



PRICE "LESS" FASHION

Retailing to an Aspiring India

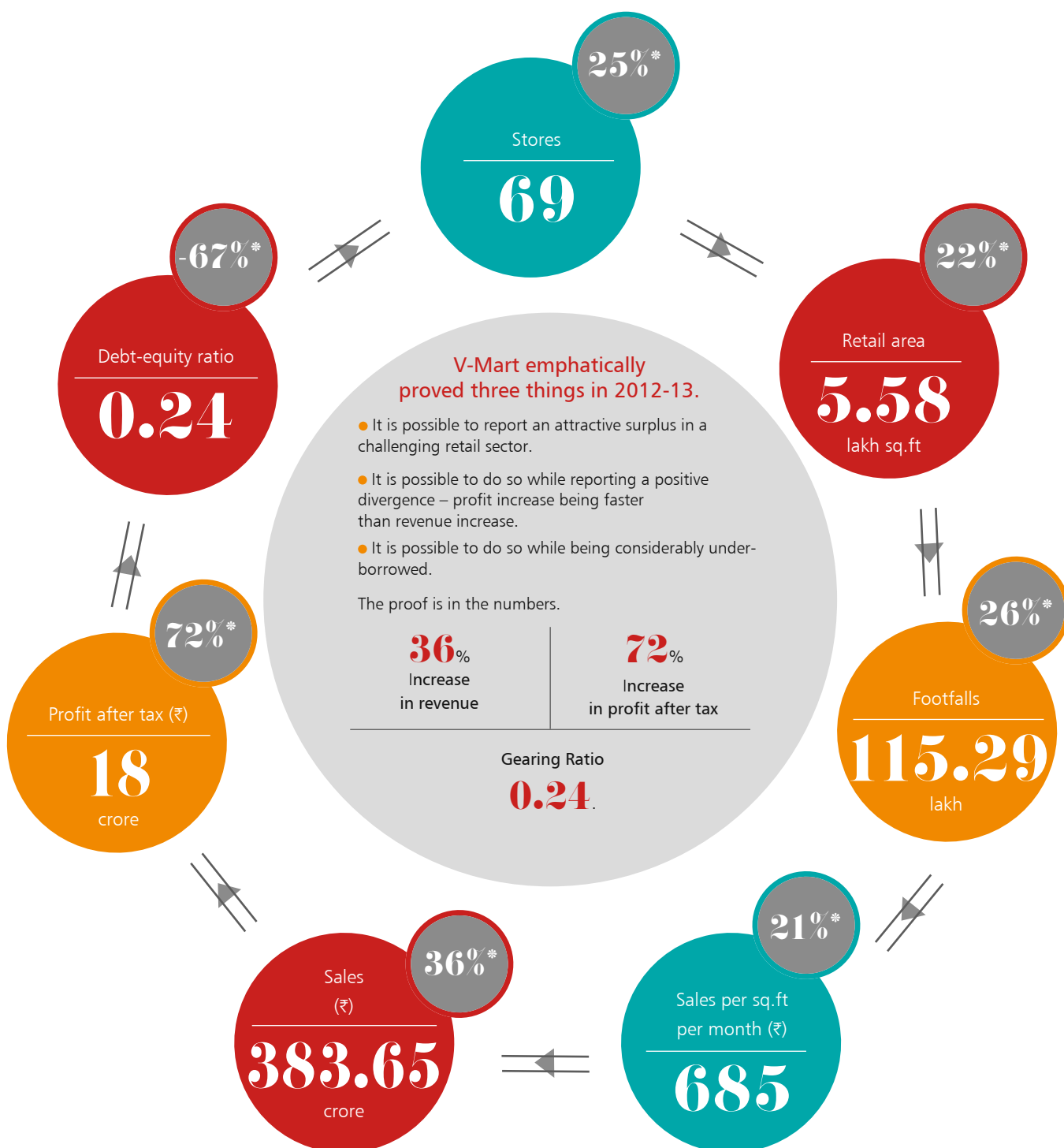
V-MART RETAIL LIMITED | ANNUAL REPORT 2012-13





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* Growth from 2011-12

The milestones that we achieved...

2002

Incorporated as Varin Commercial Private Limited

2003

Opened its maiden store in the state of Gujarat

2004

Opened its maiden store in New Delhi

2006

Changed name from Varin Commercial Private Limited to V-Mart Retail Private Limited. Crossed an aggregate of 100,000 square feet of retail space.

2008

Converted into a public limited Company Investment in Equity Shares by Naman Finance, a part of the Aditya Birla Group Investment by DB Corp Limited

2011

Achieved a turnover of over ₹2,000 mn in fiscal 2011.
Declared a dividend of 4% for fiscal 2011.

2012

Declared a dividend of 4% for fiscal 2012. The spread of stores reached to more than 50 cities.
153,252 ESOPs were granted under the V-Mart ESOP Scheme 2012. Crossed an aggregate of 500,000 square feet of retail space.

2013

Pre-IPO placement of 12,50,000 Equity Shares. Public issue of 44,96,000 Equity Shares. Public issue oversubscribed 1.2 times. Marquee Institutional & HNI investors. Declared dividend of 10%.

Corporate Identity

Background

V-Mart Retail Limited (VMRL) was incorporated as Varin Commercial Private Limited in 2002. The Company started its operations in the value-for-money retail segment by opening its first retail store in Gujarat in 2003. In 2006, the name was changed to V Mart Retail Pvt. Limited and in 2008 the constitution was changed to make it a public limited entity and the name of the Company was changed to the present one.

VMRL operated 69 stores with a total store area of 5.58 lakh sq.ft spread across 51 cities in 10 states and union territories as on 31st March 2013. All stores have lease agreements with two other stores with whom they share revenues as mandated by a clause. VMRL operates all its stores on its own and has not involved any franchisees.

VMRL's operations are mainly spread in Tier-II and Tier-III cities in the Northern, Eastern and Western parts of the country. Some of the major states in which Company operates are New Delhi, Gujarat, Madhya Pradesh, Uttar Pradesh, Bihar, Punjab and Rajasthan.

Promoters

VMRL promoters and promoter group hold 58.83% of the Company's shares. Mr. Lalit Agarwal, the current CMD of the Company holds 15.7% of the Company's share and has more

than 16 years of experience in the retail industry. He was also the CEO of Vishal Retail and was instrumental in the growth of the company. He left Vishal Retail to start his own venture in 2002. His father Mr. Madan Agarwal has more than three decades of experience in the retail industry and is the mentor of and the guiding force behind the Company. They are ably supported by Mr. Hemant Agarwal, brother of Mr. Lalit Agarwal, who has been instrumental in developing a huge vendor base.

Operations

VMRL's business can be classified into three verticals viz. apparels, general merchandise (non-apparels and home mart) and *kirana bazaar*.

The Company's business model comprises the purchase of merchandise (apparel and non apparel) from indigenous suppliers, coupled with onward distribution through distribution centres (Delhi and Ahmedabad).

Awards and accolades

V-Mart has been awarded by Planman Media as Indian Power Brand 2012-13.



Vision

Create value
and make our
ecosystem proud

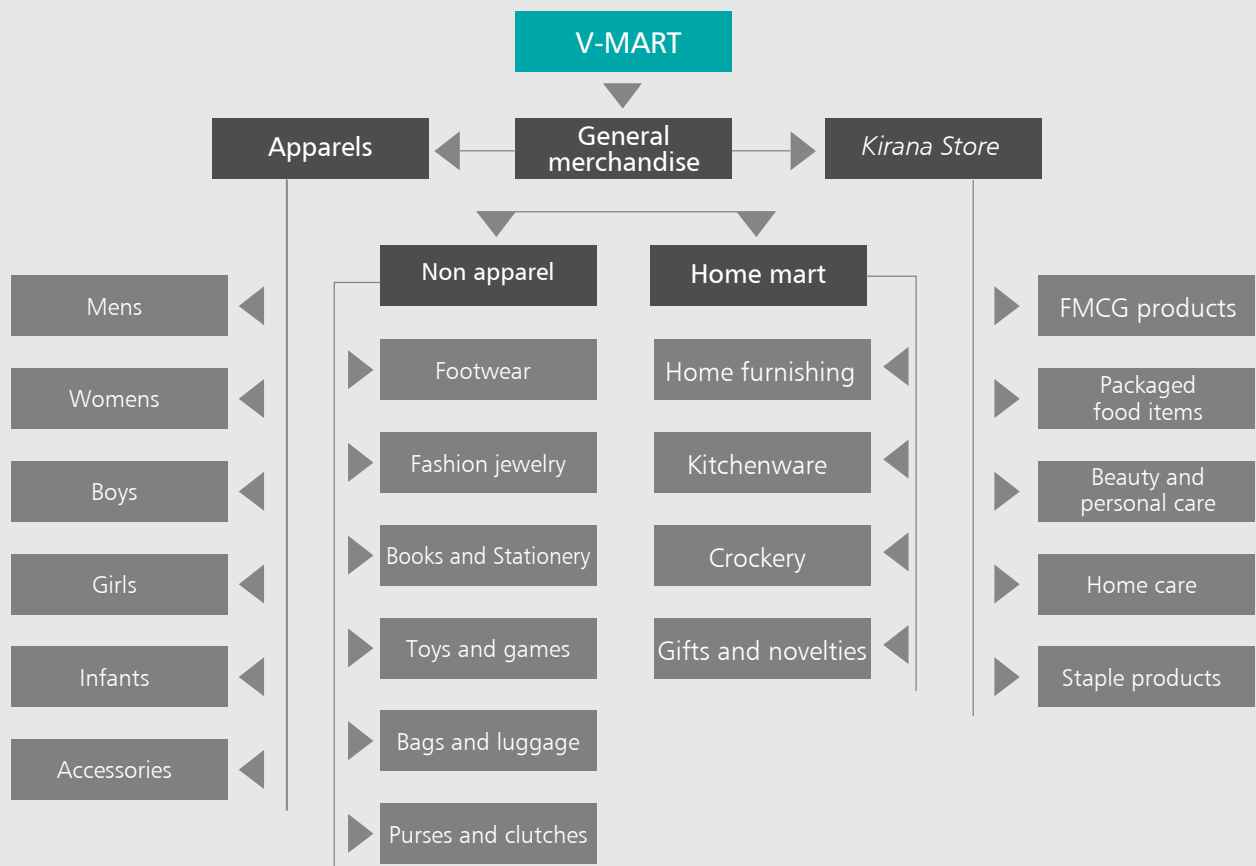
Our Philosophy

Mission

- Care for customer aspirations
- Discover and nurture talent
- Sustained ethical growth for stakeholders
- Harness vendor relationships



Our Business Verticals

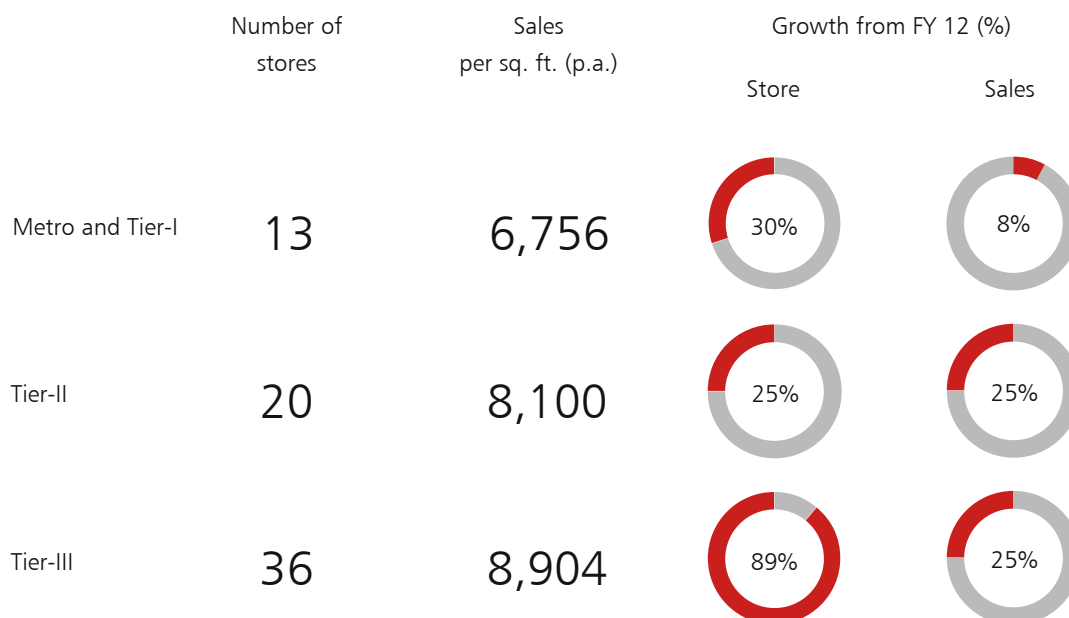


Our growth story



GROWING URBAN AND SEMI-URBAN PRESENCE

FY 13



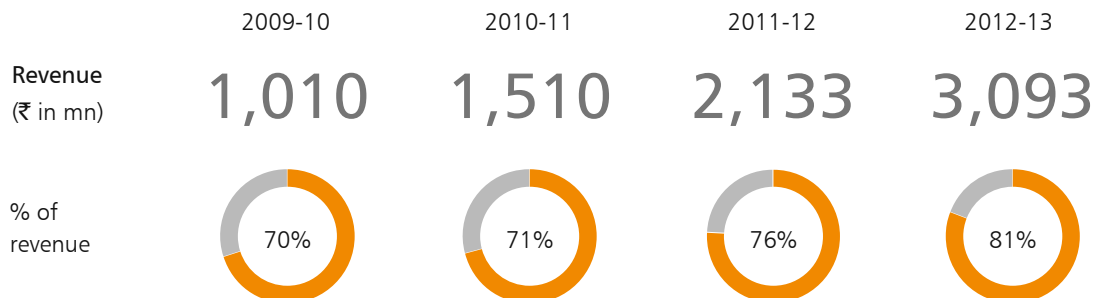


Financial achievements, 2012-13

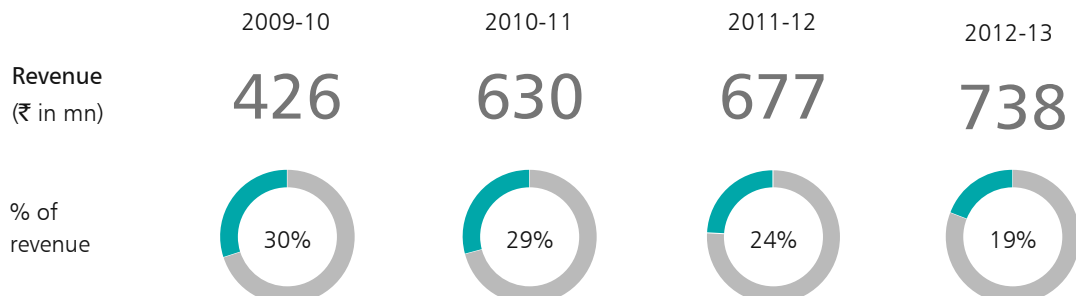
- Revenues grew by 36% to ₹3,834.58 mn over 2011-12.
- EBIDTA grew by 41% to ₹399.72 mn over 2011-12
- Net profit grew by 72% to ₹180.04 mn over 2011-12
- EBIDTA margin grew by 16 bps over 2011-12 to 10.42%
- Inventory holding decreased from 103 days in 2011-12 to 94 days in 2012-13
- Cash profit grew by 57.33% to ₹256.22 mn over 2011-12.
- Return on capital employed declined following a significant increase in cash infusion in the later part of the financial year following the IPO.

PRODUCT-WISE GROWTH

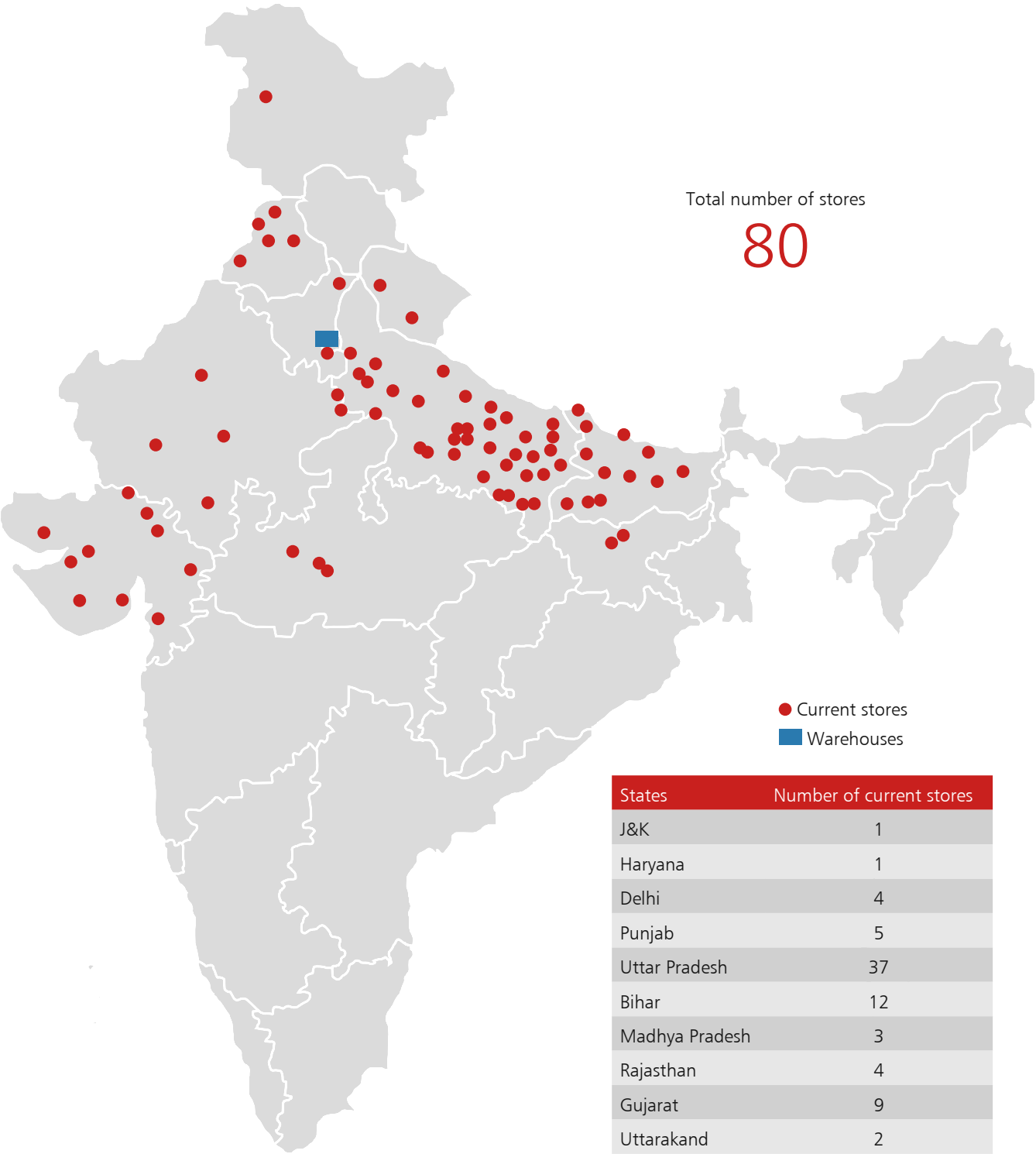
Fashion



Kirana



Our presence



* As on 31st August 2013

Retailing to an aspiring India

- Replicating an established and proven international retail model
- Strategically expanding our presence wider and faster
- Creating a retail brand that means everything to everybody
- Positioning ourselves in lucrative markets



Retailing to an aspiring India

REPLICATING AN ESTABLISHED AND PROVEN INTERNATIONAL RETAIL MODEL

Conventionally, most retail companies replicate large international retail models in India with minor adaptations in its merchandise with the conviction that as India gets progressively westernised, their business models would become increasingly successful.

At V-Mart, we responded with a completely Indianised version of the organised retail model instead. The Company's image was positioned around the image of a Company caring for the society as opposed to strictly profit-mongering one; it recruited locally in exchange for enhanced terrain familiarity; it adapted the shopping experience around more visible shopper comfort; it customised the merchandise around local

preferences; it engaged in ongoing communication with customers and vendors; it arranged store events and promotional campaigns; enhanced consumer loyalty through points, discounts, schemes and benefits; extended shopping hours; structured its merchandise across two divisions (three divisions in select outlets).

V-Mart created a typically Indian retail approach for some pertinent reasons.

One, the quantum of India's population – evolving from aspirers to consumers – is probably the largest in any country, the world over.

Two, this quantum – when aggregated – possesses a newfound national spending

power that is more likely to be invested in apparel and other items of visible and affordable conspicuous consumption.

Three, even as much as this population cluster is about aspirations, upward mobility and looking forward, it continues to be deeply Indian in its ethos, habits and preferences.

Four, India is not a homogenous country but an aggregation of a number of heterogeneous blocks with distinctive preferences – colour, fabric, style and size – changing every hundred odd kilometres, making it necessary for the business model to be adaptable to local tastes at the one hand and nationally-pervasive preferences on the other.



The result: V-Mart's Indianised business model translated into a growth in revenues and profits in every single year of what were the five most challenging years for the Indian economy leading to 2012-13.



CUSTOMER FEEDBACK

“For me V-Mart is one stop solution for my fashion needs, keeping all the trendy items for my family and I believe V-Mart is always consistent with their promise of ‘Price Less Fashion’”

- Garima Barmecha

Retailing to an aspiring India

STRATEGICALLY EXPANDING OUR PRESENCE WIDER AND FASTER

Conventionally, most Indian retail companies targeted aggressive growth numbers in the belief that an under-consumed India would shop considerably more as incomes rose with organised retail brands making it necessary to accelerate store rollout.

At V-Mart, we believe that even in an extensively under-penetrated Indian retail sector, a business model that generates controlled but sustainable growth works the best.

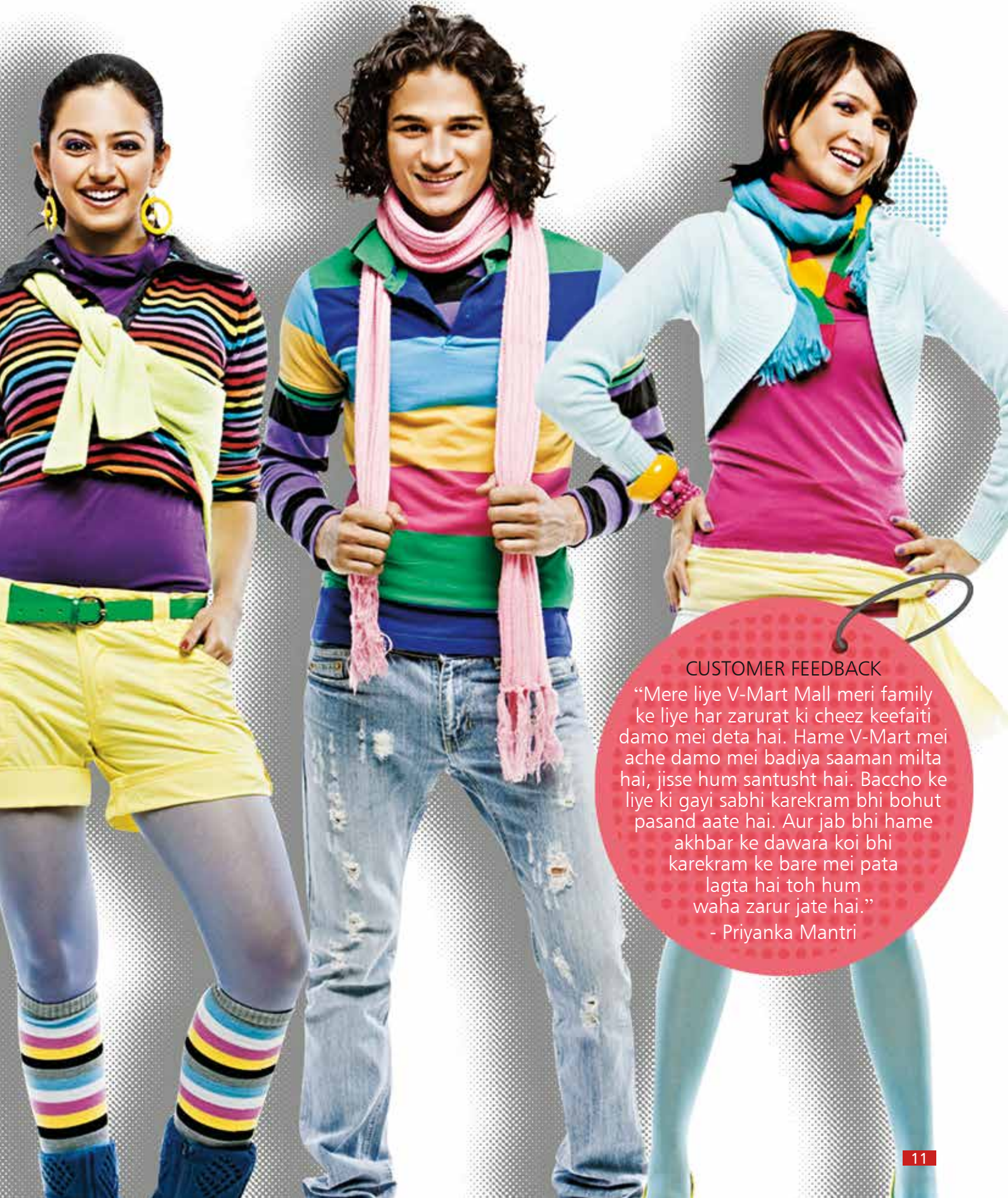
There is a reason for this: aggressive growth works when the market is small and homogenous; however, when the market is large, complex and heterogeneous, growth needs to be tempered in line with the managerial bandwidth in addressing market sophistication.

At V-Mart, we would rather grow 30% compounded across ten years supported by revenue growth in every single year as opposed to 50% compounded with three down years in ten.



The result: the commitment to controlled growth translated into sustainable numbers; in the six years leading to 2012-13, V-Mart grew at a CAGR of 31%.





CUSTOMER FEEDBACK

“Mere liye V-Mart Mall meri family ke liye har zarurat ki cheez keefaiti damo mei deta hai. Hame V-Mart mei ache damo mei badiya saaman milta hai, jisse hum santusht hai. Baccho ke liye ki gayi sabhi karekram bhi bohot pasand aate hai. Aur jab bhi hame akhbar ke dawara koi bhi karekram ke bare mei pata lagta hai toh hum waha zarur jate hai.”

- Priyanka Mantri

Retailing to an aspiring India

CREATING A RETAIL BRAND THAT MEANS EVERYTHING TO EVERYBODY

Conventionally, Indian retail companies selected to create a single retail brand in urban, semi-urban and rural locations providing products that were premium, functional and basic, resulting in a lack of a distinct identity.

At V-Mart, we have focused on creating a brand that means the same thing – value-for-money retail – to all people.

At our Company, we have consistently addressed the value-for-money retail proposition within India's large retail spectrum by pricing our products at almost a third of the urban brands. As an extension, we have focused on

a single customer type (evolving from aspiring to consuming) with an annual income range between ₹1 lakh to ₹10 lakh and largely residing in Tier-I, Tier-II and Tier-III locations in India.

To these semi-urban consumers, we bring the benefits of modern organised retail, translating into a value proposition that is one of the most compelling across the retail sector in India. This value proposition entails an offering that comprises apparel, general merchandise and *kirana* (kirana is available at select stores only) needs for the entire family.



The result: the focus translated into 72% footfall conversion as against an industry average of less than 40%; the Company has been making steady progress in improving the inventory holding days (in terms of days of sales) from 131 days in 2010 to 94 days in 2012-13.



CUSTOMER FEEDBACK

“The environment is clean and cool and the staff is helpful. The products are of a nice quality with affordable prices. There are different ranges of products to choose from and the prices, competitive.”

- Subhasis Dutta

Retailing to an aspiring India

POSITIONING OURSELVES IN LUCRATIVE MARKETS

Conventionally, Indian retail companies selected to position themselves in large urban centres first and then extending to smaller cities.

At V-Mart, we reversed our rollout direction; we selected to position ourselves in semi-urban India; all locations of our presence have a population of not less than 15 lakh. These relatively untapped semi-urban locations are undergoing an increase in incomes without a corresponding development of organised retail options. For our Company, this has translated into a first mover advantage on the one

hand and lower operating costs on the other.

Instead of rolling out stores at random across the vast geographical arena, we have selected to position each store 150-kms from the other, leveraging efficiencies in brand spending, procurement, supply chain, logistics and inventory management.

At our Company, this priority has been extended to our selection of locations; all our stores are in downtown locations as opposed to the prevailing attitude of locating them in high-end malls.



The result: the combination of income growth, high sales throughput and the ability to compete on value for money criteria has resulted in 95% of our stores having turned profitable at store level EBIDTA and each of our stores achieving break-even within the second month of launch.



CUSTOMER FEEDBACK

"I am always on the lookout for more offers in market. One day I saw V-Mart ads in newspaper with lots of offers. I went there with my family and purchased household items at a very nominal prices as compared to market rates. Those discounts helped me to maintain my monthly budget, I found that very useful and cost-efficient."

- Hemant Shah

Chairman's statement



1 Lalit Agarwal, Chairman and Managing Director 2 Madan Agarwal, Wholetime Director 3 Hemant Agarwal, Wholetime Director

This is our first Annual report in our publically listed form following our successful IPO. I would like to thank our shareholders for their support and the confidence which they have reposed in us. I have pleasant developments to report.

V-Mart reported a 36% growth in its revenues and a 72.2% increase in its profit after tax in 2012-13.

What was creditable is that in doing so, the Company outperformed the growth of the Indian organised retail sector and that its profit growth was higher than its revenue growth for the fourth successive year.

The performance of our Company during the year under review, coming as it did in a challenging industry environment, showcases the robustness of our business model and ability to scale the business without compromising on margins.

Overview of the retail sector

The Indian retail sector is one of the most attractive in the world industry for some valid reasons.

- India's organised retail segment is a mere 8% of the country's total retail sector – and growing.
- India's retail industry expanded 10.6% between 2010 and 2012 and unorganised retail market size is expected to increase to ₹3,840 bn by 2015; the apparel segment being the second largest category.
- The FDI inflows in single-brand retail trading during April 2000 to December 2012 stood at US\$ 95.36 mn (source: DIPPI).

At V-Mart, the ongoing challenge is not the absence of size or scope of the marketplace; the challenge lies in managing our ambitions so that all the growth that we generate is controlled, profitable and sustainable.

At the Company, we possess a holistic

vision to make our ecosystem proud; our mission is to care for customer aspirations, discover and nurture talent, generate sustained ethical growth for our stakeholders and harness vendor relationships.

This approach has been validated in our numbers during the three years leading to 2012-13, widely regarded as three of the most challenging years in the modern history of our nation. During this tumultuous period marked by erratic consumer response and rising interest rates, your Company has reported these attractive numbers:

- Profitable growth in each of the three years, marked by the percentage growth in profits being higher than the percentage increase in revenues, indicating that the Company's profitability is responding positively to business growth
- Margins growth in each of the three years, indicating that the Company's business model is largely insulated from economic upheavals
- A pre-IPO gearing of 0.73, indicating that in this approach, it is possible to scale the business largely through accruals without any large debt infusion

Our business model

At V-Mart, we believe that it is possible to create a robust and profitable retail business that benefits all stakeholders, does not have an excessive dependence on debt, is not governed by aggressive store rollout, does not entail large advertising budgets and does not depend on prominent urban locations. The Company believes that it is possible to enhance holistic value through a consistency in strategic discipline, a few points of which we have explained below:

- **Control growth:** At V-Mart, we believe in expanding at a pace that we can sustain meaning thereby that we build the organisational capability to match the growth rate of the

business. Based on the experience we have realised that for growth to be sustainable the organisation has to scale up in the same fashion. This is why we are opening our stores in a graded fashion over a period of two years whereby the organisation is also able to learn during this growing phase and its capability is also enhanced; we distribute the opening of stores over a span of three years.

- **Locational focus:** We intend to focus on Tier-II and Tier-III cities and towns where we feel that the upgradation from aspirers to consumer is happening faster than in any other national pocket. Our presence in these relatively untapped locations will make it possible for us to capture every offtake upturn with maximum efficiency. The result is that we not only expect to create a market in every location that we select to enter; but also expect to carve out a dominant share of it, in a sustainable way.

- **Sustained format focus:** We believe that our existing business model is relevant to capable of sustainable growth without major modifications. We intend to focus on the launch of family departmental stores in the mini hyper store and family fashion store formats across 7,000 - 10,000 sq. ft. in high street areas or in the main shopping hubs. We intend to focus on the 'aspiring class' population segment with a focus on the youth (families and individuals).

- **Low leverage:** At V-Mart, we believe keeping debts at a minimum. It's our Company policy to not exceed the debt-equity ratio at 0.75. Over the past years we have ensured that the investments required in new stores by way of capex are met completely through internal accruals and not through relying on debt. This is based on learnings from the mistakes of other entities which have relied heavily on debt as means of expansion.

● **Conserving and generating cash:** At V-Mart, the combined effect of these twin philosophies is what gives us the edge. We believe our investment per sq feet (by way of capex on new stores) should be such that the functionality is maintained while avoiding luxury. We have capex of around ₹1,300 per sq ft which is very low as compared to our peers. We also believe in generating cash by ensuring that we maintain a close check on the sales per square feet and also the associated return parameters ensuring adequate return on our investment.

● **Regional cluster-based expansion and penetration:** At V-Mart, we have selected to accelerate store rollout in contiguous regions within a 100 – 150 km radii from our existing stores in return for enhanced regional recall and superior leverage of consumption trends. The result is a relatively low brand spending, superior inventory turns, better human resource management and effective marketing initiatives.

● **Focus on increasing same-store sales growth:** At V-Mart, we focus on increasing sales from existing stores even as we widen our reach across new geographies. We enhance same-store growth through offers, promotions, loyalty programmes and the creation of annual days (Women's Day/Mother's Day/Father's Day/Parents' Day), competitions (drawing, dancing and painting) and other activities (treasure and talent hunts) that increase footfalls and enhances our conversion ratio. We possess more than 1.70 mn registered loyal customers, providing us with a large base for prospective cross-sale.

● **Strengthen our merchandise efficiency:** At V-Mart, we have strengthened our sourcing through back-to-back relationships with large

and low-cost suppliers translating into procurement efficiencies. This we manage by visiting the manufacturing hubs of related merchandise all over the country and connect with various vendors and thereafter shortlist the best. We also intend to increase our focus on merchandise which have an element of fashion through an in-house design team that enhances our presence across the value chain and improves our margins.

● **E-commerce extension:** We intend to establish an online portal (www.vmart.co.in) to address the growing online shopping potential in Tier-II and Tier-III Indian cities without a substantial investment. We consider this business to be synergic as it can potentially also lead to targeted customers shopping in our stores.

Optimism

One of the most significant developments to have transpired in the last financial year was the decision of the Indian Government to permit foreign direct investment in Indian retail companies. At V-Mart, we do not perceive this development to be a threat; on the contrary, we foresee this development to be a catalyst for growth for our sector and the Company for some valid reasons. We see the entry of large retail brands as widening the market for organised retail in India, popularising the concept, creating a national consumption appetite and widening the sourcing base for products and services.

At V-Mart, we are optimistic about our prospects in the segment keeping in mind the entry of larger retail brands notwithstanding for a number of reasons. India is at an inflection point in the consumption curve when even after a decade-and-a-half of the organised

retail sector's formal presence in India, the proportion of organised retail is still less than 10% of all the retail offtake in the country. At V-Mart, we expect that the entry of large foreign labels will first increase the organised retail proportion of all retail offtake in the country. Given that organised retail is 2.2% of the GDP, there is still a vast scope in widening this presence across a number of under-penetrated locations. Besides, organised retail is outperforming the broad retail sectoral growth in India, which indicates a growing traction for an organised business like ours.

Looking ahead

At V-Mart, we expect that our business model will generate a 35-40% revenue growth and project to add about 25 stores in 2013-14, with a higher percentage growth in our post-tax bottomline, enhancing value in the hands of the shareholders. The Company is undertaking various initiatives such as training, orientation, hiring new manpower to enhance organisational capability to sustain the growth rate of the business and it is expected that there may be an increase in the manpower costs in the interim period, which shall stabilise thereafter. The Company believes that the business model it is following is self-sustaining and the right strategy for the Company at this juncture and it will continue to add value to the shareholders. Therefore it would like to remain focused on it and is not considering experimentation with new ideas at this stage. The Company would thus consider expansion to new markets/geographies using the same key constituents of the existing model for fueling its growth in the medium term.

Lalit Agarwal
Managing Director

Management discussion and analysis

- 1 Madan Agarwal, *Wholetime Director*
- 2 Lalit Agarwal, *Chairman and Managing Director*
- 3 Hemant Agarwal, *Wholetime Director*
- 4 Dinesh Srivastav, *General Manager, IT*
- 5 Snehal Shah, *Sr. Vice President, Operations & Marketing*
- 6 Deepak Sharma, *Chief Financial Officer*
- 7 Anjali Goel, *General Manager HR*
- 8 Abhishek Jatia, *Vice President, Sourcing & Merchandising*
- 9 Vikash Beel *General Manager Buying and Merchandising*
- 10 Ramesh Agarwal *VP Buying and Merchandising (Kirana)*



Global economy

Following two years of anaemic and uneven recovery from the global financial crisis, the global economy is teetering on the brink of another major downturn. Output growth has already slowed considerably during 2011, especially in the

developed countries. The baseline forecast foresees continued anaemic growth during 2012 and 2013.

The global GDP grew at 3% in the last fiscal year and is expected to maintain similar growth till 2018. Post 2018, the GDP is expected to grow at 2.5% till 2025.

	2013 (%)	2014-2018(%)	2019-2025(%)
Advanced economies	1.2	1.9	1.5
Emerging economies	4.9	4.3	3.2
World	3.0	3.2	2.5

The upward trend was partly due to temporary factors such as easing financial conditions and recovering confidence in response to the European Central Bank's (ECB's) longer-term refinancing operations (LTROs). Global trade rebounded in parallel with industrial production in the first quarter of 2012, which, in turn, benefited trade-oriented economies, notably Germany and particularly the

Asian economy.

(Source – IMF World Economic Outlook)

Global retail industry overview

The global retail industry has been evolving rapidly. From a \$10.5 trillion market in 2010, the market is expected to grow 5% annually and expected to exceed \$13.2 trillion by 2015. Food and groceries represent the leading retail segment globally. The US, the UK, France,

Germany and other developed countries in Europe still boast of some of the biggest retail industries in the world. However, the retail industry in the developing countries, especially the BRIC nations, continues to grow at a much

faster rate and attract the largest global retailers.

Lately, countries like Georgia, Azerbaijan, Mongolia and Oman are becoming attractive destinations

for global retailers, especially for the specialty and luxury players. The following table provides an insight into the global retail development index for 2012.

2012 Rank	Country	Region	Market attractiveness (25%)	Country risk (25%)	Market saturations (25%)	Time pressure (25%)	GRDI score	Change in rank compared to 2011
1	Brazil	Latin America	100.0	85.4	48.2	61.6	73.8	0
2	Chile	Latin America	86.6	100.0	17.4	57.1	65.3	0
3	China	Asia	53.4	72.6	29.3	100.0	63.8	+3
4	Uruguay	Latin America	84.1	56.1	60.0	52.3	63.1	-1
5	India	Asia	31.0	66.7	57.6	87.9	60.8	-1
6	Georgia	Central Asia	27.0	68.7	92.6	54.0	60.6	N/A
7	United Arab Emirates	MENA	86.1	93.9	9.4	52.9	60.6	+1
8	Oman	MENA	69.3	98.3	17.4	50.4	58.9	N/A
9	Mongolia	Asia	6.4	54.4	98.2	75.1	58.5	N/A
10	Peru	Latin America	43.8	55.5	62.9	67.2	57.4	-3

(Source – Euromoney, Population Data Bureau, IMF, World Bank, WEF, AT Kearny Analysis)

Indian economy

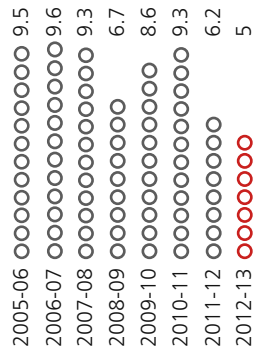
The Indian economy grew at a decelerated 5% in the financial year ended 31st March 2013.

India is expected to record a 6.1% gross domestic product (GDP) growth in the current fiscal. The growth is expected to increase further to 6.7% in 2014-15,

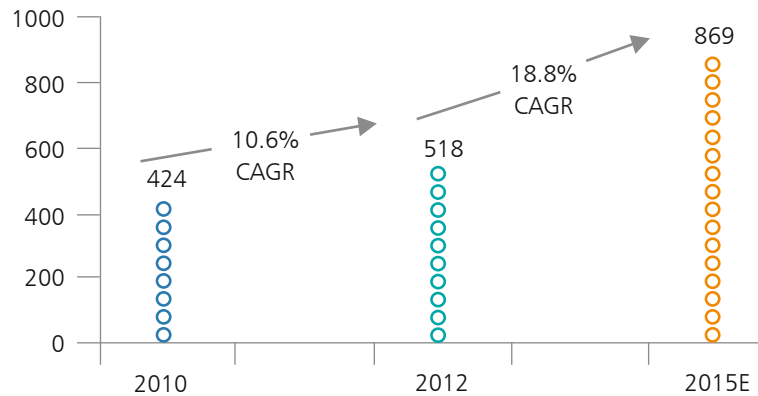
according to the World Bank's latest India Development Update. At the same time, the Prime Minister's Economic Advisory Panel expects the economic growth rate to increase to 6.4% in 2013-14 from 5% during 2012-13, on the back of an improvement in the performance of the agriculture and the manufacturing sectors.

The government's estimate for the fiscal year 2012-13 pegged output growth at 1.8%, while the manufacturing sector was expected to show a growth of 1.9%. The services sector, which makes up more than half of India's GDP, is forecast to slow down to 6.6% from 8.2% a year ago.

Indian GDP growth rate



GDP AT FACTOR COST (%)

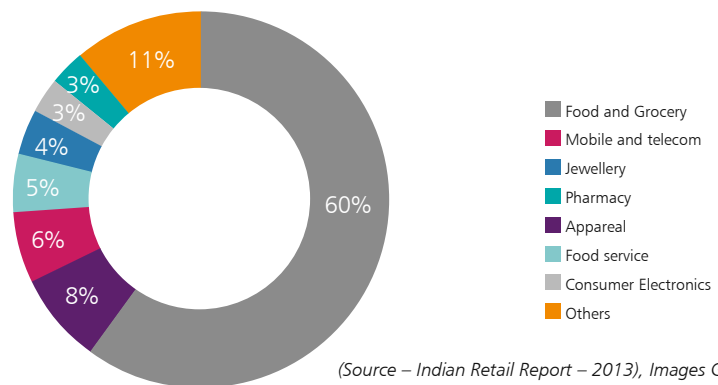


(Source – Indian Retail Report – 2013)

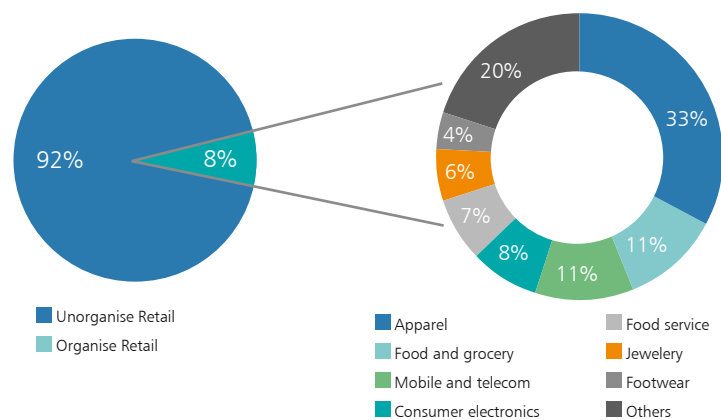
Indian retail industry overview

Retail industry is one of the biggest industries of the country and accounts for 14-15% of the country's GDP. It can be broadly divided into unorganised and organised sectors. The industry has shown rapid growth over the past few years and there has been a strong shift towards organised retail. Indian retail was a \$435 bn industry in 2010 of which \$414 bn (95% of the market) was unorganised retail and only \$21 bn (5% of the market) belonged to organised retail, between 2010 and 2012, the industry expanded at 10.6% and is expected to continue to grow at around 7% till 2020. It is expected that the retail industry will reach a size of US\$ 850 bn by 2015. Traditional retail is expected to grow at 5% and reach a size of US\$ 650 bn (76%), while organised retail is expected to grow at 25% and will reach a size of \$200 bn dollar by 2015.

Food and grocery is the largest segment within the Indian retail industry and captures a 60% share followed by apparel and mobile and telecom segments.



(Source – Indian Retail Report – 2013), Images Group



(Source – Dun & Bradstreet retail sector overview, Indian Retail Report 2013)

Textile and apparels industry in India

India is recognised as the world's second largest and one of the best sourcing destinations for textiles, garments and apparels.

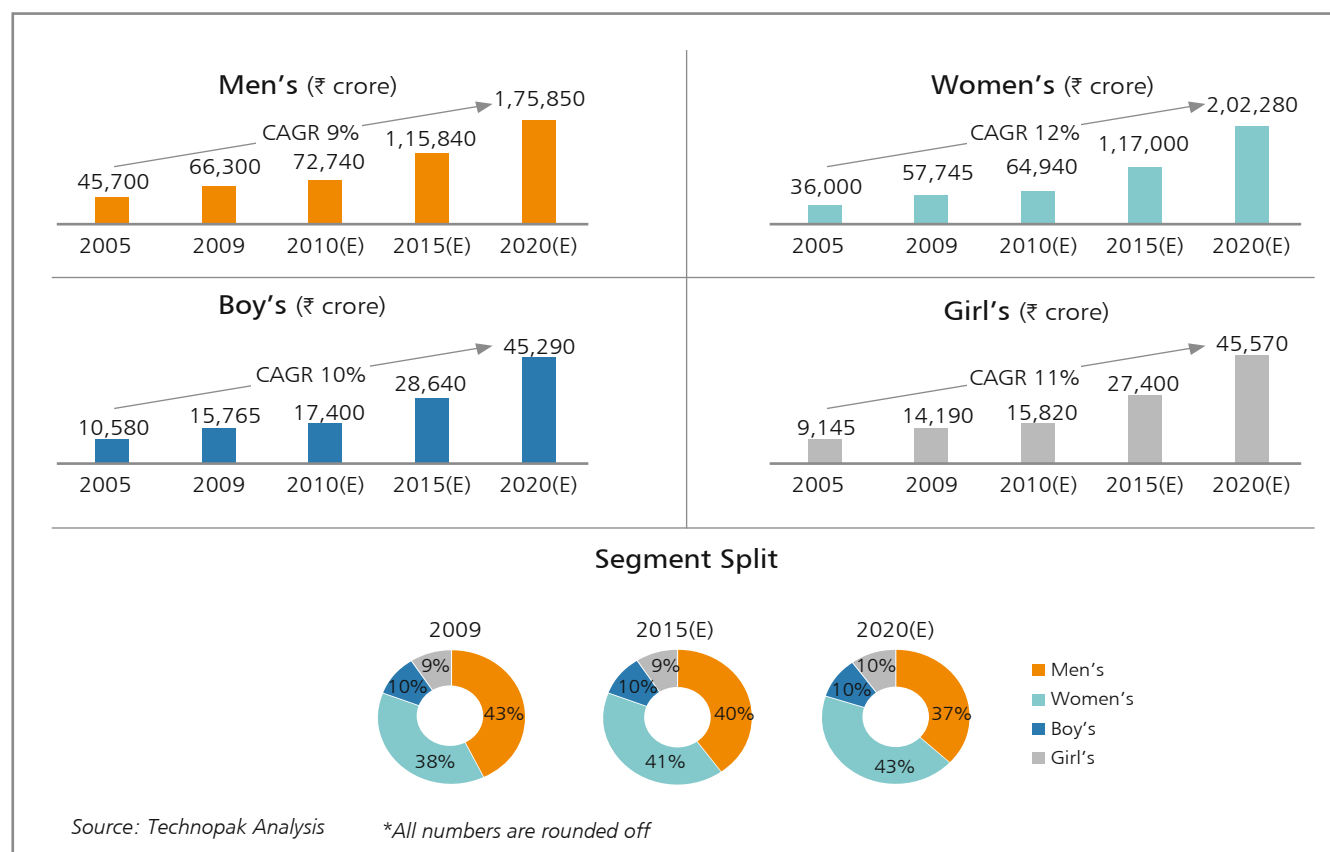
According to a report by Technopak

Advisors, Indian textile and apparel (TandA) industry is expected to grow at a CAGR of 11% to \$220 bn by 2020.

At present, the men's wear segment has a majority share in the apparel market, and is growing at rate of 9% annually. However, women's wear is growing at a higher rate of 12% and is expected to

have a market share of 43% by 2020.

Growth of kids' wear is in-line with the industry standards, with slightly higher growth rate in girl's wear than boy's wear. Girl's wear is currently growing at 11% compared to 10% growth for boy's wear.



Growth drivers for the Indian retail industry

Introduction of FDI in retail -

Foreign Direct Investment in retail was introduced by the Government of India in December 2012 which will allow international retailers to set-up multi-brand stores in India. With an international retailer required to invest a minimum of \$100 mn, this will result in a significant amount of influx of funds.

Rising urbanisation

Though a significant Indian population still resides in the villages, there has been a rise in the migration towards cities and towns of India. This resettlement can be attributed to growing aspirations, higher standards of living, rising number of youths attending colleges among other reasons. With 50% of the Indian population below the age of 25, this trend of urbanisation will grow stronger.

Growing consumer class and rising per capita expenditures

The Indian consumer class has been

growing at a ferocious pace. According to the CSO estimate, the gross national disposable income (per capita) has been increasing at a CAGR of 15% and stood at ₹75,400 in 2012 compared to ₹57,000 in 2010.

Correspondingly, the per capita consumption both in the rural and the urban areas increased. According to a report by Crisil, the per capita monthly consumption in rural India grew by 19% during the 2009-10 to 2011-12 period, outpacing growth in spending by urban citizens. Rural per capita spending amounted to ₹1,281.45 a month, compared to ₹2,401.68 in urban areas, during the 2011-12 period.

The latest value for household final consumption expenditure per capita (constant 2000 US\$) in India was ₹523.74 as of 2011. Over the past decade, the value for this indicator has fluctuated between ₹523.74 in 2011 and ₹304.50 in 2001.

Growing spread of plastic money

Since the first credit card service were started in India in 2001 by CitiBank,

the number of credit/debit cardholders have increased exponentially. With such increase in plastic money and corresponding increase in its acceptance, the number of transactions through such media has been on the rise. According to a report by CARE, 64.3% of all transactions made at retail outlets were done using credit/debit cards.

Owning a credit card increases the disposable income thereby increasing expenditures.

Favourable demographics

According to the most recent population census in 2011, the population of India belonging to the age group of 15-60 years increased to 64.3% compared to the 55.4% in 1991. The median age of the 1.2 bn strong Indian populations is 25.1 years which clearly underlines the earning and spending potential of the country.

Being an important industry, retail will tap a considerable share of the spending.

Managing risks at V-Mart

Risk	Risk Mitigation
Operational risk Increase in lease rentals might have an impact on the Company's operational performance.	As majority of the stores are not present in the metros, V-Mart's lease rentals per sq ft have been among the lowest in the industry, resulting in reduced operational costs. Also, the Company generally enters into long-term lease agreements ranging from nine to 12 years.
Liquidity risk Increase in working capital requirements might become a burden for the Company	The Company has maintained a healthy debt-equity ratio and is managing the working capital requirements well, reason being the Company believes in expanding their business through their own accruals rather than borrowing and expanding.
Economy risk Over all slowdown in the economy may impact the consumption of V-Mart's products.	As per the latest India Development Update of the World Bank, the Indian economy would grow by 6.1% in 2013-14 on account of robust domestic demand, strong savings and investment rates. Growth projections for 2013-14 have been arrived at by taking into account present internal and external factors. Economic growth is likely to accelerate to over 6% during the current financial year (April 2013-March 2014). Growth is expected to increase further to 6.7% in 2014-2015.
Technology risk Technology obsolescence could warrant an increase in investments, affect cash flow and impact profitability.	V-Mart has a strong focus on systems and business processes. The Company believes that well-defined systems and processes backed by their end-to-end Enterprise Resource Planning 'ERP' software forms a vital element of our business operations. The Company's ERP software addresses multiple aspects from procurement to points-of- sale. The Company uses an ERP software 'Ginesys', from planning and setting up of new stores to managing day-to-day operations, formulation of replenishment plans, including analysing information from all aspects of the business operations and tools for financial management and other management decisions.
Trend-related risk An inability to keep pace with changing fashion trends can hamper the Company's growth.	The Company's dedicated team stays in regular touch with the evolving needs of downstream consumers and the fashion industry. The Company provides their consumers with apparels in line with the emerging trends. The Company takes steps to enhance fashion contemporariness.
Human resource risk Being a consumer facing service industry, human capital is key to the growth of our business. The loss of key personnel or inability to attract and recruit talented and skilled personnel may impact the business and ability to grow.	At V-Mart, we value our staff and continue to assess both front end and back end staff for career development, planning and succession.

Corporate information



BOARD OF DIRECTORS

1. Lalit Agarwal *Chairman and Managing Director*
2. Madan Agarwal *Wholetime Director*
3. Hemant Agarwal *Wholetime Director*
4. Krishan Kumar Gupta *Director (Non Executive, Independent)*
5. Aakash Moondhra *Director (Non Executive, Independent)*
6. Kamal Kumar Gupta *Director (Non Executive, Independent)*
- 7 Bharat Banka* *Director (Non Executive, Independent)*
- 8 Shriram Jagetiya* *Director (Non Executive, Independent)*

* resigned w.e.f. 02/07/2012.

Audit Committee

Mr. Krishan Kumar Gupta, Chairman
 Mr. Aakash Moondhra
 Mr. Kamal Kumar Gupta
 Mr. Lalit Agarwal

Shareholders/ Investors Grievance Committee

Mr. Krishan Kumar Gupta, Chairman
 Mr. Lalit Agarwal
 Mr. Madan Agarwal
 Mr. Hemant Agarwal

Remuneration Committee

Mr. Kamal Kumar Gupta, Chairman
 Mr. Krishan Kumar Gupta
 Mr. Aakash Moondhra

Company Secretary And Compliance Officer

Mr. Yogesh Bhardwaj

Statutory Auditors

Walker, Chandiok & Co.,
 L 41, Connaught Circus, New Delhi - 110001
 Tel: +91 11 4278 7070, Fax: +91 11 4278 7071
 Website: www.grantthornton.in
 Contact Person: Atul Seksaria, Partner
 Membership No. 086370
 Firm registration No: 001076N

Bankers

State Bank of India
 Andhra Bank
 ICICI Bank
 Deutsche Bank
 Axis Bank

Corporate Office and Registered Office

V-Mart Retail Limited

F-11, Udyog Nagar Industrial Area, Peeragarhi,
 Rohtak Road, New Delhi - 110 041, India
 Tel: +91 11 4525 4444, Fax: +91 11 4525 4429
 Email: compliance@vmart.co.in
 Website: www.vmart.co.in

Warehouse

1. Mundka-1, New Delhi
2. Mundka-2, New Delhi
3. Peeragarhi, New Delhi

Registrar & Share Transfer Agent

M/s Karvy Computershare Private Limited
 Plot No. 17-24, Vithal Rao Nagar,
 Madhapur, Hyderabad 500 081, India
 Tel. no. +91 404465 5000
 Toll free: 180 0345 4001
 Fax no. + 91 040 2343 1551
 Email: murali@karvy.com

Key Managerial Person

Snehal Shah *Senior Vice President*
(Operations & Marketing)

Deepak Sharma *Chief Financial Officer*

Jai Banerjee *Vice President*
(Strategic Planning & Human Resources)

Abhishek Jatia *Vice President*
(Sourcing & Merchandising)

Dinesh Srivastav *General Manager*
(Information Technology)

Statutory Section

V-MART RETAIL LIMITED

Regd. Office: F-11, Udyog Nagar Industrial Area, Peeragarhi, Rohtak Road, New Delhi-110041

Tel.:011-45254444, Fax No. 011-45254429, Website: www.vmart.co.in

NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the Members of the Company will be held on Monday, September 30, 2013 at 10: 00 am at Tecnia Institute of Teacher Education, F-19, Sector-8, Rohini, Delhi-110085 to transact the following Business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2013 and the statement of Profit & Loss Account for the year ended 31st March, 2013 along with the Reports of the Auditors and Directors thereon.
2. To declare dividend on equity shares for the financial year 2012-13.
3. To appoint a Director in place of Mr. Aakash Moondhra who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s Walker, Chandiok & Co., Chartered Accountants, (FRN No. 001076N) the retiring Auditors are eligible for re-appointment.

By order of the Board
For V-Mart Retail Limited

Place: New Delhi
Date: September 6, 2013

Yogesh Bhardwaj
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Duly completed, signed and stamped Proxy Form should be deposited to the Registered Office of the Company, not less than FORTY-EIGHT HOURS before the time for holding the Meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution / authority, as applicable, issued by the member organisation.
2. The details of Directors seeking re-appointment, in terms of clause 49 of the Listing Agreement, are annexed hereto and form part of the Notice.
3. Only Registered Members (i.e. Equity shareholders holders) of the Company may attend and vote at the Annual General Meeting.
4. Each member present shall have one vote in case of voting by show of hands. If any resolution at the meeting is put to vote on a poll or if any resolution is put to vote by postal ballot, each Equity shareholder shall be entitled to one vote for every equity share held.
5. The Register of Members and Share Transfer Books will be remain closed from Wednesday the September 25, 2013 to Monday the September 30, 2013 (both days inclusive) in connection with Annual General Meeting and for the purpose of Dividend.
6. The Board of Directors of the Company at their Meeting held on 30-07-2013 has recommended a dividend of ₹1 per Equity Share as final dividend for the financial year 2012-13. If dividend approved at the Annual General Meeting, payment of such dividend will be made on or after October 5, 2013 as under:

- (i) to all shareholders in respect of equity shares held in electronic form, as per the data made available by the National Securities Depository Limited and Central Depository Services (India) Limited, as the close of business hours on September 25, 2013; and
 - (ii) to all shareholders in respect of shares held in physical form, after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the Close of business hours on September 25, 2013.
7. Members are requested to send all communications relating to shares (Physical & Electronic Mode) to our Registrar & Share Transfer Agent (R & T Agent) at the following address:

Karvy Computershare Private Limited
Plot no. 17-24, Vithal Rao Nagar,
Madhapur, Hyderabad 500 081, India
Phone No. +91 40 44655000 Toll Free: 1800345 4001
Fax No. +91 040 2343 1551
email: murali@karvy.com
8. Members are requested to send their queries with regard to the Accounts atleast seven days in advance at the Registered Office of the Company so that information required by them may be made available.
9. Members/ Proxies are requested to bring the attendance slips duly filled in to the Meeting.
10. Members are informed that the unpaid dividend amount remaining unclaimed relating to the financial year 2012-13 onwards can be claimed from R & T Agent after submission of necessary information and documents. Unclaimed and unpaid dividend shall become due for transfer to the Investor Education and Protection Fund established by the Central Government in terms of Section 205A(5) of the Companies Act, 1956 on expiry of seven years from the date of its declaration.
11. To avoid loss of dividend warrants in transit and undue delay in respect of receipt of dividend warrants, the Company has provided a facility to the Members for remittance of dividend through Electronic Clearing System (ECS). The ECS facility is available at locations identified by Reserve Bank of India from time to time and covers most of the cities and towns. Members holding shares in physical form and desirous of availing this facility are requested to contact the Company's Registrar and Transfer Agents.
12. Members holdings Shares in Physical form may write to Company's Share Transfer Agents / the Company for any change in their address and bank mandates; members having shares in Electronic Form may inform the same to their depository participants immediately so as to enable the Company to dispatch dividend warrants at their correct addresses.
13. Members are requested to kindly bring their copy of the Annual Report with them at the Annual General Meeting, as no extra copy of Annual Report would be made available at the Annual General Meeting.
14. Pursuant to Section 109A of the Companies Act, 1956, members are entitled to make a nomination in respect of Shares held by them in physical form. Members desirous of making an nomination are requested to send their requests in Form No. 2B in duplicate (which will be made available on request) to the Registrar and Share Transfer Agent of the Company.
15. The Annual Report for the financial year 2012-13 has been sent through email to those members who have opted to receive electronic communication or who have registered their email addresses with the Company/ depository participants. The Annual Report is also available on our website, i.e. www.vmart.co.in. The members will be entitled to a physical copy of the Annual Report for the financial year 2012-13, free of cost, upon sending a request to Karvy or the Company Secretary at F-11, Udyog Nagar Industrial Area, Peeragarhi, New Delhi-110041.
16. In terms of the Circular No. CIR/MRD/DP/10/2013 dated 21 March 2013 issued by the Securities and Exchange Board of India, Listed Companies are required to use the Reserve Bank of India's approved electronic mode of payment such as Electronic mode of payment such as Electronic Clearance Service (ECS), LECS (Local ECS)/ RECS (Regional ECS) / NECS (National ECS)/ NEFT etc. for making cash payments like dividend etc. to the members.

17. Members are requested:

- (a) To bring Attendance slip duly completed and signed at the meeting and not to carry brief case or bag inside the meeting venue for security reasons; and
- (b) To quote their Folio No. / DP-id – Client id in all correspondence.

Accordingly, members holding securities in demat mode are requested to update their bank details with their depository participants. In case of members holding securities in physical form are requested to send a request to Karvy or the Company Secretary at F-11, Udyog Nagar Industrial Area, Peeragarhi, New Delhi-110041.

18. Inspection: All documents referred to in the Notice shall be open for inspection at the registered office of the Company on all working days, between 2:00 pm to 4:00 pm up to the date of AGM and shall also be available at the AGM.

Regd. Office:

F-11, Udyog Nagar Industrial Area,
Peeragarhi, Rohtak Road,

By Order of the Board
For V-Mart Retail Limited

New Delhi - 110041

Date : September 6, 2013

Yogesh Bhardwaj
Company Secretary

**Details of Director seeking Re-appointment at the Annual General Meeting
(in pursuance of Clause 49 of the Listing Agreement)**

Name of Director	Mr. Aakash Moondhra
Date of Birth	24-08-1973
Date of Appointment	18-03-2010
Qualifications	B.com, M.BA, CA, CS
Expertise in specific functional areas	Held various positions in Nokia India Pvt. Ltd., Baring Private Equity Partners (India), heading the retail vertical, Bharti Retail Pvt. Ltd., Bharti Airtel Ltd. and AT & T Corporation and currently working as a Chief Financial Officer in Jasper Infotech Pvt. Ltd.(www.snapdeal.com)
Directorship held in other public companies	Nil
Committees positions in V-Mart Retail Ltd.	Audit Committee, Remuneration Committee
Relationships between Directors inter-se	Nil
Number of Share held	924

DIRECTORS' REPORT

Dear members

Your Directors have great pleasure in the presenting the 11th Annual Report of the Company together with the audited accounts for the year ended 31st March, 2013.

FINANCIAL HIGHLIGHTS

The operating results of the Company for the year under review are as follows:

(₹ in million)

	Year ended March 31, 2013	Year ended March 31, 2012
Revenue	3,836.49	2,819.54
Profits/(Loss) before Depreciation & Tax	342.25	215.70
Less: Depreciation	76.18	58.30
Less: Provision for Tax	86.03	52.84
Profit before Appropriation	180.04	104.56
Less: Utilised for Dividend Issue	15.47	3.42
Balance carried forward to Balance Sheet	164.57	101.14

V-MART IPO

Your Company has concluded a public issue of 57,46,000 Equity Shares of face value of ₹10 each for cash at a price of ₹210 per Equity Share (including a share premium of ₹200 per Equity Share) aggregating to ₹120,666 million comprising of a fresh issue of 4,011,000 Equity Shares by our Company aggregating to ₹84,231 million and an offer for sale of 1,735,000 Equity Shares aggregating to ₹36,435 million.

The Company has also made a pre-IPO placement of 1,250,000 Equity Shares of the face value of ₹10 each at a price of ₹210 per Equity Shares to pre-IPO investors.

The funds raised through the IPO will be utilised to finance V-Mart's plans to open 60 new stores, for the expansion of distribution centers, for working capital requirements, for general corporate purposes and to meet the issue expenses.

The initial public offer of V-Mart Retail Ltd has been subscribed 1.19 times. While the qualified institutional buyer's portion in the offer was subscribed 1.52 times, the non-institutional investors and retail investors segments were subscribed 1.39 and 0.79 times, respectively.

Pursuant to Clause 5A of the Listing Agreement the Company has opened separate suspense accounts for share issued in dematerialised and physical forms which have remained unclaimed.

PERFORMANCE REVIEW

The Indian retail industry has experienced significant growth over the last decade with a noticeable shift towards organised retailing formats. The industry is moving towards a modern concept of retailing. India's retail market is expected to grow at 7 per cent over the next 10 years, reaching a size of US\$ 850 billion by 2020. Traditional retail is expected to grow at 5 per cent and reach a size of US\$ 650 billion (about 76 per cent), while organised retail

is expected to grow at 25 per cent and reach a size of US\$ 200 billion by 2020. By working under the brand name of V-Mart Retail we feel that a significant business opportunities lie ahead for the retailers. The overall retail market continues to grow and consumer aspiration for a better service environment still remains intact. Your Company continues to endeavour to reinstate its growth pattern in the retail industry with a chain of stores under the V-Mart brand in the retail industry.

OPERATIONS REVIEW

During the year, the Company was involved in the process to overhauling its business taking the advantage of its brand value it has created in the market thus far.

During the year, Company opened 16 new stores under the brand **V-Mart** with spread over an area of 122,928 sq.ft.

The Company has also opened a warehouse at Mundka-2, Head Office during FY 2012-13.

The store at Karnal was closed due to an absence of footfall, poor sales and lack of financial viability.

Factors like new store openings, monitoring the financial viability of stores, financial management, HR management and manpower planning are some of the key issues for the Company in the current context.

AWARDS AND ACHIEVEMENTS

We have been chosen as an 'Indian Power Brand 2012 – 13' by Planman Media. We were placed as a finalist in the 'Most Admired Retailer of the Year: Discount Retail category' at the Images Retail Awards 2011.

OPERATING RESULTS AND BUSINESS:

Your Company completes its eleventh year in the field of fashion retailing.

Sustained focus on understanding customer preferences, fashion merchandise, operational efficiency coupled with a strong orientation mediated towards sales and cost control has helped eke out a satisfactory business performance.

Revenue growth can be attributed to the encouraging performance of stores located in strategic catchments spread across northern, western and eastern parts of India. The Company has executed strategic measures like store expansion in prospective catchment areas, inventory rationalisation, focus on garnering higher topline and better control of operational costs.

DIVIDEND

The Directors recommend for your consideration a dividend of ₹1,79,58,738 (₹ one crore seventy nine lakh fifty eight thousand seven hundred and thirty eight only) (i.e. ₹ 1 per share), excluding the Dividend Distribution Tax, be paid out of the profits of the Company for the year 2012-13 on the Equity Shares to those shareholders whose name appear in the Register of Members of the Company on September 25, 2013, subject to approval by the members at the Annual General Meeting.

FINANCE

Your Company continues to implement various initiatives for bringing down the cost of borrowings which includes a judicious mix of short-term working capital borrowing, long-term loans for expansion at competitive terms, so as to have funds available at competitive costs.

PUBLIC DEPOSITS

Your Company has not accepted any deposit within the meaning of Section 58A of the Companies Act, 1956 and the rules framed there under, during the period.

INDUSTRIAL RELATIONS

The Company has developed a climate of cooperation, and confidence for its employees.

Our relation with employees is based on mutual trust and respect and we continue to maintain the same spirit at all times.

PARTICULARS OF EMPLOYEES

There was no employee of the Company during the period, whose particulars are required to be given in the Director's Report under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

EMPLOYEE STOCK OPTION SCHEME

Your Company has implemented an Employee Stock Option Scheme, which was approved by the Board of Directors and the shareholders vide resolution dated 2 July 2012 and 10 July 2012 respectively (the V-Mart ESOP Scheme 2012), consequent to which 300,000 Equity Shares of ₹10 each will be granted upon exercise of as stock options (ESOPs) to eligible employees. The options will vest over a period of 12 months to 36 months of continued employment from the grant date.

On 20 July 2012, the Company has granted 153,252 ESOPs at an exercise price, as determined by the Remuneration Committee, of ₹150.00 per option with graded vesting (i.e. 45,975 options vesting after 12 months from the date of grant, 45,975 options vesting after 24 months from the date of grant and 61,302 options vesting after 36 months from the date of grant). The vesting of options is subject to the continued employment of the grantee over the vesting period. The options granted can be exercised after vesting at any time before the expiry of eight years from the grant date.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis as required under Clause 49 of the Listing Agreement has been dealt with extensively as part of this Annual Report.

AUDITORS

M/s Walker, Chandiok & Co., Chartered Accountants, Chartered Accountants, Statutory Auditors of the Company, retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment. They have expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224 (1B) of the Companies Act, 1956. The Board recommends their appointment.

AUDITOR'S QUALIFICATION

The observations made in the Auditor's Report are self-explanatory and therefore do not call any further comments under Section 217(3) of the Companies Act, 1956.

Your Directors request you to appoint Auditors for the current year as set out in the accompanying notice of the Annual General Meeting.

DIRECTORS

The Board of Directors of the Company is duly constituted.

At the ensuing annual general meeting Sh. Aakash Moondhra, will retire by rotation and, being eligible, offer themselves for reappointment in terms of provisions of Articles of Association of the Company.

The brief resume/details relating to Directors who are to be appointed/reappointed are furnished in the explanatory statement to the notice of the ensuing Annual General Meeting.

The Company has received requisite disclosures and undertakings from all the Directors in compliance with the provisions of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. In the preparation of the Annual Accounts for the year, applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any;

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 the end of the financial year ended March 31st, 2013 and of the profit of the Company for that period;
3. They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. They have prepared the Annual Accounts for the year ended March, 31st, 2013 on a *going concern* basis.

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.

REPORT ON 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.

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

In view of the nature of activities which are being carried on by the Company, the particulars prescribed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosures of Particulars in the report of Board of Directors) Rules, 1988 regarding conservation of Energy & Technology Absorption are not applicable to the Company.

The details of foreign exchange earnings and outgo during the year under review are as follows:

	Current Year (₹)
(a) Earnings	Nil
(b) Outgoing	1,764,932

IMPORTANT INTIMATION TO THE MEMBERS

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

ACKNOWLEDGEMENT

Yours Directors take this opportunity to express their sincere appreciation for the support and cooperation provided by the shareholders, customers, suppliers, bankers and other business associates. Your Directors gratefully acknowledge the ongoing cooperation and support provided by Central and State Governments and all regulatory authorities. Your Directors also place on record their appreciation of the contribution made by employees across all levels.

By the Order of Board
For on behalf of Board of Directors

Place : New Delhi
Date : 16th May, 2013

CHAIRMAN

Information required to be disclosed under SEBI (ESOS and ESPS) guidelines, 1999 as on March 31, 2013

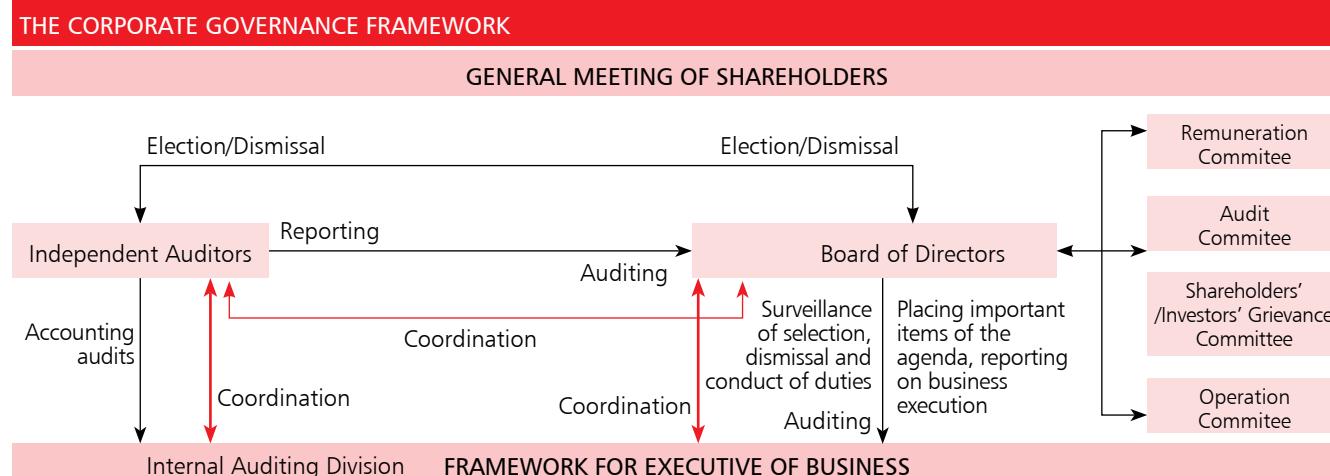
The following table sets forth the particulars of the ESOPs granted under the V-Mart ESOP Scheme 2012:

Particulars	Details												
Options granted	153,252 ESOPs were granted on July 20, 2012 at an exercise price of ₹150.00 per ESOP with graded vesting (i.e. 45,975 ESOPs vesting after one year from the date of grant, 45,975 ESOPs vesting after two years from the date of grant and 61,302 ESOPs vesting after two years from the date of grant)												
Pricing formula	The Remuneration Committee has been authorised to determine the exercise price of ESOPs.												
Total options vested	Nil												
Options exercised	Nil												
Total number of Equity Shares arising as a result of the exercise of options	Nil												
Options forfeited/lapsed/cancelled	Nil												
Variation of terms of options	Nil												
Money realised by exercise of options	Nil												
Total number of ESOPs in force	153,252												
Person-wise details of options granted to													
i) Directors and senior managerial personnel/key managerial personnel	<table> <tr> <td>Deepak Sharma</td><td>3,593</td></tr> <tr> <td>Snehal Shah</td><td>34,703</td></tr> <tr> <td>Jai Banerjee</td><td>15,463</td></tr> <tr> <td>Abhishek Jatia</td><td>22,083</td></tr> <tr> <td>Dinesh Srivastav</td><td>7,360</td></tr> <tr> <td>Yogesh Bhardwaj</td><td>1,710</td></tr> </table>	Deepak Sharma	3,593	Snehal Shah	34,703	Jai Banerjee	15,463	Abhishek Jatia	22,083	Dinesh Srivastav	7,360	Yogesh Bhardwaj	1,710
Deepak Sharma	3,593												
Snehal Shah	34,703												
Jai Banerjee	15,463												
Abhishek Jatia	22,083												
Dinesh Srivastav	7,360												
Yogesh Bhardwaj	1,710												
ii) Any other employee who received a grant in any one year of options amounting to 5% or more options granted during the year	<table> <tr> <td>Sanjeet Kedia</td><td>11,041</td></tr> <tr> <td>Vikash Beel</td><td>9,814</td></tr> </table>	Sanjeet Kedia	11,041	Vikash Beel	9,814								
Sanjeet Kedia	11,041												
Vikash Beel	9,814												
iii) Identified employees who are granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant conversions) of the Company at the time of grant	Not applicable												
Fully-diluted EPS pursuant to issue of shares on exercise of options in accordance with relevant accounting standard.	Since the ESOPs have been granted after the date for which last financial statements have been disclosed in the Draft Red Herring Prospectus, there is no effect of ESOPs on the diluted earnings per share disclosed.												
Lock-in	None												
Impact on profits and EPS of the last three years	Since the ESOPs have been granted after the date for which last financial statements have been disclosed in the Draft Red Herring Prospectus, there is no effect of ESOPs on the diluted earnings per share disclosed.												

Particulars	Details			
Impact of the difference on the profits of the Company and on the EPS.				
Difference, if any, between employee compensation cost (calculated according using the intrinsic value of stock options) and the employee compensation cost (calculated on the basis of fair value of stock options)	The Company will use fair value of options for calculation of employee compensation cost.			
Weighted average exercise price of options whose exercise price either equals or exceeds or is less than the market price of the stock	Exercise price exceeds market price : Not applicable Exercise price equals market price : Not applicable Exercise price is less than market price : Not applicable			
Weighted average fair values of options whose exercise price either equals or exceeds or is less than the market price of the stock	Exercise price exceeds market price : Not applicable Exercise price equals market price : Not applicable Exercise price is less than market price : Not applicable			
Method and significant assumptions used to estimate the fair value of options granted during the year	There is no impact on profit and loss since the ESOPs have been garnted on fair market value. The fair market value has been calculated on the basis of the 'Income Approach and Discounted Cash Flow' method.			
	Particulars	45,975 ESOPs	45,975 ESOPs	61,302 ESOPs
	Price per option (in ₹)	150.00	150.00	150.00
	Risk free return (in %)	8.30	8.30	8.30
	Average weighted cost of capital (in %)	10.80	10.80	10.80
	Average rate of return on the stock market (in %)	7.25	7.25	7.25
	Terminal growth (in %)	10.00	10.00	10.00
	Average cost of equity based on CAPM (in %)	13.55	13.55	13.55
	Beta	1.26	1.26	1.26
	Price of underlying shares at the time of the options grant	150.00	150.00	150.00

CORPORATE GOVERNANCE REPORT

Corporate Governance is the bedrock of the transparency, accountability and reliability of any organisation.



One of the core missions of your organisation is to achieve excellence across all spheres, be it profitability, growth in market share, superior quality of products and services to the satisfaction of the stakeholders through an efficient and effective code of governance.

We aim at providing fairness, clarity and transparency in all our dealings and thereby increasing the value at the hand of the stakeholders of the Company.

The Corporate Governance Report of the Company for the period of 12 months ended March 31, 2013 is as follows:

1. BOARD OF DIRECTORS

The composition of the Board as on March 31, 2013 is as follows:

- 1) Executive Promoter Directors - 3
- 2) Independent Non-Executive Directors – 3

The composition of the Board is in conformity with the requirements of Clause 49 of the Listing Agreement.

During the financial period 2012-13, twelve Board Meetings were held. These were held on 21/05/2012, 15/06/2012, 02/07/2012, 20/07/2012, 23/07/2012, 27/08/2012, 10/11/2013, 06/01/2013, 08/01/2013, 17/01/2013, 08/02/2013 and 16/03/2013.

Composition of the Board of Directors, their attendance in the Board Meetings and other particulars are as follows:

Name of Director	Category	No. of Board Meeting attended during 2012-13	No. of other directorships in public companies* as on 31/03/2013	Attendance in the last AGM	No. of Committee** positions held in other public companies as 31/03/2013	
					Chairman	Member
Mr. Lalit Agarwal	Chairman and Managing Director	12	-	Yes	-	-
Mr. Madan Gopal Agarwal	Wholtime Director	11	-	Yes	-	-
Mr. Hemant Agarwal	Wholtime Director	10	-	Yes	-	-
Mr. Aakash Moondhra	Independent Non-Executive Director	11	-	No	-	-

Name of Director	Category	No. of Board Meeting attended during 2012-13	No. of other directorships in public companies* as on 31/03/2013	Attendance in the last AGM	No. of Committee** positions held in other public companies as 31/03/2013	
					Chairman	Member
Mr. Krishan Kumar Gupta	Independent Non-Executive Director	12	-	Yes	-	-
Mr. Kamal Kumar Gupta	Independent Non-Executive Director	9	-	No	-	-
Mr. Bharat Banka#	Independent Non-Executive Director	2	-	No	-	-
Mr. Shriram Jagetiya#	Independent Non-Executive Director	2	-	No	-	-

* Alternate directorships and directorships in private companies, foreign companies and Section 25 companies are excluded.

** includes chairmanships/memberships of only Audit Committee and Shareholders'/Investors' Grievance Committee.

resigned w.e.f. 02/07/2012.

Names of Directors and their shareholding in the Company as on March 31, 2013 are as follows:

Name of Director*	No. of shares held
Mr. Lalit Agarwal	2,194,025
Mr. Madan Gopal Agarwal	306,014
Mr. Hemant Agarwal	579,500
Mr. Aakash Moondhra	924
Mr. Krishan Kumar Gupta	0
Mr. Kamal Kumar Gupta	0

*includes only as Director not include HUF and spouse shares.

2. AUDIT COMMITTEE

The Audit Committee was reconstituted vide a resolution passed by the Board at its meeting held on July 2, 2012 pursuant to Section 292A of the Companies Act and in accordance with Clause 49 of the Listing Agreement. Act, 1956. The terms of reference of the Audit Committee include:

- Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the Statutory Auditor and the fixation of audit fees;
- Approval of payment to Statutory Auditors for any other services rendered by the Statutory Auditors;
- Reviewing the financial statements and draft audit report,

including quarterly/half-yearly financial information;

- Reviewing, with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval, with particular reference, but not restricted to:
 - Matters required to be included in the 'Director's Responsibility Statement' to be included in our Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956;
 - Changes, if any, in accounting policies and practices and reasons for the same;
 - Major accounting entries involving estimates based on the exercise of judgment by the management;
 - 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 any related party transactions;
 - Qualifications in the draft audit report;
 - Going concern assumption; and
 - Compliance with the Indian GAAP and IFRS.
- Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, among others.), the statement of funds utilised for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring

- the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- vii. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
 - viii. Reviewing the adequacy of the internal audit function, including the audit charter, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit; discussion with internal auditors of any significant findings and follow-up thereon;
 - ix. Discussion with internal auditors of any significant findings and follow up there on;
 - x. 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;
 - xi. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
 - xii. To review the functioning of the whistleblower mechanism, in case the same is existing;
 - xiii. Approval of appointment of CFO i.e., the Wholetime Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background of the candidate;
 - xiv. To investigate into any matter in relation to the items specified in Section 292A of the Companies Act, 1956 or in the reference made to it by the Board and for this purpose the committee shall have full access to information contained in the records of the Company;
 - xv. Reviewing the financial statements, in particular, the investments made by the unlisted subsidiary companies of our Company;
 - xvi. To seek information from any employee;
 - xvii. To obtain outside legal or other professional advice;
 - xviii. To secure the attendance of outsiders with relevant expertise, if it considers necessary;
 - xix. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee and to carry out any other function statutorily required to be carried out by the Audit Committee as per applicable laws;

The Audit Committee shall mandatorily review the following information:

- a) Management discussion and analysis of financial information and results of operations;
- b) Statement of significant related party transactions (as defined by the Audit Committee), submitted by the management;
- c) Management letters/letters of internal control weaknesses issued by the Statutory Auditors;
- d) Internal audit reports relating to internal control weaknesses; and
- e) The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee.
- f) Financial statements, in particular, the investments made by the unlisted subsidiary Company.

The recommendations of the Audit Committee on any matter relating to financial management, including the audit report, are binding on the Board. If the Board is not in agreement with the recommendations of the Audit Committee, reasons for disagreement shall have to be recorded as minutes at the Board Meeting and the same has to be communicated to the shareholders. The chairman of the committee has to attend the Annual General Meetings of the Company to provide clarifications on matters relating to the audit.

A total of six Audit Committee Meetings were held in the financial period 2012-13. The meetings were held on 14/06/2012, 27/08/2012, 10/11/2012, 06/01/2013, 08/01/2013 and 16/03/2013.

The composition of the Committee and details of attendance at the Meetings are as follows:

Name of Member	Designation	No. of Meetings attended
Mr. Krishan Kumar Gupta	Chairman	6
Mr. Aakash Moondhra	Member	6
Mr. Lalit Agarwal	Member	6
Mr. Kamal Kumar Gupta	Member	5

3. REMUNERATION COMMITTEE

The Remuneration Committee was reconstituted vide a resolution passed by the Board at its meeting held on July 2, 2012 in accordance with Clause 49 of the Listing Agreement.

The composition of the Committee and details of attendance at the Meeting are as follows:

Name of Member	Designation	No. of Meetings attended
Mr. Kamal Kumar Gupta	Chairman	1
Mr. Aakash Moondhra	Member	1
Mr. Krishan Kumar Gupta	Member	1

The meeting of the Remuneration Committee were held on 21/05/2012. during the period.

The details of remuneration paid (including commission due as on 31/03/2013 but not paid) to the Directors for the period of 12 months ended on March 31, 2013.

Name of Member	Salary	Commission
Mr. Lalit Agarwal	42.5	28.03
Mr. Madan Gopal Agarwal	14.00	9.25
Mr. Hemant Agarwal	28.00	18.50

Sh. Madan Gopal Agarwal is the father of Sh. Lalit Agarwal and Sh. Hemant Agarwal, Directors of the Company.

The sitting fees for the Independent Directors on the Board, for attending the Board meetings be set at ₹20,000 per meeting.

4. SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE

The Shareholders'/Investors' Grievance Committee was reconstituted vide a resolution passed by the Board on July 2, 2012 in accordance with Clause 49 of the Listing Agreement.

The Shareholders'/Investors Grievance Committee currently comprises of the following Members:

Name of Member	Designation
Mr. Krishan Kumar Gupta	Chairman
Mr. Lalit Agarwal	Member
Mr. Madan Gopal Agarwal	Member

7. GENERAL BODY MEETINGS

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

Year	No. of AGM	Date & Time of AGM	Venue
2011-12	10	10-07-2012 11A.M.	F-11, Udyog Nagar Industrial Area, Peeragarhi, New Delhi-110041
2010-11	9	19-09-2011 11A.M.	F-15, Udyog Nagar Industrial Area, Peeragarhi, New Delhi-110041
2009-10	8	27-09-2010 11A.M.	F-15, Udyog Nagar Industrial Area, Peeragarhi, New Delhi-110041

Name of Member	Designation
Mr. Hemant Agarwal	Member

No Shareholders'/Investors' Grievance Committee meetings were conducted in period 2012-13 as the Company had no investor grievances during the financial year 2012-13.

No Shareholders/ Investors Grievance meeting conducted in period 2012-13 but as per Register's record as follows:

Investors Complaint	
Pending at the beginning at the quarter	Nil
Received during the quarter	2
Disposed of during the quarter	2
Remaining unresolved at the end of the quarter	Nil

5. OPERATION COMMITTEE

The Operation Committee was reconstituted vide a resolution passed by the Board at its meeting held on July 2, 2012. Currently, the composition of the Remuneration Committee is as follows:

The composition of the Committee and details of attendance at the Meetings are as follows:

Name of Member	Designation
Mr. Lalit Agarwal	Chairman
Mr. Kamal Kumar Gupta	Director
Mr. Snehal Shah	Member

6. COMPLIANCE OFFICER

Mr. Yogesh Bhardwaj, Company Secretary is the Compliance Officer for complying with the requirements of Securities Laws and Listing Agreements with the Stock Exchanges in India.

Special Resolutions passed in the previous three Annual General Meetings are as follows:

AGM	AGM date	Special Resolutions passed through show of Hands
10	10-07-2012	Adoption of Article of Association Adoption of ESOP Scheme
9	19-09-2011	No Special Resolution passed
8	27-09-2010	To give authority to sell, lease or dispose of whole or substantially the undertaking of the Company Approval u/s 81A

During the period, an Extra-ordinary General Meeting of the members was held on 22nd May, 2012 and the following Special Resolutions were passed:

1. Approval u/s 81A
2. Increase in the limit of Investment by Non-Resident Indians in the share capital of the Company
3. Increase in the limit of Investment by Foreign Institutional Investors in the share capital of the Company
4. Increase in Borrowing limits

8. INFORMATION TO SHAREHOLDERS

8.1 Date, time and venue of the 11th Annual General Meeting:

Monday, September 30, 2013 at 10:00 am
at Technia Institute Of Teacher Education
F-19, Sector-8, Rohini, Delhi-110085

8.2 Date of book closure

From Wednesday, September 25, 2013 to Monday, 30, 2013 (both days inclusive)

8.3 Dividend

The Board of Directors of the Company has recommended a dividend of ₹1,79,58,738 (₹ One crore seventy nine lakh fifty eight thousand seven hundred and thirty eight only) (i.e. ₹ 1 per share), if approved, at the ensuing Annual General Meeting, will be paid/credited on or after October 05, 2013 to those members whose names appear on the Company's Register of Members.

8.4 Registered office:

F-11, Udyog Nagar Industrial Area,
Peeragarhi, Rohtak Road,
New Delhi-110041

9. LISTING IN STOCK EXCHANGES

The Equity Shares of the Company are listed in the following Stock Exchanges:

NATIONAL STOCK EXCHANGE OF INDIA LIMITED Exchange Plaza

Bandra - Kurla Complex
Bandra (E), Mumbai-400 051 and
Scrip Code: VMART

THE BOMBAY STOCK EXCHANGE

Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400 001
Scrip code: 534976

10. LISTING FEES

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

11. MEANS OF COMMUNICATION

Financial results

The results of the Company are furnished to the Stock Exchanges on a periodic basis (quarterly, half-yearly and annually) after the approval of the Board of Directors.

The results are normally published in Financial Express-English daily and Jansatta- Hindi newspaper within 48 hours after the approval by the Board.

The details of the financial results and shareholding pattern are hosted on the Company's website: www.vmart.co.in. All other official news and press releases are displayed on the same website.

The annual report, quarterly results and shareholding pattern of the Company are also posted by the BSE and NSE on their websites.

12. CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING

V-Mart Code of Conduct for prevention of insider trading (VMART INSIDER CODE) as approved by the Board of Directors, *inter alia*, prohibits purchase/sale of securities of the Company by Directors and employees while in possession of unpublished price sensitive information in relation to the Company. The V-Mart insider code is available on the Company's corporate website.

13. DISCLOSURES

- a) Besides the transactions mentioned elsewhere in the annual report, there were no materially significant related party transactions with the Promoters, Directors among others that may have potential conflict with the interests of the Company at large.

- b) There was no instance of non-compliance on the part of the Company, or penalties or strictures being imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter relating to the capital markets during the last three years.
- c) There were no pecuniary relationships or transactions entered into by any of the Non-executive Directors, vis-à-vis the Company.
- d) The Company has complied with all mandatory requirements and adopted non-mandatory requirements as mentioned hereunder.

Non-mandatory requirements:

1. **Chairman of the Board:** The Board of Directors of the Company had appointed Mr. Lalit Agarwal as Chairman and Managing Director of the Company. As there is no separate office of the Chairman being maintained, no reimbursement of expenses is being made for maintenance of a separate Chairman's office.
2. **Shareholders' rights:** Quarterly and half-yearly financial results of the Company are furnished to the Stock Exchanges and are also published in the newspapers and uploaded on website of the Company. Hence, half-yearly results were not separately sent to shareholders. Significant events are also posted on the Company's website under the investors section. The complete annual report sent to every shareholder of the Company.
3. **Audit qualifications:** There are no audit qualifications in the financial statement for FY 2012-13. Standard practices and procedures are in place to ensure unqualified financial statements.
4. **Training to Board Members:** The Board equipped to perform its role of business assessment through inputs from time to time. Directors are fully briefed on all business-related matters, risk assessment and minimising procedures and new initiatives. No training has been provided to the Board Members as on the date of this Report.

14. DIVIDEND INTIMATION THROUGH E-MAIL:

In order to protect the environment and as a part of the 'Go Green' initiative, the Company has taken sent all intimations regarding dividends for FY 2012-13 via e-mail. Physical credit intimation will be sent to only those shareholders whose e-mail addresses are not registered with the Company or if the e-mail rebounds. Shareholders are requested to register their e-mail addresses with Karvy Computer Share Private Limited (for shares held in physical form) and with their Depository Participant (for shares held in electronic form) for receiving dividend credit intimation on e-mail.

15. GREEN INITIATIVE

The Ministry of Corporate Affairs ('MCA'), Government of

India, through its Circular No. 17/11 dated April 21, 2011 and Circular No. 18/2011 dated April 29, 2011, has allowed companies to send Annual Report comprising of Balance Sheet, Profit & Loss Account, Directors' Report, Auditors' Report among others through electronic mode to the registered e-mail addresses of the members. Keeping in view the underlying theme and the circulars issued by MCA, we propose to send future communications in electronic mode to the e-mail address provided by you to the depositories. By opting to receive communication through electronic mode you have the benefit of receiving communications promptly and avoiding loss in postal transit. Members who hold shares in physical form and desire to receive documents in electronic mode are requested to provide their details (name, folio no. E-mail id) on the Company's e-mail address viz. cs@vmart.co.in. Members who hold shares in electronic form are requested to get their details updated with the respective depositories.

16. POSTAL BALLOT

No special resolution requiring postal ballot was passed during the year 2012-13. No special resolution requiring postal ballot is being proposed at the ensuing AGM.

17. DISCLOSURES

a) Material Related Party transactions

None of the materially significant transactions with any of the related parties was in conflict with the interest of the Company.

b) Compliances

The Company has complied with applicable rules and regulations prescribed by Stock Exchanges, SEBI or any other statutory authority relating to the capital markets.

All Returns/Reports were filled within the stipulated time with the Stock Exchanges/ other authorities.

c) Code of Conduct

The Code of Conduct (Code) is applicable to all Directors and employees of the Company. The Code is comprehensive and ensures good governance and provides for ethical standards of conduct on matters including conflict of interest, acceptance of positions of responsibility, treatment of business opportunities and the like. A copy of the Code is posted on the Company's website www.vmart.co.in.

All the Board Members and Senior management personnel have affirmed compliance to the Code for the year ended March 31, 2013.

Sd/-

Place : New Delhi

Lalit Agarwal

Dated : May 16, 2013

Chairman and Managing Director

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

To,
The Members of
V-Mart Retail Limited

We have examined the compliance of conditions of Corporate Governance by V-Mart Retail Limited ("the Company") for the year ended on March 31, 2013 as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in said clause. 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, and as per representations made by Directors and the Management, 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 Walker, Chandiok & Co
Chartered Accountants
Firm Registration No. - 001076N

Place : New Delhi
Date : May 16, 2013

Per Atul Seksaria
Partner
Membership No. - 086370

Certification by MD and CFO

To,
The Board of Directors,
V-Mart Retail Ltd.,
F-11, Udyog Nagar Industrial Area,
Peeragarhi, New Delhi-110041

Dear Sirs,

We hereby certify that:

- (a) We have reviewed the financial statements and cash flow statement for the year and that to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading;
 - ii. these statements together present a true and 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 in to 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:
 - i. significant changes in internal control over the financial reporting during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. 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 V-Mart Retail Ltd.

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Lalit Agarwal
Chairman and Managing Director

.....
Deepak Sharma
Chief Financial Officer

Place : New Delhi
Date : May 16, 2013

Financial Section

Independent Auditors' Report

To
The Members of
V-Mart Retail Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of V-Mart Retail Limited, ("the Company"), which comprise the Balance Sheet as at 31 March 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;
- ii) in the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
- iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the financial statements dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the financial statements comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act; and
 - e. on the basis of written representations received from the directors, as on 31 March 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For Walker, Chandio & Co
Chartered Accountants
Firm Registration No.: 001076N

per Atul Seksaria
Partner

Place: New Delhi
Date: 16 May 2013

Membership No.: 086370

Annexure to the Independent Auditors' Report

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- | | |
|---|---|
| <p>(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.</p> <p>(b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.</p> <p>(c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.</p> <p>(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.</p> <p>(b) The procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.</p> <p>(c) The Company is maintaining proper records of inventory and material discrepancies noticed on physical verification have been properly dealt with in the books of account.</p> <p>(iii) (a) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii) (b) to 4(iii)(d) of the Order are not applicable.</p> <p>(b) The Company has taken unsecured loans from two parties covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year was ₹10,213,082 and the year-end balance is ₹ Nil.</p> <p>(c) In our opinion, the rate of interest and other terms and conditions of loans taken by the Company are not, prima facie, prejudicial to the interest of the Company.</p> <p>(d) In respect of loans taken, repayment of the principal amount and the interest is regular.</p> <p>(iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course</p> | <p>of our audit, no major weakness has been noticed in the internal control system in respect of these areas.</p> <p>(v) The Company has not entered into any contracts or arrangements referred to in Section 301 of the Act. Accordingly, the provisions of clause 4(v) of the Order are not applicable.</p> <p>(vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.</p> <p>(vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.</p> <p>(viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act, in respect of Company's products/ services. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.</p> <p>(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. No undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.</p> <p>(b) The dues outstanding in respect of sales-tax, income-tax, custom duty, wealth-tax, excise duty, cess on account of any dispute, are as follows:</p> |
|---|---|

Name of the statute	Nature of dues	Amount ₹	Amount paid under protest (₹)	Period to which the amount relates	Forum where dispute is pending
The Finance Act, 1994	Service tax	3,032,733	-	1 June 2007 to 31 March 2010	Supreme Court
Punjab VAT Act, 2005	Value Added Tax	689,900	174,354	Financial Year 2012-13	Assistant Excise and Taxation Commissioner, Jalandhar
UP VAT Act, 2008	Value Added Tax	866,320	866,320	Financial Year 2012-13	Assistant Commissioner, Commercial Tax, Sitapur
UP VAT Act, 2008	Value Added Tax	613,677	613,677	Financial Year 2012-13	Assistant Commissioner, Commercial Tax, Ghaziabad
Income Tax Act, 1961	Income Tax	1,456,510	-	Financial Year 2008-09	Commissioner of Income tax (Appeals), Kolkata

- (x) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to any bank or financial institution during the year. The Company did not have any outstanding debentures during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, provisions of clause 4(xiii) of the Order are not applicable.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.
- (xv) The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4(xv) of the Order are not applicable.
- (xvi) In our opinion, the Company has applied the term loans for the purpose for which these loans were obtained.
- (xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment by the Company.
- (xviii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.
- (xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.
- (xx) We have verified the end use of money raised by public issue as disclosed by the management in the other explanatory information to the financial statements.
- xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For Walker, Chandio & Co
Chartered Accountants
Firm Registration No.: 001076N

per Atul Seksaria
Partner

Place: New Delhi
Date: 16 May 2013

Membership No.: 086370



Balance Sheet as at 31 March 2013

(Amount in ₹)

	Notes	As at 31 March 2013	As at 31 March 2012
EQUITY AND LIABILITIES			
Shareholder's funds			
Share capital	5	179,587,780	73,409,360
Reserves and surplus	6	1,296,948,161	468,750,753
		1,476,535,941	542,160,113
Non-current liabilities			
Long-term borrowings	7	20,172,397	21,991,301
Long term provisions	8	10,274,215	7,163,508
		30,446,612	29,154,809
Current liabilities			
Short-term borrowings	9	330,040,513	377,967,479
Trade payables		403,861,537	336,807,680
Other current liabilities	10	39,868,813	26,961,715
Short-term provisions	11	16,800,930	20,066,566
		790,571,793	761,803,440
		2,297,554,346	1,333,118,362
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	12	470,019,181	332,826,702
Intangible assets	13	4,358,656	2,736,938
Capital work-in-progress		13,171,404	7,836,708
Non-current investments	14	120,000,000	-
Deferred tax assets	15	7,257,525	6,388,196
Long term loans and advances	16	86,166,185	65,777,801
Other non-current assets	17	226,762	218,096
		701,199,713	415,784,441
Current assets			
Current investments	18	286,396,776	-
Inventories	19	1,107,505,728	869,416,749
Trade receivables	20	-	558,112
Cash and bank balances	21	157,692,788	19,406,939
Short-term loans and advances	22	44,324,581	27,312,040
Other current assets	23	434,760	640,081
		1,596,354,633	917,333,921
		2,297,554,346	1,333,118,362
Summary of significant accounting policies	4		

Notes 1 to 47 form an integral part of these financial statements

This is the balance sheet referred to in our report of even date

For Walker, Chandiok & Co
Chartered Accountants

for and on behalf of the board of directors of
V-Mart Retail Limited

per Atul Seksaria
Partner

Madan Gopal Agarwal
Director

Lalit Agarwal
Managing Director

Place: New Delhi
Date: 16 May 2013

Yogesh Bhardwaj
Company Secretary

Statement of Profit and Loss for the year ended 31 March 2013

(Amount in ₹)

	Notes	Year ended 31 March 2013	Year ended 31 March 2012
REVENUE			
Revenue from operations	24	3,834,589,940	2,818,718,179
Other income	25	1,897,503	821,455
		3,836,487,443	2,819,539,634
EXPENSES			
Cost of raw material consumed	26	51,287,320	23,419,807
Production expense		30,125,202	17,952,750
Purchase of traded goods and other direct expenses	27	2,857,944,793	2,132,506,442
Increase in inventories	28	(244,699,533)	(176,655,085)
Employee benefits expense	29	249,687,129	170,532,468
Other expenses	30	498,782,100	368,732,606
Prior period income	31	(6,359,570)	-
		3,436,767,441	2,536,488,988
Earnings before interest, tax, depreciation and amortization (EBITDA)		399,720,002	283,050,646
Depreciation and amortization expense	32	76,185,275	58,303,900
Finance costs	33	57,460,798	67,352,927
Profit before tax		266,073,929	157,393,819
Tax expense			
- Current tax		86,900,000	54,027,000
- Income tax earlier years		-	1,552,950
- Deferred tax		(869,326)	(2,736,836)
Total tax expense		86,030,674	52,843,114
Profit for the year		180,043,255	104,550,705
Earnings per equity share	34		
- Basic		12.34	7.50
- Diluted		12.34	7.50
Summary of significant accounting policies	4		

Notes 1 to 47 form an integral part of these financial statements

This is the Statement of Profit and Loss referred to in our report of even date

For Walker, Chandiok & Co
Chartered Accountantsfor and on behalf of the board of directors of
V-Mart Retail Limitedper Atul Seksaria
PartnerMadan Gopal Agarwal
DirectorLalit Agarwal
Managing DirectorPlace: New Delhi
Date: 16 May 2013Yogesh Bhardwaj
Company Secretary

Cash Flow Statement for the year ended 31 March 2013

(Amount in ₹)

	For the year 31 March 2013	For the year 31 March 2012
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax	266,073,929	157,393,819
Adjustment for:		
Depreciation and amortization	76,185,275	58,303,900
Stock written off	52,033,183	45,890,971
Loss on sale of fixed assets	-	84,083
Loss on sale of investments	17,019	-
Loss on revaluation of current investments	67,577	-
Fixed assets written off	69,692	392,832
Loss from theft	1,400	224,741
Provision for employee benefits	3,758,128	2,824,938
Provision for doubtful advances	896,948	-
Balances written off	1,139,755	2,568,730
Dividend income	(1,481,373)	-
Interest income	(416,130)	(821,455)
Liabilities written back	26,821	(3,354,425)
Interest expense	41,865,915	56,627,042
Prior period income	(6,359,570)	-
Operating profit before working capital changes	433,878,569	320,135,176
Movements in working capital :		
Increase in trade payables	73,386,606	107,925,783
Increase/(decrease) in other current liabilities	21,291,295	(3,738,266)
Decrease in trade receivables	558,112	844,951
Increase in inventories	(290,122,161)	(204,472,208)
Increase in long-term loans and advances	(21,585,309)	(21,140,948)
(Increase)/decrease in short-term loans and advances	(17,909,489)	17,086,975
Cash generated from operations	199,497,623	216,641,463
Taxes paid	(101,679,612)	(48,541,349)
Net cash flow from operating activities	97,818,011	168,100,114
B. CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of fixed assets, including intangible assets, capital work in progress and capital advances	(221,535,006)	(135,768,992)
Purchase of investments	(756,518,011)	-
Proceeds from sale of investments	350,036,638	-
Dividend income	1,481,373	-
Proceeds from sale of fixed assets	-	205,000
Interest received	621,451	417,526
Redemption of/(investment in) bank deposits (having original maturity of more than three months)	2,952,258	(3,474,938)
Decrease in pledged fixed deposits	1,401,246	1,262,672
Net cash flow used in investing activities	(621,560,051)	(137,358,732)

Cash Flow Statement (contd.) for the year ended 31 March 2013

(Amount in ₹)

	For the year 31 March 2013	For the year 31 March 2012
C. CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Proceeds from issue of shares including securities premium	842,310,000	-
Share issue expenses	(72,499,847)	-
Proceeds from long term borrowings	2,529,401	4,003,005
Repayment of long term borrowings	(11,950,999)	(9,541,097)
(Repayments of)/proceeds from short term borrowings (net)	(47,926,966)	30,408,037
Equity dividend paid	(2,936,374)	(2,936,374)
Corporate dividend tax paid	(487,732)	(487,732)
Finance charges	(42,647,424)	(55,966,976)
Net cash flow from/(used in) financing activities	666,390,059	(34,521,137)
Net increase/(decrease) in cash and cash equivalents	142,648,019	(3,779,755)
Net increase/(decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	10,773,851	14,553,606
Cash and cash equivalents at the end of the year	153,421,870	10,773,851
	142,648,019	(3,779,755)

Note:

- 1) The Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard-3 on Cash Flow Statements of the Companies (Accounting Standard) Rules, 2006.
- 2) During the year, the Company issued 6,606,842 fully paid equity shares of ₹10 each by way of bonus on 15 June 2012 being a non-cash transaction.

This is the Cash Flow Statement referred to in our report of even date

For Walker, Chandiok & Co
Chartered Accountants

for and on behalf of the board of directors of
V-Mart Retail Limited

per Atul Seksaria
Partner

Madan Gopal Agarwal
Director

Lalit Agarwal
Managing Director

Place: New Delhi
Date: 16 May 2013

Yogesh Bhardwaj
Company Secretary

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

1. Corporate information

V-Mart Retail Limited (the "Company") was incorporated on 24 July 2002. The Company retails readymade garments, accessories etc. and is engaged in the business of "Value Retailing" through the chain of stores situated at various places in India.

2. Basis of preparation

The financial statements have been prepared to comply with the Accounting Standards referred to in the Companies (Accounting Standards) Rules, 2006, (as amended) issued by the Central Government in exercise of the power conferred under sub-section (I) (a) of section 642 and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Company unless otherwise stated.

3. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's knowledge of current events and actions, actual results could differ from those estimates and revisions, if any, are recognised in the current and future periods.

4. Summary of significant accounting policies

(a) Tangible fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Fixed assets under construction and cost of assets not ready for use before the year-end, are presented as capital work in progress.

Depreciation on tangible assets other than leasehold improvements is provided on written down value method at the rates prescribed under Schedule XIV to the Companies Act, 1956. In respect of assets acquired/sold during the year, depreciation has been provided on pro-rata basis with reference to the days of addition or disposal. Depreciation on leasehold improvements is provided over their respective lease period or the estimated useful life of the leased assets, whichever is shorter.

(b) Intangible assets and amortization

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are amortized on a straight line basis over the estimated useful life not exceeding six years.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly.

(c) Leases

Operating leases:

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Lease payments under an operating lease are recognised as an expense in the Statement of Profit and Loss on a straight-line method over the lease term.

Finance leases:

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased asset, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the lessee's incremental borrowing rate. If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

(d) Borrowing costs

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss as incurred.

(e) Impairment

At each balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the Statement of Profit and Loss.

(f) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

Long-term investments are stated at cost. Provision for diminution in the value of long term investments is made when the decline is other than temporary in nature.

Current investments are stated at lower of cost and market value determined on an individual investment basis.

(g) Inventories

Inventories are valued as follows:

Raw materials, stores, spare parts and packing materials are valued at lower of cost and net realisable value. However, raw materials and other items held for use in the production of inventories are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost. Cost is determined based on first in first out method.

Work-in-progress and finished goods (including consignment stock) are valued at lower cost and net realisable value. Cost includes direct materials, labour, and all other costs of purchase incurred in bringing the inventories to their present location and condition. Cost is determined based on first in first out method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

(h) Revenue recognition

Revenue from sale of goods:

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer i.e. on delivery of goods to customers, revenue is recognised net of returns and trade discounts.

Others:

- Income from interest is accounted for on time proportion basis taking into account the amount outstanding and the applicable rate of interest.
- Store display income and insurance claims are accounted on receipt basis.
- Dividend income is recognised when the right to receive payment is established.

(i) Foreign currency transactions

Monetary items at the balance sheet date are translated using the rates prevailing on the balance sheet date. Transactions in foreign currency and non-monetary assets/liabilities are accounted for at the exchange rate prevailing on the date of the transaction. All monetary items denominated in foreign currency are converted at the period-end exchange rate. The exchange differences arising on such conversion and on settlement of the transactions are recognised in the Statement of Profit and Loss.

(j) Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15- Employee Benefits (Revised 2005) "Revised AS 15" of Companies (Accounting Standards) Rules, 2006.

i) Provident fund

The Company contributes on a defined contribution basis to Employees' Provident Fund and Employees' State Insurance Fund towards post-employment benefits, all of which are administered by the respective Government authorities, and has no further obligation beyond making its contribution, which is expensed in the year to which it pertains.

ii) Gratuity

Gratuity is a post-employment benefit and is in the nature of a defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Profit and Loss in the year to which such gains or losses relate.

iii) **Compensated absences**

Compensated absences are encashed at the end of each financial year or subsequent to year end and cannot be carried forward. Liability in respect of compensated absences has been recognised on the basis of earned leave available at the end of the year.

iv) **Other short term benefits**

Expense in respect of other short term benefits including performance bonus is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.

v) **Employee Stock Option Scheme (ESOS)**

Expense in respect of stock options granted to the employees under the stock options schemes is measured at intrinsic value of the stock options in accordance with the Guidance Note on Employee Share Based Payments issued by the Institute of Chartered Accountants of India. Accordingly, the excess of market price, determined as per the guidance note, of underlying equity shares (fair value), over the exercise price of the options is recognised as deferred stock compensation expense and is charged to Statement of Profit and Loss on a straight line basis over the vesting period of the options.

(k) **Share issue expenses**

The share issue expenses are adjusted against the balance in Securities Premium Account as permitted under Section 78 of the Companies Act, 1956.

(l) **Income taxes**

Tax expense comprises current income-tax and deferred tax. Current income-tax is determined in respect of taxable income with deferred tax being determined as the tax effect of timing differences representing the difference between taxable income and accounting income that originate in one period, and are capable of reversal in one or more subsequent period(s). Such deferred tax is quantified using rates and laws enacted or substantively enacted as at the end of the financial year.

(m) **Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of dilutive potential equity shares.

(n) **Contingent liabilities and provisions**

Depending upon the facts of each case and after due evaluation of legal aspects, claims against the Company not acknowledged as debts are treated as contingent liabilities. In respect of statutory dues disputed and contested by the Company, contingent liabilities are provided for and disclosed as per original demand without taking into account any interest or penalty that may accrue thereafter. The Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. Possible future or present obligations that may but will probably not require outflow of resources or where the same cannot be reliably estimated, has been disclosed as a contingent liability in the financial statements.

(o) **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short-term bank deposits with an original maturity of three months or less.

(p) **Measurement of Earnings before interest, tax, depreciation and amortization (EBITDA).**

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the Statement of Profit and Loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, finance costs and tax expense.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

5. SHARE CAPITAL

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
Authorised		
20,000,000 (Previous Year 15,000,000) equity shares of ₹10 each	200,000,000	150,000,000
Issued, subscribed and fully paid up shares		
17,958,778 (Previous year 7,340,936) equity shares of ₹10 each	179,587,780	73,409,360
Total issued, subscribed and fully paid up share capital	179,587,780	73,409,360

a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period

	As at 31 March 2013		As at 31 March 2012	
	Nos.	Amount (₹)	Nos.	Amount (₹)
At the beginning of the year	7,340,936	73,409,360	7,340,936	73,409,360
Issued during the year - Bonus issue	6,606,842	66,068,420	-	-
Issued during the year - Public issue	4,011,000	40,110,000	-	-
Outstanding at the end of the year	17,958,778	179,587,780	7,340,936	73,409,360

b) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31 March 2013, the amount of per equity share dividend recognised as distributions to Equity shareholders is ₹1 (31 March 2012 : ₹0.40).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c) Aggregate number of bonus shares issued, shares issued for consideration other than cash during the five years immediately preceding the reporting date :

	As at 31 March 2013		As at 31 March 2012	
	Nos.	Amount (₹)	Nos.	Amount (₹)
Equity shares allotted as fully paid bonus shares by capitalisation of free reserves	6,606,842	66,068,420	4,448,200	44,482,000
Equity shares allotted as fully paid up pursuant to a scheme of amalgamation	-	-	879	87,900

d) Details of equity shareholders holding more than 5% shares in the Company as at 31 March 2013

	As at 31 March 2013		As at 31 March 2012	
	Nos.	% holding	Nos.	% holding
Lalit Madangopal Agarwal	2,194,025	12.22%	1,154,750	15.73%
Sangeeta Agarwal	2,172,175	12.09%	1,143,250	15.57%
Naman Finance and Investment Private Limited	1,569,136	8.74%	1,739,019	23.69%
Uma Devi Agarwal	1,355,460	7.55%	713,400	9.72%
Lalit Agarwal (H.U.F)	1,277,275	7.11%	672,250	9.16%
IDFC Premier Equity Fund	1,152,876	6.42%	-	0.00%
Madan Gopal Agarwal (H.U.F)	1,041,675	5.80%	548,250	7.47%

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

6. RESERVES AND SURPLUS

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
Amalgamation reserve		
Balance at the beginning of the year	15,475,967	-
Add: Adjustment on account of amalgamation*	-	15,475,967
	15,475,967	15,475,967
Securities premium account		
Balance at the beginning of the year	208,431,458	208,431,458
Add: Addition during the year	802,200,000	-
Less: Amount utilised towards bonus issue	66,068,420	-
Less: Amount utilised towards share issue expenses	72,499,847	-
	872,063,191	208,431,458
Surplus in the statement of profit and loss		
Balance at the beginning of the year	244,843,328	159,192,696
Add: Profit for the year	180,043,255	104,550,705
Less : Adjustment on account of amalgamation*	-	15,475,967
Less : Appropriations		
Proposed dividend on equity shares - ₹1 per share (previous year ₹0.40 per share)	13,229,266	2,936,374
Dividend distribution tax	2,248,314	487,732
Net surplus in the statement of profit and loss	409,409,003	244,843,328
	1,296,948,161	468,750,753

* During the year ended 31 March 2012, the Company, in order to comply with the Hon'ble Calcutta High Court order dated 9 October 2007 sanctioning the scheme of amalgamation of Sambhav Promoters Private Limited with the Company, has transferred an amount of ₹15,475,967 from Surplus in Statement of Profit and Loss to Amalgamation Reserve.

** The Board of Directors of the Company, in their meeting held on 16 May 2013, recommended a dividend of ₹1 per equity share on pro-rata basis subject to approval of the shareholders at the ensuing Annual General Meeting of the Company.

7. LONG TERM BORROWINGS

(Amount in ₹)

	Non-current portion		Current maturities	
	As at 31 March 2013	As at 31 March 2012	As at 31 March 2013	As at 31 March 2012
Term loan				
Vehicle loans from banks (secured)	2,172,397	2,430,137	2,389,886	1,529,104
Other loans and advances				
Vehicle loans from other financial institutions (secured)	-	117,888	116,821	403,202
Finance lease obligations (secured)	-	1,443,276	1,443,276	9,620,370
Inter-corporate deposits (unsecured)	18,000,000	18,000,000	-	-
	20,172,397	21,991,301	3,949,983	11,552,676
The above amount includes				
Secured borrowings	2,172,397	3,991,301	3,949,983	11,552,676
Unsecured borrowings	18,000,000	18,000,000	-	-
Amount disclosed under the head "other current liabilities" (note - 10)	-	-	(3,949,983)	(11,552,676)
Net amount	20,172,397	21,991,301	-	-

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

7. LONG TERM BORROWINGS

(a) Details of repayment, rate of interest and security for vehicle loans and finance lease obligations:-

As at 31 March 2013	Installments	Amount outstanding (₹)	No. of installments	Installment amount (₹)	Date of loan	Rate of interest	Hypothecation of
Vehicle Loan	Monthly	143,587	35	29,549	15 October 2010	12%	Vehicle
Vehicle Loan	Monthly	438,312	36	29,680	28 September 2011	12%	Vehicle
Vehicle Loan	Monthly	824,782	36	55,658	01 August 2011	11%	Vehicle
Vehicle Loan	Monthly	685,765	36	30,930	31 March 2012	11%	Vehicle
Vehicle Loan	Monthly	336,625	36	15,300	31 March 2012	12%	Vehicle
Vehicle Loan	Monthly	570,237	36	23,120	31 July 2012	11%	Vehicle
Vehicle Loan	Monthly	562,259	36	22,796	31 July 2012	11%	Vehicle
Vehicle Loan	Monthly	999,649	35	37,146	7 Nov 2012	11%	Vehicle
Vehicle Loan	Monthly	117,888	36	30,030	29 July 2010	9%	Vehicle
Finance lease obligation	Quarterly	1,443,276	20	1,476,824	6 June 2008	14%	Specific assets taken on finance lease

As at 31 March 2012	Installments	Amount outstanding (₹)	No. of installments	Installment amount (₹)	Date of loan	Rate of interest	Hypothecation of
Vehicle Loan	Monthly	461,484	35	29,549	15 October 2010	12%	Vehicle
Vehicle Loan	Monthly	725,821	36	29,680	28 September 2011	12%	Vehicle
Vehicle Loan	Monthly	1,368,956	36	55,658	01 August 2011	11%	Vehicle
Vehicle Loan	Monthly	940,000	36	30,930	31 March 2012	11%	Vehicle
Vehicle Loan	Monthly	463,000	36	15,300	31 March 2012	12%	Vehicle
Vehicle Loan	Monthly	69,996	35	23,800	20 June 2008	12%	Vehicle
Vehicle Loan	Monthly	451,074	36	30,030	29 July 2010	9%	Vehicle
Finance lease obligation	Quarterly	997,000	20	268,939	15 February 2008	14%	Specific assets taken on finance lease
Finance lease obligation	Quarterly	3,323,711	20	902,255	01 April 2008	14%	
Finance lease obligation	Quarterly	6,742,935	20	1,476,824	6 June 2008	14%	

b) The inter corporate deposit carries return at fixed percentage of gross sales at two stores subject to minimum guaranteed annual return of ₹2,700,000. The amount is repayable by giving six months notice by either party to the agreement.

8. LONG TERM PROVISIONS

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
Provision for gratuity (refer note - 40)	10,274,215	7,163,508
	10,274,215	7,163,508

9. SHORT TERM BORROWINGS

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
Cash credits from banks (secured)	180,040,513	377,967,479
Working capital loan from bank (secured)	150,000,000	-
	330,040,513	377,967,479

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

9. SHORT TERM BORROWINGS

- (1) (i) Cash credit facility of ₹130,000,000 from bank carries an interest at basic rate plus 2.75%. The outstanding as on 31 March 2013 was debit balance of ₹76,641,918 shown in Note 21 (previous year - credit balance of ₹256,683,335).
- (ii) Working capital facility of ₹150,000,000 from bank carries a fixed rate of interest of 9.95% and is repayable after a period of six months. The outstanding as on 31 March 2013 was credit balance of ₹150,000,000 (previous year - ₹Nil).
- (iii) Cash credit facility of ₹100,000,000 from bank carries an interest at base rate plus 2.25% and is repayable on demand. The outstanding as on 31 March 2013 was credit balance of ₹170,712,504 (previous year - credit balance of ₹103,378,283).

These facilities are secured by way of :-

- a. Primary – Hypothecation charge of stock of goods including goods in transit and all the present and future book debts, shared with Bank(s) under Consortium Arrangement.
 - b. Collateral-
 1. First pari passu charge to working capital lenders (except bank 2 below) on all the present and future fixed assets of the Company.
 2. First pari passu charge to working capital lenders (except bank 2 below) on the following properties :-
 - (a) Equitable mortgage of residential property in the name of Mr. Lalit Agarwal (Managing director) , Mrs. Sangeeta Agarwal (Wife of Mr. Lalit Agarwal) & Mr. Madan Gopal Agarwal (Director) in Gurgaon.
 - (b) Equitable mortgage of residential property in the name of Mr. Hemant Agarwal (Director) and Mrs. Smiti Agarwal (Wife of Mr. Hemant Agarwal) in Ahmedabad.
 - (c) Equitable mortgage of residential property in the name of Mrs. Prem Lata Jatia in New Delhi.
 - (d) Cash Collateral of ₹3,800,000 in the form of pledge of fixed deposits in the name of the promoters.
- Further, personal guarantees have been given by Mr. Lalit Agarwal (Managing director), Mr. Hemant Agarwal (Director), Mr. Madan Gopal Agarwal (Director), Mrs. Sangeeta Agarwal (Wife of Lalit Agarwal), Mrs. Smiti Agarwal (Wife of Hemant Agarwal) and Mrs. Prem Lata Jatia.

- (2) Cash credit facility of ₹45,000,000 from bank carries an interest at basic rate plus 5% and is repayable on demand. The outstanding as on 31 March 2013 was credit balance of ₹9,328,008 (previous year - credit balance of ₹17,905,861).

This facility is secured by way of :-

Hypothecation of all credit card receivables and book debts of the Company, present and future.

10. OTHER CURRENT LIABILITIES

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
Current maturities of long-term liabilities (note - 7)	2,506,707	1,932,306
Current maturities of finance lease obligation (note - 7)	1,443,276	9,620,370
Interest payable on delay in payment of income tax	1,147,577	1,929,087
Interest accrued and due on borrowings	811,295	-
Book overdrafts	-	682,377
Creditors for fixed assets	18,286,248	5,551,980
Statutory liabilities	15,673,710	7,245,595
	39,868,813	26,961,715

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

11. SHORT TERM PROVISIONS

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
Income tax [net of prepaid taxes ₹ Nil (previous year: ₹38,080,469)]	-	15,946,531
Provision for gratuity	1,323,350	675,929
Proposed equity dividend [₹1 per share (previous year ₹0.40 per share)]	13,229,266	2,936,374
Dividend distribution tax	2,248,314	487,732
Fringe benefits tax [net of prepaid taxes ₹ Nil (previous year: ₹610,000)]	-	20,000
	16,800,930	20,066,566

12. TANGIBLE ASSETS

(Amount in ₹)

	Plant and equipment	Office equipment	Leasehold improvements	Computers	Furnitures and fixtures	Vehicles	Total
Gross Block							
As at 1 April 2012	199,774,250	10,685,417	47,879,767	30,955,976	240,438,161	14,215,241	543,948,812
Additions during the year	71,020,175	10,300,657	23,257,976	9,419,117	92,061,334	5,764,170	211,823,429
Disposals during the year	86,480	-	-	-	109,167	-	195,647
As at 31 March 2013	270,707,945	20,986,074	71,137,743	40,375,093	332,390,328	19,979,411	755,576,594
Accumulated depreciation							
As at 1 April 2012	71,727,839	2,639,868	11,223,354	23,304,857	95,541,170	6,685,022	211,122,110
Charge for the year	23,962,938	1,659,433	5,503,834	4,902,419	36,106,680	2,425,954	74,561,258
Disposals during the year	61,815	-	-	-	64,140	-	125,955
As at 31 March 2013	95,628,962	4,299,301	16,727,188	28,207,276	131,583,710	9,110,976	285,557,413
Net block							
As at 31 March 2013	175,078,983	16,686,773	54,410,555	12,167,817	200,806,618	10,868,435	470,019,181

Details of assets acquired on finance lease included above

(Amount in ₹)

	Plant and equipment	Office equipment	Leasehold improvements	Computers	Furnitures and fixtures	Total
Gross block						
As at 1 April 2012	13,108,934	113,275	1,181,707	2,166,082	21,964,100	38,534,098
Additions during the year	-	-	-	-	-	-
Disposals during the year	-	-	-	-	-	-
As at 31 March 2013	13,108,934	113,275	1,181,707	2,166,082	21,964,100	38,534,098
Accumulated depreciation						
As at 1 April 2012	10,166,901	86,524	945,366	1,671,442	17,285,642	30,155,875
Charge for the year	2,621,787	22,655	236,341	433,216	4,392,820	7,706,819
Disposals during the year	-	-	-	-	-	-
As at 31 March 2013	12,788,688	109,179	1,181,707	2,104,658	21,678,462	37,862,694
Net block						
As at 31 March 2013	320,246	4,096	-	61,424	285,638	671,404

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

13. INTANGIBLE ASSETS

(Amount in ₹)

	Computer Software
Gross block	
As at 1 April 2012	6,529,652
Additions during the year	3,245,735
As at 31 March 2013	9,775,387
Amortization	
As at 1 April 2012	3,792,714
Charge for the year	1,624,017
As at 31 March 2013	5,416,731
Net block	
As at 31 March 2013	4,358,656

14. NON-CURRENT INVESTMENTS

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
Long term trade investments, quoted (at cost)		
Investment in mutual funds of:		
IDFC Fixed Term Plan Series 11 Regular Plan - Growth 2,000,000 (previous year: Nil) units of ₹10 each	20,000,000	-
Axis Fixed Term Plan Series 34 - Direct Growth 10,000,000 (previous year: Nil) units of ₹10 each	100,000,000	-
	120,000,000	-
Aggregate market value of quoted investments	120,550,600	-
Aggregate book value of quoted investments	120,000,000	-

15. DEFERRED TAX ASSETS

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
Deferred tax assets arising on account of:		
Depreciation and amortization of fixed assets	2,654,406	2,973,407
Employee benefits	3,942,012	2,543,505
Provision for doubtful advances	304,873	-
Provision for compensated absences	93,875	-
Assets taken on finance lease	262,359	871,284
	7,257,525	6,388,196

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

16. LONG TERM LOANS AND ADVANCES

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
(Unsecured, considered good unless otherwise stated)		
Capital advances	2,700,318	1,569,172
Security deposits	39,359,191	37,742,615
Value added tax recoverable	35,039,679	17,178,785
Income tax [net of provisions ₹198,602,371 (previous year ₹81,491,630)]	1,925,715	3,109,475
Fringe benefits tax [net of provision ₹ Nil (previous year ₹1,029,049)]	-	4,556
Service tax deposit (refer note-45)	3,768,918	3,768,918
Other loans and advances	3,372,364	2,404,280
	86,166,185	65,777,801

17. OTHER NON-CURRENT ASSETS

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
(Unsecured, considered good unless otherwise stated)		
Fixed deposit with banks	217,020	218,096
Interest accrued on fixed deposits	9,742	-
	226,762	218,096
The deposits are pledged against :		
Bank guarantees issued to sales tax and service tax authorities and for cash credit facilities with banks.		

18. CURRENT INVESTMENTS

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
Investment in mutual funds (quoted) of:		
IDFC Ultra Short Term Fund - Daily Dividend - Regular Plan 2,000,419 (previous year: Nil) units of ₹10.0125 each	20,028,491	-
IDFC Ultra Short Term Fund - Weekly Dividend - Regular Plan 5,043,092 (previous year: Nil) units of ₹10.0061 each	50,461,682	-
IDFC Dynamic Bond Fund - Growth - Direct Plan 9,236,359 (previous year: Nil) units of ₹14.079 each.	130,036,638	-
IDFC Cash Fund - Daily Dividend - Direct Plan 25,029 (previous year: Nil) units of ₹1000.25 each.	25,035,676	-
Birla Sun Life Savings Fund - Weekly Dividend - Regular Plan 4,570 (previous year: Nil) units of ₹100.009 each.	457,066	-
Birla Sun Life Dynamic Bond Fund - Retail - Growth - Direct Plan 2,524,296 (previous year: Nil) units of ₹19.8075 each.	50,000,000	-
Birla Sun Life Cash Plus - Daily Dividend - Direct Plan - Reinvestment 99,827 (previous year: Nil) units of ₹100.195 each.	10,002,154	-
Reliance Money Manager Fund - Weekly Dividend Plan 374 (previous year: Nil) units of ₹1001.8698 each.	375,069	-
	286,396,776	
Aggregate market value of quoted investments	286,781,361	-
Aggregate book value of quoted investments	286,396,776	-

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

19. INVENTORIES

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
(valued at lower of cost or net realisable value)		
Raw materials	12,451,614	19,062,169
Packing and accessories	11,178,378	7,861,820
Work in progress	-	210,751
Finished/traded goods [including stock-in-transit : Nil (previous year ₹29,994,688)]*	1,083,875,736	842,282,009
	1,107,505,728	869,416,749

* Owing to the nature of Company's business and the voluminous nature of goods included in inventory, the Company carries out physical verification to cover all its retail stores and storage units over a period of one year. Shortfall identified during such physical verification is adjusted for each store/unit at the relevant time during the year after conclusion of such exercise.

20. TRADE RECEIVABLES

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
(Unsecured, considered good unless otherwise stated)		
Debts outstanding for a period exceeding six months	-	-
Other receivables	-	558,112
	-	558,112

21. CASH AND BANK BALANCES

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
Cash and cash equivalents		
Balances with banks in:		
- Current accounts	77,016,724	1,098,615
- Escrow account	50,083,160	-
Cash in hand	26,321,986	9,675,236
	153,421,870	10,773,851
Other bank balances		
Deposits with original maturity for more than 3 months but less than 12 months	295,918	3,256,842
Margin money deposits	3,975,000	5,376,246
	4,270,918	8,633,088
	157,692,788	19,406,939
The deposits are pledged against :		
Bank guarantees issued to sales tax and service tax authorities and for cash credit facilities.		

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

22. SHORT TERM LOANS AND ADVANCES

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
(Unsecured, considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	32,985,319	22,973,560
Security deposits	9,162,243	-
Prepaid expenses	3,073,967	2,267,556
Loan to employees	-	331,246
Value added tax recoverable	-	1,739,678
	45,221,529	27,312,040
Less: Provision for doubtful advances	(896,948)	-
	44,324,581	27,312,040

23. OTHER CURRENT ASSETS

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
Interest accrued on fixed/ margin money deposits	434,760	640,081
	434,760	640,081

24. REVENUE FROM OPERATIONS

(Amount in ₹)

	Year ended 31 March 2013	Year ended 31 March 2012
Sale of products	3,830,795,130	2,810,064,712
Other operating revenue	3,794,810	8,653,467
Revenue from operations (gross)	3,834,589,940	2,818,718,179
Details of products sold		
Apparels, homemart and accessories	2,867,058,838	1,961,002,280
Others	963,736,292	849,062,432
	3,830,795,130	2,810,064,712

25. OTHER INCOME

(Amount in ₹)

	Year ended 31 March 2013	Year ended 31 March 2012
Interest Income on		
Bank deposits	333,963	453,398
Others	82,167	368,057
Dividend income	1,481,373	-
	1,897,503	821,455

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

26. COST OF RAW MATERIAL CONSUMED

(Amount in ₹)

	Year ended 31 March 2013	Year ended 31 March 2012
Inventory at the beginning of the year	19,062,169	37,360,759
Add : Purchases during the year	44,676,765	5,121,217
	63,738,934	42,481,976
Less : Inventory at the end of the year	12,451,614	19,062,169
Cost of raw material consumed	51,287,320	23,419,807
Details of raw material consumed		
Fabrics	46,120,804	15,655,480
Stitching Accessories	5,166,516	7,764,327
	51,287,320	23,419,807
Details of inventory		
Fabrics	11,309,697	16,045,107
Stitching accessories	1,141,917	3,017,062
	12,451,614	19,062,169

27. PURCHASE OF TRADED GOODS AND OTHER DIRECT EXPENSES

(Amount in ₹)

	Year ended 31 March 2013	Year ended 31 March 2012
Purchase of traded goods		
Apparels, Homemart and accessories	1,936,041,349	1,308,539,050
Others	818,054,705	735,916,255
Stock written off	52,033,183	45,890,971
	2,806,129,237	2,090,346,276
Other direct expenses		
Carriage inwards	30,849,498	20,611,787
Consumables	20,180,701	21,187,399
Octroi and entry tax	785,357	360,980
	51,815,556	42,160,166
	2,857,944,793	2,132,506,442

28. INCREASE IN INVENTORIES

(Amount in ₹)

	Year ended 31 March 2013	Year ended 31 March 2012
Inventories at the end of the year		
Traded/finished goods (including stock in transit and consignment stock)	1,083,875,736	842,282,009
Work-in-progress	-	210,751
Packing material and accessories	11,178,377	7,861,820
	1,095,054,113	850,354,580
Inventories at the beginning of the year		
Traded/finished goods (including stock in transit and consignment stock)	842,282,009	666,492,801
Work-in-progress	210,751	1,755,752
Packing material and accessories	7,861,820	5,450,942
	850,354,580	673,699,495
	(244,699,533)	(176,655,085)

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

29. EMPLOYEE BENEFITS EXPENSE

(Amount in ₹)

	Year ended 31 March 2013	Year ended 31 March 2012
Salaries, wages and bonus	213,108,183	145,964,450
Contribution to provident and other funds	13,164,681	7,939,925
Staff welfare	23,414,265	16,628,093
	249,687,129	170,532,468

30. OTHER EXPENSES

(Amount in ₹)

	Year ended 31 March 2013	Year ended 31 March 2012
Rent	168,940,502	139,383,877
Power and fuel expenses	106,046,017	71,611,041
Advertisement and sales promotion	81,351,591	51,337,633
Packing materials and expenses	40,092,887	33,590,292
Repairs and maintenance		
- Building	12,274,354	11,281,748
- Machinery	4,694,285	3,069,962
- Others	5,134,268	3,381,365
Commission	8,413,010	5,851,687
Security expenses	23,600,230	14,247,600
Communication	4,704,716	3,767,187
Travelling and conveyance	6,352,046	5,939,500
Rates and taxes	4,170,693	3,964,504
Vehicle running expenses	3,791,903	2,273,706
Fixed assets written off	69,692	392,832
Legal and professional expenses	11,404,115	6,080,376
Printing and stationery	2,293,105	1,474,252
Freight outward	78,510	199,512
Auditors remuneration		
- as auditor	1,876,412	1,396,775
- for reimbursement of expense	60,054	8,273
Director Sitting Fee	768,768	
Insurance	1,409,712	955,310
Loss from theft	1,400	224,741
Foreign exchange loss	-	60,664
Loss on sale of fixed assets	-	84,083
Loss on sale of investments	17,019	-
Loss on revaluation of current investments	67,577	-
Provision for doubtful advances	896,948	-
Balances written off	1,139,755	2,568,730
Miscellaneous expenses	9,132,531	5,586,956
	498,782,100	368,732,606

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

31. PRIOR PERIOD INCOME

(Amount in ₹)

	Year ended 31 March 2013	Year ended 31 March 2012
Purchase discount	6,359,570	-
	6,359,570	-

32. DEPRECIATION AND AMORTIZATION EXPENSE

(Amount in ₹)

	Year ended 31 March 2013	Year ended 31 March 2012
Depreciation of tangible assets	74,561,258	57,220,729
Amortization of intangible assets	1,624,017	1,083,171
	76,185,275	58,303,900

33. FINANCE COSTS

(Amount in ₹)

	Year ended 31 March 2013	Year ended 31 March 2012
Interest expenses	40,718,339	54,762,584
Interest on delay in payment of income tax	1,147,576	1,864,458
Bank charges	15,594,883	10,725,885
	57,460,798	67,352,927

34. EARNINGS PER SHARE

(Amount in ₹)

	Year ended 31 March 2013	Year ended 31 March 2012
Basic earnings per share		
Profit for the year	180,043,255	104,550,705
Nominal value per share (₹)	10	10
Weighted average number of equity shares	14,586,836	13,947,778
	12.34	7.50
Diluted earnings per share		
Profit for the year	180,043,255	104,550,705
Nominal value per share (₹)	10	10
Weighted average number of equity shares	14,586,836	13,947,778
	12.34	7.50
Calculation of weighted average number of equity shares		
Weighted average number of equity shares excluding bonus issue	7,340,936	7,340,936
Add: Bonus issue*	6,606,842	6,606,842
Add: Weighted average number of equity shares issued during the year	639,058	-
Weighted average number of equity shares including bonus issue	14,586,836	13,947,778

* The shareholders of the Company, vide special resolution in extraordinary general meeting dated 22 May 2012 authorised the Board of Directors to allot 6,606,842 bonus shares to the shareholders, representing a ratio of 9:10 by capitalisation of reserves. Accordingly, these bonus shares have been considered for the purpose of determining basic and diluted earnings per share for the years ended 31 March 2011 and 2012.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

35. CAPITAL AND OTHER COMMITMENTS

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for.	9,575,693	4,242,421
(ii) For commitments relating to lease arrangements, please refer note 39.		

36. CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF:

(Amount in ₹)

	As at 31 March 2013	As at 31 March 2012
Demand raised by the sales tax authorities	2,169,897	12,004,163
Claims against the Company not acknowledged as debts	497,000	-
Service tax on rent payable based on Supreme Court order (refer note 45)	3,032,733	3,032,733
Demand raised by electricity board	3,142,326	2,763,417
Demand raised by income tax authority	306,787	306,787
Total	9,148,743	18,107,100

37. RELATED PARTY DISCLOSURES

Information required to be disclosed under Accounting Standard 18 "Related Party Disclosures"

a) Relationship

I. Company having significant influence over the company

Naman Finance and Investment Private Limited (with effect from 15 September 2008 till 14 February 2013)

II. Key Managerial Personnel

Lalit Agarwal Managing Director

Madan Gopal Agarwal Director

Hemant Agarwal Director

III. Relatives of key Managerial Personnel

Sangeeta Agarwal Wife of Lalit Agarwal

Smiti Agarwal Wife of Hemant Agarwal

Uma Devi Agarwal Wife of Madan Gopal Agarwal and Mother of Lalit and Hemant Agarwal

Sunita Shah Sister of Lalit and Hemant Agarwal

IV. Entities owned by the key managerial personnel

Lalit Agarwal (HUF) HUF in which Lalit Agarwal is Karta

Madan Gopal Agarwal (HUF) HUF in which Madan Gopal Agarwal is Karta

Hemant Agarwal (HUF) HUF in which Hemant Agarwal is Karta

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

37. RELATED PARTY DISCLOSURES (contd.)

b) The following transactions were carried out with related parties in the ordinary course of business:- (Amount in ₹)

Description	Key managerial personnel		Relatives of key managerial personnel		Company having significant influence		Entities owned by key managerial personnel	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Managerial Remuneration*								
Lalit Agarwal	7,153,530	3,600,000	-	-	-	-	-	-
Hemant Agarwal	4,750,329	2,400,000	-	-	-	-	-	-
Madan Gopal Agarwal	2,375,165	1,200,000	-	-	-	-	-	-
Salaries, wages and bonus								
Sangeeta Agarwal	-	-	600,000	600,000	-	-	-	-
Smiti Agarwal	-	-	360,000	360,000	-	-	-	-
Sunita Shah	-	-	-	546,000	-	-	-	-
Bonus shares issued								
Lalit Agarwal	10,392,750	-	-	-	-	-	-	-
Hemant Agarwal	2,745,000	-	-	-	-	-	-	-
Madan Gopal Agarwal	3,251,250	-	-	-	-	-	-	-
Lalit Agarwal (HUF)	-	-	-	-	-	-	6,050,250	-
Hemant Agarwal (HUF)	-	-	-	-	-	-	2,008,350	-
Madan Gopal Agarwal (HUF)	-	-	-	-	-	-	4,934,250	-
Sangeeta Agarwal	-	-	10,289,250	-	-	-	-	-
Uma Devi Agarwal	-	-	6,420,600	-	-	-	-	-
Smiti Agarwal	-	-	3,950,550	-	-	-	-	-
Naman Finance & Investment Private Limited"								
Private Limited"	-	-	-	-	15,651,170	-	-	-
Dividend paid								
Lalit Agarwal	461,900	461,900	-	-	-	-	-	-
Hemant Agarwal	122,000	122,000	-	-	-	-	-	-
Madan Gopal Agarwal	144,500	144,500	-	-	-	-	-	-
Lalit Agarwal (HUF)	-	-	-	-	-	-	268,900	268,900
Hemant Agarwal (HUF)	-	-	-	-	-	-	89,260	89,260
Madan Gopal Agarwal (HUF)	-	-	-	-	-	-	219,300	219,300
Sangeeta Agarwal	-	-	457,300	457,300	-	-	-	-
Uma Devi Agarwal	-	-	285,360	285,360	-	-	-	-
Smiti Agarwal	-	-	175,580	175,580	-	-	-	-
Naman Finance & Investment Private Limited	-	-	-	-	695,608	695,608	-	-
Interest on loan								
Lalit Agarwal	191,774	-	-	-	-	-	-	-
Madan Gopal Agarwal	21,308	-	-	-	-	-	-	-
Loan taken								
Lalit Agrawal	9,000,000	-	-	-	-	-	-	-
Madan Gopal Agarwal	1,000,000	-	-	-	-	-	-	-

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

37. RELATED PARTY DISCLOSURES (contd.)

b) The following transactions were carried out with related parties in the ordinary course of business:- (Amount in ₹)

Description	Key managerial personnel		Relatives of key managerial personnel		Company having significant influence		Entities owned by key managerial personnel	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Loan repaid								
Lalit Agrawal	9,000,000	-	-	-	-	-	-	-
Madan Gopal Agarwal	1,000,000	-	-	-	-	-	-	-
Issue of equity shares								
Naman Finance & Investment Private Limited	-	-	-	-	-	4,875,000	-	-

* Does not include gratuity expense as the same is provided in the books on the basis of actuarial valuation for the Company as a whole and hence individual figures cannot be determined.

Managerial remuneration comprises of the following:- (Amount in ₹)

	2012-13	2011-12
Remuneration	8,450,000	5,700,000
Reimbursement of expenses	250,000	1,500,000
Commission	5,579,024	-
Total	14,280,678	7,200,000

c) Balance at the end of year:-

Description	Key managerial personnel		Relatives of key managerial personnel	
	2012-13	2011-12	2012-13	2011-12
Remuneration/ salary payable				
Lalit Agarwal	276,292	238,262	-	-
Hemant Agarwal	195,317	171,971	-	-
Madan Gopal Agarwal	104,314	94,109	-	-
Sangeeta Agarwal	-	-	47,507	232,064
Smiti Agarwal	-	-	58,796	29,400
Sunita Shah	-	-	-	41,925

38. SEGMENT REPORTING

In the opinion of the management, there is only one reportable segment "Retail Sales" as envisaged by Accounting Standard 17 on "Segment Reporting". The Company is operating only in India and there is no other significant geographical segment.

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

39. Leases

Information required to be disclosed under Accounting Standard 19 on "Leases"

Operating lease

The retail stores are taken on lease with the initial lease term ranging from one to three years. These leases are further renewable on the expiry of initial lease term subject to mutual consent of both the parties. There are no restrictions imposed on the Company under the lease arrangement. There are no subleases.

The minimum lease payments for the initial lease term are as under:

(Amount in ₹)		
Description	2013	2012
Payable within 1 year	32,445,769	31,671,448
Payable between 1-5 years	5,499,603	15,052,034
Lease payment made for the year recognised in the Statement Profit and Loss	168,940,502	139,383,877

Finance lease

The Company has taken certain assets on finance lease basis. The legal title to such assets vests with the lessors. The total minimum lease payments, elements of unearned interest included in such payments and present value of lease payments are as follows:

(Amount in ₹)		
Description	2013	2012
Total minimum lease payments	1,476,824	12,068,896
Less: Future interest included above	33,541	1,005,246
Present value of minimum lease payments	1,443,283	11,063,650

The maturity profile of the finance lease obligation is as follows:

(Amount in ₹)				
Description	2013		2012	
	Minimum lease payments	Present Value	Minimum lease payments	Present Value
Payable within 1 year	1,476,824	1,443,283	10,592,072	9,620,370
Payable between 1-5 years	-	-	1,476,824	1,443,280

40. EMPLOYEE BENEFITS:

Gratuity

Amount recognised as expense in the Statement of Profit and Loss for the year ended 31 March 2013 is determined as under:

(Amount in ₹)		
Description	2013	2012
Current service cost	3,867,741	3,171,897
Interest cost	685,951	438,769
Actuarial loss/(gain) recognised during the year	(637,112)	(785,729)
Past service cost	-	-
Amount recognised in the Statement of Profit and Loss	3,916,580	2,824,937

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

40. EMPLOYEE BENEFITS: (contd.)

Movement in the liability recognised in the balance sheet is as under:

(Amount in ₹)		
Description	2012-13	2011-12
Present value of defined benefit obligation as at the beginning of the year	7,839,437	5,014,500
Current service cost	3,867,741	3,171,897
Interest cost	685,951	438,769
Benefits Paid	(158,452)	-
Actuarial gain recognised during the year	(637,112)	(785,729)
Past service cost	-	-
Present value of defined benefit obligation as at the end of the year	11,597,565	7,839,437
Current	1,323,350	675,929
Non-Current	10,274,215	7,163,508

For determination of the gratuity liability of the Company, the following actuarial assumptions were used:

(Amount in ₹)		
Description	2012-13	2011-12
Discount rate	8.75%	8.75%
Rate of increase in compensation levels	6%	6%
Mortality table	LIC (1994-96)	LIC (1994-96)
Withdrawal rate		
- Up to 30 years	3%	3%
- From 31 to 44 years	2%	2%
- Above 44 years	1%	1%

Provident fund, Employee State Insurance fund and Labour Welfare fund

Contribution made by the Company during the year is ₹13,164,681 (previous year ₹7,939,925).

As at the year end, no shortfall remains unprovided for as there is surplus in the fund. In the absence of guidance on actuarial valuation of Fund liability, which is to be issued by the Actuarial Society of India, the actuarial valuation liability towards Provident Fund is not feasible. Accordingly, other related disclosures in respect of provident fund have not been furnished.

41. VALUE OF IMPORTS CALCULATED ON CIF BASIS

(Amount in ₹)		
Description	Year ended 31 March 2013	Year ended 31 March 2012
Purchase of Capital goods	1,764,932	687,604
Total	1,764,932	687,604

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

42. V-MART ESOP SCHEME 2012

The Company has implemented an Employee Stock Option Scheme, which was approved by the Board of Directors and the shareholders vide resolution dated 2 July 2012 and 10 July 2012 respectively ('the V-Mart ESOP Scheme 2012'), consequent to which 300,000 equity shares of ₹10 each will be granted upon exercise of as stock options (ESOPs) to eligible employees. The exercise price of these options will be determined by the Remuneration Committee and the options will vest over a period of 12 months to 36 months of continued employment from the grant date.

On 20 July 2012, the Company has granted 153,252 ESOPs at an exercise price of ₹150.00 per option with graded vesting (i.e. 45,975 options vesting after 12 months from the date of grant, 45,975 options vesting after 24 months from the date of grant and 61,302 options vesting after 36 months from the date of grant). The vesting of options is subject to the continued employment of the grantee over the vesting period. The options granted can be exercised after vesting at any time before the expiry of eight years from the grant date.

The relevant details in respect of V-Mart ESOP Scheme 2012 are as follows:

a) The movement in the scheme is set out as under:

Particulars	ESOP Scheme 2012	
	Year ended 31 March 2013	
	Options (Numbers)	Weighted Average Price (₹)
a. Outstanding at the beginning of year	-	-
b. Granted during the year	153,252	150.00
c. Exercised during the year	-	-
d. Forfeited during the year	-	-
e. Expired during the year	-	-
f. Outstanding at the end of the year	153,252	150.00
g. Exercisable at the end of the year	-	-
h. Number of equity shares of ₹10 each fully paid up to be issued on exercise of option	153,252	150.00
i. Weighted average remaining contractual life	7.31 years	-

b) Pro forma Accounting for Stock Option Grants

The Company applies the intrinsic value-based method of accounting for determining compensation cost for its stock-based compensation plan. Had the compensation cost been determined using the fair value approach, the Company's net income and basic and diluted earnings per share as reported would have reduced to the pro forma amounts as indicated below:

(Amount in ₹)

Particulars	Year ended 31 March 2013
Net Profit as reported (a)	180,043,255
Add: Stock based employee compensation expense debited to Statement of Profit and Loss (i)	-
Less: Stock based employee compensation expense based on fair value (ii)	3,178,346
Difference between (i) and (ii)	(3,178,346)
Adjusted pro forma Profit (b)	176,864,909
Difference between (a) and (b)	3,178,346
Basic earnings per share as reported	12.34
Pro forma basic earnings per share	12.12
Diluted earnings per share as reported	12.34
Pro forma diluted earnings per share	12.12

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

42. V-MART ESOP SCHEME 2012 (contd.)

- c) The fair value of the options was estimated on the date of grant using the Black-Scholes model with the following significant assumptions:

(Amount in ₹)	
Particulars	Year ended 31 March 2013
Risk free interest rates (in %)	8.42
Expected life (in years)	4 years
Volatility (in %)	25%
Dividend yield (in %)	0.27%
Weighted average equity value per share (₹)	150.00
Weighted average exercise price (₹)	150.00

43. INITIAL PUBLIC OFFER (IPO) OF THE EQUITY SHARES OF THE COMPANY

During the year, the Company allotted 1,250,000 equity shares to the Pre- IPO investors at an issue price of ₹210 per equity share (including a premium of ₹200 per equity share) aggregating to ₹262,500,000 and also completed its IPO of 4,496,000 equity shares of ₹10 each for cash at a price of ₹210 per equity share (including a premium of ₹200 per equity share) aggregating to ₹944,160,000. The issue comprised of a fresh issue of 2,761,000 equity shares by the Company and an offer for sale of 1,735,000 equity shares by Naman Finance and Investment Private Limited. The Company's equity shares have been listed on both BSE Limited and the National Stock Exchange of India Limited on 20 February 2013.

Means of finance for the objects of the IPO are as under:-

Particulars	(Amount in ₹)
Proceeds from the fresh issue (A)	579,810,000
Proceeds from Pre-IPO placement (B)	262,500,000
Internal accruals	71,760,000
	914,070,000

The utilisation of the aforementioned means of finance as on 31 March 2013 is as under:

(Amount in ₹)				
Particulars	Utilisation planned as per prospectus	Utilisation of IPO proceeds as on 31 March 2013	Adjustments (utilisation of surplus towards other objects)	Balance amount to be utilised as on 31 March 2013
Opening of new stores	697,040,000	114,563,099	660,153	583,137,054
Expansion of distribution centre	43,870,000	1,078,570	-	42,791,430
Working capital	100,000,000	91,087,349	-	8,912,651
Share issue expenses	73,160,000	72,499,847	(660,153)*	Nil
	914,070,000	279,228,865	-	634,841,135

* Surplus available after actual expenses incurred will be utilised towards other objects of the issue.

Interim utilisation of balance IPO proceeds up to 31 March 2013 is as under:

Particulars	(Amount in ₹)
Balance unutilised amount assuming utilisation is out of IPO proceeds: (D = A+B-C)	563,081,135
Temporary kept in:	
Mutual funds	406,396,776
Escrow account	50,083,160
Cash credit account	106,601,199

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2013

44. In the opinion of the board of directors, assets, loans and advances have a value on realisation in the ordinary course of the business at least equal to the amounts at which they are stated and provision for all known liabilities have been made.
45. 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 Retailer Association of India (Company being a member of such association) has challenged the said levy and, inter-alia, its retrospective application. The Hon'ble Supreme Court has passed an interim order dated 14 October 2011, directing the members to deposit 50% of the arrears of service tax due upto 30 September 2011 and the balance if any at the time of final disposal of appeal. The amount of service tax on rent in respect of stores from 1 June 2007 till 30 September 2011 was ₹10,825,629 of which ₹7,792,896 has been provided for in the Statement of Profit and Loss till 31 March 2012 and the balance ₹3,032,733 has been classified as contingent liability.
- As per directions of Hon'ble Supreme Court, the Company after adjusting the amount already paid has made an aggregate deposit of ₹3,768,918 under protest towards the balance amount with the concerned authorities and the same is being presented as "Service tax deposit" under Long term loans and advances.
46. The Company has requested its vendors to confirm their status under Micro, Small and Medium Enterprises Development Act, 2006. None of the suppliers has confirmed that they are covered under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year-end together with interest paid/payable as required under the said Act have not been given.
47. The previous year figures have been re-classified/ re-grouped wherever considered necessary, to conform to current year classification.

For Walker, Chandiok & Co
Chartered Accountants

for and on behalf of the board of directors of
V-Mart Retail Limited

per Atul Seksaria
Partner

Madan Gopal Agarwal
Director

Lalit Agarwal
Managing Director

Place: New Delhi
Date: 16 May 2013

Yogesh Bhardwaj
Company Secretary

Our Team



Frontend Team



Backend Team

Disclaimer

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using

words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievement of results is subject to risks,

uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



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