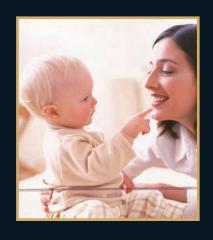


SHOPPERS STOP

ANNUAL REPORT 2011-12







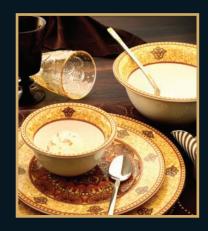






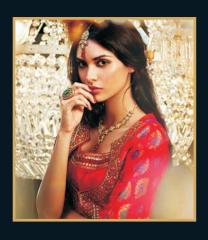






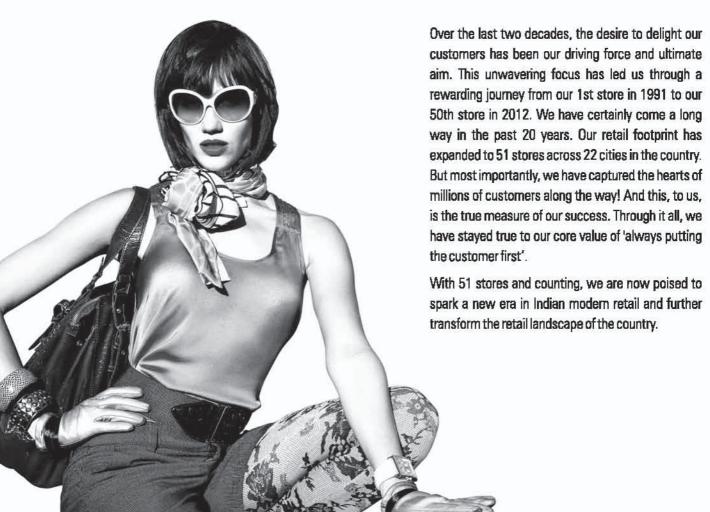








# STORES and counting...





## With

# 9 diverse retail formats

# that cater to customers' every need...

From fashion to home needs, from books to infant care, from domestic to international products, from concrete to click stores, Shoppers Stop believes in diversifying its formats to provide greater value to its customers. Our customers are spoilt for choice with the wide variety of both national and international brands that have one thing in common – their unquestionable quality.

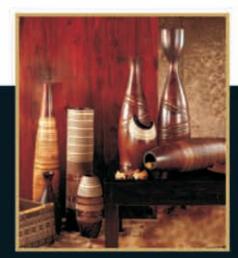


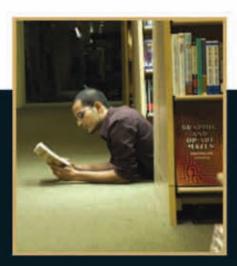
### Shoppers Stop

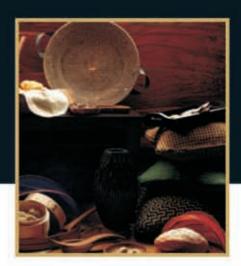
Shoppers Stop is the Company's flagship business of department stores. It offers customers an international shopping environment and a world class shopping experience through its 51 stores in 22 cities.

Being a 'house of brands', it offers a host of international and domestic brands across categories such as apparel, accessories, cosmetics, home & kitchenware. Tommy Hilfiger, CK Jeans, French Cornection, Mango, Guess, MUSTANG-Europe's renowned jeanswear and lifestyle brand, Esprit, United Colors of Benetton, Jack & Jones and US Polo are just a few of the brands available in Shoppers Stop. In addition to the host of such international brands, Shoppers Stop offers a wide variety of merchandise across categories under its exclusive brands STOP, Kashish, Life, haute curry, Elliza Donatein, inSense', iJeanswear, Mario Zegnoti and Vettorio Fratini, amongst others.













Customer Satisfaction Index Scores

### **HomeStop**

HomeStop is the first-of-its-kind premium home concept store present in 8 cities at 11 locations. It offers a wide range of home products across categories along with some of the most reputed national and international brands.

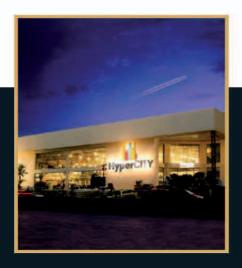
It is a one-stop shop for all home needs ranging from home décor to furniture, bath accessories to bedroom furnishings, mattresses to draperies, and carpets to health equipment, all under one roof.

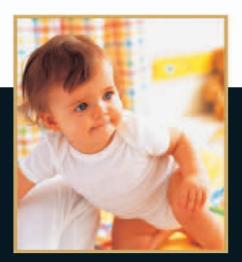
### Crossword

Crossword is the leader in the lifestyle bookstore category with a unique mix of books, magazines, movies, music, CD ROMs, stationery & toys. Crossword currently has 85 stores across 25 cities in India. As Crossword aims to grow every year it added 20 stores to its kitty this financial year with 10 being owned stores and 10 franchisee stores.

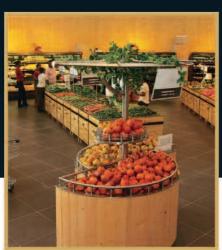
Crossword also forayed into the online space this year by starting www.crossword.in which includes over 70 lac book titles which are provided with free home delivery and cash on delivery service, it also plans to add toys and movies as a category to its online store in the next financial year.

Continuing its streak of excellence, Crossword also won the Award for the Best Online Store which was organised by Indian E-Retail in 2012. It also won The Best Books & Music Retailer Award in 2011 organised by Star Retailer Awards.











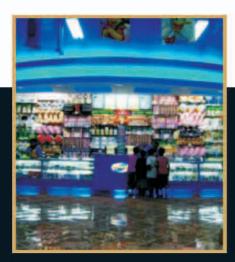


### **HyperCITY**

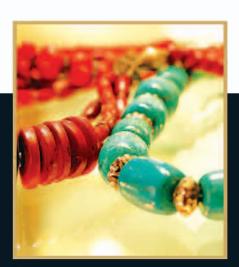
HyperCITY has redefined the experience of the Indian consumer in the 'big box mixed retail' format. Its offerings include food and grocery, general merchandise and apparel. The business operates a 'More to Discover' byline and delivers quality products at a great value. HyperCITY operates 12 stores, one store each in Ahmedabad, Pune, Ludhiana, Amritsar, Bhopal, Jaipur, Navi Mumbai and Hyderabad and 2 stores each in Mumbai and Bengaluru.

### Mothercare & Early Learning Centre (ELC)

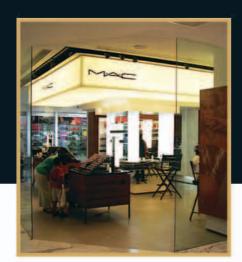
Shoppers Stop Ltd (SSL) has an exclusive arrangement with Mothercare PLC of UK to open and operate Mothercare and ELC shop-in-shops in India. Mothercare, UK's premium international brand for maternity, infant and childcare products, has 38 stores operated by SSL, including 5 standalone stores, with a presence in 11cities. Early Learning Centre (ELC). UK's number one educational toy brand for children aged 0-6 years, is also available in select Shoppers Stop stores.













### **Estee Lauder Group of Companies**

Shoppers Stop has entered into a non-exclusive retail agreement with world renowned cosmetics major Estee Lauder to open stores for international brands viz. M.A.C, Estee Lauder and Clinique in India. Shoppers Stop has 20 M.A.C stores with a presence in Mumbai, Bengaluru, Delhi, Amritsar, Chennai, Hyderabad, Pune, Kolkata and Ludhiana. Estee Lauder has 5 stores, including 3 standalone stores, in Delhi, Bengaluru and Mumbai. Clinique has 10 stores, including two standalone stores.

### www.shoppersstop.com

Shoppers Stop has reached out to customers across India, and also to NRIs, through its e-commerce website, www.shoppersstop.com. It delivers to more than 500 cities and towns across the country. The online shopping website offers the ease and convenience to shop for leading lifestyle brands from anywhere with secure payment options.

### Timezone

Shoppers Stop believes that Indian consumers are looking for multiple options to entertain themselves and their families. It has a 33.66% stake in Timezone Entertainment Private Limited. which is the business of operating Family Entertainment Centres (FECs), It currently has 18 doors.

### **Airport Retailing**

The Company has a store each at the Hyderabad and Bengaluru domestic airports and the JV Company operates the duty free store at the international airport at Bengaluru.



## With over

# 2.5 million Loyal Customers...

which are now a part of the First Citizen Loyalty Programme. And that speaks volumes for our ability to delight our customers and ensure their continued patronage. Shoppers Stop takes the shopping experience to the next level by offering its loyal customers personalised services, exclusive offers and unique privileges.



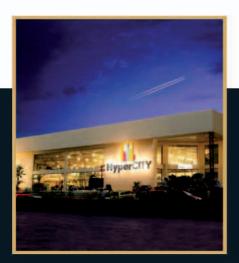
### **Shappers Stop First Citizen Loyalty Programme**

Shoppers Stop believes that the customer takes priority over all else, which is why this programme has more than 2.5 million loyal members who contribute to over 72% of sales.

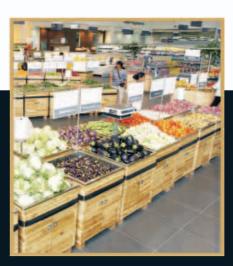
The First Citizen Loyalty Programme is one of the most successful relationship and loyalty programmes in the retail industry in India. What makes this programme even more special is that it attracts more and more members every day. With additions of 0.48 million members a year, The Shoppers Stop First Citizen Loyalty Programme continues to grow.

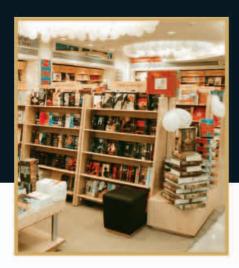
The objective of the First Citizen Loyalty Programme is to ensure customer delight and enhance customer satisfaction. Shoppers Stop truly values the feedback it receives from its customers. To truly know customers, Shoppers Stop analyses the proprietary First Citizen data on a continuous basis using 'Drishti', a data warehousing and data mining IT backbone.

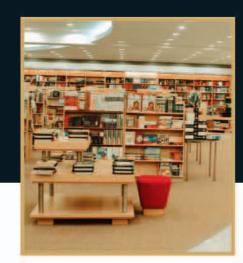
Customer groups are analysed using the proprietary 'First Insight'. This helps to plan targeted offers, brands and communications.

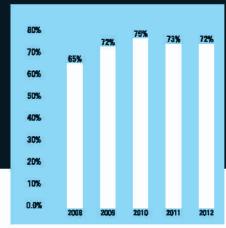












First Citizen contribution to Sales

### **Crossword Book Rewards Programme**

Customer satisfaction and customer loyalty being the No. 1 priority for Crossword, The Crossword Book Rewards Programme rewards it loyal members with points, discounts, previews during sales, event updates, news on various upcoming titles and offers and much more. Crossword also added 50,000 plus members this year increasing the total loyalty base to 3.5 lac members. The Book Rewards Programme contributes to 45% of sales of Crossword bookstores.

### **Discovery Club Programme**

The HyperCITY Discovery Club brings every customer great savings, exclusive promotions, special previews and a whole lot more. One can earn Discovery reward points and redeem them against purchases. This loyalty programme reflects HyperCITY's commitment to offer its customers the ultimate shopping experience. HyperCITY's loyalty programme Discovery Club, launched in 2009, continues to grow and represents 48% of sales. Total members are at 4.02 lacs.



## With more than

# 2 million fans

on Facebook...

Shoppers Stop has been among the first retailers in India to recognise the potential of digital and social media and leverage it. Its foray into the digital space has met with huge success and has opened up an entirely new channel of communication with its customers.

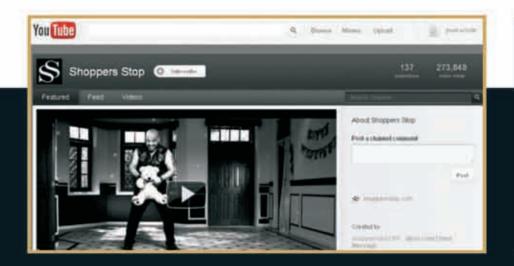
### Facebook & Twitter

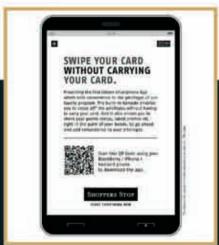
Shoppers Stop introduced its Facebook page in 2010. In a short span of time and as a result of its continuous engagement with fans, the popularity of its Facebook page has soared. Shoppers Stop is the first large-format retailer in India to cross the 2 million fans mark on Facebook. It also has the seventh largest fan base among Indian brands on Facebook\*, it engages its fans and followers on a real-time basis through constructive dialogues, unique promotions, and innovative contests such as the "New Year's Pledge" and the "Most Fashionable Profile Picture" contests.

The page also has a dedicated section for First Citizen members.

Shoppers Stop has an equally strong presence on other social media forums such as Twitter.











### YouTube

Shoppers Stop has a dedicated channel on YouTube that offers customers an opportunity to experience the brand in a digital world. It leverages the channel by giving customers a chance to experience various in-store events through exclusive video streaming. It also creates exclusive audio-visual communications regarding various offers and promotions. These digital ads, with youthful and tongue-in-cheek undertones, have been specifically created for the consumption of netizens. These include the popular digital ads for the 'End of Season Sale' and 'Choose Your Own Gift' offer that garnered numerous views.

### Innovative use of QR & AR

Shoppers Stop has introduced various marketing innovations such as deployment of Quick Response (QR) and Augmented Reality (AR) codes to digitally enliven all marketing communications. Augmented Reality in India is still nascent and Shoppers Stop is the first Indian large-format retailer to have created an Augmented Reality set-up for its End of Season Sale campaign. The Sale advertisements across major print publications featured an AR code that readers could trigger by using a specially developed app that could be downloaded from the Android market place or iTunes store. With the help of this app, readers could activate an AR (augmented reality) set-up in which they could view certain 'secret offers'.

### **Exclusive App for First Citizen members**

Shoppers Stop has also gone a step further in providing its loyal customers with special privileges. It introduced an exclusive mobile application for its First Citizen members. By taking the First Citizen experience on the mobile, customers can avail of the entire gamut of privileges on-the-go. Using this tailor-made app, Shoppers Stop First Citizen members can swipe their card without actually having the card, check card number and card details, get information on promotions and offers in stores, check reward points and much more. The First Citizen Mobile app has been made available across mobile platforms such as Blackberry, iPhone & Android.



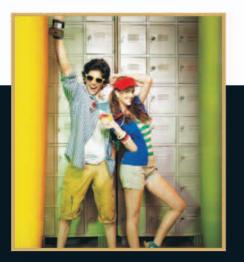
# With a choice of OVER 400 OVER

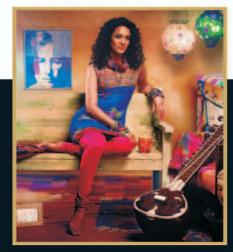
In keeping with its bridge-to-luxury positioning, Shoppers Stop houses a plethora of Indian and International brands that meet the aspirations of today's discerning shoppers. Attuned to the brand philosophy of 'Start Something New', Shoppers Stop observes fashion trends and takes delight in offering top-notch quality merchandise that always make a statement.

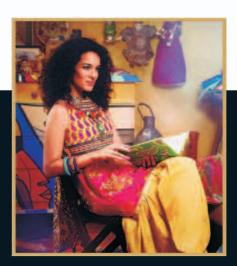


Since its inception, Shoppers Stop has continued to introduce new brands and has created a differentiator through its exclusive and non-exclusive retail arrangements with world-class brands. The range of Indian and international brands have been carefully chosen to meet the needs of the modern shopper.

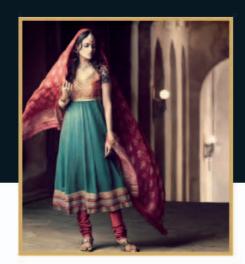
Extensive experience in the retail space has helped it anticipate the customers' shopping needs and introduce several premium international brands in India much before others. Shoppers Stop has set the benchmark for what modern retail can offer and aspires to take it to the next level.













STOP

Smart, comfortable clothes that are a perfect mix of classic and contemporary styling.



Trendy casual clothes and accessories based on global fashion trends.



Elegant and exquisite traditional occasion wear for ethnic chic.

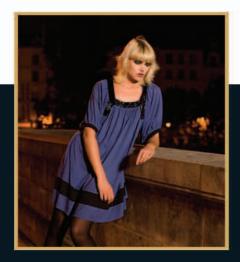


Sophisticated formal and casual clothes for the power dresser.

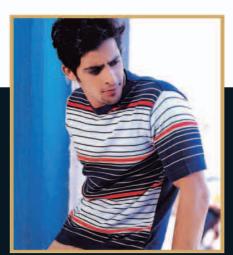
# haute curry

haute curry is a young and funky ethno-fusion brand for today's young fashion divas. Vivid Indian colours and motifs are fashionably captured in modern silhouettes and designs. The line comprises stylish kurtis and trendy salwaar kameez and dupatta sets as well as a chic range of accessories.

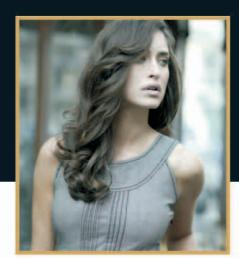
Shoppers Stop has named world famous sitar maestro and music composer Anoushka Shankar as the brand ambassador for haute curry. She is not only a youth icon but is also an apt

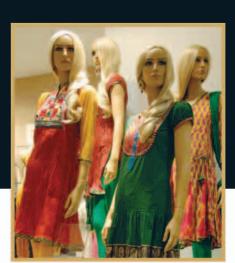












example of ethnic diversity, be it through her music or personal style. She perfectly matches the brand values and positioning of haute curry and her personal style statement mirrors the modernised ethnicity of haute curry's designs and styles.



Fashion denim wear for the urban youth that epitomises individuality.



Elegantly stylish yet practical and comfortable women's wear for special occasions.

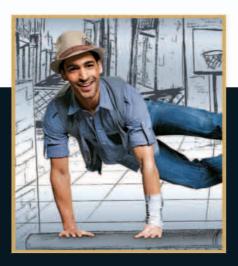


Fashionable formals and smart casuals for stylish and flamboyant men.

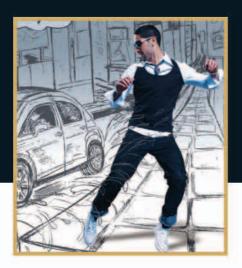


Fashionable corporate wear and accessories for women.













### INTERNATIONAL BRANDS



Shoppers Stop enjoys an exclusive retail arrangement with the British fashion and lifestyle brand Austin Reed. Under this, the Austin Reed range of formal business wear and smart casual wear for men and women is exclusively available at Shoppers Stop stores.



This German brand has been brought to the Indian market through an exclusive retail arrangement, in the department store segment, with Shoppers Stop Ltd. The apparel exhibits significant international influence in style and finesse and it exudes urban chic with its authentic style and unmatched comfort.

As the first denim brand of Europe, MUSTANG is world renowned for its precise fits and washes.

The global appeal of the collection is underscored by its international silhouettes that perfectly tally with timeless yet trend-inspired colours and details. It allows the discerning fashion devotee the option of buying complete ensembles, over and above individual garments.



# By delighting customers in

# 22 cities

across India...

with a complete and wholesome shopping experience unlike any other. Shoppers Stop's retail footprint extends across major Tier I and Tier II cities offering customers the best in-class shopping experience. Moreover, its marketing efforts are designed to suit the evolving mind-sets of discerning customers. In the past year, Shoppers Stop introduced clutter-breaking campaigns, accomplished a breakthrough in the digital space and crafted unique promotions which helped to draw customers and increase footfalls.



### **Brand Campaign**

This year's campaign continues with the brand philosophy of "START SOMETHING NEW".

The brand campaign of Shoppers Stop, whilst showcasing High Fashion, has voiced various social concerns and causes in its typical tongue-in-cheek manner. The various causes adopted include water conservation, use of greener modes of transport, and other civic & social issues. The campaign featured stylish people in simple day-to-day situations actually doing something new. This helped to symbolize that "Start Something New" can actually translate into meaningful action.

### **Social Media Marketing**

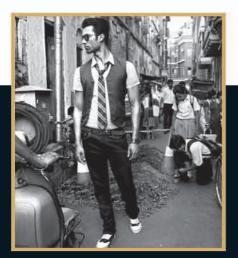
Social Media platforms help Shoppers Stop to engage with its customers, both existing and prospective, on a real-time basis. It offers the opportunity to have a dialogue with customers and helps to generate feedback, address customer queries and create brand affinity. Shoppers Stop's strong presence on

Facebook with over 2 million fans and other platforms such as Twitter and YouTube gives it ample opportunities to engage with customers from across the country.

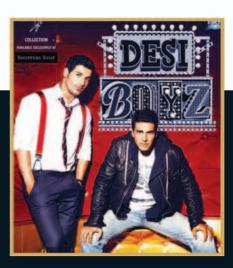
### Film Merchandising: Desi Boyz

Fashion in India is preceded and largely governed by Bollywood's style statement. In the past, Shoppers Stop met with much success for its exclusive apparel lines inspired by great films such as Om Shanti Om, Love Aaj Kal, Karthik Calling Karthik, Chance Pe Dance etc. This year Shoppers Stop tied up with mega starrer film 'Desi Boyz' and launched an exclusive apparel line under its popular youth brand Life.

The hip collection from *Life* reverberated with Akshay Kumar's easy-going style, John Abraham's casual look, Deepika Padukone's chic quotient and Chitrangada Singh's understated elegance.













### **End-of-Season Sale**

Shoppers Stop launched its 'Delightfully Low Prices Upto 51% Off Sale' campaign with innovative and clutter breaking imagery.

In order to promote the End of Season Sale, Shoppers Stop crafted distinctive elements across media platforms such as Press, Outdoor, Radio, along with a dedicated focus on Social Media and Digital.

It created exclusive audio-visual communications on YouTube which communicated the core message of this campaign in a youthful and tongue-in-cheek manner.

It also launched an extensive outdoor campaign to create visibility. The outdoor elements deployed eye-catching innovations and differentiated elements like 3D cut-outs and neon effects.

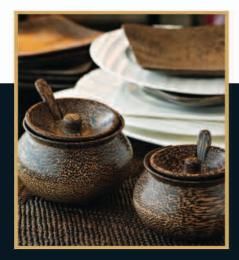
Moreover, the Sale campaign was supported by advertisements in leading publications across cities with Shoppers Stop stores.

### Choose Your Own Gift

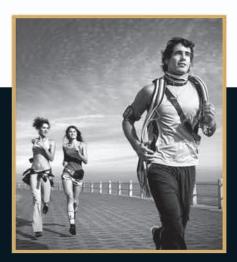
Shoppers Stop's loyal customers are treated to annual promotions that are exclusively crafted for their benefit. 'Choose Your Own Gift' offered customers the chance to select their own gifts from within the store. Instead of offering a pre-selected gift, Shoppers Stop offered its loyalty programme members with bonus reward points on their purchases, which could be redeemed on any product of their choice. Shoppers Stop presented the entire store to its First Citizen members and empowered them to choose their own gift during this annual loyalty programme promotion.

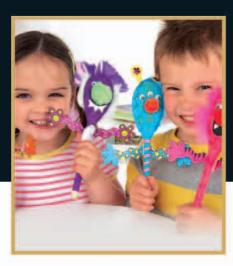
### **Start Something New Today**

The 'Start Something New Today' campaign is a series of small ads in leading publications that appear every Thursday on pg. 3. These ads provide interesting fashion trends and shopping tips to customers. Moreover, the same tip is highlighted at the physical stores through visual merchandising.

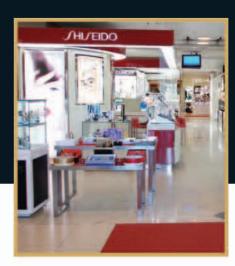










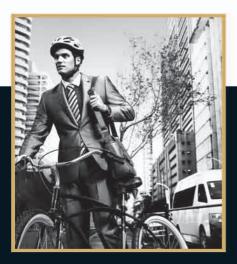


Customers are treated with a complete sensorial experience while shopping at Shoppers Stop stores. The southing fragrance of the Beauty hall at the entrance mesmerises customers as soon as they step in. The luxurious and uncluttered layout of the stores helps customers shop at ease while the peppy Shoppers Stop Radio brightens up their mood.

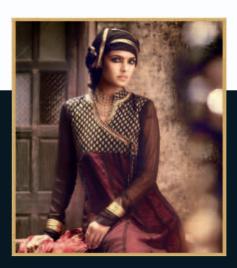
The liberty to try out products without the obligation of purchase — like make-up — adds to the overall shopping experience. The Café in each store ensures a refreshing break in-between shopping. Moreover, Fashion Assistants at each store help customers raise their fashion quotient by assisting them while making a purchase decision.

During the year, the Company extended this unparalleled shopping experience to newer cities and catchments by launching 13 Shoppers Stop stores.

During the year, HorneStop added 7 stores, Mothercare added 11 stores, M.A.C. added 3 stores, Crossword Bookstores added 20 stores/doors and HyperCITY added 3 stores.







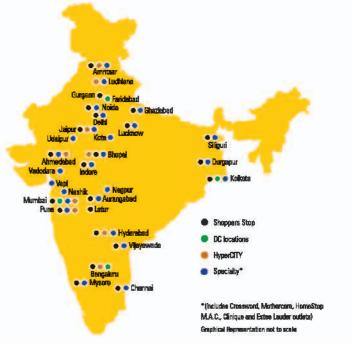






Aside from the physical stores, Shoppers Stop provides its customers with the option to shop online via its e-store www.shoppersstop.com. Customers can shop for leading lifestyle brands from anywhere and enjoy convenient and safe payment options. What's more, customers who shop online can even avail a Cash-on-Delivery payment option for greater convenience. First Citizen members can earn and redeem points on their online purchases too.

Shoppers Stop has broadened its reach even further by firmly establishing itself in the digital space. From an active presence on social networking websites to introducing apps that take the experience to the next level, Shoppers Stop is moving toward a digital omnipresence.





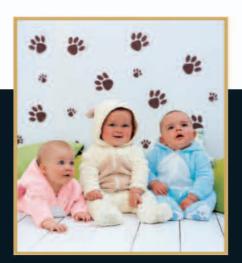


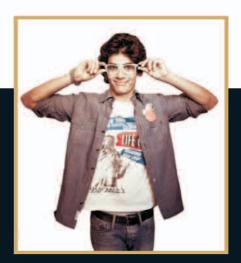
# annual growth grate of

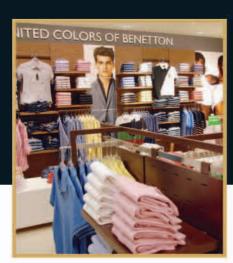
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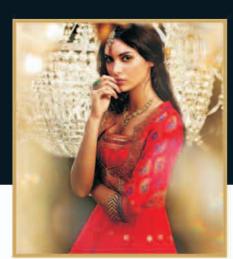
Shoppers Stop has taken giant steps towards achieving strategic growth. The focus on cost rationalisation, streamlining processes and ensuring customer satisfaction has given it an edge in the market. With equal emphasis on cautious planning, Shoppers Stop has consolidated its position as a leading retail innovator in India.

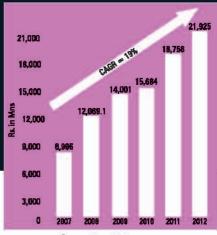












**Gross Retail Turnover** 

The Company has worked towards developing itself as an exemplary retail model with the combination of right positioning in the minds of its customers, cost rationalisation measures and exiting non-profitable businesses. In FY 2012, Shoppers Stop Ltd. achieved a Gross Retail Turnover of ₹ 2192 crores, up by 17%.

The Company has witnessed a stable environment over the year with growth in like-to-like sales of 7% for the year. It is also expanding steadily in metros as well as tier II cities, which is witnessing the consumption boom and has given the Company access to a growing number of customers.



## A proud recipient of

# 13 awards...

In the past year, the Company, the brands and the management have been honoured with numerous industry accolades and awards. With multiple awards in its kitty and hopefully many more to come, Shoppers Stop is proof that dedication and loyalty truly do yield recognisable results.





During the year 2011-2012, Shoppers Stop was the proud recipient of many industry accolades.

Shoppers Stop has been recognised as the 'No.1 Social Net Worth Company' by Fortune India Magazine for its Facebook Page.

Shoppers Stop was conferred with the 'Supply Chain Excellence Award' at the 5th Express Logistics and Supply Chain Conclave conducted by ELSC (Express Logistics and Supply Chain).

It was also awarded the 'Best Prax Prize' for Green Initiatives during the 23rd Qimpro convention.

At the Star Retailer Awards, Shoppers Stop swept the awards for both — 'Department Store of the Year — Shoppers Stop' and 'Books and Music Retailer of the Year — Crossword'.

Crossword also won the Award for the 'Best Online Store' which was organised by Indian E-Retail in 2012.

Shoppers Stop received the 'Cloud Pioneer Award' for adoption of the new technology paradigm of Cloud Computing.













The 'Most Admired Beauty Products Retailer of the Year Award' at the Images Beauty & Wellness Awards went to Shoppers Stop - the Department Store.

At the Loyalty Summit Awards, Shoppers Stop was conferred with the award for 'Customer & Brand Loyalty' in the 'Retail Sector - Large Formats'. It was also honoured with the award for the 'Direct Marketing Campaign of the Year' at the same event.

Shoppers Stop received a 'Merit Certificate' in the 'Department Store >20000 sq.ft.' category for the 'Rohini' store at the VMRD Retail Design Awards.

Mr. B S Nagesh, Vice Chairman of the Company was honoured with the 'Hall of Fame' award at the ET Retail Awards 2011.

Mr.Govind Shrikhande was awarded the 'The Movers of Time Award' for his outstanding contribution to the field of Horology at the Samaya Bharati 2012.



## By touching the lives of

# million



Shoppers Stop strongly believes in making a difference, whether through products or brands or through social initiatives. As a responsible corporate citizen, Shoppers Stop has supported many social concerns through various initiatives taken at the company level by deploying measures and technologies, at Associate (Employee) level by motivating staff to support various causes, and as a catalyst by creating awareness amongst customers and encouraging them to support various causes.

Over the years, Shoppers Stop has taken many Corporate Social Responsibility initiatives to voice various causes. Some initiatives are listed below:

### **Energy Conservation**

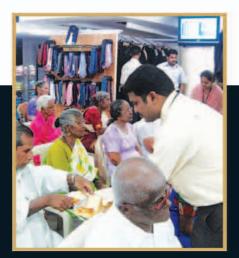
In 2007 Shoppers Stop formulated an Energy Management Policy. It introduced advanced energy monitoring and energy control tools to avoid wastages, inconsistencies, and indiscriminate usage of all forms of energy. The Company has deployed energy saving and conservation systems like Central Energy Monitoring Systems (CEMS), Variable Frequency Drive (VFD), LED, Rescheduling of Air Handling Units (AHU's) etc. Further, it has also trained and educated its associates to put their best effort in conservation of energy at work and at home. All these have resulted in over 35% reduction in energy unit consumption in LTL stores.

### **Back to Earth by HomeStop**

HomeStop continued to offer the eco-friendly brand 'Back to Earth'. This collection has been inspired by nature and the products are made of rubber wood, dead wood, Chinese jujube, bamboo, jute, natural fibre, recycled wood and linen. One can choose from a wide range of products across categories like furnishing, bed linen, kitchen accessories and home decor.

### **Brand Campaign 'Start Something New'**

Carrying forward the brand's philosophy of 'Start Something New', the brand campaigns of Shoppers Stop have voiced various social concerns and causes in its typical tongue-incheek manner.













### **Foundation Day celebration**

The Foundation Day of Shoppers Stop is dedicated to upholding social causes. Each store, region and Services Office helps an NGO of its choice.

### Salwar Kameez Dupatta (SKD) Exchange offer

This is an annual exchange offer that Shoppers Stop has conducted for many years in association with NGOs like Concern India and Goonj. For this offer, Shoppers Stop invites its customers to donate their old but wearable SKDs towards the cause and in return enjoy discounts on their new purchases of SKDs.

### **BOARD OF DIRECTORS**



CHANDRU L. RAHEJA



RAVI C. RAHEJA



NEEL C. RAHEJA



**GULU MIRCHANDANI** 



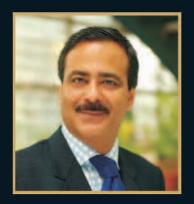
SHAHZAAD DALAL



**NITIN SANGHAVI** 



**DEEPAK GHAISAS** 



**NIRVIK SINGH** 



B. S. NAGESH



GOVIND SHRIKHANDE

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# SHOPPERS STOP

### CHAIRMAN'S STATEMENT

Domestic retailers have faced a challenging economic environment in the last financial year. Despite this, with comfortable leverage positioning and tight inventory control, your Company managed to successfully continue store expansion, embedded with profitability. The expansion has largely been financed through internal accruals. Though the profitability declined compared to last financial year, the profitability of our Like to Like stores has been consistent which clearly indicates the robustness and soundness of the business model. As uptick in consumption comes back, your Company will be ideally positioned to reap the benefits, with its customer offering and geographical footprint.

During the financial year 2011-12, your Company has crossed various important milestones.

- Opened our 50th department store at Bengaluru.
- The Department stores format crossed ₹ 2000 crs.
   Sales mark.
- First Citizen membership crossed 2.5 million mark with 72% contribution to sales.
- Facebook fans crossed 2 million mark.

For the year 2011-12, your Company has achieved revenues of ₹2192 crores, up by 17%.

In the year gone by, your Company saw a Like-to-Like sales growth of 7% whilst chain level growth in sales was 17%. The Average Selling Price and Transaction Size have seen growths of 7% and 5% respectively over the last year.

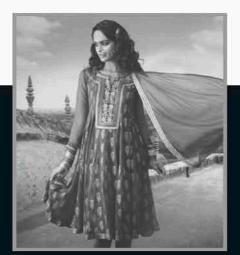
As a part of our continuous endeavour to grow and penetrate the market, your Company opened 13 new Shoppers Stop stores during the year taking the total stores to 51 stores. This has been the highest ever store addition in a single financial year, in the history of your

Company. The new Shoppers Stop stores opened are — one each at Andhra Pradesh, Gujarat, Haryana and Delhi, 2 each at Karnataka and Tamilnadu and 5 stores in Maharashtra, 51 as of March 31, 2012. At a chain level your Company has added more than 8,30,000 square feet in the year 2011-12.

Your Company's loyalty programme, The First Citizens Club achieved a major milestone in FY 11-12. The total membership of the programme crossed the 2.5 million mark and today is one of the largest loyalty programmes across sectors. Your Company's First Citizens continue to be a huge bastion of support for your Company. And have contributed to 72% of your Company's sales. As our loyalty programme grows, our Facebook fan club is also growing very fast. It has now crossed 20 lac fans. It is very important for a retail company like yours to remain in touch with customers at all the times and social media is an important avenue to remain in constant touch with customers.

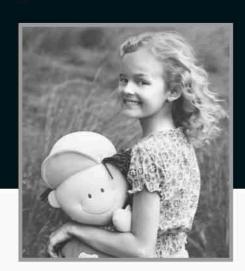
In the year under review, your Company received a number of coveted awards. These have been featured on page nos. 20 and 21 of this Annual Report. The significant awards are 'The Hall of Fame' Award at ET Retail Awards 2011, 'No. 1 social networth company on Facebook' by Fortune India Magazine. 'Customer & Brand Loyalty in the Retail Sector - Large Formats' and 'Direct Marketing Campaign of the Year' awards at the Loyalty Summit Award 2012, 'Most Admired Beauty Products Retailer of the Year: Department Store' by Images Beauty & Wellness Awards. It was also presented with the 'Department Store of the Year' and 'Book and Music Retailer of the Year' awards at Star Retailer Awards 2011. VMRD Retail Design Awards 2012 awarded a 'Merit Certificate' in the 'Department Store >20000 sq.ft.' category for the Rohini Store in New Delhi. These

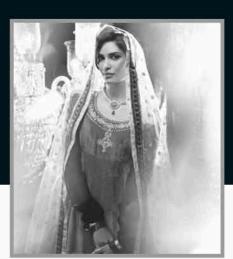












awards only reiterate the respect and admiration that your Company commands in the industry and amongst its peers.

Your Company continues to invest in HyperCity and Crossword, the subsidiary companies and in Nuance Group (India ) Pvt Ltd., and Timezone, the Joint Venture Companies. Your Company believes that the business of these companies play a vital role in capturing wallet share of the customer, and have significant potential to grow in the near future.

Your Company continues to stay on its path of consolidating its current position in the market, deliver consistent performance for all its stakeholders, and simultaneously execute its expansion plans. With the

strong backing of your Company's customers, shareholders, associates and vendor partners, your Company and its management is confident that your Company will go from strength to strength in the future and continue to be a major and significant player in the field of Indian modern retail.



CHANDRU L. RAHEJA Chairman



### **Board of Directors**

Chairman Chandru L. Raheja Ravi C. Raheja Director Neel C. Raheja Director Gulu L. Mirchandani Director Shahzaad S. Dalal Director Director Prof. Nitin Sanghavi Director Deepak Ghaisas Director Nirvik Singh B. S. Nagesh Vice Chairman Govind Shrikhande Managing Director

**Audit Committee** 

Deepak Ghaisas – Chairman
Ravi C. Raheja – Member
Prof. Nitin Sanghavi – Member
Shahzaad S. Dalal – Member

Remuneration Committee/ Compensation Committee

Gulu L. Mirchandani – Chairman
Ravi C. Raheja – Member
Prof. Nitin Sanghavi – Member
Shahzaad S. Dalal – Member

**Finance Committee** 

Ravi C. Raheja – Chairman

Neel C. Raheja – Member

B. S. Nagesh – Member

Govind Shrikhande – Member

Shareholders Investor Grievance and Share Transfer Committee

Ravi C. Raheja – Chairman Neel C. Raheja – Member B. S. Nagesh – Member

Vice President - Legal & Company Secretary

Prashant Mehta

Registered Office & Service Office

Eureka Towers, B-Wing, 9th Floor, Mindspace, Link Road, Malad (West), Mumbai - 400 064

Website: www.shoppersstop.com

**Statutory Auditors** 

Deloitte Haskins & Sells Chartered Accountants 12, Dr. Annie Besant Road, Opp. Shiv Sagar Estate, Worli, Mumbai - 400 018

Internal Auditors

KPMG

Lodha Excelus, 1st Floor,

Apollo Mills Compound, N. M. Joshi Marg,

Mahalaxmi, Mumbai - 400 011

Bankers

Axis Bank Limited Citibank N. A. IDBI Bank Limited ICICI Bank Limited

Kotak Mahindra Bank Limited

HDFC Bank Limited Bank of India Yes Bank Ltd.

Management Team

Govind Shrikhande Anil Shankar Ashwin Babbar BVM Rao CK Nair

Manohar Kamat Prashant Mehta Ranjit Satyanath Salil Nair

Sanjay Chakravarti Vinay Bhatia Vivek Mathur

Solicitors

Wadia Ghandy & Co.

### Financial Highlights & Key Ratios

					(₹ in lacs)
Profitability Statement	2011-12	2010-11	2009-10	2008-09	2007-08
No. of Stores	91	97	93	72	73
Income	242.242	407.044	450.045	4.44.000	400 400
Gross Retail Sales	218,919	187,344	159,845	141,298	120,483
Less: Value Added Tax	10,557	8,960	6,857	6,438	5,551
Gross Retail Sales (Net of taxes) Other Operating & Miscellaneous Income	208,362 2,884	178,384 2,412	152,988 2,435	134,860 2,555	114,932 2,567
Other operating a miscellaneous income	211,246	180,796	155,423	137,415	117,499
Expenditures		100,700	100,120	107,110	
Cost of goods sold	136,721	116,554	102,376	90,034	76,117
Employee costs	12,764	9,898	8,759	8,588	7,826
Operating and administrative expenses	47,371	39,132	32,938	33,868	27,054
	<u>196,856</u>	165,584	144,073	132,490	110,997
EBIDTA	14,391	15,211	11,351	4,924	6,503
Interest and finance charges	838	734	1,869	2,560	1,124
Depreciation	3,772	3,100	3,103	6,313	3,927
Profit Before Tax before exceptional items	9,781	11,377	6,379	(3,949)	1,452
Exceptional Items	0.704	(5)	(188)	2,486	4.450
Profit Before Tax after exceptional items Profit After tax	9,781	11,383	6,567	(6,436)	1,452
Balance Sheet items	6,426	7,518	5,023	(6,372)	697
Share Capital	4,128	4,108	3,491	3,487	3,486
Optionally Convertible Warrants		1,100 —	3,072	o, 107	
Reserve & Surplus	61,722	55,702	24,326	19,822	26,183
Loan Funds	25,907	14,549	19,935	20,776	17,293
Deferred Tax (Liability) / Assets	(23)	325	455	_	(169)
Capital Employed	91,780	74,359	50,824	44,085	47,131
Fixed Assets	44,659	34,561	29,867	25,873	24,038
Net Working Capital	18,700	15,754	8,534	8,467	15,021
Profit & Loss Ratios Sales (Chain level growth)	19.0%	23.0%	10.0%	15.9%	34.2%
Sales (Like to Like growth)	6.5%	16.7%	3.7%	1.2%	14.0%
Gross Profit Margin	32.7%	33.0%	31.7%	31.7%	32.0%
Operating Expenses Ratio	27.5%	26.2%	26.1%	30.0%	28.7%
Operating Margin (EBIDTA) (Before exceptional item)	6.6%	8.1%	7.1%	3.5%	5.5%
PBT Margin before exceptional item	4.5%	6.1%	4.0%	-2.8%	1.2%
PAT Margin	2.9%	4.0%	3.1%	-4.6%	0.6%
Interest Coverage	5.23	8.9	4.7	1.0	5.3
Balance Sheet Ratios Debtors No. of Days	3	3	3	3	2
Creditors No. of Days	81	86	93	94	69
Stock Turnover Ratio	2.7	3.7	3.5	4.0	3.3
Current Ratio	1.5	1.4	1.3	1.5	2.0
Assets Turnover Ratio	2.7	3.0	3.4	3.1	2.7
Debt Equity Ratio	0.4	0.2	0.6	0.9	0.6
Return to Investors	40.00/	00.70/	00.40/	F 00/	0.70/
Return on Networth	16.9%	26.7%	30.4%	-5.2%	8.7%
Return on Capital Employed Book Value Per Share (in ₹)	12.8% 79.89	19.3% 75.71	17.4% 88.58	-3.0% 66.85	5.8% 85.14
EPS (taking equity share for CY and LY at ₹ 5/- and	75.05	75.71	00.50	00.03	05.14
for prior years at ₹10/- each) (In ₹)					
Basic	7.8	9.5	14.4	(18.3)	2.0
Diluted	7.8	9.4	14.3	(18.3)	2.0
Cash EPS	12.37	13.44	23.30	(0.17)	13.27
Dividend Per Share	0.75	0.75	1.50	· —'	1.50

Note: Number of stores includes the Shoppers Stop Department stores and Speciality Stores (viz Home Stop, Mother Care, Crossword Bookstores, Arcelia, Mac, Clinique, Estee Lauder & Airport Business). **Note:** Figures have been regrouped for Presentation purpose.



Dear Members,

Your Directors are pleased to present the 15<sup>th</sup> Annual Report on the business and operations of the Company together with the Audited Statements of Accounts for the year ended March 31, 2012.

### **Financial Performance**

(₹ in lacs)

	Year ended	Year ended
Particulars	March 31, 2012	March 31, 2011
Retail Turnover		
Own merchandise (including concession sales)	194,276.55	167,270.86
Consignment merchandise	22,289.34	18,130.30
Other Retail operating income	2,681.47	2,186.88
	219,247.36	187,588.04
Less: Value Added Tax	10,557.47	8,960.24
Less: Cost of consignment merchandise	15,771.75	12,965.82
	192,918.14	165,661.98
Other Income	1,868.76	945.47
	194,786.90	166,607.45
Profit before Depreciation & Tax	13,552.94	14,482.46
Less: Depreciation	3,772.24	3,099.88
Profit before Tax	9,780.70	11,382.58
Less: Provision for Tax	3,354.78	3,865.00
Profit after Tax	6,425.92	7,517.58
Add. Balance brought forward from previous year	9,131.05	2,685.19
Proposed Dividend (incl. Dividend Distribution tax)	719.67	695.84
Transfer to General Reserve	321.30	375.88
Balance carried forward	14,516.00	9,131.05
Dalatice carried for wald	14,510.00	3,131.00

### **Performance Review**

During the year under review, your Company has opened 13 departmental stores i.e. two stores in Chennai and Pune and one each at Indore, Vijayawada, New Delhi, Mysore, Latur, Ahmedabad, Mumbai, Bengaluru, Gurgaon, taking its chain of stores to 51 stores (including two airport stores) spread across India. Further, the Company has also opened seven "HomeStop" one each at Lucknow, Vijayawada, Pune, Bengaluru, Ahmedabad, Mumbai, Cyberabad taking its tally to 11 stores.

The revenue is ₹ 194,786.90 lacs (previous year ₹ 166,607.45 lacs), registering a growth of 16.91% y-o-y basis. The net profit achieved was ₹ 6,425.92 lacs (previous year ₹ 7,517.58 lacs).

### **Dividend**

Your Directors are pleased to recommend a dividend of ₹ 0.75 per equity share of ₹ 5 each. [previous year ₹ 0.75 per equity share of ₹ 5 each.]

The dividend, once approved by members in the ensuing Annual General Meeting, will be paid out of the profits of the Company for the year.

### **Awards and Recognition**

Your Company has been conferred inter-alia with the following awards and recognitions during the year under review:

- Best Supply Chain Excellence Award' in the Retail Vertical during the 5th Express, Logistics and Supply Chain Conclave, conducted by ELSC at Mumbai.
- "Department Store of the Year" Award at the Star Retail Award, 2011.
- Fortune Magazine (India) has ranked Shoppers Stop as No. 1 among Fortune 500 Companies for the highest Social Net worth on Facebook. Overall, Fortune 500 ranking for the Company has also improved from Rank 351 to 297 this year.
- Most Admired Beauty Products Retailer of the year at Images Beauty & Wellness Awards.
- Winner for three consecutive years in Customer & Brand Loyalty in the "Retail Sector Large Formats" at Loyalty Summit Award.
- Direct Marketing Campaign of the year in Loyalty Summit Award.
- Merit certificate in the Department Store > 20,000 sq. ft. at VMRD Retail Design Award, 2012 for Rohini store.

### **Credit Rating**

During the year, Credit Analysis & Research Limited (CARE) has awarded the following credit ratings:

- 1. CARE A1+ to Commercial paper (CP) issue/ Short Term Debt (STD) issue of the Company, aggregating to ₹ 40 crores (enhanced from ₹ 30 crores).
- 2. CARE A1+ to Commercial Paper (CP) issue/ Short Term Debt (STD) issue of the Company, aggregating to ₹ 100 crores (enhanced from ₹ 70 crores) (carved out of sanctioned fund based working capital limits).
- 3. CARE A+ for long term bank facility of ₹ 230 crores
- 4. CARE A1+ for short term bank facility of ₹ 96.50 crores and
- 5. CARE A+ for Non-Convertible Debentures issue of ₹ 100 crores

During the year, Fitch Ratings India Private Limited has assigned the following credit ratings:

- 1. Fitch A1+ (ind) rating for the short term debt / Commercial paper programme of ₹ 50 Crores.
- Fitch A1+ (ind) rating for the Commercial programme of ₹ 50 crores (carved out of sanctioned fund based working capital limits)

### **Finance**

Your Company continues with various initiatives for bringing down the cost of borrowings which includes application of short-term instruments like commercial paper, working capital demand loans within working capital borrowing, long term loans for expansion at competitive terms, so as to have funds at competitive cost.

### **Employees Stock Option Plan**

The grant of stock options to employees is a mechanism to align the interest of employees with those of the Company, to provide them with an opportunity to share the growth of the Company and also to foster the long-term commitment. Your Company has formulated and designed various Employees Stock Option Plan Schemes for its employees and options were granted in accordance with Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, as amended. The Compensation/ Remuneration Committee of the Company administers and monitors the same.

During the year under review, the Company has granted 189,382 Employee Stock Options at a grant price of ₹ 336/- per option to the specified employees of the Company and its subsidiary Companies.

During the year under review, the Company has allotted 395,298 equity shares of ₹ 5 each on exercise of vested options by certain employees under the said ESOP Schemes.

The particulars of Employees Stock Option Plan (ESOP) Schemes, as required by SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, are appended herewith and forms part of this Report.



### **Subsidiary Companies and Consolidated Financial Statements**

In accordance with the Accounting Standard AS-21, the consolidated financial statements form part of this Annual Report. These consolidated financial statements provide financial information about your Company and its subsidiaries as a single entity.

Ministry of Corporate Affairs, Government of India vide General Circular No: 2/2011 dated February 8, 2011, has granted general exemption under section 212 of the Companies Act, 1956, to the holding companies, from attaching the specified documents of its subsidiary companies, as referred in section 212(1) of the Act, with its balance sheet, on fulfillment of certain conditions. The Company has fulfilled those specified conditions and accordingly, the said documents of subsidiary companies are not attached to the financial statements of the Company. A summary of the financial performance of the subsidiary companies is given in this Annual Report. The annual accounts of the subsidiary companies and the related detailed information are made available to shareholders of the Company and subsidiary companies seeking such information. The Annual Accounts of subsidiary companies are also open for inspection by any member at the registered office of the company and of the subsidiary company.

During the year under review, on November 14, 2011, the Company has acquired 49% of equity share capital of Gateway Multichannel Retail (India) Ltd., (Gateway) from Hypercity Retail (India) Ltd., at its face value making Gateway, as its 100% subsidiary.

### **Human Resources**

The Company takes great pride in the commitment, competence and vigour shown by its employees in all realms of business. The Company continued to create a productive, learning and caring environment by implementing robust and comprehensive HR processes and taking new initiatives to further align its HR policies to meet the growing needs of its business. People development continues to be a key focus area in the Company. Special designed training modules for the frontline employees are being delivered from time to meet the training needs of the employees. Human relations remained cordial throughout the year. As in the earlier years, the Company continues to conduct several training programmes.

As on date of the Balance Sheet, the Company had a total of 5,371 Customer Care Associates.

### **Fixed Deposits**

During the year under review, the Company has not accepted any deposit under Section 58A of the Companies Act, 1956, read with Companies (Acceptance of Deposits) Rules, 1975. No amount of principal or interest was outstanding as on the Balance Sheet date.

### **Auditors**

Your Company's Statutory Auditors, Deloitte Haskins & Sells, Chartered Accountants, Mumbai, retire at the conclusion of the ensuing Annual General Meeting. Deloitte Haskins & Sells have sought the re-appointment and have confirmed that their re-appointment, if made, shall be within the limits laid down under Section 224(1B) of the Companies Act, 1956.

The Audit Committee and the Board of Directors recommend the re-appointment of Deloitte Haskins & Sells, Chartered Accountants, as the Statutory Auditors of the Company.

### **Directors**

In accordance with the provision of the Companies Act, 1956 and Articles of Association of the Company, Prof. Nitin Sanghavi and Mr. Nirvik Singh, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. A brief resume of these Directors, nature of their expertise in specific functional areas, names of companies in which they hold the directorships/chairmanships of Committees as stipulated under Clause 49 of the listing agreement with the Stock Exchanges are provided in a statement annexed to the Notice convening the Fifteenth Annual General Meeting.

### **Corporate Governance**

The Company has been pro-active in following the principles and practices of good Corporate Governance. The Company has taken adequate steps to ensure that the conditions of Corporate Governance as stipulated in clause 49 of the listing agreement with the Stock Exchanges are complied with.

A separate section on Corporate Governance and Auditors Certificate is annexed hereto and forms part of this Report.

### **Compliance with the Code of Conduct**

The Company had evolved and adopted a Code of Conduct for its Board of Directors and its management personnel based on the principles of good corporate governance and best management practices. The declaration of compliance with the Code of Conduct has been received from them. The Code is available on the website of the Company. A certificate to this effect from Mr. Govind Shrikhande, Managing Director, forms part of this Report.

### **Demat Suspense Account Unclaimed Shares**

As on date there are 13 shareholders, holding 700 Equity Shares of ₹ 5/- each (post sub-division) allotted in Initial Public Offering of 2005, lying in the escrow account due to non-availability of their correct particulars. Despite various reminders to them, by Karvy Computershare Private Limited, our Registrar and Share Transfer Agent, no response has been received. As a result, the said unclaimed shares have been credited to 'Shoppers Stop Ltd. — Unclaimed Shares Demat Suspense Account' in view of compliance of Clause 5A of the listing agreement. Such shareholders may approach the Company with their correct particulars and proof of their identity for crediting requisite shares from Demat Suspense Account to their individual demat Account. During the year under review, no shares were transferred from the suspense account to any of the aforesaid shareholders. The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

### Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo

The Company is engaged in the continuous process of energy conservation through improved operational and maintenance practices. The brief of the particulars in respect of various steps and initiatives taken regarding conservation of energy and technology absorption and its disclosure as stipulated by the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is as under.

- 1. All the Store Unit maintenance head and store managers were made aware about energy consumption of their store as per the connected load. Based on the connected load and operating hours, budgeted energy consumption is given to each stores and practice of taking daily logs and cross-checking the daily consumption with the budgeted units is adopted. This helps in curbing the unwanted consumption, motivated users to take all the possible measures to save the energy. Helps in pointing out the discrepancies in the energy consumption pattern and corrective action to eliminate the discrepancies.
- Controlled the energy consumption of HVAC system by optimising the temperature inside the stores (24°C). This drive is the major contributor for the energy conservation for the stores.
- Optimised lighting consumption by strictly controlling the operating hours as per the usage pattern. Colour coding is followed for distinguishing the different lighting (emergency, show window, signages, floor lighting, indirect lighting) switches; so that energy usage can be optimised.
- Eliminated the unwanted night consumption and restricted usage of the night lighting during night work.
- 5. Installed capacitor banks to maintain the power factor to reduce the losses and avail PF incentive there by receiving 5 to 7% incentive on the energy bills.
- 6. These cumulative efforts resulted in the saving of 895,636 Units (Cost ₹ 77.05 lacs) cumulatively by consistent monitoring and controlling the consumption at optimum level as compared to the consumption of the last year.

The Company earns Foreign Exchange on sale of its merchandise to its customers. Foreign Exchange outgo during the year included purchase of computer software and purchase of merchandise, professional fees etc. The foreign exchange earnings during the year was ₹ 4,707.40 lacs (previous year ₹ 4,815.20 lacs), where as Foreign Exchange outgo was ₹ 3723.44 lacs (previous year ₹ 4,815.20 lacs).

### **Particulars of Employees**

The particulars of employees as required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules 1975, as amended, forms part of this Report. However, in pursuance of Section 219(1)(b)(iv) of the Companies Act, 1956, the report and accounts are being sent to all shareholders of the Company, excluding the Statement of Particulars of Employees, which is available for inspection at the registered office of the Company during its working hours. Any shareholder interested in such particulars may inspect the same.



### **Directors' Responsibility Statement**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of Directors confirms that:

- 1. In the preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 2. They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the profit of the Company for the year ended on that date;
- They have 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 frauds and other
  irregularities;
- 4. They have prepared the annual accounts on a 'going concern' basis.

### **Auditors Report**

The Board has duly examined the Statutory Auditors report to accounts and the clarifications, wherever necessary, have been included in the Notes to Accounts section of this Annual Report.

### **Acknowledgement**

Your Directors wish to convey their appreciation to all customers, business partners, suppliers, banks and financial institutions for their invaluable support and look forward to continued support in the future. Your Directors place on record their appreciation for the enormous contribution made by all the associates at all levels; their competence, perseverance, and hard work that has enabled the Company to cross new milestones on a continual basis.

And to you our shareholders, we are deeply grateful for the confidence and faith that you have always reposed in us.

For and on behalf of the Board of Directors

Chandru L. Raheja Chairman

April 30, 2012

### Certificate of Compliance with the code of conduct for the financial year 2011-12

I, Govind Shrikhande, Managing Director of the Company, hereby declare that the Company has adopted a Code of Conduct for its Board Members and its management personnel and they have affirmed compliance with the said Code of Conduct.

**For Shoppers Stop Limited** 

**Govind Shrikhande** 

Customer Care Associate & Managing Director

April 30, 2012

# Information required to be disclosed under SEBI (ESOS and ESPS) Guidelines, 1999 as on March 31, 2012

Α	Summary				
	Description	ESOP V - 1*	ESOP 2008 - 1*	ESOP 2008 - 2*	ESOP 2008 - 3
	Options Granted	200,302	1,032,800	400,000	189,382
	Date of Grant	28.12.2005	29.04.2009	24.03.2010	29.04.2011
	The pricing formula	The options are granted to eligible employees at the average of the daily closing price of Equity Shares of the Company at BSE during the period of 6 months immediately preceding the date on which the options were granted. The Options were granted at an exercise price of ₹ 192/-	The options are granted to eligible employees at the closing price of the Equity Shares of the Company at BSE on the working day immediately preceding the date of grant. The options were granted at an exercise price of ₹ 55/-	The options are granted to eligible employees at the closing price of the Equity Shares of the Company at BSE on the working day immediately preceding the date of grant. The options were granted at an exercise price of ₹ 191/-	The options are granted to eligible employees at the closing price of the Equity Shares of the Company at BSE on the working day immediately preceding the date of grant. The options were granted at an exercise price of ₹ 336/-
	Options vested	131,146	625,940	227,100	0
	Options exercised and total number of equity Shares arising as a result of exercise of Options	112,328	563,460	75,900	0
	Options lapsed / Cancelled	87,974	70,060	32,100	27,295
	Variation of terms of options	_	_	_	_
	Money realised by exercise of options	21,566,976	30,990,300	14,496,900	0
	Total number of Options in force	0	399,280	292,000	162,087
В	Options granted to Senior Management per	sonnel			-
	Govind Shrikhande	The Company has financial year.	not granted options	during the current	29,700
С	Options granted to any employee during the	year amounting t	to 5% or more of o	ptions granted du	ring the year.
	Govind Shrikhande	The Company has financial year.	not granted options	during the current	29,700
D	Options granted to any employee equal to or	exceeding 1% of t	he issued capital o	of the Company at	the time of grant.
	No such options have been granted				
E	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with (AS) 20 Earnings Per Share		the Company calcul ares arising on acco		0

# Annexure to the Directors' Report

Shoppers Stop Ltd.

F	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock option, the difference between employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the option, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	Had the Company followed fair value method for accounting the stock option compensation, the compensation expenses would have been higher by ₹ 233.07 lacs. Consequently profit after tax would have been lower by ₹ 233.07 lacs and the basic EPS of the Company would have been ₹ 7.51 per share (lower by ₹ 0.29 per share) and the diluted EPS would have been ₹ 7.47 per share (lower by ₹ 0.28 per share)			
G	Weighted average exercise prices and weighted average fair value of the options shall be disclosed seperately for options whose exercise price either equals or is less than the market Price of the stock.	The Company has not granted options during the current financial year	Exercise price is ₹ 336 per option which equals the market price, the fair value is ₹ 152.39 per option.		
Н	A description of the method and significant assumption used during the year to estimate the fair values of options.	The Company has not granted options during the current financial year	Black Scholes Option Pricing model using Volatility of 52.34%, risk free rate of 8.26%, expected life of 3.6 years, dividend yield of 0.37% and stock price of ₹ 333.85.		

<sup>\*</sup> The Equity Share of the Company was sub-divided from face value ₹ 10/- each into two equity shares of ₹ 5/- each w.e.f. January 13, 2011, consequently the options and its related information has been adjusted for these ESOP Schemes.

# Certification by MD & CFO

Shoppers Stop Ltd.

To,

The Board of Directors Shoppers Stop Limited Eureka Towers, B-Wing, 9th Floor, Mindspace, Link Road, Malad (West). Mumbai - 400 064

Dear Sirs,

We hereby certify that:

- (a) We have reviewed the financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
  - these statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading;
  - these statements together present a true and a fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of our knowledge and belief, no transaction entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the auditors and the Audit Committee:
  - significant changes in internal control over the financial reporting during the year;
  - significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

For Shoppers Stop Limited

# Govind Shrikhande

Customer Care Associate & Managing Director

Sanjay Chakravarti

Customer Care Associate & Chief Financial Officer

April 30, 2012



#### **Indian Retail – Market Dynamics**

India's consumption pattern remains very strong even at GDP growth rate in the range of 6% and the Indian consumer is still looking for a more delightful and efficient solution. With all the learning from the past decades, and given the fact that India's modern retail accounts for just around 6 percent of the total market, there is no reason as to why a second and far more exciting chapter in the story on modern Indian retail should not be written in the coming time. The BMI India Retail Report for the fourth quarter of 2011 forecasts that total retail sales will grow from US\$ 411.28 billion in 2011 to US\$ 804.06 billion by 2015. Robust economic growth, population growth, socio-cultural and demographic changes, changes in lifestyle and consumption behaviour, the increasing wealth of individuals and the speedy construction of organised retail infrastructure are key factors behind the forecast growth.

The Indian Retail Sector is booming and the shopping malls are fast becoming shopping cum entertainment hotspots. Shopping malls have become a part of a shopper's hedonic purchase activity. Department store opportunities will increase due to demand for anchors in new malls and entry of international brands in the country.

# **Modern Retail - Today**

The frenetic pace of retail development has triggered the mushrooming of shopping malls across the country. The concept of shopping has changed from a necessity to an experience. The retail industry in India gathered a new momentum with the establishment of different international brand outlets, hyper or super markets, shopping malls and departmental stores. India has one of the largest numbers of retail outlets in the world. The retail sector is experiencing exponential growth, with retail development taking place not just in major cities, but also in Tier-II and Tier-III cities. India's growing population and urbanisation provides a huge market for organised retail. Growing economic prosperity and transformation in consumption pattern drives retail demand.

A large young working population with average age of 24 years, nuclear families in urban areas, along with increase in working women population and emerging opportunities in the services sector are and will remain the key factors in the growth of the organised retail sector in India. The growth pattern in organised retailing and the consumption made by the Indian population is and should continue to rise, with the result that it has become one of the most dynamic and fast paced industries with several players entering the market. The Indian retail Industry is gradually inching its way towards becoming the next boom industry. India's vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter newer markets.

India has occupied a remarkable position in global retail rankings. The country has high market potential, low economic risk, and moderate political risk. In market potential, India ranks second after Brazil. A net retail sale in India is also quite significant among emerging and developed nations. The country is ranked third after China and Brazil.

# Modern Retail - Challenges ahead

Modern retail will be the largest beneficiary of the growth in the retail sector and is expected to grow and reach a size of \$200 billion by 2020. Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. The entire concept and idea of shopping has undergone an attention drawing change in terms of format and consumer buying behaviour, ushering in a revolution in shopping in India. For manufacturers and service providers the emerging opportunities in the market lie in capturing and delivering better value to the customers through retail. There remains a need to judiciously understand ways of attracting the consumers. Retail patronage decisions by consumers and dimensions such as mall image, entertainment, convenience, ambience, security, lifestyle, timesaving, architecture etc., have emerged as an important domain of study. The modern retail sector in India is still under-developed and is in a nascent stage and therefore it is important that the domestic retail sector is allowed to grow and consolidate.

The Retail Industry requires capital for the development of retail infrastructure to meet the demands of the economy. In order to keep pace with the consumption and economic growth, retailers need to invest heavily in modern and efficient retailing distribution

channels to ensure smooth supply & distribution. However, government regulations, especially for foreign investors and inefficient supply chain management are the key bottlenecks for the otherwise flourishing modern retail market in India.

## S.W.O.T. ANALYSIS

#### **Strengths:**

- First Citizens: Our First Citizens Club has continued to be one of the main strengths of our business. In the year gone by the programme has exceeded the 2.5 million mark in memberships, making it one of the largest loyalty membership programs in the country across sectors. The Company continues to believe that its loyalty program is not only a source of substantial competitive advantage, but is also a very strong strategic tool. Your Company believes that its First Citizens will continue to drive its growth by increased average expenditure in our stores which will be aided by targeted promotional activities.
- Strong focus on Systems & Processes: We continue to invest in our front and back end processes and systems. The Company
  believes that continuous investment in people, process and technology will drive sustainable and profitable growth for the Company.
  We have in the past year, undertaken a number of new investments in the back end and continue to upgrade our current information
  technology capabilities and processes.
- Strong distribution and logistics network and supply chain: We have created a strong distribution and logistics network, with our four
  Distribution Centers covering more than 400,000 square feet handling over 400,000 SKUs per year, and working 24x7. The Company
  believes that the "hub and-spoke" model followed by it for its distribution network, will stand it in good stead for the expansion
  envisaged in the forthcoming years.
- Enhancing our Human capital: We continue to assess our Customer Care Associates (CCAs) across all levels through assessment centres for promotion decisions, career planning and succession planning. Individual and organisational development is the primary objective of the assessment centre. We also conduct associate satisfaction survey every year and derive ASI scores, which helps us in identifying the trust index scores of respect, credibility, fairness, pride with the organisation. We continue to benchmark our compensation and benefits through consultants, with the best in the industry to pay our associates accordingly.
- Strong understanding of the real estate business: We benefit from our Promoters' association with the real estate business and their relationships with developers, which have helped us acquire preferred properties at competitive rates.
- Shopping Experience: The Company pioneered the departmental store format in the Indian market when the Indian consumer was deprived of choice. Customers were drawn by the shopping experience. This is the differentiation that the Company continues to bank on. Price is not essentially a differentiator for the Company, the shopping experience is. The Company imparts special training to its employees to ensure that service is not compromised on. The company's store positioning in the "bridge to luxury" segment clearly sets apart it's stores from those of the rest of the industry players.
- Management Strength & Corporate Governance: The Company has a professional and well-established management team, headed by Mr. Govind Shrikhande. Furthermore, the Company's unwavering focus on good corporate governance has been a beacon for the industry. Our internal and external auditors are amongst the Big 4 audit firms of the globe. The Board has 5 independent Directors.
- Strong bargaining strength: Having been in existence for so many years and due to its strong brand image, the Company believes that it is well placed in negotiations / re-negotiations of property rentals, better commercials terms with merchandise suppliers etc. The Company has successfully grown gross margins year on year.

#### **Risks and Concerns:**

• Execution: We believe the key risk to our growth is execution risk. The next wave of expansion has started and is expected to continue over the next 36 months and the timely execution of this expansion will be critical. The Company has a strong execution team and we believe it has the capability to execute varied retail formats.



# Management Discussion and Analysis Report

- Employee retention: With the Indian economy back on a growth path, and consumption back on track, the Company believes that
  employee satisfaction and retention will become very important. The demand for experienced personnel in modern retail will only
  increase in the near term and long term. Your Company believes that this problem will persist until the industry reaches a steady
  growth phase.
- Pressure on retail lease rentals: Rent is one of the largest components in a retail business fixed costs and the case is no different for the Company. Rentals are expected to harden once again in the near term.
- Government levies: Retail is currently not viewed as an industry in India. Hence there are certain levies / cascading effect of taxes on the business which are proving to be a very large burden as there are no modes for the industry to recover or pass on these levies. Delay in the roll out of the GST regime is also a matter of concern.
- Investee Companies: The Company has invested in other entities and lower than expected returns from these entities will have an impact on the cash flows and consolidated results of the Company.

# **Opportunities:**

- Geographical reach: Your Company continues to increase its Pan-India footprint and is expecting to launch into its next expansion
  phase in the next 36 months. The Company's strategy to increase the number of departmental stores, and therefore improve city
  wise penetration in new cities, increase market share in existing cities through additional new stores in those cities, and new stores
  in Tier-II cities, remains unchanged. During the year, your Company achieved its 50 department stores milestone with the opening of
  department store at Bengaluru. First citizen membership and Facebook fans also crossed 2.5 million and 2 million mark respectively.
- Hypercity: Hypercity which is a 51% subsidiary of the Company has shown encouraging performance, with an overall sales growth of 27.5% and like to like sales growth of 9% for the year.
- Format diversification and expansion: Your Company, in it's constant endeavor to capture wallet share, has diversified into multiple formats viz, HomeStop which retails hard and soft furnishing, M.A.C. and Estee Lauder which retails high end cosmetic products, Clinique which retails skin care products, Mothercare which retails infant and kids merchandise and airport retailing, by tying up with The Nuance Group AG of Switzerland. The Company has also made a successful foray into internet retailing through its e-retailing portal. The Company will continue to focus and expand these formats.
- Preferred partner for foreign players: Your Company believes that by virtue of it's presence across all lifestyle categories in the
  departmental format, it's strong brand value and it's presence in the books and music segment, it is best placed to bring in
  international brands into the country, thereby enriching the product bouquet for it's customers and in turn increasing opportunities
  for product diversification and profit enhancement.

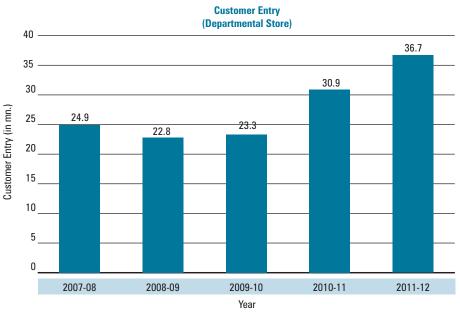
#### **Threats:**

- Economic slowdown: Economic slowdowns have a direct impact on consumption. Retail, being the end service provider of consumption in the supply/value chain, is bound to face difficulties in an environment of economic slowdown.
- Threat of new entrants: With India continuing to be an attractive retail market, the Company expects many new entrants into the sector, thus increasing competition.
- Competitive rivalry in the industry: There is intense rivalry among leading national retailers for new locations and quality real estate.

  The Company believes that it has a robust pipeline of stores for future expansion.
- Due to the sheer volume of people visiting retails outlets coupled with easy access, retail is considered as a soft target and hence more prone to terror attacks as compared to others.

# **Customer Entry:**

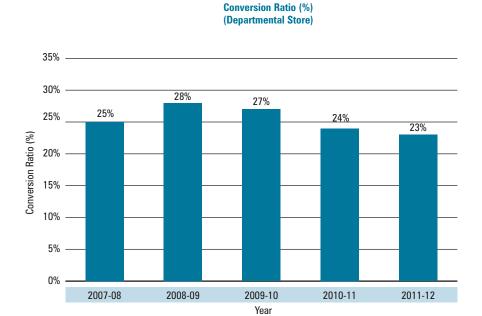
Retailers measure entry as footfalls, which is the number of people entering the stores. This is computed through manual count in all stores during trading hours.



(Source: Company MIS)

## **Conversion Ratio:**

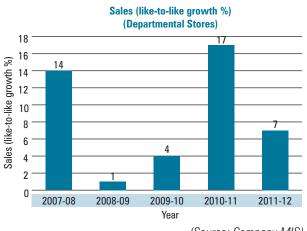
Conversion is the ratio of the number of transactions (Cash Memo) versus the total customer entry into the stores. Tracking conversion helps the retailer understand the productivity of his front-end store employees and the attractiveness of the merchandise and services.

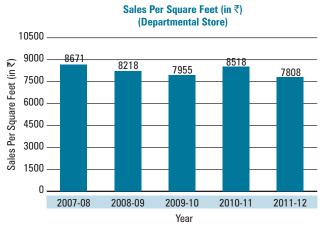




#### Sales:

Gross Sales both at chain level and for Like-To-Like stores has grown against last year. The growth was 19% in gross retail turnover of Shoppers Stop departmental store business. The sales per sq. ft. has been computed on built-up area.





(Source: Company MIS)

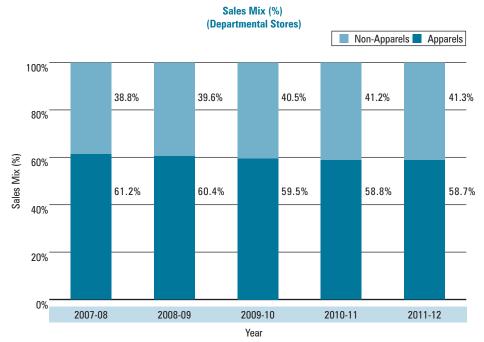
(Source: Company MIS)

## **Apparel:**

The Apparel contribution to total sales of the Shoppers Stop Departmental store business was 58.7% in 2011-12 as compared to 58.8% in 2010-11. There has been growth in Non-Apparel segment which has resulted in Non-Apparel sales percentage growing. This is primarily due to customer buying lifestyle products.

# **Non-Apparel:**

This category includes Cosmetics, Personal Accessories, Jewellery, and Leather goods, Home Wares, Electronics, Books and Music. These lifestyle products have high aspiration value, and as the consuming class increases, there will be a big surge in the demand for this category. The Non-Apparel contribution to total sales of the Company was 41.3% in 2011-12.

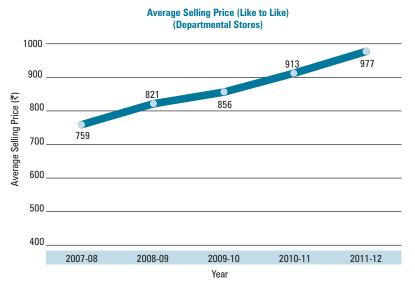


#### **Private Label & Private Brands:**

Your Company aims to provide a differentiated and unique offering to the customer through its own private labels as well as through exclusive private brands. The contribution of private label is at 15.9% of sales as compared to 17.4% last year and private label sales has grown by 9%. Your Company has got an exclusive arrangement for departmental store business with MUSTANG JEANS, a German Brand, for their Men's and Women's Wear. Our Austin Reed U.K. exclusive agreement to retail men's & women's wear has posted a healthy growth. As a part of it's strategy to provide a wide range of merchandise to customers, your Company aims to fill in the gaps in the national brand offering through its private labels & exclusive arrangements with private & international brands.

# **Average Selling Price (ASP):**

Average Selling Price is the Gross Retail Sales divided by the number of units sold. Tracking ASP helps the retailer to align the offering as per the customer segment as well as improve the productivity of the floor space.

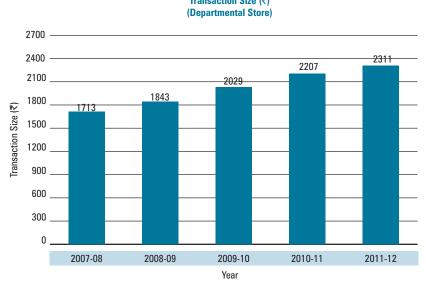


# (Source: Company MIS)

# Transaction Size (₹):

Transaction size represents the amount spent by each customer on his buying. This is computed by the total sales divided by the number of cash memos.

Transaction Size (₹)





#### **Merchandise Purchase:**

Your company's ability to present on the shelves correct merchandise assortments in the right mix, style, colour & fashion is one of its most critical success factors. A team of buyers & merchandisers continuously ensure that the pricing strategy and value proposition are completely in tune with the customers' expectations. We regularly monitor sales trends to optimise inventory levels.

Our well established systems and processes in Buying & Merchandising & Logistics enables us to efficiently manage the flow of inventory to stores, provide prompt replenishments and manage pricing.

Your Company believes in a broad distribution of risk with no high dependency on any single supplier and has a diversified supplier base. Suppliers are selected after evaluation based on fairly stringent parameters which ensure the quality & reliability of supply. Alternate distribution channels for inventory have also been put in place as a contingency, should the need arise.

# **Supplier Risks:**

Our broadly varied offering necessitates alliances with a large number of suppliers from various business sectors. In order to mitigate the risk involved, we enter into arrangements with vendors in various business formats such as Outrights Buy/Sale or return, Consignment & Concessionaire/Conducting arrangement.

## Shrinkage:

Shrinkage in the retail business is defined as the loss in inventory through a combination of shop lifting, pilferage, and errors in documentation and transaction processing that go unnoticed. We have focus on inventory control and have set up a separate department called profit enhancement, which not only monitors Shrinkage on a regular basis but also looks at various factors that could lead to Shrinkage at stores and distribution centres. The profit enhancement department, Store Operations along with the Supply Chain team have worked together and monitored the Shrinkage level on a month on month basis which has resulted in the Shrinkage percentage being controlled at 0.30% of the sales and our endeavor will always be to lower this ratio through proper monitoring and continuously reviewing Inventory management processes and systems.



(Source: Company MIS)

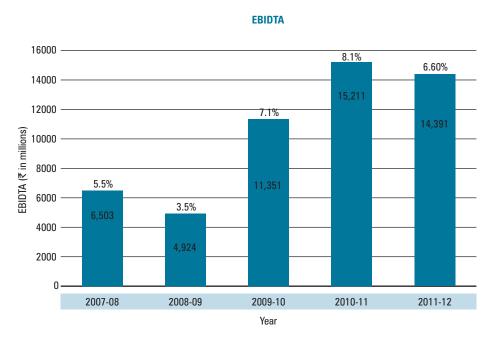
#### **Sustaining Gross Margins:**

The gross margin has decreased during the year to 32.7% from 33.0% as compared to the last year, principally on account of increases in levies and the transition in trading models. The Company believes that going forward the increasing share of revenue from private

labels, improved sales mix with higher contribution from lifestyle products (i.e. watches, leather, jewellery, perfumes and cosmetics), and shrinkage control have helped improve gross margins. Vendor management as also sourcing ability has improved with scale and would accrue more economies and higher gross margins going forward.

# **Operating Profit:**

Operating Profit (without exceptional items) has decreased by 5% to  $\ref{topsi}$  14,391 lacs from  $\ref{topsi}$  15,211 lacs in the previous year. The Operating Profit Margin has degrown to 6.6% from 8.1% due to economic slowdown and opening of large number of new stores during this year.



Operating Profit (without exceptional items) % to Gross Retail Sales

#### **Net Interest:**

Interest cost has increased to ₹837.8 lacs as against ₹733.6 lacs.

# **Profit after Tax:**

The Company has achieved post tax profit of ₹ 6,426 lacs, as against a post tax profit of ₹ 7,518 lacs last year.

#### **Dividend:**

The Company has proposed a dividend of 15% amounting to ₹720 lacs (Including Corporate Dividend Tax).

# **Inventory:**

The inventory as at the end of current year is ₹ 21,204 lacs as against ₹ 15,114 lacs as at the end of the last year. Inventory holding period is 133 days during the current fiscal against 100 days last year. The inventory has been valued at lower of cost or net realisable value.

## **Liquidity:**

The cash generated from operations was ₹ 3,698 lacs.

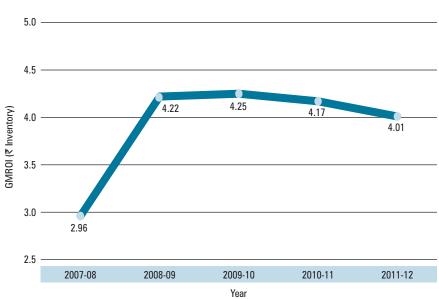
#### **Productivity / Operating efficiency parameters:**

We look at our Gross Margin with reference to our Space, Inventory and Labour to monitor our efficiency with the help of 3 indicators i.e. Gross Margin on Inventory (GMROI), Gross Margin Return on Floor Space (GMROF) and Gross Margin Return on Labour (GMROL).

GMROI helps to optimise inventory levels, GMROF helps to maximise the cash margins and GMROL helps to increase labour productivity.

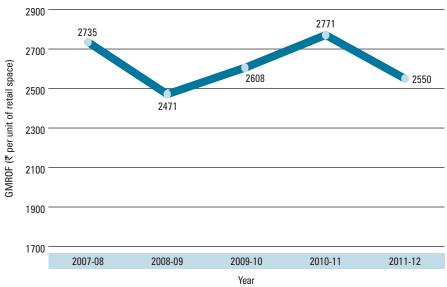




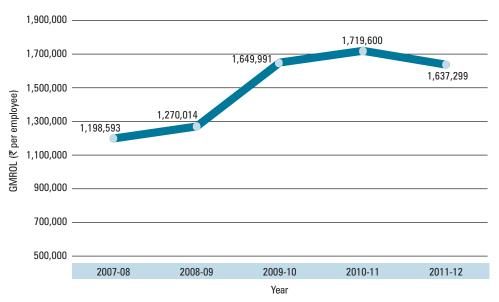


(Source: Company MIS)

# **GMROF**







(Source: Company MIS)

## **Partner Satisfaction Index (PSI):**

The performance of any company depends on the association and relationship it builds with various vendors/ partners over a period of time. To evaluate this satisfaction and expectation, your company has appointed CSMM (Customer Satisfaction Measurement and Management), a part of IMRB (Indian Marketing and Research Bureau) to do an impartial evaluation of our relationship with various stakeholders. This helps your organisation understand the expectations of various business partners, current strengths and concern areas thereby help set a clear roadmap for improvement and better performance.

Our PSI scores for the five years are as below:

Year	2007	2008	2009	2010	2011
Scores	4.00	4.06	3.89	4.14	3.85

## **Partnership for Progress:**

Partnership for Progress (PFP) is a vendor meet which your company conducts annually. During this event, your company gets and gives opportunity to the top retail vendors/brands to discuss and strengthen the association, apart from exploring various business possibilities with each other. The summit also becomes a platform for your Company as well as its partners to share their experiences with each other. Your Company also invites well known international and national speakers to share learning and experience which is closely related to Retail, Brand, Customer, Logistics, etc.

Your Company also recognises the performance of top partners who are rewarded with "SHOPPERS STOP PINNACLE AWARDS" during this summit.

This is an activity with more than 100 vendors/partners attending the summit.

#### **Human Resources:**

For your Company, the Human Resource function has evolved from pure HR to Talent Management. With our focus being on Talent Management: Talent development and retention were of prime importance over the past year.





Your Company is known for its well defined and effective module: The Baby Kangaroo program which fundamentally develops the front end associates to a managerial role. This year we worked with and helped 40 associates cross the bridge from a front end associate towards a managerial role. We identified, developed, trained and groomed them to their next big assignment.

The Managerial and Supervisory Training program (M.A.S.T.) was conducted for 37 days with the help of internal as well as external trainers. The content was exhaustive and effective.

Your Company has also redefined the Key Result Areas (KRA's) in a Balanced Score Card format: The sole objective for doing the same was to categorise the KRA's into financial, employee, internal process and strategic so that every associate gets a clear idea on their performance criteria. This ensures that the associate performs to the maximum which results in personal as well as organisational growth.

Our focus has also been on Employee Engagement activities every Saturday wherein the associates understand the importance of work culture, with the stores conducting multiple activities namely Rewards & Recognition for associates showing exemplary value actions on the shop floor, Birthday Celebrations for the month, Shikshan being conducted and fun activities to build team work & camaraderie amongst associates.

The "Goodie box" – an excellent motivational medium of appreciating and congratulating team members for even the smallest achievement was introduced, a box which consists of fun elements which would excite the associate receiving it and also remind him that his smallest contribution is being noticed.

The most appreciated movie "Dreamz" was an introduction, a visual treat to the minds and thoughts of each and every associate in the organisation showing the growth path of successful manager today, an associate from being a front end CCA to being a CCA & Unit Head over a period of time by practicing the values of the organisation.

The focus from Learning & Development was on incorporating the Coach & Mentor model, which was applied to the Trainee Trading Manager and Trainee Category Manager for a period of 7 months each, helping the individuals on the development plan through technical and behavioural coach & coachee model.

With the changing consumer behaviour and to bestow good customer service we hired a pool of Management Trainees through campus placements and also hired students from fashion institutes and designated them as "CCA & Fashion Assistants".

The focus on Learning & Development has been an on-going and integral part of the organisation where there has been a growth in training hours extended to associates across all levels.

Training Hours 10-11	Training Hours 11-12	Growth Over Last Year %	
18,372	22,455	22%	

Your Company has conducted 138 assessment centres in the F.Y. 2011-2012 covering 1150 associates in order to provide growth opportunities thus ensuring a fair and transparent growth process.

The Associate Satisfaction Index (ASI) is conducted through an online survey yearly to understand the level of satisfaction associates have towards their work, job satisfaction, loyalty index, helps us understand the strength and weakness of the organization to take immediate corrective measures.

This year the ASI score is at 4.11 and the overall satisfaction levels were more or less the same across different levels.

Year	2007	2008	2009	2010	2011
Overall Loyalty Index	4.05	4.01	3.95	3.95	4.11

#### **Marketing:**

Our brand philosophy of 'Start Something New' was translated into our brand campaign, which was themed at voicing the Urban Social Concerns of environment, health, road & public transport, amongst others. At the same time the campaign portrayed the high fashion brand imagery of Shoppers Stop. Taking the brand philosophy a step further, we initiated the 'Start Something New Today' campaign in key markets like Mumbai, New Delhi and Bengaluru. This campaign is a series of small Ads that are published every Thursday on pg. 3 of key city supplements of a leading publication in these cities. These ads provide interesting fashion/shopping tips to the customers every week, which are also highlighted at the physical stores through Visual Merchandising.

We continued with our exclusive retail arrangements for merchandise licensing with Vodafone-Essar for their brand mascot – Zoozoo. In our endeavour to provide unique merchandise we also tied-up with the film 'Desi Boyz' starring Akshay Kumar, John Abraham, Chitrangada Singh and Deepika Padukone and gave a chance to our customers to emulate the fashion depicted in the film. This year we also continued with category based promotions like the Denim Venture, Utsav collection, Glitterati, to name a few. These festivals focused on offers that were available across all brands available in our store for the particular category.

Customer engagement became the big highlight of this year with innovative initiatives in Social Media Marketing. Various contests and continual engagement on this space have ensured that Shoppers Stop enjoys a large number of LIKES, more than 20 lakhs on Facebook. Shoppers Stop is also active on other platforms such as Twitter, Foursquare and YouTube.

Marketing Innovations such as the deployment of Quick Response (QR) and Augmented Reality (AR) codes have been introduced to enhance all marketing communications. Augmented Reality in India is still nascent and Shoppers Stop is the First Indian Large-Format Retailer to have created an Augmented Reality set-up for a campaign.

#### **Customer Satisfaction:**

At Shoppers Stop we strive to provide our customers with the best overall experience of shopping with us. To measure the customer experience we conduct customer satisfaction surveys to evaluate a range of parameters including merchandise range and quality, store environment, staff, transaction efficiency, loyalty programme, schemes and promotions to name a few and undertake improvements in various areas.

We also include select competition stores in our surveys in order to measure experience in our stores as compared to competition.

# **Overall Customer Satisfaction Index:**

January 2006	August 2006	November 2007	February 2009	April 2010	June 2011
60	63	63	81	80	79

# **Loyalty Programme:**

Your Company has pioneered India's first retail loyalty program - "First Citizens". The First Citizens base over 25.03 lakhs customers in this year. During the current year, the First Citizens contributed 72% of the Company's annual sales. The First Citizen programme has 3 tiers — Classic Moments (entry level), Silver Edge and Golden Glow. Members fall into the various tiers on the basis of their spends with us.

First Citizens also earn differential reward basis on their current tier of membership. First Citizens receive:-

- Reward points on their spends. These reward points can be redeemed for a wide variety of merchandise at your Company's stores.
- Exclusive schemes, benefits and promotions.
- Extended and exclusive shopping hours especially during the festive season. Special previews before the sale periods.
- Invitations to exclusive events both in-store as well as those organised outside the stores.
- Home delivery of altered merchandise.
- Exclusive First Citizens lounge at select stores to relax after hectic shopping.





First Citizens always stay updated with all details pertaining to their membership as well as the best of offers and privileges available, through a unique service – First Citizens First. Through this service First Citizens get all the information that they want on their mobile phones simply by sending an SMS.

This year, Shoppers Stop took the First Citizen experience mobile by launching the exclusive First Citizen Mobile application on Blackberry, Android and iPhone platforms.

This year, the company continued with the exclusive promotion for First Citizen members – First Citizens' Fiesta. Under this promotion the member earned 3 times the reward points besides lots of other special offers and deals. The promotion was very well received and it helped us further reinforce our strong relationship with this member community.

Shoppers Stop also created the 'Choose Your Own Gift' offer which gave customers the chance to select their own gifts from within the store. Instead of offering a pre-selected gift, Shoppers Stop offered its loyalty programme members with Bonus Reward Points on their purchases, which could be redeemed on any product of their choice.

# Co-branded Credit/Debit card programme with Citibank:

Your Company in association with Citibank has offered its First Citizens an option to add on a credit card to their existing loyalty cards.

This enables First Citizens to add on a credit line to their purchases. They also have the added advantage of being able to choose from amongst various attractive financing options, cash back schemes, EMI schemes etc. for buying at your Company's stores. For customers who are averse to credit, there is an option of activating a debit card. As on 31 March, 2012, the number of members in the co-branded card programme was over 1,72,000.

# **Risk Management and Internal Control:**

Effective governance consists of competent management; implementation of standard policies and processes; maintenance of an appropriate audit program with internal control environment effective risk monitoring and management information systems (MIS).

The Company has an integrated approach for management of risk and has formulated the framework for regulatory and risk management, standardising the definition of internal controls.

It also provides a framework for risk management and regulatory compliance, which requires risk assessments and related policies, a control-based environment and activities, information and communication procedures, and a monitoring mechanism for the control environment.

The Company has a sound system of Internal Controls for financial reporting of various transactions, efficiency of operations and compliance with relevant laws and regulations commensurate with its size and nature of business. The Company has a well-defined system of management reporting and periodic review of businesses to ensure timely decision-making.

These internal control procedures ensure the following:

- Efficient use and protection of resources.
- Compliance with policies, procedures and statutes.
- Accuracy and promptness of financial reports.

The MIS forms an integral part of the Company's control mechanism. All operating parameters are monitored and controlled, with material deviations from the annual planning and budgeting and business outlook including capital expenditure reported to the Board on quarterly basis.

Reports of internal auditors are reviewed by the Audit Committee, and corrective measures are carried out towards further improvement in systems and procedures and compliance with Internal Control System. The board also recognises the work of the auditors as an independent check on the information received from the management on the operations and performance of the company.

# **Technology Initiatives:**

In the year 2011-12, your company continued its thrust towards scaling up for growth, increasing operational efficiency and exploring technology lead innovation to sustain the leadership position in IT adoption in the Indian and Global retail markets. Some of the key initiatives in this direction are:

## MMS upgrade:

Your Company undertook an upgrade to its core Merchandising ERP, JDA MMS this year. During the course of this upgrade we reviewed the existing processes around Merchandising, Inventory, Warehousing and Pricing and optimised them significantly. This upgrade is expected to help your company increase availability of its merchandise at its stores through more efficient replenishment algorithms, better management of inventory and provide greater control in managing processes which have potential for revenue leakage.

# Hyperion

Your Company is very conscious of the need to control costs and track profitability. Towards this end we have implemented Hyperion a world class budgeting and monitoring solution from Oracle. This solution would significantly improve the Management team's capability to monitor the financial pulse of the business.

## Oracle upgrade:

As part of another initiative in upping the Finance team's productivity, your Company decided to upgrade it's Financial ERP to the latest R12 version. This new application version brings to our Finance teams table several world leading practices.

# IT services arrangement:

Your Company has entered into a IT services arrangement with the Global information technology leader IBM. As part of this deal, IBM would work with Shoppers Stop for the next several years and bring its expertise in Technology and ITIL processes towards managing mission critical Enterprise Systems more effectively.

## **Consulting:**

In keeping with its philosophy of continuously fine tuning it's processes and bringing world leading Retail practices to Indian customers, your Company engaged the services of JDA's consulting arm to review its processes and recommend the areas where it can bring about more efficiency through use of IT solutions. Some new ideas emerged as part of this interaction and your Company is in the process of implementing key recommendations.

## **EMC Avamar Backup Solution:**

Extending its endeavour to enhance the data storage and backup practice, the Company implemented EMC Avamar backup solution with de-duplication technology. With this the backup practice now extended beyond data centre servers/storage to even cover critical information stored on laptop/desktop of key users.

# **Corporate Governance:**

Your Company has taken steps to ensure that the Corporate Governance guidelines are adopted and fully complied with. The detailed Corporate Governance Report is attached with this report.

# **Cautionary Statement:**

The statement made in this section describes the Company's objectives, projections, expectations and estimations which may be 'forward looking statements' within the meaning of applicable securities laws and regulations. The annual results can differ materially from those expressed or implied, depending on the economic and climatic conditions, Government policies and other incidental factors which are beyond the control of the Company.



# Certificate of Compliance from Auditors as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India

Shoppers Stop Ltd.

To the Members of Shoppers Stop Limited

We have examined the compliance of conditions of Corporate Governance by Shoppers Stop Limited ("the Company") for the year ended on 31 March, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges in India.

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 conditions of 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 to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned 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 Deloitte Haskins & Sells.

Chartered Accountants (Registration No. 117366W)

# Shyamak R. Tata

Partner
Membership No. 38320

Place: Mumbai Date: 30 April 2012

#### Company's philosophy on Code of Governance

The Company remains committed to the concept of good corporate governance practices in all its activities to ensure that the ultimate goal of making the Company a value driven organisation. Its philosophy on the code of Corporate Governance is:

- To ensure adequate control systems to enable the Board to efficiently conduct the business and discharge its responsibilities to shareholders.
- To ensure that the decision making process is fair and transparent.
- To ensure fullest involvement and commitment of the management for maximisation of shareholders value.
- To imbibe the corporate values in the employees and encourage them in their conduct.
- To ensure that the Company follows the globally recognised corporate governance practices.

We have made conscious efforts to institutionalise Corporate Governance practice and we believe that it shall go beyond adherence to the regulatory framework. Our corporate structure, business and disclosure practices have been aligned to our Corporate Governance Philosophy. We will continuously endeavour to take forward the best practices to enhance stakeholder's value.

#### **Board of Directors**

The Board of Directors comprises of ten members including one executive director and nine non-executive directors. The Company has a non-executive promoter Chairman and the number of independent directors is one half of the total number of Directors. The independent directors on the Board are professionals, technocrats and retail experts, who are senior, competent and highly respected persons from their respective fields and provide strategic direction and thrust to the operation of the Company.

The key decisions are taken after detailed deliberations and discussions by the Board. The Company always ensures that Board members are presented with all the relevant information on vital matters affecting the working of the Company including the information as interalia specified under Annexure - IA of clause 49 of the Listing Agreement.

None of the Directors on the Board is a Member on more than ten Committees and Chairman of more than five Committees (as specified in Clause 49), across all the companies in which they are Directors.

The composition of the Board of Directors, their attendance at Board Meetings during the year and at the last Annual General Meeting and the number of other Directorships and Committee Memberships held by them in other Companies are given below:

Name of Directors Category		Designation		ttendance No. of other Directorships & 0 articulars Memberships/Chairmans		er Directorships & Co nberships/Chairmans	Committee ships	
			Board Meetings	Last AGM	Directorships <sup>1</sup>	Committee Membership <sup>1 &amp; 2</sup>	Committee Chairmanship <sup>1 &amp; 2</sup>	
Mr. Chandru L. Raheja	Promoter & Non- Executive Director	Chairman	3	Yes	2	1	0	
Mr. Ravi C. Raheja	Promoter & Non- Executive Director	Director	4	Yes	4	1	1	
Mr. Neel C. Raheja	Promoter & Non- Executive Director	Director	4	Yes	3	0	0	
Mr. B. S. Nagesh	Non-Executive Director	Vice-Chairman	4	Yes	3	1	0	
Mr. Gulu L. Mirchandani	Independent & Non- Executive Director	Director	3	No	7	2	0	
Mr. Shahzaad S. Dalal	Independent & Non- Executive Director	Director	2	Yes	11	5	1	
Prof. Nitin Sanghavi	Independent & Non- Executive Director	Director	4	Yes	1	1	0	
Mr. Deepak Ghaisas	Independent & Non- Executive Director	Director	3	Yes	2	0	2	
Mr. Govind Shrikhande	Executive Director	Managing Director	4	Yes	5	1	0	
Mr. Nirvik Singh	Independent & Non-Executive Director	Director	3	Yes	1	0	0	



#### Notes:

- 1. The other Directorships and Chairmanships/ Memberships of committees held in foreign companies, private limited companies and companies incorporated u/s 25 of the Companies Act, 1956 are excluded.
- 2. The Chairmanship and Membership of Audit Committee and Shareholders' Grievance Committee alone are considered.
- 3. Mr. Ravi C. Raheja and Mr. Neel C. Raheja are sons of Mr. Chandru. L. Raheja. No other director is related to any other director of the Company.

During the year under review, the Board of Directors met four times i.e. on 29th April, 2011, 26th July, 2011, 21st October, 2011 and 31st January 2012. The maximum interval between any two Meetings during this period does not exceed four months.

Dates for the Board Meetings for the ensuing year are decided well in advance and communicated to the Directors. The Agenda along with the explanatory notes are sent in advance to the Directors. Additional meetings of the Board are held when deemed necessary by the Board.

The Company has adopted the Code of Conduct for all Board members and management personnels of the Company. This Code is posted on the website of the Company. All Board members and management personnels have confirmed compliance to the Code of Conduct. A declaration signed by the Managing Director of the Company to this effect is appended with the Report.

#### **Audit Committee**

The Company has constituted an Audit Committee in the year 2001. The role, powers and functions of the Audit committee is in accordance with Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.

The Audit Committee comprises of four Non-Executive Directors. The members of the Committee possess the sound knowledge of finance & accounts. The Audit Committee invites such of the executives, as it considers appropriate to be present at the meetings of the Committee. The Managing Director, Vice Chairman, Group Chief Financial Officer, Company Secretary, representatives of the internal auditors and statutory auditors are also present at the Audit Committee Meetings as invitees.

During the year under review, the Committee met four times i.e. on 22nd April, 2011, 25th July, 2011, 21st October, 2011 and 31st January, 2012.

The Composition of the Audit Committee and the attendance of the members at the meetings held are as follows:

Name of Member	Status	Category	No. of meetings attended
Mr. Deepak Ghaisas	Chairman	Independent Director	4
Mr. Ravi C. Raheja	Member	Non-Independent Director	4
Mr. Shahzaad S. Dalal	Member	Independent Director	3
Prof. Nitin Sanghavi	Member	Independent Director	4

Mr. Prashant Mehta, Vice President – Legal and Company Secretary of the Company acts as the Secretary to the Committee.

The broad terms of reference of the Audit Committee inter-alia are as under:

- 1. To oversee the Company's financial reporting process and the disclosure of its financial information, to ensure that the financial statement is correct, sufficient and credible.
- 2. To recommend to the Board, the appointment and re-appointment of Statutory Auditors, fixation of audit fees and also approval for payment of any other services.
- 3. To review with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.

# Corporate Governance Report

- Changes, if any, in accounting policies and practices and reasons for the same.
- Major accounting entries involving estimates based on the exercise of judgement by management. c)
- Significant adjustments made in the financial statements arising out of audit findings.
- Compliance with listing and other legal requirements relating to financial statements.
- Disclosure of related party transactions. f)
- Qualifications in the draft audit report.
- To review with the management, the quarterly financial statements before submission to the Board for approval. 4.
- To review with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
- Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.) the statement of funds utilised for purposes other than those stated in the offer document or prospectus and making appropriate recommendations to the Board to take up steps in this matter.
- To review the adequacy of internal audit function, including the structure of the internal audit department, staffing of the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors any significant findings and follow up there on.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- 10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- 11. To review the functioning of the Whistle Blower mechanism.
- 12. Carrying out any other function as may be added to the terms of reference of the Audit Committee.

## **Compensation / Remuneration Committee:**

The Company has constituted Compensation/Remuneration Committee in the year 2001. The scope of the activities of the Compensation/Remuneration Committee is to recommend the remuneration payable to the Executive Director of the Company, payment of commission and sitting fees to Non-Executive Directors and formulation and implementation of various Employee Stock Option Plans (ESOP) Schemes in the Company.

During the year, the Committee met nine times i.e. on 29th April, 2011, 25th May, 2011, 9th July, 2011, 25th August, 2011, 25th November, 2011, 21st December, 2011, 31st January, 2012, 24th February, 2012 and 28th March, 2012.

The Composition of the Committee and the attendance of the members at the meetings held are as follows:

Name of Member	Status	No. of meetings attended	
Mr. G. L. Mirchandani	Chairman	9	
Mr. Ravi C. Raheja	Member	7	
Mr. Shahzaad S. Dalal	Member	4	
Prof. Nitin Sanghavi	Member	3	

# **Remuneration Policy:**

1. The remuneration of the Executive Director is recommended by the Compensation/Remuneration Committee based on criteria such as industry benchmarks, the Company's performance vis-a-vis the industry, responsibilities shouldered, performance/track record, macro economic review on remuneration packages of heads of other organisations and is decided by the Board of Directors.



Shoppers Stop Ltd.

The Company pays remuneration by way of salary, perquisites, allowances and profit linked reward scheme to its Executive Director. Annual increments are decided by the Compensation/Remuneration Committee within the salary approved by members and are normally effective from April 1, annually.

- The Company pays sitting fees of ₹ 20,000/- to its Non-Executive Directors for attending each Board of Directors meeting.
- The members of the Company at the fourteenth Annual General Meeting had approved the payment and distribution of sum not exceeding 1% of the net profits of the Company calculated in accordance with the provisions of sections 198, 349 and 350 of the Companies Act, 1956 by way of commission to Non-Executive Directors for a period of 5 (five) years commencing from April 1, 2011.

Details of compensation paid/payable to Non-Executive Directors during the year are as under:

Name of Directors	Commission (₹)	Sitting Fees (₹)	Total (₹)
Mr. Chandru L. Raheja	0	60,000	60,000
Mr. Ravi C. Raheja	0	80,000	80,000
Mr. Neel C. Raheja	0	80,000	80,000
Mr. B. S. Nagesh	300,000	80,000	380,000
Mr. Gulu L. Mirchandani	300,000	60,000	360,000
Mr. Shahzaad S. Dalal	300,000	40,000	340,000
Prof. Nitin Sanghavi	300,000	80,000	380,000
Mr. Deepak Ghaisas	600,000	60,000	660,000
Mr. Nirvik Singh	300,000	60,000	360,000
Total	2,100,000	600,000	2,700,000

Details of remuneration paid to Mr. Govind Shrikhande, Managing Director for the financial year 2011-2012 is as under:

Salary and Bonus (₹)	Perquisites	Contribution to Provident	Total
	(₹)	Fund (₹)	(₹)
28,708,825	921,300	1,440,000	31,070,125

# ESOPs:

Details of grant of stock options to and exercise of stock options by Mr. B. S. Nagesh, Vice Chairman under the following ESOP Schemes is as under:

Scheme	Date of Grant	Options Granted	Options vested and exercised	Grant price per equity share (₹)	Fair value on the date of grant (₹)	Vesting period
ESOP-V-1	28.12.05	22,706	22,706	192	214.5	3 years
ESOP 2008-1	29.04.09	100,000	60,000	55	55	38 months

Details of grant of stock options to and exercise of stock options by Mr. Govind Shrikhande, Managing Director under the following ESOP Schemes is as under:

Scheme	Date of Grant	Options Granted	Options vested and exercised	Grant price per equity share (₹)	Fair value on the date of grant (₹)	Vesting period
ESOP-V-1	28.12.05	10,612	10,612	192	214.5	3 years
ESOP 2008-1	29.04.09	260,000	156,000	55	55	38 months
ESOP 2008-2	24.03.10	24,000	7,200	191	191	3 years
ESOP 2008-3	29.04.11	29,700	0	336	336	3 years

## Service Contract, severance fees and notice period.

## Mr. Govind Shrikhande, Managing Director:

Period of contract is 3 Years w.e.f. 29 July 2010. There is no separate provision for payment of any severance fees.

#### **Shareholders' Investor Grievance and Share Transfer Committee**

The Company has constituted the Committee in the year 2004. The Committee looks into redressal of shareholders' grievances. The Committee also oversees the performance of the Registrar and Share Transfer Agents and recommends measures for overall improvement in the quality of investor services.

During the year 2011-12, the Committee met one time i.e. on 29th April, 2011.

The Composition of the Committee and the attendance of the members at the meeting held is as follows:

Name of Member	Status	No. of meetings attended
Mr. Ravi C. Raheja	Chairman	1
Mr. Neel C. Raheja	Member	1
Mr. B. S. Nagesh	Member	1

Mr. Prashant Mehta, Vice President – Legal & Company Secretary of the Company has been designated as the Compliance Officer.

During the year, the Company has received 5 (five) Communication/grievance, which were attended and resolved to the satisfaction of the Shareholders. No grievances were pending at the year end.

# **Subsidiary Companies**

During the year, your company has acquired 49% equity share capital of Gateway Multichannel Retail (India) Limited (Gateway) from Hypercity Retail (India) Limited, consequent to which Gateway became a 100% subsidiary company w.e.f. November 14, 2011.

Clause 49 of Corporate Governance defines a 'material non-listed Indian subsidiary' as an unlisted subsidiary, incorporated in India, whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year. In this regard, Hypercity Retail (India) Ltd.; a 51% subsidiary, is a material non-listed subsidiary of the Company. Mr. Deepak Ghaisas and Prof. Nitin Sanghavi, the Independent Directors of the Company are on the Board of Hypercity Retail (India) Ltd.

The Audit Committee and Board of Directors of the Company inter-alia, reviews the quarterly financial statements of Hypercity Retail (India) Ltd.; & other subsidiaries which are duly consolidated with quarterly consolidated financial statements of the Company. The Board of Directors of the Company also reviews Minutes of the Board Meetings of unlisted subsidiary companies.



# **General Body Meetings**

Details of Annual General Meetings held during last three years:

AGM for Financial Year ended	Date	Time	Location	Special Resolutions passed thereat
2010-2011	26th July 2011	3.00 p.m.	National Stock Exchange of India Ltd., Exchange Plaza, NSE Auditorium, Ground Floor, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.	Payment of upto 1% of the net profits by way of commission to Non-Executive Directors of the Company for a period of 5 (five) years commencing from April 1, 2011.
2009-2010	29th July 2010	3.00 p.m.	National Stock Exchange of India Ltd., Exchange Plaza, NSE Auditorium, Ground Floor, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.	No special resolution has been passed.
2008-2009	29th July 2009	2.30 p.m.	R. D. National College & W. A. Science College, (College Auditorium), Linking Road, Bandra (West), Mumbai - 400 050.	No special resolution has been passed.

#### **Postal Ballot**

There was no special resolution passed through Postal Ballot during the year and no special resolution is proposed to be passed through Postal Ballot.

# Disclosure on materially significant related party transactions

There were no materially related party transactions that may have potential conflict with the interest of the Company at large. The transactions between the Company and the related parties are disclosed in Notes to the Accounts in the Annual Report.

## **Disclosure of Accounting Treatment**

The financial statements of the Company comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.

#### **Board Disclosures – Risk Management**

The Company has laid down the requisite procedures to inform the Board Members about the risk assessment and minimisation procedures which are accordingly followed.

# **Details of non-compliance on matters relating to Capital Market**

There have been no instances of non-compliances by us and no penalties and/or strictures have been imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to the capital markets during the last three years.

# **Code of conduct for Prevention of Insider Trading Practices**

In compliance with the SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, the Company has formulated, adopted and implemented "Shoppers Stop Code of Conduct for Prevention of Insider Trading" in the shares of the Company.

# **Whistle Blower Policy**

The Whistle Blower Policy aims to encourage all employees to inform the Company regarding any kind of misuse of Company property, mismanagement or wrongful conduct prevailing in the Company and no personnel has been denied access thereto. The disclosure would

# **Corporate Governance Report**

be sent to the Chairman of the Audit Committee/the Ethics Counselor who would investigate and recommend to the management of the Company to take such disciplinary or corrective action as may be deemed fit.

## Compliance with non-mandatory requirements of Clause 49 of the listing agreement

The Company has voluntarily complied with the non-mandatory requirements relating to Remuneration Committee and Whistle Blower Policy.

#### **Management Discussion and Analysis**

Management Discussion and Analysis is given as a separate section in the Annual Report.

# **Proceeds from public issues**

The Company has not raised any proceeds from public issue, right issue, preferential issues, etc. and there are no unutilised issue proceeds during the year under review.

#### **Means of Communication**

- The quarterly results are published within 48 hours of the Board Meeting, in prominent daily newspapers viz. Economic Times and Maharashtra Times and the same are also posted on the Company's website immediately. At the end of each guarter, the Company does a Conference call with the analysts in order to clarify their doubts and queries.
- The domain name of the Company's website is www.shoppersstop.com and upto date financial results, official press releases and the other information about the Company and its businesses are available on the website.
- Presentations made to the institutional investors or to the analysts are immediately posted on Company's website in order to share the information with public at large.

#### **General Shareholders Information**

(1) Annual General Meeting:

Date. Time & Venue : 31st July, 2012 at 3.30 p.m.

: Exchange Plaza, NSE Auditorium, Ground Floor,

Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051.

(2) Financial Calendar : 1 April 2011 to 31 March 2012

(3) Date of Book Closure : 24th July, 2012 to 31st July, 2012 (Both days inclusive).

(4) Dividend Payment Date : August 2, 2012

(5) Listing on the Stock Exchanges : 1. Bombay Stock Exchange Limited

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.

2. National Stock Exchange of India Ltd. Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051.

The requisite Listing Fees for the financial year 2012-2013 has been paid to both the above Stock Exchanges where the equity shares of the Company are listed.

(6) Stock Code

Bombay Stock Exchange Limited : 532638

National Stock Exchange of India Ltd. : SHOPERSTOP (Symbol)

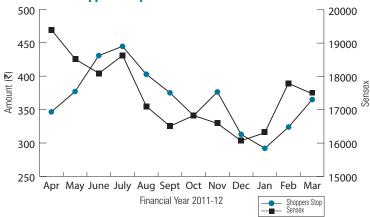


# (7) Stock Market Data for the period – 1 April, 2011 to 31 March, 2012

# Share price performance in comparison on BSE:

Manth (2011 12)	BS	SE	Sen	Sensex		
Month (2011-12)	High (₹)	Low (₹)	High	Low	transacted	
April	366.90	326.25	19,811.14	18,976.19	146,883	
May	419.00	335.00	19,253.87	17,786.13	182,584	
June	478.50	383.20	18,873.39	17,314.38	597,743	
July	504.00	385.25	19,131.70	18,131.86	539,277	
August	438.80	367.10	18,440.07	15,765.53	407,342	
September	408.00	342.20	17,211.80	15,801.01	382,758	
October	370.00	312.05	17,908.13	15,745.43	265,568	
November	426.80	326.05	17,702.26	15,478.69	1,295,362	
December	374.90	251.00	17,003.71	15,135.86	761,937	
January	326.50	257.50	17,258.97	15,358.02	1,258,464	
February	361.85	286.00	18,523.78	17,061.55	1,065,938	
March	413.00	317.10	18,040.69	16,920.61	1,932,429	

# **Shoppers Stop Price Movement Chart – BSE**



# Share price performance in comparison on NSE:

Manth (2011 12)	NSE		Nit	No. of Shares	
Month (2011-12)	High (₹)	Low (₹)	High	Low	transacted
April	366.80	325.25	5,944.45	5,693.25	5,21,373
May	417.00	336.15	5,775.25	5,328.70	7,61,878
June	477.95	383.50	5,657.90	5,195.90	18,60,062
July	504.85	386.10	5,740.40	5,453.95	23,02,665
August	437.80	366.00	5,551.90	4,720.00	13,04,345
September	419.30	342.00	5,169.25	4,758.85	9,70,418
October	384.95	313.60	5,399.70	4,728.30	1,47,784
November	427.00	327.80	5,326.45	4,639.10	36,75,646
December	379.90	250.25	5,099.25	4,531.15	27,13,372
January	348.10	257.00	5,217.00	4,588.05	38,78,293
February	361.00	285.90	5,629.95	5,159.00	30,32,985
March	412.40	308.95	5,499.40	5,135.95	38,61,484



# (8) Distribution of Shareholding as on 31 March 2012 and 31 March 2011:

Shareholding of		As on March 31, 2012				As on March 31, 2011			
Nominal Value	Shareholders		% to total		Shareholders		% to total		
Rupees	Number	% to total	Rupees	% to total	Number	% to total	Rupees	% to total	
Upto 5000	8,793	97.43	3,015,655	0.73	7,124	96.93	2,641,310	0.64	
5001-10000	60	0.66	476,885	0.11	55	0.75	450,775	0.11	
10001-20000	40	0.44	575,920	0.14	37	0.50	527,885	0.13	
20001-30000	24	0.27	605,885	0.15	23	0.31	575,115	0.14	
30001-40000	11	0.12	397,885	0.10	12	0.17	414,415	0.10	
40001-50000	7	0.08	331,040	0.08	6	0.08	281,460	0.07	
50001-100000	20	0.22	1,466,240	0.35	17	0.23	1,345,305	0.33	
100001 and above	70	0.78	405,941,160	98.34	76	1.03	404,597,915	98.48	
Total	9,025	100.00	412,810,670	100.00	7,350	100.00	410,834,180	100.00	

# **Shareholding Pattern:**

The categories of shareholdings as on 31 March 2012 and 31 March 2011:

	As on Mar	ch 31, 2012	As on Marc	ch 31, 2011
Category	No. of Shares Held	% to total	No. of Shares Held	% to total
Promoters	56,029,674	67.86	56,029,674	68.19
Mutual Funds	5,334,046	6.46	5,190,130	6.32
Financial Institution	0	0	0	0
Foreign Institutional Investors	11,294,642	13.68	10,813,524	13.16
Corporate Bodies	5,004,472	6.06	7,279,734	8.86
Indian Public & HUF	4,860,916	5.89	2,829,587	3.44
Banks	0	0	0	0
NRI's & OCB's	21,830	0.03	15,426	0.02
Clearing Members (Transit)	16,550	0.02	8,757	0.01
Trust	4	0.00	4	0.00
Total	82,562,134	100	82,166,836	100.00



# Shareholding of Board of Directors as on 31 March 2012:

Name of Director	Status	No. of Shares
Mr. Chandru L. Raheja	Promoter Director	6,97,500
Mr. Ravi C. Raheja	Promoter Director	11,00,000
Mr. Neel C. Raheja	Promoter Director	11,50,000
Mr. Gulu L. Mirchandani	Director	0
Mr. Shahzaad S. Dalal	Director	2,000
Prof. Nitin Sanghavi	Director	0
Mr. Deepak Ghaisas*	Director	7,750*
Mr. B. S. Nagesh	Vice Chairman	6,22,874
Mr. Govind Shrikhande	Managing Director	1,62,121
Mr. Nirvik Singh	Director	0

\* Mr. Deepak Ghaisas holds 7,750 Equity Shares jointly with his wife as second holder.

(9) Registrar and Transfer Agent : Karvy Computershare Private Limited

Plot No. 17-24, Vitthal Rao Nagar, Madhapur, Hyderabad - 500 081, (India).

Tel: +91-40 2342 0818, Fax: +91-40 2342 0814

(10) Share Transfer System : The shares of the Company are traded on the Stock Exchanges through the Depository System.

The ISIN allotted to the equity shares of ₹ 5/- each of the Company is INE498B01024.

The requests received by the Company/RTA for dematerialisation/rematerialisation are disposed off expeditiously. Share certificates duly endorsed are issued to the shareholders, who opt for the

shares in the physical form.

(11) Dematerialisation of shares

and liquidity

The trading in Company's equity shares is compulsorily in dematerialised mode for all investors.

As on date, entire share capital of the Company except 330 equity shares are being held in the

dematerialised mode.

The shares of the Company are regularly traded at both the Stock Exchanges where they are

listed, which ensure the necessary liquidity to shareholders.

(12) Outstanding GDRs/ADRs/

Warrants or any Convertible

instruments

The Company has not issued any ADR or GDR or warrants or any convertible instruments, which

has likely impact on equity share capital.

(13) Address for correspondence : Mr. Prashant Mehta

Vice President - Legal & Company Secretary

Eureka Towers, B-Wing, 9th Floor, Mindspace, Link Road, Malad (West), Mumbai - 400 064.

Tel: (022) 4249 7000, Fax: (022) 2880 8877 E-mail ID: investor@shoppersstop.com Web Address: www.shoppersstop.com

# **Corporate Governance Report**

(14) Store Locations

# **Western Region**

- 1. 211-D, S. V. Road, Andheri (W), Mumbai 400 058
- 2. Krushal Commercial Complex, G. M. Road, Chembur (W), Mumbai 400 089
- Suburbia, Old Bandra Talkies, Linking Road, Bandra (West), Mumbai 400 050
- Naman Plaza, 41, S. V. Road, Opp. Shankar Lane, Kandivali (W), Mumbai 400 067
- Nirmal Lifestyles, L. B. S. Marg, Mulund (W), Mumbai 400 080
- Inorbit Mall, Link Road, Malad (W), Mumbai 400 064
- 7. Dynamix Mall, Sant Dhyaneshwar Marg, JVPD Scheme, Next to Chandan Cinema Hall, Vile Parle (W), Mumbai - 400 049
- 8. Godrej Eternia, B-Wing, Shivaji Nagar, Mumbai-Pune Road, Pune 411 005
- 9. Nucleus Mall, 1 Church Road, Pune 411 001
- 10. HomeStop, Inorbit Mall, 2nd Floor, Link Road, Malad (W), Mumbai 400 064
- 11. Prozone Mall, Sector-C, Chikalthana Industrial Area, Masantpur, Aurangabad 431 210
- 12. Inorbit Mall, Vashi, Navi Mumbai 400 705
- 13. HomeStop, Inorbit Mall, 2nd Floor, Vashi, Navi Mumbai 400 705
- 14. Inorbit Mall, Wadgaon Sheri, Nagar Road, Pune 411 014
- 15. Alpha One Mall, Near Vastrapur Lake, Vastrapur, Ahmedabad 380 054
- 16. R City Mall, LBS Marg, Ghatkopar (West), Mumbai 400 086
- 17. Pacific Mall, S.No. 42, 43, Shankar Seth Road, Pune 411 037
- 18. Opposite Alankar Talkies, Chainsukh Road, Latur 413 512
- 19. HomeStop, Inorbit Mall, 2nd Floor, Wadgaon Sheri, Nagar Road, Pune 411 014
- 20. HomeStop, R City, 2nd Floor, LBS Marg, Ghatkopar (W), Mumbai 400 086
- 21. HomeStop, FP No. 216, TP Scheme -1, Vastrapur, Ahmedabad 380 054

# **Southern Region**

- 1. Garuda Star Mall, Magrath Road, Ashok Nagar, Bengaluru 560 025
- 2. Commerce@Mantri, Ground Floor, N.S. Palya, Bannerghatta Road, Bengaluru 560 076
- Mantri Square, #. 1. Sampige Road, Malleshwaram, Bengaluru 560 003
- Salarpuriya Tower II, Near Forum Mall, Kormangala Indl. Layout, Bengaluru 560 095
- Plot No. 1-11-251/1, Alladin Mansion, Begumpet, Hyderabad 500 016
- No. 2, Harrington Road, Chetpet, Chennai 600 031
- 7. GVK One Mall, Road No. 01, Banjara Hills, Hyderabad 500 034
- Inorbit Mall, Apiic Software Layout, Hitech City, Cyberabad, Hyderabad 500 081
- GMR Hyderabad International Airport Ltd., Level D, Passenger Terminal Building, Shamshabad Airport, Rangareddy, District - 500 409
- 10. Passenger Terminal Building, Bengaluru International Airport, Devanahalli, Bengaluru - 560 300



- 11. HomeStop, Raheja Point No. 17/2, Magrath Road, Bengaluru 560 025
- 12. Ramee Mall, 365, Anna Salai, Teynampet, Chennai 600 018
- HomeStop, Royal Meenakshi Mall, Shop No S008, Bannerghatta Road,
   Opp. Meenakshi Temple, Bengaluru 560 076
- 14. HomeStop, LEPL Icon Mall, Vijayawada 520 008
- 15. 1st and 2nd Floor, Celebros Shyamala Towers, 136 Acrot Road, Saligramam, Chennai 600 093
- 16. LEPL Icon Mall, Vijayawada 520 008
- OMR, Ground Floor, Gopalan Signature Towers, Opp. RMZ Infinity, Old Madras Road, Bengaluru - 560 096
- 18. Mall of Mysore, Indira Nagar Extension, Nazarabad Mohalla, M. G. Road, Mysore 570 010
- HomeStop, Inorbit Mall, Apiic Software Layout, Hitech City, Cyberabad,
   Hyderabad 500 081

# **Northern Region**

- 1. Gaurav Towers 2, Plot No. 2, Indira Palace, Malviya Nagar, Jaipur 302 017
- Ansal Plaza, Hudco Palace, Andrew Ganj, Khelgaon Marg, Near South Extension, New Delhi - 110 049
- 3. The Metropolitan Mall, Mehrauli-Gurgaon Road, Gurgaon, Haryana 122 002
- 4. Shipra Mall, Shipra Suncity, 9 Vaibhav Khand, Indirapuram, Ghaziabad 201 012
- 5. HomeStop, Plot No. A/3, Select City Walk, District Centre, Saket, New Delhi 110 017
- E City Mall, Opp. Paryatan Bhavan, Beside Eldeco Green Compound, Gomti Nagar, Lucknow - 226 010
- 7. Eros Mall, Shivaji Palace, Rajouri Garden, Rajouri, New Delhi 110 027
- The Great India Palace, New Okhla Industrial Development Area, Noida, Uttar Pradesh - 201 301
- 9. Metropolitan Mall, Press Enclave Road, District Centre Saket, Sector II, New Delhi 110 017
- Suncity Triton Mall, Near Bhawani Niketan College, Off Sikar Road, Sitarampura, Tehsil Sawai, Jaipur - 302 012
- 11. Alpha One Mall, MBN Farms, Sultan Wind, Main G. T. Road, Amritsar 143 010
- 12. Ambience Mall, Nelson Mandela Road, Vasant Kunj, New Delhi 110 070
- 13. DB City Mall, Arera Hills, Bhopal 462 011
- 14. Spaze I, Tech Park, Gurgaon, Spaze Mall, Sohna Road, Gurgaon 122 002
- Rohini, Twin Dist. Centre-1, Sector 10, Adjacent to Rithala Metro Station, Rohini, New Delhi - 110 085
- 16. BPK Star Building, Opp. Lig Gurudwara, A. B. Road, Indore 452 001
- 17. HomeStop, 2nd Floor, Fun Republic Mall, Gomti Nagar, Lucknow 226 010

Shoppers Stop Ltd.

# **Eastern Region**

- 1. 10/3, Lala Lajpat Rai Sarani (Elgin Road), Kolkata 700 020
- 2. City Centre, DC-1, Sector-1, Salt Lake, Kolkata 700 064
- 3. South City Mall, 375, Prince Anwar Shah Road, Opp. Jodhpur Park, Kolkata 700 068
- 4. Junction Mall, Mouza Faridpur, J. L. No. 74, City Centre, Durgapur 713 216
- 5. City Centre, Siliguri Uttorayon Township, NH 31, Matigara, Siliguri 734 010



Shoppers Stop Ltd. Auditors' Report

#### To,

# The Members of Shoppers Stop Limited

1. We have audited the attached Balance Sheet of Shoppers Stop Limited ("the Company") as at 31st March, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, both 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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.
- Without qualifying our opinion, attention is invited to:
  - (a) Note 30 to the financial statements regarding non-provision of service tax for the period 1st June, 2007 to 31st March, 2010 on renting of immoveable properties given for commercial use, aggregating ₹ 1,659.56 lacs, pending final disposal of the appeal filed before the Hon'ble Supreme Court, inter-alia, challenging the retrospective levy of the service tax. The matter is contingent upon the final outcome of the litigation.
  - (b) Note 31 to the financial statements regarding the Company's financial involvement aggregating ₹ 28,801.49 lacs in Hypercity Retail (India) Limited, a subsidiary company. The Company considers no provision for any loss is currently necessary for the reasons stated in the note.
- 4. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- Further to our comments in paragraph 3 and the Annexure referred to in paragraph 4 above, we report as follows:
  - (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 it appears from our examination of those books:
  - (c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account:
  - (d) in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (e) 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:
    - in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
    - (ii) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and



Auditors' Report Shoppers Stop Ltd.

- (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
- 6. On the basis of written representations received from the Directors as on 31st March, 2012 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

## For **Deloitte Haskins & Sells**

Chartered Accountants (Registration No. 117366W)

# Shyamak R. Tata

Partner

Membership No. 38320

Place: Mumbai Date: 30 April, 2012



To,

#### The Members of Shoppers Stop Limited

# (Referred to in paragraph 4 thereof)

In our opinion and according to the information and explanation given to us, the nature of the Company's business/activities during the year are such that clauses (vi), (viii), (x), (xiii), (xiv), (xviii), (xix) and (xx) of Companies (Auditors' Report) Order 2003, are not applicable to the Company. In respect of the other clauses, we report as under:

- 1. In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of the fixed assets.
  - (b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - (c) During the year, in our opinion, a substantial part of fixed assets has not been disposed off by the Company.
- 2. In respect of its inventory:
  - (a) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- 3. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. In respect of loans, secured or unsecured, granted by the Company to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, according to the information and explanations given to us:
  - (a) The Company has granted unsecured loans to one party during the year. At the year-end, the outstanding balance of such loans aggregated ₹ 8,730.68 lacs (including interest) and the maximum amount involved during the year was ₹ 16,500.00 lacs.
  - (b) The rate of interest and other terms and conditions of such loans are, in our opinion, *prima facie* not prejudicial to the interests of the Company.
  - (c) The payments of principal and interest in respect of such loans are as per stipulations.
  - (d) There are no overdue amounts of principal or interest as at 31st March, 2012.
- 4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory and fixed assets and the sale of goods and services. During the course of our audit, we have not observed any major weakness in the aforesaid internal control system.
- 5. In respect of contracts or arrangements entered in the Register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us:
  - (a) The particulars of the contracts or arrangements referred to in Section 301 that needed to be entered in the Register maintained under the said Section have been so entered.
  - (b) Where each of such transactions is in excess of ₹ 5 lacs in respect of any party, we are informed that the nature of transactions is such that there are no comparative prevailing market prices.
- 6. In our opinion, the internal audit functions carried out during the year by firms of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.

- 7. According to the information and explanations given to us, and the records of the Company examined by us, in respect of statutory dues:
  - (a) The Company has generally been regular in depositing undisputed dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.
  - (b) There were no undisputed amounts payable in respect of Income-Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues in arrears as at 31st March, 2012 for a period of more than six months from the date they became payable.
  - (c) There are no disputed dues relating to Wealth Tax, Service Tax, Excise Duty and Cess which have not been deposited with the relevant authorities as at 31st March, 2012. The details of dues of Income-Tax, Sales Tax and Customs Duty which have not been deposited as on 31st March, 2012 on account of any disputes are given below:

Name of the Statute	Nature of dues	Period to which the amount relates	Forum where dispute is pending	Amount under dispute not yet deposited (₹ in lacs)
The Income-Tax Act, 1961	Income Tax	2004-06, 2008, 2009	CIT (Appeals)	1042.19
The West Bengal Value Added Tax Act, 2005	Sales Tax	2009	Jt. Commissioner of Sales Tax (Appeals)	22.03
The Customs Act, 1962	Custom Duty	2008	Commissioner (Appeals)	12.23

- 8. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks.
- In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by its joint venture companies from banks are not prima facie prejudicial to the interests of the Company.
- 10. In our opinion and according to the information and explanations given to us, the term loans obtained have been applied for the purposes for which they were obtained.
- 11. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet and utilisation of funds, we report that funds raised on short-term basis have not been used during the year for long-term investment.
- 12. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no significant fraud on the Company has been noticed or reported during the year.

# For **Deloitte Haskins & Sells**

**Chartered Accountants** (Registration No. 117366W)

#### Shyamak R. Tata

Partner Membership No. 38320

Place: Mumbai Date: 30 April, 2012



# (All amounts in ₹ lacs)

	Notes	Mar-12	Mar-11
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	3	4,128.11	4,108.34
Reserves and surplus	4	61,721.66	55,701.88
		65,849.77	59,810.22
NON CURRENT LIABILITIES			
Long-term borrowings	5	3,500.00	_
Deferred tax liabilities (net)	6	23.48	_
Long-term provisions	7	181.62	140.47
		3,705.10	140.47
CURRENT LIABILITIES			
Short-term borrowings	8	18,406.87	12,548.95
Trade payables	9	24,622.74	21,656.71
Other current liabilities	10	12,958.71	9,959.75
Short-term provisions	11	746.46	725.76
		56,734.78	44,891.17
		126,289.65	104,841.86
ASSETS			
NON CURRENT ASSETS			
Fixed assets			
Tangible assets	12	40,618.34	30,218.62
Intangible assets	12	1,063.34	995.61
Capital work in progress		2,977.07	3,346.39
		44,658.75	34,560.62
Non-current investments	13	28,421.29	23,719.34
Deferred tax asset (net)	6	_	325.00
Long-term loans and advances	14	25,028.65	24,978.29
		98,108.69	83,583.25
CURRENT ASSETS		<u> </u>	
Inventories	15	21,204.01	15,113.66
Trade Receivables	16	1,916.92	1,600.63
Cash and cash equivalents	17	714.62	262.18
Short-term Loans and advances	18	4,012.47	3,894.82
Other current assets	19	332.94	387.32
		28,180.96	21,258.61
		126,289.65	104,841.86
The accompanying notes 1 to 41 are an integral part of the financial s	tatements.		

In terms of our report of even date.

For Deloitte Haskins & Sells

**Chartered Accountants** 

Shyamak R. Tata

Partner

Mumbai, Dated: 30 April, 2012

For and on behalf of the Board of Directors

**C. L. Raheja** Chairman Ravi Raheja

Director

Sanjay Chakravarti

Customer Care Associate & Chief Financial Officer Mumbai, Dated: 30 April, 2012

**Govind S. Shrikhande** 

Customer Care Associate & Managing Director

**Prashant Mehta** 

Customer Care Associate & Company Secretary & Vice President - Legal

### (All amounts in ₹ lacs)

	Notes	Mar-12	Mar-11
CONTINUING OPERATIONS			
INCOME			
Revenue from operations	20	192,918.14	165,661.98
Other income	21	1,868.76	945.47
Total revenue		194,786.90	166,607.45
EVDENCE			
EXPENSES  Divide a conference of a total decoration and a second conference of a second con	20	407.000.50	100 710 01
Purchase of stock-in-trade	22	127,039.52	103,712.81
Changes in Inventories of stock-in-trade — (increase)/decrease	23 24	(6,090.35)	(124.34)
Employee benefits expense		12,764.04	9,898.37
Finance costs	25 12	2,503.60	1,453.77
Depreciation and amortisation expense	12 26	3,772.24	3,099.88
Other expenses	20	45,017.15	37,189.48
Total expenses		185,006.20	155,229.97
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX		9,780.70	11,377.48
Exceptional Item		_	(5.10)
PROFIT BEFORE TAX		9,780.70	11,382.58
Tax expense	27	5,760.70	11,302.30
- Current tax	21	3,006.30	3,735.00
Deferred tax		348.48	130.00
PROFIT FOR THE YEAR		6,425.92	7,517.58
EARNINGS PER EQUITY SHARE			
Equity shares of face value ₹ 5 each	28		
Basic (₹)		7.80	9.52
Diluted (₹)		7.75	9.42

The accompanying Notes 1 to 41 are an integral part of the financial statements.

In terms of our report of even date.

For Deloitte Haskins & Sells

**Chartered Accountants** 

Shyamak R. Tata

Partner

Mumbai, Dated: 30 April, 2012

For and on behalf of the Board of Directors

**C. L. Raheja** Chairman **Ravi Raheja** Director

Sanjay Chakravarti

Customer Care Associate & Chief Financial Officer Mumbai, Dated: 30 April, 2012

**Govind S. Shrikhande** 

Customer Care Associate & Managing Director

**Prashant Mehta** 



(All	amounts	in ₹	lacs
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	Mar-12	Mar-11
Cash flows from operating activities	IVIGI-12	IVIGI-11
Net profit before tax	9,780.70	11,382.58
Adjustments for:		
Depreciation and Amortisation	3,772.24	3,099.88
Finance costs Loss/(Profit) on sale of fixed assets	2,503.60 31.22	1,453.77
Dividend received	31.22	(37.22) (125.72)
Interest income	(1,665.77)	(720.21)
Operating profit before working capital changes	14,421.99	15,053.08
Adjustments for:	11,121100	10,000.00
Trade receivables and short term loans and advances	(1,299.40)	(930.26)
Lease deposits (net)	(1,954.04)	(341.58)
Deposit towards service tax	(1,824.88)	
Other current assets	54.38	(39.82)
Inventories	(6,090.35)	(2,449.40)
Long term/short term provisions Trade payables and other current liabilities	61.85 3,434.87	29.92 5,495.27
Cash generated from operations	6,804.42	16,817.21
Income taxes paid (net of refunds)	(3,106.59)	(3,093.68)
Net cash from operating activities	3,697.83	13,723.53
Cash flow from investing activities		- 107.20100
Purchase of fixed assets	(13,323.27)	(11,314.06)
Sale of fixed assets	18.96	188.82
Loans & advances to subsidiaries/group companies (net)	3,666.91	(8,587.06)
Investment in subsidiaries	(4,701.45)	(11,361.32)
Investment in others Dividend Received	(0.50) 125.72	_
Investment in joint ventures	123.72	(390.57)
Interest Received	1,668.05	722.13
Consideration received on transfer of crossword business (refer note 2 below)	639.00	2,000.00
Net cash used in investing activities	(11,906.59)	(28,742.05)
Cash flows from financing activities		
Issue of share capital	19.77	616.91
Securities premium on issue of share capital	318.63	21,484.30
Dividend and dividend tax paid Proceeds from long-term borrowings	(695.84) 7,500.00	(610.71) 2,000.00
Repayment of long-term borrowings	(2,000.00)	(9,668.12)
Short-terms loans (net)	5,857.92	4,105.49
Loans from subsidiaries	_	1,980.00
Repayment of loans by subsidiaries	_	(3,480.00)
Finance costs paid	(2,437.75)	(1,453.77)
Net cash from financing activities	<u>8,562.74</u>	14,974.10
Net Increase/(Decrease) in cash and cash equivalents	353.98	(44.42)
Cash and cash equivalents as at beginning of the year Cash and cash equivalents as at the end of the year (Note 17)	236.42 590.40	280.84 236.42
Cash and Cash equivalents as at the end of the year (Note 17)	353.98	(44.42)
Notes:		
(1) Cash and Cash Equivalents as per Balance Sheet (Note 17)	714.62	262.18
Less: Balances under lien/earmarked with banks	124.22	25.76
Cash and Cash Equivalents as reported above	<u>590.40</u>	236.42
(2) Consideration receivable from transfer of Crossword business	639.53	2,639.53
Less: consideration received during the year	<u>(639.00)</u>	(2,000.00)
Balance consideration receivable as at the year end The accompanying Notes 1 to 41 are an integral part of the financial statements.	<u> </u>	639.53
The accompanying notes i to 41 are an integral part of the illiancial statements.		

In terms of our report of even date.

For Deloitte Haskins & Sells

**Chartered Accountants** 

Shyamak R. Tata

Partner

Mumbai, Dated: 30 April, 2012

For and on behalf of the Board of Directors

**C. L. Raheja**Chairman

Ravi Raheja
Director

Sanjay Chakravarti

Customer Care Associate & Chief Financial Officer Mumbai, Dated: 30 April, 2012

**Govind S. Shrikhande** 

Customer Care Associate & Managing Director

**Prashant Mehta** 

#### 1. COMPANY BACKGROUND

Shoppers Stop Limited ('SSL' or 'the Company') was incorporated on 16 June 1997. The Company is engaged in the business of retailing a variety of household and consumer products and books through departmental stores. As at 31 March 2012, the Company operated through 51 such departmental stores located in different cities of India.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of accounting and preparation of financial statements**

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

### **Use of estimates**

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known/materialise.

#### c) Fixed Assets and Depreciation

#### **Tangible Assets**

Fixed assets are stated at their original cost of acquisition less accumulated depreciation and impairment losses. Cost comprises of all costs incurred to bring the assets to their location and working condition and includes all expenses incurred up to the date of launching new stores to the extent they are attributable to the new stores.

Depreciation is provided, pro rata for the period of use, by the straight line method (SLM), based on management's estimate of useful lives of the fixed assets, or at the SLM rates prescribed in Schedule XIV to the Act whichever is higher, at the following annual rates: /O/ \

	(%)
Air conditioning and other equipment	5.00–20.00
Furniture, fixtures and other fittings	6.33-20.00
Computers	16.21–33.33
Vehicles	9.50
Leasehold Improvements	5.82-20.00

### **Intangible Assets**

Intangible assets are stated at their cost of acquisition, less accumulated amortisation and impairment losses. An intangible asset is recognised, where it is probable that the future economic benefits attributable to the asset will flow to the enterprise and where its cost can be reliably measured. The intangible assets are amortised over the best estimate of its useful life on a straight-line basis.

Trademarks & Patents and Computer Software are amortised uniformly over a period of 10 and 6 years respectively.



#### Impairment of assets

An asset is considered as impaired in accordance with Accounting Standard 28 on Impairment of Assets when at the balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable, of the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss in the Statement of Profit and Loss.

#### d) Investments

Non-current investments are stated at cost. Where applicable, provision is made to recognise a decline, other than temporary, in the value of non-current Investments.

### e) Revenue recognition

Sale of products:

Revenue is recognised when it is earned and no significant uncertainty exists as to its realisation or collection.

Retail sales are recognised on delivery of the merchandise to the customer, when the property in goods and significant risks and rewards are transferred for a price and no effective ownership control is retained.

The property in the merchandise of third party concession stores located within the main departmental store of the Company passes to the Company once a customer decides to purchase an item from the concession store. The Company in turn sells the item to the customer and is accordingly included under Retail Sales.

The property in the merchandise of third party consignment stock does not pass to the Company. Since, however, the sale of such stock forms a part of the activities of the Company's departmental stores, the gross sales values and cost of the merchandise are disclosed separately and form part of total Retail Revenue in the Statement of Profit and Loss.

Sales are net of discounts. Value Added Tax and Sales Tax are reduced from Retail Revenue.

In respect of gift vouchers and point award schemes operated by the Company, sales are recognised when the gift vouchers or points are redeemed and the merchandise is sold to the customer.

### Other retail operating revenue:

Revenue from store displays and sponsorships are recognised based on the period for which the products or the sponsors' advertisements are promoted/displayed. Facility management fees are recognised pro-rata over the period of the contract.

### f) Income from investments and loans

Interest income is recognised on time proportion basis. Dividend income is recognised when right to receive it is established.

#### g) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present condition and location. Cost is determined by the weighted average cost method.

Merchandise received under consignment and concessionaire arrangements belong to the consignors/concessionaires and are therefore excluded from the Company's inventories.

### h) Employee benefits

Compensation to employees for services rendered is measured and accounted for in accordance with Accounting Standard 15 on Employee Benefits.

Employee Benefits such as salaries, allowances, non-monetary benefits and employee benefits under defined contribution plans such as provident and other funds, which fall due for payment within a period of twelve months after rendering service, are charged as expense to the Statement of Profit and Loss in the period in which the service is rendered.

Employee Benefits under defined benefit plans and other long term employee benefits such as gratuity and compensated absences which fall due for payment after completion/cessation of employment or after a period of twelve months from rendering service, are measured by the projected unit credit method, based on actuarial valuations, at each balance sheet date, carried out by independent actuaries. The Company's obligations recognised in the balance sheet represent the present value of obligations as reduced by the fair value of plan assets, where applicable.

Actuarial Gains and losses are recognised immediately in the Statement of Profit and Loss.

### **Operating Lease**

Operating Lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis or other systematic bases more representative of the time pattern of the user's benefit.

#### **Borrowing costs** i)

Borrowing costs attributable to the acquisition or construction of qualifying assets, as defined in Accounting Standard 16 on Borrowing Costs, are capitalised as part of the cost of acquisition. Other borrowing costs are expensed as incurred.

### k) Foreign currency transactions

Transactions in foreign currencies are accounted at the prevailing rates of exchange on the date of transaction. Monetary items denominated in foreign currencies, are restated at the prevailing rates of exchange at the Balance Sheet date. All gains and losses arising out of fluctuations in exchange rates are accounted for in the Statement of Profit and Loss.

Exchange differences on forward exchange contracts, entered into for hedging foreign exchange fluctuation risk in respect of an underlying asset/liability, are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rate changes. Premium/Discount on forward exchange contracts are recognised as an expense/income over the life of the contract.

#### I) Income-tax

Income-taxes are accounted for in accordance with Accounting Standard 22 on Accounting for Taxes on Income. Taxes comprise both current and deferred tax.

Provision for current tax is made taking into account admissible allowances, disallowances under the provisions of Income-Tax Act, 1961, using the applicable tax rates.

Deferred tax resulting from the timing differences between taxable income and accounting income is accounted using applicable tax rates and laws, enacted or substantively enacted as at the Balance Sheet.

The deferred tax asset is recognised and carried forward only to the extent that there is reasonable/virtual certainty that the asset will be realised in future.



#### m) Stock based compensation

The compensation cost of stock options granted to employees is calculated using the intrinsic value of the stock options. The compensation expense is amortised uniformly over the vesting period of the option.

#### n) Earnings Per Share

The Company reports basic and diluted Earnings Per Share (EPS) in accordance with Accounting Standard 20 on Earnings Per Share. Basic EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

### o) Cash Flow Statement

The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the Company. Cash and cash equivalents presented in the Cash Flow Statement consist of cash on hand and unencumbered bank balances.

### p) Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

#### q) Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes to the financial statements. Disclosure is not made if the possibility of an outflow of future economic benefits is remote. Contingent assets are neither recognised nor disclosed in the financial statements.

#### (All amounts in ₹ lacs)

#### 3. SHARE CAPITAL

#### 3.1 Authorised

200,000,000 equity shares of ₹ 5/- each

3.2 Issued, subscribed and fully paid up shares

82,562,134 (2011: 82,166,836) equity shares of ₹ 5/- each fully paid-up

3.3 Reconciliation of shares outstanding at the beginning and end of the year:

Mar-12 Mar-11

10,000.00

4,128.11

4,108.34

4,108.34

Particulars:
Equity shares
At the beginning of the year
Issued during the year (Note 3.4)
– preferential allotment
<ul> <li>conversion of optionally convertible warrants</li> </ul>
Increase due to subdivision of shares (Note 3.5)
Issued during the year - ESOP (Note 3.6)

At the end of the year

31 March	2012
Numbers	₹ Lacs
82,166,836	4,108.34
_	_
_	_
_	_
395,298	19.77
82,562,134	4,128.11

31 March 20	)11
Numbers	₹ Lacs
34,914,344	3,491.43
2,000,000 4,000,000	200.00 400.00
40,914,344 338,148	16.91
82,166,836	4,108.34

- 3.4 The Company simultaneously allotted 20,00,000 equity shares to Qualified Institutional Buyers (QIBs) and 40,00,000 equity shares to Promoters pursuant to the conversion of optionally convertible warrants for an aggregate issue price of ₹ 12,980 lacs and ₹ 12,287.20 lacs (₹ 3,071.80 lacs received in 2010 being 25% of total price) respectively. The premium received aggregated ₹ 24,667.20 lacs.
- **3.5** The Board of Directors and shareholders of the Company at their meetings held on October 29, 2010 and December 23, 2010 respectively approved sub division of equity share of ₹10/- each into two equity shares of ₹ 5/- each. The Company fixed January 13, 2011 as the Record Date, for the said sub division and as on date, the equity shares of the company were sub divided.

<b>3.6</b> Shares reserved for issue under options:	Mar-12	Mar-11
Employee Stock Option Plan (ESOP) Options exercised during the year	395,298	338,148
Option Outstanding as at For further details of FSOP schemes, refer Note 35	853,367	1,159,832

**3.7** Details of shareholders holding more than 5% shares as at:

	31 March 2012		31 March 2	2011
Name of the Shareholder	Shares held	Shares held	Shares held	Shares held
	(Nos)	(%)	(Nos)	(%)
Palm Shelter Estate Development Pvt. Ltd.	11,813,300	14.31%	11,813,300	14.38%
Raghukool Estate Development Pvt. Ltd.	8,263,300	10.01%	8,263,300	10.06%
Capstan Trading Pvt. Ltd.	8,129,768	9.85%	8,129,768	9.89%
Casa Maria Properties Pvt. Ltd.	7,913,300	9.58%	7,913,300	9.63%
Anbee Construction Pvt. Ltd.	6,511,762	7.89%	6,511,762	7.93%
Cape Trading Pvt. Ltd.	6,261,040	7.58%	6,261,040	7.62%

#### 3.8 Other disclosures:

The Company has one class of equity shares having a par value of ₹ 5 per share. Each equity shareholder is eligible for one vote per share held. Each equity shareholder is entitled to dividends as and when the Company declares and pays dividend after obtaining shareholders' approval. Dividends are paid in Indian Rupees.

During the year ended 31st March 2012, the amount of per share final dividend recognised as distribution to equity shareholders was ₹ 0.75 per share (2011: ₹ 0.75 per share)



		Mar-12	Mar-11
4.	RESERVES AND SURPLUS		
	Securities Premium Account		
	Balance at beginning of the year	45,637.40	21,068.21
	Add: Received on allotment of shares	318.63	24,954.26
	Less: Utilised for share Issue expenses		385.07
		45,956.03	45,637.40
	General Reserve		
	Balance at beginning of the year	928.33	552.45
	Transferred from Surplus in the Statement of Profit and Loss	321.30	375.88
		1,249.63	928.33
	Surplus in the Statement of Profit and Loss	0.404.05	0.005.40
	Opening Balance	9,131.05	2,685.19
	Add: Profit for the year	6,425.92	7,517.58
	Annonistiano	15,556.97	10,202.77
	Appropriations:  Dividend proposed to be distributed to equity shareholders	619.22	616.26
	<ul> <li>         — ₹ 0.75 per share (2011: ₹ 0.75 per share)     </li> </ul>	019.22	010.20
	Tax on proposed dividend	100.45	79.58
	Transferred to General Reserve	321.30	375.88
		1,040.97	1,071.72
	Closing Balance	14,516.00	9,131.05
	Employees' Stock Options outstanding		
	Balance at beginning of the year	5.10	20.14
	Less: transferred to securities premium on options exercised	5.10	13.09
	Less: options lapsed	_	1.95
			5.10
	Closing balance		5.10
		61,721.66	55,701.88
_	LONG TERM DODDOW(NO.		
5.	LONG TERM BORROWINGS		
	From banks Term Leans (Secured)	7 500 00	2 000 00
	Term Loans (Secured) Less: Current maturities (Note 10)	7,500.00 4,000.00	2,000.00 2,000.00
	Loss. Surface maturities (Note 10)		2,000.00
		3,500.00	

- **5.1** Term Loans are secured by a first pari passu charge on stock, book debts, hypothecation charge on credit card/debit card receivables (Escrow account) and all the movable fixed assets of the Company, both present & future.
- **5.2** Term Loan of ₹ 5,000 Lacs availed from HDFC Bank Ltd. @ 11.80% is repayable in 5 equal monthly installment from 9th December 2012 and term loan of ₹ 2,500 lacs availed from Bank of India @11.75% is repayable on 7th June 2014.

		Mar-12	Mar-11
6.	DEFERRED TAX LIABILITIES/(ASSETS) (NET)		
	Major components are as follows:		
	Deferred tax liability	704.00	400.07
	On fiscal allowances on fixed assets	724.89	126.87
		724.89	126.87
	Deferred tax assets		
	On provision for doubtful debts/advances	111.26	111.26
	On fiscal allowances on expenditure	590.15	340.61
		701.41	451.87
	Deferred tax liabilities (Net)	23.48	_
	Deferred tax asset (Net)	_	(325.00)
7.	LONG TERM PROVISIONS		
	Provisions for employee benefits:		
	For Leave encashment	181.62	140.47
		181.62	140.47
•	QUODE TERM DODDOW/MOO		
8.	SHORT-TERM BORROWINGS	14 406 07	10 540 05
	Loans from banks (secured)  Commercial papers (unsecured)	14,406.87 4,000.00	10,548.95 2,000.00
	(maximum amount outstanding during the year ₹ 8,500 lacs; 2011 : ₹ 6,000 lacs)	4,000.00	2,000.00
	(maximum amount outstanding during the your C 0,000 lates, 2011 : C 0,000 lates)	18,406.87	12,548.95
		=======================================	=======================================
8.1	Loans repayable on demand viz. Cash credit, Working capital loans and Other loans viz.,		
	short term loans and Buyers credit are secured by a first pari passu charge hypothecation		
	charge on credit card/debit card receivables (Escrow account), current assets and all movable fixed assets of the Company both present and future and an exclusive lien on		
	lease deposits.		
9.	TRADE PAYABLES		
	<ul> <li>Micro, Small and Medium enterprises</li> </ul>	_	_
	<ul> <li>Other than Micro, Small and Medium enterprises</li> </ul>	24,622.74	21,656.71
		24,622.74	21,656.71
0 1	There are no Micro, Small and Medium Enterprises, to whom the Company owes		
J. I	dues which are outstanding for more than 45 days during the year. This information as		
	required to be disclosed under the Micro, Small and Medium Enterprise Development		
	Act, 2006 has been determined to the extent such parties have been identified on the		
	basis of information available with the Company.		



	Mar-12	Mar-11
10. OTHER CURRENT LIABILITIES		
Current maturities of long term borrowings: secured (Note 5)	4,000.00	2,000.00
Interest accrued and not due on borrowings	94.07	28.21
Unpaid dividends	0.46	0.37
Other liabilities:		
a) Creditors for capital expenditure	739.32	536.10
b) Liability for gift vouchers/point award redemptions	6,642.21	5,758.23
c) Statutory dues payable	1,172.81	1,211.26
d) Security deposits	169.74	238.30
e) Related parties payables	98.25	98.44
f) Gratuity	41.85	88.84
	12,958.71	9,959.75
11. SHORT TERM PROVISIONS		
Provision for employee benefits:		
For Leave encashment	26.80	29.93
For Proposed equity dividend	619.21	616.25
For Tax on proposed equity dividend	100.45	79.58
	719.66	695.83
	746.46	725.76

12. FIXED ASSETS

								)	(All amounts in ₹ lacs)	in ₹ lacs)
		GROSS	GROSS BLOCK		DEP	RECIATION	DEPRECIATION/AMORTISATION	NOI	NET BLOCK	ТОСК
Description	1 April 2011	Additions	Deductions	31 March 2012	1 April 2011	For the year	Deductions	Deductions 31 March 2012	31 March 2012	31 March 2011
TANGIBLE ASSETS										
Leasehold improvements	15,139.06	6,208.02	12.86	12.86 21,334.22	4,721.08	1,174.35	12.25	5,883.18	5,883.18 15,451.04	10,417.98
Air conditioning and other equipment	13,931.10	3,538.06	19.83	19.83 17,449.33	3,756.25	913.39	30.02	4,639.62	4,639.62 12,809.71	10,174.85
Furniture, fixtures and other fittings	12,573.77	2,374.54	171.11	171.11 14,777.20	5,304.04	669.54	110.70	5,862.88	8.914.32	7,269.73
Office Equipment	888.63	279.34	6.93	1,161.04	489.42	127.58	26.10	590.90	570.14	399.21
Computers	5,285.89	1,535.97	224.81	6,597.05	3,353.51	618.46	225.39	3,746.58	2,850.47	1,932.38
Vehicles	41.58			41.58	17.11	1.82		18.93	22.65	24.47
Total	47,860.03	13,935.93	435.54	61,360.42	17,641.41	3,505.14	404.46	20,742.09	40,618.34	30,218.62
Previous year	43,118.02	8,745.00	4,002.99	47,860.03	16,992.21	2,876.51	2,227.31	17,641.41	30,218.62	
INTANGIBLE ASSETS										
Trademarks	320.02	0.48		320.50	171.56	24.39		195.95	124.55	148.46
Software	2,384.19	334.35		2,718.54	1,537.04	242.71		1,779.75	938.79	847.15
Total	2,704.21	334.83	Ι	3,039.04	1,708.60	267.10		1,975.70	1,063.34	995.61
Previous year	2,647.93	356.37	300.09	2,704.21	1,674.18	223.37	188.95	1,708.60	995.61	

**Note:**Some of the Trademarks are pending for registration with relevant authorities and formalities (including for removal of objections) are under progress.



	Mar-12	Mar-11
13. NON-CURRENT INVESTMENTS		
(Trade, unquoted at cost unless otherwise stated) Investments in equity instruments		
In subsidiary companies:		
Shoppers' Stop Services (India) Limited		
50,000 Equity Shares of ₹ 10/- each Fully Paid	5.00	5.00
Less: Provision for diminution in value of investment	(5.00)	(5.00)
Upasna Trading Limited		
5,000 Equity Shares of ₹ 100/- each Fully Paid	5.00	5.00
Less: Provision for diminution in value of investment	(5.00)	(5.00)
	_	_
Shoppers' Stop.com (India) Limited		
50,000 Equity Shares of ₹ 10/- each Fully Paid	5.00	5.00
Less: Provision for diminution in value of investment	(5.00)	(5.00)
	_	
Gateway Multichannel Retail (India) Limited	5.00	0.55
50,000 (2011:25,500) Equity Shares of ₹ 10/- each Fully Paid	5.00	2.55
Less: Provision for diminution in value of investment	(2.55)	(2.55)
Crossword Bookstores Limited	2.45	_
95,62,500 Equity Shares of ₹ 10/- each Fully Paid	2,505.93	2,505.93
		,
Hypercity Retail (India) Limited 4,84,500 Equity Shares of ₹ 10/- each Fully Paid	67.61	67.61
1,01,000 Equity ordinos of C 10,0 Saori Faily Faila	07.01	07.01
In Joint Venture Companies:		
Timezone Entertainment Private Limited		
119,94,900 Equity Shares of ₹ 10/- each Fully Paid	1,199.49	1,199.49
Nuance Group (India) Private Limited		
364,10,000 Equity Shares of ₹ 10/- each Fully Paid	3,641.00	3,641.00
	•	,
Others:		
Stargaze Properties Private Limited		
1,000 Equity Shares of ₹ 10/- each Fully Paid	0.10	0.10
Retailers Association of India		
10,000 Equity Shares of ₹ 10/- each Fully Paid	1.00	1.00
Retailers Association's Skill Council of India	0.50	_
500 Equity Shares of ₹ 100/- each Fully Paid	0.00	
Aesthetic Realtors Private Limited		
Aestrietic healtors Frivate Liffited  66 Equity Shares of ₹ 10/- each Fully Paid	0.01	0.01
	3.3.	0.51

		Mar-12	Mar-11
13.	NON-CURRENT INVESTMENTS (Contd.)		
	Investments in preference shares		
	In subsidiary companies:		
	Crossword Bookstores Limited	4 000 00	1 000 00
	100,00,000 5.5% Cumulative Reedemable Preference Shares of ₹ 10/- each Fully Paid	1,000.00	1,000.00
	Hypercity Retail (India) Limited		
	1310,70,000 7% Compulsorily Convertible	14,182.20	14,182.20
	Preference Shares of ₹ 10/- each Fully Paid		
	Hypercity Retail (India) Limited		
	58,210,000 7% Cumulative Redeemable	5,821.00	1,122.00
	Preference Shares of ₹ 10/- each Fully Paid		
	(4,69,90,000 Preference Shares acquired during the year)		
		28,421.29	23,719.34
	Aggregate provision for diminution in value of non-current investments	17.55	17.55
14.	LONG TERM LOANS AND ADVANCES		
	(Unsecured, considered good unless otherwise stated)		
	Capital Advances	956.28	1,118.22
	Premises and other deposits	12,629.49	10,675.45
	Deposit towards service tax (Note 30)	1,824.88	
	Advance income-tax (net of provision)	158.57	58.28
	Loans and advances to subsidiary companies  — Considered good	9,140.14	12,790.87
	Considered good     Considered doubtful	2,291.00	2,291.00
	ombiación doubtrai		
	Less: Provision for doubtful loans and advances	11,431.14 2,291.00	15,081.87 2,291.00
	Less. Flovision for doubtful loans and advances		
	I am and advanced a standard and a s	9,140.14	12,790.87
	Loans and advances to other related parties (also refer Note 38)	210.20	225 47
	<ul> <li>Considered good</li> </ul>	319.29	335.47
		25,028.65	24,978.29
15	INVENTABLES		
13.	INVENTORIES (At lower of cost and net realisable value)		
	Stock-in-trade: Retail merchandise	21,204.01	15,113.66
	otock-in-trade. Hetali Historialidise	21,204.01	= 13,113.00



	Mar-12	Mar-11
16. TRADE RECEIVABLES		
(unsecured)		
Debts outstanding for a period exceeding 6 months		
from the date they are due for payment		
Considered good	33.64	29.49
Considered doubtful	12.40	12.40
Other Debts, considered good *	1,883.28	1,571.14
	1,929.32	1,613.03
Less: Provision for doubtful debts	12.40	12.40
	1,916.92	1,600.63
* includes receivable from a subsidiary company on account of transfer of business ₹ 0.53 Lacs (2011 ₹ 639.53 lacs)		
17. CASH AND CASH EQUIVALENTS		
Balance with bank in current accounts	344.97	56.55
Other bank balances:		
Margin money accounts (under lien against bank guarantee)	123.76	25.39
Dividend accounts	0.46	0.37
Cash on hand	245.43	179.87
	714.62	262.18
Of the above, cash and cash equivalents comprise:		
Balance with banks in current accounts	344.97	56.55
Cash on hand	245.43	179.87
	590.40	236.42
18. SHORT TERM LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Advances for goods and rendering of services		
<ul> <li>Considered good</li> </ul>	3,036.26	3,359.10
<ul> <li>Considered doubtful</li> </ul>	393.73	393.73
	3,429.99	3,752.83
Less: Provision for doubtful advances	393.73	393.73
	3,036.26	3,359.10
Advances to employees	99.71	46.46
Prepaid expenses	876.50	489.26
	4,012.47	3,894.82
19. OTHER CURRENT ASSETS		
CENVAT, VAT credit receivable	332.94	261.60
Dividend receivable from a subsidiary company	_	125.72
	332.94	387.32

		Mar-12	Mar-11
	EVENUE FROM OPERATIONS		
	etail Sale of Products	104 276 EE	167 270 06
	vn merchandise (including concession sales) - Gross of tax nsignment merchandise	194,276.55 22,289.34	167,270.86 18,130.30
60	nsignment merchandise		
Lo	ss: Value added tax	216,565.89 10,557.47	185,401.16 8,960.24
	ss: Cost of consignment merchandise	15,771.75	12,965.82
LU	ss. Oust of consignment more namines	190,236.67	163,475.10
Ot	her Retail operating revenue	190,230.07	103,473.10
	cility management fees	836.39	826.36
	come from store displays and sponsorship Income	890.02	606.81
	ect marketing income	955.06	753.71
		2,681.47	2,186.88
			-
		192,918.14	165,661.98
<b>20.1</b> Th	e gross retail volume of business and operations comprise :-		
Ov	vn merchandise	194,276.55	167,270.86
Со	nsignment merchandise	22,289.34	18,130.30
Ot	her Retail operating income	2,681.47	2,186.88
		219,247.36	187,588.04
	THER INCOME		
	vidend from non-current investment (unquoted) in a subsidiary company	<del></del>	125.72
	erest Income from subsidiary companies	1,641.97	642.24
	erest Income from others	23.80	77.97
	offit on sale of fixed assets (net)	117.61	37.22
	mpensation received for loss of business scellaneous income	85.38	62.32
IVII	scenareous income	1,868.76	945.47
		1,000.70	=======================================
22. PL	JRCHASE OF TRADED GOODS		
	rchase of trading goods - retail merchandise	127,039.52	103,712.81
		127,039.52	103,712.81
22.1De	etails of purchase of traded goods		
Ар	parels	69,406.24	57,396.60
No	on-apparels	57,633.28	46,316.21
	IANGES IN INVENTORIES OF STOCK-IN-TRADE		
	ening inventory	15,113.66	14,989.32
	osing inventory	21,204.01	15,113.66
(In	crease)/Decrease	(6,090.35)	(124.34)



	Mar-12	Mar-11
24. EMPLOYEE BENEFITS EXPENSES		
Salaries, allowances and bonus	11,760.82	9,019.75
Contribution to provident and other funds	672.89	608.23
Staff welfare expenses	330.33	270.39
	12,764.04	9,898.37
25. FINANCE COSTS		
	1 720 76	1,160.24
Interest on bank borrowings Interest - others	1,738.76 656.99	1,160.24
Other borrowing costs	17.11	12.95
Bank charges	90.74	91.35
bank ondigos		
	2,503.60	1,453.77
26. OTHER EXPENSES		
Insurance	94.22	89.82
Lease rent and hire Charges (Note 26.1)	17,887.09	15,228.80
Business conducting fees	1,027.70	931.68
Rates and taxes	33.75	52.51
Repairs and maintenance		
<ul> <li>Buildings</li> </ul>	4,008.19	3,299.46
- Others	626.64	589.38
Legal and professional fees (Note 26.2)	696.48	287.67
Housekeeping charges	870.96	626.49
Security charges	1,401.37	994.25
Computer expenses	793.54	714.54
Conveyance and travelling expenses	1,027.75	851.32
Electricity charges	4,804.53	3,665.18
Advertisement and publicity	3,178.01	2,439.93
Sales promotion	1,831.27	1,769.58
Charges on credit card transactions	1,403.60	1,158.63
Packing materials	554.85	667.38
Loss on Sale of Fixed Assets (net)	31.22	27.00
Foreign exchange loss (net) Service tax input credit expensed	27.09	37.06 1.722.14
Service tax input credit expensed  Miscellaneous expenses	2,579.51 2,139.38	1,732.14 2,053.66
Iviisceiiaiieuus expelises		
	45,017.15	37,189.48

	Mar-12	Mar-11
<ul><li>26.1 Leasing Transactions</li><li>a) Operating lease rentals charged to revenue:</li></ul>	10,559.11	10,246.67
b) Variable rentals charged to revenue: Variable rent for certain stores is payable in accordance with the lease agreement as the higher of (a) fixed minimum guarantee amount and (b) revenue share percentage.	7,245.82	4,899.83
c) The future minimum rental payments in respect of non-cancellable lease for premises are as follows:		
Not later than one year Later than one year and not later than five years Later than five years The agreements are executed for periods ranging from 33 to 288 months with a non-cancellable period at the beginning of the agreement ranging from 33 to 108 months and having a renewable clause.	8,992.04 17,520.48 942.67	7,217.73 11,237.03 1,351.99
26.2 Payments to Auditors (excluding service tax):		
i) Audit fees	34.50	28.75
ii) Fees for other services	3.50	18.25
iii) Re-imbursement of expenses	0.80	0.12
	38.80	47.12
27. Current tax is net of tax adjustment of ₹ 35.22 Lacs (2011 : Nil) relating to earlier years.		
28. EARNING PER EQUITY SHARE Calculated as follows:		
a) Profit attributable to equity share holders (₹ In lacs)	6,425.92	7,517.58
b) Weighted Number of equity shares outstanding during the year(Nos)	82,425,678	78,998,136
<ul> <li>Weighted Number of equity shares outstanding during the year after adjustment for dilution(Nos)</li> </ul>	02 002 244	70 017 100
adjustrient for dilution(Nos) d) Nominal value per share (₹)	82,882,344	79,817,199 5
e) EPS:	J	
Basic (₹)	7.80	9.52
Diluted (₹)	7.75	9.42



		(All amou	unts in ₹ lacs)
		Mar-12	Mar-11
. C(	ONTINGENT LIABILITIES AND COMMITMENTS:		
a)	Claims against the Company not acknowledged as debts, comprising of:		
	(i) Income-tax claims disputed by the Company relating to disallowances aggregating	1,068.85	535.91
	(ii) Service tax, Sales tax and other Indirect tax claims disputed by the Company		
	relating to issues of applicability and classification aggregating	1,419.05	33.55
	(iii) Third party claims arising from disputes relating to contracts aggregating	236.19	236.19
b)	Other matters	52.25	52.25
c)	Estimated amount of contracts remaining to be executed on capital account and not provided for	2,427.87	3,194.26
d)	Corporate guarantee given jointly and severally with joint venture partners to banks for loans taken by Joint venture entities	1,338.57	1,338.57
e)	Corporate guarantee given jointly and severally with the promoter group company for loans taken by Hypercity Retail (India) Ltd.	5,000.00	_
f)	Bank Guarantees	324.74	_

**Note:** Future cash outflows in respect of (a) above are determinable only on receipt of judgements/decisions pending with various forums/authorities.

### **30. SERVICE TAX**

29.

Pursuant to levy of service tax on renting of immovable properties given for commercial use, retrospectively with effect from 1 June 2007 by the Finance Act, 2010, the Company has, based on a legal advice, challenged the said levy and, inter-alia, its retrospective application. The Hon'ble Supreme Court has passed an interim order dated 14th October, 2011, with regard to the levy of service tax on immovable properties rented out for commercial use including its retrospective applicability from 1st June, 2007 in compliance of which, the Company has made an aggregate deposit of ₹ 1,824.88 lacs in respect of the liability for such service tax upto 30th September, 2011. From October 2011, the Company is accounting and paying for such service tax regularly as per directives of the Supreme Court.

Pending the final disposal of the matter, the Company continues not to provide for the retrospective levy aggregating ₹ 1,659.56 lacs for the period 1st June, 2007 to 31st March, 2010.

31. The Company has financial involvement in a subsidiary company, namely Hypercity Retail (India) Limited ('Hypercity') as follows:

#### (All amounts in ₹ lacs)

Name of the Company	Investment in Equity and Preference Capital	Loans and Advances	Total Involvement
Hypercity Retail (India) Limited	20,070.81	8,730.68	28,801.49

Hypercity continues to make losses and the accumulated losses of ₹ 36,402.66 lacs as at 31st March, 2012 have substantially eroded its Net worth as at the year end. Hypercity has business plans with strategic growth projections, which it is confident of achieving given the business opportunities in domestic retail and a continued financial support from the Company. Based on these plans, opportunities and business valuation by an independent valuer, the Company considers that there is no loss for which a provision is currently necessary in these financial statements.

32. The Company has financial involvement in two joint venture companies, namely Nuance Group (India) Private Limited and Timezone Entertainment Private Limited, as follows:

(All amounts in ₹ lacs)

Name of the Company	Investment in Equity and Preference Capital	Loans and Advances	Total Involvement
Nuance Group (India) Private Limited	3,641.00	_	3,641.00
Timezone Entertainment Private Limited	1,199.49	200.00	1,399.49

The Net worth of these companies have substantially been eroded as at 31st March, 2012. Based on the business plans of these companies and the business valuation by an independent valuer, no provision for any loss is currently considered necessary in these financial statements.

#### 33. SEGMENT REPORTING

The Company is primarily engaged in the business of retail trade through retail and departmental store facilities, which in the terms of Accounting Standard 17 on 'Segment Reporting', constitutes a single reporting segment.

#### 34. DERIVATIVES

a) The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency exposures relating to the underlying transactions and firm commitments. The company does not enter into any derivative instruments for trading and speculative purposes.

The following are the outstanding Forward Exchange Contracts entered into by the Company as at 31 March 2012.

### (All amounts in ₹ lacs)

Particulars	31 March 2012		
Number of Contracts	_	2	
Туре	_	Buy	
Foreign currency (in lacs)	_	2.08 USD	
INR Equivalent (in lacs)	_	104.36	

31 Ma	rch 2011
3	1
Buy	Buy
6.38 GBP	0.06 USD
469.87	2.84

### b) Unhedged Foreign Currency exposure

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

Particulars	31 March 2012		
	₹ In lacs	In Foreign currency	
Payable for purchase of Merchandise	242.15 —	GBP 2,92,128 —	
Payable towards Royalty	45.59 12.46	USD 89,992 GBP 15,034	

31 March 2011			
₹ In lacs	In Foreign currency		
37.65	GBP 49,886		
77.33	USD 1,72,706		
36.36	USD 81,110		
22.55	GBP 31,061		



### 35. ESOP schemes

a)

Number of Employee Stock Option Outstanding:	Number Option
Outstanding at the beginning of the year	1,
Granted during the year	
Lapsed/Cancelled during the year	
Exercised during the year	
Surrendered during the year	
Outstanding at the end of the year	

Number of Options	Weighted average exercise price	
31 Marc	ch 2012	
1,159,832	101.78	
189,382	336.00	
100,549	_	
395,298	84.44	
_	_	
853,367	154.91	

Weighted average exercise price
ch 2011
99.32
_
_
85.97
101.78

Details of yearwise grant and exercise:

Year / (date of Grant)	Options granted (net of lapsed)	Exercised till 31.03.2011	Exercised in 2011-12	Exercised till 31.03.2012	Outstanding 31.03.2012
2005-06 (28-12-2005)	112,328	89,630	22,698	112,328	_
2009-10 (29-04-2009)	962,740	253,560	309,900	563,460	399,280
2009-10 (24-03-2010)	367,900	13,200	62,700	75,900	292,000
2011-12 (29-04-2011)	162,087	_	_	_	162,087
			395,298		853,367

### b) New Schemes Launched

The compensation cost of stock options granted to employees is calculated using the instrinsic value of the stock options.

	2011-12	2
Date of grant	29.04.2011	_
Number of option granted	189382	_
Contractual life	6 years	_
Vesting Schedule (from the date of grant)		
First Year	30%	—
Second Year	30%	_
Third Year	40%	_
Method of settlement	Equity	_
Estimated Fair Values (Arrived at by applying Black Scholes Option		
Pricing Model) ₹ Model inputs (share price at the	152.39	_
grant date) ₹	333.85	_
Exercise Price ₹	336.00	_
Expected Volatility	52.34%	_
Risk free rate of return	8.26%	_

2010-11		
	_	
_	_	
_	_	
_	_	
_	_	
_	_	
_	_	
_	_	
_	_	
_	_	
_	_	
_	_	

- **c)** The weighted average contractual life of the options outstanding is 3.85 years.
- Other information regarding employee share-based payment plans is as below:-
  - Expense arising from employee share based payment plans
  - (ii) Impact on PAT if fair value method had been used instead of Intrinsic Value Method
  - (iii) EPS if fair value method have been used instead of Intrinsic Value Method (₹)
    - Basic
    - Dilluted
  - (iv) ESOP Outstanding

Opening Balance

Less: Transfer to securities premium on exercise of options

Less: Options lapsed during the year

31 March 2012	31 March 2011
_	_
(233.07)	256.93
7.51	9.84
7.47	9.74
_	_
5.10	20.14
(5.10)	(13.09)
_	(1.95)
0.00	5.10



(All amounts in ₹ lacs, unless otherwise stated)

<b>EMPLOYE</b>	BENEFITS	31 March 2012	31 March 2011
Post-empl	pyment benefits		
Defined cor	tribution plans		
Company's	contribution to Provident Fund	597.06	432.78
Defined bo	nefit scheme-Gratuity (Funded)		
-	onent of Employer Expense		
	Service Cost	80.46	85.65
Interes		33.75	19.71
	ed Return on Plan assets	(26.70)	(21.15)
Actuar	al Losses	(16.76)	94.57
		70.75	178.78
II. Chang	e in Defined Benefit Obligations (DBO)		
Preser	t Value of DBO at the Beginning of Period	421.82	262.51
Curren	t Service Cost	80.46	85.65
Interes	t Cost	33.75	19.71
Actuar	al Losses	(8.42)	97.86
Benefi	s paid/transferred	(29.95)	(43.91)
Preser	t Value of DBO at the End of Period	497.66	421.82
III. Chanç	e in Fair Value of Assets		
Plan A	ssets at the Beginning of Period	332.98	262.51
Expect	ed Return on Plan Assets	26.70	21.15
Actuar	al Gains/(Losses)	8.34	3.29
Actual	Company Contribution	117.74	89.94
Benefi	s paid/transferred	(29.95)	(43.91)
Plan A	ssets at the End of Period	455.81	332.98
IV. Net A	sset/(Liability) Recognised in Balance Sheet		
Preser	t Value of Defined Benefit Obligation	497.66	421.82
Fair Va	ue of Plan Assets	455.81	332.98
Status	[Surplus/(Deficit)]	(41.85)	(88.84)
Unreco	gnised Past Service Cost	_	_
	set/(Liability) Recognised in Balance Sheet	(41.85)	(88.84)
	rial assumptions		
	nt Rate	8.50% p.a.	8.00% p.a
1	ed Return on Plan Assets	8.60% p.a.	8.00% p.a
	increase in salaries	4.00% p.a.	4.00% p.a
Rate o	Attrition	8.50% p.a.	13.76% p.a.

# VI. Net Asset/(Liability) recognised in Balance Sheet (including experience adjustment impact)

	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Present Value of the Defined Benefit Obligation	497.66	421.82	262.51	280.43
Fair Value of the Plan Assets	455.81	332.98	262.51	280.43
Surplus/(Deficit) in the Plan	(41.85)	(88.84)	_	_
Experience Adjustments arising on Plan				
Liabilities – Losses/(Gains)	(63.86)	108.69	(49.45)	(0.44)
Experience Adjustments arising on Plan				
Assets - Gains/(Losses)	8.35	3.29	(16.45)	(15.81)

The company expects to contribute ₹ 133.75 lacs to its Gratuity plan for the next year.

In assessing the Company's Post Retirement Liabilities, the Company monitors mortality assumptions and uses up-to-date mortality tables. The base being the LIC 1994-96 ultimate tables.

Expected return on plan assets is based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The gratuity benefit scheme of the Company is managed by Life Insurance Corporation of India (LIC). The Company is currently awaiting the details of the composition of the plan assets, by category, from the LIC for the current and the previous years and hence the disclosures as required by Accounting Standard (AS) 15 on Employee Benefits have not been given.

### **37. INTEREST IN JOINT VENTURES:**

The Company's interests, as a venturer, in a jointly controlled entities are as follows:

Name	Principal Activities	Proportion of ownership Interest 31 March 2012 and 31 March 2011
Nuance Group (India) Private Limited	Airport retailing	50%
Timezone Entertainment Private Limited	Entertainment	33.66% (2011; 46.89%)

The Company's share in the assets, liabilities, income and expenses (each without elimination of inter company transactions) related to its interest in the joint ventures are:

			31 March 2012	31 March 2011
I.	AS	SETS		
	No	n-Current Assets		
	a)	Fixed Assets including capital work in progress (Net)	1,234.74	1,146.92
	b)	Long term loans and advances	506.76	881.02
	c)	Other non-current assets	497.02	12.53
	Cui	rrent Assets		
	a)	Inventories	657.18	665.20
	b)	Trade receivables	94.42	105.57
	c)	Cash and cash equivalents	348.84	442.26
	d)	Short term loans and advances	96.49	676.89
	e)	Other current assets	3.10	1.70
II.	LIA	BILITIES		
	No	n-Current Liabilities		
	Lon	g term borrowings	66.58	853.25
	0th	er long term liabilities	40.54	65.22
	Lon	g term provisions	8.82	1.70
	Cui	rrent Liabilities		
	Sho	ort term borrowings	342.32	101.23
	Trac	de payables	1,080.71	40.03
	0th	er current liabilities	326.25	1,636.67
	Sho	ort term provisions	3.48	6.04
III.	INC	COME		
	Rev	renue from operations	4,605.43	4,410.33
IV.	EXI	PENSES		
	Оре	erational expenses	4,180.05	4,324.89
	Fina	ance costs	73.50	219.77
	Dep	preciation/Amortisation	350.18	439.14
	Pro	vision for taxation	_	_
V.	CO	NTINGENT LIABILITIES	657.32	439.90

**Note:** The company's share in the assets, liabilities, income and expenses in Nuance Group (India) Private Limited is based on the audited financials for the year ended 31 December 2011.



(All amounts in ₹ lacs, unless otherwise stated)

### **38. RELATED PARTY DISCLOSURES:**

Following are the material transactions with related parties:

Nature	Subsidiaries	Companies under common control/ significant influence (refer (c) below)	Joint Ventures	Key Management Personnel	Total
Purchase of Assets	_	_	_	_	_
	(0.47)	_	_	_	(0.47)
Purchase of Merchandise	252.21	_	_	<del>-</del>	252.21
Crossword Bookstores Limited	252.21	_	_	_	_
	()	()	(—)	()	()
Sale of Merchandise	252.46	_	_	_	252.46
Crossword Bookstores Limited	252.46		_		
	(11.49)	()	(38.12)	()	(49.61)
Payment of conducting fees/Lease Rent/ Common Area Maintenance Charges	116.99	4,272.22	_	_	4,389.21
Ivory Properties and Hotels Private Limited	_	1,300.16	_		_
Inorbit Malls (India) Private Limited	110.00	2,003.54	_		_
Hypercity Retail (India) Limited	116.99		_	_	
Trion Properties Private Limited	(C2 OE)	968.52			
Expenses Paid	(62.95)	(4,165.08)	()	()	(4,228.03)
Expenses Paid	(122 50)	(0.46)			(122 DE)
Dividend Received	(123.59)	(8.46)	()	()	(132.05)
Crossword Bookstores Limited		_	_	_	_
Grossword Bookstores Limited	(125.72)	( <del></del> )	(—)	(—)	(125.72)
Transfer of Business	(120.72)			\	(120.72)
Crossword Bookstores Limited	_		_		_
	(2,639.53)	()	(—)	()	(2,639.53)
Interest Received	1,618.18		23.79		1,641.97
Crossword Bookstores Limited	21.49	_	_	_	<i>'</i> —
Hypercity Retail (India) Limited	1,596.70	_	_	_	_
Timezone Entertainment Pvt. Ltd.	_	_	23.79	_	_
	(619.75)	()	(22.48)	()	(642.23)
Interest Expenses	_	_	_	_	
Crossword Bookstores Limited	_	_	_	_	_
Ivory Properties and Hotels Private Limited	_	_	_	_	_
	(127.85)	()	()	()	(127.85)
Deposits Paid	_	35.48	_	_	35.48
Trion Properties Private Limited	_	35.48	_	_	_
Inorbit Malls (India) Private Limited	_	_	_	_	_
, ,	(36.40)	(121.55)	()	()	(157.95)
Reimbursement of Expenses	(7.05)	——————————————————————————————————————	<u> </u>		(EE2 00)
Expenses paid	(7.65)	(531.94)	(13.37)	( <del></del> )	(552.96)
TAPONOOO PANA	(1.19)		()	<u> </u>	(1.19)

# (All amounts in ₹ lacs, unless otherwise stated)

Nature	Subsidiaries	Companies under common control/ significant influence (refer (c) below)	Joint Ventures	Key Management Personnel	Total
Expenses recovered	2.61	_	10.27	_	12.88
Hypercity Retail (India) Limited	2.61	_			_
Nuance Group (India) Private Limited			10.27	<del></del> ,	-
	(0.71)	()	(21.22)	()	(21.93)
Investments made	4,701.45	_	_	_	4,701.45
Hypercity Retail (India) Limited — Preference Shares	4,699.00	_	_	_	_
Gateway Multi Channel Retail (India) Limited (shares sold by Hypercity Retail (India) Limited)	2.45	_	_	_	_
Elimeday	(11,361.32)	(—)	(390.57)	()	(11,751.89)
Deposit received back			`		' -
K.Raheja IT Park (Hyderabad) Private Limited		_	_		_
	()	(36.14)	(—)	()	(36.14)
Loan Given	11,340.00	_	_	_	11,340.00
Crossword Bookstores Limited	1,040.00	_	_	_	
Hypercity Retail (India) Limited	10,300.00	_	_	_	_
	(16,600.00)	()	()	()	(16,600.00)
Loan Received	_	_	_	_	_
	(1,980.00)	()	()	()	(1,980.00)
Loan repaid		_	_		_
	(3,480.00)	()	()	()	(3,480.00)
Recovery of Loan	14,793.00	_	_	_	14,793.00
Crossword Bookstores Limited	615.00				
Hypercity Retail (India) Limited	14,178.00	_	_	_	_
	(8,242.60)	()	()	()	(8,242.60)
Issue of Shares		_			_
	()	(12,287.20)	(—)	()	(12,287.20)
Remuneration to Directors	_	_	_	310.70	310.70
Govind Shrikhande	, ,	, ,	, ,	310.70	(000 74)
	()	()	()	(369.71)	(369.71)
Commission and Sitting fees to Non Executive Directors		_	_	27.00	27.00
Chandru L. Raheja				0.60	
Ravi C. Raheja				0.80	
Neel C. Raheja				0.80	
B. S. Nagesh				3.80	
Gulu L. Mirchandani				3.60	
Shahzaad S. Dalal				3.40	
Nitin Sanghavi				3.80	
Deepak Ghaisas				6.60	
Nirvik Singh				3.60	
-	()	()	()	(28.80)	(28.80)



Balance outstanding at the year end Payable		
Upasna Trading Limited	98.25	
	(98.44)	Cr.
Receivables	, ,	
Shoppers Stop Services (India) Limited	0.68	
	(0.02)	Dr.
Shoppers Stop.Com (India) Limited	0.29	
	(2.02)	Dr.
Hypercity Retail (India) Limited	8,852.95	
	(12,761.15)	Dr.
Ivory Properties and Hotels Private Limited	958.51	
	(1,010.33)	Dr.
Inorbit Malls (India) Private Limited	581.80	
	(640.54)	Dr.
Gateway Multi-channel Retail (India) Limited	•	
T	(2,290.97)	Dr.
Timezone Entertainment Private Limited	200.00	_
N 0 // !: \ D:	(201.68)	Dr.
Nuance Group (India) Private Limited	119.29	ρ
Trian Proportion Private Limited	(133.79) 444.12	Dr.
Trion Properties Private Limited	(337.95)	Dr.
Crossword Bookstores Limited	406.54	DI.
OTOSSWOTA DOOKSTOLES FILLINGA	(864.84)	Dr.
	(40.7.04)	υ1.

The figure in bracket pertain to previous year.

### N

Na	Names of related parties and description of relationship:							
a)	Subsidiaries	Upasna Trading Limited, Shoppers Stop.com (India) Limited, Shoppers Stop Services (India) Limited, Crossword Bookstores Limited. Gateway Multichannel Retail (India) Limited. Hypercity Retail (India) Limited. (w.e.f. 30 June 2010)						
b)	Promoter directors having control/significant influence over companies stated in (c) below	C. L. Raheja, Ravi C. Rah	,					
c)	Companies in which the persons stated in (b) above have control/significant influence	Ivory Properties and Hotels Private Limited, K. Raheja Corp. Private Limited K. Raheja Private Limited, Inorbit Malls (India) Private Limited Avacado Properties and Trading India Private Limited, K. Raheja IT Park (Hyderabad) Private Limited Trion Properties Private Limited,						
d)	Joint Ventures	Nuance Group (India) Pr	ivate Limited					
e)	Key Management Personnel	Executive Director:	Govind Shrikhande					
		Non-Executive Directors	s: Chandru L. Raheja					
			Ravi Raheja					
			Neel Raheja					
			B. S. Nagesh					
			Gulu L. Mirchandani					
			Shahzaad Dalal					
			Nitin Sanghavi					

Deepak Ghaisas Nirvik Singh

	M	r-12	Mar-	11
39. Additional notes				
a) Value of Imports on CIF Basis:				
Computer software and hardware		_	93.9	90
Capital Goods	18	5.17	325.	52
Purchase of Merchandise	3,10	0.55	3,909.3	31
	3,3	5.72	4,328.	73
b) Expenditure in foreign currency:				
Consultancy		1.07	91.3	36
Professional fees		3.24	91.0	63
Royalty		5.59	175.8	88
Commission paid to Directors		6.00	4.0	00
Sitting fees paid to a director		1.20	1.3	20
Others	1!	0.62	122.3	39
	3	7.72	486.4	47
c) Earnings in foreign exchange:				
Foreign currency and foreign credit card collection on sale of merchandise	4,70	7.40	4,487.	10
	4,70	7.40	4,487.	10

- **40.** On account of termination of the franchisee agreement with Crossword Bookstores Ltd. (CBL), a wholly owned subsidiary of the Company, the operations of "Crossword" were handed over to Crossword Bookstores Limited with effect from October 1, 2010. Accordingly, figures for the previous year are not comparable with those of the current year.
- **41.** The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification/disclosure.



2						
Country	India	India	India	India	India	India
Proposed Dividend including Dividend distribution tax						
Profit/ (Loss) After Taxation	(225.02)	(0.35)	3.36	(0.00)	(0.11)	(8,863.87)
Provision for Taxation	(137.82)	I	l	00.00		
Profit/(Loss) Before Taxation	(362.84)	(0.35)	3.36	0.00	(0.11)	(8,863.87)
Turnover/ Total Income	9,375.10	0.54	4.33	0.31	0.17	72,512.04
Investments	I	l				
Total Liabilities**	6,396.47	170.39	12.95	9.51	2.21	33,048.21
Total Assets*	6,396.47	170.39	12.95	9.51	2.21	33,048.21
Reserves	1,162.95	17.76	I	3.64	(3.24)	37,208.93 (36,402.66)
Share Capital	1,956.25	5.00	5.00	5.00	5.00	37,208.93
Reporting Curency	NR R	NR R	INR	INR	N N	Z.
Name of Subsidiary Company	Crossword Bookstores Limited	Upasna Trading Limited	Gateway Multichannel Retail (India) Limited	Shoppers Stop Services (India) Limited	Shoppers Stop.com (India) Limited	Hypercity Retail (India) Limited
Sr. No.	<b>—</b>	2	co.	4	വ	9

\* Total Assets = Non Current Assets + Current Assets

STATEMENT REGARDING SUBSIDIARY COMPANIES

<sup>\*\*</sup> Total Liabilities = Shareholder's Fund + Share Application money pending allotment+ Non Current Liabilities + Current Liabilities

# SHOPPERS STOP

**Shoppers Stop Limited Consolidated Financial Statements** 2011-12



Auditors' Report Shoppers Stop Ltd.

To,

The Board of Directors of Shoppers Stop Limited

- 1. We have audited the attached Consolidated Balance Sheet of Shoppers Stop Limited ("the Company") and its subsidiaries and joint venture companies ("the Group") as at 31 March 2012, and also the Consolidated statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date, both annexed thereto. The Consolidated 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 Consolidated Financial Statements based on our audit.
- 2. We conducted our audit in accordance with the 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 the 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 did not audit the financial statements of certain subsidiaries and a joint venture whose financial statements reflect the Group's share of total assets of ₹ 6,827 lacs as at 31 March 2012, and the Group's share of total revenues of ₹ 10,925 lacs for the year ended on that date, and net cash outflows amounting to ₹ 204 lacs for the year ended on that date as considered in the Consolidated Financial Statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries and the joint venture, is based solely on the reports of the other auditors.
- 4. Without qualifying our opinion, attention is invited to Note 31 to the Consolidated Financial Statements regarding non-provision of service tax for the period 1 June 2007 to 31 March 2010, on renting of immoveable properties given for commercial use, aggregating ₹ 2,010.90 lacs, pending final disposal of the appeal filed before the Hon'ble Supreme Court, inter-alia, challenging the retrospective levy of the service tax. The matter is contingent upon the final outcome of the litigation.
- 5. We report that the Consolidated Financial Statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements and Accounting Standard 27, Financial Reporting of Interests in Joint Ventures as notified under the Companies (Accounting Standards) Rules, 2006.
- 6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, in our opinion and to the best of our information and according to the explanations given to us, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March, 2012;
  - (ii) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
  - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

#### For Deloitte Haskins & Sells

Chartered Accountants (Registration No. 117366W)

### Shyamak R. Tata

Partner

(Membership No. 38320)

Place: Mumbai Date: 30 April, 2012



EQUITY AND LIABILITIES	Notes	Mar-12	Mar-11
SHAREHOLDERS' FUNDS			
Share capital	3	4,128.11	4,108.34
Reserves and surplus	4	47,476.54	45,981.25
		51,604.65	50,089.59
MINORITY INTEREST		394.98	223.55
NON-CURRENT LIABILITIES			
Long-term borrowings	5	9,441.57	3,296.04
Deferred tax liabilities (net)	6	23.48	132.00
Other long-term liabilities	7	80.82	90.44
Long-term provisions	8	191.34	85.31
CURRENT LIABILITIES		9,737.21	3,603.79
CURRENT LIABILITIES Short-term borrowings	9	28,828.69	18,438.54
Trade payables	10	33,332.64	27,140.23
Other current liabilities	11	15,809.69	15,770.87
Short-term provisions	12	807.08	999.00
		78,778.10	62,348.64
		140,514.94	116,265.57
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Tangible assets	13	59,815.75	47,286.15
Intangible assets Capital work-in-progress	13	1,792.21 3,183.97	1,454.32 4,023.69
Intangible assets under development		3,163.97 21.49	269.49
intangible assets under development		64,813.42	53,033.65
Goodwill on consolidation		9,873.82	9,914.25
Non-current investments	14	1.61	1.11
Deferred Tax Assets (net)	15	2.53	325.00
Long-term loans and advances	16	21,534.46	17,512.39
Other non-current assets	17	163.04	
OURDENT AGGETG		96,388.88	80,786.40
CURRENT ASSETS Inventories	18	33,113.41	25,054.67
Trade Receivables	19	2,582.72	2,140.87
Cash and cash equivalents	20	1,501.70	1,823.73
Short -term loans and advances	21	5,837.13	5,242.45
Other current assets	22	1,091.10	1,217.45
		44,126.06	35,479.17
		140,514.94	116,265.57
The accompanying Notes 1 to 40 are an integral part of the financial sta	tements.	- 10,011101	1.13,200.01

In terms of our report of even date.

**For Deloitte Haskins & Sells** Chartered Accountants

Shyamak R. Tata

Partner

Mumbai, Dated: 30 April, 2012

For and on behalf of the Board of Directors

**C. L. Raheja**Chairman

Ravi Raheja
Director

Sanjay Chakravarti

Customer Care Associate & Chief Financial Officer Mumbai, Dated: 30 April, 2012

Govind S. Shrikhande

Customer Care Associate & Managing Director

**Prashant Mehta** 

		Notes	Mar-12	Mar-11
A.	CONTINUING OPERATIONS			
	INCOME  Revenue from operations Other income Total revenue	23 24	278,768.90 716.52 279,485.42	217,573.46 510.17 218,083.63
	EXPENDITURE  Purchase of stock-in-trade Changes in Inventories of stock-in-trade - (increase)/decrease Employee benefits expenses Finance costs Depreciation and amortisation expenses Other expenses Total expenses	25 26 27 28 13 29	192,669.67 (8,065.04) 19,966.57 4,221.11 6,093.42 63,827.97 278,713.70	151,161.71 (9,133.52) 13,990.89 2,952.83 4,689.44 48,659.48 212,320.83
	PROFIT FROM CONTINUING OPERATIONS BEFORE TAX Tax expenses (LOSS)/PROFIT FROM CONTINUING OPERATIONS	32	771.72 3,216.96 (2,445.24)	5,762.80 3,887.65 1,875.15
В.	DISCONTINUING OPERATIONS PROFIT/(LOSS) FROM DISCONTINUING OPERATIONS BEFORE TAX	38	3.37	(54.25)
	Tax expenses		_	
	PROFIT/(LOSS) FROM DISCONTINUING OPERATIONS		3.37	(54.25)
C.	TOTAL OPERATIONS (LOSS)/PROFIT FOR THE YEAR Minority Interest - Share of loss		(2,441.87) 4,343.30	1,820.90 2,498.67
	PROFIT FOR THE YEAR		1,901.43	4,319.57
EA	RNINGS PER EQUITY SHARE Equity shares of face value ₹ 5 each Basic (₹) Diluted (₹)	33	2.31 2.29	5.47 5.41

The accompanying Notes 1 to 40 are an integral part of the financial statements.

In terms of our report of even date.

For Deloitte Haskins & Sells

**Chartered Accountants** 

Shyamak R. Tata

Partner

Mumbai, Dated: 30 April, 2012

For and on behalf of the Board of Directors

C. L. Raheja Chairman **Ravi Raheja** Director

Sanjay Chakravarti

Customer Care Associate & Chief Financial Officer Mumbai, Dated: 30 April, 2012

**Govind S. Shrikhande** 

Customer Care Associate & Managing Director

**Prashant Mehta** 



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Cook flours from energing activities	Mar-12	Mar-11
Cash flows from operating activities	775.00	F 700 FF
Net profit before tax Adjustments for:	775.09	5,708.55
Depreciation, Amortisation	6,093.42	4,689.44
Finance costs	4,221.11	2,952.90
Gain on account of stake dilution in a joint venture	(216.49)	2,502.50
Loss on sale of fixed assets	62.89	54.25
Provision for advances/doubtful debts	(9.74)	14.00
Interest income	(77.20)	(240.72)
Operating Profit before working capital changes	10,849.07	13,178.42
Trade receivables and short-term loans and advances	(1,625.38)	5,034.04
Lease deposits (net)	(2,017.45)	(1,239.73)
Deposit towards Service Tax	(2,145.94)	
Inventories	(8,058.74)	(2,908.16)
Long-term/short-term provisions	(85.89)	294.11
Trade payables and other long-term / current liabilities	5,810.08	2,517.26
Cash generated from operations	2,725.75	16,875.94
Income taxes paid (net of refunds)	(3,252.37)	(3,089.16)
Net cash (used in)/from operating activities	(526.62)	13,786.78
Cash flow from investing activities		
Purchase of fixed assets	(17,484.81)	(14,487.53)
Sale of fixed assets	167.29	724.99
Purchase of interest in a subsidiary	(2.45)	(7,842.32)
Purchase of other investment	(0.50)	_
Interest received	80.17	237.40
Net cash used in investing activities	(17,240.30)	(21,367.46)
Cash flows from financing activities		
Issue of share capital	19.77	616.91
Securities premium on Issue of shares capital	318.63	21,484.30
Issue of share capital to minority shareholders	4,514.73	
Dividend and dividend tax paid	(716.23)	(610.71)
Proceeds from long-term borrowings	14,000.00	2,000.00
Repayment of long-term borrowings	(7,121.14)	(17,698.15)
Short-term loans (net)	10,390.15	3,116.10
Finance costs paid  Net cash from financing activities	<u>(4,209.71)</u> 17,196.20	<u>(2,952.90)</u> 5,955.55
-		
Net Decrease in cash and cash equivalents	(570.72)	(1,625.13)
Cash and cash equivalents as at beginning of the year	1,590.15	725.08
Cash and cash equivalents on acquisition of subsidiary	1 010 42	2,490.20
Cash and cash equivalents as at the end of the year	1,019.43	1,590.13
Note:		
Cash and Cash Equivalents as per Balance sheet (note 20)	1,501.70	1,823.73
Less: Balance under lien / earmarked with banks	482.27	233.58
Cash and Cash Equivalent as reported above	1,019.43	1,590.15
The accompanying Notes 1 to 40 are an integral part of the financial statements.		

In terms of our report of even date.

For and on behalf of the Board of Directors

Ravi Raheja

Director

For Deloitte Haskins & Sells

**Chartered Accountants** 

Shyamak R. Tata

Partner

Mumbai, Dated: 30 April, 2012

Sanjay Chakravarti Customer Care Associate &

C. L. Raheja

Chairman

Chief Financial Officer
Mumbai, Dated: 30 April, 2012

**Govind S. Shrikhande** 

Customer Care Associate & Managing Director

**Prashant Mehta** 

#### 1. COMPANY BACKGROUND

Shoppers Stop Limited ('SSL' or 'the Company') was incorporated on 16 June 1997. The Company is engaged in the business of retailing a variety of household and consumer products and books through departmental stores. As at 31 March 2012, the Company operated through 51 such departmental stores located in different cities of India. The Company has six subsidiaries which along with the Company constitute the Group (Refer Note 39).

#### 2. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of preparation of financial statements

The consolidated financial statements have been prepared in accordance with the Generally Accepted Accounting Princiaples in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepried on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

### b) Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

### c) Fixed assets and depreciation

#### **Tangible assets**

Fixed assets are stated at their original cost of acquisition less accumulated depreciation and impairment losses. Cost comprises of all cost incurred to bring the assets to their location and working condition and includes all expenses incurred up to the date of launching new stores to the extent they are attributable to the new store.

Depreciation is provided, pro rata for the period of use, by the straight line method (SLM), based on management's estimate of useful lives of the fixed assets, or at the SLM rates prescribed in Schedule XIV to the Act whichever is higher, at the following annual rates:

	(%)
Air conditioning and other equipment	5.00-33.00
Furniture, fixtures and other fittings	6.33–20.00
Computers	16.21–33.33
Vehicles	9.50-20.00
Leasehold Improvements	5.82-20.00

### Intangible assets

Intangible assets are stated at their cost of acquisition, less accumulated amortisation and impairment losses. An intangible asset is recognised, where it is probable that the future economic benefits attributable to the asset will flow to the enterprise and where its cost can be reliably measured. The depreciable amount of intangible assets is allocated over the best estimate of its useful life on a straight-line basis.

Trademarks, patents and computer software are amortised uniformly over a period of 10 and 6 years respectively.

Copyrights and acquired Goodwill are amortised uniformly over a period of 10 years.

### Impairment of assets

An asset is considered as impaired in accordance with Accounting Standard 28 on Impairment of Assets when at the balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the asset's net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss in the Statement of Profit and Loss.



#### d) Investments

Long-term investments are stated at cost. Where applicable, provision is made to recognise a decline, other than temporary, in the value of non-current Investments.

### e) Revenue recognition

#### Sale of products:

Revenue is recognised when it is earned and no significant uncertainty exists as to its realisation or collection.

Retail sales are recognised on delivery of the merchandise to the customer, when the property in goods and significant risks and rewards are transferred for a price and no effective ownership control is retained.

The property in the merchandise of third party concession stores located within the main departmental store of the Company passes to the Company once a customer decides to purchase an item from the concession store. The Company in turn sells the item to the customer and is accordingly included under Retail Sales.

The property in the merchandise of third party consignment stock does not pass to the Company. Since, however, the sale of such stock forms a part of the activities of the Company's departmental stores, the gross sales values and cost of the merchandise are disclosed separately and form part of total Retail Turnover in the Statement of Profit and Loss.

Sales are net of discounts. Value Added Tax and Sales Tax are reduced from Retail Revenue.

In respect of gift vouchers and point award schemes operated by the Company, sales are recognised when the gift vouchers or points are redeemed and the merchandise is sold to the customer.

#### Other retail operating revenue:

Revenue from store displays and sponsorships are recognised based on the period for which the products or the sponsors' advertisements are promoted/displayed. Facility management fees are recognised pro-rata over the period of the contract.

Franchise income is recognised in accordance with the rates specified in the franchise agreements and is based on the sales recorded by the franchisees for the year.

### f) Income from Investments and Loans

Interest income is recognised on time proportion basis. Dividend income is recognised when right to receive payment is established.

#### q) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present condition and location. Cost is determined by the weighted average cost method.

Merchandise received under consignment and concessionaire arrangements belong to the consignors/concessionaires and are therefore excluded from the Company's inventories.

Option inventories comprises of right to acquire flats in a structure to be constructed by the other party, which right is freely marketable/transferable after a stipulated period. The same is valued at lower of cost and net realisable value.

### h) Employee benefits

Compensation to employees for services rendered is measured and accounted for in accordance with Accounting Standard 15 on Employee Benefits.

Employee Benefits such as salaries, allowances, non-monetary benefits and employee benefits under defined contribution plans such as provident and other funds, which fall due for payment within a period of twelve months after rendering service, are charged as expense to the profit and loss account in the period in which the service is rendered.

Employee Benefits under defined benefit plans and other long term employee benefits such as gratuity and compensated absences which fall due for payment after completion of employment or after a period of twelve months from rendering service, are measured by the projected unit credit method, on the basis of actuarial valuations carried out by third party actuaries at each balance sheet date. The company's obligations recognised in the balance sheet represent the present value of obligations as reduced by the fair value of plan assets, where applicable.

Actuarial Gains and losses are recognised immediately in the Statement of Profit and Loss.

Shoppers Stop Ltd.

## i) Operating Leases

Operating Lease payments are recognised as an expense in the Statment of Profit and Loss on a straight-line basis or other bases more representative of the time pattern of the user's benefit.

## j) Borrowing costs

Borrowing costs attributable to the acquisition or construction of qualifying assets, as defined in Accounting Standard 16 on Borrowing Costs, are capitalised as part of the cost of acquisition. Other borrowing costs are expensed as incurred.

## k) Foreign currency transactions

Transactions in foreign currencies are accounted at the prevailing rates of exchange on the date of transaction.

Monetary items denominated in foreign currencies, are restated at the prevailing rates of exchange at the Balance Sheet date. All gains and losses arising out of fluctuations in exchange rates are accounted for in the Statement of Profit and Loss.

Exchange differences on forward exchange contracts, entered into for hedging foreign exchange fluctuation risk in respect of an existing asset/liability, are recognised in the Statement of Profit and Loss in the reporting period in which the exchange rate changes. Premium/Discount on forward exchange contracts are treated as an expense / income over the life of the contract.

## I) Income-Tax

Income taxes are accounted for in accordance with Accounting Standard 22 on Accounting for Taxes on Income. Taxes comprise both current and deferred tax.

Provision for current tax is made taking into account admissible allowances, disallowances under the provisions of Income-Tax Act, 1961, using the applicable tax rates.

Deferred tax resulting from the timing differences between taxable income and accounting income is accounted using applicable tax rates and laws, enacted or substantively enacted as at the Balance Sheet.

The deferred tax asset is recognised and carried forward only to the extent that there is reasonable/virtual certainty that the asset will be realised in future.

## m) Stock based compensation

The compensation cost of stock options granted to employees is calculated using the intrinsic value of the stock options. The compensation expense is amortised uniformly over the vesting period of the option.

## n) Earnings per share

Basic and diluted Earnings Per Share (EPS) is reported in accordance with Accounting Standard 20 on Earnings Per Share. Basic EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

#### o) Cash Flow Statement

The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the Company. Cash and cash equivalents presented in the Cash Flow Statement consist of cash-on-hand and unencumbered bank balances.

## p) Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

## q) Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes to the financial statements. Disclosure is not made if the possibility of an outflow of future economic benefits is remote. Contingent assets are neither recognised nor disclosed in the financial statements.



## 3. SHARE CAPITAL

#### 3.1 Authorised

200,000,000 equity shares of ₹ 5/- each

3.2 Issued, subscribed and fully paid up shares

82,562,134 (2011: 82,166,836) equity shares of ₹ 5/- each fully paid-up

3.3 Reconciliation of shares outstanding at the beginning and end of the year:

Mar-12	Mar-11
10,000.00	10,000.00
4,128.11	4,108.34
4,128.11	4,108.34

Particulars:
Equity shares
At the beginning of the year
Issued during the year (Note 3.4)
<ul> <li>preferential allotment</li> </ul>
<ul> <li>conversion of optionally convertible warrants</li> </ul>
Increase due to subdivision of shares (Note 3.5)
Issued during the year - ESOP (Note 3.6)
At the end of the year

31 March 2012			
Numbers	₹ Lacs		
82,166,836	4,108.34		
_	_		
_	_		
_	_		
395,298	19.77		
82,562,134	4,128.11		

31 March 20	)11
Numbers	₹ Lacs
34,914,344	3,491.43
2,000,000	200.00
4,000,000	400.00
40,914,344	_
338,148	16.91
82,166,836	4,108.34

- 3.4 The Company simultaneously allotted 20,00,000 equity shares to Qualified Institutional Buyers (QIBs) and 40,00,000 equity shares to Promoters pursuant to the conversion of optionally convertible warrants for an aggregate issue price of ₹ 12,980 lacs and ₹ 12,287.20 lacs (₹ 3,071.80 lacs received in 2010 being 25% of total price) respectively. The premium received aggregated ₹ 24,667.20 lacs.
- **3.5** The Board of Directors and shareholders of the Company at their meetings held on October 29, 2010 and December 23, 2010 respectively approved sub division of equity share of ₹ 10/- each into two equity shares of ₹ 5/- each. The Company fixed January 13, 2011 as the Record Date, for the said sub division and as on date, the equity shares of the Company were sub divided.

3.6	Shares reserved for issue under options:	Mar-12	Mar-11
	Employee Stock Option Plan (ESOP) Options exercised during the year Option Outstanding as at	395,298 853,367	338,148 1,159,832

**3.7** Details of shareholders holding more than 5% shares as at:

	31 Warch 2012		31 March	2011
Name of the Shareholder	Shares held	Shares held	Shares held	Shares held
	(Nos)	(%)	(Nos)_	(%)
Palm Shelter Estate Development Pvt. Ltd.	11,813,300	14.31%	11,813,300	14.38%
Raghukool Estate Development Pvt. Ltd.	8,263,300	10.01%	8,263,300	10.06%
Capstan Trading Pvt. Ltd.	8,129,768	9.85%	8,129,768	9.89%
Casa Maria Properties Pvt. Ltd.	7,913,300	9.58%	7,913,300	9.63%
Anbee Construction Pvt. Ltd.	6,511,762	7.89%	6,511,762	7.93%
Cape Trading Pvt. Ltd.	6,261,040	7.58%	6,261,040	7.62%

#### 3.8 Other disclosures:

The Company has one class of equity shares having a par value of ₹ 5 per share. Each equity shareholder is eligible for one vote per share held. Each equity shareholder is entitled to dividends as and when the Company declares and pays dividend after obtaining shareholders' approval. Dividends are paid in Indian Rupees.

During the year ended 31st March 2012, the amount of per share final dividend recognised as distribution to equity shareholders was ₹ 0.75 per share (2011 : ₹ 0.75 per share)

		Mar-12	Mar-11
4.	RESERVES AND SURPLUS		
	Securities Premium Account		
	Balance at beginning of the year	45,637.40	21,068.21
	Add: Received on allotment of shares	318.63	24,954.26
	Less: Utilised for Share Issue expenses		385.07
		45,956.03	45,637.40
	General Reserve		
	Balance at beginning of the year	928.33	552.45
	Transferred from Surplus in the Statement of Profit and Loss	321.30	375.88
		1,249.63	928.33
	Surplus in the Statement of Profit and Loss		
	Opening Balance	(589.58)	(84.66)
	Add: Profit for the year	1,901.43	4,319.57
		1,311.85	4,234.91
	Appropriations :-		
	Dividend proposed to be distributed to equity shareholders-	619.22	616.26
	₹ 0.75 per share (2011: ₹ 0.75 per share)		
	Tax on proposed dividend	100.45	99.97
	Transferred to General Reserve	321.30	375.88
	Adjustment on consolidation on acquisition of subsidiary	_	(3,732.38)
	Closing Balance	270.88	(589.58)
	Employees' Stock Options outstanding		
	Balance at beginning of the year	5.10	20.14
	Less: transferred to securities premium on options exercised	5.10	13.09
	Less: options lapsed	_	1.95
	Closing balance	_	5.10
		47,476.54*	45,981.25 *
	* Includes Share in Joint Ventures - Loss ₹ 3,285.18 lacs (2011: 3,460.48 lacs)		
5.	LONG TERM BORROWINGS		
	From banks		
	Term Loans (Secured)	14,674.99	6,816.56
	Less: Current maturities (Note 11)	5,300.00	4,566.67
		9,374.99	2,249.89
	Share in Joint Ventures (Note 39)	66.58	1,046.15
		9,441.57	3,296.04

5.1 Term Loans are secured by a first Pari Passu charge on stock, book debts including credit card/debit card receivables (Escrow account) and all the movable fixed assets of the Company, both Present & Future. Some of the term loans are further secured by second Pari Passu charged on the current assets of the Company and corporate guarantees joint and several given by the Company and promoter group / joint venture partners.



- **5.2** Term Loan of ₹ 5,000 lacs from HDFC Bank Ltd. @11.80% is repayable in 5 equal monthly installment from 9th December 2012 and term loan of ₹ 2,500 lacs from Bank of India @11.75% is repayable on 7th June 2014.
- **5.3** Term loan of ₹800 lacs from IDBI Bank Limited @ 14.75% is repayable in 4 equal quarterly installments, from 13th May 2012. Term loan of ₹1,375 lacs from Kotak Mahindra Bank Limited @ 12.30% is repayable in 33 equal monthly installment from 30th Apr. 2012. Term loan of ₹5,000 lacs from Yes Bank Limited @12.05% is repayable in 12 equal quarterly installment from 25th June 2014.

		Mar-12	Mar-11
6.	DEFERRED TAX LIABILITIES (NET)		
	Major components are as follows:		
	Deferred tax liabilities		
	On fiscal allowances on fixed assets	724.89	222.41
		724.89	222.41
	Deferred tax assets		
	On provision for doubtful debts/advances	111.26	_
	On fiscal allowances on expenditure	590.15	8.69
	Unabsorbed depreciation	_	81.72
		701.41	90.41
	Deferred tax liability (Net)	23.48	132.00
7.	OTHER LONG TERM LIABILITIES		
	Share in Joint Venture (Note 39)	80.82	90.44
	· · · ·		
		80.82	90.44
8.	LONG TERM PROVISIONS		
	Provisions for employee benefits:		
	For Leave encashment	183.49	85.31
	Share in Joint Venture (Note 39)	7.85	_
		191.34	85.31
9.	SHORT TERM BORROWINGS		
٥.	Loans from banks (secured)	24,553.69	16,438.54
	Commercial papers (unsecured)	4,000.00	2,000.00
	(maximum amount outstanding during the year ₹ 8,500 lacs; 2011: ₹ 6,000 lacs)	1,300.00	2,000.00
	Share in Joint Venture (Note 39)	275.00	
		28,828.69	18,438.54
			= 10,100.01

9.1 Loans repayable on demand viz. Cash credit, Working capital loans and Other loans viz., short term loans and Buyers credit are secured by a first pari passu charge hypothecation charge on credit card/debit card receivables (Escrow account), current assets and all movable fixed assets of the Company both present and future and an exclusive lien on lease deposits. Some of the loans are further secured by corporate guarantees, joint and several, given by the Company and promoter group / joint venture partners.

## (All amounts in ₹ lacs)

#### **10. TRADE PAYABLES**

- Micro, Small and Medium enterprises
- Other than Micro, Small and Medium enterprises

Share in Joint Ventures (Note 39)

3.21
32,152.18
1,177.25
33,332.64

20.23
25,703.62
1,416.38
27,140.23

10.1 There are no Micro, Small and Medium Enterprises, to whom the Company owes dues which are outstanding for more than 45 days during the year. This information as required to be disclosed under the Micro, Small and Medium Enterprise Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

		Mar-12	Mar-11
11.	OTHER CURRENT LIABILITIES		
	Current maturities of long term borrowings : Secured (Note 5)	5,300.00	4,566.67
	Interest accrued and not due on borrowings	108.59	97.19
	Income received in advance	32.79	39.42
	Unpaid dividends	0.46	0.37
	Accured payroll	303.60	163.03
	Other liabilities:		
	a) Creditors for capital expenditure	809.01	739.06
	b) Statutory dues payable	1,261.02	2,168.78
	c) Security deposits	352.90	352.57
	d) Others (mainly for gift vouchers/points award redemptions, gratuity)	7,367.54	7,539.65
	Share in Joint Ventures (Note 39)	273.78	104.13
		15,809.69	15,770.87
12.	SHORT TERM PROVISIONS		
	Provision for employee benefits:		
	For Leave encashment	86.49	275.00
	For Proposed equity dividend	619.21	616.26
	For Tax on Proposed equity dividend	100.45	99.97
		719.66	716.23
	Share in Joint Ventures (Note 39)	0.93	7.77
		807.08	999.00



(All amounts in ₹ lacs)

1,080.26 1,323.03 752.53 46.23 95.55 35.74 2011 14,875.18 2,750.57 47,286.15 16,756.72 11,024.66 1,454.32 31 March **NET BLOCK** 3,751.15 59,815.75 2012 949.56 50.70 24.22 31 March 20,571.22 20,082.69 13,294.20 1,116.23 47,286.15 1,767.99 1,454.32 1,792.21 5,971.82 2012 6,841.39 26,476.49 2,790.57 31 March 7,099.65 829.89 1,093.70 42.68 79 4,584.03 56.01 21,959.52 1,747.58 4,580.83 4,036.7 **DEPRECIATION, AMORTISATION &** 1,944.69 Deductions .65 321.54 16.27 133.05 287.35 3.90 1,032.41 236.80 33.50 84 IMPAIRMENT For the 4,269.53 year 852.36 4.88 338.69 96.03 436.50 ,561.52 ,469.25 5,549.38 544.04 419.91 ,129.77 192.91 11.51 5,296.14 4,635.62 6,206.68 670.48 4,019.02 55.03 2,354.07 31.17 April 2011 21,959.52 19,634.68 4,036.79 3,701.53 1,076.55 1,651.55 2012 20,393.85 86,292.24 66.90 31 March 8,335.18 106.71 2,209.93 69,245.67 1,747.58 4,558.55 6,373.04 5,491.11 27,412.61 1,779.45 26,054.51 126.75 16.13 2,681.84 Deductions 17.11 144.39 317.92 291.12 1,262.59 4.41 471.51 **GROSS BLOCK** 510.79 Additions 7,258.40 4,806.56 3,480.43 9.86 524.63 18,309.16 0.48 881.45 372.57 1,856.71 11,129.11 93 88 17,231.34 6,769.59 1,747.10 April 2011 1,423.01 101.26 69,245.67 60,798.40 3,677.11 66.90 20,171.32 21,392.34 2,156.81 5,491.11 5,107.07 Air conditioning and other equipment Furniture, fixtures and other fittings Share in Joint Ventures (Note 39) Trademarks and patents (Note 1) Share in Joint Ventures (Note 39) easehold improvements **NTANGIBLE ASSETS FANGIBLE ASSETS** Computer Software Office Equipment DESCRIPTION Previous year Previous year Computers Vehicles Total Total

Note:

Some of the Trademarks and Patents are pending for registration with relevant authorities and certain formalities (including for removal of objections) are under progress.

3. FIXED ASSETS

		Mar-12		Mar-11	
14.	NON-CURRENT INVESTMENTS				
	(Trade, unqouted, at cost, unless otherwise stated)				
	Investments in equity instruments				
	Stargaze Properties Private Limited	0.10		0.10	
	1,000 equity shares of ₹ 10/- each Fully paid				
	Retailers Association of India	1.00		1.00	
	10,000 equity shares of ₹ 10/- each Fully paid				
	Aesthetic Realtors Private Limited				
	66 Equity Shares of ₹ 10/- each Fully Paid	0.01		0.01	
	Retailers Association's Skill Council of India	0.50		_	
	500 equity shares of ₹ 100/- each Fully paid				
		1.61		1.11	-
15.	DEFERRED TAX ASSETS (NET)				
	Major components are as follows:				
	Deferred tax liability				
	On fiscal allowances on fixed assets	158.39		126.87	
		158.39		126.87	
	Deferred Tax Assets				
	Unabsorbed depreciation	126.02		_	
	On provision for doubtful debts/advances	_		111.26	
	On fiscal allowances on expenditure	_		340.61	
	Expenditure allowable on payment basis	34.90			
		160.92		451.87	
	Deferred tax asset (Net)	2.53		325.00	
			\ \		,



	Mar-12	Mar-11
16. LONG-TERM LOANS AND ADVANCES		
(Unsecured, considered good unless otherwise stated)		
Capital advances	993.49	1,411.15
Premises and other deposits	16,815.87	14,828.74
Deposit towards service tax (Note 31)	2,145.94	_
Advance income tax (net of provision)	377.27	306.04
Loans and advances to related parties		
<ul> <li>Considered good</li> </ul>	203.25	122.83
<ul> <li>Considered doubtful</li> </ul>	43.00	58.78
	246.25	181.61
Less: Provision for doubtful loans and advances	43.00	58.78
	203.25	122.83
Others	37.87	0.04
Share in Joint Ventures (Note 39)	960.77	843.59
	21,534.46	17,512.39
17. OTHER NON-CURRENT ASSETS		
(Unsecured, considered good)		
Minimum alternate tax credit entitlement	163.04	_
Share in Joint Ventures (Note 39)		
	163.04	_
18. INVENTORIES		
(At lower of cost and net realisable value)		
Stock-in-trade: Retail merchandise	31,380.22	23,914.47
Property option inventories	1,076.00	475.00
Share in Joint Ventures (Note 39)	657.19	665.20
	33,113.41	25,054.67

	Mar-12	Mar-11
19. TRADE RECEIVABLES		
(unsecured)		
Debts outstanding for a period exceeding 6 months		
from the date they are due for payment		
Considered good	87.91	34.01
Considered doubtful	23.75	81.35
Other Debts, considered good	2,400.40	2,002.84
	2,512.06	2,118.20
Less: Provision for doubtful debts	23.75	81.35
	2,488.31	2,036.85
Share in Joint Ventures (Note 39)	94.41	104.02
	2,582.72	2,140.87
20. CASH AND CASH EQUIVALENTS		
Balance with banks in		
Current accounts	405.11	274.53
Deposit accounts	5.73	6.87
Cash Credit accounts	_	805.84
Other bank balances:		
Margin Money account (under lien against bank guarantee)	340.40	28.39
Dividend accounts	0.46	0.37
Cash on hand	401.16	265.48
	1,152.86	1,381.48
Share in Joint Ventures (Note 39)	348.84	442.25
	1,501.70	1,823.73
Of the above, cash and cash equivalents comprise:		
Balance with banks in		
Current accounts	405.11	274.53
Deposit accounts	5.73	6.87
Cash credit accounts	_	805.84
Cash on hand	401.16	265.48
Share in Joint Ventures (Note 39)	207.43	237.43
	1,019.43	1,590.15



		Mar-12	Mar-11
<b>21</b> .	SHORT TERM LOANS AND ADVANCES		
	(unsecured, considered good unless otherwise stated)		
	Advances for goods and rendering of services to be received:		
	<ul> <li>Considered good</li> </ul>	4,081.74	3,735.50
	<ul> <li>Considered doubtful</li> </ul>	452.91	389.27
		4,534.65	4,124.77
	Less: Provision for doubtful advances	452.91	389.27
		4,081.74	3,735.50
	Advances to employees	100.21	65.41
	Premises and other deposits	30.33	_
	Prepaid expenses	1,525.27	954.76
	Share in Joint Ventures (Note 39)	99.58	486.78
		5,837.13	5,242.45
22	OTHER CURRENT ASSETS		
22.	CENVAT, VAT credit receivable	1,091.10	1,217.45
	Share in Joint Ventures (Note 39)	1,091.10	1,217.45
	Shale in Some ventures (Note 33)	4 004 40	1 217 45
		1,091.10	1,217.45
23.	REVENUE FROM OPERATIONS		
	Retail Sale of Products		
	Own merchandise (including concession sales) - Gross of tax	282,337.91	219,837.61
	Consignment merchandise	22,289.34	18,130.30
		304,627.25	237,967.91
	Less: Value added tax	16,462.19	12,457.10
	Less: Cost of consignment merchandise	15,771.75	12,965.82
		272,393.31	212,544.99
	Revenue from Gaming Business - Share in Joint Venture	1,347.71	1,163.69
	Revenue from transfer of property option	_	102.00
		273,741.02	213,810.68
	Other Retail operating revenue		
	Facility management fees	856.83	875.68
	Income from store displays and sponsorship Income	2,653.60	1,557.39
	Direct marketing Income	1,028.39	779.46
	Income from franchisees	310.72	269.33
		4,849.54	3,481.86
	Share in Joint Ventures (Note 39)	178.34	280.92
		5,027.88	3,762.78
		278,768.90	217,573.46
23.1	The gross retail volume of business and operations comprise:-		040.007.01
	Own merchandise	282,337.91	219,837.61
	Consignment merchandise	22,289.34	18,130.30
	Other Retail operating revenue	5,027.88	3,762.78
		309,655.13	241,730.69

- 1	Δ	Ш	am	Oun	te	in	₹	lacs
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		Mar-12	Mar-11
24. OTHER INCOME			
Interest Income from others		77.20	240.72
Gain on account of stake dilution in jo	int venture	216.49	_
Miscellaneous income and credits		77.99	163.91
Provision for doubtful debts/advances	written back	25.29	_
Profit on sale of fixed assets (net)		4.21	37.27
Compensation for loss of business		306.54	
		707.72	441.90
Share in Joint Ventures (Note 39)		8.80	68.27
		716.52	510.17
25. PURCHASE OF TRADED GOODS			
Purchase of trading goods - retail me	chandise	191,185.94	143,454.78
Add: Adjustment on acquistion of a s		_	6,241.38
Share in Joint Ventures (Note 39)		1,483.73	1,465.55
		192,669.67	151,161.71
25.1 Details of purchase of traded goo	ds	00.400.04	F7 000 00
Apparels		69,406.24	57,396.60
Non-apparels		57,633.28	46,316.21
Food, Household items etc.		59,337.84	46,642.79
Others (mainly books, CD's etc.)		6,292.31	806.11
		192,669.67	151,161.71
26. CHANGES IN INVENTORIES OF S	TOCK-IN-TRADE		
Opening inventory		24,389.47	14,989.32
Closing inventory		32,456.22	24,389.47
Share in Joint Ventures (Note 39)		1.71	266.63
(Increase)/Decrease		(8,065.04)	(9,133.52)
27. EMPLOYEE BENEFITS EXPENSE			
Salaries, allowance and bonus		17,768.11	12,261.10
Contribution to Provident and other fu	nds	1,032.83	864.71
Staff welfare expenses		753.07	502.24
·		19,554.01	13,628.05
Share in Joint Ventures (Note 39)		412.56	362.84
		19,966.57	13,990.89



		Mar-12	Mar-11
28. FINANCE COSTS			
Interest on bank bo	rrowings	3,186.00	2,277.74
Interest on others		695.43	198.74
Other borrowing co	sts	9.10	24.97
Bank charges		257.09	229.84
		4,147.62	2,731.29
Share in Joint Vento	ures (Note 39)	73.49	221.54
		4,221.11	2,952.83
29. OTHER EXPENSE	S		
Insurance		127.41	114.59
Lease rent and hire	Charges (Note 30)	23,755.97	18,558.38
Business conductin	g fees	1,027.70	931.68
Rates and taxes		33.97	52.93
Repairs and mainte	nance		
<ul><li>Buildings</li></ul>		5,618.14	4,193.20
<ul><li>Others</li></ul>		1,517.00	1,003.84
Legal and professio	nal fees	932.25	419.20
Housekeeping charg	ges	1,376.58	911.36
Security charges		1,816.85	1,205.46
Computer expenses		902.92	760.15
Conveyance and tra	velling expenses	1,632.47	1,116.13
Electricity charges		6,996.77	4,774.73
Advertisement and	publicity	4,420.85	3,259.19
Sales promotion		1,872.56	1,782.93
Charges on credit c	ard transactions	2,130.94	1,581.70
Packing materials		1,100.09	1,091.96
Loss on Sale of Fixe	d Assets (net)	67.10	91.52
Provision for Doubtf	ul debts/advances	15.55	14.00
Foreign exchange lo	oss (net)	32.56	52.20
Service tax input cr	edit expensed	2,815.84	1,870.33
Miscellaneous expe	enses	3,352.30	2,609.72
		61,545.82	46,395.20
Share in Joint Vento	ures (Note 39)	2,282.15	2,264.28
		63,827.97	48,659.48

(All amounts	s ın	₹	ıacsı
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			War-12	Mar-11	
<b>30</b> .	Lea	sing Transactions			
	a)	Operating lease rentals charged to revenue:	14,897.62	13,607.65	
	b)	Variable rentals charged to revenue:  Variable rent for certain stores is payable in accordance with the lease agreement as the higher of (a) fixed minimum guarantee amount and (b) revenue share percentage.	9,693.85	5,682.13	
	c)	The future minimum rental payments in respect of non-cancellable lease for premises are as follows:			
		Not later than one year	13,512.88	10,499.39	
		Later than one year and not later than five years	26,441.24	20,292.32	
		Later than five years	2,934.31	3,231.96	
		The agreements are executed for periods ranging from 33 to 288 months with a non-cancellable period at the beginning of the agreement ranging from 33 to 108 months and having a renewable clause.			

#### 31. Service Tax

Pursuant to levy of service tax on renting of immovable properties given for commercial use, retrospectively with effect from 1 June 2007 by the Finance Act, 2010, the Company has, based on a legal advice, challenged the said levy and, inter-alia, its retrospective application. The Hon'ble Supreme Court has passed an interim order dated 14th October, 2011, with regard to the levy of service tax on immovable properties rented out for commercial use including its retrospective applicability from 1st June 2007 in compliance of which, the Company has made an aggregate deposit of ₹ 2,145.94 lacs in respect of the liability for such service tax upto 30th September, 2011. From October 2011, the Company is accounting and paying for such service tax regularly as per directives of the Supreme Court.

Pending the final disposal of the matter, the Company continues not to provide for the retrospective levy aggregating ₹ 2,010.90 lacs for the period 1st June, 2007 to 31st March, 2010.

<b>32.</b> Tax expense comprises of:		
Current tax	3,003.01	3,625.65
Deferred tax	213.95	262.00
	3216.96	3,887.65
<b>32.1</b> Current tax is net of tax adjustment of ₹ 35.22 lacs (2011: Nil) and MAT credit ₹ 163.04 lacs relating to previous year.		
33. EARNING PER EQUITY SHARE Calculated as follows: Particulars		
a) Profit/(Loss) attributable to equity share holders (₹ In lacs)	1,901.43	4,319.57
b) Weighted Number of equity shares outstanding during the year	82,425,678	78,998,136
<ul> <li>Weighted Number of equity shares outstanding during the year after adjustment for dilution</li> </ul>	82,882,344	79,817,199
d) Nominal value per share (₹)	5	5
e) EPS:		
Basic (₹)	2.31	5.47
Diluted (₹)	2.29	5.41



3/1	Cor	ntingent liabilities and commitments:	Mar-12	Mar-11
JT.	a)	Claims against the Company not acknowledged as debts comprise of:		
	aj	Income tax claims disputed by the Company relating to disallowances aggregating	1,068.85	882.94
		Service tax, Sales tax and other Indirect tax claims disputed by the Company relating to issues of applicability and classification aggregating	1,687.03	33.55
		Third party claims arising from disputes relating to contracts aggregating	644.96	644.96
	b)	Others	52.25	52.25
	c)	Estimated amount of contracts remaining to be executed on capital account and not provided for	2,671.39	3,528.21
	d)	Corporate guarantee given jointly and severally with joint venture partners to banks for loans taken by Joint venture entities	1,338.57	1,341.57
	e)	Corporate guarantee given jointly and severally with the promoter group company for loans taken by Hypercity Retail (India) Ltd.	5,000.00	_
	f)	Unpaid preference dividend	3,058.12	1,981.17
	g)	Bank Guarantees	327.74	_
	h)	Share of Joint Ventures (see Note 39)	667.24	439.90
		te: Future cash outflows in respect of (a) above are determinable only on receipt of gements/decisions pending with various forums/authorities.		

# (All amounts in ₹ lacs, unless otherwise stated)

5. EMPLOYEE BENEFITS	31 March 2012	31 March 2011
Post-employment benefits		
Defined contribution plans		
Company's contribution to Provident Fund	890.01	657.85
Defined benefit scheme-Gratuity (Funded)		
I. Component of Employer Expense		
Current Service Cost	106.48	123.09
Interest Cost	42.38	24.04
Expected Return on Plan assets	(32.53)	(26.72)
Actuarial (Gains)/Losses	(6.56)	91.55
	109.77	211.96
II. Change in Defined Benefit Obligations (DBO)		
Present Value of DBO at the Beginning of Period	535.21	268.81
Acquired on Acqusition of Hypercity	_	49.98
Current Service Cost	106.48	123.09
Interest Cost	42.38	24.04
Actuarial Losses	1.43	93.55
Benefits paid/transferred	(86.59)	(24.26)
Present Value of DBO at the End of Period	598.91	535.21
III. Change in Fair Value of Assets		
Plan Assets at the Beginning of Period	426.89	263.81
Acquired on Acqusition of Hypercity/Assets transferred	_	68.68
Expected Return on Plan Assets	32.53	26.72
Actuarial Losses	7.99	2.00
Actual Company Contribution	123.20	89.94
Benefits paid/transferred	(86.59)	(24.26)
Plan Assets at the End of Period	504.02	426.89
IV. Net Asset/(Liability) Recognised in Balance Sheet		
Present Value of Defined Benefit Obligation	598.91	535.21
Fair Value of Plan Assets	504.02	426.89
Status [Surplus/(Deficit)]	(94.89)	(108.32)
Unrecognised Past Service Cost	_	_
Net Asset/(Liability) Recognised in Balance Sheet	(94.89)	(108.32)
V. Actuarial assumptions		
Discount Rate	8.00%-8.50% p.a.	7.75% - 8.25% p.a.
Expected Return on Plan Assets	8.00%-8.60% p.a.	8.00% p.a.
Rate of increase in salaries	4.00-5.00% p.a.	4.00-5.00% p.a.
Rate of Attrition	8.50-25.00%	2.00-13.76%

# VI. Net Asset/(Liability) recognised in Balance Sheet (including experience adjustment impact)

	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Present Value of the Defined Benefit Obligation	598.91	535.21	268.81	285.21
Fair Value of the Plan Assets	504.02	426.89	263.81	281.45
Surplus/(Deficit) in the Plan	(94.89)	(108.32)	(5.00)	(3.76)
Experience Adjustments arising on Plan Liabilities — Losses/(Gains)	(63.86)	120.21	(49.45)	(0.44)
Experience Adjustments arising on Plan Assets – Gains/(Losses)	8.35	3.09	(16.45)	(15.83)



## Notes to Consolidated Financial Statements

Shoppers Stop Ltd.

The group expects to contribute ₹ 167.96 lacs to its Gratuity plan for the next year.

In assessing the group Post Retirement Liabilities, the group monitors mortality assumptions and uses up-to-date mortality tables. The base being the LIC 1994-96 ultimate tables.

Expected return on plan assets is based on expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The gratuity benefit scheme of the group is managed by Life Insurance Corporation of India (LIC). The group is currently awaiting the details of the composition of the plan assets, by category, from the LIC for the current and the previous years and hence the disclosures as required by Accounting Standard (AS) 15 on Employee Benefits have not been given.

# (All amounts in ₹ lacs, unless otherwise stated)

# **36. RELATED PARTY DISCLOSURES**

Following are the material transactions with related parties:

Nature	Companies under common control/ significant influence (refer (b) below)	Joint Ventures	Key Management Personnel	Total
Purchase of Assets		90.87	_	90.87
P T Matahari Graha Fantasi	_	5.78	_	
P T Matahari Leisure	_	9.46	_	
Leisure & allied Industries Philiipines Inc.	_	19.69	_	
LAI Games International Pte. Ltd.	_	4.76	_	
LAI Singapore Pte. Ltd.	_	22.82	_	
Embed International Pty.	_	28.36	_	
	( — )	( — )	( — )	( )
Purchase of Goods	_	5.68	_	5.68
Leisure & allied Industries Philiipines Inc.	_	3.98	_	
LAI Games International Pte. Ltd.	_	1.53	_	
Embed International Pty.	_	0.17	_	
	( — )	( — )	( — )	( )
Sale of Merchandise	_	61.09	_	61.09
The Nuance Group AG	_	61.09	_	
	( — )	(38.12)	( — )	(38.12)
Payment of conducting fees/Lease Rent/Common	7,251.85	_	_	7,251.85
Area Maintenance Charges				
Ivory Properties and Hotels Private Limited	1,980.01	_	_	
Inorbit Malls (India) Private Limited	2,825.02	_	_	
Avacado Properties and Trading India Private Limited	220.27	_	_	
Trion Properties Private Limited	2,226.55	_	_	
	(6,934.27)	( — )	( — )	(6,934.27)
Expenses Paid	418.26	_	_	418.26
Inorbit Malls (India) Private Limited	248.66	_	_	
Avacado Properties and Trading India Private Limited	2.94	_	_	
Trion Properties Private Limited	166.66	_	_	
	(386.83)	( — )	( — )	(386.83)
Interest Received	_	_	_	_
	_	(22.48)	_	(22.48)
Interest Expenses	_	_	_	_
	(30.73)	( — )	( — )	(30.73)
Deposits Paid	35.48	_	_	35.48
Trion Properties Private Limited	35.48	_	_	
	(329.22)	_	_	(329.22)
Reimbursement of Expenses	_	_	_	_
	(531.94)	(13.37)	_	(545.31)



Nature	Companies under common control/ significant influence (refer (b) below)	Joint Ventures	Key Management Personnel	Total
Expenses Recovered	68.94	_	_	68.94
Inorbit Malls (India) Private Limited	68.94			
Nuance Group (India) Private Limited	_	(21.22)		(21.22)
Reimbursement of Costs paid	_	_	_	_
The Nuance Group AG	_		_	_
Other Expenses	_	26.78	_	26.78
Avel Pty Ltd (Royalty)	_	26.78	_	
Investments Made	_	_	_	_
	_	(390.57)	(—)	(390.57)
Deposit Received Back	(36.14)	— (—)	— (—)	(36.14)
	(30.14)	(—)	(—)	(30.14)
Loan Taken	(1,050.00)	— (—)	— (—)	(1,050.00)
Loan Repaid	_	_	_	_
	(2,106.15)	( — )	(—)	(2,106.15)
Issue of Equity/Preference Shares	4,514.73	338.29	_	4,853.02
Aberdee Pty. Ltd. K. Raheja Corp Pvt. Ltd.	4,514.73	338.29		
K. Hanoja Gorp I VI. Eta.	(15,646.20)	( — )	( — )	(15,646.20)
<b>Remuneration to Managing Directors:</b> Govind Shrikhande	_	_	<b>310.70</b> 310.70	310.70
	()	()	(369.71)	(369.71)
Commission and Sitting fees to Non Executive Directors	_	_	27.00	27.00
Chandru L. Raheja			0.60 0.80	
Ravi C. Raheja Neel C. Raheja			0.80	
B. S. Nagesh			3.80	
Gulu L. Mirchandani Shahzaad S. Dalal			3.60	
Snanzaad S. Dalai Nitin Sanghavi			3.40 3.80	
Deepak Ghaisas			6.60	
Nirvik Singh	()	()	3.60 (28.80)	(28.80)
	(—)	(—)	(20.00)	(20.00)

Ralance outstanding at the year end

Receivables	
Avacado Properties and Trading India Private Limited	311.66
	(315.20)
Ivory Properties and Hotels Private Limited	1,092.59 (1,211.55)
Inorbit Malls (India) Private Limited	922.65
Trion Properties Private Limited	(931.11) 735.97
LAI Games International Pte. Ltd.	(702.56) 2.97
The Nuance Group AG	61.09
Payables Avel Pty. Ltd.	72.69
Averry, Ltu.	72.03 —
LAI India Pvt. Ltd.	22.33
P T Matahari Graha Fantasi	0.26
P T Matahari Leisure	20.66
LAI Singapore Pte. Ltd.	9.88
Leisure & allied Industries Phillipines Inc.	2.75
The Nuance Group AG	484.13
	_

## The figure in bracket pertain to previous year.

## Names of related parties and description of relationship:

(a)	Promoter directors having control / significant
	influence over companies stated in (b) below

C. L. Raheja, Ravi C. Raheja, Neel C. Raheja

(b) Companies in which the persons stated in (a) above

have control/significant influence

Ivory Properties and Hotels Private Limited, K. Raheja Corp. Private Limited, K. Raheja Private Limited, Inorbit Malls (India) Private Limited,

Hypercity Retail (India) Limited, Avacado Properties and Trading India

Private Limited, K. Raheja IT Park (Hyderabad) Private Limited,

Trion Properties Private Limited

Nuance Group (India) Private Limited (c) Joint Ventures

Timezone Entertainment Private Limited

(d) Key Management Personnel **Executive Director:** Govind Shrikhande

Non-Executive Directors: Chandru L. Raheja

Ravi Raheja Neel Raheja B. S. Nagesh

Gulu L. Mirchandani

Shahzaad Dalal Nitin Sanghavi Deepak Ghaisas

Nirvik Singh



#### **37. SEGMENT REPORTING**

I) Information about primary business segments (Business segments):

## (All amounts in ₹ lacs)

	31 March 2012		31	March 201	1	
Particulars	Retail Operations	Others	Total	Retail Operations	Others	Total
SEGMENT REVENUE						
External Sales	277,421.19	1,347.71	278,768.90	216,307.77	1,265.69	217,573.46
Total Revenue	277,421.19	1,347.71	278,768.90	216,307.77	1,269.69	217,573.46
Segment Results	4,755.12	163.88	4,919.00	8,593.85	(173.19)	8,420.66
Interest Income			77.20			240.72
Interest Expenses			(4,221.11)			(2,952.83)
Provision for Taxation			(3,216.96)			(3,887.65)
Profit before minority interest			(2,441.87)			1,820.90
OTHER INFORMATION						
Segment Assets	139,418.06	1,096.88	140,514.94	115,106.41	1,159.16	116,265.57
Total Assets			140,514.94			116,265.57
Segment Liabilities	87,879.50	635.80	88,515.31	65,107.99	844.44	65,952.43
Total Liabilities			88,515.31			65,952.43
Segment Depreciation	5,868.75	224.67	6,093.42	4,415.60	273.84	4,689.44
Total Depreciation			6,093.42			4,689.44
Segment Capital Expenditure	16,889.97	594.84	17,484.81	14,149.35	338.18	14,487.53
Total Capital Expenditure			17,484.81			14,487.53

II) The company has business segment as the primary segment for disclosure on the basis of nature of products, different risks and returns etc. and mainly operates in retail operations i.e. trading of Appereals, Non-appeareals such as Cosmetics, Household items, Food products, Books and CDs etc. "Others' comprise of Gaming business and Property auctions. Segment revenue includes other retail operating revenue.

## **38. DISCONTINUING OPERATIONS:**

The Board of Directors of Gateway Multichannel Retail (India) Limited (Gateway), a subsidiary of SSL had decided to discontinue operation in January 2009. SSL has committed to provide the necessary level of support, to enable Gateway to remain in existence and continue as a going concern till such time as it realises its assets and settles its liabilities.

The total assets and liabilities of Gateway as at March 31, 2012 aggregated ₹ 12.95 lacs (Previous year ₹ 10.83 lacs) and ₹ 4,495.34 lacs (Previous year ₹ 4,496.58 lacs) respectively.

The net cash flows attributable to operating, investing and financing activities of Gateway during the year, aggregated ₹ (5.89) lacs (Previous year (2.64) lacs), and ₹ 0.28 lacs (Previous year ₹ 10.09 lacs) respectively.

III) The company operates in a single geographical environment i.e. in India.

Shoppers Stop Ltd.

## Statement showing the revenue and expenses of continuing and discontinuing operations:

(All amounts in ₹ lacs)

		81 March 2012		3	1 March 2011	
Particulars	Continuing operations	Discontinuing operations (Gateway)	Total	Continuing operations	Discontinuing operations (Gateway)	Total
REVENUE						
Sales/Income	278,768.90	_	278,768.90	217,573.46	_	217,573.46
Other Income	716.52	4.34	720.86	510.17	1.14	511.31
Total Revenue	279,485.42	4.34	279,489.76	218,083.63	1.14	218,084.77
Operating Expenses	274,492.59	0.69	274,493.28	209,368.00	55.30	209,423.30
Interest Expense	4,221.11	0.28	4,221.39	2,952.83	0.09	2,952.92
Profit/(Loss) before tax	771.72	3.37	775.09	5,762.80	(54.25)	5,708.55
Income tax	3,216.96	_	3,216.96	3,887.65	_	3,887.65
Profit/(Loss) after tax before minority interest	(2,445.24)	3.37	(2,441.87)	1,875.15	(54.25)	1,820.90

## (All amounts in ₹ lacs, unless otherwise stated)

- **39.** The Consolidated Financial Statements have been prepared in accordance with Accounting Standard 21 (AS 21) "Consolidated Financial Statements" and Accounting Standard 27 (AS 27) "Financial Reporting of Interests in Joint Ventures" as notified by Companies (Accounting Standards) Rules, 2006.
  - (a) The subsidiaries (which alongwith SSL Limited, the parent, constitute the Group) considered in the preparation of these Consolidated Financial Statements are:

Name	Country of Incorporation	Percentage of ownership interest either directly or through subsid	
		31 March 2012	31 March 2011
Hypercity Retail (India) Limited	India	51	51
Crossword Book Stores Limited	India	100	100
Upasna Trading Limited	India	100	100
Shoppers Stop Services (India) Limited	India	100	100
Shoppers Stop.Com (India) Limited	India	100	100
Gateway Multichannel Retail (India) Limited	India	100	51(in addition Hypercity holds 49%)



(b) Interests in Joint Ventures:

The Group's interests in jointly controlled entities (incorporated Joint Ventures) are:

Name	Country of Incorporation	Percentage of ownership interest either directly or through subsidia		
		31 March 2012	31 March 2011	
Nuance Group (India) Private Limited	India	50	50	
Timezone Entertainment Private Limited	India	33.66	46.89	

The financial statements of the joint ventures, considered in the consolidated accounts, are drawn upto 31st March other than for Nuance Group (India) Private Limited where it is upto 31st December.

The Group's interest in these joint ventures is accounted for using proportionate consolidation.

- (c) These Consolidated Financial Statements are based, in so far as they relate to amounts included in respect of subsidiaries and joint ventures, on the audited financial statements prepared for consolidation in accordance with the requirements of AS 21 and AS 27 by each of the included entities.
- (d) The details of the subsidiary companies are given in the Annexure.
- **40.** The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification/disclosure.

Annexure (All amounts in ₹ lacs)

# STATEMENT REGARDING SUBSIDIARY COMPANIES

Г	1					
Country	India	India	India	India	India	India
Proposed Dividend including Dividend distribution tax	1					l
Profit/ (Loss) After Taxation	(225.02)	(0.35)	3.36	(0.00)	(0.11)	(8,863.87)
Provision for Taxation	(137.82)	I	I	0.00	I	I
Profit/(Loss) Before Taxation	(362.84)	(0.35)	3.36	0.00	(0.11)	(8,863.87)
Turnover/ Total Income	9,375.10	0.54	4.33	0.31	0.17	72,512.04
Investments		I				I
Total Liabilities**	6,396.47	170.39	12.95	9.51	2.21	33,048.21
Total Assets*	6,396.47	170.39	12.95	9.51	2.21	33,048.21
Reserves	1,162.95	17.76	l	3.64	(3.24)	(36,402.66)
Share Capital	1,956.25	5.00	5.00	5.00	5.00	37,208.93 (36,402
Reporting Currency	INB	N R	N. R	N. R	N N	NN R
Name of Subsidiary Company	Crossword Bookstores Limited	Upasna Trading Limited	Gateway Multichannel Retail (India) Limited	Shoppers Stop Services (India) Limited	Shoppers Stop.com (India) Limited	Hypercity Retail (India) Limited
Sr. No.	-	2	m	4	2	9

 $^{**}$  Total Liabilities = Shareholder's Fund + Share Application money pending allotment + Non Current Liabilities + Current Liabilities

\* Total Assets = Non Current Assets + Current Assets



Notes	Shoppers Stop Ltd.



Notes	Shoppers Stop Ltd.



Notes	Shoppers Stop Ltd.

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