earning Per Share (Rs.)		18.95	13.97
Nominal Value per share		10.00	10.00
(Refer Note B-21 in Schedule 19)			
Significant Accounting Policies & Notes on Accounts forming integral part of profit & loss accounts	19		

As per our attached report of even date

For Haribhakti & Co.
Chartered Accountants

For and on behalf of the Board
Vishal Retail Limited

Raj Kumar Agarwal
(Partner)

Ram Chandra Agarwal
Managing Director

Uma Agarwal
Director

Arun Gupta
Company Secretary

Place : New Delhi
Date : 5th June, 2008

VISHAL RETAIL LIMITED

Cash Flow Statement for the year ended 31st March' 2008

Amount in Rs.

PARTICULARS	31st March' 2008	31st March'2007
A. Cash Flow from Operating Activities		
Net Profit Before Tax and Extra Ordinary Items	631,869,480	393,814,157
Adjustments For :		
Depreciation/Amortisation	275,993,735	152,928,667
Loss Due to Fire	-	1,549,428
Provision for Bonus	20,245,919	6,990,138
Provision for Gatuity	3,898,541	4,689,644
Provision for Leave Encashment	17,789,822	10,981,240
Provision for other Expenses	95,560,713	2,500,000
Preliminary Expenses written off	-	20,000
Interest on Loan	378,707,116	147,536,359
Interest received	(13,223,857)	(1,969,304)
Operating Profit before working capital changes	1,410,841,468	719,040,329
Adjustment for Changes in Working Capital		
(Increase)/Decrease in Advances & Receivables	(435,630,782)	(102,202,830)
(Increase)/Decrease in Inventories	(3,083,200,457)	(1,709,491,547)
Increase/(Decrease) in Trade Payable	319,583,251	(13,536,799)
Increase/(Decrease) in Other Payable	54,376,997	118,550,305
	(3,144,870,990)	(1,706,680,870)
Cash generated from operations	(1,734,029,522)	(987,640,541)
Direct Taxes Paid	(240,899,327)	(71,305,356)
Cash generated from operations before Extraordinary Items	(1,974,928,850)	(1,058,945,897)
Net Cash from Operating Activities [A]	(1,974,928,850)	(1,058,945,897)
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(957,387,330)	(945,670,776)
Capital Work in Progress	(201,618,041)	(10,877,703)
Realisation against loss of assets by Fire	-	2,813,281
Interest received	13,223,857	1,969,304
Net Cash from Investing Activities [B]	(1,145,781,513)	(951,765,894)
C. Cash Flow from Financing Activities		
Proceeds from issuance of share capital	1,099,999,980	290,000,000
Proceeds from issuance of 9.1% Debentures	(600,000,000)	600,000,000
IPO Expenses	(62,390,515)	
Proceeds/(Repayment) of Bank Borrowings	2,934,820,818	1,078,111,739
Investment In Subsidiary Co's	(1,250,000)	
Proceeds/(Repayment) of Unsecured Loan	569,890,736	194,743,727
Interest paid on loan	(378,707,116)	(126,893,071)
Net Cash from Financing Activities [C]	3,562,363,904	2,035,962,395
Net Increase/(Decrease) in Cash & Cash Equivalents [A+B+C]	441,653,541	25,250,605
Cash & Cash equivalents as at 01.04.2007	107,913,615	82,663,012
Cash & Cash equivalents as at 31.03.2008	549,567,156	107,913,616

Note : cash & cash equivalent consists of cash in hand, cash in transit-CMS & bank balances

As per our attached report of even date
For Haribhakti & Co.
Chartered Accountants

For and on behalf of the Board
Vishal Retail Limited

Raj Kumar Agarwal
(Partner)

Ram Chandra Agarwal
Managing Director

Uma Agarwal
Director

Arun Gupta
Company Secretary

Place : New Delhi
Date : 5th June, 2008

VISHAL RETAIL LIMITED

Schedules attached to Balance Sheet

		(Amount in Rs.)	
SCHEDULE	PARTICULARS	31st March' 2008	31st March' 2007
1	<u>SHARE CAPITAL</u>		
	Authorised		
	Equity Share Capital 25,000,000 (25,000,000) Equity Shares of Rs. 10/- each	250,000,000	250,000,000
	Preference Share Capital 4,00,000 (4,00,000) Preference Shares of Rs. 146/- each	58,400,000	58,400,000
		308,400,000	308,400,000
	Issued, Subscribed & Paid up		
	Equity Share Capital 2,23,98,869 (1,83,24,795) Equity Shares of Rs. 10/- each, fully paid up in cash	223,988,690	183,247,950
		223,988,690	183,247,950
2	<u>RESERVES & SURPLUS</u>		
	Securities Premium		
	Balance brought forward	667,752,120	340,002,280
	Add: Additions during the year	1,059,259,240	327,749,840
		1,727,011,360	667,752,120
	Less: IPO-Expenses	(62,390,515)	-
		1,664,620,845	667,752,120
	Balance as per Profit & Loss Account annexed	823,024,543	416,622,282
		2,487,645,388	1,084,374,402
3	<u>SECURED LOAN</u>		
	9.1% Non Convertible Debentures		
	LIC Mutual Fund (Secured by mortgage of office land & repayment within 364 days)	-	600,000,000
	Loan from Banks		
	State Bank of India (CC A/c.)	1,384,507,388	876,991,582
	State Bank of India Corporate Loan	409,213,900	42,102,410
	HSBC Bank Limited (CC A/c.)	727,301,409	291,263,452
	HSBC Corporate Loan	300,000,000	100,000,000
	Centurion Bank of Punjab (CC A/c.)	143,794,769	-
	Centurion Bank of Punjab Term Loan	294,466,110	69,483,495
	Yes Bank Ltd.	98,855,351	110,820,666
	Bank Of Rajasthan - Term Loan	250,170,765	-
	Bank Of India - Term Loan	698,305,556	-
	ICICI Bank Ltd	5,403,477	8,938,054
	Kotak Mahindra Bank Ltd.	34,381,143	13,322,986
	HDFC Bank Ltd.	112,928,280	-
	(Refer note B-3 in notes to accounts for the securities given on these loans)		
	Other Loans (Secured by specific gensets, computers & personal gaurantee of M.D.)	29,710,332	41,295,015
		4,489,038,480	2,154,217,661
4	<u>UNSECURED LOAN</u>		
	1). Non Convertible Debentures		
	Deutsche Trustee Services (I) Pvt. Ltd.	300,000,000	-
	2). Short Term Loans & Advances :		
	a). From banks	381,391,140	36,944,540
	b). From others	137,118,323	211,674,187
	3). Other loans :		
	From others - intercorporate deposit	20,500,000	20,500,000
		839,009,463	269,118,727

VISHAL RETAIL LIMITED
Schedules attached to Balance Sheet

Schedules : 5 FIXED ASSETS

Amount in Rs.

Particulars	Gross Block				Depreciation/Amortization				As at 31.03.08
	As at 01.04.07	Addition	Disposal	As at 31.03.08	As at 01.04.07	Addition	Reversal	As at 31.03.08	
Land	107,995,114	-	-	107,995,114	-	-	-	-	107,995,114
Lease Hold Land	-	69,181,044	-	69,181,044	-	909,778	-	909,778	68,271,266
Buildings	-	194,397,851	-	194,397,851	-	6,651,010	-	6,651,010	187,746,841
Plant & Machinery	35,493,438	6,442,500		88,918,165	11,027,052	5,850,429	-	16,877,481	72,040,684
Lift	12,406,654	96,092,886		18,849,154	2,965,469	2m,084,763	-	5,050,232	13,798,922
Generator Set	98,158,723	329,601,152		194,251,609	15,391,407	15,742,523	-	31,133,930	163,117,679
Furniture & Fixture	461,743,375	86,201,793		791,344,527	86,534,547	86,543,938		173,078,485	618,266,042
Electrical Equipments & Fittings	139,192,418	74,395,346		225,394,211	22,771,156	20,269,650		43,040,806	182,353,405
Office Equipments	31,763,998	123,811,264		106,159,344	3,738,651	7,527,585		11,266,236	94,893,108
Air Conditioner	130,965,540	155,811,264		254,776,804	18,153,127	20,907,157		39,060,284	215,716,520
Computer	230,885,924	155,707,829		386,593,753	72,655,773	79,712,054		152,367,827	234,225,926
Computer Softwares	18,243,402	19,431,304		37,674,706	4,415,069.89	9,490,818		13,905,888	23,768,818
Video Conference Systems	7,480,770	37,670,475		45,151,245	2,648,542	6,539,721		9,188,263	35,962,982
Motor Vehicles	54,943,188	47,376,087		102,391,275	17,371,842	13,764,309	-	31,136,151	71,183,124
TOTAL	1,329,272,544	1,293,734,257		2,623,006,801	257,672,636	275,993,735		533,666,371	2,089,340,430

VISHAL RETAIL LIMITED

Schedules attached to Balance Sheet

SCHEDULE	PARTICULARS	Amount in Rs.	
		31st March' 2008	31st March' 2007
6	<u>INVESTMENTS - Unquoted</u>		
	In subsidiary companies		
	VRL Infrastructure Limited (25,000 equity shares of Rs. 10/- each , fully paid up)	250,000	-
	VRL Consumer Goods Limited (25,000 equity shares of Rs. 10/- each , fully paid up)	250,000	-
	VRL Movers Limited (25,000 equity shares of Rs. 10/- each , fully paid up)	250,000	-
	VRL Fashions Limited (25,000 equity shares of Rs. 10/- each , fully paid up)	250,000	-
	VRL Foods Limited (25,000 equity shares of Rs. 10/- each , fully paid up)	250,000	-
		1,250,000	-
7	<u>INVENTORIES</u>		
	(as taken, valued & certified by the management)		
	Raw Materials	115,967,279	56,101,617
	Semi Finished Goods	101,188,333	76,102,060
	Stitching Materials & Consumables	40,118,026	21,265,485
	Finished Goods & Accessories	5,317,403,280	2,277,907,931
	Stock in Transit	-	60,099,369
		5,574,676,918	2,491,476,462
8	<u>SUNDRY DEBTORS</u>		
	(unsecured & considered good, unless otherwise stated)		
	Outstanding for a period exceeding six months	-	539,104
	Other Debts	-	658,969
		-	1,198,073
9	<u>CASH & BANK BALANCES</u>		
	Cash in hand (as certified by the management)	43,718,457	57,969,698
	Cash in Transit -CMS	51,680,369	8,006,404
	<u>Balance with Scheduled Banks</u>		
	In Current Accounts	406,308,103	32,217,623
	In Fixed Deposit Accounts	47,860,227	9,719,891
		549,567,156	107,913,615
10	<u>LOANS & ADVANCES</u> (Unsecured & considered good, unless otherwise stated)		
	Income Tax Advances	364,388,464	123,475,756
	Input Vat Credit receivable	6,869,756	9,924,485
	Others Deposits/Advances	358,132,059	246,305,648
	Advances receivable in cash or in kind or for value to be received	478,763,198	275,126,277
		1,208,153,478	654,832,167
11	<u>CURRENT LIABILITIES</u>		
	Sundry Creditors	481,291,293	161,708,042
	Other Liabilities	429,486,313	71,309,164
	Bank Balance	225,460,084	170,529,491
	Interest Accrued But Not Due	-	20,643,288
		1,136,237,690	424,189,985
12	<u>PROVISIONS</u>		
	Provision for Gratuity	10,004,185	6,105,644
	Provision for Taxes	420,158,354	198,570,062
	Provision for Preference Dividend	-	41,685
	Provision for Dividend Distribution Tax	-	7,934
		430,162,539	204,725,325

VISHAL RETAIL LIMITED

Schedules attached to Profit & Loss Account

SCHEDULE	PARTICULARS	31st March' 2008	31st March' 2007
			Amount in Rs.
13	SALES		
	Retail Sales	10,053,135,126	6,017,534,947
	Other Sales	-	8,990,146
		10,053,135,126	6,026,525,093
14	OTHER INCOME		
	Rental Income[T.D.S. Rs. 605452/- (P.Y 309082/-)]	5,452,837	2,377,045
	Misc Income [T.D.S. Rs. 803686/- (P.Y. 164194/-)]	32,096,438	10,742,408
	Interest [T.D.S. Rs. 2931148/- (P.Y 438555/-)]	13,223,857	1,969,304
	Display Charges [T.D.S. Rs. 563202/- (P.Y. 68317/-)]	17,746,445	8,808,997
	Dividend Income	9,091,301	-
		77,610,878	23,897,755
15	COST OF GOODS		
	COG	5,616,102,295	3,462,811,407
		5,616,102,295	3,462,811,407
16	MANU FACTURING , ADMINISTRATIVE & OTHER EXPENSES		
	Fabrication & Other Manufacturing Expenses	87,360,913	204,519,845
	Power & Fuel Expenses	297,221,875	172,766,687
	Rent Charges	606,954,016	327,936,508
	Repairs & Maintenance - Building	44,518,091	32,861,049
	Repairs & Maintenance - Plant & Machinery	5,823,426	315,179
	Repairs & Maintenance - Others	155,338,320	39,870,566
	Insurance Charges	8,293,954	6,058,917
	Rates & Taxes	57,931,295	13,144,590
	Advertisement & Sales Promotion	279,015,448	204,201,282
	Bank Charges	11,208,662	9,743,563
	Commission Charges	19,396,099	10,952,242
	Consultancy & Legal	27,092,640	7,189,175
	Entry Tax	8,563,919	17,274,604
	Transportation Charges	135,842,654	97,775,649
	Motor Vehicle Expenses	6,532,685	4,472,403
	Packing Materials & Expenses	6,219,889	8,902,842
	Printing & Stationery	30,239,233	10,593,606
	Security Service Charges	47,257,956	25,335,660
	Housekeeping Expenses	41,904,840	14,702,367
	Filing Fees	30,837	335,430
	Telephone Expenses	28,959,912	29,172,074
	Travelling & Conveyance	23,626,593	9,796,006
	Other Expenses	28,577,953	15,437,819
	Postage & Couriers Expenses	1,914,664	913,854
	Auditor Remuneration	1,750,000	970,000
	Credit Cards Charges	19,988,331	13,076,553
	Loss Due to Fire	-	1,549,428
	Preliminary/Pre-operative Expenses Written off	-	20,000
		1,981,564,205	1,279,887,897

VISHAL RETAIL LIMITED
Schedules attached to Profit & Loss Account

		Amount in Rs.	
SCHEDULE	PARTICULARS	31st March' 2008	31st March' 2007
17	<u>PERSONNEL EXPENSES</u>		
	Gratuity Expenses	3,898,541	4,689,644
	Salary, Wages & Bonus	630,835,376	256,078,457
	Contribution to PF & others	47,459,581	13,308,382
	Staff Welfare Expenses	30,818,191	15,872,994
	Directors Remuneration	10,110,300	10,110,300
		<u>723,121,989</u>	<u>300,059,777</u>
18	<u>FINANCE COST</u>		
	Loan Processing Charges	14,656,406	15,058,696
	Interest on Bill Discounting	35,416,126	5,473,499
	Interest on Term Loans	135,281,536	11,096,821
	Interest on Unsecured Loans	23,308,865	7,703,009
	Interest on Working Capital Loans	170,044,184	108,204,334
		<u>378,707,116</u>	<u>147,536,359</u>

Balance Sheet abstract and Company's general business profile

Registration Details	Registration No. 93501	State Code	55
Balance Sheet		31 March 2008	31 March 2007
Capital raised during the year			
Public Issue		1,100,000	NIL
Right Issue		NIL	NIL
Bonus Issue		NIL	NIL
Private Placement		NIL	18,342
Position of mobilization and deployment of funds			
Total Liabilities (Including Current Liabilities & Provisions)		9,628,048	4,389,504
Total Assets (Excluding Current Liabilities & Provisions)		9,628,048	4,389,504
Source of Funds			
Paid up Capital		223,989	183,248
Reserves & Surplus		2,487,645	1,084,374
Secured Loans		4,489,038	2,162,954
Unsecured Loans		839,009	269,119
Deferred Tax Liabilities		21,966	18,024
Application of Funds			
Net Fixed Assets		2,294,401	1,082,478
Investments		1,250	NIL
Net Current Assets		5,765,997	2,635,241
Miscellaneous Expenditure		NIL	NIL
Accumulated Losses		NIL	NIL
Performance of Company			
Turnover		10,053,135	6,026,525
Other Income		77,611	23,897
Total Income		10,130,746	6,050,422
Profit/(Loss) before tax		631,869	393,814
Profit/(Loss) after tax		406,402	250,666
Earning per share (Basic) (Rs.)		18.95	13.97
Earning per share (Diluted) (Rs.)		18.95	13.97
Generic names of principal products/ services of the Company			
Item Code No. (ITC Code)		N.A.	N.A.
Product Description		Garments &	Garments &
		Accessories	Accessories

VISHAL RETAIL LIMITED

Schedule 19

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008.

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The accompanying financial statements are prepared in accordance with Generally Accepted Accounting Practices (GAAP) under historical cost convention on accrual basis and with the relevant statutory enactments. GAAP comprises mandatory accounting standard issued by the Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956. The Accounting policies have been consistently applied by the Company.

2. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Practices (GAAP) requires management to make estimates and assumptions that affect the reported balances of assets and liabilities, disclosures relating to contingent assets & liabilities as at the date of the financial statements and reported amount of income and expenses during the period.

3. Revenue Recognition

Income is recognized and accounted for on accrual basis.

- a). Sales includes revenue from retail & restaurant activity which are accounted on delivery to customers, net of returns and discounts. It also includes amount recovered towards sales tax/ value added tax.
- b). Revenue from store displays is accounted for on receipt basis.
- c). Dividend income is recognized, when the right to received the same is established.

4. Inventories

Inventories are valued as follows :

- a) Stores, Spare parts, Packing material : at cost
- b) Raw materials & Stitching materials : at cost
- c) Finished goods lying at the stores/warehouses: at lower of cost or net realizable value
- d) Work in Progress : at estimated cost

Cost of inventories comprise of cost of purchase incurred. Weighted moving average cost method has been followed for the valuation of entire inventory mentioned as above.

5. Fixed Assets and Depreciation / Amortization

a). Tangible Assets

1. Tangible assets are stated at their cost of acquisition less accumulated depreciation and accumulated impairment losses thereon, if any. Cost includes all cost incurred to bring the assets to its present location and condition. Depreciation is provided on W.D.V. basis, except for the below mentioned assets, at the rates prescribed by Schedule XIV of the Companies Act, 1956. In respect of assets acquired/sold during the year, depreciation has been provided on pro-rata basis with reference to the days of addition/put to use or disposal.
2. Individual assets costing equals to or less than Rs. 5,000/- is written off fully in the year of purchase.
3. Lease hold land is amortized over the period of lease.
4. Building acquired on lease hold land is depreciated over the period of lease

b). Intangible Assets

Intangible Assets (Computer software) are stated at their cost of acquisition, less accumulated amortization and accumulated impairment losses thereon. An intangible asset is recognized where it is probable that future economic benefits attributable to the asset will flow to the enterprise and where its cost can be reliably measured.

For computer software, the company has adopted the policy to write it off within a period of three years. Further, at the time of change-over of new software, the existing software will be written off in that particular year fully.

6. Foreign Currency Transactions

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transaction. Foreign currency assets and liabilities (except those covered by forward contracts) are translated into Indian Rupees at the exchange rate prevailing at the Balance Sheet date. All exchange differences are dealt with in the profit and loss account.

7. Employee Benefits

- A) Contributions to defined contributions scheme for Provident Funds & E.S.I.C. are charged to the Profit & Loss Account as and when incurred. The Company also provides for Retirement benefits in the form of Gratuity (part of defined benefit scheme) which is charged to the Profit & Loss Account based on Actuarial valuation, as at the Balance Sheet date.
- B) Liabilities for Leave Encashment have been accounted for on the basis of the balance of earned leave available at the end of the year.

8. Investments

Long-term investments are stated at cost. Provision for diminution is being made if necessary for recognize a decline, other than temporary in the value thereof. Current Investments are stated at the lower of cost and Market/ fair value.

9. Taxation

- A) Direct Tax is measured at the amount expected to be paid/received from the taxation authorities, using the applicable tax rates and tax laws and is accounted for using the tax rates and laws that have been enacted or substantially enacted as of the Balance Sheet date.
- B) Deferred tax is recognized subject to consideration of prudence on timing differences, being difference between taxable and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

10. Impairment of Assets

An asset is treated as impaired when the carrying cost of asset exceeds its recoverable value. An impairment loss is charged to Profit & Loss Account in the year in which the asset is impaired and the impairment loss recognized in prior accounting periods is reversed if there has been change in the estimate of recoverable amount. For the purpose of assessing impairment assets are grouped at lowest level of cash generating units.

11. Provisions & Contingent Liabilities

Provisions are recognized when the Company has a present obligation as a result of past events and it is more likely that an outflow of resources will be required to settle the obligations and the amount has been reliably estimated.

B. NOTES TO ACCOUNTS

1. Contingent liabilities not provided for:

- A) Outstanding Bank Guarantees Rs. 7,110,000/- (Rs. 3,435,000/-)
- B) Disputed sales tax demands Rs. 3,639,813/- (Rs. 12,668,897/-), against which the Company has filed appeal with the relevant authorities.
- C) Disputed Entry tax demands Rs 6,44,200/- (Rs. 3,318,432/-), against which the Company has filed appeal with the relevant authorities.
- D) Claims against the Company not acknowledged as debts Rs. 2,038,674/- (Rs. 3,010,660/-).
- E) Guarantees given by the Company for the loan taken by the directors amounting to Rs. 21,000,000/- (Rs. 21,000,000/-)

-
- F) Creditors for Finance includes Rs. 3,890,828/- (Rs. NIL)
G) Lease rent payable for showroom includes Rs.2,457,864/- (Rs. NIL)

2. Capital Commitments :-

- A). Capital commitments towards new showrooms for which the agreement/MOU has been entered into with the landlord of the relevant showroom Rs.63,457,988/-(Rs.25,825,189/-).
B). Capital Commitments towards fixed assets to be acquired Rs. 44,128,000/- (Rs. 36,735,135/-).

3. Securities against Loans.

A) Cash Credit Limit:

The cash credit limit from State Bank of India, HSBC and Centurion Bank of Punjab is secured by:

i) Primary Security :

First Charge: On all Stocks of Raw Material, Stores, Spares, Stock in Progress, finished goods, Book debts (present & future) and all other current assets

ii) Collateral Security :

First Charge: Equitable Mortgage of commercial property in the name of Vishal Water World Private Limited located at Kouchpukur, P.O. Hatgachia, Dist, 24 Parganas (West Bengal).

Second Charge : 1. Equitable Mortgage of part of property located at 52/6 VIP Road, Near Bada Bazar, Kolkatta

2. Equitable Mortgage of property located at Central Hope Town (Selukui) Dehradun.
3. Equitable Mortgage of property located at Krishnapur Village TQ: Hubli District: Dharwad
iii) Personal guarantee of R.C.Agarwal, Uma Agarwal and Surendra Kumar Agarwal, Directors of the Company.
iv) Corporate guarantee of Vishal Water World Private Limited.

B) Term/Corporate Loan:

- i) The Corporate Loan from State Bank of India is secured by first charge on the entire Fixed Assets of the Company acquired out of term loan.
ii) The Term Loan from Centurion Bank of Punjab is secured by first charge on the Fixed Assets of the Company acquired out of term loan.
iii) The term Loan from HSBC is secured by first charge on the Fixed Assets of the Company acquired out of term loan.
iv) The Corporate Loan from Yes Bank is secured by unconditional & irrevocable personal guarantee of Mr. R.C. Agarwal.
v) The Corporate Loan from Bank of Rajasthan amounting to Rs. 3.75 Crores is secured by Fixed Deposit under lien.

vi) The Loan against property from HDFC is secured by way of first charge on Jabalpur property and part of property located at VIP Road Kolkatta.

vii) The Corporate Loan from Bank of India is secured by:

- a) Unconditional & irrevocable personal guarantee of R.C. Agarwal & Uma Agarwal.
- b) Collateral security: First charge on specific immovable property of the value of minimum of Rs. 50 Lacs and Equitable mortgage of property located at Central Hope Town (Seluqui) Dehradun
- c) Vehicle Loan: Secured by hypothecation of specific assets.

4. Unsecured loan include inter corporate deposits of Rs. 20,500,000 (Rs. 20,500,000/-). Being in the nature of long-term deposits, the same has been included under this head.

5. Secured Corporate Loan repayable within a year is Rs. 1,207,993,219/- (Rs. 878,602,410/-).

6. There is a lien on Fixed Deposits of Rs. 7,713,454/- towards Bank Guarantee provided by Banks for the company.

7. In the opinion of the Board, sundry debtors, loans and advances and other current assets are approximately of the value stated if realized in the ordinary course of business. The provisions for all known liabilities is adequate and not in excess of the amount reasonably necessary.

8. Some of the balances of sundry creditors, advances and deposits are subject to confirmation/reconciliation. In the opinion of the management, the same is not material and will be carried out when settled.

9. Closing stock includes stock with the job worker.

10. Physical Verification of Fixed Assets

The company follows a phased program of physical verification of fixed assets to cover all assets within a period of three years. Accordingly, certain assets were physically verified by the companies officials during 2006-07, 2007-08 and the remaining assets would be covered for physical verification in next year.

11. Investment Sold & Purchased during the year

Particulars	Units	Amount
Opening Balance		
Investments Sold & Purchased during the year		
DSP Merrill Lnc Cash Plus - Institutional - Daily Dividend	99990.001	100000000
DWS Insta Cash Plus - Institutional - Daily Dividend Plan	14970806.926	150000000
DWS Money Plus Fund - Institutional Plan - Daily Dividend Option	24995039.526	250155355
Templeton India Money Market Account - Regular Account Dividend	50000000.000	50000000
Principal PNB Floating Rate Fund FMP - Insti - Dividend Payout - Daily	39953456.037	400025988
Principal Cash Management Fund Liquid - Instl. Plan - Dividend Reinv	4998900.242	50000000
Principal Cash Management Fund Liquid Option - Instl. Prem. Plan - Dividend	50815055.635	501885686
Magnum Insta Cash Fund - Dividend Option	9371017.318	100000000
SBI - Shf-Liquid Plus - Institutional Plan - Daily Dividend	9997531.409	100025302
Templeton India Short Term Income Retail Plan - Growth	68578.569	100000000
LIC Liquid Fund - Dividend Plan	9107385.179	100000000
LICMF Liquid Plus Fund - Daily Dividend Plan	10001490.396	100014904
Tata Floater Fund - Daily Dividend	149915.987	150079470
Reliance Liquid Plus Fund - Institutional Option - Daily Dividend Plan	14995351.441	150000000
Reliance Liquidity Fund - Daily Dividend Reinvestment Option	34883621.659	350078074
Tata Liquid Super High Investment Fund - Daily Dividend	224311.812	250000001
DSPML Strategic Bond Fund (D)	299400.736	100000000
JP Morgen Liquid Plus Fund (D)	4995553.930	500000000
JM Money Manager Fund (D)	4997950.840	500000000
Fidelity Liquid Plan Fund (D)	4999650.024	50000000
DSPML Cash Plus Fund (D)	49995.000	50000000
SBI Magnum Insta Cash Fund - Dividend Option	9371017.318	100000000
Fidelity Liquid Plan Fund (D)	9268871.422	100000000
ICICI Prudential - Flexible Income Plan Div-daily-Reinvestment Div	9457606.280	100000000
Closing Balance	-	-

12. The details of Managerial Remuneration paid to Directors :-

Name of The Directors	BASIC		Exgratia		Total	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
R.C. Agrawal	6,000,000	6,000,000	-	-	6,000,000	6,000,000
Uma Agrawal	900,000	900,000	-	-	900,000	900,000
Surendra Kumar Agrawal	2,818,800	2,818,800	3,91,500	391,500	3,210,300	3,210,300
Total	9,718,800	9,718,800	3,91,500	391,500	10,110,300	10,110,300

13. The details of Auditors' remuneration is as under:

Particulars	2007-08	2006-07
Statutory Audit	1,500,000	970,000
Limited Review	250,000	-
Consolidation & Certification Fees	25,000	-
Out of Pocket Expenses	110,754	-

14. Details of funds raised through IPO & utilization of such funds is given below:

a)	Funds raised through Initial Public Offerings	1,099,999,980/-
b)	Utilization by way of setting up of new retail stores	
	- New Retail Stores	1,037,609,465/-
	- Issue Expenses	6,23,90,515/-
	Total fund utilized up to 31.03.2008	1,099,999,980/-

15. The company has incurred Rs. 62,390,515/- in IPO expenses including advertisement. The share issue expenses including auditors remunerations and out of pocket expenses to extent of IPO work of Rs. 1,496,137/-, which has been adjusted against the securities premium accounts on issue of shares in accordance with section 78 of Companies Act 1956.

16. The company has initiated the process of identification of Micro, Small & Medium Enterprises suppliers and service providers, at this point of time. In view of large number of suppliers and non receipt of critical inputs and response from several such potential parties, the liability of interest, if any, cannot be reliably estimated nor required disclosure can be made

17. The Company has only one business & geographical segment namely viz. retail sales of garments, textiles, accessories and FMCG in India. In view of this no further disclosure is required to be made as per AS-17 on segment reporting issued by ICAI.

18. As per Accounting Standard (AS) 22, "Accounting for Taxes" on Income issued by ICAI, the Deferred Tax Asset/Liability comprises the following:

(Amount in Rupees)

Particulars	As at 31/03/08	As at 31/03/07
Deferred Tax Liabilities		
Difference between Book & Tax Depreciation	35,160,21	20,676,931
Deferred Tax Assets		
Provision for Gratuity	1,325,114	1,594,010
Provision for Leave Encashment	6,046,760	-
Bonus	6,881,589	-
Late Payment of TDS	(1,059,045)	1,059,045
Total Deferred Assets	13,194,417	2,653,055
Net Deferred Tax Liabilities	21,965,802	18,023,876

19. The Company has adopted Accounting Standard 15(revised 2005) "Employee Benefits". The Company has classified various employee benefits as under:

(A) Defined contribution plans

a. Provident fund

b. State defined contribution plans- Employers' Contribution to Employees' State Insurance

The provident fund and the state defined contribution plan are operated by the Regional Provident Fund Commissioner & Regional director of ESIC respectively.

The Company has recognized the following amounts in the Profit and Loss Account for the year:

		Year Ended 31st March, 2008 (Rs. in Crores)
(i)	Contribution to Provident Fund	3.16
(ii)	Contribution to Employee's State Insurance Scheme	1.54

(B) Defined Benefit Plans

a) Leave Encashment is payable to eligible employees who have earned leaves, during the employment and/or on separation as per the company's policy. Liability has been accounted for on the basis of balance of Earned leaves at the credit of employee's at the end of the year.

b) Gratuity

Valuations in respect of Gratuity have been carried out by independent actuary, as at the Balance Sheet date, based on the following assumptions:

(i)	Discount Rate (Per annum)	8.00%
(ii)	Rate of increase in Compensation levels	10.00%
(iii)	Rate of Return on Plan Assets	-
(iv)	Expected Avg. remaining working lives of employees in no. of years	31 Years

		Year Ended 31st March, 2008 (Rs. in Crores)
(i)	Changes in present Value of Obligation	61,04,644
a.	Present value of Obligation as at 1st April 2007	5,06,685
b.	Interest Cost	NIL
c.	Past Service Cost	46,69,770
d.	Current Service Cost	

(e) Contributions by plan participants	NIL
(f) Curtailment Cost/(Credit)	NIL
(g) Settlement Cost/(Credit)	NIL
(h) Benefits Paid	NIL
(i) Actuarial (Gains)/Loss	(12,76,914)
(j) Present value of obligation as at 31st March 2008	1,00,04,185

II. Changes in Fair value of Plan Assets

(a) Present value of Plan assets as at 1st April 2007	NIL
(b) Expected Return on Plan Assets	NIL
(c) Actuarial (Gain)/Loss	NIL
(d) Employees Contributions	NIL
(e) Employees Contributions	NIL
(f) Benefits Paid	NIL
(g) Fair Value of Assets as 31st March 2008	NIL

III. Percentage of each Category of Plan Assets to total fair value of plan Assets as at 31st March 2008

(a) Bank Deposits (Sp. Dep. Scheme 1975)	NIL
(b) Debt Instruments	NIL
(c) Administered by Life Ins. Corp. Of India	NIL
(d) Others	NIL

IV. Reconciliation of the Present Value of Defined Present Obligations and the Fair value of Assets.

(a) Present value of Funded obligation as at 31st March, 2008.	NIL
(b) Fair value of Plan Assets at 31st March, 2008.	NIL
(c) Funded (Asset)/Liability recognised in the Balance Sheet.	NIL
(d) Present value of Unfunded Obligation as at 31st March, 2008.	1,00,04,185
(e) Unrecognized Past Services Cost.	NIL
(f) Unrecognized Actuarial (Gain)/Loss.	NIL
(g) Unfunded Net Liability recognized in the Balance Sheet.	?,00,04,185

(V) Amounts recognized in the Balance Sheet

(i) Present Value of Obligation as at 31st March, 2008.	1,00,04,185
(ii) Fair value of Plan Assets as at 31st March, 2008.	NIL
(iii) Asset/Liability recognized in the Balance Sheet	1,00,04,185

(VI) Expenses recognized to the Profit and Loss Account.

(a) Current Service Cost.	46,69,770
(b) Post Service Cost	NIL
(c) Interest Cost	5,06,685
(d) Expected Return on Plan Assets	NIL
(e) Curtailment Cost/(Credit)	NIL
(f) Settlement Cost/(Credit)	NIL
(g) Net Actuarial (Gain)/Loss	(12,76,914)
(h) Employees Contribution	NIL
(i) Total Expenses recognized in the Profit and Loss Account.	38,99,541

20. The Disclosure as required by the Accounting Standard -18 (Related Party Disclosure) are given below:-

Names of related parties with whom transactions have taken place and relationship

Name	Designation	Relationship
Mr. Ram Chandra Agarwal	Director	Key Managerial Personnel
Mr. Surendra Kumar Agarwal	Director	Key Managerial Personnel
Mrs. Uma Agarwal	Director	Key Managerial Personnel
VRL Infrastructure Limited		Subsidiary Company
VRL Consumer Goods Limited		Subsidiary Company
VRL Movers Limited		Subsidiary Company
VRL Fashions Limited		Subsidiary Company
VRL Foods Limited		Subsidiary Company
Unicon Marketing Pvt. Ltd.		Subsidiary by Virtue of Control as per Accounting Standard 21.
Ricon Commodities Pvt. Ltd.		Subsidiary by Virtue of Control as per Accounting Standard 21.
Vishal Water World Private Ltd.		Subsidiary by Virtue of Control as per Accounting Standard 21.

Description of Financial Transaction with related parties

Particulars	2007-08	2006-07
1. Finance		
a) Loans accepted		
Unicon Marketing Pvt Ltd.	-	40,605,112
B) Loans repaid		
Mr. Ram Chandra Agarwal	-	1,193,545
Mrs. Uma Agarwal	-	2,600,000
Vishal Water World Pvt. Ltd.	2,250,000	1,000,000
Unicon Marketing Pvt. Ltd.	18,835,433	2,300,000
Mr. Ram Chandra Agarwal (HUF)	-	64,567
c) Shree Application Money Refund		
Sunita Fashion Pvt. Ltd.	-	7,500,000
2. Managerial Remuneration		
Mr. Ram Chandra Agarwal	6,000,000	6,000,000
Mrs. Uma Agarwal	900,000	900,000
Mr. Surendra Kumar Agarwal	3,210,300	3,210,300
3. Rental Payment		
Vishal Water World Pvt. Ltd.	-	960,000
4. Investment in Subsidiaries		
VRL Infrastructure Limited	250,000	-
VRL Consumer Goods Limited	250,000	-
VRL Movers Limited	250,000	-
VRL Fashions Limited	250,000	-
VRL Foods Limited	250,000	-
5. Amount outstanding (Credit Balances)		
Unicon Marketing Pvt. Ltd.	23,805,112	42,640,345
Vishal Water World Pvt. Ltd.	1,732,680	3,982,680
Mr. Ram Chandra Agarwal	315,209	4,470,772
Mrs. Uma Agarwal	51,542	166,297
Mr. Surendra Kumar Agarwal	429,076	473,809

21. The calculation of Earning Per Share (EPS) has been made in accordance with Accounting Standard (AS) 20 issued by the ICAI. A statement on calculation of Basic and Diluted EPS is as under

		UNITS	2007-08	2006-07
Profit after Tax (after extraordinary items)	A	Rs.	406,402,262	250,666,326
Weighted average no. of equity shares	B	Nos.	21,441,573	17,943,481
Add: Dilutive potential equity shares		Nos.	-	-
Number of equity shares for Dilutive EPS	C	Nos.	21,441,573	17,943,481
Basic Earning Per Share (A/B)		Rs.	18.95	13.97
Diluted Earning Per Share (A/C)		Rs.	18.95	13.97

22. Lease policy

The company takes premises for showroom for 12 years lease/license period with lock in period of one to three year. The escalation clause is variable between 12% to 15% after every three years and the company takes three month rent free time from the date of possession given by the landlord.

23. Disclosure as per Accounting Standard -29, "Provisions, Contingent Liability and Contingent Assets:" for earned points on Co-branded SBI Credit Cards

(Amount in Rupees)

Particulars	2007-08	2006-07
Opening	100,000	NIL
Provision During the Year	NIL	100,000
Closing Balance	100,000	100,000

24. Obligations on long term, non-cancelable operating leases.

The lease rentals charged during the year and maximum obligations on long term non-cancelable operating leases payable as per the rentals stated in the respective agreements.

(Amount in Rupees)

Particular	2007-08	2006-07
A) Lease Rentals recognized during the year	606,954,016	327,936,508
Obligations		
Within one of the year of the balance sheet date	409,390,911	255,058,745
Due in a period between one year and five years	243,944,883	191,773,799
Due after five years (as lease are cancelable by the Company after three to five years)	NIL	NIL
B). In respect of residential premises taken on lease, relevant agreement had not been executed as per the practice relevant in that area. The relevant disclosure or unprovided liability, if any, is not ascertainable.		

25. Additional information in pursuance of the provisions of the paragraph 3, 4C, 4D, Part II of Schedule VI of the Companies Act, 1956, as certified by the Management of the Company.

a) Licensed/Installed annual capacity and production (apparels) - in Units

Licensed Capacity	Not applicable
Installed Capacity (own)	6,000,000*
Actual Production including through job work for the year ended 31st March 2008	3,243,315*

*as certified by management

b) Quantative movement of finished goods (Qty in units, and Value in Rs.)

Category	Opening Qty 01.04.07	Opening Value	Purchase (Qty)	Purchase Value	Sales Qty	Sales Value	Closing Stock Qty	Closing Stock Value 31.03.08
Apparel	10,208,078	1,428,193,573	43,060,385	4,647,392,778	31,419,050	6,210,614,049	21,849,413	2,873,747,589
FMCG		290,564,750		2,082,926,179		1,963,891,180		778,793,088
Non Apparel		559,149,608		1,753,086,909		1,878,629,898		1,664,862,603
Grand Total		2,277,907,931		8,483,405,867		10,053,135,126		5,317,403,280

Notes :

- i). The Company is dealing in a large number of products in several locations, the information required in terms of Schedule VI of the Companies Act in respect of value of the products sold has been drawn up in respect of major items, namely, apparels. Other items have been broadly classified as FMCG and Non-Apparels (household goods and other accessories) and the quantitative information's in respect of these groups is not practically possible in view of numerous different units of measurement and the nature of retailing operations of the Company.
- ii) In view of non-uniform units of measurement of various raw materials of the Company, it is not practically possible to provide the quantitative details of raw materials consumption.
- iii) Closing Stock mentioned above doesn't include goods-in-transit.

c) Value of Import on CIF Basic

Particulars	2007-08	2006-07
Fixed Assets	222,392,535	127,214,529
Purchase of merchandise	341,737,228	246,031,701

d) Expenditure in Foreign Currency

Particulars	2007-08	2006-07
Traveling Expenses	994,420	1,225,927

26. Figures in bracket indicate previous year figures.

27. Previous year figures have been regrouped & recasted wherever found necessary.

Signature to schedules 1 to 19
For and on behalf of the Board
Vishal Retail Limited

Date : 5th June, 2008

Place : New Delhi

Ram Chandra Agarwal

Managing Director

Uma Agarwal

Director

Arun Gupta

Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Registration Details	Registration No. 93501	State Code 55
Balance Sheet		March 31, 2008
In Rs. Thousand		
Capital raised during the year		
Public Issue		1,100,000
Right Issue		NIL
Bonus Issue		NIL
Private Placement		NIL
Position of mobilization and deployment of funds		
Total Liabilities (Including Current Liabilities & Provisions)		9,628,048
Total Assets (Excluding Current Liabilities & Provisions)		9,628,048
Source of Funds		
Paid up Capital		223,989
Reserves & Surplus		2,487,645
Secured Loans		4,489,038
Unsecured Loans		839,009
Deferred Tax Liabilities		21,966
Application of Funds		
Net Fixed Assets		2,294,401
Investments		1,250
Net Current Assets		5,765,997
Miscellaneous Expenditure		NIL
Accumulated Losses		NIL
Performance of Company		
Turnover		10,053,135
Other Income		77,611
Total Income		10,130,746
Profit/(Loss) before tax		631,869
Profit/(Loss) after tax		406,402
Earning per share (Basic) (Rs.)		18.95
Earning per share (Diluted) (Rs.)		18.95
Generic names of principal products/ services of the Company		
Item Code No. (ITC Code)		N.A.
Product Description		Garments & Accessories

Signature to schedules 1 to 19
For and on behalf of the Board
Vishal Retail Limited

Date : 5th June, 2008

Place : New Delhi

Ram Chandra Agarwal

Managing Director

Uma Agarwal

Director

Arun Gupta

Company Secretary

VISHAL RETAIL LIMITED

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

NAME OF THE SUBSIDIARY	VRL Fashion Limited	VRL Movers Limited	VRL Infra-structure Limited	VRL Consumer Goods Limited	VRL Foods Limited
Financial year of the subsidiary	31.01.08-31.03.08	31.01.08-31.03.08	07.12.07-31.03.08	31.01.08-31.03.08	08.02.08-31.03.08
Extent of holding company's interest in the subsidiary	50%	50%	50%	50%	50%
- No of shares	25000	25000	25000	25000	25000
- % holding (equity)	50%	50%	50%	50%	50%
- % holding (preference)	NIL	NIL	NIL	NIL	NIL
Net aggregate amount of subsidiary's profit / losses so far as they concern members of the holding company and not dealt with in the holding company's accounts.					
a) For subsidiary's financial year	NA	NA	NA	NA	NA
b) For subsidiary's previous financial year since it became subsidiary	NA	NA	NA	NA	NA
Net aggregate amount of subsidiary's profit/losses so far as they concern members of the holding company's and not dealt with in the holding company's accounts. account					
a) For subsidiary's financial year	NA	NA	NA	NA	NA
b) For subsidiary's previous financial year since it became subsidiary	NA	NA	NA	NA	NA
Change in the interest of holding company between the end of subsidiary's financial year and the end of holding company's financial year.	NA	NA	NA	NA	NA
Material changes between the end of subsidiary's financial year and the end of holding company's financial year.					
a) Fixed Assets	NA	NA	NA	NA	NA
b) Investments disposed off.	NA	NA	NA	NA	NA
c) Monies Lent by subsidiary	NA	NA	NA	NA	NA
d) Monies borrowed by the subsidiary other than for meeting current liabilities.	NA	NA	NA	NA	NA

VRL Consumer Goods Limited

Regd. Office: Plot No. 332, Near Telco Service Station,
Behind Shokeen Property, Rangpuri, New Delhi - 110037

DIRECTORS' REPORT

To the members,
VRL Consumer Goods Limited,

Your Directors' feel pleasure in presenting 1st Directors' Report of the Company together with the Audited Accounts for the year ended 31st March, 2008

FINANCIAL RESULTS:

During the year the Company, the Company did not commence any operation.

DIVIDEND

Since the Company has not commenced operations, the Directors do not recommend payment of dividend.

PUBLIC DEPOSITS

The Company has not accepted any deposit from the public, nor does it intend to accept the same without any proper sanction / permission from the concerned authorities.

DIRECTORS

Mr. Sunil Hirawat, Director of the Company, liable to retire by rotation, being eligible offer himself for being elected as the Director of the Company.

AUDITORS

M/s. Chhaparia & Associates, Chartered Accountants, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS' REPORT

The Auditors' Report together with the significant accounting policies and notes thereon is self-explanatory and therefore does not call for any further comments.

PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956

None of the employees of the Company has drawn remuneration over and above the limits specified under Section 217(2A) of the Companies Act, 1956 and the rules made there under.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The Company has taken reasonable steps and adequate controls for Conservation of Energy and Technology Absorption. Your Company has no applicable information as per Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of Energy, Technology Absorption.

There has been no inflow or outgo of Foreign Exchange during the period under review.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state:

- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- (ii) That they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and the profit and loss account for the year ended on 31st March, 2008;
- (iii) That they had taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That they had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

The Directors wish to convey thanks to all the shareholders of the Company for their continued patronage and support and look forward for even greater cooperation in the coming years.

By Order of the Board
VRL Consumer Goods Limited

Date : July 28, 2008
Place : New Delhi

Uma Agarwal
Director

Ram Chandra Agarwal
Director

AUDITORS' REPORT

To

The Members of
VRL Consumer Goods Limited

1. We have audited the attached Balance Sheet of VRL Consumer Goods Ltd. as at 31st March, 2008 of the Company and Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the company as We considered appropriate and according to the information and explanations given to us, We annex hereto a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, We report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
 - c) The Balance Sheet & Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet & Cash Flow Statement dealt with by this report comply with the requirements of the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of the written representations received from the directors, and taken on record by the Board of Directors, We report that none of the directors are disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion, and to the best of our information and according to the explanations given to us, the said Accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March 2008; and
 - (ii) in the cash of Cash Flow Statement, of the cash flows for the period ended on that date.

This report does not include a statement on the matters specified in paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Department of Company Affairs, in terms of section 227 (4A) of the Companies Act, 1956, since in my opinion and according to the information and explanations given to me, the said Order is not applicable to the Company.

For Chhaparia & Associates
Chartered Accountants

(Govind Prasad Basaiwala)
(Partner)

Place : New Delhi.

Dated: June 5, 2008

Membership No. 062389

FORM NO. 23AB

(See Rule 7A)

VRL CONSUMER GOODS LIMITED
Abridged balance sheet as at 31st March, 2008

Particulars	Figures at the end of	
	Current financial year	Previous financial year
SOURCES OF FUNDS		
(1) Shareholders funds		
(a) Capital		
(i) Equity	5,00,000.00	-
(ii) Preference	-	-
(iii) Reserves and surplus	-	-
(b) Reserves and surplus	-	-
(i) Capital reserve	-	-
(ii) Revenue reserve	-	-
(iii) Revaluation reserve	-	-
(iv) Surplus in profit and loss account	-	-
(v) Share premium reserve	-	-
(vi) Investment allowance reserve]	-	-
(2) Loan funds	-	-
(a) Debentures (the amount of convertible / paty convertible debentures indicating the date of conversion)	-	-
(b) Public deposits	-	-
(c) Secured loans (other than debentures)	-	-
(d) Unsecured loans	-	-
Total of (1) and (2)	5,00,000.00	-
APPLICATION OF FUNDS		
(3) Fixed assets		
(a) Net block----- (Original cost less depreciation)		
(b) Capital work-in-progress	-	-
(4) Investments	-	-
(a) Government securities	-	-
(b) Investment in subsidiary companies	-	-
(i) Quoted	-	-
(ii) Unquoted	-	-
(c) others	-	-
(i) Quoted	-	-
(ii) Unquoted	-	-
(5) (I) Current assets, loans and advances	-	-
(a) Inventories	-	-
(b) Sundry debtors	-	-
(c) Cash and bank balances	92,050.00	-
(d) other current assets	-	-
(e) Loans and advances	-	-
(i) To subsidiary companies	-	-
(ii) To others	2,49,950.00	-
Less:		
(i) Current liabilities and provisions		
(a) Liabilities	67,700.00	-
(b) Provisions	-	-
Net current assets (I-ii)	2,74,300.00	-
(4) Miscellaneous expenditure to the extent not written off of adjusted	2,25,700.00	-
(5) Profit and loss account	-	-
Total of 1 to 5	5,00,000.00	-

NOTES

- The company was incorporated on 31.01.2008 and the accounts represents transactions from 31.01.2008 to 31.03.2008. Since the Company has not started its commercial activities, no profit and loss account has been prepared and amount incurred towards expenses has been debited to Pre-Operative Expenditure A/c. Being the first year, no previous year figures are reported.
- The disclosure as required by the AS - 18 (Related Party Disclosure) are given below
 - List of Related Parties

Key Management Personnel		
Ram Chandra Agarwal	Director	
Uma Agarwal	Director	
Dipu Gupta	Director	
Others		
Vishal Retail Limited	Holding Company	
 - Transactions with Related Parties

Nature of Transactions	Key Management Personnel	Others
Share Allotment	249,980.00	250,000.00
 - Balance as on 31.03.2008 249950.00
- The Company does not have any Deferred Tax Asset/(Liability). Hence, the same is not reported.
- Misc. Expenditure as stated in the Balance Sheet has not been written off, as Profit & Loss Account has not been prepared and the same will be completely written off in accordance with Accounting Standard-26 on Intangible Assets in next financial year.
- Additional information as required under part IV of Schedule VI to the Companies Act, 1956.

VRL Fashions Limited

**Regd. Office: Plot No. 332, Near Telco Service Station,
Behind Shokeen Property, Rangpuri, New Delhi - 110037**

DIRECTORS' REPORT

To the members,
VRL Fashions Limited,

Your Directors' feel pleasure in presenting 1st Directors' Report of the Company together with the Audited Accounts for the year ended 31st March, 2008

FINANCIAL RESULTS:

During the year the Company, the Company did not commence any operation.

DIVIDEND

Since the Company has not commenced operations, the Directors do not recommend payment of dividend.

PUBLIC DEPOSITS

The Company has not accepted any deposit from the public, nor does it intend to accept the same without any proper sanction / permission from the concerned authorities.

DIRECTORS

Mr. Deepu Gupta, Director of the Company, liable to retire by rotation, being eligible offer himself for being elected as the Director of the Company.

AUDITORS

M/s. Chhaparia & Associates, Chartered Accountants, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS' REPORT

The Auditors' Report together with the significant accounting policies and notes thereon is self-explanatory and therefore does not call for any further comments.

PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956

None of the employees of the Company has drawn remuneration over and above the limits specified under Section 217(2A) of the Companies Act, 1956 and the rules made there under.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The Company has taken reasonable steps and adequate controls for Conservation of Energy and Technology Absorption. Your Company has no applicable information as per Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of Energy, Technology Absorption.

There has been no inflow or outgo of Foreign Exchange during the period under review.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state:

- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- (ii) That they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and the profit and loss account for the year ended on 31st March, 2008;
- (iii) That they had taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That they had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

The Directors wish to convey thanks to all the shareholders of the Company for their continued patronage and support and look forward for even greater cooperation in the coming years.

By Order of the Board
VRL Fashions Limited

Date : July 28, 2008
Place : New Delhi

Uma Agarwal
Director

Ram Chandra Agarwal
Director

AUDITORS' REPORT

To

The Members of
VRL Fashions Limited

1. We have audited the attached Balance Sheet of VRL Fashions Ltd. as at 31st March, 2008 of the Company and Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the company as We considered appropriate and according to the information and explanations given to us, We annex hereto a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, We report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
 - c) The Balance Sheet & Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet & Cash Flow Statement dealt with by this report comply with the requirements of the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of the written representations received from the directors, and taken on record by the Board of Directors, We report that none of the directors are disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion, and to the best of our information and according to the explanations given to us, the said Accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March 2008; and
 - (ii) in the cash of Cash Flow Statement, of the cash flows for the period ended on that date.

This report does not include a statement on the matters specified in paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Department of Company Affairs, in terms of section 227 (4A) of the Companies Act, 1956, since in my opinion and according to the information and explanations given to me, the said Order is not applicable to the Company.

For Chhaparia & Associates

Chartered Accountants

(Govind Prasad Basaiwala)

(Partner)

Place : New Delhi.

Dated: June 5, 2008

Membership No. 062389

FORM NO. 23AB

(See Rule 7A)

VRL FASHIONS LIMITED
Abridged balance sheet as at 31st March, 2008

Particulars	Figures at the end of	
	Current financial year	Previous financial year
SOURCES OF FUNDS		
(1) Shareholders funds		
(a) Capital		
(i) Equity	5,00,000.00	-
(ii) Preference	-	-
(iii) Reserves and surplus	-	-
(b) Reserves and surplus	-	-
(i) Capital reserve	-	-
(ii) Revenue reserve	-	-
(iii) Revaluation reserve	-	-
(iv) Surplus in profit and loss account	-	-
(v) Share premium reserve	-	-
(vi) Investment allowance reserve]	-	-
(2) Loan funds	-	-
(a) Debentures (the amount of convertible / paty convertible debentures indicating the date of conversion)	-	-
(b) Public deposits	-	-
(c) Secured loans (other than debentures)	-	-
(d) Unsecured loans	-	-
Total of (1) and (2)	5,00,000.00	-
APPLICATION OF FUNDS		
(3) Fixed assets		
(a) Net block----- (Original cost less depreciation)	-	-
(b) Capital work-in-progress	-	-
(4) Investments	-	-
(a) Government securities	-	-
(b) Investment in subsidiary companies	-	-
(i) Quoted	-	-
(ii) Unquoted	-	-
(c) others	-	-
(i) Quoted	-	-
(ii) Unquoted	-	-
(5) (1) Current assets, loans and advances	-	-
(a) Inventories	-	-
(b) Sundry debtors	-	-
(c) Cash and bank balances	92,050.00	-
(d) other current assets	-	-
(e) Loans and advances	-	-
(i) To subsidiary companies	-	-
(ii) To others	2,49,950.00	-
Less:		
(i) Current liabilities and provisions		
(a) Liabilities	67,700.00	-
(b) Provisions	-	-
Net current assets (I-i)	2,74,300.00	-
(4) Miscellaneous expenditure to the extent not written off of adjusted	2,25,700.00	-
(5) Profit and loss account	-	-
Total of 1 to 5	5,00,000.00	-

NOTES

- The company was incorporated on 31.01.2008 and the accounts represents transactions from 31.01.2008 to 31.03.2008. Since the Company has not started its commercial activities, no profit and loss account has been prepared and amount incurred towards expenses has been debited to Pre-Operative Expenditure A/c. Being the first year, no previous year figures are reported.
- The disclosure as required by the AS - 18 (Related Party Disclosure) are given below
 - List of Related Parties

Key Management Personnel		
Ram Chandra Agarwal	Director	
Uma Agarwal	Director	
Dipu Gupta	Director	
Others		
Vishal Retail Limited	Holding Company	
 - Transactions with Related Parties

Nature of Transactions	Key Management Personnel	Others
Share Allotment	249,980.00	250,000.00
 - Balance as on 31.03.2008 249950.00
- The Company does not have any Deferred Tax Asset/(Liability). Hence, the same is not reported.
- Misc. Expenditure as stated in the Balance Sheet has not been written off, as Profit & Loss Account has not been prepared and the same will be completely written off in accordance with Accounting Standard-26 on Intangible Assets in next financial year.
- Additional information as required under part IV of Schedule VI to the Companies Act, 1956.

VRL Foods Limited

**Regd. Office: Plot No. 332, Near Telco Service Station,
Behind Shokeen Property, Rangpuri, New Delhi - 110037**

DIRECTORS' REPORT

To the members,
VRL Foods Limited,

Your Directors' feel pleasure in presenting 1st Directors' Report of the Company together with the Audited Accounts for the year ended 31st March, 2008

FINANCIAL RESULTS:

During the year the Company, the Company did not commence any operation.

DIVIDEND

Since the Company has not commenced operations, the Directors do not recommend payment of dividend.

PUBLIC DEPOSITS

The Company has not accepted any deposit from the public, nor does it intend to accept the same without any proper sanction / permission from the concerned authorities.

DIRECTORS

Mr. Manmohan Agarwal, Director of the Company, liable to retire by rotation, being eligible offer himself for being elected as the Director of the Company.

AUDITORS

M/s. Chhaparia & Associates, Chartered Accountants, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS' REPORT

The Auditors' Report together with the significant accounting policies and notes thereon is self-explanatory and therefore does not call for any further comments.

PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956

None of the employees of the Company has drawn remuneration over and above the limits specified under Section 217(2A) of the Companies Act, 1956 and the rules made there under.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The Company has taken reasonable steps and adequate controls for Conservation of Energy and Technology Absorption. Your Company has no applicable information as per Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of Energy, Technology Absorption.

There has been no inflow or outgo of Foreign Exchange during the period under review.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state:

- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- (ii) That they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and the profit and loss account for the year ended on 31st March, 2008;
- (iii) That they had taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That they had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

The Directors wish to convey thanks to all the shareholders of the Company for their continued patronage and support and look forward for even greater cooperation in the coming years.

By Order of the Board
VRL Foods Limited

Date : July 28, 2008
Place : New Delhi

Uma Agarwal
Director

Ram Chandra Agarwal
Director

AUDITORS' REPORT

To

The Members of
VRL Foods Limited

1. We have audited the attached Balance Sheet of VRL Foods Ltd. as at 31st March, 2008 of the Company and Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the company as We considered appropriate and according to the information and explanations given to us, We annex hereto a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, We report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
 - c) The Balance Sheet & Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet & Cash Flow Statement dealt with by this report comply with the requirements of the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of the written representations received from the directors, and taken on record by the Board of Directors, We report that none of the directors are disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion, and to the best of our information and according to the explanations given to us, the said Accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March 2008; and
 - (ii) in the cash of Cash Flow Statement, of the cash flows for the period ended on that date.

This report does not include a statement on the matters specified in paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Department of Company Affairs, in terms of section 227 (4A) of the Companies Act, 1956, since in my opinion and according to the information and explanations given to me, the said Order is not applicable to the Company.

For Chhaparia & Associates
Chartered Accountants

(Govind Prasad Basaiwala)
(Partner)

Place : New Delhi.

Dated: June 5, 2008.

Membership No. 062389

FORM NO. 23AB

(See Rule 7A)

VRL FOODS LIMITED**Abridged balance sheet as at 31st March, 2008**

Particulars	Figures at the end of	
	Current financial year	Previous financial year
SOURCES OF FUNDS		
(1) Shareholders funds		
(a) Capital		
(i) Equity	5,00,000.00	-
(ii) Preference	-	-
(iii) Reserves and surplus	-	-
(b) Reserves and surplus	-	-
(i) Capital reserve	-	-
(ii) Revenue reserve	-	-
(iii) Revaluation reserve	-	-
(iv) Surplus in profit and loss account	-	-
(v) Share premium reserve	-	-
(vi) Investment allowance reserve]	-	-
(2) Loan funds	-	-
(a) Debentures (the amount of convertible / paty convertible debentures indicating the date of conversion)	-	-
(b) Public deposits	-	-
(c) Secured loans (other than debentures)	-	-
(d) Unsecured loans	-	-
Total of (1) and (2)	5,00,000.00	-
APPLICATION OF FUNDS		
(3) Fixed assets		
(a) Net block----- (Original cost less depreciation)		
(b) Capital work-in-progress	-	-
(4) Investments	-	-
(a) Government securities	-	-
(b) Investment in subsidiary companies	-	-
(i) Quoted	-	-
(ii) Unquoted	-	-
(c) others	-	-
(i) Quoted	-	-
(ii) Unquoted	-	-
(5) (1) Current assets, loans and advances	-	-
(a) Inventories	-	-
(b) Sundry debtors	-	-
(c) Cash and bank balances	92,050.00	-
(d) other current assets	-	-
(e) Loans and advances	-	-
(i) To subsidiary companies	-	-
(ii) To others	2,49,950.00	-
Less:		
(i) Current liabilities and provisions		
(a) Liabilities	67,700.00	-
(b) Provisions	-	-
Net current assets (I-i)	2,74,300.00	-
(4) Miscellaneous expenditure to the extent not written off of adjusted	2,25,700.00	-
(5) Profit and loss account	-	-
Total of 1 to 5	5,00,000.00	-

NOTES

- The company was incorporated on 08.02.2008 and the accounts represents transactions from 08.02.2008 to 31.03.2008. Since the Company has not started its commercial activities, no profit and loss account has been prepared and amount incurred towards expenses has been debited to Pre-Operative Expenditure A/c. Being the first year, no previous year figures are reported.
- The disclosure as required by the AS - 18 (Related Party Disclosure) are given below
 - List of Related Parties

Key Management Personnel		
Ram Chandra Agarwal	Director	
Uma Agarwal	Director	
Dipu Gupta	Director	
Others		
Vishal Retail Limited	Holding Company	
 - Transactions with Related Parties

Nature of Transactions	Key Management Personnel	Others
Share Allotment	249,980.00	250,000.00
 - Balance as on 31.03.2008 249950.00
- The Company does not have any Deferred Tax Asset/(Liability). Hence, the same is not reported.
- Misc. Expenditure as stated in the Balance Sheet has not been written off, as Profit & Loss Account has not been prepared and the same will be completely written off in accordance with Accounting Standard-26 on Intangible Assets in next financial year.
- Additional information as required under part IV of Schedule VI to the Companies Act, 1956.

VRL Movers Limited

**Regd. Office: Plot No. 332, Near Telco Service Station,
Behind Shokeen Property, Rangpuri, New Delhi - 110037**

DIRECTORS' REPORT

To the members,
VRL Movers Limited,

Your Directors' feel pleasure in presenting 1st Directors' Report of the Company together with the Audited Accounts for the year ended 31st March, 2008

FINANCIAL RESULTS:

During the year the Company, the Company did not commence any operation.

DIVIDEND

Since the Company has not commenced operations, the Directors do not recommend payment of dividend.

PUBLIC DEPOSITS

The Company has not accepted any deposit from the public, nor does it intend to accept the same without any proper sanction / permission from the concerned authorities.

DIRECTORS

Mr. Manmohan Agarwal, Director of the Company, liable to retire by rotation, being eligible offer himself for being elected as the Director of the Company.

AUDITORS

M/s. Chhaparia & Associates, Chartered Accountants, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS' REPORT

The Auditors' Report together with the significant accounting policies and notes thereon is self-explanatory and therefore does not call for any further comments.

PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956

None of the employees of the Company has drawn remuneration over and above the limits specified under Section 217(2A) of the Companies Act, 1956 and the rules made there under.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The Company has taken reasonable steps and adequate controls for Conservation of Energy and Technology Absorption. Your Company has no applicable information as per Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of Energy, Technology Absorption.

There has been no inflow or outgo of Foreign Exchange during the period under review.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state:

- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- (ii) That they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and the profit and loss account for the year ended on 31st March, 2008;
- (iii) That they had taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That they had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

The Directors wish to convey thanks to all the shareholders of the Company for their continued patronage and support and look forward for even greater cooperation in the coming years.

By Order of the Board
VRL Movers Limited

Date : July 28, 2008
Place : New Delhi

Uma Agarwal
Director

Ram Chandra Agarwal
Director

AUDITORS' REPORT

To

The Members of
VRL Movers Limited

1. We have audited the attached Balance Sheet of VRL Movers Ltd. as at 31st March, 2008 of the Company and Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the company as We considered appropriate and according to the information and explanations given to us, We annex hereto a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, We report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
 - c) The Balance Sheet & Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet & Cash Flow Statement dealt with by this report comply with the requirements of the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of the written representations received from the directors, and taken on record by the Board of Directors, We report that none of the directors are disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion, and to the best of our information and according to the explanations given to us, the said Accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March 2008; and
 - (ii) in the cash of Cash Flow Statement, of the cash flows for the period ended on that date.

This report does not include a statement on the matters specified in paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Department of Company Affairs, in terms of section 227 (4A) of the Companies Act, 1956, since in my opinion and according to the information and explanations given to me, the said Order is not applicable to the Company.

For Chhaparia & Associates
Chartered Accountants

(Govind Prasad Basaiwala)
(Partner)

Place : New Delhi.

Dated: June 5, 2008

Membership No. 062389

FORM NO. 23AB

(See Rule 7A)

VRL MOVERS LIMITED**Abridged balance sheet as at 31st March, 2008**

Particulars	Figures at the end of	
	Current financial year	Previous financial year
SOURCES OF FUNDS		
(1) Shareholders funds		
(a) Capital		
(i) Equity	5,00,000.00	-
(ii) Preference	-	-
(iii) Reserves and surplus	-	-
(b) Reserves and surplus	-	-
(i) Capital reserve	-	-
(ii) Revenue reserve	-	-
(iii) Revaluation reserve	-	-
(iv) Surplus in profit and loss account	-	-
(v) Share premium reserve	-	-
(vi) Investment allowance reserve]	-	-
(2) Loan funds	-	-
(a) Debentures (the amount of convertible / paty convertible debentures indicating the date of conversion)	-	-
(b) Public deposits	-	-
(c) Secured loans (other than debentures)	-	-
(d) Unsecured loans	-	-
Total of (1) and (2)	5,00,000.00	-
APPLICATION OF FUNDS		
(3) Fixed assets		
(a) Net block----- (Original cost less depreciation)	-	-
(b) Capital work-in-progress	-	-
(4) Investments	-	-
(a) Government securities	-	-
(b) Investment in subsidiary companies	-	-
(i) Quoted	-	-
(ii) Unquoted	-	-
(c) others	-	-
(i) Quoted	-	-
(ii) Unquoted	-	-
(5) (I) Current assets, loans and advances	-	-
(a) Inventories	-	-
(b) Sundry debtors	-	-
(c) Cash and bank balances	92,050.00	-
(d) other current assets	-	-
(e) Loans and advances	-	-
(i) To subsidiary companies	-	-
(ii) To others	2,49,950.00	-
Less:		
(i) Current liabilities and provisions		
(a) Liabilities	67,700.00	-
(b) Provisions	-	-
Net current assets (I-ii)	2,74,300.00	-
(4) Miscellaneous expenditure to the extent not written off of adjusted	2,25,700.00	-
(5) Profit and loss account	-	-
Total of 1 to 5	5,00,000.00	-

NOTES

- The company was incorporated on 31.01.2008 and the accounts represents transactions from 31.01.2008 to 31.03.2008. Since the Company has not started its commercial activities, no profit and loss account has been prepared and amount incurred towards expenses has been debited to Pre-Operative Expenditure A/c. Being the first year, no previous year figures are reported.
- The disclosure as required by the AS - 18 (Related Party Disclosure) are given below
 - List of Related Parties

Key Management Personnel		
Ram Chandra Agarwal	Director	
Uma Agarwal	Director	
Dipu Gupta	Director	
Others		
Vishal Retail Limited	Holding Company	
 - Transactions with Related Parties

Nature of Transactions	Key Management Personnel	Others
Share Allotment	249,980.00	250,000.00
 - Balance as on 31.03.2008 249950.00
- The Company does not have any Deferred Tax Asset/(Liability). Hence, the same is not reported.
- Misc. Expenditure as stated in the Balance Sheet has not been written off, as Profit & Loss Account has not been prepared and the same will be completely written off in accordance with Accounting Standard-26 on Intangible Assets in next financial year.
- Additional information as required under part IV of Schedule VI to the Companies Act, 1956.

VRL Infrastructure Limited

Regd. Office: Plot No. 332, Near Telco Service Station,
Behind Shokeen Property, Rangpuri, New Delhi - 110037

DIRECTORS' REPORT

To the members,
VRL Infrastructure Limited,

Your Directors' feel pleasure in presenting 1st Directors' Report of the Company together with the Audited Accounts for the year ended 31st March, 2008

FINANCIAL RESULTS:

During the year the Company, the Company did not commence any operation.

DIVIDEND

Since the Company has not commenced operations, the Directors do not recommend payment of dividend.

PUBLIC DEPOSITS

The Company has not accepted any deposit from the public, nor does it intend to accept the same without any proper sanction / permission from the concerned authorities.

DIRECTORS

Mr. Manmohan Agarwal, Director of the Company, liable to retire by rotation, being eligible offer himself for being elected as the Director of the Company.

AUDITORS

M/s. Chhaparia & Associates, Chartered Accountants, the Statutory Auditors of the Company retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS' REPORT

The Auditors' Report together with the significant accounting policies and notes thereon is self-explanatory and therefore does not call for any further comments.

PARTICULARS OF EMPLOYEES U/S 217 (2A) OF THE COMPANIES ACT, 1956

None of the employees of the Company has drawn remuneration over and above the limits specified under Section 217(2A) of the Companies Act, 1956 and the rules made there under.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

The Company has taken reasonable steps and adequate controls for Conservation of Energy and Technology Absorption. Your Company has no applicable information as per Section 217(1)(e) read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of Energy, Technology Absorption.

There has been no inflow or outgo of Foreign Exchange during the period under review.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors state:

- (i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- (ii) That they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2008 and the profit and loss account for the year ended on 31st March, 2008;
- (iii) That they had taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That they had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS

The Directors wish to convey thanks to all the shareholders of the Company for their continued patronage and support and look forward for even greater cooperation in the coming years.

By Order of the Board
VRL Infrastructure Limited

Date : July 28, 2008
Place : New Delhi

Uma Agarwal
Director

Ram Chandra Agarwal
Director

AUDITORS' REPORT

To

The Members of
VRL Infrastructure Limited

1. We have audited the attached Balance Sheet of VRL Infrastructure Ltd. as at 31st March, 2008 of the Company and Cash Flow Statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks of the books and records of the company as We considered appropriate and according to the information and explanations given to us, We annex hereto a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, We report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
 - c) The Balance Sheet & Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet & Cash Flow Statement dealt with by this report comply with the requirements of the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of the written representations received from the directors, and taken on record by the Board of Directors, We report that none of the directors are disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion, and to the best of our information and according to the explanations given to us, the said Accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March 2008; and
 - (ii) in the cash of Cash Flow Statement, of the cash flows for the period ended on that date.

This report does not include a statement on the matters specified in paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Department of Company Affairs, in terms of section 227 (4A) of the Companies Act, 1956, since in my opinion and according to the information and explanations given to me, the said Order is not applicable to the Company.

For Chhaparia & Associates

Chartered Accountants

(Govind Prasad Basaiwala)

(Partner)

Place : New Delhi.

Dated: June 5, 2008

Membership No. 062389

FORM NO. 23AB

(See Rule 7A)

VRL INFRASTRUCTURE LIMITED
Abridged balance sheet as at 31st March, 2008

Particulars	Figures at the end of	
	Current financial year	Previous financial year
SOURCES OF FUNDS		
(1) Shareholders funds		
(a) Capital		
(i) Equity	5,00,000.00	-
(ii) Preference	-	-
(iii) Reserves and surplus	-	-
(b) Reserves and surplus	-	-
(i) Capital reserve	-	-
(ii) Revenue reserve	-	-
(iii) Revaluation reserve	-	-
(iv) Surplus in profit and loss account	-	-
(v) Share premium reserve	-	-
(vi) Investment allowance reserve]	-	-
(2) Loan funds	-	-
(a) Debentures (the amount of convertible / paty convertible debentures indicating the date of conversion)	-	-
(b) Public deposits	-	-
(c) Secured loans (other than debentures)	-	-
(d) Unsecured loans	-	-
Total of (1) and (2)	5,00,000.00	-
APPLICATION OF FUNDS		
(3) Fixed assets		
(a) Net block----- (Original cost less depreciation)		
(b) Capital work-in-progress	-	-
(4) Investments	-	-
(a) Government securities	-	-
(b) Investment in subsidiary companies	-	-
(i) Quoted	-	-
(ii) Unquoted	-	-
(c) others	-	-
(i) Quoted	-	-
(ii) Unquoted	-	-
(5) (1) Current assets, loans and advances	-	-
(a) Inventories	-	-
(b) Sundry debtors	-	-
(c) Cash and bank balances	42,050.00	-
(d) other current assets	-	-
(e) Loans and advances	-	-
(i) To subsidiary companies	-	-
(ii) To others	2,49,950.00	-
Less:		
(i) Current liabilities and provisions	-	-
(a) Liabilities	20,200.00	-
(b) Provisions	-	-
Net current assets (1-i)	2,71,800.00	-
(4) Miscellaneous expenditure to the extent not written off of adjusted	2,28,200.00	-
(5) Profit and loss account	-	-
Total of 1 to 5	5,00,000.00	-

NOTES

- The company was incorporated on 07.12.2007 and the accounts represents transactions from 07.12.2007 to 31.03.2008. Since the Company has not started its commercial activities, no profit and loss account has been prepared and amount incurred towards expenses has been debited to Pre-Operative Expenditure A/c. Being the first year, no previous year figures are reported.
- The disclosure as required by the AS - 18 (Related Party Disclosure) are given below
 - List of Related Parties

Key Management Personnel		
Ram Chandra Agarwal	Director	
Uma Agarwal	Director	
Dipu Gupta	Director	
Others		
Vishal Retail Limited	Holding Company	
 - Transactions with Related Parties

Nature of Transactions	Key Management Personnel	Others
Share Allotment	249,980.00	250,000.00
 - Balance as on 31.03.2008 249950.00
- The Company does not have any Deferred Tax Asset/(Liability). Hence, the same is not reported.
- Misc. Expenditure as stated in the Balance Sheet has not been written off, as Profit & Loss Account has not been prepared and the same will be completely written off in accordance with Accounting Standard-26 on Intangible Assets in next financial year.
- Additional information as required under part IV of Schedule VI to the Companies Act, 1956.

AUDITOR'S REPORT FOR CONSOLIDATED FINANCIAL STATEMENTS

To,

The Board of Directors of
VISHAL RETAIL LIMITED

- 1) We have audited the attached Consolidated Balance Sheet of Vishal Retail Limited (the Company) and its subsidiaries as at 31st March 2008 and the Consolidated Profit and Loss account and Consolidated Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require obtaining reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) We further report that we did not audit the financial statement of 5 subsidiaries, whose financial statements reflect total assets of Rs. 25.00 lacs as at March 31, 2008, and total revenue of Rs. Nil for the year ended on that date. These financial statements and some financial information have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of other auditors.
- 4) We report that the consolidated financial statement have been prepared by the Company's management in accordance with the requirements of the Accounting Standard (AS) 21, Consolidated Financial Statements and on the basis of the separate audited financial statements and other information referred in paragraph 3 (d) above.
- 5) We report that on the basis of the information and explanations given to us and on consideration of the separate audit report on the individual financial statement of the VRL and its subsidiaries, we are of the opinion that the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.
 - a. in the case of the Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries as at 31st March, 2008; and
 - b. in the case of the Consolidated Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - c. in case of the Consolidated Cash Flow Statement, of the Cash Flow for the year ended on that date.

For Haribhakti & Co.,
Chartered Accountants

Raj Kumar Agarwal
(Partner)
Membership No. 74715

Place : New Delhi
Date : 5th June, 2008.

VISHAL RETAIL LIMITED

Consolidated Balance Sheet as at 31st March'2008

(Amount in Rs.)

PARTICULARS	SCHEDULE	31st March'2008
<u>SOURCES OF FUNDS</u>		
<u>Shareholders' Funds</u>		
Share Capital	1	223,988,690
Reserves & Surplus	2	2,487,645,388
		<u>2,711,634,078</u>
Minority Interest		1,250,000
<u>Loan Funds</u>		
Secured Loan	3	4,489,038,480
Unsecured Loan	4	839,009,463
		<u>5,328,047,942</u>
Deferred Tax Liability		21,965,802
	Total	<u><u>8,062,897,822</u></u>
<u>APPLICATION OF FUNDS</u>		
<u>Fixed Assets</u>		
Gross Block	5	2,623,006,801
Less: Accumulated Depreciation/Amortization		533,666,371
Net Block		<u>2,089,340,430</u>
Capital Work in Progress		205,060,070
		2,294,400,500
<u>Current Assets, Loans & Advances</u>		
<u>(a) Current Assets</u>		
Inventories	6	5,574,676,918
Sundry Debtors	7	-
Cash & Bank Balances	8	549,977,406
<u>(b) Loans & Advances</u>		
Loans & Advances	9	1,209,403,228
		<u>7,334,057,552</u>
<u>Less: Current Liabilities & Provisions</u>		
Current Liabilities	10	1,136,528,690
Provisions	11	430,162,539
		<u>1,566,691,229</u>
Net Current Assets		5,767,366,322
Miscellaneous Expenditure (to the extent not written off or adjusted)		1,131,000
	Total	<u><u>8,062,897,822</u></u>
Significant Accounting Policies & Notes on Accounts forming integral part of balance sheet	18	

As per our attached report of even date
For Haribhakti & Co.
Chartered Accountants

For and on behalf of the Board
Vishal Retail Limited

Raj Kumar Agarwal
(Partner)

Ram Chandra Agarwal
Managing Director

Uma Agarwal
Director

Arun Gupta
Company Secretary

Place : New Delhi
Date : 5th June, 2008

VISHAL RETAIL LIMITED

Consolidated Profit and Loss Account for the year ended 31st March'2008

(Amount in Rs.)

PARTICULARS	SCHEDULE	31st March' 2008
<u>INCOME</u>		
Gross Sales	12	10,053,135,126
Less : VAT / Sales Tax		523,387,184
Net Sales		<u>9,529,747,942</u>
Other Income	13	77,610,878
Total (A)		<u><u>9,607,358,819</u></u>
<u>EXPENDITURE</u>		
Cost of goods	14	5,616,102,295
Manufacturing, Administrative and other expenses	15	1,981,564,205
Personnel Expenses	16	723,121,989
Finance Cost	17	378,707,116
Depreciation / Amortization	5	275,993,735
Total (B)		<u><u>8,975,489,340</u></u>
PROFIT BEFORE TAX (A - B)		631,869,480
Less Provision for Tax		
: Income Tax		214,552,392
: Tax for earlier year's		-
: Deferred Tax Adjustments		3,941,925
: Fringe Benefit Tax		6,893,220
: Wealth Tax		79,681
PROFIT AFTER TAX		<u>406,402,262</u>
Balance brought forward from last year		<u>416,622,282</u>
Amount available for Appropriation		823,024,543
Less : Provision for Preference Dividend		-
Less : Provision for Dividend Distribution Tax		-
BALANCE CARRIED TO BALANCE SHEET		<u><u>823,024,543</u></u>
Basic Earning Per Share (Rs.)		18.95
Diluted Earning Per Share (Rs.)		18.95
Nominal Value per share		10.00
(Refer Note B-9 in Schedule 18)		
Significant Accounting Policies & Notes on Accounts forming integral part of profit & loss accounts	18	

As per our attached report of even date

For Haribhakti & Co.

Chartered Accountants

For and on behalf of the Board

Vishal Retail Limited

Raj Kumar Agarwal
(Partner)

Ram Chandra Agarwal
Managing Director

Uma Agarwal
Director

Arun Gupta
Company Secretary

Place : New Delhi

Date : 5th June, 2008

VISHAL RETAIL LIMITED

Consolidated Cash Flow Statement for the year ended 31st March' 2008

PARTICULARS	31st March' 2008
A. Cash Flow from Operating Activities	
Net Profit Before Tax and Extra Ordinary Items	631,869,480
Adjustments For :	
Depreciation/Amortisation	275,993,735
Loss Due to Fire	-
Provision for Bonus	20,245,919
Provision for Gatuity	3,898,541
Provision for Leave Encashment	17,789,822
Provision for other Expenses	95,560,713
Preliminary Expenses written off	-
Interest on Loan	378,707,116
Interest received	(13,223,857)
Operating Profit before working capital changes	1,410,841,468
Adjustment for Changes in Working Capital	
(Increase)/Decrease in Advances & Receivables	(436,880,532)
(Increase)/Decrease in Inventories	(3,083,200,457)
Increase/(Decrease) in Trade Payable	319,583,251
Increase/(Decrease) in Other Payable	54,667,997
	(3,145,829,740)
Cash generated from operations	(1,734,988,272)
Direct Taxes Paid	(240,899,327)
Cash generated from operations before Extraordinary Items	(1,975,887,600)
Net Cash from Operating Activities [A]	(1,975,887,600)
B. Cash Flow from Investing Activities	
Purchase of Fixed Assets	(957,387,330)
Capital Work in Progress	(201,618,041)
Realisation against loss of assets by Fire	-
Interest received	13,223,857
Net Cash from Investing Activities [B]	(1,145,781,513)
C. Cash Flow from Financing Activities	
Proceeds from issuance of share capital-IPO	1,099,999,980
Proceeds from issuance of 9.1% Debentures	(600,000,000)
IPO Expenses	(62,390,515)
Proceeds/(Repayment) of Bank Borrowings	2,934,820,818
Proceeds from issue of equity share capital	1,250,000
Miscellaneous Expenditure	(1,131,000)
Proceeds/(Repayment) of tsecured Loan	569,890,736
Interest paid on loan	(378,707,116)
Net Cash from Financing Activities [C]	3,563,732,904
Net Increase/(Decrease) in Cash & Cash Equivalents [A+B+C]	442,063,791
Cash & Cash equivalents as at 01.04.2007	107,913,615
Cash & Cash equivalents as at 31.03.2008	549,977,406

Note : cash & cash equivalent consists of cash in hand, cash in transit-CMS & bank balances

As per our attached report of even date

For Haribhakti & Co.

Chartered Accountants

For and on behalf of the Board

Vishal Retail Limited

Raj Kumar Agarwal
(Partner)

Ram Chandra Agarwal
Managing Director

Uma Agarwal
Director

Arun Gupta
Company Secretary

Place : New Delhi

Date : 5th June, 2008

VISHAL RETAIL LIMITED
Schedules attached to Consolidated Balance Sheet

		(Amount in Rs.)
SCHEDULE	PARTICULARS	31st March' 2008
1	<u>SHARE CAPITAL</u>	
	Authorised	
	Equity Share Capital	250,000,000
	25,000,000 (25,000,000) Equity Shares of Rs. 10/- each	
	Preference Share Capital	58,400,000
	4,00,000 (4,00,000) Preference Shares of 100/- each	
		308,400,000
	Issued, Subscribed & Paid up	
	Equity Share Capital	223,988,690
	2,23,98,869 (1,83,24,795) Equity Shares of Rs. 10/- each, fully paid up in cash	
		223,988,690
2	<u>RESERVES & SURPLUS</u>	
	Securities Premium	
	Balance brought forward	667,752,120
	Add: Additions during the year	1,059,259,240
		1,727,011,360
	Less: IPO-Expenses	(62,390,515)
		1,664,620,845
	Balance as per Profit & Loss Account annexed	823,024,543
		2,487,645,388
3	<u>SECURED LOAN</u>	
	Loan from Banks	
	State Bank of India (CC A/c.)	1,384,507,388
	State Bank of India Corporate Loan	409,213,900
	HSBC Bank Limited (CC A/c.)	727,301,409
	HSBC Corporate Loan	300,000,000
	Centurion Bank of Punjab (CC A/c.)	143,794,769
	Centurion Bank of Punjab Term Loan	294,466,110
	Yes Bank Ltd.	98,855,351
	Bank Of Rajasthan - Term Loan	250,170,765
	Bank Of India - Term Loan	698,305,556
	ICICI Bank Ltd	5,403,477
	Kotak Mahindra Bank Ltd.	34,381,143
	HDFC Bank Ltd.	112,928,280
	Other Loans	29,710,332
	(Secured by specific gensets, computers & personal gaurantee of M.D.)	
		4,489,038,480
4	<u>UNSECURED LOAN</u>	
	1). Non Convertible Debentures	
	Deutsche Trustee Services (I) Pvt. Ltd.	300,000,000
	2). Short Term Loans & Advances :	
	a). From banks	381,391,140
	b).From others	137,118,323
	3). Other loans :	
	From others - intercorporate deposit	20,500,000
		839,009,463

VISHAL RETAIL LIMITED
Schedules attached to Consolidated Balance Sheet

Schedules : 5 FIXED ASSETS

Particulars	Gross Block				Depreciation/Amortization				As at 31.03.08
	As at 01.04.07	Addition	Disposal	As at 31.03.08	As at 01.04.07	Addition	Reversal	As at 31.03.08	
Land	107,995,114	-	-	107,995,114	-	-	-	-	107,995,114
Lease Hold Land	-	69,181,044	-	69,181,044	-	909,778	-	909,778	68,271,266
Buildings	-	194,397,851	-	194,397,851	-	6,651,010	-	6,651,010	187,746,841
Plant & Machinery	35,493,438	6,442,500		88,918,165	11,027,052	5,850,429	-	16,877,481	72,040,684
Lift	12,406,654	96,092,886		18,849,154	2,965,469	2m,084,763	-	5,050,232	13,798,922
Generator Set	98,158,723	329,601,152		194,251,609	15,391,407	15,742,523	-	31,133,930	163,117,679
Furniture & Fixture	461,743,375	86,201,793		791,344,527	86,534,547	86,543,938		173,078,485	618,266,042
Electrical Equipments & Fittings	139,192,418	74,395,346		225,394,211	22,771,156	20,269,650		43,040,806	182,353,405
Office Equipments	31,763,998	123,811,264		106,159,344	3,738,651	7,527,585		11,266,236	94,893,108
Air Conditioner	130,965,540	155,811,264		254,776,804	18,153,127	20,907,157		39,060,284	215,716,520
Computer	230,885,924	155,707,829		386,593,753	72,655,773	79,712,054		152,367,827	234,225,926
Computer Softwares	18,243,402	19,431,304		37,674,706	4,415,069.89	9,490,818		13,905,888	23,768,818
Video Conference Systems	7,480,770	37,670,475		45,151,245	2,648,542	6,539,721		9,188,263	35,962,982
Motor Vehicles	54,943,188	47,376,087		102,391,275	17,371,842	13,764,309	-	31,136,151	71,183,124
TOTAL	1,329,272,544	1,293,734,257		2,623,006,801	257,672,636	275,993,735		533,666,371	2,089,340,430

VISHAL RETAIL LIMITED
Schedules attached to Consolidated Balance Sheet

SCHEDULE	PARTICULARS	Amount in Rs. 31st March' 2008
6	<u>INVENTORIES</u> (as taken, valued & certified by the management)	
	Raw Materials	115,967,279
	Semi Finished Goods	101,188,333
	Stitching Materials & Consumables	40,118,026
	Finished Goods & Accessories	5,317,403,280
	Stock in Transit	-
		<u>5,574,676,918</u>
7	<u>SUNDRY DEBTORS</u> (unsecured & considered good, unless otherwise stated)	
	Outstanding for a period exceeding six months	-
	Other Debts	-
		<u>-</u>
8	<u>CASH & BANK BALANCES</u>	
	Cash in hand (as certified by the management)	44,128,707
	Cash in Transit -CMS	51,680,369
	<u>Balance with Scheduled Banks</u>	
	In Current Accounts	406,308,103
	In Fixed Deposit Accounts	47,860,227
		<u>549,977,406</u>
9	<u>LOANS & ADVANCES</u> (Unsecured & considered good, unless otherwise stated)	
	Income Tax Advances	364,388,464
	Input Vat Credit receivable	6,869,756
	Others Deposits/Advances	359,381,809
	Advances receivable in cash or in kind or for value to be received	478,763,198
		<u>1,209,403,228</u>
10	<u>CURRENT LIABILITIES</u>	
	Sundry Creditors	481,291,293
	Other Liabilities	429,777,313
	Bank Balance	225,460,084
	Interest Accured But Not Due	-
		<u>1,136,528,690</u>
11	<u>PROVISIONS</u>	
	Provision for Gratuity	10,004,185
	Provision for Taxes	420,158,354
	Provision for Preference Dividend	-
	Provision for Dividend Distribution Tax	-
		<u>430,162,539</u>

VISHAL RETAIL LIMITED
Schedules attached to Consolidated Profit & Loss Account

SCHEDULE	PARTICULARS	Amount in Rs. 31st March' 2008
12	<u>SALES</u>	
	Retail Sales	10,053,135,126
	Other Sales	-
		<u>10,053,135,126</u>
13	<u>OTHER INCOME</u>	
	Rental Income[T.D.S. Rs. 605452/- (P.Y 309082/-)]	5,452,837
	Misc Income [T.D.S. Rs. 803686/- (P.Y. 164194/-)]	32,096,438
	Interest [T.D.S. Rs. 2931148/- (P.Y 438555/-)]	13,223,857
	Display Charges [T.D.S. Rs. 563202/- (P.Y. 68317/-)]	17,746,445
	Dividend Income	9,091,301
		<u>77,610,878</u>
14	<u>COST OF GOODS</u>	
	COG	5,616,102,295
		<u>5,616,102,295</u>
15	<u>MANUFACTURING , ADMINISTRATIVE & OTHER EXPENSES</u>	
	Fabrication & Other Manufacturing Expenses	87,360,913
	Power & Fuel Expenses	297,221,875
	Rent Charges	606,954,016
	Repairs & Maintenance - Building	44,518,091
	Repairs & Maintenance - Plant & Machinery	5,823,426
	Repairs & Maintenance - Others	155,338,320
	Insurance Charges	8,293,954
	Rates & Taxes	57,931,295
	Advertisement & Sales Promotion	279,015,448
	Bank Charges	11,208,662
	Commission Charges	19,396,099
	Consultancy & Legal	27,092,640
	Entry Tax	8,563,919
	Transportation Charges	135,842,654
	Motor Vehicle Expenses	6,532,685
	Packing Materials & Expenses	6,219,889
	Printing & Stationery	30,239,233
	Security Service Charges	47,257,956
	Housekeeping Expenses	41,904,840
	Filing Fees	30,837
	Telephone Expenses	28,959,912
	Travelling & Conveyance	23,626,593
	Other Expenses	28,577,953
	Postage & Couriers Expenses	1,914,664
	Auditor Remuneration	1,750,000
	Credit Cards Charges	19,988,331
	Loss Due to Fire	-
	Preliminary/Pre-operative Expenses Written off	-
		<u>1,981,564,205</u>

VISHAL RETAIL LIMITED
Schedules attached to Consolidated Profit & Loss Account

SCHEDULE	PARTICULARS	Amount in Rs. 31st March' 2008
16	<u>PERSONNEL EXPENSES</u>	
	Gratuity Expenses	3,898,541
	Salary, Wages & Bonus	630,835,376
	Contribution to PF & others	47,459,581
	Staff Welfare Expenses	30,818,191
	Directors Remuneration	10,110,300
		<u>723,121,989</u>
17	<u>FINANCE COST</u>	
	Loan Processing Charges	14,656,406
	Interest on Bill Discounting	35,416,126
	Interest on Term Loans	135,281,536
	Interest on Unsecured Loans	23,308,865
	Interest on Working Capital Loans	170,044,184
		<u>378,707,116</u>

VISHAL RETAIL LIMITED

Schedule 18 forming part of consolidated accounts.

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008.

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Consolidated Financial Accounts

- a) The consolidated financial statement relates to Vishal Retail Limited (the Company) and its subsidiaries together called as VRL GROUP and have been prepared in compliance with the applicable accounting standard issued by the Institute of Chartered Accountants of India, and relevant provisions of Companies Act 1956.
- b) The Consolidated Financial Statement has been prepared under historical cost convention & accrual basis.

1A. Principles of Consolidation

The subsidiaries considered in the Consolidated Financial Statements are:

Name of the Subsidiaries	Country of Incorporation	Ownership Interest	Financial Year ends on
VRL Consumer Goods Limited *	India	50%	31st March
VRL Movers Limited *	India	50%	31st March
VRL Fashions Limited *	India	50%	31st March
VRL Foods Limited *	India	50%	31st March
VRL Infrastructure Limited*	India	50%	31st March

These subsidiaries were incorporated during the current financial year and have not commenced any commercial activities, accordingly no profit and loss have been prepared.

1B. The consolidated Financial Statements have been prepared on the following basis:

- A)** The consolidated financial statements have been prepared in accordance with the accounting Standard 21, Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.
- B)** The financial statement have been consolidated on a line by line basis by adding together the book value of assets, liabilities , income & expenses, after fully eliminating Intra Group balances and Intra group transaction resulting in unrealized profits/ losses, if any.

- C) The Consolidated Financial Statements have been prepared by using uniform accounting policies for like transaction and other events in similar circumstances and are presented to the extent possible in the same manner as those of the parent companies independent financial statements unless stated otherwise.

Minority Interest in the consolidated Financial statement is identified and recognized after taking into consideration, the minority share of movement in equity since the date parent- subsidiary relationship came into existence

Other significant accounting policies are as set out in standalone financial statement of Vishal Retail Limited to the extent applicable.

B. NOTES TO ACCOUNTS

1. Contingent liabilities not provided for:

- a. Outstanding Bank Guarantees Rs. 7,110,000/-
- b. Disputed sales tax demands Rs. 3,639,813/- , against which the Company has filed appeal with the relevant authorities.
- c. Disputed Entry tax demands Rs 6, 44,200/- , against which the Company has filed appeal with the relevant authorities.
- d. Claims against the Company not acknowledged as debts Rs. 2,038,674/-
- e. Guarantees given by the Company for the loan taken by the directors amounting to Rs. 21,000,000/-
- f. Creditors for Finance includes Rs. 3,890,828/-
- g. Lease rent payable for showroom includes Rs.2,457,864/-

2. Capital Commitments :-

- a) Capital commitments towards new showrooms for which the agreement/MOU has been entered into with the landlord of the relevant showroom Rs. 63,457,988/-
- a) Capital Commitments towards fixed assets to be acquired Rs. 44,128,000/-

3. Details of funds raised through IPO & utilization of such funds is given below:

a). Funds raised through Initial Public	1,099,999,980/-	
b). Utilization by way of setting up of new retail stores		
New Retail Stores	1,037,609,465/-	Issue Expenses
	62390515/-	
Total utilization	1,099,999,980/-	

4. The details of Managerial Remuneration paid to Directors :-

Name of The Director	Basic	Exgratia	Total
R.C. Agrawal	6,000,000	-	6,000,000
Uma Agrawal	900,000	-	900,000
Surendra Kumar Agrawal	2,818,800	3,91,500	3,210,300
Total	9,718,800	3,91,500	10,110,300

5. The company has incurred Rs. 62,390,515/- in IPO expenses including advertisement. The share issue expenses includes auditors remunerations and out of pocket expenses to extent of IPO work of Rs. 1,496,137/-, which has been adjusted against the securities premium accounts on issue of shares in accordance with section 78 of Companies Act 1956.

6. Miscellaneous expenditure as stated in the financial statements of the subsidiaries has not been written off as profit and loss account has not been prepared and the same will be completely written off in accordance with the Accounting Standard- 26, "Intangible Assets" in the next financial year.

7. The Company has only one business & geographical segment namely viz. retail sales of garments, textiles, accessories and FMCG in India. Further, the subsidiary companies have not commenced business. In view of this no further disclosure is required to be made as per AS-17 on segment reporting issued by ICAI.

8. The Disclosure as required by the Accounting Standard -18 (Related Party Disclosure) are given below:-

Names of related parties with whom transactions have taken place and relationship.

Mr. Surendra Kumar Agarwal	Director	Key Managerial Personnel
Mrs. Uma Agarwal	Director	Key Managerial Personnel
VRL Infrastructure Limited		Subsidiary Company
VRL Consumer Goods Limited		Subsidiary Company
VRL Movers Limited		Subsidiary Company
VRL Fashions Limited		Subsidiary Company
VRL Foods Limited		Subsidiary Company
Unicon Marketing Pvt.		Subsidiary by virtue of Control as per Accounting Standard 21.
Ricon Commodities Pvt. Ltd.		Subsidiary by virtue of Control as per Accounting Standard 21.
Vishal Water World Private Ltd.		Subsidiary by virtue of Control as per Accounting Standard 21.

Description of Financial Transaction with related parties**Particulars****2007-08****1.Finance****Loans repaid**

Vishal Water World Pvt Ltd.	2,250,000
Unicon Marketing Pvt Ltd.	18,835,433

2.Managerial Remuneration

Mr. Ram Chandra Agarwal	6,000,000
Mrs. Uma Agarwal	900,000
Mr. Surendra Kumar Agarwal	3,210,300

3.Investment in Subsidiaries

● VRL Infrastructure Limited	250,000
● VRL Consumer Goods Limited	250,000
● VRL Movers Limited	250,000
● VRL Fashions Limited	250,000
● VRL Foods Limited	250,000

4.Amount outstanding (Credit Balances)

● Unicon Marketing Pvt Ltd.	23,805,112
● Vishal Water World Pvt Ltd.	1,732,680
● Mr. Ram Chandra Agarwal	345,209
● Mrs. Uma Agarwal	51,542
● Mr. Surendra Kumar Agarwal	429,076

9. The calculation of Earning Per Share (EPS) has been made in accordance with Accounting Standard (AS) 20 issued by the ICAI. A statement on calculation of Basic and Diluted EPS is as under

		UNITS	2007-08
	A	Rs.	406,402,262
Weighted average no. of equity shares	B	Nos.	21,441,573
Add: Dilutive potential equity shares		Nos.	-
Number of equity shares for Dilutive EPS	C	Nos.	21,441,573
Basic Earning Per Share (A/B)		Rs.	18.95
Diluted Earning Per Share (A/C)		Rs.	18.95

10. Lease policy

The company takes premises for showroom for 12 years lease/license period with lock in period of one to three year. The escalation clause is variable between 12% to 15% after every three years and the company takes three month

rent free time from the date of possession given by the landlord.

11. Obligations on long term, non-cancelable operating leases.

The lease rentals charged during the year and maximum obligations on long term non-cancelable operating leases payable as per the rentals stated in the respective agreements.

Amount in Rs

Particular	2007-08
A. Lease Rental Recognized during the year	606,583,650
Obligation	
Within one of the year of the balance sheet data	409,390,911
Due in a period between one year and five years	243,94,883
Due after five years (as lease are cancelable by the company after three to five years)	NIL

B). In respect of residential premises taken on lease, relevant agreement had not been executed as per the practice relevant in that area. The relevant disclosure or unprovided liability, if any, is not ascertainable.

12. Previous years figure have not been provided as consolidation has been done for the first year.

**Signature to schedules 1 to 19
For and on behalf of the Board**

Ram Chandra Agarwal

Managing Director

Uma Agarwal

Director

Arun Gupta

Company Secretary

Place : New Delhi

Date : 5th June, 2008